



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

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

June 7, 2007

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 has implemented new reporting standards for the year ended June 30, 2006, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$1,180,416 for the year ended June 30, 2006. The receipts included \$188,654 in property tax, \$164,841 from tax increment financing, \$396,928 from charges for service, \$187,312 from operating grants, contributions and restricted interest, \$5,882 from unrestricted interest on investments, \$220,000 from capital loan note and bank loan proceeds and \$16,799 from other general receipts.

Disbursements for the year totaled \$1,047,317, and included \$240,355 for public safety, \$180,177 for public works and \$95,710 for culture and recreation. Also, disbursements for business type activities totaled \$442,299.

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/reports.htm>.

###

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

JUNE 30, 2006

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Notes to Financial Statements		20-25
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		28-29
Notes to Required Supplementary Information – Budgetary Reporting		30
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Indebtedness	1	32-33
Note Maturities	2	34-35
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 <u>Government Auditing Standards</u>		37-38
Schedule of Findings		39-44
Staff		45

City of Atkins

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Shawn Steffen	Mayor	Jan 2006
Ron Gaines	Mayor Pro Tem	Jan 2006
David Becker	Council Member	Jan 2006
Ron Gaines	Council Member	Jan 2006
Diane Herman	Council Member	Jan 2006
Tony Smith	Council Member	Jan 2006
Connie Jacobsen	Council Member	Jan 2006
Richard Lange	Clerk/Treasurer	Indefinite
Don Hoskins	Attorney	Indefinite
(After January 2006)		
Jim Kidwell	Mayor	Jan 2008
Ron Gaines	Mayor Pro tem	Jan 2008
David Becker	Council Member	Jan 2008
Ron Gaines	Council Member	Jan 2008
Diane Herman	Council Member	Jan 2008
Brian Cruise	Council Member	Jan 2008
Dave McDonnell	Council Member	Jan 2008
Richard Lange	Clerk/Treasurer	Indefinite
Don Hoskins	Attorney	Indefinite

City of Atkins



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2006, 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.

Except as discussed in the following paragraph, 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, 2005.

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, 2005, 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, 2006, 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.

As described in Note 8, during the year ended June 30, 2006, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2007 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 internal control over financial reporting or 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 and 2 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, 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

February 22, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, and since 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.

2006 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased approximately \$82,000, due primarily to receiving \$140,000 in note proceeds.
- The cash basis net assets of the City's business type activities increased approximately \$51,000, due primarily to an increase in sewer rates and the number of customers served.

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 City's outstanding debt.

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.

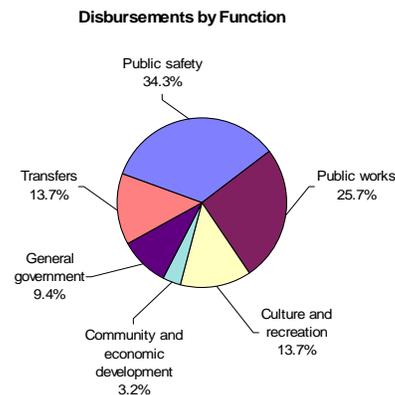
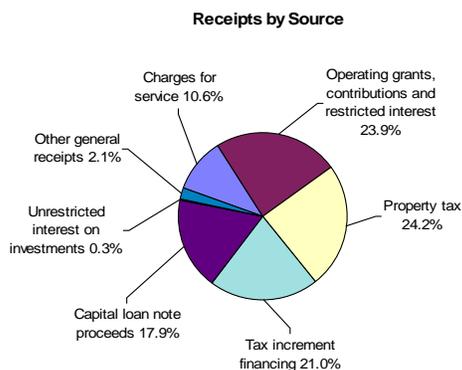
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

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 \$64,143 to \$146,376. 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, 2006
Receipts:	
Program receipts:	
Charges for service	\$ 83,137
Operating grants, contributions and restricted interest	187,312
General receipts:	
Property tax	188,654
Tax increment financing	164,841
Capital loan note proceeds	140,000
Unrestricted interest on investments	2,649
Other general receipts	16,799
Total receipts	<u>783,392</u>
Disbursements and transfers:	
Public safety	240,444
Public works	180,177
Culture and recreation	95,710
Community and economic development	22,586
General government	66,101
Transfers	96,141
Total disbursements and transfers	<u>701,159</u>
Increase in cash basis net assets	82,233
Cash basis net assets beginning of year	<u>64,143</u>
Cash basis net assets end of year	<u>\$ 146,376</u>

The cash basis net assets of the City's governmental funds increased \$82,233, primarily due to note proceeds received for a fire truck.



Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2006
Receipts and transfers:	
Program receipts:	
Charges for service:	
Water	\$ 118,766
Sewer	195,025
General receipts:	
Bank loan proceeds	80,000
Unrestricted interest on investments	3,233
Transfers	96,141
Total receipts and transfers	<u>493,165</u>
Disbursements:	
Water	268,740
Sewer	173,559
Total disbursements	<u>442,299</u>
Increase in cash basis net assets	50,866
Cash basis net assets beginning of year	<u>210,774</u>
Cash basis net assets end of year	<u>\$ 261,640</u>

The total business type activities cash basis net assets increased from a year ago, increasing from \$210,774 to \$261,640. The cash basis net assets of the City's business type activities increased primarily due to a 4% increase in sewer rates and an increase in the number of customers served.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Atkins completed the year, its governmental funds reported a combined fund balance of \$146,376, an increase of more than \$82,000 above last year's total of \$64,143. 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 \$51,579 from the prior year due to a transfer from the Urban Renewal Tax Increment Financing Fund of \$68,700.
- The Road Use Tax Fund cash balance increased \$16,058 to \$98,205 during the fiscal year. The increase is due to less spending for road work in FY06.
- The Atkins Fire and First Responders, Inc. Fund cash balance increased \$14,645 to \$41,931 due to donations/contributions and a Homeland Security grant.
- The Urban Renewal Tax Increment Financing Fund ending balance had no change. It remains at a \$0 balance.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$11,203 to \$14,952, due primarily to the payment of notes in fiscal 2006.
- The Sewer Fund cash balance increased \$62,069 to \$246,688, due primarily to the collection of sewer fees in excess of disbursements and debt repayment.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 1, 2006 and resulted in a decrease in budgeted disbursements of \$1,295,489. The public works function decreased because the City originally budgeted for a street extension that did not occur in fiscal 2006. This accounted for \$411,075 of the budget decrease. The business type activities amendment decreased expenditures by \$933,159 because a water treatment plant and a well project originally planned for fiscal 2006 did not occur.

Total disbursements were \$159,074 less than budgeted due to the City's budget for the capital projects function. The City anticipated street extension work for fiscal 2006 which did not occur.

DEBT ADMINISTRATION

At June 30, 2006, the City had \$1,681,200 in notes and other long-term debt outstanding, compared to \$1,614,900 outstanding at June 30, 2005, as follows:

Outstanding Debt at Year-End	
	June 30, 2006
General obligation capital loan notes	\$ 651,200
Bank loan	80,000
Sewer revenue notes	950,000
Total	<u>\$ 1,681,200</u>

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 \$731,200 is significantly below its constitutional debt limit of \$2,706,319.

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 2007 budget tax rates and fees charged for various City activities. New home construction in the City provides growth for both population and property valuations. In 2000, the City had a population of 997. A special census was conducted in March of 2005, resulting in a new count of 1,297, or a 30% increase. Property values have increased over 42% from 2002 to 2006, with the City averaging 31 new homes per year. This growth has allowed the City to have a consolidated tax levy of \$9.18 per \$1000 of taxable valuation.

The fiscal 2007 budget includes receipts of \$3,389,089 and disbursements of \$3,182,765. The majority of the increase in receipts and disbursements reflect the sale of notes to finance the construction 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, 2006

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 240,444	18,524	65,780
Public works	180,177	44,720	95,009
Culture and recreation	95,710	2,720	24,023
Community and economic development	22,586	13,726	2,500
General government	66,101	3,447	-
Total governmental activities	605,018	83,137	187,312
Business type activities:			
Water	268,740	118,766	-
Sewer	173,559	195,025	-
Total business type activities	442,299	313,791	-
Total	\$ 1,047,317	396,928	187,312

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
Bank loan proceeds
Capital loan note proceeds
Unrestricted interest on investments
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

Cash Basis Net Assets

Restricted:
 Streets
 Debt service
 Other purposes
Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(156,140)	-	(156,140)
(40,448)	-	(40,448)
(68,967)	-	(68,967)
(6,360)	-	(6,360)
(62,654)	-	(62,654)
(334,569)	-	(334,569)
-	(149,974)	(149,974)
-	21,466	21,466
-	(128,508)	(128,508)
(334,569)	(128,508)	(463,077)
188,654	-	188,654
164,841	-	164,841
-	80,000	80,000
140,000	-	140,000
2,649	3,233	5,882
16,799	-	16,799
(96,141)	96,141	-
416,802	179,374	596,176
82,233	50,866	133,099
64,143	210,774	274,917
\$ 146,376	261,640	408,016
\$ 98,205	-	98,205
-	214,692	214,692
42,152	-	42,152
6,019	46,948	52,967
\$ 146,376	261,640	408,016

City of Atkins

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

As of and for the year ended June 30, 2006

	General	Road Use Tax	Special Atkins Fire and First Responders Inc.
Receipts:			
Property and other city tax	\$ 173,518	-	-
Tax increment financing	-	-	-
Licenses and permits	21,952	-	-
Use of money and property	5,370	-	363
Intergovernmental	33,633	95,009	16,530
Charges for service	58,146	-	-
Miscellaneous	28,799	-	25,295
Total receipts	321,418	95,009	42,188
Disbursements:			
Operating:			
Public safety	210,878	-	27,543
Public works	101,226	78,951	-
Culture and recreation	86,770	-	-
Community and economic development	22,586	-	-
General government	61,879	-	-
Total disbursements	483,339	78,951	27,543
Excess (deficiency) of receipts over (under) disbursements	(161,921)	16,058	14,645
Other financing sources (uses):			
Capital loan note proceeds	140,000	-	-
Sale of assets	4,800	-	-
Operating transfers in	68,700	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	213,500	-	-
Net change in cash balances	51,579	16,058	14,645
Cash balances beginning of year	(45,560)	82,147	27,286
Cash balances end of year	\$ 6,019	98,205	41,931
Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 6,019	-	-
Special revenue funds	-	98,205	41,931
Total cash basis fund balances	\$ 6,019	98,205	41,931

See notes to financial statements.

Revenue		
Urban Renewal Tax Increment Financing	Nonmajor Employee Benefits	Total
-	15,136	188,654
164,841	-	164,841
-	-	21,952
-	-	5,733
-	-	145,172
-	-	58,146
-	-	54,094
164,841	15,136	638,592
-	2,023	240,444
-	-	180,177
-	8,940	95,710
-	-	22,586
-	4,222	66,101
-	15,185	605,018
164,841	(49)	33,574
-	-	140,000
-	-	4,800
-	-	68,700
(164,841)	-	(164,841)
(164,841)	-	48,659
-	(49)	82,233
-	270	64,143
-	221	146,376
-	-	6,019
-	221	140,357
-	221	146,376

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, 2006

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 118,766	195,025	313,791
Operating disbursements:			
Business type activities	202,680	42,017	244,697
Excess (deficiency) of operating receipts over (under) operating disbursements	(83,914)	153,008	69,094
Non-operating receipts (disbursements):			
Debt service	(66,060)	(131,542)	(197,602)
Bank loan proceeds	80,000	-	80,000
Unrestricted interest on investments	-	3,233	3,233
Total non-operating receipts (disbursements)	13,940	(128,309)	(114,369)
Excess (deficiency) of receipts over (under) disbursements	(69,974)	24,699	(45,275)
Operating transfers in	58,771	37,370	96,141
Net change in cash balances	(11,203)	62,069	50,866
Cash balances beginning of year	26,155	184,619	210,774
Cash balances end of year	\$ 14,952	246,688	261,640
Cash Basis Fund Balances			
Reserved for debt service	\$ -	214,692	214,692
Unreserved	14,952	31,996	46,948
Total cash basis fund balances	\$ 14,952	246,688	261,640

See notes to financial statements.

City of Atkins

Notes to Financial Statements

June 30, 2006

(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 unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

Atkins Fire and First Responders, Inc. has been incorporated under the provisions of the Revised Iowa Nonprofit Corporation Act, Chapter 504 of the Code of Iowa, to operate to assist the fire department in the discharge of its duties. In accordance with the criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund 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 two categories:

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 Atkins Fire and First Responders, Inc. Fund accounts for donations, contributions and grants used to assist the City fire department in the discharge of its duties and to promote education programs.

The Urban Renewal Tax Increment Financing Fund is used to account for the collection and use of the tax increment financing districts.

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 waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Atkins 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, 2006, disbursements exceeded the amounts budgeted in the public safety, public works and community and economic development functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 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) Notes and Bank Loan Payable

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

Years Ending June 30,	General Obligation Capital Loan Notes		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2007	\$ 124,700	30,867	45,000	51,137	169,700
2008	65,700	25,020	45,000	48,775	110,700	73,795
2009	66,300	22,019	50,000	46,413	116,300	68,432
2010	63,500	18,958	50,000	43,787	113,500	62,745
2011	69,500	15,958	55,000	41,137	124,500	57,095
2012 - 2016	261,500	29,963	305,000	160,107	566,500	190,070
2017 - 2021	-	-	400,000	69,225	400,000	69,225
Total	\$ 651,200	142,785	950,000	460,581	1,601,200	603,366

Sewer Revenue Notes

On March 1, 2001, the City entered into an agreement for the issuance of \$1,125,000 of sewer revenue notes with interest rates ranging from 4.25% to 5.60% per annum. The notes were issued pursuant to the provisions of Sections 384.24A and 384.82 of the Code of Iowa for the purpose of constructing improvements to the municipal sanitary sewer system.

The resolution providing for the issuance of the sewer revenue notes includes 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 for the purpose of making the note principal and interest payment when due.
- (c) Additional monthly transfers shall be made to a separate sewer revenue note reserve account 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 January 20, 2006, the City entered into a loan agreement with the local bank for \$80,000. The funds were to finance installation of a new well. The loan bears 5.00% per annum interest and is to be repaid in one payment of \$82,455 on September 1, 2006. Subsequently, the loan was extended to March 1, 2007. The loan was paid in full on March 1, 2007, including interest of \$4,439.

(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 3.70% of their annual covered salary and the City is required to contribute 5.75% 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, 2006 was \$8,219, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory hours 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, 2006, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 7,800
Comp Time	<u>2,700</u>
Total	<u>\$ 10,500</u>

This liability has been computed based on rates of pay in effect at June 30, 2006.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax	
	Increment Financing	\$ 68,700
Enterprise:		
Water		58,771
Sewer		<u>37,370</u>
Total		<u>\$ 164,841</u>

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

During the year ended June 30, 2006, the City incorrectly transferred \$44,265 to the General Fund from the Special Revenue, Urban Renewal Tax Increment Financing Fund. Also, the City did not transfer \$6,989 from the Special Revenue, Urban Renewal Tax Increment Financing Fund to the Enterprise, Water Fund. The City will make corrective transfers.

(7) 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 have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2006. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type.

Implementation of these standards had no effect on the beginning balances of the City.

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, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be budgeted
Receipts:			
Property tax	\$ 188,654	-	-
Tax increment financing	164,841	-	-
Other city tax	-	-	-
Licenses and permits	21,952	-	-
Use of money and property	5,733	3,233	363
Intergovernmental	145,172	-	16,530
Charges for service	58,146	313,791	-
Miscellaneous	54,094	-	25,295
Total receipts	<u>638,592</u>	<u>317,024</u>	<u>42,188</u>
Disbursements:			
Public safety	240,444	-	27,543
Public works	180,177	-	-
Culture and recreation	95,710	-	-
Community and economic development	22,586	-	-
General government	66,101	-	-
Debt service	-	-	-
Capital projects	-	-	-
Business type activities	-	442,299	-
Total disbursements	<u>605,018</u>	<u>442,299</u>	<u>27,543</u>
Excess (deficiency) of receipts over (under) disbursements	33,574	(125,275)	14,645
Other financing sources, net	48,659	176,141	-
Excess of receipts and other financing sources over disbursements and other financing uses	82,233	50,866	14,645
Balances beginning of year	64,143	210,774	27,286
Balances end of year	<u>\$ 146,376</u>	<u>261,640</u>	<u>41,931</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
188,654	184,969	184,969	3,685
164,841	167,913	167,913	(3,072)
-	3,489	3,489	(3,489)
21,952	25,005	25,005	(3,053)
8,603	6,500	6,500	2,103
128,642	111,661	113,367	15,275
371,937	362,706	374,902	(2,965)
28,799	11,000	19,400	9,399
913,428	873,243	895,545	17,883
212,901	52,500	202,719	(10,182)
180,177	566,659	155,584	(24,593)
95,710	78,313	100,328	4,618
22,586	8,000	12,215	(10,371)
66,101	67,736	67,736	1,635
-	127,704	-	-
-	160,000	160,000	160,000
442,299	1,413,425	480,266	37,967
1,019,774	2,474,337	1,178,848	159,074
(106,346)	(1,601,094)	(283,303)	176,957
224,800	1,740,000	2,052,748	(1,827,948)
118,454	138,906	1,769,445	(1,650,991)
247,631	334,450	247,630	1
366,085	473,356	2,017,075	(1,650,990)

City of Atkins

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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 unit. 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. During the year, one budget amendment decreased budgeted disbursements by \$1,295,489. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety, public works and community and economic development functions.

Other Supplementary Information

City of Atkins
 Schedule of Indebtedness
 Year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Water Improvements	Mar 6, 1995	4.85%	\$ 500,000
Sewer Improvements	Oct 1, 1998	4.10-4.50	425,000
Sewer Improvements	Aug 1, 1999	5.10-5.35	235,000
Fire Truck	Mar 3, 2003	4.50	61,000
Fire Truck	Nov 1, 2005	5.00	140,000
Total			
Revenue notes:			
Sewer	Mar 1, 2001	5.25-5.60%	\$ 1,125,000
Bank loan:			
Well installation	Jan 20, 2006	5.00%	\$ 80,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
120,000	-	60,000	60,000	5,760
290,000	-	25,000	265,000	12,370
180,000	-	15,000	165,000	9,435
34,900	-	8,700	26,200	1,570
-	140,000	5,000	135,000	4,083
<u>\$ 624,900</u>	<u>140,000</u>	<u>113,700</u>	<u>651,200</u>	<u>33,218</u>
990,000	-	40,000	950,000	52,997
-	80,000	-	80,000	-

City of Atkins

Note Maturities

June 30, 2006

Year Ending June 30,	General Obligation Capital Loan Notes					
	Water Improvements		Sewer Improvements		Sewer Improvements	
	Issued Mar 6, 1995		Issued Oct 1, 1998		Issued Aug 1, 1999	
	Interest	Amount	Interest	Amount	Interest	Amount
2007	4.85%	\$ 60,000	4.10%	\$ 30,000	5.10%	\$ 15,000
2008		-	4.20	30,000	5.10	15,000
2009		-	4.20	30,000	5.20	15,000
2010		-	4.30	30,000	5.25	20,000
2011		-	4.30	35,000	5.25	20,000
2012		-	4.40	35,000	5.30	20,000
2013		-	4.40	35,000	5.30	20,000
2014		-	4.50	40,000	5.35	20,000
2015		-		-	5.35	20,000
Total		\$ 60,000		\$ 265,000		\$ 165,000

Year Ending June 30,	Revenue Notes Sewer	
	Issued Mar 1, 2001	
	Interest	Amount
2007	5.25%	45,000
2008	5.25	45,000
2009	5.25	50,000
2010	5.30	50,000
2011	5.30	55,000
2012	5.30	55,000
2013	5.30	60,000
2014	5.30	60,000
2015	5.30	65,000
2016	5.35	65,000
2017	5.40	70,000
2018	5.45	75,000
2019	5.50	80,000
2020	5.55	85,000
2021	5.60	90,000
Total		\$ 950,000

See accompanying independent auditor's report.

Fire Truck			Fire Truck		Total
Issued Mar 3, 2003			Issued Nov 1, 2005		
Interest	Amount		Interest	Amount	
4.50%	\$	8,700	5.00%	\$ 11,000	124,700
4.50		8,700	5.00	12,000	65,700
4.50		8,800	5.00	12,500	66,300
		-	5.00	13,500	63,500
		-	5.00	14,500	69,500
		-	5.00	15,500	70,500
		-	5.00	17,000	72,000
		-	5.00	18,500	78,500
		-	5.00	20,500	40,500
	\$	<u>26,200</u>		<u>\$ 135,000</u>	<u>651,200</u>

City of Atkins



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 22, 2007. 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, 2005. 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 and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Atkins' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (B) are material weaknesses.

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 that are described in the accompanying Schedule of Findings.

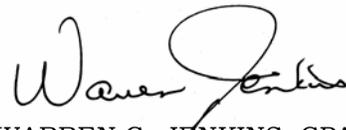
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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.

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

February 22, 2007

City of Atkins

Schedule of Findings

Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas for the City:

- (1) Accounting system – performing all general accounting functions and custody of assets.
- (2) Cash – preparing bank account reconciliations, initiating cash receipt and disbursement functions and handling and recording cash.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Long term debt – recording and reconciling.
- (5) Receipts – collecting, depositing, journalizing, reconciling and posting.
- (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (7) Disbursements – check writing, reconciling, check signing and posting.
- (8) Payroll – preparation, distribution, and posting.
- (9) Financial reporting – preparing, reconciling and distributing.
- (10) Computer Usage – Data entry.

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.

Response – As the City continues to grow, the addition of a Deputy Clerk will be needed and will help segregate duties. In addition, the Mayor will become more involved with reviewing day-to-day operations than in the past.

Conclusion – Response accepted.

(B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared for the year ended June 30, 2006.

City of Atkins

Schedule of Findings

Year ended June 30, 2006

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. An independent person should review the reconciliation each month.

(C) Receipts – The City does not prepare receipts for collections.

Recommendation – For additional accountability over receipts and financial reporting, prenumbered receipts should be issued as collections are received.

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 accepted.

(D) Disbursements – City checks require only the signature of the City Clerk.

Recommendation – City checks should be prepared and signed by one individual and all invoices and supporting documentation should then be provided to an independent individual for review and countersignature on all City checks.

Response – The Mayor will review checks before payments are mailed.

Conclusion – Response acknowledged. The countersigning procedure should be implemented to strengthen internal control.

(E) Information System – During our review of internal control, the existing control activities in the City's computer based system was evaluated in order 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 for:

- (1) Computer time out and/or log off functions.
- (2) Logging off unattended computer terminals.
- (3) Use of a screen saver password.
- (4) Scanning diskettes for viruses.

City of Atkins

Schedule of Findings

Year ended June 30, 2006

Also, the City does not have a written disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over its information system. A written disaster recovery plan should also be developed.

Response – The City will work to develop a written policy for computers and develop a disaster recovery plan.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Atkins

Schedule of Findings

Year ended June 30, 2006

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public safety, public works and community and economic development 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 accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The Clerk will monitor the budget and amend the budget as necessary.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined by an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City official or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Richard Lange, City Clerk, Brother owns Atkins Lumber Company	Building materials and supplies	\$ 3,914

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 the transactions with the City Clerk’s brother.

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 insure the coverage is adequate for current operations.

City of Atkins

Schedule of Findings

Year ended June 30, 2006

(6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

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

Recommendation – The City should approve a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Response – The City will develop a written investment policy.

Conclusion – Response accepted.

(8) Revenue Notes – No instances of non-compliance with the provisions of the revenue note resolution were noted.

(9) Utility Sales Tax – Sales tax was not properly computed on the water and sewer portions of the billings to non-residential commercial operations.

Recommendation – The City should ensure sales tax is computed correctly.

Response – The total amount of sales tax collected in error for the 13 months was \$68.38. Safeguards are now in place to help ensure the correct amount will be collected. Accounts have been credited for the overcharge.

Conclusion – Response accepted.

(10) Review of Canceled Checks – The electronic images of the back of checks written are not received with the monthly bank statements.

Recommendation – The City should receive electronic images of the back of checks to ensure checks written are properly endorsed.

Response – The City has requested images of the back of checks to be included with the bank statement.

Conclusion – Response accepted.

(11) General Obligation Capital Loan Notes – The principal and interest on general obligation capital loan notes used to purchase fire trucks were not paid from a Debt Service Fund as required by Chapter 384.4 of the Code of Iowa.

Recommendation – A separate Debt Service Fund should be established to pay principal and interest on general obligation capital notes as required by Chapter 384.4 of the Code of Iowa.

Response – A separate Debt Service Fund will be established.

Conclusion – Response accepted.

City of Atkins

Schedule of Findings

Year ended June 30, 2006

- (12) Capital Projects – Change orders were not prepared for two projects and disbursements did not match contracted amounts. The public notice for one project and hearing information for two projects could not be located.

Recommendation – Change orders should be prepared for all projects when disbursements change to ensure contracted amounts agree with payments. The City should give public notice of upcoming hearings and maintain proof of public notice and hearings to comply with the Code of Iowa.

Response – Change orders will be utilized and the City will comply with public notice and hearing information requirements.

Conclusion – Response accepted.

- (13) Corrective Transfers – The City paid principal and interest on sewer improvements from the General Fund totaling \$24,435. However, the City then transferred \$68,700 from the Special Revenue, Urban Renewal Tax Increment Financing Fund to the General Fund, an excess of \$44,265. In addition, transfers to the Enterprise, Water Fund from the Special Revenue, Urban Renewal Tax Increment Financing Fund were insufficient to pay principal and interest for sewer improvements by \$6,989.

Recommendation – The City should make corrective transfers for the amounts noted above.

Response – The City will make the corrective transfers.

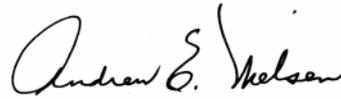
Conclusion – Response accepted.

City of Atkins

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager
John G. Vanis, Senior Auditor
Bradley A. Meisterling, Staff Auditor
Brian P. Schenkelberg, Assistant 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