



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

Contact: Brian Brustkern
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FOR RELEASE

April 1, 2024

Auditor of State Rob Sand today released an audit report on the the City of Atkins, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts and disbursements for the year ended June 30, 2022 totaled \$4,127,331 and \$4,171,701, respectively.

AUDIT FINDINGS:

Sand reported sixteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 42 through 51 of this report. The findings address issues such as the lack of segregation of duties, the lack of bank and utility reconciliations, disbursements exceeding budgeted amounts, deficit balances in the Capital Projects and Enterprise, Water Funds and errors in tax increment financing.

Eleven of the sixteen findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

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CITY OF ATKINS

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

JUNE 30, 2022

City of Atkins



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Rob Sand
Auditor of State

February 14, 2024

Officials of the City of Atkins
Atkins, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Atkins for the year ended June 30, 2022. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Atkins throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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City of Atkins

Officials

(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bruce Visser	Mayor	Jan 2022
Heather Rinderknecht	Council Member	Jan 2022
Robert Spading	Council Member	Jan 2022
Joey Svejda	Council Member	Jan 2022
Lana Robison	Council Member	(Resigned Dec 2021)
Nathan Shepard	Council Member	(Resigned Apr 2021)
Julie DeMeulenaere (Appointed Apr 2021)	Council Member	Nov 2022
Kelly Groskurth	City Administrator/Clerk	Indefinite
Don Hoskins	Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bruce Visser	Mayor	Jan 2026
Julie DeMeulenaere	Council Member	Jan 2024
Rick Stoltzfus (Elected Mar 2022)	Council Member	Jan 2024
Elwyn Bell	Council Member	Jan 2026
James Koehn	Council Member	Jan 2026
Samantha Petersen	Council Member	Jan 2026
Kelly Groskurth	City Administrator/Clerk	Indefinite
Holly Corkery	Attorney	Indefinite

City of Atkins



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STATE OF IOWA**

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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Qualified Opinions

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, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of such adjustments, if any, as might be determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2021, as described in the Basis for Qualified Opinion section of our report, 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, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all the prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2021.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Atkins, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the City of Atkins adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Atkins' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Atkins' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Atkins' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Atkins’ basic financial statements. The supplementary information included in Schedules 1 and 2 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information in Schedules 1 and 2 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

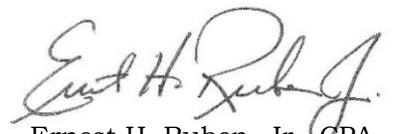
Other Information

Management is responsible for the other information included in this report. The other information comprises the Budgetary Comparison Information, the Schedule of the City’s Proportionate Share of the Net Pension Liability/Asset and the Schedule of City Contributions on pages 30 through 36 but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2024 on our consideration of the City of Atkins’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Atkins’ internal control over financial reporting and compliance.


Ernest H. Ruben, Jr., CPA
Chief Deputy Auditor of State

February 14, 2024

City of Atkins

Basic Financial Statements

City of Atkins

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2022

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 667,674	-	26,609
Public works	508,828	178,299	274,584
Culture and recreation	227,195	558	16,705
Community and economic development	458,328	-	-
General government	312,425	4	-
Debt service	375,408	-	295
Capital projects	782,294	-	-
Total governmental activities	3,332,152	178,861	318,193
Business type activities:			
Water	379,749	297,011	-
Sewer	459,800	607,966	-
Total business type activities	839,549	904,977	-
Total	\$ 4,171,701	1,083,838	318,193
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Tax increment financing			
Local option sales tax			
Unrestricted interest on investments			
American Rescue Plan Act			
Miscellaneous			
Bond proceeds, net of \$3,484 of premium and \$10,484 underwriters discount			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
Cash Basis Net Position			
Expendable:			
Streets			
Local option sales tax			
Debt service			
Other purposes			
Unrestricted			
Total cash basis net position			

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(641,065)	-	(641,065)
(55,945)	-	(55,945)
(209,932)	-	(209,932)
(458,328)	-	(458,328)
(312,421)	-	(312,421)
(375,113)	-	(375,113)
(782,294)	-	(782,294)
<u>(2,835,098)</u>	<u>-</u>	<u>(2,835,098)</u>
-	(82,738)	(82,738)
-	148,166	148,166
-	65,428	65,428
<u>(2,835,098)</u>	<u>65,428</u>	<u>(2,769,670)</u>
768,047	-	768,047
421,109	-	421,109
243,627	-	243,627
2,291	-	2,291
147,280	-	147,280
274,946	-	274,946
<u>868,000</u>	<u>-</u>	<u>868,000</u>
<u>2,725,300</u>	<u>-</u>	<u>2,725,300</u>
(109,798)	65,428	(44,370)
<u>1,966,748</u>	<u>(300,062)</u>	<u>1,666,686</u>
<u>\$ 1,856,950</u>	<u>(234,634)</u>	<u>1,622,316</u>
325,631	-	325,631
229,087	-	229,087
169,355	-	169,355
141,152	-	141,152
<u>991,725</u>	<u>(234,634)</u>	<u>757,091</u>
<u>\$ 1,856,950</u>	<u>(234,634)</u>	<u>1,622,316</u>

City of Atkins

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

As of and for the year ended June 30, 2022

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment Financing
Receipts:				
Property tax	\$ 678,963	-	-	-
Tax increment financing	-	-	-	421,109
Local option sales tax	-	-	243,627	-
Licenses and permits	21,435	-	-	-
Use of money and property	11,524	43	-	-
Intergovernmental	34,851	274,584	-	-
Charges for service	178,303	-	-	-
Miscellaneous	2,969	-	-	-
Total receipts	928,045	274,627	243,627	421,109
Disbursements:				
Operating:				
Public safety	659,346	-	-	-
Public works	227,082	274,165	-	-
Culture and recreation	194,885	-	-	-
Community and economic development	458,328	-	-	-
General government	283,217	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	1,822,858	274,165	-	-
Excess (deficiency) of receipts over (under) disbursements	(894,813)	462	243,627	421,109
Other financing sources (uses):				
Bond proceeds, net of \$3,484 premium and \$10,484 underwriter's discount	468,000	130,000	-	-
Transfers in	400,000	-	-	-
Transfers out	-	-	(400,000)	(375,408)
Total other financing sources (uses)	868,000	130,000	(400,000)	(375,408)
Change in cash balances	(26,813)	130,462	(156,373)	45,701
Cash balances beginning of year	1,062,694	195,169	385,460	19,403
Cash balances end of year	\$ 1,035,881	325,631	229,087	65,104
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care				
Restricted for:				
Streets	\$ -	325,631	-	-
Local option sales tax	-	-	229,087	-
Debt service	-	-	-	65,104
Other purposes	-	-	-	-
Unassigned	1,035,881	-	-	-
Total cash basis fund balances	\$ 1,035,881	325,631	229,087	65,104

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
-	-	89,084	768,047
-	-	-	421,109
-	-	-	243,627
-	-	-	21,435
-	94	240	11,901
-	147,280	-	456,715
-	-	-	178,303
-	242,463	7,785	253,217
-	389,837	97,109	2,354,354
300	-	8,028	667,674
-	-	7,581	508,828
-	-	32,310	227,195
-	-	-	458,328
-	-	29,208	312,425
375,408	-	-	375,408
-	782,294	-	782,294
375,708	782,294	77,127	3,332,152
(375,708)	(392,457)	19,982	(977,798)
-	270,000	-	868,000
375,408	-	-	775,408
-	-	-	(775,408)
375,408	270,000	-	868,000
(300)	(122,457)	19,982	(109,798)
104,551	78,301	121,170	1,966,748
104,251	(44,156)	141,152	1,856,950
-	-	-	325,631
-	-	-	229,087
104,251	-	-	169,355
-	-	141,152	141,152
-	(44,156)	-	991,725
104,251	(44,156)	141,152	1,856,950

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, 2022

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 297,011	607,966	904,977
Operating disbursements:			
Business type activities	379,749	208,380	588,129
Excess (deficiency) of operating receipts over operating disbursements	(82,738)	399,586	316,848
Non-operating disbursements:			
Debt service	-	(251,420)	(251,420)
Excess (deficiency) of receipts over (under) disbursements	(82,738)	148,166	65,428
Cash balances beginning of year	(410,125)	110,063	(300,062)
Cash balances end of year	\$ (492,863)	258,229	(234,634)
Cash Basis Fund Balances			
Unrestricted	\$ (492,863)	• 258,229	(234,634)

See notes to financial statements.

City of Atkins

Notes to Financial Statements

June 30, 2022

(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, 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 (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

The Atkins Fire – Atkins First Responders, Inc. is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the nonmajor governmental funds.

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 911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position 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 Cash Basis Statement of Activities and Net Position presents the City’s nonfiduciary net position. Net position is reported in the following categories:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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 and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies 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 the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the collection and use of local option sales tax, for purposes authorized in the LOST referendum.

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 Debt Service Fund is utilized to account for receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

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

The Enterprise, 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 paid, there are both restricted and unrestricted cash basis net position 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

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. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the debt services function. In addition, disbursements exceeded the amounts budgeted prior to the budget amendments in the public safety and public works functions.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2022 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 ensure 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. 72.

(3) Lessee Agreement

On July 22, 2019, the City entered into a lease agreement for copiers. The agreement requires monthly payments of \$744 over 5 years with an estimated implicit interest rate of 1.85% and final payment due June 22, 2024. During the year ended June 30, 2022, the City paid principal of \$8,520 and interest of \$408 on the agreement.

Future principal and interest lease payments as of June 30, 2022 are as follows:

Access Systems			
Year Ending June 30,	Principal	Interest	Total
2023	\$ 8,679	249	8,928
2024	8,841	87	8,928
Total	\$ 17,520	336	17,856

(4) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 1,305,000	875,000	235,000	1,945,000	300,000
Direct borrowings:					
General obligation bonds and notes	1,434,000	-	83,000	1,351,000	85,000
Governmental activities total	\$ 2,739,000	875,000	318,000	3,296,000	385,000
Business-type activities					
Sewer revenue notes	\$ 3,371,000	-	184,000	3,187,000	188,000

General Obligation Bonds

A summary of the City's June 30, 2022 general obligation bonds payable is as follows:

Year Ending June 30,	General Obligation Refunding			General Obligation Refunding		
	Issued Jan 15, 2015			Issued Aug 15, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	2.30%	\$ 135,000	14,093	1.55%	\$ 100,000	9,250
2024	2.40	140,000	10,987	1.75	100,000	7,700
2025	2.60	140,000	7,628	1.75	100,000	5,950
2026	2.75	145,000	3,987	2.00	105,000	4,200
2027		-	-	2.00	105,000	2,100
2028-2032		-	-		-	-
2033-2036		-	-		-	-
		\$ 560,000	36,695		\$ 510,000	29,200

Year Ending June 30,	Streets, Fire Truck and Disaster Repairs Issued Apr 6, 2022			Direct Borrowing - General Obligation Sewer Improvement Issued July 8, 2016		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2023	1.85%	\$ 65,000	22,534	1.75%	\$ 85,000	23,643
2024	1.85	65,000	18,345	1.75	86,000	22,155
2025	1.85	65,000	17,143	1.75	88,000	20,650
2026	1.85	70,000	15,940	1.75	90,000	19,110
2027	1.85	70,000	14,645	1.75	92,000	17,535
2028-2032	2.25-2.625	375,000	50,044	1.75	485,000	63,000
2033-2036	2.625	165,000	6,562	1.75	425,000	18,795
		<u>\$ 875,000</u>	<u>145,213</u>		<u>\$ 1,351,000</u>	<u>184,888</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2023	\$ 385,000	69,520	454,520
2024	391,000	59,187	450,187
2025	393,000	51,371	444,371
2026	410,000	43,237	453,237
2027	267,000	34,280	301,280
2028-2032	860,000	113,044	973,044
2033-2036	590,000	25,357	615,357
	<u>\$ 3,296,000</u>	<u>395,996</u>	<u>3,691,996</u>

On January 15, 2015, the City issued \$1,340,000 of general obligation refunding bonds with interest rates ranging from 2.00% to 2.75% per annum. The bonds were issued for the purpose of paying the cost of refunding the general obligation capital loan notes, series 2007. During the fiscal year ended June 30, 2022, the City paid \$135,000 of principal and \$16,928 of interest on the bonds.

On August 15, 2016, the City issued \$800,000 of general obligation refunding bonds with interest rates ranging from 1.35% to 2.00% per annum. The bonds were issued for the purpose of paying the cost of refunding the general obligation capital loan notes, series 2010. During the fiscal year ended June 30, 2022, the City paid \$100,000 of principal and \$10,800 of interest on the bonds.

On April 6, 2022, the City issued \$875,000 of general obligation corporate purpose bonds with interest rates ranging from 1.85% to 2.625% per annum. The bonds were issued for the purpose of paying the costs of constructing street and sidewalk improvements, acquiring and equipping a fire truck, acquiring and equipping a public works truck and undertaking the repair and improvement of disaster-damaged property including tree removal, public gazebo and fire station work. No payments were made during the fiscal year ended June 30, 2022.

Direct Borrowings – General Obligation Bonds

On July 8, 2016, the City entered into a loan and disbursement agreement with the Iowa Finance Authority for the issuance of \$1,750,000 of general obligation sewer improvement bonds with an interest rate of 1.75% per annum. The agreement also requires the City to annually pay a service fee of .25% per annum of the principal amount of the loan outstanding. The bonds were issued for the purpose of paying the cost of constructing improvements and extensions to the Municipal Sanitary Sewer System. During the fiscal year ended June 30, 2022, the City paid \$83,000 of principal and \$25,095 of interest on the bonds.

Sewer Revenue Note – Direct Borrowing

A summary of the City's June 30, 2022 revenue notes payable is as follows:

Year Ending June 30,	Sewer			
	Issued Oct 21, 2016			
	Interest Rates	Principal	Interest	Total
2023	1.75%	\$ 188,000	55,773	243,773
2024	1.75	191,000	52,482	243,482
2025	1.75	194,000	49,140	243,140
2026	1.75	198,000	45,745	243,745
2027	1.75	201,000	42,280	243,280
2028-2032	1.75	1,060,000	157,342	1,217,342
2033-2037	1.75	1,155,000	61,338	1,216,338
		<u>\$ 3,187,000</u>	<u>464,100</u>	<u>3,651,100</u>

On October 21, 2016, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority (IFA) for the issuance of \$4,278,449 sewer revenue bonds with interest at 1.75% per annum. The City is also required to pay a .25% servicing fee annually on the outstanding principal balance. Proceeds from the notes provided financing for constructing improvements and extensions to the City's sewer system. In the event of default, the issuer shall have the right to take any action authorized under the regulations, the revenue bond or the agreement and to take whatever other action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the note which is payable through June 2037. Annual principal and interest payments on the notes required 61% of net receipts. For the current year, principal and interest paid and total customer net receipts were \$242,993 and \$399,586, respectively.

The resolutions providing for the issuance of the revenue 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 funds.
- (b) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

(5) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. The City's contributions to IPERS for the year ended June 30, 2022 totaled \$35,543.

Net Pension Liability, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported a liability of \$4,992 for its proportionate share of the overall plan net pension asset. The overall plan net pension asset was measured as of June 30, 2021. The total pension liability used to calculate the overall plan net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the overall net plan pension asset was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was (0.001446)%, which was a decrease of 0.005081% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City's pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled (\$17,537), \$7,063 and \$184,692, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 176,693	4,992	(138,904)

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(6) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$24,855 and plan members eligible for benefits contributed \$11,182 to the plan. At June 30, 2022, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Atkins and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2022, the following employees were covered by the benefit terms:

Active employees 4

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon resignation or termination. 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, 2022, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 14,000
Compensatory time	<u>27,000</u>
Total	<u>\$ 41,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2022.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ 400,000
Debt Service	Special Revenue: Urban Renewal Tax Incremental Financing	<u>375,408</u>
Total		<u>\$ 775,408</u>

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

(9) 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.

(10) Development Agreement

The City has entered into a development agreement with Stone Ridge Developing, LLC. The City agreed to make payments to the developer under Chapters 15A and 403 of the Code of Iowa in exchange for undertaking the construction projects on the property the developer owns, which is situated in the City and lies within the Urban Renewal Area. During the year ended June 30, 2022, the City provided the Developer a \$200,000 grant for infrastructure costs incurred. The City will grant an additional \$115,000 upon the developer incurring additional infrastructure costs. The City will withhold from the payments to the developer legal and administrative costs incurred by the City in connection with drafting, negotiation and authorization of this project equal to the lesser of \$10,000 or actual costs. The incremental property tax will be rebated, in an amount not to exceed \$685,000 over ten years, starting June 2024, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2022, the City did not rebate payments to the developer and the balance remaining under the agreement at June 30, 2022 is not to exceed \$800,000.

(11) Commitments

The City has entered into contracts totaling \$2,300,665 for derecho repair and storm brush removal services. As of June 30, 2022, costs of \$1,937,023 had been paid on the contracts. The remaining \$363,642 will be paid as work on these projects progresses.

(12) Deficit Balances

The Capital Projects Fund and the Enterprise, Water Fund had deficit balances of \$44,156 and \$492,863, respectively at June 30, 2022. The City is investigating alternatives to eliminate these deficits.

(13) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 96, Subscription-Based Information Technology Arrangements. The statement will be implemented for the fiscal year ending June 30, 2023. The revised requirements of this statement will require reporting of the right to use another party's information technology software alone or in combination with tangible capital assets that are not currently reported.

City of Atkins

Other Information

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

Other Information

Year ended June 30, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 768,047	-	-
Tax increment financing	421,109	-	-
Other city tax	243,627	-	-
Licenses and permits	21,435	-	-
Use of money and property	11,901	-	240
Intergovernmental	456,715	-	-
Charges for service	178,303	904,977	-
Miscellaneous	253,217	-	7,785
Total receipts	2,354,354	904,977	8,025
Disbursements:			
Public safety	667,674	-	3,323
Public works	508,828	-	-
Culture and recreation	227,195	-	-
Community and economic development	458,328	-	-
General government	312,425	-	-
Debt service	375,408	-	-
Capital projects	782,294	-	-
Business type activities	-	839,549	-
Total disbursements	3,332,152	839,549	3,323
Excess (deficiency) of receipts over (under) disbursements	(977,798)	65,428	4,702
Other financing sources, net	868,000	-	-
Change in balances	(109,798)	65,428	4,702
Balances beginning of year	1,966,748	(300,062)	119,861
Balances end of year	\$ 1,856,950	(234,634)	124,563

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
768,047	759,173	759,173	8,874
421,109	394,673	394,673	26,436
243,627	132,185	132,185	111,442
21,435	7,360	7,360	14,075
11,661	1,000	1,000	10,661
456,715	959,070	1,059,070	(602,355)
1,083,280	1,051,340	1,051,340	31,940
245,432	-	-	245,432
<u>3,251,306</u>	<u>3,304,801</u>	<u>3,404,801</u>	<u>(153,495)</u>
664,351	183,042	750,527	86,176
508,828	560,778	592,778	83,950
227,195	235,301	235,301	8,106
458,328	50,000	460,000	1,672
312,425	398,667	501,667	189,242
375,408	750,202	371,795	(3,613)
782,294	1,425,000	925,000	142,706
839,549	646,948	923,948	84,399
<u>4,168,378</u>	<u>4,249,938</u>	<u>4,761,016</u>	<u>592,638</u>
(917,072)	(945,137)	(1,356,215)	439,143
868,000	750,000	875,000	(7,000)
(49,072)	(195,137)	(481,215)	432,143
<u>1,546,825</u>	<u>543,207</u>	<u>1,518,722</u>	<u>28,103</u>
<u>1,497,753</u>	<u>348,070</u>	<u>1,037,507</u>	<u>460,246</u>

City of Atkins

City of Atkins

Notes to Other Information – Budgetary Reporting

June 30, 2022

The budgetary comparison is presented 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 nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise 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, two budget amendments increased budgeted disbursements by \$511,078. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements exceeded the amount budgeted in the debt service function. In addition, disbursements exceeded the amounts budgeted prior to the budget amendments in the public safety and public works functions.

City of Atkins

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

Iowa Public Employees' Retirement System
For the Last Two Years*

Other Information

	<u>2022</u>	<u>2021</u>
City's proportion of the net pension liability/asset	0.001446% **	0.003635%
City's proportionate share of the net pension liability (asset)	\$ 4,992	255,316
City's covered payroll	\$ 288,691	288,443
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	1.73%	88.52%
IPERS' net position as a percentage of the total pension liability	100.81%	82.90%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

** Overall plan net pension asset.

See accompanying independent auditor's report.

City of Atkins

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Three Years*

Other Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 35,543	27,252	27,229
Contributions in relation to the statutorily required contribution	<u>(35,543)</u>	<u>(27,252)</u>	<u>(27,229)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 376,519	288,691	288,443
Contributions as a percentage of covered payroll *	9.44%	9.44%	9.44%

Note: City contributions and covered payroll information for the years ended June 30, 2013 through June 30, 2019 were not readily available.

See accompanying independent auditor's report.

City of Atkins

Notes to Other Information – Pension Liability

Year ended June 30, 2022

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

Schedule 1

City of Atkins

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

As of and for the year ended June 30, 2022

	Employee Benefits	Atkins Fire - Atkins First Responders Incorporated	Total
Receipts:			
Property tax	\$ 89,084	-	89,084
Use of money and property	-	240	240
Miscellaneous	-	7,785	7,785
Total receipts	89,084	8,025	97,109
Disbursements:			
Operating:			
Public safety	4,705	3,323	8,028
Public works	7,581	-	7,581
Culture and recreation	32,310	-	32,310
General government	29,208	-	29,208
Total disbursements	73,804	3,323	77,127
Excess of receipts over disbursements	15,280	4,702	19,982
Cash balances beginning of year	1,309	119,861	121,170
Cash balances end of year	\$ 16,589	124,563	141,152
Cash Basis Fund Balances			
Restricted for:			
Other purposes	\$ 16,589	124,563	141,152

See accompanying independent auditor's report.

City of Atkins

Schedule of Receipts by Disbursements by Function –
All Governmental Funds

For the Current Year

	<u>2022</u>
Receipts:	
Property tax	\$ 768,047
Tax increment financing	421,109
Local option sales tax	243,627
Licenses and permits	21,435
Use of money and property	11,901
Intergovernmental	456,715
Charges for service	178,303
Miscellaneous	<u>253,217</u>
Total	<u>\$ 2,354,354</u>
Disbursements:	
Operating:	
Public safety	\$ 667,674
Public works	508,828
Culture and recreation	227,195
Community and economic development	458,328
General government	312,425
Debt service	375,408
Capital projects	<u>782,294</u>
Total	<u>\$ 3,332,152</u>

See accompanying independent auditor's report.



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

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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 in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the 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, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 14, 2024. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America. Our report expressed modified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information since we were unable to satisfy ourselves as to the distribution by fund of the total July 1, 2021 fund balance.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Atkins' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Atkins' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 that a material misstatement of the City's 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 2022-001 through 2022-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-004 through 2022-009 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Atkins' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters which 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, 2022 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.

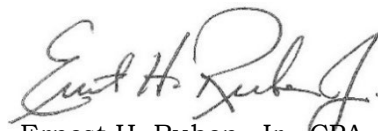
City of Atkins' Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Atkins' responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The City of Atkins' responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.


Ernest H. Ruben, Jr., CPA
Chief Deputy Auditor of State

February 14, 2024

City of Atkins

Schedule of Findings

Year ended June 30, 2022

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

- (1) Cash – handling, reconciling, recording and custody.
- (2) Payroll – entering rates into the system, recordkeeping, preparing and distributing.
- (3) Debt – recordkeeping, compliance and debt payment processing.
- (4) Accounting system – performing all general accounting functions, having custody of assets and controlling all data input and output.
- (5) Receipts – Opening mail receipts, collecting, depositing, posting, daily reconciling and handling cash.

For the Atkins Fire – Atkins First Responders, Inc. (Fire Foundation):

- (1) Receipts – collecting, depositing, posting and reconciling.

Cause – The City and Fire Foundation has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and Fire Foundation should review its operating procedures to obtain the maximum internal control possible under the circumstances. The City should utilize current personnel and officials to provide additional control through review of financial transactions, reconciliations and reports.

City of Atkins

Schedule of Findings

Year ended June 30, 2022

Responses –

City – The City will review and design operating procedures to adequately segregate duties. On an annual basis the City will review and ensure procedures are followed to obtain the maximum internal control possible with limited number of office employees.

Fire Foundation – The City and the Fire Foundation will review and design best practices for segregation of duties and create procedures where appropriate.

Conclusion – Responses accepted.

2022-002 Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances.

Condition – There is no evidence a complete and accurate bank reconciliation, comparing the month end bank statement balance to the month end general ledger balance, is prepared for the City's bank accounts. Also, a list of outstanding checks was not prepared each month and retained. During the fiscal year, the City prepared a bank statement reconciliation comparing beginning bank statement balance to the ending bank statement balance, however, did not reconcile the bank statement balance to the City's general ledger balance. Since the reconciliation did not reconcile the general ledger balance to the bank balance, this resulted in an unresolved bank reconciliation variance. During the audit, the City subsequently resolved the variance.

Cause – Procedures have not been implemented to ensure all accounts are reconciled to the bank balance and are complete and accurate to ensure proper accounting for all funds.

Effect – The lack of a complete bank to book reconciliation can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The City should establish procedures to ensure bank account balances are reconciled to the general ledger monthly and variances, if any are reviewed and resolved immediately to improve financial accountability and control. A listing of outstanding checks should be prepared each month and retained. In addition, the reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the independent reviewer and the date of review.

Response – The City will prepare monthly bank reconciliations, investigate variances immediately, if any, and reviews will be performed and documented by an independent person.

Conclusion – Response accepted.

City of Atkins

Schedule of Findings

Year ended June 30, 2022

2022-003 Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year and delinquent utility listings were not reviewed by an independent person.

Cause – Procedures have not been implemented to reconcile utility billings, collections and delinquent accounts, reconcile utility collections to deposits and provide for review of delinquent accounts by an independent person.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquencies. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response – The City will implement procedures to reconcile utility billings, collections and delinquent accounts for each billing period, and to reconcile collections to deposits. The procedure will include reviews performed and documented by an independent person.

Conclusion – Response accepted.

2022-004 Monthly City Clerk's Reports

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management to effectively perform their fiduciary responsibilities related to city financial management.

Condition – A monthly City Clerk's report is not prepared and presented to the City Council which includes receipts, disbursements, transfers and balances for each fund. In addition, a comparison of total disbursements to the certified budget by function is not prepared.

Cause – Policies have not been established and procedures have not been implemented to require the City Clerk to provide the City Council with the required financial information.

City of Atkins

Schedule of Findings

Year ended June 30, 2022

Effect – The City Council may not have effective control over budgeted disbursements and the ability to amend the budget on a timely basis. In addition, City Council may not be aware of deficit fund balances.

Recommendation – The City Clerk should prepare a monthly City Clerk's report which includes receipts, disbursements, transfers and balances for each fund and comparisons of total disbursements by function to the certified budget.

Response – The City Clerk will prepare for the City Council, a monthly City Clerk's report which includes a beginning balance, receipts, disbursements, transfers and ending balances, as well as comparisons of total disbursements by function to the certified budget.

Conclusion – Response accepted.

2022-005 Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the City's computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable and helps ensure the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The City does not have written policies for:

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

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

Cause – Management has not required written policies for the above computer-based controls.

Effect – Lack of written policies for computer-based systems could result in a loss of data or compromised data, resulting in unreliable financial information. The failure to have a formal disaster recovery plan could result in the City's inability to function in the event of a disaster or continue City business without interruption.

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

Response – The City will establish a written policy concerning the items noted, including the development and periodic testing of a disaster recovery plan.

Conclusion – Response accepted.

City of Atkins

Schedule of Findings

Year ended June 30, 2022

2022-006 Petty Cash Policy

Criteria – Internal controls over safeguarding petty cash constitutes a process, effected by an entity’s governing body, management and other personnel designated to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding petty cash from error or misappropriation. Such processes include establishing policies addressing proper petty cash use including the requirement for supporting documentation. A petty cash fund should be maintained on an imprest basis in which petty cash is maintained at a fixed, authorized amount and all distributions from the petty cash fund are documented with a vendor receipt.

Condition – The City utilizes a petty cash fund; however, the City does not have a policy for the petty cash fund specifying proper usage, allowable disbursements, approvals and maximum dollar amount to be maintained in the petty cash fund.

Cause – Policies and procedures have not been designed and implemented to ensure sufficient records are maintained to properly account for petty cash.

Effect – This condition could result in unrecorded disbursements and the opportunity for misappropriation.

Recommendation – The City should formalize a petty cash fund policy establishing proper usage, allowable disbursements, approvals and maximum dollar amount to be maintained in the petty cash fund.

Response – The City will establish a written policy.

Conclusion – Response accepted.

2022-007 Journal Entries

Criteria – Supporting documentation for all journal entries supports the accuracy of the entries by employees and an independent review helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – Approval and review for journal entries is not documented.

Cause – The City has a limited number of employees and procedures have not been designed to document the review and approval of journal entries.

Effect – Lack of independent approval of transactions could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriations on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – An independent person should review the journal entries and document the review by signing or initialing as evidence of the review.

Response – The City will have an independent person review journal entries and document the review by signing or initialing as evidence.

Conclusion – Response accepted.

City of Atkins

Schedule of Findings

Year ended June 30, 2022

2022-008 Travel Policy

Criteria – An effective internal control system provides for internal controls related to payment of allowable expenses and includes establishing policies addressing reimbursement of mileage and other appropriate travel related expenses.

Condition – The City travel policy does not establish mileage, hotel and meals rates or specific dollar limits for reimbursement of mileage and other travel related expenses.

Cause – Management has not established rates or specific dollar limits for reimbursement of mileage and other appropriate travel related expenses.

Effect – Lack of mileage, hotel and meals limits or rates for reimbursement and other appropriate travel related expenses could result in unauthorized transactions.

Recommendation – The City should establish policies for specific dollar limits for mileage, hotel and meals.

Response – The City will review travel policy and ensure it has rates and limits for reimbursement of mileage and other travel-related expenses.

Conclusion – Response accepted.

2022-009 Initial Receipts Listing

Criteria – An effective internal control system provides for internal control related to ensuring all receipts are properly deposited. An initial listing of receipts should be prepared and compared to the bank deposit and the accounting records by an independent person. Evidence of this review should be documented.

Condition – An initial listing of receipts received in the mail is not reviewed by an independent person.

Cause – Policies have not been established to reconcile an initial listing to the bank deposits and accounting records by an independent person.

Effect – Collections documented in the City's accounting records could be incomplete.

Recommendation – The initial listing of receipts should be reconciled to the accounting system and the bank deposits by an independent person and the reconciliation should be signed and dated to evidence the review.

Response – The City will implement an initial receipts list and initial receipts list process that utilizes an independent person. The initial receipts list will include receipts from all sources of receipts and all locations.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Atkins

Schedule of Findings

Year ended June 30, 2022

Other Findings Related to Required Statutory Reporting:

2022-A Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the debt service function. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public safety and public works 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 City will amend budget as appropriate and required by Chapter 384.20 in the future.

Conclusion – Response accepted.

2022-B Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
The Depot Express	Lunch for Fire Department meeting	\$ 53
Staples	Sales tax	10

According to the opinion, it is possible for certain 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 City Council should determine and document the public purpose served by these types of disbursements prior to authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper public purpose documentation.

Response – The City will establish policies and procedures for public purpose documentation. The City requires staff to utilize approved vendors with established accounts as sales tax exempt, but for situations of emergency, emergent need or other similar exigency.

Conclusion – Response accepted.

2022-C 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, 2022

2022-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Pamela Duball, Library Director Owner, DP Properties	Cleaning services	\$ 13,058
Dick Lang, Part-time Water Employee Brother owns Atkins Lumber	Grant support and supplies	19,784

The transactions with DP Properties may represent a conflict of interest in accordance with Chapter 331.342(2)(j) of the Code of Iowa since the total transactions were more than \$6,000 during the fiscal year and the transactions were not competitively bid.

The transactions with Atkins Lumber do not appear to represent conflicts of interest in accordance with Chapter 331.342(2)(d) since the respective employee is not directly affected as a result of the transactions and their duties of employment do not directly involve procurement or preparation of any part of the transactions.

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

Response – The City will review with legal counsel and consider potential conflicts of interest and means of avoiding conflicts of interest or the appearance of a conflict of interest. The City will publicly advertise and otherwise request proposals for cleaning services to ensure a fair and equitable process in determining a contractor for that purpose.

Conclusion – Response accepted.

2022-E Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2022-F 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.

2022-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

2022-H Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the City’s investment policy were noted.

2022-I Revenue Notes – No instances of non-compliance with the revenue notes resolutions were noted.

City of Atkins

Schedule of Findings

Year ended June 30, 2022

2022-J Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1. The City overstated the amount reported as TIF debt obligation by \$148,373.

Recommendation – The City should ensure the amount reported as outstanding TIF debt agrees with the City’s records.

Response – The City will ensure the amount reported agrees with the City’s records.

Conclusion – Response accepted.

2022-K Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor. We noted the following regarding the City’s TIF obligations, certifications to the County Auditor and the Special Revenue, Urban Renewal Tax Increment Financing Fund (TIF Fund) disbursements:

(a) During the current and previous years, the City paid principal, interest, and service fees on a portion of the 2016 general obligation sewer improvement bond from the TIF Fund. However, based on a review of the “Urban Renewal Area TIF Indebtedness/Increment Tax Revenue Reconciliation” prepared by the Benton County Auditor, the interest and service fee portions of these obligation have not been certified to the County Auditor as a TIF obligation.

(b) In December 2014 the City certified \$171,733 of project costs as an internal loan from the General Fund for the Cardinal Avenue extension project. The interfund loan was established by resolution on November 17, 2014. The City was unable to provide evidence the interfund loan was repaid to the General Fund

Recommendation – The City should certify the 2016 urban renewal sewer improvement bond (the portion representing a TIF obligation) interest and service fees expected to be repaid, including past interest amounts paid, with TIF collections to the County Auditor as TIF obligations. Additionally, the City should ensure the interfund loan established as TIF debt is repaid to the General Fund from the Special Revenue, TIF Fund.

City of Atkins

Schedule of Findings

Year ended June 30, 2022

Response – Regarding the 2016 General Obligation Sewer Improvement Bond and the prior use of TIF revenues to pay the interest and service fee portions of these obligations without including said interest and service fees in the TIF Certification provided to the County Auditor, the City will review options with bond counsel to address or correct this issue to the extent possible, and will take steps moving forward to certify all eligible amounts related to TIF eligible debt, including principal, interest and eligible costs. Regarding the 2014 internal loan from the General Fund to the Cardinal Avenue Extension Project, the City will review options with bond counsel to repay the General Fund loan from the City TIF fund, whether by a future TIF certification for that purpose or the use of TIF proceeds previously collected and held in the City TIF fund.

Conclusion – Response acknowledged. The 2014 internal loan from the General Fund to the Cardinal Avenue extension was already certified and should not be certified a second time. The City should repay the internal loan to the General Fund from the proceeds received from the initial certification.

2022-L Utility Billings – Chapter 388.6 of the Code of Iowa states, “A city utility or a combined utility system may not provide use or service at a discriminatory rate, except to the city or its agencies ...”. The City allowed a lower recycling fee for senior citizens through February 2022.

Recommendation – The City should charge all utility customers for service in accordance with Chapter 388.6 of the Code of Iowa and the City’s utility ordinances.

Response – Ordinance 225 passed and approved December 21, 2021 corrected this issue with a new rate structure effective February 2022.

Conclusion – Response accepted.

2022-M Financial Condition – The Capital Projects Funds and Enterprise, Water Funds had deficit balances at June 30, 2022 of \$44,156 and \$492,863, respectively.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

Response – Capital Projects – Catalyst grant reimbursement was received after fiscal year end. Water Fund Deficit: Deficit is a carryover from prior years. The City investigated ways to replenish water fund including an internal loan and/or bonding. The City has established and implemented a collection policy, conducted a rate study and passed Ordinance 226 increasing water rates. Efforts to collect past due balances, enforcement of the collection policy, and approval and collection of increased rates have all helped begin to replenish the fund. The City will continue to monitor fund balances and increase rates, or take other steps, as deemed necessary and appropriate to return the Water Fund to a sound financial condition.

Conclusion – Response accepted.

City of Atkins

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Chief Deputy
Gwen D. Fangman, CPA, Manager
Jesse J. Harthan, Senior II Auditor
William J. Sallen, CPA, Senior Auditor
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