



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

**NEWS RELEASE**

FOR RELEASE

March 20, 2014

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Center Point, Iowa.

The City's receipts totaled \$2,822,722 for the year ended June 30, 2013, a 61% decrease from the prior year. The receipts included \$1,121,209 in property tax, \$199,426 from tax increment financing, \$283,392 from local option sales tax, \$788,483 from charges for service, \$386,308 from operating grants, contributions and restricted interest, \$8,818 from unrestricted interest on investments, \$5,000 from bond proceeds and \$30,086 from other general receipts.

Disbursements for the year ended June 30, 2013 totaled \$2,360,111, a 56% decrease from the prior year, and included \$504,772 for debt service, \$502,089 for culture and recreation and \$368,899 for public works. Also, disbursements for business type activities totaled \$600,558.

The significant decrease in receipts and disbursements is due primarily to the decrease in bond financed 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/1320-0540-B00F.pdf>.

###



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

**JUNE 30, 2013**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	18
Notes to Financial Statements		19-25
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		28-29
Notes to Other Information – Budgetary Reporting		30
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	32-33
Schedule of Indebtedness	2	34-35
Bond and Note Maturities	3	36
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	38-39
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		41-42
Schedule of Findings		43-49
Staff		50

**City of Center Point**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mona Barz	Mayor	Jan 2014
Connie Robinson	Mayor Pro tem	Jan 2014
Robert Dillon	Council Member	Jan 2014
Michael Stanton	Council Member	Jan 2014
Matt Brunner	Council Member	Jan 2016
Paul Mann	Council Member	Jan 2016
Steve Winger	City Administrator	Indefinite
Melissa Atkinson	City Clerk/Treasurer	Indefinite
Anna Wilson	Accounting Clerk	(Ended Sept. 2012)
Kristine Applegate (Began Dec. 2012)	Accounting Clerk	Indefinite
Anne Loomis	Attorney	Indefinite

**City of Center Point**



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

Report on the Financial Statements

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, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility 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. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes 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.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

*Supplementary and Other Information*


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 third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The 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.


The supplementary 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. Such 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 28 through 30, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2014 on our consideration of the City of Center Point's 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 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 in considering the City of Center Point's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 25, 2014



---

## **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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 59%, or approximately \$2,980,000, in fiscal year 2013 from fiscal year 2012. The City issued approximately \$2,933,000 of general obligation notes to be used for capital projects in the prior fiscal year.
- Governmental activities disbursements decreased 58%, or approximately \$2,433,000, in fiscal year 2013 from fiscal year 2012. Capital projects function disbursements decreased approximately \$2,720,000. The overall decrease was primarily due to less capital project activity during the current year.
- The City's total cash basis net position increased 15%, or approximately \$463,000, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities increased approximately \$999,000 and the cash basis net position of the business type activities decreased approximately \$536,000.

### **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 Cash Basis Statement of Activities and Net Position. 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.

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

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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position 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.

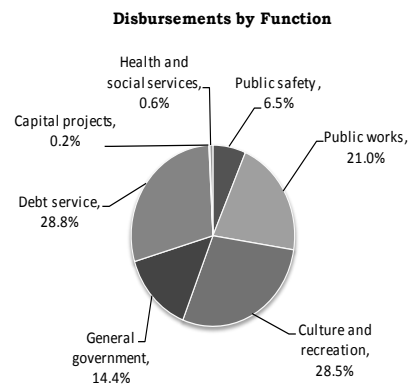
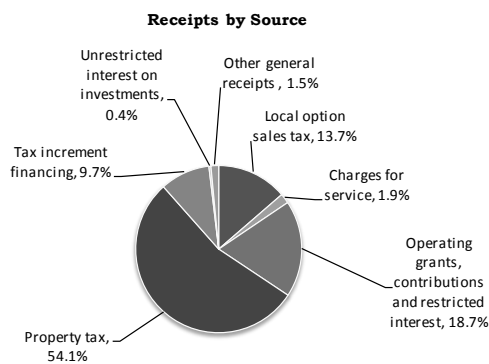
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Solid Waste Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from approximately \$2.1 million to approximately \$3.1 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
<b>Receipts:</b>		
Program receipts:		
Charges for service	\$ 40	67
Operating grants, contributions and restricted interest	386	532
General receipts:		
Property tax	1,121	1,033
Tax increment financing	200	76
Local option sales tax	283	308
Unrestricted interest on investments	8	9
Note proceeds	-	2,933
Other general receipts	30	90
Total receipts	<u>2,068</u>	<u>5,048</u>
<b>Disbursements:</b>		
Public safety	115	80
Public works	369	249
Health and social services	10	12
Culture and recreation	502	536
General government	254	229
Debt service	505	362
Capital projects	4	2,724
Total disbursements	<u>1,759</u>	<u>4,192</u>
Change in cash basis net position before transfers	309	856
Transfers, net	690	761
Change in cash basis net position	999	1,617
Cash basis net position beginning of year	2,149	532
Cash basis net position end of year	<u>\$ 3,148</u>	<u>2,149</u>



The City's total receipts for governmental activities decreased 59%, or approximately \$2,980,000. The total cost of all programs and services decreased approximately \$2,433,000, or 58%, due primarily to less capital project activity during the fiscal year. The decrease in receipts was due primarily to the issuance of general obligation notes of approximately \$2,933,000 during fiscal year 2012.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 388	384
Sewer	215	220
Solid waste	146	135
General receipts:		
Bond proceeds	5	1,267
Unrestricted interest on investments	1	2
Grant proceeds	-	95
Total receipts	<u>755</u>	<u>2,103</u>
Disbursements:		
Water	308	808
Sewer	170	221
Solid waste	123	118
Total disbursements	<u>601</u>	<u>1,147</u>
Change in cash basis net position before transfers	154	956
Transfers, net	<u>(690)</u>	<u>(762)</u>
Change in cash basis net position	(536)	194
Cash basis net position beginning of year	968	774
Cash basis net position end of year	<u>\$ 432</u>	<u>968</u>

Total business type activities receipts for the fiscal year were approximately \$755,000 compared to approximately \$2.1 million last year. The decrease is due to the issuance of approximately \$1,267,000 of water revenue bonds during fiscal year 2012. The cash balance decreased approximately \$536,000 from the prior year. Total disbursements for the fiscal year decreased 48% to approximately \$601,000, primarily due to the City incurring less costs related to the construction of improvements to the City's water system.

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

As the City of Center Point completed the year, its governmental funds reported a combined fund balance of \$3,147,897, an increase of \$998,768 from last year's total of \$2,149,129. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$754,721 from the prior year to \$1,846,829. The increase is primarily due to a transfer in of approximately \$796,000 from the Capital Projects Fund.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$94,770 to \$246,602. This decrease is primarily due to a transfer out of approximately \$215,000 to close out capital projects.

- 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 \$260,073, an increase of \$199,426 over the previous fiscal year. The increase was the result of TIF monies received in fiscal years 2012 and 2013 of \$75,496 and \$199,426, respectively, not transferred to the Debt Service Fund to pay tax increment debt. Corrective transfers will be made in fiscal year 2014.
- The Special Revenue, Local Option Sales and Services Tax Fund was established to account for receipts and disbursements authorized by the referendum vote on May 5, 2009. At the end of the fiscal year, the cash balance was \$751,658, a decrease of \$29,145 from the previous fiscal year. The decrease is primarily due to disbursements in the public works function completing city streets.
- The Special Revenue, Park and Recreation Fund was established during fiscal year 2010 to account for various activities, including a concession stand, mowing and maintenance, at Fross Park. The cash balance decreased \$73,819 to \$94,215. This decrease was primarily due to a \$38,423 transfer to the Capital Projects Fund to complete a park project.
- The Debt Service Fund cash balance decreased \$458,135 to a deficit balance of (\$353,708). The decrease was primarily due to a \$339,224 transfer to the Capital Projects Fund to complete a project.
- The Capital Projects Fund is a combination of several accounts, including the lagoon, water and well projects accounts. The total cash balance for the Capital Projects Fund at the end of fiscal year 2013 was zero, an increase of \$735,066 over the prior year. The increase is primarily due to transfers in from various funds.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance decreased \$598,508 to a deficit balance of (\$79,459). The decrease was due to the transfer out of \$679,700 to the Capital Projects Funds to close out water projects.
- The Enterprise, Sewer Fund cash balance increased \$39,591 to \$437,177, due primarily to the City incurring less costs related to the construction, improvement and extension of the City's sanitary sewer system.
- The Enterprise, Solid Waste Fund cash balance increased \$22,762 to \$74,471, due primarily to a slight increase in operating receipts.

#### **BUDGETARY HIGHLIGHTS**

During the year ended June 30, 2013, the City did not amend its budget.

The City's receipts were \$251,978 more than budgeted. This was primarily due to the City not assessing the local school for projects. The assessment will be done in the following fiscal year.

Total disbursements were \$6,865 more than budgeted. This was primarily due to the culture and recreation function being over budget by \$111,356 and the business type activities function being under budget by \$123,031. The City was not expecting the level of activity in various funds during the fiscal year to be as high.

The City exceeded the amount budgeted in the public safety, public works, culture and recreation, general government, debt service, and capital projects functions, primarily due to the City realizing it was too late to initiate a budget amendment.

## DEBT ADMINISTRATION

At June 30, 2013, the City had approximately \$5,747,000 of notes and other long-term debt outstanding, compared to approximately \$6,128,000 last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2013	2012
General obligation notes	\$ 4,290	4,600
General obligation loan note - Fire Truck	55	71
Revenue bonds	1,402	1,457
Total	\$ 5,747	6,128

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 approximately \$4,345,000 is significantly below its constitutional debt limit of approximately \$6.6 million. Additional information about the City's long term debt is presented in Note 3 to the financial statements.

## 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 2014 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 2014 compared to fiscal year 2013 due to an increase in assessed valuation.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are approximately \$1.042 million, an increase of 2.6% over the final fiscal year 2013 budget. Budgeted disbursements are expected to increase approximately \$1.4 million. The increase is primarily due to the initiation of several capital projects during fiscal year 2014.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$65,400 by the close of fiscal year 2014.

## 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.

## **Basic Financial Statements**

City of Center Point

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 115,319	6,869	-
Public works	368,899	-	269,752
Health and social services	9,785	-	-
Culture and recreation	502,089	25,464	115,568
General government	254,262	7,816	988
Debt service	504,772	-	-
Capital projects	4,426	-	-
Total governmental activities	1,759,552	40,149	386,308
Business type activities:			
Water	308,010	388,273	-
Sewer	169,804	214,557	-
Solid waste	122,744	145,506	-
Total business type activities	600,558	748,336	-
Total	\$ 2,360,110	788,485	386,308
<b>General Receipts and Transfers:</b>			
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 position			
Cash basis net position beginning of year			
Cash basis net position end of year			
<b>Cash Basis Net Position</b>			
Restricted:			
Nonexpendable:			
Cemetary perpetual care			
Expendable:			
Streets			
Urban renewal purposes			
Local option sales tax			
Debt service			
Other purposes			
Meter deposits			
Unrestricted			
<b>Total cash basis net position</b>			

See notes to financial statements.



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

Governmental Activities	Business Type Activities	Total
(108,450)	-	(108,450)
(99,147)	-	(99,147)
(9,785)	-	(9,785)
(361,057)	-	(361,057)
(245,458)	-	(245,458)
(504,772)	-	(504,772)
(4,426)	-	(4,426)
(1,333,095)	-	(1,333,095)

-	80,263	80,263
-	44,753	44,753
-	22,762	22,762
-	147,778	147,778
(1,333,095)	147,778	(1,185,317)

735,348	-	735,348
385,861	-	385,861
199,426	-	199,426
283,392	-	283,392
7,673	1,145	8,818
-	5,000	5,000
30,085	-	30,085
690,078	(690,078)	-
2,331,863	(683,933)	1,647,930
998,768	(536,155)	462,613
2,149,129	968,344	3,117,473
\$ 3,147,897	432,189	3,580,086

\$ 51,815	-	51,815
246,602	-	246,602
260,073	-	260,073
751,658	-	751,658
-	157,932	157,932
334,093	-	334,093
-	40,972	40,972
1,503,656	233,285	1,736,941
\$ 3,147,897	432,189	3,580,086

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, 2013

	General	Special Revenue		
		Road Use Tax	Urban Renewal Tax Increment	Local Option Sales and Services Tax
<b>Receipts:</b>				
Property tax	\$ 623,126	-	-	-
Tax increment financing	-	-	199,426	-
Other city tax	4,445	-	-	283,392
Licenses and permits	14,011	-	-	-
Use of money and property	8,974	-	-	-
Intergovernmental	46,936	269,846	-	-
Charges for service	-	-	-	-
Miscellaneous	8,374	-	-	-
Total receipts	705,866	269,846	199,426	283,392
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	86,216	-	-	-
Public works	214,800	104,948	-	12,537
Health and social services	9,785	-	-	-
Culture and recreation	268,571	-	-	-
General government	223,060	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	802,432	104,948	-	12,537
Excess (deficiency) of receipts over (under) disbursements	(96,566)	164,898	199,426	270,855
<b>Other financing sources (uses):</b>				
Operating transfers in	851,287	-	-	-
Operating transfers out	-	(259,668)	-	(300,000)
Total other financing sources (uses)	851,287	(259,668)	-	(300,000)
Change in cash balances	754,721	(94,770)	199,426	(29,145)
Cash balances beginning of year	1,092,108	341,372	60,647	780,803
Cash balances end of year	\$ 1,846,829	246,602	260,073	751,658
<b>Cash Basis Fund Balances</b>				
Nonspendable - Cemetary perpetual care	\$ -	-	-	-
<b>Restricted for:</b>				
Streets	-	246,602	-	-
Urban renewal purposes	-	-	260,073	-
Local option sales tax	-	-	-	751,658
Other purposes	-	-	-	-
Assigned for capital equipment	43,544	-	-	-
Unassigned	1,803,285	-	-	-
Total cash basis fund balances	\$ 1,846,829	246,602	260,073	751,658

See notes to financial statements.

Park and Recreation	Debt Service	Capital Projects	Nonmajor	Total
-	383,841	-	107,024	1,113,991
-	-	-	-	199,426
-	2,020	-	753	290,610
-	-	-	120	14,131
1,542	-	-	1,374	11,890
-	-	-	-	316,782
17,764	-	-	-	17,764
10,453	-	-	84,821	103,648
29,759	385,861	-	194,092	2,068,242
-	-	-	29,103	115,319
-	-	36,614	-	368,899
-	-	-	-	9,785
65,155	-	-	168,363	502,089
-	-	-	31,202	254,262
-	504,772	-	-	504,772
-	-	4,426	-	4,426
65,155	504,772	41,040	228,668	1,759,552
(35,396)	(118,911)	(41,040)	(34,576)	308,690
-	-	1,572,222	-	2,423,509
(38,423)	(339,224)	(796,116)	-	(1,733,431)
(38,423)	(339,224)	776,106	-	690,078
(73,819)	(458,135)	735,066	(34,576)	998,768
168,034	104,427	(735,066)	336,804	2,149,129
94,215	(353,708)	-	302,228	3,147,897
-	-	-	51,815	51,815
-	-	-	-	246,602
-	-	-	-	260,073
-	-	-	-	751,658
94,215	-	-	239,878	334,093
-	-	-	-	43,544
-	(353,708)	-	10,535	1,460,112
94,215	(353,708)	-	302,228	3,147,897

**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, 2013

	Enterprise			Total
	Water	Sewer	Solid Waste	
Operating receipts:				
Charges for service	\$ 368,394	214,557	145,506	728,457
Miscellaneous	19,879	-	-	19,879
Total operating receipts	388,273	214,557	145,506	748,336
Operating disbursements:				
Business type activities	217,897	152,341	122,744	492,982
Excess of operating receipts over operating disbursements	170,376	62,216	22,762	255,354
Non-operating receipts (disbursements):				
Interest on investments	929	216	-	1,145
Bond proceeds	-	5,000	-	5,000
Debt service	(90,113)	(17,463)	-	(107,576)
Net non-operating receipts (disbursements)	(89,184)	(12,247)	-	(101,431)
Excess of receipts over disbursements	81,192	49,969	22,762	153,923
Transfers out	(679,700)	(10,378)	-	(690,078)
Change in cash balances	(598,508)	39,591	22,762	(536,155)
Cash balances beginning of year	519,049	397,586	51,709	968,344
Cash balances end of year	\$ (79,459)	437,177	74,471	432,189
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Debt service	\$ 92,118	65,814	-	157,932
Meter deposits	40,972	-	-	40,972
Unrestricted	(212,549)	371,363	74,471	233,285
Total cash basis fund balances	\$ (79,459)	437,177	74,471	432,189

See notes to financial statements.

City of Center Point

Notes to Financial Statements

June 30, 2013

**(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 Cash Basis Statement of Activities and Net Position (previously referred to as 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 Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in following categories/components:

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

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 definitions 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 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 receipts from the local option sales and services tax. The receipts are 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 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. 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 are imposed by law through constitutional provisions or enabling legislation.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government, debt service and capital projects functions.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2013 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 the general obligation notes, the water and sewer revenue bonds and the general obligation loan note are as follows:

Year Ending June 30,	General Obligation Notes		Water/Sewer Revenue Bonds		General Obligation Loan Note		Total		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2014	\$ 315,000	162,160	60,000	42,116	15,331	2,974	390,331	207,250	597,581
2015	325,000	150,775	60,000	40,410	15,331	2,231	400,331	193,416	593,747
2016	270,000	138,653	61,000	38,610	15,331	1,491	346,331	178,754	525,085
2017	275,000	130,118	66,000	36,360	9,258	743	350,258	167,221	517,479
2018	285,000	121,243	66,000	34,650	-	-	351,000	155,893	506,893
2019-2023	1,555,000	442,950	377,000	141,270	-	-	1,932,000	584,220	2,516,220
2024-2028	865,000	185,085	434,000	81,360	-	-	1,299,000	266,445	1,565,445
2029-2031	400,000	24,200	278,000	16,350	-	-	678,000	40,550	718,550
Total	\$ 4,290,000	1,355,184	1,402,000	431,126	55,251	7,439	5,747,251	1,793,749	7,541,000



### Sewer Revenue Bonds

On December 17, 2010, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds 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 bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the sewage treatment facilities. At June 30, 2013, the City had drawn down \$250,000, including an initiation fee of \$2,500 (1% of the authorized borrowing) charged by the Iowa Finance Authority which was withheld from the first proceeds. The City paid principal of \$10,000 and interest of \$ 6,883 during fiscal year 2013.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the sewer revenue bonds. The bonds are payable solely from sewer customer net receipts and are payable through December 2029. Annual principal and interest payments on the bonds are expected to require approximately 27% of net receipts. The total principal and interest remaining to be paid on the notes is \$222,000. For the current year, principal and interest paid and total customer net receipts were \$16,883 and \$62,216, respectively.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- (1) The bonds will be only redeemed from the future earnings of the enterprise activity and the bond holders hold 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 receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

The City has not made the required transfers to the sinking account.

### Water Revenue Bonds

On July 15, 2011, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources (DNR) for the issuance of water revenue bonds of up to \$1,285,000 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 bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the water tower. The City will draw down funds from the DNR upon request to reimburse the City for costs as they are incurred. At June 30, 2013, the City had drawn down \$1,280,000 of the authorized amount, including an initiation fee of \$12,850 (1% of the authorized borrowing) charged by the Iowa Finance Authority which was withheld from the first proceeds of the water revenue bonds. The City paid principal of \$50,000 and interest of \$36,900 during fiscal year 2013.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the water revenue bonds. The bonds are payable solely from water customer net receipts and are payable through June 2031. Annual principal and interest payments on the bonds are expected to require approximately 51% of net receipts. For the current year, principal and interest paid and total customer receipts were \$86,900 and \$170,376, respectively.

The resolution providing for the issuance of the water revenue bonds includes the following provisions:

- (1) The bonds will be only redeemed from the future earnings of the enterprise activity and the bonds holder hold a lien on the future earning of the funds.
- (2) Sufficient monthly transfers shall be made to a separate water 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 receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

The City has not made the required monthly transfers to the sinking account.

**(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 5.78% of their annual covered salary and the City is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$33,105, \$27,161 and \$27,116, 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, 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 \$390 for single coverage and \$974 for family coverage. For the year ended June 30, 2012, the City contributed \$62,100 and plan members eligible for benefits contributed \$7,712 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, 2013, primarily relating to the General Fund, is \$29,500. This liability has been computed based on rates of pay in effect at June 30, 2013.

**(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, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 44,793
	Capital Projects	796,116
	Enterprise:	
	Sewer	10,378
		<u>851,287</u>
Capital Projects	Special Revenue:	
	Road Use Tax	214,875
	Local Option Sales and Service Tax	300,000
	Park and Recreation	38,423
	Debt Service	339,224
	Enterprise:	
	Water	679,700
		<u>1,572,222</u>
Total		<u>\$ 2,423,509</u>

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

**(9) Deficit Balances**

The Debt Service Fund and the Enterprise, Water Fund had deficit balances of \$353,708 and \$79,459, respectively at June 30, 2013. The deficit balances were a result of transfers not made by the City to close out the Capital Projects Fund and the Special Revenue, Tax Increment Financing Fund. The deficit balances will be eliminated upon review of available resources and transfers from the other funds.

**City of Center Point**

**Other 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

Other Information

Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required To be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,113,991	-	-
Tax increment financing	199,426	-	-
Other city tax	290,610	-	-
Licenses and permits	14,131	-	-
Use of money and property	11,890	1,145	450
Intergovernmental	316,782	-	-
Charges for service	17,764	733,457	-
Miscellaneous	103,648	19,879	20,674
Total receipts	<u>2,068,242</u>	<u>754,481</u>	<u>21,124</u>
<b>Disbursements:</b>			
Public safety	115,319	-	-
Public works	368,899	-	-
Health and social services	9,785	-	-
Culture and recreation	502,089	-	20,670
General government	254,262	-	-
Debt service	504,772	-	-
Capital projects	4,426	-	-
Business type activities	-	600,558	-
Total disbursements	<u>1,759,552</u>	<u>600,558</u>	<u>20,670</u>
Excess (deficiency) of receipts over (under) disbursements	308,690	153,923	454
Other financing sources (uses), net	690,078	(690,078)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	998,768	(536,155)	454
Balances beginning of year	<u>2,149,129</u>	<u>968,344</u>	<u>36,932</u>
Balances end of year	<u>\$ 3,147,897</u>	<u>432,189</u>	<u>37,386</u>

See accompanying independent auditor's report.

---

Total	<u>Budgeted Amounts</u> Original/Final	Final to Total Variance
1,113,991	1,015,258	98,733
199,426	194,159	5,267
290,610	272,845	17,765
14,131	15,125	(994)
12,585	6,300	6,285
316,782	247,574	69,208
751,221	709,860	41,361
102,853	88,500	14,353
<u>2,801,599</u>	<u>2,549,621</u>	<u>251,978</u>
115,319	114,105	(1,214)
368,899	366,723	(2,176)
9,785	20,000	10,215
481,419	370,063	(111,356)
254,262	253,544	(718)
504,772	484,551	(20,221)
4,426	-	(4,426)
600,558	723,589	123,031
<u>2,339,440</u>	<u>2,332,575</u>	<u>(6,865)</u>
462,159	217,046	245,113
-	-	-
462,159	217,046	245,113
3,080,541	907,508	2,173,033
<u>3,542,700</u>	<u>1,124,554</u>	<u>2,418,146</u>

---

City of Center Point

Notes to Other Information – Budgetary Reporting

June 30, 2013

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 ended June 30, 2013, the City did not amend the budget.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, debt service and capital projects functions.



**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, 2013

	Special Revenue			
	Employee Benefits	Fross Park Trust	Library Capital Equipment	Sidewalk Revolving
Receipts:				
Property tax	\$ 107,024	-	-	-
Other city tax	753	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	-	751	23	-
Miscellaneous	-	-	63,097	-
Total receipts	107,777	751	63,120	-
Disbursements:				
Operating:				
Public works	10,148	-	-	18,955
Culture and recreation	54,231	-	93,462	-
General government	31,202	-	-	-
Total disbursements	95,581	-	93,462	18,955
Change in cash balances	12,196	751	(30,342)	(18,955)
Cash balances beginning of year	(1,661)	142,752	67,688	40,598
Cash balances end of year	\$ 10,535	143,503	37,346	21,643
<b>Cash Basis Fund Balances</b>				
Nonspendable - Cemetary perpetual care	\$ -	-	-	-
Restricted for other purposes	-	143,503	37,346	21,643
Unassigned	10,535	-	-	-
Total cash basis fund balances	\$ 10,535	143,503	37,346	21,643

See accompanying independent auditor's report.

Friends of the Center Point Public Library	Permanent Cemetery Perpetual Care	Total
-	-	107,024
-	-	753
-	120	120
450	150	1,374
20,674	1,050	84,821
21,124	1,320	194,092
-	-	29,103
20,670	-	168,363
-	-	31,202
20,670	-	228,668
454	1,320	(34,576)
36,932	50,495	336,804
37,386	51,815	302,228
-	51,815	51,815
37,386	-	239,878
-	-	10,535
37,386	51,815	302,228

City of Center Point  
Schedule of Indebtedness  
Year ended June 30, 2013

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
City improvements	Jul 28, 2011	2.25-4.00	2,955,000
Total			
General obligation loan note:			
Fire truck	Jun 21, 2007	4.85 %	\$ 153,311
Revenue bonds:			
Sewer	Dec 17, 2010	3.00 % *	\$ 250,000
Water	Jul 15, 2011	3.00 *	1,285,000
Total			

\* 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
195,000	-	60,000	135,000	11,485
1,450,000	-	110,000	1,340,000	66,347
2,955,000	-	140,000	2,815,000	95,218
<u>\$ 4,600,000</u>	<u>-</u>	<u>310,000</u>	<u>4,290,000</u>	<u>173,050</u>
70,582	-	15,331	55,251	3,718
227,000	5,000	10,000	222,000	6,883
1,230,000	-	50,000	1,180,000	36,900
<u>\$ 1,457,000</u>	<u>5,000</u>	<u>60,000</u>	<u>1,402,000</u>	<u>43,783</u>

**Schedule 3**

City of Center Point  
Bond and Note Maturities  
June 30, 2013

Year Ending June 30,	General Obligation Notes							Total
	Water Improvements		City Improvements		City Improvements			
	Issued Sep 15, 2005		Issued Nov 12, 2008		Issued Jul 15, 2011			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2014	5.90%	\$ 65,000	4.00%	\$ 110,000	2.25%	\$ 140,000	315,000	
2015	6.00	70,000	4.15	115,000	2.25	140,000	325,000	
2016		-	4.30	120,000	2.25	150,000	270,000	
2017		-	4.40	125,000	2.25	150,000	275,000	
2018		-	4.60	130,000	2.25	155,000	285,000	
2019		-	4.70	135,000	2.45	165,000	300,000	
2020		-	4.80	140,000	2.65	170,000	310,000	
2021		-	4.90	150,000	3.65	175,000	325,000	
2022		-	5.00	155,000	3.65	150,000	305,000	
2023		-	5.05	160,000	3.65	155,000	315,000	
2024		-		-	3.65	160,000	160,000	
2025		-		-	3.65	165,000	165,000	
2026		-		-	4.00	170,000	170,000	
2027		-		-	4.00	180,000	180,000	
2028		-		-	4.00	190,000	190,000	
2029		-		-	4.00	195,000	195,000	
2030		-		-	4.00	205,000	205,000	
Total		<u>\$ 135,000</u>		<u>\$ 1,340,000</u>		<u>\$ 2,815,000</u>	<u>4,290,000</u>	

Year Ending June 30,	Revenue Bonds					General Obligation Loan Note	
	Sewer		Water		Total	Fire Truck	
	Issued Dec 17, 2010		Issued Jul 15, 2011			Issued Jun 21, 2007	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2014	3.00%	\$ 10,000	3.00%	\$ 50,000	60,000	4.85%	\$ 15,331
2015	3.00	10,000	3.00	50,000	60,000	4.85	15,331
2016	3.00	11,000	3.00	50,000	61,000	4.85	15,331
2017	3.00	11,000	3.00	55,000	66,000	4.85	9,258
2018	3.00	11,000	3.00	55,000	66,000	Total	<u>\$ 55,251</u>
2019	3.00	12,000	3.00	60,000	72,000		
2020	3.00	12,000	3.00	60,000	72,000		
2021	3.00	12,000	3.00	65,000	77,000		
2022	3.00	13,000	3.00	65,000	78,000		
2023	3.00	13,000	3.00	65,000	78,000		
2024	3.00	14,000	3.00	70,000	84,000		
2025	3.00	14,000	3.00	70,000	84,000		
2026	3.00	15,000	3.00	70,000	85,000		
2027	3.00	15,000	3.00	75,000	90,000		
2028	3.00	16,000	3.00	75,000	91,000		
2029	3.00	16,000	3.00	80,000	96,000		
2030	3.00	17,000	3.00	80,000	97,000		
2031	3.00	-		85,000	85,000		
Total		<u>\$ 222,000</u>		<u>\$ 1,180,000</u>	<u>1,402,000</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 Ten Years

	2013	2012	2011	2010
<b>Receipts:</b>				
Property tax	\$ 1,113,991	1,025,939	838,546	883,763
Tax increment financing	199,426	75,496	69,035	78,477
Other city tax	290,610	315,699	272,322	232,907
Licenses and permits	14,131	38,254	26,191	50,104
Use of money and property	11,890	14,381	9,463	8,385
Intergovernmental	316,782	497,147	287,989	466,618
Charges for service	17,764	7,818	19,366	200
Special assessments	-	-	-	-
Miscellaneous	103,648	140,264	149,781	75,453
<b>Total</b>	<b>\$ 2,068,242</b>	<b>2,114,998</b>	<b>1,672,693</b>	<b>1,795,907</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 115,319	79,505	80,123	75,264
Public works	368,899	248,952	244,272	333,763
Health and social services	9,785	11,591	8,281	15,664
Culture and recreation	502,089	536,192	344,606	276,385
Community and economic development	-	-	-	-
General government	254,262	229,226	230,058	247,842
Debt service	504,772	362,304	286,460	288,807
Capital projects	4,427	2,724,192	1,873,331	403,332
<b>Total</b>	<b>\$ 1,759,553</b>	<b>4,191,962</b>	<b>3,067,131</b>	<b>1,641,057</b>

See accompanying independent auditor's report.



2009	2008	2007	2006	2005	2004
754,854	522,518	557,574	506,908	459,136	421,080
105,842	100,648	69,611	125,097	25,832	23,478
28,484	21,731	26,075	22,175	20,332	24,751
13,480	15,862	31,590	26,377	40,134	37,569
15,517	66,803	82,118	50,801	9,229	6,306
544,166	487,197	238,506	225,070	212,934	267,500
4,225	3,671	107,414	109,295	174,998	85,289
-	-	-	398	431	863
40,457	41,605	280,492	1,060,160	733,613	24,243
<u>1,507,025</u>	<u>1,260,035</u>	<u>1,393,380</u>	<u>2,126,281</u>	<u>1,676,639</u>	<u>891,079</u>

70,902	220,442	163,095	60,847	60,281	66,848
224,548	224,952	344,176	373,250	340,356	282,499
7,656	10,554	-	-	-	-
199,992	189,355	215,213	438,354	237,317	242,168
-	-	-	2,185	-	-
224,528	128,985	164,526	143,741	158,133	132,257
200,108	163,427	139,035	121,048	65,682	130,700
<u>2,214,227</u>	<u>980,373</u>	<u>434,561</u>	<u>264,861</u>	<u>432,576</u>	<u>230,168</u>
<u>3,141,961</u>	<u>1,918,088</u>	<u>1,460,606</u>	<u>1,404,286</u>	<u>1,294,345</u>	<u>1,084,640</u>

**City of Center Point**



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Mary Mosiman, CPA  
Auditor of State

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 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, the 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, 2013, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 25, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Center Point's internal control over financial reporting to determine the audit procedures 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 Center Point's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Center Point's 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 deficiencies in internal control 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 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 in internal control 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 (G) 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, 2013 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 the Findings


The City of Center Point's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Center Point's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## 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 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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 25, 2014

**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) Computer system – 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 the review of reconciliations should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – With a small staff it is challenging to create a proper segregation of duties. We will review the internal controls and address the lack of segregation wherever we can.

Conclusion – Response accepted.

City of Center Point

Schedule of Findings

Year ended June 30, 2013

- (B) Financial Reporting – During the audit, we identified material amounts of receipts and disbursements recorded in incorrect funds 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 – The City has already addressed the auditor’s concerns with this and has taken steps to ensure it will not happen again.

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 City Council should review the reconciliation and monitor delinquent accounts each month.

Response – We do not have a procedure in place which addresses this comment but the City Administrator and the City Clerk are working on procedures which will be implemented during fiscal year 2014.

Conclusion – Response accepted.

- (D) Monthly Bank Reconciliations – Although monthly bank reconciliations were prepared, the reconciliations included only the City’s 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, 2013. 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 City is working with the software company to figure out where the discrepancies are in the reconciliation. We have identified the issue within the system and it has been corrected going forward. The previous out of balance transactions will be corrected for fiscal year 2014 prior to close and the balances will be reconciled at fiscal year end.

Conclusion – Response accepted.

City of Center Point

Schedule of Findings

Year ended June 30, 2013

- (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 Administrator and the City Clerk has reviewed all of the accounts and inactivated the incorrect ones and created new correct accounts for fiscal year 2014.

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.

Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Response – The City has started a manual and will have some significant progress with it by the end of fiscal year 2014.

Conclusion – Response accepted.

- (G) Computer 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 computer system was noted:

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

- (1) Identification of critical applications.
- (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.

City of Center Point

Schedule of Findings

Year ended June 30, 2013

- (1) 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 location(s).
- (2) A requirement to keep a copy of the disaster recovery plan off site.
- (3) A requirement to keep system backups current and off site.
- (4) An inventory of all hardware and components (e.g.: make, model numbers, serial numbers, etc.).
- (5) An inventory of all software applications (e.g.: operating system and software applications, release versions and vendor names).
- (6) A requirement copies of all user documentation and policy and procedures manuals be located off site.
- (7) A requirement extra stocks of paper supplies, such as checks, warrants, purchase orders, etc., be located off site.
- (8) 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 has begun taking the steps to protect the integrity of our data by implementing new policies regarding passwords and how our information is backed up. We now use an off-site service.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



City of Center Point  
Schedule of Findings  
Year ended June 30, 2013

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government, debt service and capital projects 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 – We will start completing budget amendments prior to the disbursements being made.

Conclusion – Response accepted.

- (2) Questionable Disbursements –No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City 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	\$ 369

In accordance with Chapter 362.5 of the Code of Iowa, these transactions 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) City Council Minutes – Certain transfers between funds were not approved by the City Council prior to making the transfer between funds.

Recommendation –The City Council should approve all transfers prior to the actual transfer and document approval and amount(s) as part of the minutes record.

Response – Moving forward, all transfers will be approved by resolution presented to the City Council.

Conclusion – Response accepted.

- (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.

City of Center Point

Schedule of Findings

Year ended June 30, 2013

- (8) Revenue Bonds – The City has not made the required transfers to sewer and water revenue bond sinking accounts as required by the sewer and water revenue bond resolutions.

Recommendation – The City should make the necessary transfers as required by the sewer and water bond resolutions.

Response – The City will make the required transfers to the sewer and water sinking accounts moving forward.

Conclusion – Response accepted.

- (9) Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the following exceptions were noted:

- The City erroneously certified TIF debt of \$133,345 which was included on the December 1, 2012 urban renewal annual report.
- Although the cash balance in the Special Revenue, Tax Increment Financing Fund was \$260,073, the City reported a cash balance of \$144,531 on its urban renewal annual report.

Recommendation – The City should consult TIF legal counsel to determine the propriety of the City’s TIF certification. In addition, the City should report the same cash balance on its urban renewal annual report as is reported in the City’s Annual Financial Report.

Response – The City consulted with a financial advisor regarding this issue and they stated, due to the amount, it is not something they would worry about, especially since we fixed it going forward.

Conclusion – Response accepted.

- (10) 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 Office of Treasurer of State 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 Office of Treasurer of State as required.

Response – The City will resolve this issue by the end of fiscal year 2014.

Conclusion – Response accepted.

- (11) Local Option Sales and Services Tax – Local option sales and services tax (LOST) receipts are recorded in the Special Revenue, LOST Fund. The Lost ballot requires the receipts to be used for specified purposes. During the fiscal year, LOST disbursements were not tracked in a manner which documented compliance with the LOST ballot referendum and required transfers established by the City. In addition, a transfer of \$300,000 from the Special Revenue, LOST Fund to the Capital Projects Fund was not approved by the City Council.

City of Center Point

Schedule of Findings

Year ended June 30, 2013

Recommendation – The City should document the collection, disbursement and balance of all LOST funds. Disbursement of these funds should be properly identified to document compliance with the LOST ballot referendum provisions.

Response – The City is creating a spreadsheet to better track the LOST distributions and will make sure a transfer resolution is done when necessary.

Conclusion - Response accepted.

- (12) Annual Financial Report (AFR) – The City completed and filed its AFR by December 1 as required by Chapter 384.22 of the Code of Iowa. However, the receipts, disbursements and cash basis fund balances were materially misstated.

Recommendation – The City should develop procedures to ensure the Annual Financial Report reconciles to the City’s general ledger.

Response – The City will ensure the AFR reconciles to the City’s general ledger in the future.

Conclusion – Response accepted.

- (13) Financial Condition – At June 30, 2013, the City had deficit balances in the following funds:

<u>Fund</u>	<u>Amount</u>
Debt Service	\$ 353,708
Enterprise:	
Water	79,459

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

Response – The City will review available resources and transfers from other funds where allowable to return these funds to a sound financial position.

Conclusion – Response accepted.

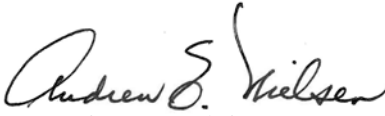
---

City of Center Point

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
Tyler L. Carter, Staff Auditor  
Tyler G Huedepohl, Auditor Intern

  
Andrew E. Nielsen, CPA  
Deputy Auditor of State