

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

February 21, 2020

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$3,902,112 for the year ended June 30, 2019, a 25.3% decrease from the prior year. Disbursements for the year ended June 30, 2019 totaled \$4,151,333, a 9.4% increase over the prior year. The significant decrease in receipts is due primarily to \$1,464,675 in bond proceeds received in the prior year. The significant increase in disbursements is due to costs pertaining to the City Hall project.

AUDIT FINDINGS:

Sand reported eleven findings related to the receipt and disbursement of taxpayer funds. They are found on pages 50 through 55 of this report. The findings address issues such as the lack of an independent mail opener, the lack of comprehensive bank reconciliations and utility reconciliations, disbursements exceeding budgeted amounts and a deficit balance in the Capital Projects Fund. Sand provided the City with recommendations to address each of the findings.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

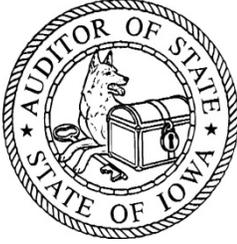
A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

###

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

JUNE 30, 2019

City of Center Point



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

February 10, 2020

Officials of the City of Center Point
Center Point, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the City of Center Point for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink that reads "Rob Sand".

Rob Sand
Auditor of State

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	10-11
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	12-13
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	15
Notes to Financial Statements		16-27
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		30-31
Notes to Other Information – Budgetary Reporting		32
Schedule of the City’s Proportionate Share of the Net Pension Liability		33
Schedule of City Contributions		34-35
Notes to Other Information – Pension Liability		36
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	38-39
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Nonmajor Proprietary Funds	2	41
Schedule of Indebtedness	3	42-43
Bond and Note Maturities	4	45
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	46-47
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>		48-49
Schedule of Findings		50-55
Staff		56

City of Center Point

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Paula Freeman-Brown	Mayor	Jan 2020
John Stuelke	Mayor Pro tem	Jan 2022
Jason Andrews	Council Member	(Resigned Oct 2018)
Patric Engelken (Appointed Nov 2018)	Council Member	Nov 2019
Paul Mann	Council Member	Jan 2020
Mike LeClere	Council Member	Jan 2022
Traer Morgan	Council Member	Jan 2022
Chelsea Huisman	City Administrator	Indefinite
Sarah Tritle	City Clerk/Treasurer	Indefinite
Anne Kruse	Attorney	Indefinite

City of Center Point



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

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, 2019, 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, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed 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 opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

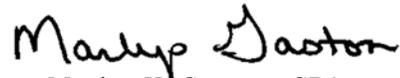
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Center Point's basic financial statements. The financial statements for the four years ended June 30, 2018 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 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, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 30 through 36, 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 10, 2020 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Center Point's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

February 10, 2020

City of Center Point

Basic Financial Statements

City of Center Point

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 76,765	7,762	15,000	105,190
Public works	305,522	68,475	312,759	115,058
Health and social services	3,041	-	-	-
Culture and recreation	580,516	85,908	90,601	-
Community and economic development	35,601	-	-	-
General government	435,197	42,600	-	-
Debt service	488,273	-	-	-
Capital projects	1,431,742	-	-	-
Total governmental activities	3,356,657	204,745	418,360	220,248
Business type activities:				
Water	342,045	405,779	-	-
Sewer	288,130	653,353	-	-
Garbage	164,501	180,310	-	-
Storm water	-	37,647	-	-
Total business type activities	794,676	1,277,089	-	-
Total	\$ 4,151,333	1,481,834	418,360	220,248
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Miscellaneous				
Sale of capital assets				
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				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Local option sales tax				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
51,187	-	51,187
190,770	-	190,770
(3,041)	-	(3,041)
(404,007)	-	(404,007)
(35,601)	-	(35,601)
(392,597)	-	(392,597)
(488,273)	-	(488,273)
(1,431,742)	-	(1,431,742)
(2,513,304)	-	(2,513,304)
-	63,734	63,734
-	365,223	365,223
-	15,809	15,809
-	37,647	37,647
-	482,413	482,413
(2,513,304)	482,413	(2,030,891)
952,673	-	952,673
214,328	-	214,328
238,341	-	238,341
318,793	-	318,793
25,171	-	25,171
20,911	658	21,569
10,794	-	10,794
1	-	1
20,175	(20,175)	-
1,801,187	(19,517)	1,781,670
(712,117)	462,896	(249,221)
4,408,173	1,488,620	5,896,793
\$ 3,696,056	1,951,516	5,647,572
61,776	-	61,776
682,723	-	682,723
422,978	-	422,978
189,290	8,950	198,240
415,030	24,020	439,050
1,924,259	1,918,546	3,842,805
\$ 3,696,056	1,951,516	5,647,572

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, 2019

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 770,874	-	-
Tax increment financing	-	-	-
Other city tax	7,513	-	318,793
Licenses and permits	50,702	-	-
Use of money and property	19,923	173	-
Intergovernmental	108,980	312,759	-
Charges for service	40,340	-	-
Special assessments	66,057	-	-
Miscellaneous	57,245	-	-
Total receipts	<u>1,121,634</u>	<u>312,932</u>	<u>318,793</u>
Disbursements:			
Operating:			
Public safety	76,765	-	-
Public works	111,680	190,993	-
Health and social services	3,041	-	-
Culture and recreation	421,299	-	-
Community and economic development	-	-	-
General government	398,307	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>1,011,092</u>	<u>190,993</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>110,542</u>	<u>121,939</u>	<u>318,793</u>
Other financing sources (uses):			
Sale of capital assets	1	-	-
Transfers in	90,262	-	-
Transfers out	<u>(479,534)</u>	<u>(10,087)</u>	<u>(99,047)</u>
Total other financing sources (uses)	<u>(389,271)</u>	<u>(10,087)</u>	<u>(99,047)</u>
Change in cash balances	(278,729)	111,852	219,746
Cash balances beginning of year	<u>2,373,822</u>	<u>570,871</u>	<u>203,232</u>
Cash balances end of year	<u>\$ 2,095,093</u>	<u>682,723</u>	<u>422,978</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Streets	-	682,723	-
Local option sales tax	-	-	422,978
Debt service	-	-	-
Other purposes	83,140	-	-
Assigned for fire station	308,856	-	-
Unassigned	<u>1,703,097</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 2,095,093</u>	<u>682,723</u>	<u>422,978</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
214,328	-	172,610	1,157,812
-	-	238,341	238,341
-	-	1,676	327,982
-	-	20	50,722
-	57	911	21,064
4,318	115,058	3,829	544,944
-	-	421	40,761
-	-	-	66,057
-	5,609	113,827	176,681
218,646	120,724	531,635	2,624,364
-	-	-	76,765
-	-	2,849	305,522
-	-	-	3,041
-	-	159,217	580,516
-	-	35,601	35,601
-	-	36,890	435,197
488,273	-	-	488,273
-	1,431,742	-	1,431,742
488,273	1,431,742	234,557	3,356,657
(269,627)	(1,311,018)	297,078	(732,293)
-	-	-	1
188,453	512,172	6,409	797,296
-	-	(188,453)	(777,121)
188,453	512,172	(182,044)	20,176
(81,174)	(798,846)	115,034	(712,117)
255,825	711,152	293,271	4,408,173
174,651	(87,694)	408,305	3,696,056
-	-	61,776	61,776
-	-	-	682,723
-	-	-	422,978
174,651	-	14,639	189,290
-	-	331,890	415,030
-	-	-	308,856
-	(87,694)	-	1,615,403
174,651	(87,694)	408,305	3,696,056

City of Center Point

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, 2019

	Enterprise			
	Water	Sewer	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 399,025	653,353	217,957	1,270,335
Miscellaneous	6,754	-	-	6,754
Total operating receipts	405,779	653,353	217,957	1,277,089
Operating disbursements:				
Business type activities	252,145	270,637	164,501	687,283
Excess of operating receipts over operating disbursements	153,634	382,716	53,456	589,806
Non-operating receipts (disbursements):				
Interest on investments	152	506	-	658
Debt service	(89,900)	(17,493)	-	(107,393)
Net non-operating disbursements	(89,748)	(16,987)	-	(106,735)
Excess of receipts over disbursements	63,886	365,729	53,456	483,071
Transfers out	(10,087)	(10,088)	-	(20,175)
Change in cash balances	53,799	355,641	53,456	462,896
Cash balances beginning of year	255,556	1,113,449	119,615	1,488,620
Cash balances end of year	\$ 309,355	1,469,090	173,071	1,951,516
Cash Basis Fund Balances				
Restricted for:				
Customer deposits	\$ 24,020	-	-	24,020
Debt service	7,492	1,458	-	8,950
Unrestricted	277,843	1,467,632	173,071	1,918,546
Total cash basis fund balances	\$ 309,355	1,469,090	173,071	1,951,516

See notes to financial statements.

City of Center Point

Notes to Financial Statements

June 30, 2019

(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 present the City of Center Point (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 E-911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance 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 definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental 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 Local Option Sales Tax Fund is used to account receipts from local option sales tax. The receipts are to be used for property tax relief, infrastructure and community projects.

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

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

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. 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 Other Information. During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the culture and recreation function. In addition, disbursements exceeded the amount budgeted prior to a budget amendment in the health and social services function.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Bonds Payable

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

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 385,000	101,940	72,000	30,510	457,000	132,450
2021	395,000	93,135	77,000	28,350	472,000	121,485
2022	375,000	82,128	78,000	26,040	453,000	108,168
2023	380,000	71,590	78,000	23,700	458,000	95,290
2024	230,000	60,533	84,000	21,360	314,000	81,893
2025-2029	1,210,000	174,834	446,000	68,340	1,656,000	243,174
2030-2031	205,000	8,200	182,000	8,010	387,000	16,210
Total	\$ 3,180,000	592,360	1,017,000	206,310	4,197,000	798,670

General Obligation Bonds

The City issued \$2,955,000 of general obligation corporate purpose bonds in July 2011 for the purpose of financing costs of constructing street, sidewalk, storm sewer and waterworks system improvements. The bonds bear interest at 2.25% - 4.00% per annum and mature June 2030. During the fiscal year ended June 30, 2019, the City paid \$165,000 of principal and \$75,530 of interest on the bonds.

The City issued \$1,475,000 of general obligation corporate purpose and refunding bonds in May 2018 for a refunding of general obligation bonds issued November 12, 2008 and to pay the costs of improvements to City Hall. The bonds bear interest at 1.90% - 3.00% per annum and mature June 2028. During the fiscal year ended June 30, 2019, the City paid \$210,000 of principal and \$36,643 of interest on the bonds.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,285,000 of water revenue notes issued in July 2011. Proceeds from the notes provided financing for improvements and extensions to the water tower. The notes are payable solely from water customer net receipts and are payable through June 2031. Annual principal and interest payments on the notes are expected to require less than 58% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,036,400. For the current year, principal and interest paid and total customer net receipts were \$87,600 and \$153,634, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$250,000 of sewer revenue notes issued in December 2010. Proceeds from the notes provided financing for the improvements and extensions to the sewer treatment facilities. The notes are payable solely from sewer customer net receipts and are payable through December 2029. Annual principal and interest payments on the notes are expected to require less than 5% of net receipts. The total principal and interest remaining to be paid on the notes is \$186,910. For the current year, principal and interest paid and total customer net receipts were \$17,070 and \$382,716, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

(4) Pension Plan

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

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

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

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

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

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

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

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

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2019 totaled \$51,086.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$438,630 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the City’s proportion was 0.006931%, which was a decrease of 0.000009% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$59,431, \$116,086 and \$73,074, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

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

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	100.0%	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 744,443	438,630	182,098

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

(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. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members range from \$497 for single coverage to \$1,088 for family coverage. For the year ended June 30, 2019, the City contributed \$136,220 and plan members eligible for benefits contributed \$25,537 to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2019, the following employees were covered by the benefit terms:

Active employees 10

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused personal and administrative leave hours for subsequent use or for payment upon resignation or termination. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned personal and administrative leave payable to employees at June 30, 2019, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Personal	\$ 62,000
Administrative Leave	<u>4,000</u>
Total	<u>\$ 66,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2019.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 10,087
	Local Option Sales Tax	60,000
	Enterprise:	
	Water	10,087
	Sewer	<u>10,088</u>
		<u>90,262</u>
Special Revenue:		
Fire Station Fundraising	General	6,409
Debt Service	Special Revenue:	
	Urban Renewal Tax Incremental Financing	188,453
Capital Projects	General	473,125
	Special Revenue:	
	Local Option Sales Tax	<u>39,047</u>
		<u>512,172</u>
Total		<u>\$ 797,296</u>

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

(8) Commitments

The City has entered into contracts totaling \$2,338,514 for various consulting, renovation, street improvement and construction services. As of June 30, 2019, costs of \$1,331,974 had been paid on the contracts. The remaining \$1,006,540 will be paid as work on these projects progresses.

(9) Operating Leases – Lessor

The City leases farm land around the City to individuals. The following is a schedule by year of minimum future rentals on the leases as of June 30, 2019:

Year ending	Amount
June 30,	
2020	\$ 2,045
2021	2,044
2022	2,045
2023	400
2024	400
2025 - 2029	2,000
2030 - 2034	2,000
2035	<u>400</u>
Total	<u>\$ 11,334</u>

(10) Operating Leases – Lessee

The City entered into a lease agreement for a postage meter during the year ended June 30, 2018. Monthly lease payments are \$139, and the lease expires January 2, 2023. Rental expense for the year ended June 30, 2019 for this operating lease totaled \$1,672.

The City entered into a lease agreement for a copier and printer during the year ended June 30, 2015. Monthly lease payments are \$92, and the lease expires November 10, 2019. Rental expense for the year ended June 30, 2019 for this operating lease totaled \$1,102.

(11) 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.

The City has a group insurance policy which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. The City’s group insurance is a partially self-funded health plan. Under the partially self-funded plan, the City will reimburse an eligible employee for a portion of the deductible. The amount of the deductible for employees and the City are as follows:

	Single	Family
Employee	\$ 750	1,500
City	2,500	7,500

(12) Deficit Balance

The Capital Projects Fund had a deficit balance of \$87,694 at June 30, 2019. The deficit balance was a result of project costs incurred prior to the availability of funds. The deficit will be eliminated upon receipt of long-term debt proceeds.

(13) Development Agreement

The City entered into two development agreements to assist in urban renewal projects, as follows:

The City agreed to make payments to the developer under Chapters 15A and 403 of the Code of Iowa not to exceed \$50,000, subject to annual appropriation by the City Council, in exchange for the construction of new commercial office space for leasing and use in its business operations. Payments will be made annually for a period of five years, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2019, the City made payments of \$10,000 to the developer. The balance remaining under the agreement at June 30, 2019 is \$30,000.

The City agreed to make payments to the developer under Chapters 15A and 403 of the Code of Iowa not to exceed \$150,000, subject to annual appropriation, in exchange for the construction of new commercial retail space for leasing and use in its business operations. Payments will be made annually for a period of five years, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2019, the City made payments of \$25,601 to the developer. The balance remaining under the agreement at June 30, 2019 is \$124,399.

(14) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2019, the City abated \$12,685 of property tax under the urban renewal and economic development agreements.

(15) Subsequent Event

In November 2019, the City approved the issuance of \$2,000,000 general obligation bonds for construction of a new fire station.

In December 2019, the City entered into a sewer revenue loan and disbursement agreement anticipation project note for up to \$755,000 with the Iowa Finance Authority to pay costs for planning, designing and constructing improvements to the sanitary sewer system.

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, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,157,812	-	-
Tax increment financing	238,341	-	-
Other city tax	327,982	-	-
Licenses and permits	50,722	-	-
Use of money and property	21,064	658	14
Intergovernmental	544,944	-	-
Charges for service	40,761	1,270,335	-
Special assessments	66,057	-	-
Miscellaneous	176,681	6,754	8,637
Total receipts	2,624,364	1,277,747	8,651
Disbursements:			
Public safety	76,765	-	-
Public works	305,522	-	-
Health and social services	3,041	-	-
Culture and recreation	580,516	-	6,429
Community and economic development	35,601	-	-
General government	435,197	-	-
Debt service	488,273	-	-
Capital projects	1,431,742	-	-
Business type activities	-	794,676	-
Total disbursements	3,356,657	794,676	6,429
Excess (deficiency) of receipts over (under) disbursements	(732,293)	483,071	2,222
Other financing sources, net	20,176	(20,175)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(712,117)	462,896	2,222
Balances beginning of year	4,408,173	1,488,620	11,250
Balances end of year	\$ 3,696,056	1,951,516	13,472

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,157,812	1,156,044	1,156,044	1,768
238,341	238,605	238,605	(264)
327,982	374,279	374,279	(46,297)
50,722	7,175	7,175	43,547
21,708	6,060	6,060	15,648
544,944	1,397,731	1,397,731	(852,787)
1,311,096	1,354,000	1,354,000	(42,904)
66,057	64,512	64,512	1,545
174,798	38,100	38,100	136,698
3,893,460	4,636,506	4,636,506	(743,046)
76,765	107,250	107,250	30,485
305,522	347,325	347,325	41,803
3,041	3,000	3,100	59
574,087	522,775	557,775	(16,312)
35,601	40,000	40,000	4,399
435,197	454,760	544,760	109,563
488,273	412,775	488,775	502
1,431,742	1,265,000	2,655,000	1,223,258
794,676	915,066	915,066	120,390
4,144,904	4,067,951	5,659,051	1,514,147
(251,444)	568,555	(1,022,545)	771,101
1	-	240,000	(239,999)
(251,443)	568,555	(782,545)	531,102
5,885,543	4,007,437	4,007,437	1,878,106
5,634,100	4,575,992	3,224,892	2,409,208

City of Center Point

Notes to Other Information – Budgetary Reporting

June 30, 2019

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,591,100. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the culture and recreation function. In addition, disbursements exceeded the amount budgeted prior to a budget amendment in the health and social services function.

City of Center Point

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Five Years*
(In Thousands)

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.006931%	0.006940%	0.006415%	0.006182%	0.005463%
City's proportionate share of the net pension liability	\$ 439	462	404	305	221
City's covered payroll	\$ 521	518	460	424	365
City's proportionate share of the net pension liability as a percentage of its covered payroll	84.26%	89.19%	87.83%	71.93%	60.55%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

City of Center Point

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 51	47	46	41
Contributions in relation to the statutorily required contribution	<u>(51)</u>	<u>(47)</u>	<u>(46)</u>	<u>(41)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 540	521	518	460
Contributions as a percentage of covered payroll	9.44%	8.93%	8.93%	8.93%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
38	33	33	30	27	25
(38)	(33)	(33)	(30)	(27)	(25)
-	-	-	-	-	-
424	365	378	369	390	374
8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

City of Center Point

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

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

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

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

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, 2019

	Urban		Special
	Renewal Tax Increment Financing	Employee Benefits	Fross Park Trust
Receipts:			
Property tax	\$ -	172,610	-
Tax increment financing	238,341	-	-
Other city tax	-	1,676	-
Licenses and permits	-	-	-
Use of money and property	-	-	495
Intergovernmental	-	3,829	-
Charges for services	-	-	-
Miscellaneous	-	-	-
Total receipts	238,341	178,115	495
Disbursements:			
Operating:			
Public works	-	2,849	-
Cultures and recreation	-	62,839	89,949
Community and economic development	35,601	-	-
General government	-	36,890	-
Total disbursements	35,601	102,578	89,949
Excess (deficiency) of receipts over (under) disbursements	202,740	75,537	(89,454)
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(188,453)	-	-
Total other financing sources (uses)	(188,453)	-	-
Change in cash balances	14,287	75,537	(89,454)
Cash balances beginning of year	352	74,143	145,484
Cash balances end of year	\$ 14,639	149,680	56,030
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Debt service	14,639	-	-
Other purposes	-	149,680	56,030
Total cash basis fund balances	\$ 14,639	149,680	56,030

See accompanying independent auditor's report.

Revenue		Permanent		
Fire Station	Friends of the Center Point Public Library	Cemetery Perpetual Care		Total
-	-	-		172,610
-	-	-		238,341
-	-	-		1,676
-	-	20		20
249	14	153		911
-	-	-		3,829
-	-	421		421
105,190	8,637	-		113,827
105,439	8,651	594		531,635
-	-	-		2,849
-	6,429	-		159,217
-	-	-		35,601
-	-	-		36,890
-	6,429	-		234,557
105,439	2,222	594		297,078
6,409	-	-		6,409
-	-	-		(188,453)
6,409	-	-		(182,044)
111,848	2,222	594		115,034
860	11,250	61,182		293,271
112,708	13,472	61,776		408,305
-	-	61,776		61,776
-	-	-		14,639
112,708	13,472	-		331,890
112,708	13,472	61,776		408,305

City of Center Point

City of Center Point

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

As of and for the year ended June 30, 2019

	Enterprise		Total
	Garbage	Storm Water	
Operating receipts:			
Charges for service	\$ 180,310	37,647	217,957
Operating disbursements:			
Business type activities	164,501	-	164,501
Excess of operating receipts over operating disbursements	15,809	37,647	53,456
Cash balances beginning of year	29,649	89,966	119,615
Cash balances end of year	\$ 45,458	127,613	173,071
Cash Basis Fund Balances			
Unrestricted	\$ 45,458	127,613	173,071

See notes to financial statements.

City of Center Point
Schedule of Indebtedness
Year ended June 30, 2019

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
City improvements, Series 2011	Jul 28, 2011	2.25-4.00%	\$ 2,955,000
City improvement and refunding, Series 2018	May 8, 2018	1.90-3.00	1,475,000
Total			
Revenue notes:			
Water	Jul 15, 2011	3.00% *	\$ 1,285,000
Sewer	Dec 17, 2010	3.00 *	250,000
Total			

* The City is required to annually pay a 0.25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,080,000	-	165,000	1,915,000	75,530
1,475,000	-	210,000	1,265,000	36,643
<u>\$ 3,555,000</u>	<u>-</u>	<u>375,000</u>	<u>3,180,000</u>	<u>112,173</u>
920,000	-	60,000	860,000	27,600
169,000	-	12,000	157,000	5,070
<u>\$ 1,089,000</u>	<u>-</u>	<u>72,000</u>	<u>1,017,000</u>	<u>32,670</u>

City of Center Point

City of Center Point
Bond and Note Maturities
June 30, 2019

Year Ending June 30,	General Obligation					
	City Improvements Issued July 28, 2011			City Improvements and Refunding Issued May 8, 2018		
	Interest		Amount	Interest		Total
	Rates			Rates	Amount	
2020	2.65%	\$ 170,000	2.00%	\$ 215,000	385,000	
2021	3.65	175,000	2.10	220,000	395,000	
2022	3.65	150,000	2.25	225,000	375,000	
2023	3.65	155,000	2.40	225,000	380,000	
2024	3.65	160,000	2.85	70,000	230,000	
2025	3.65	165,000	2.85	75,000	240,000	
2026	4.00	170,000	2.85	75,000	245,000	
2027	4.00	180,000	3.00	80,000	260,000	
2028	4.00	190,000	3.00	80,000	270,000	
2029	4.00	195,000		-	195,000	
2030	4.00	205,000		-	205,000	
Total		<u>\$ 1,915,000</u>		<u>\$ 1,265,000</u>	<u>3,180,000</u>	

Year Ending June 30,	Revenue Notes				
	Water Issued July 15, 2011		Sewer Issued Dec 17, 2010		Total
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2020	3.00%	\$ 60,000	3.00%	\$ 12,000	72,000
2021	3.00	65,000	3.00	12,000	77,000
2022	3.00	65,000	3.00	13,000	78,000
2023	3.00	65,000	3.00	13,000	78,000
2024	3.00	70,000	3.00	14,000	84,000
2025	3.00	70,000	3.00	14,000	84,000
2026	3.00	70,000	3.00	15,000	85,000
2027	3.00	75,000	3.00	15,000	90,000
2028	3.00	75,000	3.00	16,000	91,000
2029	3.00	80,000	3.00	16,000	96,000
2030	3.00	80,000	3.00	17,000	97,000
2031	3.00	85,000		-	85,000
Total		<u>\$ 860,000</u>		<u>\$ 157,000</u>	<u>1,017,000</u>

See accompanying independent auditor's report.

City of Center Point

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

For the Last Ten Years

	2019	2018	2017	2016
Receipts:				
Property tax	\$ 1,157,812	919,289	860,478	854,198
Tax increment financing	238,341	211,012	196,017	202,579
Other city tax	327,982	576,483	628,879	605,086
Licenses and permits	50,722	10,869	32,432	48,523
Use of money and property	21,064	23,350	15,543	15,336
Intergovernmental	544,944	422,659	448,592	785,085
Charges for service	40,761	63,821	29,248	33,889
Special assessments	66,057	66,474	68,441	70,409
Miscellaneous	176,681	84,776	151,630	468,622
Total	<u>\$ 2,624,364</u>	<u>2,378,733</u>	<u>2,431,260</u>	<u>3,083,727</u>
Disbursements:				
Operating:				
Public safety	\$ 76,765	96,864	121,626	83,604
Public works	305,522	515,341	274,303	259,078
Health and social services	3,041	-	9,940	2,676
Culture and recreation	580,516	428,155	460,348	415,295
Community and economic development	35,601	10,000	-	-
General government	435,197	417,178	308,519	423,881
Debt service	488,273	1,148,043	421,473	426,486
Capital projects	1,431,742	431,462	1,587,623	2,267,181
Total	<u>\$ 3,356,657</u>	<u>3,047,043</u>	<u>3,183,832</u>	<u>3,878,201</u>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
828,526	1,037,729	1,113,991	1,025,939	838,546	883,763
180,159	184,233	199,426	75,496	69,035	78,477
638,211	316,253	290,610	315,699	272,322	232,907
29,310	26,189	14,131	38,254	26,191	50,104
16,925	14,555	11,890	14,381	9,463	8,385
491,639	319,239	316,782	497,147	287,989	466,618
33,287	40,631	17,764	7,818	19,366	200
72,381	74,343	-	-	-	-
364,621	1,167,823	103,648	140,264	149,781	75,453
2,655,059	3,180,995	2,068,242	2,114,998	1,672,693	1,795,907
88,491	88,374	115,319	79,505	80,123	75,264
519,514	325,899	368,899	248,952	244,272	333,763
-	2,072	9,785	11,591	8,281	15,664
800,404	590,757	502,089	536,192	344,606	276,385
-	-	-	229,226	-	-
360,715	301,127	254,262	362,304	230,058	247,842
494,854	496,958	504,772	2,724,192	286,460	288,807
-	-	4,427	-	1,873,331	403,332
2,263,978	1,805,187	1,759,553	4,191,962	3,067,131	1,641,057



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

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, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 10, 2020. 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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

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 (C) 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 deficiency described in the accompanying Schedule of Findings as item (D) to be a significant deficiency.

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 which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 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.

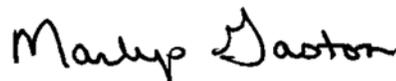
The City of Center Point's Responses to the Findings

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.



Marlys K. Gaston, CPA
Deputy Auditor of State

February 10, 2020

City of Center Point
Schedule of Findings
Year ended June 30, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

Condition – The mail is not opened and distributed by someone other than accounting personnel.

Cause – Policies have not been established and procedures have not been implemented to provide compensating controls through additional oversight of transactions and processes.

Effect – Lack of policies and procedures could result in undeposited or misplaced receipts and misstatements of collections may not be prevented or detected and corrected on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. The City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The mail is collected by the City Clerk, stamped by the City Clerk and then given to Deputy Clerk for processing. Once we have more staff, we can utilize the position to do a spot check on the checks and discussion will be held with that position on how they want to receive the initial list of checks.

Conclusion – Response accepted.

(B) Bank Reconciliations

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

Condition – Although monthly bank reconciliations were prepared for individual bank accounts, the reconciliations are not compiled to show a complete reconciliation of all accounts and investments with the general ledger. Adjustments made in prior audited financial statements to record transactions in the proper fund were not recorded in the City’s general ledger, resulting in variances between individual fund cash balances. Adjustments were subsequently made by the City to report amounts in the proper fund.

City of Center Point

Schedule of Findings

Year ended June 30, 2019

In addition, bank reconciliations are not prepared for the Friends of the Library Foundation.

Cause – Policies have not been established and procedures have not been implemented to require preparation of a complete bank reconciliation of all accounts and investments.

Effect – Lack of performing and maintaining bank reconciliations could result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. Procedures should be established to ensure all financial reports reconcile and include all City activity. An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly bank reconciliations.

Response – All checking accounts, money market and savings accounts were and are reconciled on a monthly basis. The City is now receiving the CD balance from the bank and verifying it to the General Ledger on a monthly basis. The City will post interest received for a CD when the bank formally adds interest to the balance of the CD. The City will formally verify the bank reconciliation balance to the general ledger balance on a monthly basis. The City has updated the bank reconciliation procedural document to reflect the new software and is now including the list of outstanding transactions with the reconciliation.

Conclusion – Response accepted.

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts

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

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

Cause – Policies have not been established and procedures have not been implemented to reconcile utility billings, collections and delinquent account balances and to reconcile utility collections to deposits.

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

City of Center Point

Schedule of Findings

Year ended June 30, 2019

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

Response – The City will establish a utility billing reconciliation procedure to complete monthly. The City Administrator will review the reconciliation and include initials and date of the review.

Conclusion – Response accepted.

(D) Restrictive Endorsement

Criteria – An effective internal control system provides for internal controls related to the restrictive endorsement of checks immediately upon receipt.

Condition – Checks are not restrictively endorsed when they are received by the City Clerk. The City Clerk endorses the checks when the deposit is prepared.

Cause – Policies have not been established and procedures have not been implemented to endorse checks immediately upon receipt.

Effect – Lack of policies and procedures could result in undeposited or misplaced receipts.

Response – The City has started to stamp checks when received via mail or in the dropbox.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Center Point

Schedule of Findings

Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amount budgeted in the culture and recreation function. In addition, disbursements exceeded the amount budgeted prior to a budget amendment in the health and social services function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The budget will be amended before disbursements are allowed to exceed the budget.

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 – No business transactions between City and City official or employees were noted.
- (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 – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, the publications did not always include disbursements by fund or a summary of receipts as required by Chapter 372.13(6) of the Code of Iowa. In addition, one transfer between the Special Revenue, TIF Fund and Debt Service Fund was approved in the City Council minutes for \$198,605, but the actual amount transferred was \$188,453. Also, one transfer between the General Fund and Capital Projects Fund was approved in the City Council minutes, but the minutes did not include an amount to be transferred, as required by Chapter 545-2 of the Iowa Administrative Code.

Recommendation – The City should publish minutes, including disbursements by fund and a summary of receipts, in accordance with Chapter 372.13(6) of the Code of Iowa. In addition, the City should reapprove the transfers noted above and include all required information in the transfer resolution in accordance with Chapter 545-2 of the Iowa Administrative Code.

City of Center Point

Schedule of Findings

Year ended June 30, 2019

Response – The City is looking into this.

Conclusion – Response acknowledged. The City should publish minutes in accordance with Chapter 372.13(6) of the Code of Iowa. In addition, the City should approve transfers in accordance with Chapter 545-2 of the Iowa Administrative Code.

- (7) Deposits and Investments – Except as noted, no instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the City’s investment policy were noted. Three of the City’s certificates of deposit did not draw interest at or above the statutory rate established by the State Rate Setting Committee in accordance with Chapter 12C.6 of the Code of Iowa.

Recommendation – The City should ensure that certificates of deposit draw interest at or above the statutory rate established by the State Rate Setting Committee in accordance with Chapter 12C.6 of the Code of Iowa.

Response – This was not being done. Per a policy written in 2014, the responsibility for CDs was removed from the City Clerk/Treasurer and placed in the responsibility of the City Administrator. With the resignation of the City Administrator, the City Clerk/Treasurer has been in communication with both banks we have funds with and has updated the CDs that expired with higher rates than the rate established. As we continue forward, we will follow the Code of Iowa on statutory rates.

Conclusion – Response accepted.

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

- (9) Financial Condition – The Capital Projects Fund had a deficit balance of \$87,694 at June 30, 2019.

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

Response – This fund has had negative since 2016. The City is looking into a resolution to clear this deficiency.

Conclusion – Response accepted.

- (10) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

City of Center Point

Schedule of Findings

Year ended June 30, 2019

We noted the following regarding the City's TIF debt certification dated October 23, 2018:

- The City requested \$7,047 with no accompanying TIF related debt. This was done to offset previous TIF property tax collections which were less than expected.

Recommendation – In accordance with Chapter 403 of the Code of Iowa, the City may only certify for TIF taxes to the extent of allowable TIF debt actually incurred. The City should decertify all amounts certified in excess of TIF obligations. The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa and includes only allowable debt approved by the City Council prior to certification.

Response – This was advised for us to do from our Financial Advisors to offset the negative balance we were having every year from uncollected property taxes. We will not request the 3% over on future TIF Certifications.

Conclusion – Response accepted.

- (11) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1.
- (12) 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 five of these obligations as required.

Recommendation – 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 – I did not do the Unclaimed Property Report in FY19. I have done it for FY20 and will continue to keep up monthly with outstanding transactions.

Conclusion – Response accepted.

- (13) Local Option Sales Tax – Local Option Sales Tax (LOST) receipts are recorded in the Special Revenue, Local Option Sales Tax Fund. The LOST ballot requires the receipts be allocated 80% for construction and improvements, 15% for property tax relief and 5% for community projects.

The City did not track eligible disbursements incurred to demonstrate compliance with the specific criteria of the LOST ballot.

Recommendation – The City Council should ensure local option sales tax collections and disbursements are tracked in order to document meeting the specific criteria of the LOST ballot.

Response – We transferred the money from what we budgeted instead of what we actually received. We will allocate this year based on what we actually receive.

Conclusion – Response accepted.

City of Center Point

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Jennifer L. Wall, CPA, Manager
Jesse J. Harthan, Senior II Auditor
Kelly L. Hilton, Senior Auditor
William J. Sallen, CPA, Staff Auditor
Adam J. Sverak, Assistant Auditor