



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

February 17, 2012

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$2,424,441 for the year ended June 30, 2011, a 6% increase over the prior year. The receipts included \$844,693 in property tax, \$69,035 from tax increment financing, \$266,175 from local option sales tax, \$567,983 from charges for service, \$297,442 from operating grants, contributions and restricted interest, \$7,380 from unrestricted interest on investments, \$242,500 from bond proceeds and \$129,233 from other general receipts.

Disbursements for the year totaled \$3,836,668, a 77% increase over the prior year, and included \$1,873,331 for capital projects, \$344,606 for culture and recreation and \$244,272 for public works. Also, disbursements for business type activities totaled \$769,537.

The significant increase in disbursements is due primarily to increased capital project activity during the fiscal year.

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/1120-0540-B00F.pdf>.

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

JUNE 30, 2011

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**City of Center Point
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mona Barz	Mayor	Jan 2012
Connie Robinson	Mayor Pro tem	Jan 2014
Ted Callahan (Appointed)	Council Member	Nov 2011
Paul Mann (Appointed)	Council Member	Nov 2011
Robert Dillon	Council Member	Jan 2014
Michael Stanton	Council Member	Jan 2014
Steve Winger	City Administrator	Indefinite
Melissa Atkinson	Clerk/Treasurer	Indefinite
LeAnn Kramer	Deputy City Clerk	Indefinite
Anne Loomis	Attorney	Indefinite

City of Center Point



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Center Point, Iowa, as of and for the year ended June 30, 2011, 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 Center Point's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, 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 Center Point as of June 30, 2011, and the respective changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2012 on our consideration of the City of Center Point's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 13 and 30 through 32 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 Center Point's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 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

January 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Center Point 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, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 7%, or approximately \$123,000, in fiscal year 2011 from fiscal year 2010. The City received \$212,069 of capital grant proceeds to be used for capital projects during fiscal year 2010. This decrease was offset by an increase in miscellaneous receipts of approximately \$75,000.
- Disbursements increased 87%, or approximately \$1,426,000, in fiscal year 2011 from fiscal year 2010. Capital projects function disbursements increased approximately \$1,470,000. Public works function disbursements decreased approximately \$90,000. The overall increase was primarily due to more capital project activity during the current year.
- The City's total cash basis net assets decreased 52%, or approximately \$1,412,000, from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities decreased approximately \$1,338,000 and the assets of the business type activities decreased approximately \$74,000.

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 financial statement by providing information about the most significant funds.

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sanitary sewer and solid waste systems. 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, 2) the Special Revenue Funds, such as Road Use Tax, Urban Renewal Tax Increment and Park and Recreation, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. 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.

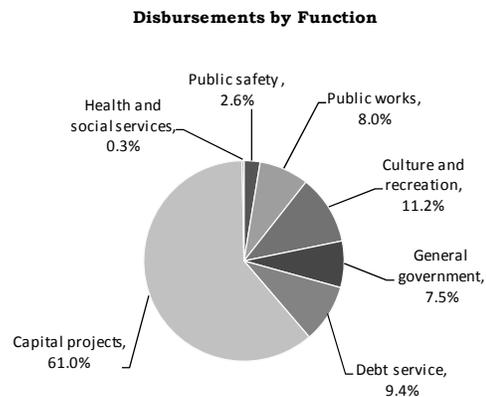
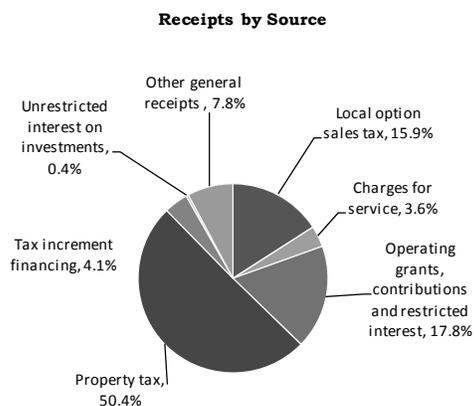
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Solid Waste Funds, considered to be major funds of the City.

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 decreased sharply from a year ago, from approximately \$1.870 million to approximately \$0.532 million. 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 (Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service	\$ 60	57
Operating grants, contributions and restricted interest	297	271
Capital grants, contributions and restricted interest	-	212
General receipts:		
Property tax	845	891
Tax increment financing	69	78
Local option sales tax	266	226
Unrestricted interest on investments	6	6
Other general receipts	130	55
Total receipts	1,673	1,796
Disbursements:		
Public safety	80	75
Public works	244	334
Health and social services	8	16
Culture and recreation	345	276
General government	230	248
Debt service	287	289
Capital projects	1,873	403
Total disbursements	3,067	1,641
Change in cash basis net assets before transfers	(1,394)	155
Transfers, net	56	97
Changes in cash basis net assets	(1,338)	252
Cash basis net assets beginning of year	1,870	1,618
Cash basis net assets end of year	\$ 532	1,870



The City's total receipts for governmental activities decreased 7%, or approximately \$123,000. The total cost of all programs and services increased approximately \$1,426,000, or 87%, due primarily to more capital projects activity during the fiscal year. The decrease in receipts was due to capital grant proceeds of \$212,069 in fiscal year 2010 which were used to fund capital project activity in fiscal year 2010.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 197	189
Sewer	178	172
Solid waste	133	131
General receipts:		
Unrestricted interest on investments	1	2
Revenue bond proceeds	243	-
Total receipts	<u>752</u>	<u>494</u>
Disbursements:		
Water	193	210
Sewer	460	200
Solid waste	117	121
Total disbursements	<u>770</u>	<u>531</u>
Change in cash basis net assets before transfers and bond proceeds	(18)	(37)
Transfers, net	<u>(56)</u>	<u>(97)</u>
Change in cash basis net assets	(74)	(134)
Cash basis net assets beginning of year	848	982
Cash basis net assets end of year	<u>\$ 774</u>	<u>848</u>

Total business type activities receipts for the fiscal year were approximately \$752,000 compared to approximately \$494,000 last year. The increase is due to the receipt of sewer revenue bond proceeds of \$243,000 in fiscal year 2011. The cash balance decreased approximately \$74,000 from the prior year because there was an increase in operating disbursements in fiscal year 2011. Total disbursements for the fiscal year increased 45% to approximately \$770,000, primarily due to the City incurring costs related to the construction improvement and extension to the City's sanitary sewer system.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Center Point completed the year, its governmental funds reported a combined fund balance of \$531,710, a decrease of more than \$1,338,000 from last year's total of \$1,870,285. 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 decreased \$37,604 from the prior year to \$703,040. The decrease is primarily due to the City establishing a new fund in fiscal year 2011 to account for local option sales tax receipts and expenditures. This was offset by an increase in property tax of approximately \$85,000 due to an increase in the property valuation. Disbursements in total decreased approximately \$21,000. Disbursements in the public works and general government functions decreased \$19,828 and \$18,141, respectively, due primarily to the City paying for seal coating during fiscal year 2010 and less information technology service calls during fiscal year 2011. Disbursements in the culture and recreation function increased \$19,257, due primarily to increased wage expenses for the library and parks.

- The Special Revenue, Road Use Tax Fund cash balance increased \$87,795 to \$236,442. This increase was primarily attributable to the City incurring expenditures for seal coating and various street repairs during fiscal year 2010 with no similar expenditures being incurred during fiscal year 2011.
- The Special Revenue, Urban Renewal Tax Increment Fund was established to account for a major urban renewal project within the City's business district. At the end of the fiscal year, the cash balance was \$179,312, an increase of \$2,035 over the previous fiscal year. The increase was the result of receiving tax increment financing receipts in excess of the amount transferred to the Debt Service Fund.
- The Special Revenue, Local Option Sales and Services Tax Fund was established during fiscal year 2011 to account for receipts and disbursements authorized by the referendum vote on May 5, 2009. The activity was originally accounted for in the General Fund during fiscal year 2010. Fiscal year 2010 receipts of \$226,065 were transferred to the Special Revenue, Local Option Sales and Services Tax Fund during fiscal year 2011 and fiscal year 2011 receipts were \$266,175. There were limited disbursements during the year. The cash balance at June 30, 2011 was \$484,256.
- The Special Revenue, Park and Recreation Fund was established during fiscal year 2010 to account for the various activities, including a concession stand, mowing and maintenance, at Fross Park. The cash balance decreased \$36,096 to \$268,700. This decrease was primarily attributable an increase in disbursements due to the City taking over duties of the Little League and an increase in maintenance and grounds expenses at the park.
- The Debt Service Fund cash balance decreased \$4,286 to a balance of (\$3,475). The decrease was primarily due to a decrease in the debt service tax levy resulting in a decrease in property tax receipts during fiscal year 2011. This decrease was partially offset by a transfer from the Special Revenue, Urban Renewal Tax Increment Fund for the payment of principal and interest on debt issues.
- The Capital Projects Fund is a combination of several accounts, including the lagoon, water and well projects. The total cash balance for the Capital Projects Fund at the end of fiscal year 2011 was (\$1,717,081), a decrease of \$1,828,968 from the prior year. The main contributing factor to this decrease was increased capital project activity for various projects, including the North Lift Station Improvements, Water Main Improvement, Water Tower Project and High School Water Main Loop, which caused disbursements to increase sharply. These project costs will be funded by general obligation bond proceeds received during fiscal year 2012.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$5,090 to \$435,624. The increase was due to a decrease in operating disbursements during fiscal year 2011.
- The Enterprise, Sewer Fund cash balance decreased \$94,781 to \$303,243, due primarily to the City incurring additional costs related to the construction, improvement and extension of the City's sanitary sewer system. These costs were partially offset by the receipt of sewer revenue bond proceeds during fiscal year 2011.
- The Enterprise, Solid Waste Fund cash balance increased \$16,039 to \$35,298, due primarily to a decrease in operating disbursements. The decrease is a result of the City making 13 sanitation payments during fiscal year 2010 and 12 payments in fiscal year 2011.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2011, the City amended its budget one time. The amendment was approved on June 14, 2011 and resulted in an increase in operating disbursements related to a filing error in the original budget.

The City's receipts were \$147,243 more than budgeted. This was primarily due to the City not budgeting miscellaneous receipts for the fiscal year, but receiving \$147,963, of which the majority was donations.

Total disbursements were \$710,644 less than budgeted. This was primarily due to the capital projects function being under budget by \$798,881. The City was expecting more activity on various capital projects during the fiscal year.

The City exceeded the amount budgeted in the culture and recreation, debt service and business type activities functions for the year ended June 30, 2011, due primarily to the City under budgeting for the Special Revenue, Park and Recreation Fund, the City not budgeting for additional payments to be made on the fire truck loan during fiscal year 2011 and expenses related to the North Waste Water Project not being budgeted under business type activities.

DEBT ADMINISTRATION

At June 30, 2011, the City had approximately \$1,902,000 in notes and other long-term debt outstanding, compared to approximately \$2,072,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2011	2010
General obligation notes - Water	\$ 255	310
General obligation notes - City	1,555	1,655
General obligation loan note - Fire Truck	92	107
Sewer revenue bond	236	-
Total	\$ 2,138	2,072

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 \$2,137,987 is significantly below its constitutional debt limit of approximately \$6.5 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Center Point's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Property tax is expected to increase in fiscal year 2012 compared to fiscal year 2011 due to the increase in assessed valuation.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$5.4 million, an increase of 26% over the final fiscal year 2011 budget. The City will use these increases in receipts to finance programs we currently offer and to defray a portion of the costs of carrying out a major urban renewal project of the City. Budgeted disbursements are expected to rise approximately \$3.2 million.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$4.3 million by the close of fiscal year 2012.

The City of Center Point will be completing several major upgrades to the City infrastructure which affect the fiscal year 2012 budget. A new 500,000 gallon water tower is near completion. Lewis Access Road Reconstruction will be completed in fiscal year 2012 improving traffic flow in and out of the City. Iowa Street Reconstruction will be completed in fiscal year 2012, providing a safe access for pedestrians and motorists.

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 Steve Winger, City Administrator, 200 Franklin Street, Center Point, Iowa 52213.

City of Center Point

Basic Financial Statements

City of Center Point

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2011

	Disbursements	Charges for Service	Program Receipts Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 80,123	13,650	-
Public works	244,272	-	225,488
Health and social services	8,281	-	-
Culture and recreation	344,606	41,917	68,233
General government	230,058	4,277	3,721
Debt service	286,460	-	-
Capital projects	1,873,331	-	-
Total governmental activities	3,067,131	59,844	297,442
Business type activities:			
Water	192,725	196,986	-
Sewer	459,682	177,983	-
Solid waste	117,130	133,170	-
Total business type activities	769,537	508,139	-
Total	\$ 3,836,668	567,983	297,442
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Unrestricted interest on investments			
Bond proceeds			
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:			
Nonexpendable:			
Cemetery perpetual care			
Expendable:			
Urban renewal purposes			
Debt service			
Local option sales tax			
Parks and recreation			
Streets			
Other purposes			
Meter deposits			
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
(66,473)	-	(66,473)
(18,784)	-	(18,784)
(8,281)	-	(8,281)
(234,456)	-	(234,456)
(222,060)	-	(222,060)
(286,460)	-	(286,460)
(1,873,331)	-	(1,873,331)
(2,709,845)	-	(2,709,845)
-	4,261	4,261
-	(281,699)	(281,699)
-	16,040	16,040
-	(261,398)	(261,398)
(2,709,845)	(261,398)	(2,971,243)
641,019	-	641,019
203,674	-	203,674
69,035	-	69,035
266,175	-	266,175
6,271	1,109	7,380
-	242,500	242,500
129,233	-	129,233
55,863	(55,863)	-
1,371,270	187,746	1,559,016
(1,338,575)	(73,652)	(1,412,227)
1,870,285	847,817	2,718,102
\$ 531,710	774,165	1,305,875
\$ 48,748	-	48,748
179,312	-	179,312
-	155,319	155,319
484,256	-	484,256
268,700	-	268,700
236,442	-	236,442
346,894	-	346,894
-	40,475	40,475
(1,032,642)	578,371	(454,271)
\$ 531,710	774,165	1,305,875

City of Center Point

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

As of and for the year ended June 30, 2011

	General	Special Revenue		
		Road Use Tax	Urban Renewal Tax Increment	Local Option Sales and Services Tax
Receipts:				
Property tax	\$ 630,761	-	-	-
Tax increment financing	-	-	69,035	-
Other city tax	4,492	-	-	266,175
Licenses and permits	26,151	-	-	-
Use of money and property	7,206	-	-	-
Intergovernmental	63,128	224,861	-	-
Charges for service	-	-	-	-
Miscellaneous	19,316	627	-	-
Total receipts	751,054	225,488	69,035	266,175
Disbursements:				
Operating:				
Public safety	80,123	-	-	-
Public works	80,064	137,693	-	7,984
Health and social services	8,281	-	-	-
Culture and recreation	198,674	-	-	-
General government	195,451	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	562,593	137,693	-	7,984
Excess (deficiency) of receipts over (under) disbursements	188,461	87,795	69,035	258,191
Other financing sources (uses):				
Transfers in	-	-	11,500	226,065
Transfers out	(226,065)	-	(78,500)	-
Total other financing sources (uses)	(226,065)	-	(67,000)	226,065
Net change in cash balances	(37,604)	87,795	2,035	484,256
Cash balances beginning of year, as restated	740,644	148,647	177,277	-
Cash balances end of year	\$ 703,040	236,442	179,312	484,256
Cash Basis Fund Balances				
Nonspendable - Cemetary perpetual care	\$ -	-	-	-
Restricted for:				
Urban renewal purposes	-	-	179,312	-
Streets	-	236,442	-	-
Local option sales tax	-	-	-	484,256
Other purposes	-	-	-	-
Assigned for capital equipment	39,871	-	-	-
Unassigned	663,169	-	-	-
Total cash basis fund balances	\$ 703,040	236,442	179,312	484,256

See notes to financial statements.

Park and Recreation	Debt Service	Capital Projects	Nonmajor	Total
-	202,166	-	5,619	838,546
-	-	-	-	69,035
-	1,508	-	147	272,322
-	-	-	40	26,191
1,445	-	-	812	9,463
-	-	-	-	287,989
19,366	-	-	-	19,366
19,591	-	-	110,247	149,781
40,402	203,674	-	116,865	1,672,693
-	-	-	-	80,123
-	-	-	18,531	244,272
-	-	-	-	8,281
76,498	-	-	69,434	344,606
-	-	-	34,607	230,058
-	286,460	-	-	286,460
-	-	1,873,331	-	1,873,331
76,498	286,460	1,873,331	122,572	3,067,131
(36,096)	(82,786)	(1,873,331)	(5,707)	(1,394,438)
-	78,500	44,363	-	360,428
-	-	-	-	(304,565)
-	78,500	44,363	-	55,863
(36,096)	(4,286)	(1,828,968)	(5,707)	(1,338,575)
304,796	811	111,887	386,223	1,870,285
268,700	(3,475)	(1,717,081)	380,516	531,710
-	-	-	48,748	48,748
-	-	-	-	179,312
-	-	-	-	236,442
-	-	-	-	484,256
268,700	-	-	346,894	615,594
-	-	-	-	39,871
-	(3,475)	(1,717,081)	(15,126)	(1,072,513)
268,700	(3,475)	(1,717,081)	380,516	531,710

Exhibit C

City of Center Point

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

As of and for the year ended June 30, 2011

	Enterprise			Total
	Water	Sewer	Solid Waste	
Operating receipts:				
Charges for service	\$ 188,021	172,680	133,170	493,871
Miscellaneous	8,965	5,303	-	14,268
Total operating receipts	196,986	177,983	133,170	508,139
Operating disbursements:				
Business type activities	192,725	186,593	117,131	496,449
Excess (deficiency) of operating receipts over (under) operating disbursements	4,261	(8,610)	16,039	11,690
Non-operating receipts (disbursements):				
Interest on investments	829	280	-	1,109
Capital outlay	-	(273,088)	-	(273,088)
Revenue note proceeds (net of \$2,500 initiation fee)	-	242,500	-	242,500
Net non-operating receipts (disbursements)	829	(30,308)	-	(29,479)
Excess (deficiency) of receipts over (under) disbursements	5,090	(38,918)	16,039	(17,789)
Operating transfers out	-	(55,863)	-	(55,863)
Net change in cash balances	5,090	(94,781)	16,039	(73,652)
Cash balances beginning of year	430,534	398,024	19,259	847,817
Cash balances end of year	\$ 435,624	303,243	35,298	774,165
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 90,104	65,215	-	155,319
Meter deposits	40,475	-	-	40,475
Unrestricted	305,045	238,028	35,298	578,371
Total cash basis fund balances	\$ 435,624	303,243	35,298	774,165

See notes to financial statements.

City of Center Point

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The City of Center Point is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1875 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, sewer and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Center Point 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 include the City of Center Point (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

The Friends of the Center Point Public Library 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: Linn County Assessor's Conference Board, Linn County Emergency Management Commission and Linn 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 revenues, 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 following categories/components:

Nonexpendable net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable 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 definitions of the preceding categories. 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 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 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 Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales and Services Tax Fund is used to account for local sales and services tax receipts to be used for property tax relief and infrastructure.

The Park and Recreation Fund is utilized to account for donations to be used for activity related to the City parks.

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, 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.

The Enterprise, Solid Waste Fund accounts for the operation of the City's solid waste disposal 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 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.

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. Governmental Cash Basis Fund Balances

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

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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 imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the culture and recreation, debt service and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Long-Term Debt

Annual debt service requirements to maturity for general obligation notes and the general obligation loan note are as follows:

Year Ending June 30,	General Obligation Notes		General Obligation Loan Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 165,000	85,108	15,331	4,474	180,331	89,582
2013	170,000	77,833	15,331	3,718	185,331	81,551
2014	175,000	70,092	15,331	2,974	190,331	73,066
2015	185,000	61,857	15,331	2,231	200,331	64,088
2016	120,000	52,885	15,331	1,491	135,331	54,376
2017-2021	680,000	179,275	15,332	743	695,332	180,018
2022-2023	315,000	23,910	-	-	315,000	23,910
Total	\$1,810,000	550,960	91,987	15,631	1,901,987	15,631

Sewer Revenue Bond, Series 2010

On December 17, 2010, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources (DNR) for the issuance of a sewer revenue bond of up to \$250,000 with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bond was issued pursuant to the provisions of Chapter 384.24A and

384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the sewage treatment facilities. The City will draw down funds from the DNR upon request to reimburse the City for costs as they are incurred. At June 30, 2011, the City had drawn down \$242,500 of the authorized amount, including an initiation fee of \$2,500 (1% of the authorized borrowing for the sewer revenue bond) charged by the Iowa Finance Authority which was withheld from the first proceeds of the sewer revenue bond. A final repayment schedule has not yet been adopted. However, the City paid principal of \$9,000 and interest of \$2,500 during fiscal year 2011 under a preliminary repayment schedule.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the sewer revenue bond. The percentage of net receipts required to pay annual principal and interest payments on the bonds and the total amount of principal and interest remaining to be paid on the bonds at June 30, 2010 are not available since the final repayment schedule has not been adopted for the bond. For the current year, interest paid and total customer net receipts were \$2,500 and (\$8,610), respectively.

The resolution providing for the issuance of the sewer revenue bond issued under a loan agreement between the City, the Iowa Finance Authority and the Iowa Department of Natural Resources includes the following provisions:

- (1) The bond will be only redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earning of the funds.
- (2) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- (3) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bond falling due in the same year.

The City has not made the required monthly transfers to the sinking fund and user rates have not been established which produce and maintain net revenues at the required level.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of 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 contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$27,116, \$24,898 and \$20,619, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 21 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$617 for single coverage and \$1,544 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2011, the City contributed \$122,805 and plan members eligible for benefits contributed \$12,525 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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 payable to employees at June 30, 2011, primarily relating to the General Fund, is \$29,500. This liability has been computed based on rates of pay in effect at June 30, 2011.

(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) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Local Option Sales Tax	General	<u>\$ 226,065</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	<u>78,500</u>
Capital Projects	Enterprise:	
	Sewer	44,363
Special Revenue:		
Urban Renewal Tax Increment		<u>11,500</u>
		<u>55,863</u>
Total		<u>\$ 360,428</u>

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

(9) Construction Commitments

The City entered into various construction contracts during the year. Unpaid contract commitments as of June 30, 2011 totaled \$2,917,738, which will be paid as work on the projects progresses.

(10) Deficit Balances

The Special Revenue, Employee Benefits Fund had a deficit balance of \$15,126 at June 30, 2011. The deficit balance was a result of the City not levying sufficient property tax. The deficit balance will be eliminated upon receipt of increased levies in future years.

The Debt Service Fund had a deficit balance of \$3,475 at June 30, 2011. The deficit balance was the result of the City making an additional payment on the fire truck loan to correct prior year payments. The deficit balance will be eliminated upon receipt of increased levies in future years.

The Capital Projects Fund had a deficit balance of \$1,717,081 at June 30, 2011. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit balance will be eliminated upon receipt of bond proceeds.

(11) Subsequent Events

In July 2011, the City issued \$2,955,000 of general obligation bonds. The bond proceeds will be used to fund various capital projects.

In July 2011, the City issued \$1,285,000 of water revenue bonds. The bond proceeds will be used to pay a portion of the cost of constructing improvements and extensions to the City's Municipal Waterworks System.

(12) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	General	Nonmajor Special Revenue	
		Capital Equipment Replacement	Cemetery Stone Repair
Balances June 30, 2010, as previously reported	\$700,403	39,871	370
Change in fund type classification per implementation of GASB Statement No. 54	40,241	(39,871)	(370)
Balances July 1, 2010, as restated	\$740,644	-	-

City of Center Point

Required Supplementary Information

City of Center Point
 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, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required To be Budgeted
Receipts:			
Property tax	\$ 838,546	-	-
Tax increment financing	69,035	-	-
Other city tax	272,322	-	-
Licenses and permits	26,191	-	-
Use of money and property	9,463	1,109	426
Intergovernmental	287,989	-	-
Charges for service	19,366	493,871	-
Miscellaneous	149,781	14,268	16,086
Total receipts	<u>1,672,693</u>	<u>509,248</u>	<u>16,512</u>
Disbursements:			
Public safety	80,123	-	-
Public works	244,272	-	-
Health and social services	8,281	-	-
Culture and recreation	344,606	-	4,235
Community and economic development	-	-	-
General government	230,058	-	-
Debt service	286,460	-	-
Capital projects	1,873,331	-	-
Business type activities	-	769,537	-
Total disbursements	<u>3,067,131</u>	<u>769,537</u>	<u>4,235</u>
Excess (deficiency) of receipts over (under) disbursements	(1,394,438)	(260,289)	12,277
Other financing sources (uses), net	55,863	186,637	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,338,575)	(73,652)	12,277
Balances beginning of year	<u>1,870,285</u>	<u>847,817</u>	<u>21,802</u>
Balances end of year	<u>\$ 531,710</u>	<u>774,165</u>	<u>34,079</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
838,546	832,952	832,952	5,594
69,035	67,000	67,000	2,035
272,322	299,219	299,219	(26,897)
26,191	15,050	20,050	6,141
10,146	5,380	5,380	4,766
287,989	237,990	260,990	26,999
513,237	532,595	532,595	(19,358)
147,963	-	-	147,963
<u>2,165,429</u>	<u>1,990,186</u>	<u>2,018,186</u>	<u>147,243</u>
80,123	81,282	81,282	1,159
244,272	436,349	436,349	192,077
8,281	8,500	8,500	219
340,371	252,115	292,115	(48,256)
-	11,830	11,830	11,830
230,058	240,287	240,287	10,229
286,460	267,935	267,935	(18,525)
1,873,331	2,672,212	2,672,212	798,881
769,537	532,567	532,567	(236,970)
<u>3,832,433</u>	<u>4,503,077</u>	<u>4,543,077</u>	<u>710,644</u>
(1,667,004)	(2,512,891)	(2,524,891)	857,887
<u>242,500</u>	<u>1,749,483</u>	<u>4,651,483</u>	<u>(4,408,983)</u>
(1,424,504)	(763,408)	2,126,592	(3,551,096)
<u>2,696,300</u>	<u>2,265,876</u>	<u>2,265,876</u>	<u>430,424</u>
<u>1,271,796</u>	<u>1,502,468</u>	<u>4,392,468</u>	<u>(3,120,672)</u>

City of Center Point

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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 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, one budget amendment increased budgeted disbursements by \$40,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the culture and recreation, debt service and business type activities functions.

Other Supplementary Information

City of Center Point

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

As of and for the year ended June 30, 2011

	Special Revenue			
	Employee Benefits	Fross Park Trust	Library Capital Equipment	Sidewalk Revolving
Receipts:				
Property tax	\$ 5,619	-	-	-
Other city tax	147	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	-	201	185	-
Miscellaneous	-	40,698	50,071	-
Total receipts	5,766	40,899	50,256	-
Disbursements:				
Operating:				
Public works	16,650	-	-	1,881
Culture and recreation	63,689	-	1,510	-
General government	34,607	-	-	-
Total disbursements	114,946	-	1,510	1,881
Excess (deficiency) of receipts over (under) disbursements	(109,180)	40,899	48,746	(1,881)
Cash balances beginning of year, as restated	94,054	101,240	78,844	44,967
Cash balances end of year	\$ 94,054	101,240	78,844	44,967
Cash Basis Fund Balances				
Nonspendable - Cemetary perpetual care	\$ -	-	-	-
Restricted for other purposes	-	142,139	127,590	43,086
Unassigned	(15,126)	-	-	-
Total cash basis fund balances	\$ (15,126)	142,139	127,590	43,086

See accompanying independent auditor's report.

Friends of the Center Point Public Library	Permanent Cemetery Perpetual Care	Total
-	-	5,619
-	-	147
-	40	40
426	-	812
16,086	3,392	110,247
16,512	3,432	116,865
-	-	18,531
4,235	-	69,434
-	-	34,607
4,235	-	122,572
12,277	3,432	(5,707)
21,802	45,316	386,223
21,802	45,316	386,223
-	48,748	48,748
34,079	-	346,894
-	-	(15,126)
34,079	48,748	380,516

City of Center Point
 Schedule of Indebtedness
 Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Water improvements	Sep 15, 2005	4.85-6.00 %	\$ 540,000
City improvements	Nov 12, 2008	3.30-5.05	1,720,000
Total			
General obligation loan note:			
Fire truck	Jun 21, 2007	4.85 %	\$ 153,311
Revenue bond:			
Sewer	Dec 17, 2010	3.00 % *	\$ 250,000

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
310,000	-	55,000	255,000	17,900
1,655,000	-	100,000	1,555,000	73,733
<u>\$ 1,965,000</u>	<u>-</u>	<u>155,000</u>	<u>1,810,000</u>	<u>91,633</u>
107,318	-	21,405	85,913	5,397
<u>-</u>	<u>245,000</u>	<u>9,000</u>	<u>236,000</u>	<u>2,500</u>

City of Center Point

Note Maturities

June 30, 2011

Year Ending June 30,	General Obligation Notes					General Obligation Loan Note		
	Water Improvements		City Improvements			Fire Truck		
	Issued Sep 15, 2005		Issued Nov 12, 2008			Issued Jun 21, 2007		
	Interest Rates	Amount	Interest Rates	Amount	Total	Interest Rates	Amount	
2012	5.65%	\$ 60,000	3.70%	\$ 105,000	165,000	4.85%	\$ 15,331	
2013	5.75	60,000	3.90	110,000	170,000	4.85	15,331	
2014	5.90	65,000	4.00	110,000	175,000	4.85	15,331	
2015	6.00	70,000	4.15	115,000	185,000	4.85	15,331	
2016		-	4.30	120,000	120,000	4.85	15,331	
2017		-	4.40	125,000	125,000	4.85	15,332	
2018		-	4.60	130,000	130,000		-	
2019		-	4.70	135,000	135,000		-	
2020		-	4.80	140,000	140,000		-	
2021		-	4.90	150,000	150,000		-	
2022		-	5.00	155,000	155,000		-	
2023		-	5.05	160,000	160,000		-	
Total		<u>\$ 255,000</u>		<u>\$ 1,555,000</u>	<u>1,810,000</u>		<u>\$ 91,987</u>	

See accompanying independent auditor's report.

City of Center Point

City of Center Point

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Nine Years

	2011	2010	2009	2008
Receipts:				
Property tax	\$ 838,546	883,763	754,854	522,518
Tax increment financing	69,035	78,477	105,842	100,648
Other city tax	272,322	232,907	28,484	21,731
Licenses and permits	26,191	50,104	13,480	15,862
Use of money and property	9,463	8,385	15,517	66,803
Intergovernmental	287,989	466,618	544,166	487,197
Charges for service	19,366	200	4,225	3,671
Special assessments	-	-	-	-
Miscellaneous	149,781	75,453	40,457	41,605
Total	\$ 1,672,693	1,795,907	1,507,025	1,260,035
Disbursements:				
Operating:				
Public safety	\$ 80,123	75,264	70,902	220,442
Public works	244,272	333,763	224,548	224,952
Health and social services	8,281	15,664	7,656	10,554
Culture and recreation	344,606	276,385	199,992	189,355
Community and economic development	-	-	-	-
General government	230,058	247,842	224,528	128,985
Debt service	286,460	288,807	200,108	163,427
Capital projects	1,873,331	403,332	2,214,227	980,373
Total	\$ 3,067,131	1,641,057	3,141,961	1,918,088

See accompanying independent auditor's report.

2007	2006	2005	2004	2003
557,574	506,908	459,136	421,080	\$ 385,358
69,611	125,097	25,832	23,478	23,692
26,075	22,175	20,332	24,751	194,641
31,590	26,377	40,134	37,569	20,894
82,118	50,801	9,229	6,306	5,797
238,506	225,070	212,934	267,500	414,282
107,414	109,295	174,998	85,289	82,807
-	398	431	863	662
280,492	1,060,160	733,613	24,243	23,947
<u>1,393,380</u>	<u>2,126,281</u>	<u>1,676,639</u>	<u>891,079</u>	<u>1,152,080</u>
163,095	60,847	60,281	66,848	\$ 58,820.00
344,176	373,250	340,356	282,499	312,660.00
-	-	-	-	-
215,213	438,354	237,317	242,168	126,442.00
-	2,185	-	-	-
164,526	143,741	158,133	132,257	104,684.00
139,035	121,048	65,682	130,700	80,311.00
434,561	264,861	432,576	230,168	428,945.00
<u>1,460,606</u>	<u>1,404,286</u>	<u>1,294,345</u>	<u>1,084,640</u>	<u>1,111,862</u>

City of Center Point



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 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 Center Point, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 27, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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

Management of the City of Center Point is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Center Point's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Center Point's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Center Point's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be 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 a material misstatement of the City of Center Point'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 (A) through (D) to be material weaknesses.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Center Point and other parties to whom the City of Center Point 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 Center Point 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

January 27, 2012

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:
- (1) Cash – reconciling bank accounts, initiating cash receipt and disbursement transactions, handling petty cash and recording cash.
 - (2) Investments – detailed record keeping and reconciling earnings.
 - (3) Receipts – collecting, depositing, journalizing and posting.
 - (4) Utility receipts – billing, collecting, depositing, posting and reconciling.
 - (5) Disbursements – purchasing, check signing, recording and reconciling.
 - (6) Payroll – preparing and distributing.
 - (7) Transfers – recording and reconciling.
 - (8) Financial reporting – preparing, reconciling and distributing.
 - (9) Accounting system – performing all general accounting functions and having custody of City assets.
 - (10) Information system (computer usage) – performing all general accounting functions and controlling all data input and output, including journal entries.

In addition, an initial listing of mail receipts is not prepared by the mail opener.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review.

Response – Due to the limited number of full time staff in the office it is difficult to achieve the proper segregation of duties. The City will review and update its procedures to comply as best we can. Bank reconciliations are currently reviewed by the Mayor Pro-Tem. The Mayor Pro-Tem will be reminded he should initial and date when done to document his review. Going forward journal entries will be reviewed and initialed by the City Administrator.

Conclusion – Response accepted.

City of Center Point

Schedule of Findings

Year ended June 30, 2011

- (B) Financial Reporting – During the audit, we identified material amounts of receipts and disbursements recorded to an incorrect fund in the City’s financial records. Adjustments were subsequently made by the City to properly report the amounts in the City’s financial statements.

Recommendation – The City should implement procedures to ensure receipts and disbursements are properly recorded in the City’s accounting records and financial statements.

Response – All receipts and disbursements for fiscal year 2011 are balanced. There were no out of balance issues. The City is currently working with the software company to correct some report parameters which do not allow all of the receipt and disbursement records to be pulled for reports. It is noted our sewer project should have been in an enterprise fund rather than in a capital project fund. This will be monitored more closely for future projects.

Conclusion – Response accepted.

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts each month. The Council should review the reconciliation and monitor delinquent accounts each month.

Response – The Council will be given the proper information so they can monitor the delinquencies each month. Utility billing information will be reconciled and provided to the Council.

Conclusion – Response accepted.

- (D) Monthly Bank Reconciliations – Although monthly bank reconciliations were prepared, the reconciliations included only the City checking account and did not include investments, the Library checking account, money market accounts and other reconciling items necessary to reconcile with the monthly financial reports. Additionally, the City’s fund balances did not reconcile to the bank at June 30, 2011. These items were properly adjusted for reporting purposes.

Recommendation – To provide better control over financial transactions and overall accountability, monthly bank reconciliations should include all checking accounts, investments, petty cash and reconciling items. The reconciliations should agree with the fund and account balances on the Clerk/Treasurer’s monthly financial report.

Response – The monthly bank reconciliation only allows user to balance the pooled cash account. An inquiry will be made with the software company to see if there is any way we can add the other investments to comply with this recommendation.

Conclusion – Response accepted.

City of Center Point
Schedule of Findings
Year ended June 30, 2011

- (E) Uniform Chart of Accounts – Certain items were not coded to the proper expense code in the financial records according to the Uniform Chart of Accounts.

Recommendation – The City should ensure all items are coded to the proper expense codes in the financial records according to the Uniform Chart of Accounts.

Response – The City will ensure use of the Uniform Chart of Accounts.

Conclusion – Response accepted.

- (F) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

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

Response – A policy and procedure manual will be updated to include an accounting policy.

Conclusion – Response accepted.

- (G) Interest Earned – The City did not record interest on various bank accounts and CDs for June 2011.

Recommendation – The City should establish procedures to ensure all interest receipts are properly recorded.

Response – The City will update the bank reconciliation procedure to include adding the CD interest which rolls over instead of being paid by check.

Conclusion – Response accepted.

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

The City does not have a written disaster recovery plan which addresses the following items:

- (1) Identification of critical applications.

City of Center Point

Schedule of Findings

Year ended June 30, 2011

- (2) Identification of staff responsibilities.
- (3) Identification of steps for recovery of any operating systems for City operations.
- (4) Identification of computer equipment needed for temporary processing.
- (5) Identification of business location(s) which could be used to process critical applications in the event of an emergency, including any applicable written agreements for the use of the locations.
- (6) Requirement to keep a copy of the disaster recovery plan off site.
- (7) Requirement to keep system backups current and off site.
- (8) An inventory of all hardware and components (e.g.: make, model numbers, serial numbers, etc.).
- (9) An inventory of all software applications (e.g.: operating system and software applications, release versions and vendor names).
- (10) A requirement copies of all user documentation and policy and procedures manuals be located off site.
- (11) A requirement extra stocks of paper supplies, such as checks, warrants, purchase orders, etc., be located off site.
- (12) Requirements outlining the frequency and guidelines for testing the disaster recovery plan to identify issues and document the results of testing.

Recommendation – A written disaster recovery plan should be developed and tested periodically.

Response – The City will work on developing a disaster recovery plan during the next fiscal year.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Center Point

Schedule of Findings

Year ended June 30, 2011

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the culture and recreation and debt service functions prior to the June 14, 2011 budget amendment. At June 30, 2011, disbursements exceeded the amounts budgeted in the culture and recreation, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

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

The City is required to submit monthly reports to IPERS. The City incurred \$93 in late charges for submitting late reports.

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

Recommendation – The City should submit the monthly IPERS reports timely.

Response – The City’s current procedures should ensure the monthly IPERS reports are submitted timely.

Conclusion – Response accepted.

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

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

Name, Title, and Business Connection	Transaction Description	Amount
Michael Stanton, Council Member, owner of the Corner Store gas station	Fuel purchases for City vehicles	\$ 144

City of Center Point

Schedule of Findings

Year ended June 30, 2011

In accordance with Chapter 362.5 of the Code of Iowa, the transactions with Michael Stanton do not represent a conflict of interest since the total during the year was less than \$2,500.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found which we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bond – The City has not established and made the required transfers to a sewer revenue bond sinking account as required by the sewer revenue bond resolution. In addition, the sewer revenue bond resolution requires the City “to establish, levy and collect rents and other charges for the products and services provided by its Sewer System, which rents, rates and other charges shall be at least sufficient (A) to meet the operation and maintenance expenses of such sewer system and (B) to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond and any other obligations secured by a pledge of the net revenues falling due in the same year.” The City’s fiscal year 2011 deficit of operating receipts under operating disbursements (net operating receipts) of (\$8,610) is less than 110% of the required debt service payment of \$11,500.

Recommendation – The City should establish a sewer revenue bond sinking account and make the necessary transfers as required by the sewer bond resolution. The City should ensure the net receipts are not less than 110% of the amount of annual principal and interest, as required by the sewer bond resolution.

Response – The City will establish a bond sinking fund and the required transfers will be made. The City increased sewer rates at the beginning of 2010 and will continue increasing 5% for the next two years in hopes of increasing the revenue for the Enterprise, Sewer Fund.

Conclusion – Response accepted.

- (9) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the State Treasurer’s Office annually. The City did not remit these obligations as required.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the State Treasurer’s Office as required.

Response – Unclaimed property will be properly handled going forward, a process has been started with reminders and form letters.

Conclusion – Response accepted.

City of Center Point
Schedule of Findings
Year ended June 30, 2011

- (10) Financial Condition – At June 30, 2011, the City had deficit balances in the following funds:

Fund	Amount
Special Revenue:	
Employee Benefits	\$ 15,126
Debt Service Fund	3,475
Capital Projects Fund	1,717,081

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response – Bonding for capital projects was supposed to occur during fiscal year 2011 but due to unexpected delays it did not finalize until after the new fiscal year began.

The City will increase levies in the future to eliminate the deficit balances in the Special Revenue, Employee Benefits and Debt Service funds.

Conclusion – Response accepted.

City of Center Point

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Melissa J. Knoll-Speer, Senior Auditor
Casey L. Johnson, Staff Auditor
Eric L. Rath, 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