



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

November 1, 2004

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

The City's receipts totaled \$1,534,221 for the year ended June 30, 2003, a 22 percent increase from 2002. The receipts included \$385,358 in property tax, \$23,692 in tax increment financing collections, \$170,916 in local option sales tax, \$190,361 from the state, \$204,714 from the federal government and \$14,660 in interest on investments. The significant increase in receipts is due primarily to the receipt of a Community Development Block Grant for the Well Project and the first full year of local option sales tax collections.

Disbursements for the year totaled \$1,363,231, a 22 percent increase from 2002, and included \$428,945 for capital projects, \$312,660 for public works and \$251,369 for business type activities. The significant increase in disbursements is due primarily to disbursements for the Well Project.

The report contains recommendations to the City Council and other City officials. For example, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. The City has responded operating procedures will be reviewed.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

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CITY OF CENTER POINT
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003

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City of Center Point

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Neenan	Mayor	Jan 2004
Gary Heins	Mayor Pro tem	Jan 2006
Paula Freeman-Brown	Council Member	Jan 2004
Annette Slifka	Council Member	Jan 2004
Dennis Hundley	Council Member	Jan 2006
Curt Sloan	Council Member	Jan 2006
Angela Rillings-Batcheler	City Clerk	Indefinite
LeAnn Kramer	Deputy City Clerk	Indefinite
Don Hoskins	City 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, listed as exhibits in the table of contents of this report, of the City of Center Point, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City of Center Point's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 opinion.

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 aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Center Point as of and for the year ended June 30, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in note 1.

As discussed in Note 10, the City of Center of Point intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the City's financial statements and related notes in the year of the implementation. The revised requirements include an analytical overview of the City's financial activities in the Management's Discussion and Analysis introduction to the financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated May 12, 2004 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 and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2000 (none of which are presented herein) and expressed qualified opinions on those financial statements since, as permitted by the Code of Iowa, the accounting records of the City were not audited for all prior years and, accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 1999. The supplemental information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 12, 2004

Financial Statements

City of Center Point
 Combined Statement of Cash Transactions
 All Fund Types
 Year ended June 30, 2003

	Governmental	
	General	Special Revenue
Receipts:		
Property tax	\$ 324,246	38,407
Tax increment financing collections	-	23,692
Other city tax	191,914	1,732
Licenses and permits	20,894	-
Use of money and property	3,995	333
Intergovernmental	46,533	163,035
Charges for service	82,807	-
Special assessments	-	-
Miscellaneous	17,427	-
Total receipts	<u>687,816</u>	<u>227,199</u>
Disbursements:		
Public safety	58,820	-
Public works	164,790	147,870
Culture and recreation	105,536	20,553
General government	96,954	7,730
Debt service	-	-
Capital projects	-	-
Business type activities	-	-
Total disbursements	<u>426,100</u>	<u>176,153</u>
Excess (deficiency) of receipts over (under) disbursements	<u>261,716</u>	<u>51,046</u>
Other financing sources (uses):		
Anticipatory warrant proceeds	-	-
Anticipatory warrants redeemed	-	-
Operating transfers in	-	10,000
Operating transfers out	(40,775)	-
Total other financing sources (uses)	<u>(40,775)</u>	<u>10,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	220,941	61,046
Balance beginning of year	<u>185,561</u>	<u>77,888</u>
Balance end of year	<u>\$ 406,502</u>	<u>138,934</u>

See notes to financial statements.

Fund Types		Proprietary	Fiduciary	Total
Debt	Capital	Fund Type	Fund Type	(Memorandum
Service	Projects	Enterprise	Trust	Only)
22,705	-	-	-	385,358
-	-	-	-	23,692
995	-	-	-	194,641
-	-	-	-	20,894
-	-	8,863	1,469	14,660
-	204,714	-	-	414,282
-	-	324,705	-	407,512
662	-	-	-	662
-	-	48,573	6,520	72,520
24,362	204,714	382,141	7,989	1,534,221
-	-	-	-	58,820
-	-	-	-	312,660
-	-	-	353	126,442
-	-	-	-	104,684
80,311	-	-	-	80,311
-	428,945	-	-	428,945
-	-	251,369	-	251,369
80,311	428,945	251,369	353	1,363,231
(55,949)	(224,231)	130,772	7,636	170,990
-	393,054	-	-	393,054
-	(393,054)	-	-	(393,054)
61,622	-	-	26,926	98,548
-	-	(57,773)	-	(98,548)
61,622	-	(57,773)	26,926	-
5,673	(224,231)	72,999	34,562	170,990
(1,010)	(70,805)	556,277	128,888	876,799
4,663	(295,036)	629,276	163,450	1,047,789

City of Center Point

City of Center Point

Comparison of Receipts, Disbursements and Changes in Balances –
Actual to Budget

Year ended June 30, 2003

	Actual	Budget	Variance Favorable (Unfavorable)	Actual as % of Budget
Receipts:				
Property tax	\$ 385,358	430,990	(45,632)	89%
Tax increment financing collections	23,692	23,000	692	103%
Other city tax	194,641	13,567	181,074	1435%
Licenses and permits	20,894	28,695	(7,801)	73%
Use of money and property	14,660	30,950	(16,290)	47%
Intergovernmental	414,282	214,697	199,585	193%
Charges for service	407,512	1,477,400	(1,069,888)	28%
Special assessment	662	-	662	
Miscellaneous	72,520	-	72,520	
Total receipts	<u>1,534,221</u>	<u>2,219,299</u>	<u>(685,078)</u>	<u>69%</u>
Disbursements:				
Public safety	58,820	57,500	(1,320)	102%
Public works	312,660	362,098	49,438	86%
Culture and recreation	126,442	147,150	20,708	86%
General government	104,684	128,091	23,407	82%
Debt service	80,311	129,058	48,747	62%
Capital projects	428,945	1,007,572	578,627	43%
Business type activities	251,369	347,583	96,214	72%
Total disbursements	<u>1,363,231</u>	<u>2,179,052</u>	<u>815,821</u>	<u>63%</u>
Excess of receipts over disbursements	170,990	40,247		
Balance beginning of year	<u>876,799</u>	<u>504,231</u>		
Balance end of year	<u>\$1,047,789</u>	<u>544,478</u>		

See notes to financial statements.

City of Center Point
Statement of Indebtedness
Year ended June 30, 2003

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Water	Mar 15, 1994	4.20%	\$ 105,000
Sewer improvements	Sep 1, 1996	4.90-5.55	620,000
Total			
Revenue notes:			
Water	May 28, 1996	7.50%	\$ 160,000
Lease-purchase agreement:			
City Hall	July 1, 1995	7.00%	\$ 195,586
Bank loans:			
Dump truck	Jan 14, 2000	6.00%	\$ 44,000
Land purchase	Sep 29, 2000	6.50	57,000
Total			
Anticipatory warrants (note 8):			
Well project	July 11, 2002	4.25%	\$ 393,054

See notes to financial statements.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
25,000	-	10,000	15,000	1,050
380,000	-	45,000	335,000	20,082
<u>\$ 405,000</u>	<u>-</u>	<u>55,000</u>	<u>350,000</u>	<u>21,132</u>
20,000	-	20,000	-	752
<u>100,998</u>	<u>-</u>	<u>17,482</u>	<u>83,516</u>	<u>6,518</u>
32,040	-	32,040	-	2,162
47,431	-	2,379	45,052	1,470
<u>\$ 79,471</u>	<u>-</u>	<u>34,419</u>	<u>45,052</u>	<u>3,632</u>
<u>\$ 393,054</u>	<u>393,054</u>	<u>393,054</u>	<u>-</u>	<u>7,516</u>

City of Center Point

Notes to Financial Statements

June 30, 2003

(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, culture and recreation, community and economic development, general government and business type activities.

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. The City of Center Point has no component units which meet the Governmental Accounting Standards Board criteria.

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. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds and their designated purposes are as follows:

Governmental Funds

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

Special Revenue Funds – The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund – The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation and other long-term debt.

Capital Projects Funds – The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

Proprietary Funds

Enterprise Funds – The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Fiduciary Funds

Trust Funds – The Trust Funds are used to account for monies and properties received and held by the City in a trustee capacity. These include Expendable and Non-Expendable Trust Funds.

C. Basis of Accounting

The City of Center Point 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.

D. Budgets and Budgetary Accounting

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. 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.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2003 were entirely covered by federal depository insurance or 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.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	General Obligation Notes	
	Principal	Interest
2004	\$ 65,000	18,462
2005	50,000	15,283
2006	55,000	12,708
2007	55,000	9,820
2008	60,000	6,878
2009	65,000	3,608
Total	<u>\$ 350,000</u>	<u>66,759</u>

Lease-Purchase Agreement

The City has entered into an agreement to lease property to house city offices, a community room and the public works department under a non-cancelable capital lease. The following is a schedule of the future minimum lease payments and present value of the minimum lease payments under the agreement in effect at June 30, 2003.

Year Ending June 30,	Amount
2004	\$ 24,000
2005	24,000
2006	24,000
2007	<u>24,000</u>
Total minimum lease payments	96,000
Less amount representing interest	<u>(12,484)</u>
Present value of net minimum lease payments	<u><u>\$ 83,516</u></u>

During the year ended June 30, 2003, \$24,000 was paid under this lease.

Bank Loan Payable

On September 29, 2000, the City entered into a loan agreement with Center Point Bank & Trust to borrow \$57,000, with interest at 6.50% per annum, to finance the purchase of land. The loan will be repaid by the City in semi-annual installments of \$3,849, beginning December 15, 2000, with the final payment of the \$45,127 balance due on June 15, 2003. The unpaid balance at June 30, 2003 totaled \$45,052. The balance of the loan was paid in full on July 3, 2003.

(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.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2003, 2002 and 2001 were \$13,048, \$12,401 and \$14,223, respectively, equal to the required contribution for each year.

(5) Compensated Absences

City employees accumulate 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 maximum liability for unrecognized accrued employee benefits at June 30, 2003, primarily relating to the General Fund, is \$8,700. This liability has been computed based on rates of pay in effect at June 30, 2003.

(6) Risk Management

The City of Center Point 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 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.

(7) Deficit Balances

The Capital Projects Fund, Well Project Account had a deficit balance of \$301,381 at June 30, 2003. The deficit will be eliminated through the issuance of long term financing as the project nears completion.

(8) Anticipatory Warrants

Anticipatory warrants are warrants which are legally drawn on City funds, but are not paid for lack of funds, in accordance with Chapters 74 and 384.57 of the Code of Iowa. The warrants bear interest at rates in effect at the time the warrants are first presented for redemption.

During the year ended June 30, 2003, the City issued \$393,054 of anticipatory warrants, with interest at 4.25% interest per annum, to construct its Well Project. The anticipatory warrants were redeemed during the year.

(9) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed appropriations by function. During the year ended June 30, 2003, disbursements in the public safety function exceeded the amount budgeted.

(10) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. Also, the revised minimum reporting requirements include Management’s Discussion and Analysis to introduce the financial statements and to provide an analytical overview of the City’s financial activities.

Supplemental Information

Schedule 1

City of Center Point
Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

Receipts:	
Property tax	<u>\$ 324,246</u>
Other city tax:	
Utility tax replacement excise tax	14,632
Local option sales tax	170,916
Cable franchise fee	<u>6,366</u>
	<u>191,914</u>
Licenses and permits:	
Liquor	2,727
Cigarette	375
Building and zoning	17,325
Miscellaneous	<u>467</u>
	<u>20,894</u>
Use of money and property:	
Interest on investments	<u>3,995</u>
Intergovernmental:	
State allocation	20,874
Bank franchise tax	3,491
Library open access	999
County and city library allocation	19,207
Enrich Iowa grant	<u>1,962</u>
	<u>46,533</u>
Charges for service:	
Garbage collections	<u>82,807</u>
Miscellaneous:	
Cemetery lots	383
Refunds and reimbursements	7,877
Fines and fees	634
Ambulance reimbursement	1,114
Miscellaneous	<u>7,419</u>
	<u>17,427</u>
Total receipts	<u>687,816</u>

City of Center Point
 Schedule of Cash Transactions
 General Fund
 Year ended June 30, 2003

Disbursements:	
Public safety:	
Police:	
Services and commodities	28,538
Lease-purchase agreement:	
Principal	699
Interest	301
	<u>29,538</u>
Animal control	1,154
Ambulance	1,928
Fire:	
Services and commodities	26,200
	<u>58,820</u>
Public works:	
Streets and traffic safety:	
Personal services	40,551
Services and commodities	16,801
Lease-purchase agreement:	
Principal	6,119
Interest	2,399
	<u>65,870</u>
Street lighting	17,029
Solid waste:	
Services and commodities	81,891
	<u>164,790</u>
Culture and recreation:	
Library:	
Personal services	36,221
Services and commodities	18,623
	<u>54,844</u>

Schedule 1

City of Center Point
Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

Disbursements:	
Culture and recreation:	
Parks:	
Personal services	24,147
Services and commodities	14,959
Lease-purchase agreement:	
Principal	1,049
Interest	451
	<u>40,606</u>
Cemetery:	
Personal services	3,019
Services and commodities	7,067
	<u>10,086</u>
	<u>105,536</u>
General government:	
Mayor and Council Members:	
Personal services	<u>8,635</u>
City Clerk:	
Personal services	<u>11,840</u>
Legal and professional:	
Services and commodities	<u>7,147</u>
Elections	<u>706</u>
City hall:	
Services and commodities	19,843
Lease-purchase agreement:	
Principal	2,972
Interest	1,028
	<u>23,843</u>
Miscellaneous administration:	
Personal services	11,502
Services and commodities	33,281
	<u>44,783</u>
	<u>96,954</u>
Total disbursements	<u>426,100</u>

City of Center Point
Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

Excess of receipts over disbursements	<u>261,716</u>
Other financing uses:	
Operating transfers out:	
Special Revenue:	
Road Use Tax	(10,000)
Debt Service:	
General Obligation Bonds/Notes	(3,849)
Trust:	
Library Capital Equipment	(1,217)
Library Building Trust	(800)
Capital Equipment Replacement	<u>(24,909)</u>
Total other financing uses	<u>(40,775)</u>
Excess of receipts over disbursements and other financing uses	220,941
Balance beginning of year	<u>185,561</u>
Balance end of year	<u><u>\$ 406,502</u></u>

See accompanying independent auditor's report.

Schedule 2

City of Center Point
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2003

	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment	Total
Receipts:				
Property tax	\$ -	38,407	-	38,407
Tax increment financing collections	-	-	23,692	23,692
Other city tax:				
Utility tax replacement excise tax	-	1,732	-	1,732
Use of money and property:				
Interest on investments	-	-	333	333
Intergovernmental:				
Road use tax allocation	163,035	-	-	163,035
Total receipts	163,035	40,139	24,025	227,199
Disbursements:				
Public works:				
Street maintenance:				
Personal services	37,591	14,429	-	52,020
Services and commodities	52,666	-	-	52,666
Lease-purchase agreement:				
Principal	6,643	-	-	6,643
Interest	2,339	-	-	2,339
Bank loan:				
Dump truck:				
Principal	32,040	-	-	32,040
Interest	2,162	-	-	2,162
	133,441	14,429	-	147,870
Culture and recreation:				
Personal services	-	20,553	-	20,553
General government:				
Personal services	-	7,730	-	7,730
Total disbursements	133,441	42,712	-	176,153
Excess (deficiency) of receipts over (under) disbursements	29,594	(2,573)	24,025	51,046

City of Center Point
 Combining Schedule of Cash Transactions
 Special Revenue Funds
 Year ended June 30, 2003

	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment	Total
Other financing uses:				
Operating transfers out:				
General	10,000	-	-	10,000
Excess (deficiency) of receipts over (under) disbursements and other financing uses	39,594	(2,573)	24,025	61,046
Balance beginning of year	38,156	12,255	27,477	77,888
Balance end of year	\$ 77,750	9,682	51,502	138,934

See accompanying independent auditor's report.

Schedule 3

City of Center Point
Combining Schedule of Cash Transactions
Debt Service Fund
Year ended June 30, 2003

	General Obligation Bonds/ Notes	Junge Special Assess- ment	Sunrise Special Assess- ment	Total
Receipts:				
Property tax	\$ 22,705	-	-	22,705
Other city tax:				
Utility tax replacement excise tax	995	-	-	995
Special assessments	-	-	662	662
Total receipts	<u>23,700</u>	<u>-</u>	<u>662</u>	<u>24,362</u>
Disbursements:				
Debt service:				
General obligation notes:				
Principal redemption	55,000	-	-	55,000
Interest payments	21,132	-	-	21,132
Bank loan:				
Principal	2,379			2,379
Interest	1,470			1,470
Registrar fees	330	-	-	330
Total disbursements	<u>80,311</u>	<u>-</u>	<u>-</u>	<u>80,311</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(56,611)</u>	<u>-</u>	<u>662</u>	<u>(55,949)</u>
Other financing sources:				
Operating transfers in:				
General	3,849	-	-	3,849
Enterprise:				
Sewer Rental	57,773	-	-	57,773
Total other financing sources	<u>61,622</u>	<u>-</u>	<u>-</u>	<u>61,622</u>
Excess of receipts and other financing sources over disbursements	5,011	-	662	5,673
Balance beginning of year	<u>(4,375)</u>	<u>1,909</u>	<u>1,456</u>	<u>(1,010)</u>
Balance end of year	<u>\$ 636</u>	<u>1,909</u>	<u>2,118</u>	<u>4,663</u>

See accompanying independent auditor's report.

City of Center Point
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2003

	Lagoon Project	Water Project	Well Project	Total
Receipts:				
Intergovernmental:				
Community development block grant	\$ -	-	204,714	204,714
Disbursements:				
Capital projects:				
Services and commodities	-	-	23,505	23,505
Capital outlay	-	-	397,924	397,924
Interest on project warrant	-	-	7,516	7,516
Total disbursements	-	-	428,945	428,945
Deficiency of receipts under disbursements	-	-	(224,231)	(224,231)
Other financing sources (uses):				
Anticipatory warrant proceeds	-	-	393,054	393,054
Anticipatory warrants redeemed	-	-	(393,054)	(393,054)
Total other financing sources (uses)	-	-	-	-
Deficiency of receipts and other financing sources under disbursements and other financing uses	-	-	(224,231)	(224,231)
Balance beginning of year	4,274	2,071	(77,150)	(70,805)
Balance end of year	\$ 4,274	2,071	(301,381)	(295,036)

See accompanying independent auditor's report.

City of Center Point
Combining Schedule of Cash Transactions

Enterprise Funds

Year ended June 30, 2003

	Water	Water Revenue Note Sinking	Sewer Rental
Receipts:			
Use of money and property:			
Interest on investments	\$ 4,357	-	4,384
Charges for service:			
Sale of water	162,970	-	-
Installations and connections	1,140	-	900
Sewer rental fees	-	-	157,188
Miscellaneous	2,507	-	-
	<u>166,617</u>	<u>-</u>	<u>158,088</u>
Miscellaneous:			
Impact fees	-	11,250	-
Sales tax collections	-	-	-
Customer deposits	-	-	-
Miscellaneous	5,860	-	-
	<u>5,860</u>	<u>11,250</u>	<u>-</u>
Total receipts	<u>176,834</u>	<u>11,250</u>	<u>162,472</u>
Disbursements:			
Business type activities:			
Personal services	54,595	-	59,891
Services and commodities	56,678	-	39,946
Capital outlay	2,982	-	-
Debt service:			
Principal redemption	-	20,000	-
Interest payments	-	752	-
Total disbursements	<u>114,255</u>	<u>20,752</u>	<u>99,837</u>
Excess (deficiency) of receipts over (under) disbursements	62,579	(9,502)	62,635

Sewer Revenue Note Sinking	Sales Tax	Meter Deposits	Total
-	-	122	8,863
-	-	-	162,970
-	-	-	2,040
-	-	-	157,188
-	-	-	2,507
-	-	-	324,705
10,500	-	-	21,750
-	11,263	-	11,263
-	-	9,700	9,700
-	-	-	5,860
10,500	11,263	9,700	48,573
10,500	11,263	9,822	382,141
-	-	-	114,486
-	4,106	12,419	113,149
-	-	-	2,982
-	-	-	20,000
-	-	-	752
-	4,106	12,419	251,369
10,500	7,157	(2,597)	130,772

City of Center Point
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	Water	Water Revenue Note Sinking	Sewer Rental
Other financing uses:			
Operating transfers out:			
Debt Service:			
General Obligation Bonds/Notes	-	-	(57,773)
Excess (deficiency) of receipts over (under) disbursements and other financing uses	62,579	(9,502)	4,862
Balance beginning of year	112,477	167,083	107,848
Balance end of year	\$ 175,056	157,581	112,710

See accompanying independent auditor's report.

Sewer Revenue Note Sinking	Sales Tax	Meter Deposits	Total
-	-	-	(57,773)
10,500	7,157	(2,597)	72,999
129,437	3,469	35,963	556,277
139,937	10,626	33,366	629,276

City of Center Point
Combining Schedule of Cash Transactions
Trust Funds
Year ended June 30, 2003

	Fross Park Trust	Library Capital Equipment	Library Building Trust	Expendable Cemetery Stone Repair
Receipts:				
Use of money and property:				
Interest on investments	\$ -	110	1,359	-
Miscellaneous:				
Donations and contributions	370	42	2,476	-
Perpetual care payments	-	-	-	-
Total receipts	370	152	3,835	-
Disbursements:				
Culture and recreation:				
Services and commodities	-	-	-	-
Excess of receipts over disbursements	370	152	3,835	-
Other financing sources:				
Operating transfers in:				
General	-	1,217	800	-
Excess of receipts and other financing sources over disbursements	370	1,369	4,635	-
Balance beginning of year	4,156	10,399	62,319	430
Balance end of year	\$ 4,526	11,768	66,954	430

See accompanying independent auditor's report.

Trusts			Non-Expendable Trust	
Municipal Building Trust	Park and Recreation Donations	Capital Equipment Replacement	Cemetery Perpetual Care	Total
-	-	-	-	1,469
-	1,962	-	-	4,850
-	-	-	1,670	1,670
-	1,962	-	1,670	6,520
-	1,962	-	1,670	7,989
-	353	-	-	353
-	1,609	-	1,670	7,636
-	-	24,909	-	26,926
-	1,609	24,909	1,670	34,562
2,401	-	12,589	36,594	128,888
2,401	1,609	37,498	38,264	163,450

Schedule 7

City of Center Point

Note Maturities

June 30, 2003

Year Ending June 30,	General Obligation Notes					Total
	Water		Sewer			
	Issued Mar 15, 1994		Improvements			
	Interest Rates	Amount	Interest Rates	Amount		
2004	4.20%	\$ 15,000	5.10%	\$ 50,000	\$ 65,000	
2005		-	5.15	50,000	50,000	
2006		-	5.25	55,000	55,000	
2007		-	5.35	55,000	55,000	
2008		-	5.45	60,000	60,000	
2009		-	5.55	65,000	65,000	
Total		<u>\$ 15,000</u>		<u>\$335,000</u>	<u>\$350,000</u>	

See accompanying independent auditor's report.

City of Center Point

Comparison of Taxes and Intergovernmental Receipts

	Years ended June 30,			
	2003	2002	2001	2000
Property tax	\$ 385,358	380,744	338,839	315,779
Tax increment financing collections	23,692	77,113	15,897	70,383
Other city tax:				
Utility tax replacement excise tax	17,359	12,845	11,856	-
Local option sales tax	170,916	50,545	-	-
Cable franchise tax	6,366	4,850	4,317	3,968
	194,641	68,240	16,173	3,968
Intergovernmental:				
State allocation	20,874	22,014	22,261	22,327
Bank franchise tax	3,491	2,208	315	2,632
Community development block grant	204,714	4,500	-	-
Library open access	999	975	1,401	1,630
County and city library allocation	19,207	17,501	16,683	15,035
Enrich Iowa grant	1,962	2,025	789	-
County cemetery allocation	-	1,856	1,808	-
Road use tax	163,035	160,756	151,503	150,225
Miscellaneous	-	-	-	2,587
	414,282	211,835	194,760	194,436
Total	\$ 1,017,973	737,932	565,669	584,566

See accompanying independent auditor's report.

City of Center Point



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Center Point, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated May 12, 2004. Our report expressed an unqualified opinion 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City of Center Point's operations for the year ended June 30, 2003 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. Prior year statutory comments have been resolved except for items (7), (10) and (11).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Center Point's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Center Point's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings.

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

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

May 12, 2004

City of Center Point
Schedule of Findings
Year ended June 30, 2003

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual had control over each of the following areas for the City:
- (1) Accounting system – performing all general accounting functions and having custody of assets.
 - (2) Cash – preparing bank account reconciliations, initiating cash receipts and disbursement functions and handling and recording cash.
 - (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
 - (4) Receipts – collecting, depositing, journalizing and posting.
 - (5) Utility receipts – billing, collecting, depositing, posting and reconciling.
 - (6) Disbursements – purchasing, check signing, recording and reconciling.
 - (7) Payroll – preparing and distributing.
 - (8) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.
 - (9) Financial reporting – Preparing, reconciling and distributing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will review its procedures in order to improve on the segregation of duties and maximize the internal control of our finances.

Conclusion – Response accepted.

City of Center Point
Schedule of Findings
Year ended June 30, 2003

- (B) Information System – The following weaknesses in the City’s computer based systems were noted:

The City does not have written policies for:

- requiring a disaster recovery plan.
- requiring software and data file backups to be stored off-site.
- maintaining password privacy and confidentiality.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer based system.

Response – Written policies will be developed for a disaster recovery plan, software and data file backup storage and password privacy and confidentiality.

Conclusion – Response accepted.

- (C) Accounting Records – Certain receipts and disbursements were not entered on the computer and computer generated registers were not reconciled to the financial reports. The financial reports were not reconciled to the bank and the outstanding check listings were not accurate.

Recommendation – Receipts and disbursements should be reconciled to the bank and computerized records. Financial reports should be reconciled to the bank. The financial reports and reconciliations should be provided to City officials for review and approval monthly.

Response – Procedures will be put in place to assure monthly reconciling of the City’s bank and computerized records. Financial reports and reconciliations will be provided to the appropriate City official for review.

Conclusion – Response accepted.

- (D) Receipts – Receipts were not always issued and collections were not always deposited timely.

Recommendation – Prenumbered receipts should be issued for all collections and all collections should be deposited timely.

Response – Prenumbered receipts are now being issued for all monies received by the City and are being deposited to the bank timely.

Conclusion – Response accepted.

- (E) Utility Billings and Collections – Paid customer utility stubs were not always date stamped with the date actually paid and did not note whether paid by cash, check or some other means. Additionally, utility deposits were not made timely to ensure safeguarding of city utility collections.

City of Center Point

Schedule of Findings

Year ended June 30, 2003

Recommendation – Paid utility customer account stubs should be stamped with the date actually paid. The paid stub should also include whether paid by “cash”, “check” or some other means. Utility collections should be deposited daily to ensure a minimum of cash and checks are kept at City Hall.

Response – Utility customer account payment stubs are being stamped with the date received and marked with the amount and form of payment received. Collections are now being processed and deposited to the bank timely.

Conclusion – Response accepted.

- (F) Disbursements – Certain disbursements were not approved by the City Council prior to disbursement. Additionally, disbursements were not always paid timely, requiring the City to pay late or past due fees/penalties, supporting documentation was not always available to support the disbursement and supporting documentation available was not always cancelled with the date paid and check number.

Recommendation – All City disbursements should be approved by the City Council prior to actual disbursement, unless specifically allowed to be paid prior to City Council through an approved resolution of the City Council. All disbursements should be paid when due and should be supported by invoices or other supporting documentation. All supporting invoices, statements and other supporting documentation should be cancelled with the date and check number to help avoid duplicate payments of the same invoices.

Response – All City disbursements will be approved by the City Council prior to actual disbursement except for routine disbursements specifically allowed by policy or resolution. All such “interim” disbursements will be reported to the City Council for approval at the next meeting. Disbursements will be paid timely to avoid past due fees and penalties. Supporting documents will be attached to invoices paid and invoices will be cancelled upon payment noting check number and date paid.

Conclusion – Response accepted.

- (G) Payroll – Payroll records were inaccurate, incomplete and incorrect. Additionally, time cards were not reviewed and approved by an independent individual to ensure hours worked were appropriate and reasonable for the pay period.

Recommendation – All time cards should be reviewed and approved by an independent individual prior to issuing payroll checks. The independent individual reviewing and approving the time cards should initial and date the approval on the time card. All payroll records should be supported, reconciled and compared to the payroll and accounting records each pay period to ensure accurate and complete reporting.

Response – Accurate, complete, and correct payroll records will be maintained. Timecards and other supporting documentation will be submitted to the Mayor with the paychecks for approval and signature.

Conclusion – Response accepted.

City of Center Point
Schedule of Findings
Year ended June 30, 2003

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming the official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Certified Budget – Disbursements during the year ended June 30, 2003 exceeded the amount budgeted in the public safety function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – The City will comply with Chapter 384.18 of the Code of Iowa in the future.

Conclusion – Response accepted.

- (3) Questionable Disbursements – Certain disbursements were noted that 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. These disbursements are detailed as follows:

<u>Paid</u>	<u>Purpose</u>	<u>Amount</u>
T&R Food Pride	Recognition Day food	\$113
Musicians	Recognition Day musicians	60
Squires of St. Patrick	Recognition Day balloons	23
Mary Jane Gustoff	Supply reimbursement	17
Mary Rockhill	Supply reimbursement	8
Sherbon’s Flower Market	Funeral flower arrangements	57

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

Recommendation – The City Council should determine and document in the minutes record the specific public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation surrounding each individual transaction.

City of Center Point
 Schedule of Findings
 Year ended June 30, 2003

Response – The City will review its procedures for these kinds of transactions.

Conclusion – Response accepted.

- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions – Business transactions between the City and City officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gary Heins, Council member, Owner of Gary Heins Trucking	Trucking services	\$200

The transaction with the Council member does not represent a conflict of interest in accordance with Chapter 362.5(10) of the Code of Iowa because the cumulative total during the fiscal year was less than \$1,500.

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

The City did not publish minutes within 15 days as required by Chapter 372.13(6) of the Code of Iowa. Additionally, the City Council entered into closed sessions by motion of a Council Member and seconded by another Council Member rather than by a vote of two-thirds of the City Council as a whole as is required by Chapter 21 of the Code of Iowa.

Recommendation – The City should publish minutes as required by Chapter 372.13 of the Code of Iowa and enter into closed sessions as required by Chapter 21 of the Code of Iowa.

Response – The City will publish minutes as required by Chapter 372.13 of the Code of Iowa and seek legal advice on entering closed sessions.

Conclusion – Response accepted.

- (8) 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.
- (9) Revenue Notes – The City has complied with the provisions of the revenue note indenture.

City of Center Point

Schedule of Findings

Year ended June 30, 2003

- (10) Financial Condition – The Capital Projects Fund, Well Project Account had a deficit balance of \$301,381 at June 30, 2003.

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

Response – The City will issue long term financing to eliminate the deficit in this project fund.

Conclusion – Response accepted.

- (11) Local Option Sales Tax – Local option sales tax collections were posted directly to the General Fund. On June 25, 2003, the City Council approved the allocation of these funds as follows: \$100,000 for the Library, \$75,000 for streets and \$25,000 for sidewalks. This left \$21,461 unallocated.

Recommendation – The City should ensure the local option sales tax collections are disbursed in accordance with voter approval and City Resolution No. 4-7-01. Additionally, the City should establish a Special Revenue Fund, Local Option Sales Tax account to record the collection of local option sales tax. The collections should then be transferred to the appropriate fund(s) as the City Council directs based on previous voter approval.

Response – The City will ensure that local option sales tax collections have been and are disbursed in accordance with voter approval and resolution 4-7-01 as well as develop a plan to account for these funds appropriately.

Conclusion – Response accepted.

- (12) Tax Increment Debt Certificate and Annual Urban Renewal Report – The Tax Increment Debt Certificate filed November 30, 2002 reported \$22,500 as the amount of debt which qualified for payment from tax increment financing taxes. This amount was not adjusted from the prior year's report for principal redemptions totaling \$1,748 and did not include new qualifying debt for the purchase of land totaling \$3,850. These errors resulted in an understatement of qualifying debt totaling \$2,102. Additionally, the Annual Urban Renewal Report for fiscal year 2002 was not filed by December 1, 2002 as required by Chapter 403.23(1) of the Code of Iowa.

Recommendation – The Tax Increment Debt Certificate should accurately list the qualifying debt with respect to the Urban Renewal Tax Increment Areas also listed to ensure no more than the required tax increment financing taxes are collected in accordance with Chapter 403.19(5) of the Code of Iowa. Also the Annual Urban Renewal Report should be filed by December 1 as required by Chapter 403.23(1) of the Code of Iowa.

Response – TIF reports will be filed in accordance with the law in the future.

Conclusion – Response accepted.

City of Center Point

Schedule of Findings

Year ended June 30, 2003

- (13) Mayor and Council Member Compensation - The Mayor's compensation exceeded the amount allowable in Chapter 15.04 of the City of Center Point Code of Ordinances by \$569 for the year ended June 30, 2003. Also, Council Member Annette Slifka worked for the local County landfill and had FICA and IPERS withheld from this pay as well as from the pay received as a part-time elected Council Member. The City also paid the employer's share of FICA and IPERS. The IPERS withholding was appropriate since Slifka did not elect to terminate her membership in IPERS. However, in accordance with a section 218 agreement with the Social Security Administration, FICA should not be withheld from Council Member fees.

Recommendation - The City should consult legal counsel to determine the disposition of the Mayor's additional compensation.

The City should contact the Internal Revenue Service and other Federal authorities to resolve the matter of FICA withholdings from Council Member Slifka and City payments for the employer's share of FICA.

Response - The City will investigate this matter and consider all options.

Conclusion - Response accepted.

- (14) Payroll and 1099 Forms - Gross wage amounts reported on Federal 941 forms were not correct and did not agree with the City's payroll records. Additionally, the amount on a 1099 form for a City employee did not agree with the City's payroll records.

Recommendation - The City should contact the Internal Revenue Service and other Federal authorities in order to resolve these matters.

Response - Accurate, complete, and correct payroll records will be maintained. All related reports will be reconciled to the payroll records.

Conclusion - Response accepted.

- (15) Petty Cash - Invoices and other supporting documentation were not always available to support petty cash disbursements. Also, employee mileage/travel was reimbursed from petty cash.

Recommendation - The petty cash fund should be restricted for infrequent non-recurring types of transactions such as postage or miscellaneous supplies. The City should establish a written policy detailing the specific uses for which the petty cash may be used and the type of documentation required to support the disbursement of petty cash funds. Additionally the City should ensure the supporting documentation is current and applicable to the current period and is reasonable based on approved policy guidelines.

Response - Audit controls for petty cash will be considered by the City as well as written policies for its use.

Conclusion - Response accepted.

City of Center Point
Schedule of Findings
Year ended June 30, 2003

(16) Overpayments and Questioned Items – Overpayments and questioned items were noted during the audit, as follows:

	Amount
<u>Overpayments:</u>	
Former City Clerk Angela Rillings-Batchler was overpaid \$527 for time worked from February 13, 2002 through July 3, 2002. The overpayment occurred because the City Clerk was paid \$.50 an hour more than the hourly rate authorized by the City Council.	\$ 527
Check number 26307, dated September 10, 2002, reimbursed the former City Clerk \$29 for insurance costs. Check number 26543, dated November 12, 2002, reimbursed the City Clerk for the same insurance costs. Therefore, the City Clerk was overpaid by \$29.	29
Check number 26559, dated November 12, 2002, paid Physicians Clinics \$342.15 for doctor bills for the former City Clerk. Check number 26307, dated September 10, 2002, reimbursed the City Clerk \$342.15 for the same doctor bills. Therefore, the City Clerk was overpaid by \$342.	342
The former City Clerk was paid \$1,291 from July 2002 through October 2003 for hours for which there is no timesheet documentation or other support. Unless documentation or support can be provided and authorized by the City Council, the \$1,291 is an overpayment.	1,291
Total overpayments	2,189
<u>Questioned Items:</u>	
An invoice for \$52.20 for flower arrangements for funerals was included in the petty cash documentation. This documentation was needed to reconcile petty cash to the established imprest amount. However, the City received notice from Sherbon's Flower Market the \$52.20 had not been paid and, accordingly, paid the vendor on December 9, 2003 with check number 27946.	52
The petty cash fund was reimbursed \$173.72 on December 10, 2002 by check number 26704 charged against the General and Water Funds. Check number 26707, dated December 11, 2002, was written for \$173.72 payable to the Center Point Bank. This disbursement was coded to the same disbursement line items as check number 26704. Check number 26704 was signed by Mayor Thomas Neenan and Check 26707 was signed by Mayor Pro tem Gary Heins. Both checks were also signed by the former City Clerk. There is no evidence the petty cash fund received the proceeds of the second check.	173
The petty cash fund was reimbursed \$171.06 on July 9, 2002. The documentation attached to the replenishment check included an invoice copy from Wal-Mart for \$31.95 dated December 21, 2001. The Wal-Mart invoice copy indicated payment of \$31.95 by credit. The invoice was needed to reconcile petty cash to the established imprest amount even though cash was not used as the method of payment.	32
Collections on utility customer accounts totaling \$717 recorded as paid on the computer system in December 2002, August 2003 and September 2003 could not be traced to bank deposits.	717
Total questioned items	974
Total overpayments and questioned items	\$ 3,163

City of Center Point

Schedule of Findings

Year ended June 30, 2003

Recommendation – The City Council should consult legal counsel to determine the disposition of the questioned items. Also, the City should seek reimbursement of the overpayments.

Response – The City will consult legal counsel and also determine the best approach for seeking reimbursement of the overpayments.

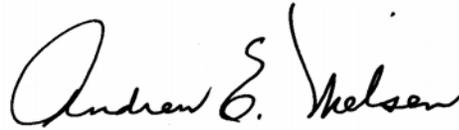
Conclusion – Response accepted.

City of Center Point

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
John G. Vanis, CGFM, Senior Auditor
Heather B. Allen, CPA, Staff Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State