



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

FOR RELEASE

June 28, 2011

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Atkins, Iowa.

The City's receipts totaled \$3,842,406 for the year ended June 30, 2010. The receipts included \$316,223 in property tax, \$214,461 from tax increment financing, \$74,625 from local option sales tax, \$445,875 from charges for service, \$547,941 from operating grants, contributions and restricted interest, \$14,543 from unrestricted interest on investments, \$2,074,981 from the sale of capital loan notes, \$128,525 from a bank loan and \$25,322 from other general receipts.

Disbursements for the year totaled \$4,565,110, and included \$271,286 for culture and recreation, \$232,410 for public safety, \$201,280 for public works, \$85,592 for general government and \$61,861 for debt service. Also, disbursements for business type activities totaled \$3,712,681.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1021-0032-B00F.pdf>.

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**CITY OF ATKINS**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2010**

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**City of Atkins**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2010)</b>		
Jim Kidwell	Mayor	Jan 2010
David Becker	Mayor Pro Tem	Jan 2010
Chad Carlson	Council Member	Jan 2010
Brian Cruise	Council Member	Jan 2010
Diane Herman	Council Member	Jan 2010
Mark Todd	Council Member	Jan 2010
Richard Lange	Clerk/Treasurer	Indefinite
Don Hoskins	Attorney	Indefinite
<b>(After January 2010)</b>		
David Becker	Mayor	Jan 2012
Brian Cruise	Mayor Pro tem	Jan 2012
David Duball	Council Member	Jan 2012
Tim Harbach	Council Member	Jan 2012
Diane Herman	Council Member	Jan 2012
Kevin Korsmo	Council Member	Jan 2012
Richard Lange	Clerk/Treasurer	Indefinite
Don Hoskins	Attorney	Indefinite

**City of Atkins**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atkins, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Atkins' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atkins as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

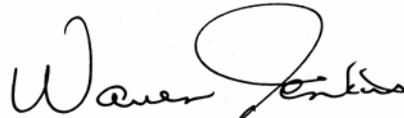
In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2011 on our consideration of the City of Atkins' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Atkins' basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 29, 2011

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Atkins provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

### **2010 FINANCIAL HIGHLIGHTS**

- The cash basis net assets of the City's governmental activities increased approximately \$308,000, due primarily to receiving donations and contributions for the planned construction of a library and City Hall and local option sales tax receipts.
- The cash basis net assets of the City's business type activities decreased approximately \$1,031,000, due primarily to disbursements from capital loan note proceeds for the construction of a water treatment facility.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund and 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment Financing. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

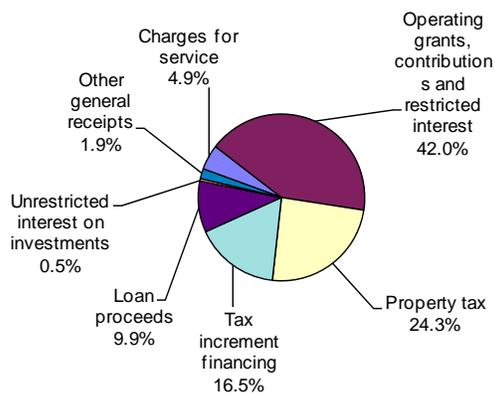
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

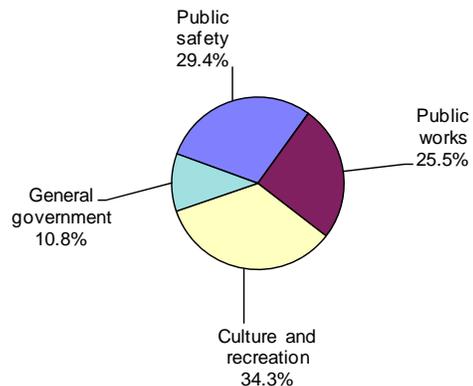
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$264,132 to \$572,539. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2010
Receipts:	
Program receipts:	
Charges for service	\$ 63,493
Operating grants, contributions and restricted interest	547,941
General receipts:	
Property tax	316,223
Tax increment financing	214,461
Local option sales tax	74,625
Bank loan proceeds	128,525
Unrestricted interest on investments	5,921
Other general receipts	25,322
Total receipts	<u>1,376,511</u>
Disbursements:	
Public safety	232,410
Public works	201,280
Culture and recreation	271,286
General government	85,592
Debt Service	61,861
Total disbursements	<u>852,429</u>
Change in cash basis net assets before transfers	524,082
Transfers	<u>(215,675)</u>
Change in cash basis net assets	308,407
Cash basis net assets beginning of year	<u>264,132</u>
Cash basis net assets end of year	<u>\$ 572,539</u>

**Receipts by Source**



**Disbursements by Function**



The cash basis net assets of the City's governmental funds increased \$308,407, primarily due to local option sales tax receipts and donations and contributions received toward the future construction of a new library and City Hall.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	Year ended June 30, 2010
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 151,227
Sewer	231,155
General receipts:	
Unrestricted interest on investments	8,622
Capital loan note proceeds	2,074,891
Total receipts	<u>2,465,895</u>
Disbursements:	
Operating:	
Water	146,275
Sewer	85,275
Non-operating:	
Debt service	1,077,736
Capital projects	2,403,395
Total disbursements	<u>3,712,681</u>
Changes in cash basis net assets before transfers	(1,246,786)
Transfers	<u>215,675</u>
Change in cash basis net assets	(1,031,111)
Cash basis net assets beginning of year	<u>2,095,052</u>
Cash basis net assets end of year	<u><u>\$1,063,941</u></u>

The cash basis net assets of the City's business type activities decreased 49.2%, or \$1,031,111, due primarily to disbursements for water treatment facility construction costs.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Atkins completed the year, its governmental funds reported a combined fund balance of \$572,539, an increase of \$308,407 over last year's total of \$264,132. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$114,338 to \$256,999 during the fiscal year. The increase is due primarily to local option sales tax receipts.
- The Special Revenue, Road Use Tax Fund cash balance increased \$10,743 to \$82,583 during the fiscal year. The increase is due to less spending for road work during fiscal year 2010.
- The Special Revenue, Urban Renewal Tax Increment Financing Fund ending balance did not change.
- The Special Revenue, Atkins Improvement Mission Fund cash balance increased \$139,427 to \$160,034 due to donations and contributions received for the planned construction of a library and City Hall.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$1,093,462 to \$553,678, due primarily to capital disbursements for construction of a water treatment facility.
- The Sewer Fund cash balance increased \$62,351 to \$510,263, due primarily to the receipt of \$768,800 in sewer revenue refunding capital loan note proceeds.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not amend its budget. The City's receipts were \$22,632 more than budgeted.

Total disbursements were \$1,620,155 more than budgeted due to the City not correctly budgeting for the purchase of a fire truck and debt service payments due during the fiscal year. The City also did not appropriately budget for disbursements related to the construction of the water treatment facility. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government, debt service and business type activities functions.

## DEBT ADMINISTRATION

At June 30, 2010, the City had \$4,351,922 in notes and other long-term debt outstanding, compared to \$3,124,500 outstanding at June 30, 2009, as follows:

	Outstanding Debt at Year-End	
	June 30,	
	2010	2009
General obligation capital loan notes	\$ 3,486,000	2,314,500
Sewer revenue notes	-	810,000
Sewer revenue refunding capital loan notes	775,000	-
Bank loan agreement	90,922	-
Total	\$ 4,351,922	3,124,500

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,576,922 is below its constitutional debt limit of \$4,572,220.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Atkins' elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities. New home construction in the City continues to provide growth for both the population and property valuations. The City's fiscal year 2011 taxable valuation increased approximately \$2.5 million, or 7.2%, over the fiscal year 2010 level. A special census, completed in April 2005, reported a population of 1,297. Current estimates are a population of 1,600 to 1,700 for the 2010 Census. The actual property valuation for the City in 2005 was \$71,856,300, compared with a 2010 actual property valuation of \$97,901,110, a 36% increase.

The development of an urban renewal plan which established a tax increment financing district has enhanced residential growth. The district has provided a means for the City to improve infrastructure, primarily water and sanitary sewer projects, while keeping increases in property tax and utility rates to a minimum.

The fiscal year 2011 budget includes receipts of \$1,507,425 and disbursements of \$1,655,731. The majority of the increase in receipts reflects anticipated funding for a new library and City Hall building and the majority of the decrease in disbursements reflects the completion of a new water treatment plant.

#### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Richard Lange, Clerk/Treasurer, PO Box 171, Atkins, Iowa 50514-0229.

## **Basic Financial Statements**

City of Atkins

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 232,410	5,903	119,561
Public works	201,280	54,393	120,312
Culture and recreation	271,286	2,330	286,854
General government	85,592	867	-
Debt service	61,861	-	21,214
Total governmental activities	852,429	63,493	547,941
Business type activities:			
Water	2,773,618	151,227	-
Sewer	939,063	231,155	-
Total business type activities	3,712,681	382,382	-
Total	\$ 4,565,110	445,875	547,941
<b>General Receipts and Transfers:</b>			
Property tax levied for:			
General purposes			
Employee benefits			
Tax increment financing			
Local option sales tax			
Bank loan proceeds			
Capital loan note proceeds, net of \$10,520 discount and \$1,611 of accrued interest			
Sewer revenue refunding capital loan note proceeds, net of \$6,200 discount			
Unrestricted interest on investments			
Sale of assets			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
<b>Cash Basis Net Assets</b>			
Restricted:			
Streets			
Debt service			
Other purposes			
Unrestricted			
<b>Total cash basis net assets</b>			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(106,946)	-	(106,946)
(26,575)	-	(26,575)
17,898	-	17,898
(84,725)	-	(84,725)
(40,647)	-	(40,647)
(240,995)	-	(240,995)
-	(2,622,391)	(2,622,391)
-	(707,908)	(707,908)
-	(3,330,299)	(3,330,299)
(240,995)	(3,330,299)	(3,571,294)
290,195	-	290,195
26,028	-	26,028
214,461	-	214,461
74,625	-	74,625
128,525	-	128,525
-	1,306,091	1,306,091
-	768,800	768,800
5,921	8,622	14,543
15,755	-	15,755
9,567	-	9,567
(215,675)	215,675	-
549,402	2,299,188	2,848,590
308,407	(1,031,111)	(722,704)
264,132	2,095,052	2,359,184
\$ 572,539	1,063,941	1,636,480
\$ 82,583	-	82,583
-	335,585	335,585
232,957	-	232,957
256,999	728,356	985,355
\$ 572,539	1,063,941	1,636,480

City of Atkins

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2010

	General	Road Use Tax	Special Urban Renewal Tax Increment Financing
<b>Receipts:</b>			
Property tax	\$ 290,195	-	-
Tax increment financing	-	-	214,461
Other city tax	74,625	-	-
Licenses and permits	6,733	-	-
Use of money and property	7,508	-	-
Intergovernmental	38,882	120,312	-
Charges for service	54,392	-	-
Miscellaneous	31,268	-	-
Total receipts	503,603	120,312	214,461
<b>Disbursements:</b>			
Operating:			
Public safety	188,762	-	-
Public works	91,711	109,569	-
Culture and recreation	117,667	-	-
General government	73,544	-	-
Debt service	61,861	-	-
Total disbursements	533,545	109,569	-
Excess (deficiency) of receipts over (under) disbursements	(29,942)	10,743	214,461
<b>Other financing sources (uses):</b>			
Bank loan proceeds	128,525	-	-
Sale of assets	15,755	-	-
Operating transfers out	-	-	(215,675)
Total other financing sources (uses)	144,280	-	(215,675)
Net change in cash balances	114,338	10,743	(1,214)
Cash balances beginning of year	142,661	71,840	1,214
Cash balances end of year	\$ 256,999	82,583	-
<b>Cash Basis Fund Balances</b>			
Unreserved:			
General fund	\$ 256,999	-	-
Special revenue funds	-	82,583	-
Total cash basis fund balances	\$ 256,999	82,583	-

See notes to financial statements.

Revenue		
Atkins		
Improvement		
Mission	Nonmajor	Total
-	26,028	316,223
-	-	214,461
-	-	74,625
-	-	6,733
743	466	8,717
-	-	159,194
-	-	54,392
276,601	90,017	397,886
277,344	116,511	1,232,231
-	43,648	232,410
-	-	201,280
137,917	15,702	271,286
-	12,048	85,592
-	-	61,861
137,917	71,398	852,429
139,427	45,113	379,802
-	-	128,525
-	-	15,755
-	-	(215,675)
-	-	(71,395)
139,427	45,113	308,407
20,607	27,810	264,132
160,034	72,923	572,539
-	-	256,999
160,034	72,923	315,540
160,034	72,923	572,539

**City of Atkins**

City of Atkins

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2010

	Enterprise		Total
	Water	Sewer	
Operating receipts:			
Charges for service	\$ 151,227	231,155	382,382
Operating disbursements:			
Business type activities	146,275	85,275	231,550
Excess of operating receipts over operating disbursements	4,952	145,880	150,832
Non-operating receipts (disbursements):			
Capital loan note proceeds, net of \$10,520 discount and \$1,611 of accrued interest	1,306,091	-	1,306,091
Sewer revenue refunding capital loan note proceeds, net of \$6,200 discount	-	768,800	768,800
Interest on investments	7,163	1,459	8,622
Debt service	(223,948)	(853,788)	(1,077,736)
Capital projects	(2,403,395)	-	(2,403,395)
Total non-operating receipts (disbursements)	(1,314,089)	(83,529)	(1,397,618)
Excess (deficiency) of receipts over (under) disbursements	(1,309,137)	62,351	(1,246,786)
Operating transfers in	215,675	-	215,675
Net change in cash balances	(1,093,462)	62,351	(1,031,111)
Cash balances beginning of year	1,647,140	447,912	2,095,052
Cash balances end of year	\$ 553,678	510,263	1,063,941
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	335,585	335,585
Unreserved	553,678	174,678	728,356
Total cash basis fund balances	\$ 553,678	510,263	1,063,941

See notes to financial statements.

City of Atkins

Notes to Financial Statements

June 30, 2010

**(1) Summary of Significant Accounting Policies**

The City of Atkins is a political subdivision of the State of Iowa located in Benton County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Atkins has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Atkins (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Unit

The Atkins Fire and First Responders, Inc. (Responders) and the Atkins Improvement Mission (Mission) have been incorporated under the provisions of the Revised Iowa Nonprofit Corporation Act, Chapter 504 of the Code of Iowa. The Responders assist the fire department in the discharge of its duties. The Mission collects contributions for the construction of a library and City Hall. In accordance with the criteria set forth by the Governmental Accounting Standards Board, the Responders and the Mission meet the definition of component units which should be blended. The financial activity of the component units have been blended as Special Revenue Funds of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Benton County Assessor's Conference Board, Benton County Emergency Management Commission and Benton County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Atkins Improvement Mission Fund accounts for donations, contributions and grants collected for the City to construct a new library and City Hall.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are incurred, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government, debt service and business type activities functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Long-Term Debt**

Annual debt service requirements to maturity for general obligation and sewer revenue refunding capital loan notes are as follows:

Years Ending June 30,	General Obligation Capital Loan Notes		Sewer Revenue Refunding Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 149,500	147,720	60,000	27,729	209,500	175,449
2012	220,500	137,315	60,000	22,418	280,500	159,733
2013	227,000	129,314	65,000	21,068	292,000	150,382
2014	238,500	121,040	65,000	19,605	303,500	140,645
2015	210,500	112,289	65,000	18,143	275,500	130,432
2016 - 2020	945,000	450,972	375,000	58,940	1,320,000	509,912
2021 - 2025	1,130,000	239,866	85,000	3,315	1,215,000	243,181
2026 - 2027	365,000	22,246	-	-	365,000	22,246
Total	\$ 3,486,000	1,360,762	775,000	171,218	4,261,000	1,531,980

General Obligation Capital Loan Notes

On November 1, 2005, the City entered into a capital loan note agreement with a local bank for \$140,000 to finance the acquisition of a fire truck. The note bears an interest rate of 5.00% per annum with a maturity date of June 1, 2015.

On March 1, 2007, the City entered into a capital loan note agreement for \$2,435,000 to pay the costs of acquiring, constructing and improving the municipal water utility, including a new treatment plant and related upgrades. The note bears interest at rates ranging from 4.00% to 4.50% per annum with a maturity date of June 1, 2026 and a call date of June 1, 2016.

On May 1, 2010, the City entered into a capital loan note agreement for \$1,315,000 to pay the costs of improving the municipal water utility, including a new treatment plant and related upgrades. The note bears interest at rates ranging from 2.50% to 4.80% per annum with a maturity date of June 1, 2027 and a call date of June 1, 2019.

Sewer Revenue Refunding Capital Loan Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,125,000 of sewer revenue notes issued March 1, 2001. Proceeds from the notes provided financing for the costs of construction of improvements and extensions to the sewer treatment plant.

On April 1, 2010, the City issued \$775,000 of sewer revenue refunding capital loan notes, with interest rates ranging from 2.25% to 3.90% per annum and a maturity date of June 1, 2021. The notes were issued as a current refunding to retire the outstanding balance of \$810,000 of the \$1,125,000 sewer revenue notes issued March 1, 2001. The City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$84,000.

The notes are payable solely from sewer customer net receipts. Annual principal and interest payments on the notes require approximately 60% of net receipts. The total principal and interest remaining to be paid on the notes is \$946,218. For the current year, principal and interest paid and total customer net receipts were \$0 and \$145,880, respectively.

The resolution providing for the issuance of the sewer revenue refunding capital loan notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payment when due.
- (c) Additional monthly transfers to a sewer revenue reserve account shall be made until a specific minimum balance has been accumulated. This account is restricted for the purpose of payment note principal and interest payments when insufficient money is available in the sinking account.

#### Bank Loan Agreement

On July 15, 2009, the City entered into a loan agreement with a local bank for \$128,525 to finance the purchase of a fire truck. The loan bears an interest rate of 4.50% per annum and was to be repaid within 180 days. During the year ended June 30, 2010, payments of \$27,500 were made on the loan before the loan was extended to June 1, 2019 for the \$101,025 loan balance. The City is required to make annual principal payments of \$10,103 plus interest at 4.50% per annum. The first annual payment of \$10,103 was made on June 1, 2010. The unpaid balance on the loan agreement at June 30, 2010 was \$90,922.

#### **(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2010 was \$11,541, equal to the required contribution for the year.

#### **(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 3 active members in the plan. Retired participants must be age 65 or older.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members change depending on age and are increased every 5 years of age. For the year ended June 30, 2010, the City contributed \$17,502 and plan members eligible for benefits contributed \$5,707 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 8,000
Compensatory time	<u>11,200</u>
Total	<u>\$ 19,200</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

**(7) Interfund Transfer**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Enterprise: Water	Special Revenue: Urban Renewal Tax Increment Financing	\$ 215,675

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceeded commercial insurance coverage for the year ended June 30, 2010.

**(9) Construction Commitments**

The City entered into a contract for the construction of a water treatment facility. Unpaid contract commitments as of June 30, 2010 totaled \$290,343, which will be paid as work on the project progresses.

**City of Atkins**

**Required Supplementary Information**

City of Atkins  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be budgeted
<b>Receipts:</b>			
Property tax	\$ 316,223	-	-
Tax increment financing	214,461	-	-
Other city tax	74,625	-	-
Licenses and permits	6,733	-	-
Use of money and property	8,717	8,622	1,209
Intergovernmental	159,194	-	-
Charges for service	54,392	382,382	-
Miscellaneous	397,886	-	366,347
Total receipts	<u>1,232,231</u>	<u>391,004</u>	<u>367,556</u>
<b>Disbursements:</b>			
Public safety	232,410	-	42,360
Public works	201,280	-	-
Culture and recreation	271,286	-	137,917
Community and economic development	-	-	-
General government	85,592	-	-
Debt service	61,861	-	-
Capital projects	-	-	-
Business type activities	-	3,712,681	-
Total disbursements	<u>852,429</u>	<u>3,712,681</u>	<u>180,277</u>
Excess (deficiency) of receipts over (under) disbursements	379,802	(3,321,677)	187,279
Other financing sources (uses), net	<u>(71,395)</u>	<u>2,290,566</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	308,407	(1,031,111)	187,279
Balances beginning of year	<u>264,132</u>	<u>2,095,052</u>	<u>36,469</u>
Balances end of year	<u>\$ 572,539</u>	<u>1,063,941</u>	<u>223,748</u>

See accompanying independent auditor's report.

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Total	Budgeted Amounts Original and Final	Final to Total Variance
316,223	312,378	3,845
214,461	217,783	(3,322)
74,625	70,045	4,580
6,733	5,017	1,716
16,130	5,700	10,430
159,194	152,401	6,793
436,774	451,723	(14,949)
31,539	18,000	13,539
1,255,679	1,233,047	22,632
190,050	63,064	(126,986)
201,280	159,354	(41,926)
133,369	110,264	(23,105)
-	220,783	220,783
85,592	84,120	(1,472)
61,861	29,110	(32,751)
-	156,550	156,550
3,712,681	1,941,433	(1,771,248)
4,384,833	2,764,678	(1,620,155)
(3,129,154)	(1,531,631)	(1,597,523)
2,219,171	100,000	2,119,171
(909,983)	(1,431,631)	521,648
2,322,715	1,865,033	457,682
1,412,732	433,402	979,330

City of Atkins

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. The budget was not amended during the year.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government, debt service and business type activities functions.

**Other Supplementary Information**

**City of Atkins**

## City of Atkins

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

	Special Revenue		
	Employee Benefits	Atkins Fire and First Responders Inc.	Total
Receipts:			
Property tax	\$ 26,028	-	26,028
Use of money and property	-	466	466
Miscellaneous	271	89,746	90,017
Total receipts	<u>26,299</u>	<u>90,212</u>	<u>116,511</u>
Disbursements:			
Operating:			
Public safety	1,288	42,360	43,648
Culture and recreation	15,702	-	15,702
General government	12,048	-	12,048
	<u>29,038</u>	<u>42,360</u>	<u>71,398</u>
Net change in cash balances	(2,739)	47,852	45,113
Cash balances beginning of year	11,948	15,862	27,810
Cash balances end of year	<u>\$ 9,209</u>	<u>63,714</u>	<u>72,923</u>
<b>Cash Basis Fund Balances</b>			
Unreserved:			
Special revenue funds	<u>\$ 9,209</u>	<u>63,714</u>	<u>72,923</u>

See accompanying independent auditor's report.

City of Atkins  
Schedule of Indebtedness  
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Fire truck	Nov 1, 2005	5.00%	\$ 140,000
Water improvements	Mar 1, 2007	4.00-4.50	2,435,000
Water improvements	May 1, 2010	2.50-4.80	1,315,000
Total			
Revenue notes:			
Sewer	Mar 1, 2001	5.25-5.60%	\$ 1,125,000
Sewer refunding capital loan	Apr 1, 2010	2.25-3.90	775,000
Total			
Bank loan agreement:			
Fire truck	Jul 15, 2009	4.50%	\$ 128,525

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
99,500	-	13,500	86,000	4,975
2,215,000	-	130,000	2,085,000	92,983
-	1,315,000	-	1,315,000	-
<u>\$ 2,314,500</u>	<u>1,315,000</u>	<u>143,500</u>	<u>3,486,000</u>	<u>97,958</u>
810,000	-	810,000	-	43,788
-	775,000	-	775,000	-
<u>\$ 810,000</u>	<u>775,000</u>	<u>810,000</u>	<u>775,000</u>	<u>43,788</u>
-	128,525	37,603	90,922	5,783

**Schedule 3**

City of Atkins  
 Note Maturities  
 June 30, 2010

Year Ending June 30,	General Obligation Capital Loan Notes						Total
	Fire Truck		Water Improvements		Water Improvements		
	Issued Nov 1, 2005		Issued March 1, 2007		Issued May 1, 2010		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2011	5.00%	\$ 14,500	4.00%	\$ 135,000		\$ -	149,500
2012	5.00	15,500	4.00	140,000	2.50%	65,000	220,500
2013	5.00	17,000	4.00	145,000	2.50	65,000	227,000
2014	5.00	18,500	4.00	155,000	2.50	65,000	238,500
2015	5.00	20,500	4.00	120,000	3.25	70,000	210,500
2016		-	4.00	105,000	3.25	70,000	175,000
2017		-	4.05	110,000	3.25	75,000	185,000
2018		-	4.10	115,000	4.00	75,000	190,000
2019		-	4.05	115,000	4.00	80,000	195,000
2020		-	4.25	120,000	4.00	80,000	200,000
2021		-	4.35	125,000	4.20	85,000	210,000
2022		-	4.40	130,000	4.20	85,000	215,000
2023		-	4.45	135,000	4.40	90,000	225,000
2024		-	4.50	140,000	4.40	95,000	235,000
2025		-	4.50	145,000	4.60	100,000	245,000
2026		-	4.50	150,000	4.70	105,000	255,000
2027		-		-	4.80	110,000	110,000
Total		<u>\$ 86,000</u>		<u>\$2,085,000</u>		<u>\$ 1,315,000</u>	<u>3,486,000</u>

Year Ending June 30,	Revenue Capital Loan Notes	
	Sewer Refunding	
	Issued Apr 1, 2010	
	Interest Rates	Amount
2011	2.25%	\$ 60,000
2012	2.25	60,000
2013	2.25	65,000
2014	2.25	65,000
2015	2.75	65,000
2016	3.00	65,000
2017	3.25	70,000
2018	3.50	75,000
2019	3.70	80,000
2020	3.80	85,000
2021	3.90	85,000
Total		<u>\$ 775,000</u>

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Atkins, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated April 29, 2011. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Atkins' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Atkins' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Atkins' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and another deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Atkins' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (E) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (F) to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Atkins' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Atkins' responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Atkins' responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Atkins and other parties to whom the City of Atkins may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Atkins during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

April 29, 2011

City of Atkins

Schedule of Findings

Year ended June 30, 2010

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties – One important element in designing internal control which safeguards assets and reasonably ensures the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person had control over each of the following areas:

- (1) Cash – preparing bank reconciliations, initiating cash receipt and disbursement transactions and handling and recording cash.
- (2) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (3) Receipts – collecting, depositing, journalizing and posting.
- (4) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (5) Disbursements – check writing, reconciling, check signing and posting.
- (6) Payroll – preparing and distributing.
- (7) Debt – recordkeeping, compliance and debt payment processing.
- (8) Accounting system – performing all general accounting functions and having custody of assets.
- (9) Computer system – performing all general accounting functions and controlling all data input and output.
- (10) Financial reporting – preparing, reconciling and distributing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review.

Response – The Mayor has taken on the duty of verifying and signing checks after reviewing supporting documents. The City continues to consider hiring a deputy clerk to help segregate the duties.

Conclusion – Response accepted.

City of Atkins

Schedule of Findings

Year ended June 30, 2010

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not prepared for the year ended June 30, 2010.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – A list of delinquent accounts will be prepared for the Public Works Director, along with shut off notices.

Conclusion – Response acknowledged. In addition, procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. An independent person should review the reconciliation each month.

- (C) Lack of Written Policies and Procedures – The City does not have an accounting policies and procedures manual.

The City has not adopted formal policies to regulate the use of City cell phones, addressing the employee mileage reimbursement rate and regulating the use of City credit cards or charge accounts with procedures for the proper accounting of credit card charges.

Recommendation – The City should develop an accounting policies and procedures manual to provide the following benefits:

1. Help achieve uniformity in accounting and in the application of policies and procedures.
2. Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

The City should adopt a formal written policy regulating the use of City credit cards and charge accounts by individuals while on City business. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and charge accounts and for what purposes, as well as the types of supporting documentation required to substantiate charges. In addition, the City should adopt formal written policies regulating the use of City cell phones and addressing the rate an employee will be reimbursed for mileage.

Response – The City will adopt written policies for credit card and cell phone usage and a formal written policy to adopt the Federal mileage rate for reimbursement to employees using their private vehicle for City business. A manual for policies and procedures will also be developed.

Conclusion – Response accepted.

City of Atkins

Schedule of Findings

Year ended June 30, 2010

(D) Receipts – Prenumbered receipts were not issued for all collections.

Recommendation – Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money.

Response – Utility billing stubs are filed daily, reconciled to deposit slips and recorded in the payment journal. The Council will consider receipts for collections.

Conclusion – Response acknowledged. Prenumbered receipts should be issued for all collections.

(E) Financial Reporting – Certain disbursement transactions were not consistently recorded to the proper disbursement account codes used in the financial records and required reclassification for proper reporting. In addition, the City did not record \$34,771 of interest on investments received from two certificates of deposit and a closed investment account. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation – To provide better financial information and control, a chart of accounts, such as the one endorsed by the City Finance Committee, should be established. The City should record disbursements to the proper account codes on a consistent basis. In addition, the City should implement procedures to ensure all receipts are properly recorded for financial reporting.

Response – 2010 was an unusual year. The City normally does not make these types of investments. Adjustments have been made to the monthly finance report to better record interest on investments. The City Clerk will ensure disbursements are coded properly.

Conclusion – Response accepted.

(F) Computer System – During our review of internal control, the existing control activities in the City's computer-based system were evaluated to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the City's computer-based system were noted:

The City does not have written policies over the computer system for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- requiring backups be performed daily and stored off site.

City of Atkins

Schedule of Findings

Year ended June 30, 2010

Also, the City does not have a written disaster recovery plan for its computer system.

Recommendation – The City should develop written policies addressing the above items to improve the City’s control over its computer-based financial system. Also, a written disaster recovery plan should be developed and tested periodically.

Response – The City is reviewing policies to adopt. The Clerk is backing up the computer by copying information to a separate laptop, which will be taken home each night.

Conclusion – Response acknowledged. The City should also develop and test a written disaster recovery plan.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Atkins

Schedule of Findings

Year ended June 30, 2010

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – A budget amendment was prepared but not accepted by the County Auditor due to improper timing of the publication of notice. The Clerk has been made aware of the proper timing of publications and will comply.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Djc Stores	Pizza for fire department	40
IPERS	Penalty for late wage report	41
Total		<u>\$ 81</u>

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – The City will establish written policies and procedures for disbursements.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Atkins

Schedule of Findings

Year ended June 30, 2010

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Richard Lange, City Clerk, Brother owns Atkins Lumber Company	Building materials and supplies	\$ 2,854

These transactions may represent a conflict of interest in accordance with Chapter 362.5(11) of the Code of Iowa because the cumulative total during the fiscal year was greater than \$2,500.

Recommendation – The City should consult legal counsel to determine the disposition of this issue.

Response – The City will consult legal counsel.

Conclusion – Response accepted.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the minutes but were not.

Minutes of Council proceedings were not always published as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 372 of the Code of Iowa. The City should ensure the minutes are being published as required.

Response – After reviewing publications, it was found the minutes of January 4, 2010 were not published as required. The Clerk will ensure the minutes are published.

Conclusion – Response accepted.

- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – The City should be approving a written investment policy.

Conclusion – Response accepted.

City of Atkins

Schedule of Findings

Year ended June 30, 2010

- (8) Sewer Revenue Refunding Capital Loan Notes – No instances of non-compliance with the provisions of the sewer revenue refunding capital loan notes resolution were noted.
- (9) Transfer – The transfer from the Special Revenue, Urban Renewal Tax Increment Financing Fund to the Enterprise, Water Fund was not approved by the City Council.

Recommendation – All transfers should be approved by the City Council.

Response – Transfers will be approved by the City Council.

Conclusion – Response accepted.

- (10) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains electronic images of the front of cancelled checks, but not the back of cancelled checks.

Recommendation – The City should retain an image of both the front and back of each cancelled check as required.

Response – The City will request the backs of the checks be included with the bank statement.

Conclusion – Response accepted.

- (11) Payment of General Obligation Notes – During the year ended June 30, 2010, general obligation capital loan notes were paid from the General Fund and the Enterprise, Water Fund. Chapter 384.4 of the Code of Iowa states, in part, “Money pledged or available to service general obligation notes, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – As required by Chapter 384.4 of the Code of Iowa, the City should transfer from the General Fund and Enterprise, Water Fund to the Debt Service Fund for future funding contributions.

Response – Funds will be properly transferred and paid from the Debt Service Fund for general obligation capital loan note payments.

Conclusion – Response accepted.

- (12) Bank Loan Agreement – On July 15, 2009, the City entered into a bank loan for \$128,525 for a fire truck. However, the City did not comply with the provisions of Chapters 384.24A and 384.25 of the Code of Iowa which require certain authorization procedures to be followed, including publication of a notice of intended action and the time and place of the meeting.

City of Atkins

Schedule of Findings

Year ended June 30, 2010

Recommendation – The City should comply with Chapters 384.24A and 384.25 of the Code of Iowa when entering into loan agreements.

Response – A notice will be published and the Code of Iowa followed for future loans.

Conclusion – Response accepted.

- (13) Allocation of Local Option Sales Tax Receipts to Atkins Improvement Mission – On October 5, 2009, the City Council approved committing 70% of the local option sales tax (LOST) receipts for the next five years to the Atkins Improvement Mission for the planned construction of a new library and City Hall. The Atkins Improvement Mission has been incorporated with the State of Iowa as a non-profit corporation since 2008.

The LOST referendum requires the LOST receipts be allocated 20% to the Atkins Fire Department and the Atkins Recreation Department for equipment, 70% to the Community Center, City Hall, Library and Community improvements and 10% to property tax relief. During the year ended June 30, 2010, the City provided \$29,776 to the Atkins Improvement Mission for planned construction of a library and City Hall. No construction costs have been incurred as the Atkins Improvement Mission is still in the process of collecting pledges and money for planned construction and the purchase of land.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, “No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly.”

Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee or other person and which show the receipt, use and disposition of all city property.”

The local option sales tax referendum may allow the City to commit 70% of the local option sales tax receipts for the library/City Hall project. However, the receipts should be retained and administered by the City and not be provided to a non-profit corporation to invest for a future project.

Recommendation – The City should consult legal counsel on this matter and recover the funds given to the Atkins Improvement Mission.

Response – The City will recover the funds from AIM and hold them in a separate account for the construction of the new library and City Hall.

Conclusion – Response accepted.

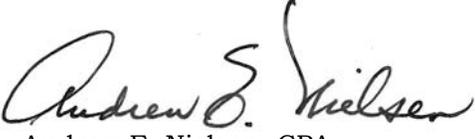
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City of Atkins

Staff

This audit was performed by:

Ronald D. Swanson, CPA, Manager  
Daniel L. Grady, Senior Auditor  
Jacqueline E. Gulick, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State