



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 16, 2007

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$3,058,345 for the year ended June 30, 2006, a 49 percent increase over 2005. The receipts included \$524,162 in property tax, \$125,097 from tax increment financing, \$517,526 from charges for service, \$1,279,322 from operating grants, contributions and restricted interest, \$40,434 from capital grants, contributions and restricted interest, \$13,941 from unrestricted interest on investments, \$531,360 from note proceeds, \$12,844 from the sale of equipment and \$13,659 from other general receipts.

Disbursements for the year totaled \$1,684,508, an 8 percent increase over the prior year, and included \$438,354 for culture and recreation, \$373,250 for public works and \$264,861 for capital projects. Also, disbursements for business type activities totaled \$280,222.

The significant increase in receipts is due primarily to receiving a donation from an estate.

A copy of the report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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

JUNE 30, 2006

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City of Center Point

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|------------------------------|-------------------|---------------------|
| (Before January 2006) | | |
| Paula Freeman-Brown | Mayor | Jan 2006 |
| Dennis Hundley | Mayor Pro tem | Jan 2006 |
| Annette Slifka | Council Member | Jan 2006 |
| Ted Callahan | Council Member | Jan 2008 |
| Brent Schlotfeldt | Council Member | Jan 2008 |
| John Stuelke | Council Member | Jan 2008 |
| Christy Dyer | Finance Director | Indefinite |
| LeAnn Kramer | Deputy City Clerk | Indefinite |
| Anne Loomis | Attorney | Indefinite |
| (After January 2006) | | |
| Paula Freeman-Brown | Mayor | Jan 2008 |
| John Stuelke | Mayor Pro tem | Jan 2008 |
| Ted Callahan | Council Member | Jan 2008 |
| Brent Schlotfeldt | Council Member | Jan 2008 |
| Mona Barz | Council Member | Jan 2010 |
| Connie Robinson | Council Member | Jan 2010 |
| Christy Dyer | Finance Director | Indefinite |
| LeAnn Kramer | Deputy City Clerk | Indefinite |
| Anne Loomis | Attorney | Indefinite |

City of Center Point



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Center Point, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Center Point's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Center Point as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2006 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, regulation, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Center Point's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 12, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Center Point provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 59%, or approximately \$993,000, from fiscal 2005 to fiscal 2006. Property tax increased approximately \$49,000. The City received donations for Fross Park totaling approximately \$1,005,000, or approximately \$381,000 more than the prior year. The City also received approximately \$531,000 in note proceeds.
- Disbursements increased 8.4%, or approximately \$109,000, in fiscal 2006 over fiscal 2005.
- The City's total cash basis net assets increased 94%, or approximately \$1,374,000, from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities increased approximately \$1,266,000 and the assets of the business type activities increased approximately \$108,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has three kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Urban Renewal Tax Increment and Fross Park, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

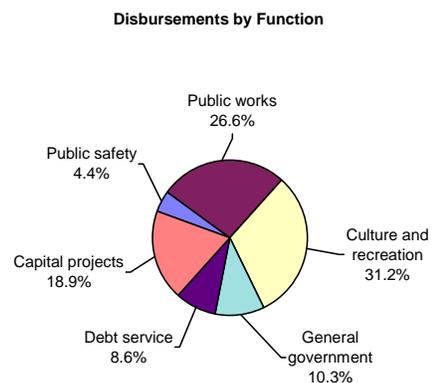
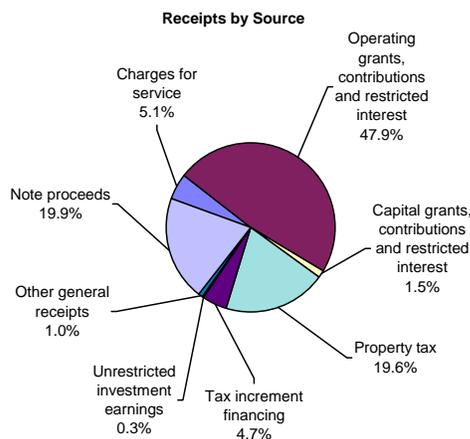
3) The Fiduciary Fund accounts for resources held for others. The Fiduciary Fund consists of an Agency, Tri-Fire Group Fund.

The required financial statement for the Fiduciary Fund is a statement of changes in fiduciary assets and liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago of \$607,245 to \$1,873,444. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands) | | |
|---|---------------------|-------|
| | Year ended June 30, | |
| | 2006 | 2005 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service | \$ 136 | 135 |
| Operating grants, contributions and restricted interest | 1,279 | 934 |
| Capital grants, contributions and restricted interest | 40 | 86 |
| General receipts: | | |
| Property tax | 524 | 475 |
| Tax increment financing | 125 | 26 |
| Unrestricted investment earnings | 8 | 8 |
| Note proceeds | 531 | - |
| Other general receipts | 27 | 13 |
| Total receipts | 2,670 | 1,677 |
| Disbursements: | | |
| Public safety | 61 | 60 |
| Public works | 373 | 341 |
| Culture and recreation | 438 | 237 |
| Community and economic development | 2 | - |
| General government | 144 | 158 |
| Debt service | 121 | 66 |
| Capital projects | 265 | 433 |
| Total disbursements | 1,404 | 1,295 |
| Increase in cash basis net assets | 1,266 | 382 |
| Cash basis net assets beginning of year | 607 | 225 |
| Cash basis net assets end of year | \$ 1,873 | 607 |



The City's total receipts for governmental activities increased by 59%, or approximately \$993,000. The total cost of all programs and services increased by \$109,940, or 8.5%, due to several capital projects being completed. The significant increase in receipts was due partially to the sale of notes to finance completed water projects and to receiving significant donations for Fross Park.

| Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands) | | |
|--|---------------------|------------|
| | Year ended June 30, | |
| | 2006 | 2005 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service: | | |
| Water | \$ 207 | 200 |
| Sewer | 175 | 168 |
| General receipts: | | |
| Unrestricted interest on investments | 6 | 4 |
| Total receipts | <u>388</u> | <u>372</u> |
| Disbursements: | | |
| Water | 161 | 160 |
| Sewer | 119 | 109 |
| Total disbursements | <u>280</u> | <u>269</u> |
| Increase in cash basis net assets | 108 | 103 |
| Cash basis net assets beginning of year | <u>852</u> | <u>749</u> |
| Cash basis net assets end of year | <u>\$ 960</u> | <u>852</u> |

Total business type activities receipts for the fiscal year were \$387,860 compared to \$371,725 last year. The cash balance increased by approximately \$108,000 over the prior year because no major projects were paid for from business type activities in 2006. Total disbursements for the fiscal year increased by only 4% to a total of \$280,222.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

As the City of Center Point completed the year, its governmental funds reported a combined fund balance of \$1,873,444, an increase of more than \$1,266,000 over last year's total of \$607,245. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$63,566 from the prior year to \$450,388. \$100,000 was for the transfer of prior year local option sales tax to the proper fund.
- The Road Use Tax Fund cash balance increased \$42,850 to \$225,255 during the fiscal year. This increase was primarily attributable to the City not spending all of the receipts.
- The Urban Renewal Tax Increment Fund (TIF) was established to account for a major urban renewal project within the City's business district. At the end of the fiscal year, the cash balance was \$224,556, an increase of \$123,071 from the previous year. These proceeds will be used to pay off debt and fund projects within the urban renewal district.
- The Fross Park Fund cash balance increased by \$900,901 to \$1,532,280. This increase was due to donations received in fiscal year 2006.

- The Debt Service Fund cash balance decreased \$54,475 to a deficit of \$186,401 at the end of the fiscal year. A transfer of TIF funds is planned for fiscal 2007 to help reduce this deficit.
- The Capital Projects Fund is a combination of several accounts, including the Lagoon, Water and Well Projects. The fiscal year 2006 total cash balance for the Capital Projects Fund was a deficit of \$507,356, an increase of \$303,933 over the prior year. The main contributing factor to this increase was the receipt of note proceeds to fund projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$51,549 to \$529,759.
- The Sewer Fund cash balance increased \$56,089 to \$430,208, due primarily to no major projects occurring in 2006.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not amend its budget. However, the City exceeded its budgeted disbursements in the public safety, public works, culture and recreation, community and economic development and debt service functions. The City had sufficient cash balances to absorb these additional costs.

The City’s receipts were \$1,119,358 more than budgeted. This was primarily due to the City receiving donations of approximately \$1,005,000 for Fross Park, which was not budgeted.

Total disbursements were \$1,439,765 less than budgeted. The actual disbursements for the capital projects function was \$1,514,889 less than budgeted. This was primarily due to less projects than anticipated.

DEBT ADMINISTRATION

At June 30, 2006, the City had \$713,113 in notes and other long-term debt outstanding, compared to \$279,668 last year, as shown below.

| Outstanding Debt at Year-End | | |
|----------------------------------|---------------------|----------------|
| | Year ended June 30, | |
| | 2006 | 2005 |
| General obligation notes - sewer | \$ 180,000 | 235,000 |
| General obligation notes - water | 510,000 | - |
| Lease-purchase agreement | 23,113 | 44,668 |
| Total | <u>\$ 713,113</u> | <u>279,668</u> |

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$713,113 is significantly below its constitutional debt limit of approximately \$4.5 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Center Point's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City's total assessed valuations have increased by 9.8%.

Property tax is expected to increase in fiscal year 2007 as compared to fiscal year 2006 due to the increase in assessed valuation. The total property tax levy remained consistent for fiscal year 2007.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$533,000 by the close of 2007 due to budgeted capital project activity.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Christy Dyer, City Clerk, 200 Franklin Street, City of Center Point, Iowa 52213.

Basic Financial Statements

City of Center Point

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2006

| | Disbursements | Program Receipts | | |
|------------------------------------|---------------|---------------------|---|---|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Functions/Programs | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 60,847 | 22,450 | - | - |
| Public works | 373,250 | - | 192,944 | - |
| Culture and recreation | 438,354 | 3,624 | 1,086,378 | - |
| Community and economic development | 2,185 | - | - | - |
| General government | 143,741 | 109,597 | - | - |
| Debt service | 121,048 | 398 | - | - |
| Capital projects | 264,861 | - | - | 40,434 |
| Total governmental activities | 1,404,286 | 136,069 | 1,279,322 | 40,434 |
| Business type activities: | | | | |
| Water | 161,001 | 207,044 | - | - |
| Sewer | 119,221 | 174,413 | - | - |
| Total business type activities | 280,222 | 381,457 | - | - |
| Total | \$ 1,684,508 | 517,526 | 1,279,322 | 40,434 |

General Receipts:

- Property tax levied for:
 - General purposes
 - Debt service
 - Tax increment financing
- Unrestricted interest on investments
- Note proceeds
- Sale of capital assets
- Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

- Streets
- Urban renewal purposes
- Debt service
- Fross Park
- Other purposes
- Cemetery perpetual care
- Meter deposits

Unrestricted

Total cash basis net assets

See notes to financial statements.

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

| Governmental Activities | Business Type Activities | Total |
|----------------------------|-----------------------------|-----------|
| (38,397) | - | (38,397) |
| (180,306) | - | (180,306) |
| 651,648 | - | 651,648 |
| (2,185) | - | (2,185) |
| (34,144) | - | (34,144) |
| (120,650) | - | (120,650) |
| (224,427) | - | (224,427) |
| 51,539 | - | 51,539 |
| - | 46,043 | 46,043 |
| - | 55,192 | 55,192 |
| - | 101,235 | 101,235 |
| 51,539 | 101,235 | 152,774 |

| | | |
|--------------|---------|-----------|
| 459,487 | - | 459,487 |
| 64,675 | - | 64,675 |
| 125,097 | - | 125,097 |
| 7,538 | 6,403 | 13,941 |
| 531,360 | - | 531,360 |
| 12,844 | - | 12,844 |
| 13,659 | - | 13,659 |
| 1,214,660 | 6,403 | 1,221,063 |
| 1,266,199 | 107,638 | 1,373,837 |
| 607,245 | 852,329 | 1,459,574 |
| \$ 1,873,444 | 959,967 | 2,833,411 |

| | | |
|--------------|---------|-----------|
| \$ 225,255 | - | 225,255 |
| 224,556 | - | 224,556 |
| - | 365,006 | 365,006 |
| 1,532,280 | - | 1,532,280 |
| 193,459 | - | 193,459 |
| 40,870 | - | 40,870 |
| - | 36,879 | 36,879 |
| (342,976) | 558,082 | 215,106 |
| \$ 1,873,444 | 959,967 | 2,833,411 |

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, 2006

| | Special Revenue | | | |
|--|-----------------|--------------------|-----------------------------------|---------------|
| | General | Road Use Tax | Urban Renewal Tax Increment | Fross Park |
| Receipts: | | | | |
| Property tax | \$ 360,527 | - | - | - |
| Tax increment financing | - | - | 125,097 | - |
| Other city tax | 17,299 | - | - | - |
| Licenses and permits | 26,377 | - | - | - |
| Use of money and property | 7,370 | 9 | 159 | 41,960 |
| Intergovernmental | 35,544 | 189,526 | - | - |
| Charges for service | 109,295 | - | - | - |
| Special assessments | - | - | - | - |
| Miscellaneous | 9,046 | - | - | 1,004,628 |
| Total receipts | 565,458 | 189,535 | 125,256 | 1,046,588 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | 60,847 | - | - | - |
| Public works | 215,258 | 146,685 | - | - |
| Culture and recreation | 130,333 | - | - | 145,687 |
| Community and economic development | - | - | 2,185 | - |
| General government | 135,430 | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | - |
| Total disbursements | 541,868 | 146,685 | 2,185 | 145,687 |
| Excess (deficiency) of receipts over (under) disbursements | 23,590 | 42,850 | 123,071 | 900,901 |
| Other financing sources (uses): | | | | |
| Note proceeds, net of \$8,640 discount | - | - | - | - |
| Sale of capital assets | 12,844 | - | - | - |
| Operating transfers in | - | - | - | - |
| Operating transfers out | (100,000) | - | - | - |
| Total other financing sources (uses) | (87,156) | - | - | - |
| Net change in cash balances | (63,566) | 42,850 | 123,071 | 900,901 |
| Cash balances beginning of year | 513,954 | 182,405 | 101,485 | 631,379 |
| Cash balances end of year | \$ 450,388 | 225,255 | 224,556 | 1,532,280 |
| Cash Basis Fund Balances | | | | |
| Reserved for: | | | | |
| Permanent fund | \$ - | - | - | - |
| Local option sales tax | 121,956 | - | - | - |
| Unreserved: | | | | |
| General fund | 328,432 | - | - | - |
| Special revenue funds | - | 225,255 | 224,556 | 1,532,280 |
| Debt service fund | - | - | - | - |
| Capital projects fund | - | - | - | - |
| Total cash basis fund balances | \$ 450,388 | 225,255 | 224,556 | 1,532,280 |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor | Total |
|--------------|------------------|----------|-----------|
| 62,687 | - | 83,694 | 506,908 |
| - | - | - | 125,097 |
| 1,988 | - | 2,888 | 22,175 |
| - | - | - | 26,377 |
| - | - | 1,303 | 50,801 |
| - | - | - | 225,070 |
| - | - | - | 109,295 |
| 398 | - | - | 398 |
| - | 38,934 | 7,552 | 1,060,160 |
| 65,073 | 38,934 | 95,437 | 2,126,281 |
| - | - | - | 60,847 |
| - | - | 11,307 | 373,250 |
| - | - | 162,334 | 438,354 |
| - | - | - | 2,185 |
| - | - | 8,311 | 143,741 |
| 119,548 | 1,500 | - | 121,048 |
| - | 264,861 | - | 264,861 |
| 119,548 | 266,361 | 181,952 | 1,404,286 |
| (54,475) | (227,427) | (86,515) | 721,995 |
| - | 531,360 | - | 531,360 |
| - | - | - | 12,844 |
| - | - | 165,990 | 165,990 |
| - | - | (65,990) | (165,990) |
| - | 531,360 | 100,000 | 544,204 |
| (54,475) | 303,933 | 13,485 | 1,266,199 |
| (131,926) | (811,289) | 121,237 | 607,245 |
| (186,401) | (507,356) | 134,722 | 1,873,444 |
| - | - | 40,870 | 40,870 |
| - | - | - | 121,956 |
| - | - | - | 328,432 |
| - | - | 93,852 | 2,075,943 |
| (186,401) | - | - | (186,401) |
| - | (507,356) | - | (507,356) |
| (186,401) | (507,356) | 134,722 | 1,873,444 |

Exhibit C

City of Center Point

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

As of and for the year ended June 30, 2006

| | Enterprise | | |
|--|------------|---------|---------|
| | Water | Sewer | Total |
| Operating receipts: | | | |
| Charges for service | \$ 207,044 | 174,413 | 381,457 |
| Operating disbursements: | | | |
| Business type activities | 161,001 | 119,221 | 280,222 |
| Excess of operating receipts over operating disbursements | 46,043 | 55,192 | 101,235 |
| Non-operating receipts: | | | |
| Interest on investments | 5,506 | 897 | 6,403 |
| Net change in cash balances | 51,549 | 56,089 | 107,638 |
| Cash balances beginning of year | 478,210 | 374,119 | 852,329 |
| Cash balances end of year | \$ 529,759 | 430,208 | 959,967 |
| Cash Basis Fund Balances | | | |
| Reserved for: | | | |
| Debt service | \$ 195,944 | 169,062 | 365,006 |
| Meter deposits | 36,879 | - | 36,879 |
| Unreserved | 296,936 | 261,146 | 558,082 |
| Total cash basis fund balances | \$ 529,759 | 430,208 | 959,967 |

See notes to financial statements.

City of Center Point
Statement of Changes in Fiduciary Assets and Liabilities
Fiduciary Fund

Year ended June 30, 2006

| | <u>Agency Tri-Fire Group</u> |
|--------------------------------|--------------------------------------|
| Additions: | |
| Donations | \$ 6,893 |
| Deductions: | |
| Advertising | <u>180</u> |
| Net change in cash balance | 6,713 |
| Cash balance beginning of year | <u>-</u> |
| Cash balance end of year | <u><u>\$ 6,713</u></u> |

See notes to financial statements.

City of Center Point

Notes to Financial Statements

June 30, 2006

(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 and sewer 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. The City 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. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statement. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Fross Park Fund is used to account for activity related to Fross Park.

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

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

The City reports the following major proprietary funds:

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

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

Additionally, the City reports an Agency Fund to account for assets held by the City as an agent for the Tri-Fire Group.

C. Measurement Focus and 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.

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 incurred, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2006, the City had the following investments:

| Type | Amortized Cost |
|--------------------------------|----------------|
| Edward Jones Money Market Fund | \$ 1,529,755 |

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk – The City’s investment in the Edward Jones Money Market Fund is rated Aaa by Standard & Poor’s.

(3) Long-Term Debt

General Obligation Notes

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

| Year Ending June 30, | Principal | Interest | Total |
|----------------------|------------|----------|---------|
| 2007 | \$ 100,000 | 38,235 | 138,235 |
| 2008 | 110,000 | 32,998 | 142,998 |
| 2009 | 115,000 | 27,127 | 142,127 |
| 2010 | 55,000 | 20,870 | 75,870 |
| 2011 | 55,000 | 17,900 | 72,900 |
| 2012 - 2015 | 255,000 | 38,595 | 293,595 |
| Total | \$ 690,000 | 175,725 | 865,725 |

Lease-Purchase Agreement

On July 1, 1995, the City 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 total cost was \$195,586, plus 7.00% per annum interest, to be financed over a 12-year period. 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, 2006:

| Year Ending June 30, | Amount |
|---|------------------|
| 2007 | \$ 24,000 |
| Less amount representing interest | (887) |
| Present value of net minimum lease payments | <u>\$ 23,113</u> |

During the year ended June 30, 2006, \$24,000 was paid under this agreement.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$14,786, \$12,754 and \$12,474, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2006, primarily relating to the General Fund, is \$13,000. This liability has been computed based on rates of pay in effect at June 30, 2006.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|---------------------------|----------------------|-------------------|
| Special Revenue: | | |
| Library Building | General | \$ 93,787 |
| Library Capital Equipment | General | 6,213 |
| | | <u>100,000</u> |
| Special Revenue: | Special Revenue: | |
| Library Capital Equipment | Library Building | 65,990 |
| Total | | <u>\$ 165,990</u> |

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

(7) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Development and Rebate Agreement

During the year ended June 30, 2006, the City entered into a development and rebate agreement not to exceed \$75,000 to assist in an urban renewal project. The City agreed to rebate incremental taxes paid by the developer in exchange for infrastructure improvements and development of a commercial facility constructed by the developer as set forth in the urban renewal plan and the individual development and rebate agreement. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years, beginning on December 1, 2007.

(9) Deficit Balances

The Special Revenue, Park and Recreation Donations Fund had a deficit balance of \$99,607 at June 30, 2006. The deficit will be eliminated by future donations and transfer of local funds, as necessary.

The Debt Service Fund had a deficit balance of \$186,401 at June 30, 2006. The deficit will be reduced by transferring urban renewal tax increment collections from the Special Revenue, Urban Renewal Tax Increment Fund.

The Capital Projects Fund had a deficit balance of \$507,356 at June 30, 2006. The deficit balance will be eliminated through the issuance of long term financing as the project nears completion.

City of Center Point

Required Supplementary Information

City of Center Point
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2006

| | Governmental Funds Actual | Proprietary Funds Actual | Total |
|---|---------------------------------|--------------------------------|------------------|
| Receipts: | | | |
| Property tax | \$ 506,908 | - | 506,908 |
| Tax increment financing | 125,097 | - | 125,097 |
| Other city tax | 22,175 | - | 22,175 |
| Licenses and permits | 26,377 | - | 26,377 |
| Use of money and property | 50,801 | 6,403 | 57,204 |
| Intergovernmental | 225,070 | - | 225,070 |
| Charges for service | 109,295 | 381,457 | 490,752 |
| Special assessments | 398 | - | 398 |
| Miscellaneous | 1,060,160 | - | 1,060,160 |
| Total receipts | <u>2,126,281</u> | <u>387,860</u> | <u>2,514,141</u> |
| Disbursements: | | | |
| Public safety | 60,847 | - | 60,847 |
| Public works | 373,250 | - | 373,250 |
| Health and social services | - | - | - |
| Culture and recreation | 438,354 | - | 438,354 |
| Community and economic development | 2,185 | - | 2,185 |
| General government | 143,741 | - | 143,741 |
| Debt service | 121,048 | - | 121,048 |
| Capital projects | 264,861 | - | 264,861 |
| Business type activities | - | 280,222 | 280,222 |
| Total disbursements | <u>1,404,286</u> | <u>280,222</u> | <u>1,684,508</u> |
| Excess (deficiency) of receipts over (under) disbursements | 721,995 | 107,638 | 829,633 |
| Other financing sources, net | 544,204 | - | 544,204 |
| Excess of receipts and other financing sources over disbursements and other financing uses | 1,266,199 | 107,638 | 1,373,837 |
| Balances beginning of year | 607,245 | 852,329 | 1,459,574 |
| Balances end of year | <u>\$ 1,873,444</u> | <u>959,967</u> | <u>2,833,411</u> |

See accompanying independent auditor's report.

| Budgeted Amounts Original and Final | Final to Total Variance |
|---|-------------------------------|
| 513,650 | (6,742) |
| 122,895 | 2,202 |
| 11,409 | 10,766 |
| 30,300 | (3,923) |
| 10,650 | 46,554 |
| 223,779 | 1,291 |
| 478,500 | 12,252 |
| - | 398 |
| 3,600 | 1,056,560 |
| <u>1,394,783</u> | <u>1,119,358</u> |
| 58,649 | (2,198) |
| 334,357 | (38,893) |
| 8,000 | 8,000 |
| 127,792 | (310,562) |
| - | (2,185) |
| 273,977 | 130,236 |
| 62,708 | (58,340) |
| 1,779,750 | 1,514,889 |
| 479,040 | 198,818 |
| <u>3,124,273</u> | <u>1,439,765</u> |
| (1,729,490) | 2,559,123 |
| <u>2,273,500</u> | <u>(1,729,296)</u> |
| 544,010 | 829,827 |
| <u>1,130,841</u> | <u>328,733</u> |
| <u>1,674,851</u> | <u>1,158,560</u> |

City of Center Point

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. 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 Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. The City did not amend its budget during the year ended June 30, 2006.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development and debt service functions.

Other Supplementary Information

City of Center Point

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

As of and for the year ended June 30, 2006

| | | | Special Revenue | |
|---|-----------|-----------|-----------------|----------|
| | Employee | Library | Library | Cemetery |
| | Benefits | Capital | Building | Stone |
| | | Equipment | | Repair |
| Receipts: | | | | |
| Property tax | \$ 83,694 | - | - | - |
| Other city tax | 2,888 | - | - | - |
| Use of money and property | - | 885 | 418 | - |
| Miscellaneous | - | 2,600 | 220 | - |
| Total receipts | 86,582 | 3,485 | 638 | - |
| Disbursements: | | | | |
| Operating: | | | | |
| Public works | 11,307 | - | - | - |
| Culture and recreation | 22,463 | 8,981 | 29,168 | - |
| General government | 8,311 | - | - | - |
| Total disbursements | 42,081 | 8,981 | 29,168 | - |
| Excess (deficiency) of receipts over (under) disbursements | 44,501 | (5,496) | (28,530) | - |
| Other financing sources (uses): | | | | |
| Operating transfers in | - | 72,203 | 93,787 | - |
| Operating transfers out | - | - | (65,990) | - |
| Total other financing sources (uses) | - | 72,203 | 27,797 | - |
| Net change in cash balances | 44,501 | 66,707 | (733) | - |
| Cash balances beginning of year | 26,189 | 15,761 | 733 | 430 |
| Cash balances end of year | \$ 70,690 | 82,468 | - | 430 |
| Cash Basis Fund Balances | | | | |
| Reserved for permanent fund | \$ - | - | - | - |
| Unreserved: | | | | |
| Special revenue funds | 70,690 | 82,468 | - | 430 |
| Total cash basis fund balances | \$ 70,690 | 82,468 | - | 430 |

See accompanying independent auditor's report.

| Municipal Building | Park and Recreation Donations | Capital Equipment Replacement | Permanent Cemetery Perpetual Care | Total |
|--------------------|-------------------------------|-------------------------------|-----------------------------------|----------|
| - | - | - | - | 83,694 |
| - | - | - | - | 2,888 |
| - | - | - | - | 1,303 |
| - | 4,726 | - | 6 | 7,552 |
| - | 4,726 | - | 6 | 95,437 |
| - | - | - | - | 11,307 |
| - | 101,722 | - | - | 162,334 |
| - | - | - | - | 8,311 |
| - | 101,722 | - | - | 181,952 |
| - | (96,996) | - | 6 | (86,515) |
| - | - | - | - | 165,990 |
| - | - | - | - | (65,990) |
| - | - | - | - | 100,000 |
| - | (96,996) | - | 6 | 13,485 |
| 2,401 | (2,611) | 37,470 | 40,864 | 121,237 |
| 2,401 | (99,607) | 37,470 | 40,870 | 134,722 |
| - | - | - | 40,870 | 40,870 |
| 2,401 | (99,607) | 37,470 | - | 93,852 |
| 2,401 | (99,607) | 37,470 | 40,870 | 134,722 |

City of Center Point
Schedule of Indebtedness
Year ended June 30, 2006

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|---------------------------|---------------|----------------|--------------------------|
| General obligation notes: | | | |
| Sewer improvements | Sep 01, 1996 | 4.40-5.55% | \$ 620,000 |
| Water improvements | Sep 15, 2005 | 4.85-6.00 | 540,000 |
| Total | | | |
| Lease-purchase agreement: | | | |
| City hall | Jul 01, 1995 | 7.00% | \$ 195,586 |

See accompanying independent auditor's report.

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 235,000 | - | 55,000 | 180,000 | 12,707 |
| - | 540,000 | 30,000 | 510,000 | 21,241 |
| <u>\$ 235,000</u> | <u>540,000</u> | <u>85,000</u> | <u>690,000</u> | <u>33,948</u> |
| | | | | |
| <u>44,668</u> | <u>-</u> | <u>21,555</u> | <u>23,113</u> | <u>2,445</u> |

Schedule 3

City of Center Point

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

For the Last Four Years

| | 2006 | 2005 | 2004 | 2003 |
|------------------------------------|--------------|-----------|-----------|-----------|
| Receipts: | | | | |
| Property tax | \$ 506,908 | 459,136 | 421,080 | 385,358 |
| Tax increment financing | 125,097 | 25,832 | 23,478 | 23,692 |
| Other city tax | 22,175 | 20,332 | 24,751 | 194,641 |
| Licenses and permits | 26,377 | 40,134 | 37,569 | 20,894 |
| Use of money and property | 50,801 | 9,229 | 6,306 | 5,797 |
| Intergovernmental | 225,070 | 212,934 | 267,500 | 414,282 |
| Charges for service | 109,295 | 174,998 | 85,289 | 82,807 |
| Special assessments | 398 | 431 | 863 | 662 |
| Miscellaneous | 1,060,160 | 733,613 | 24,243 | 23,947 |
| Total | \$ 2,126,281 | 1,676,639 | 891,079 | 1,152,080 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | \$ 60,847 | 60,281 | 66,848 | 58,820 |
| Public works | 373,250 | 340,356 | 282,499 | 312,660 |
| Culture and recreation | 438,354 | 237,317 | 242,168 | 126,442 |
| Community and economic development | 2,185 | - | - | - |
| General government | 143,741 | 158,133 | 132,257 | 104,684 |
| Debt service | 121,048 | 65,682 | 130,700 | 80,311 |
| Capital projects | 264,861 | 432,576 | 230,168 | 428,945 |
| Total | \$ 1,404,286 | 1,294,345 | 1,084,640 | 1,111,862 |

See accompanying independent auditor's report.



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

David A. Vaudt, CPA
Auditor of State

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Center Point, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 12, 2006. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 opinions on the financial statements and not to provide an opinion 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. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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 items (A) and (C) are material weaknesses.

Compliance and Other Matters

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

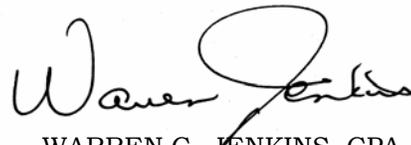
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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.

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

December 12, 2006

City of Center Point
Schedule of Findings
Year ended June 30, 2006

Findings Related to the Financial Statements:

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. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:
- (1) 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 continue to review it's procedures in order to improve on the segregation of duties and maximize the internal control of our finances and make changes as needed and as our resources allow.

Conclusion – Response accepted.

City of Center Point

Schedule of Findings

Year ended June 30, 2006

- (B) Information System – The City does not have written policies for requiring computer users to change their passwords every 60 to 90 days.

Recommendation – The City should develop written policies addressing passwords in order to improve the City’s control over its information system.

Response – Resolution 12-06-03 was presented to the City Council on December 19, 2006 asking for their approval to amend the current policy to require computer users to change their passwords every 90 days in order to improve the City’s control over its information system. This resolution was approved.

Conclusion – Response accepted.

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

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

Response – Procedures will be established to reconcile the utility billings, collections and delinquencies each month and reports will be presented to the Council for their review.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Center Point
Schedule of Findings
Year ended June 30, 2006

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public safety, public works, culture and recreation, community and economic development and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

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 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 the City and City officials or employees during the fiscal year ended June 30, 2006 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) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The City minutes publications did not include a recap of actual receipts, as required, and, in one instance, the minutes were not published.

Recommendation – The City should publish a recap of actual receipts as required by Chapter 372.13 of the Code of Iowa and ensure all minutes are published in a timely manner.

Response – The recap of actual receipts are now being published as required. We will strive to ensure all publication requirements be met in the future.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Center Point

Schedule of Findings

Year ended June 30, 2006

Interest earned on invested funds for the Special Revenue, Road Use Tax Fund and the Permanent, Cemetery Perpetual Care Fund were directly credited to the respective funds for which the investments were held. Chapters 12C.7(2) and 566.15 of the Code of Iowa require the interest earned on these funds be credited to the General Fund.

Recommendation – The City should make corrective transfers to the General Fund from the Special Revenue, Road Use Tax Fund for \$82 and the Permanent, Cemetery Perpetual Care Fund for \$181 to correct these errors for the fiscal year ended June 30, 2004 and from the Special Revenue Road, Use Tax Fund for \$9 for fiscal year ended June 30, 2006. Additionally, all interest earned on the above noted investments should be credited to the General Fund as required by the Code of Iowa.

Response – Resolution 12-06-05 was presented to the City Council on December 19, 2006 asking for authorization to make the recommended transfers. This resolution was approved and the transfers will be completed in the accounting system.

Conclusion – Response accepted.

- (8) Financial Condition – The Special Revenue, Park and Recreation Donations Fund, the Debt Service Fund and the Capital Projects Fund had deficit balances at June 30, 2006 of \$99,607, \$186,401 and \$507,356, respectively.

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

Response – These deficits will be eliminated with transfers from other funds and by consolidating duplicate project funds.

Conclusion – Response accepted.

- (9) Local Option Sales Tax – Local option sales tax collections in the fiscal years ended June 30, 2002, 2003, 2004 and 2005 were posted directly to the General Fund. On June 25, 2003, the City Council approved the allocation of these collections for Library (\$100,000), Streets (\$75,000) and Sidewalk revolving fund (\$25,000), leaving \$21,956 unallocated.

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

Response – Resolution 12-06-04 was presented to the City Council on December 19, 2006 asking for authorization to make the recommended transfers. This resolution was approved and the transfers will be completed in the accounting system.

Conclusion – Response accepted.

City of Center Point

Schedule of Findings

Year ended June 30, 2006

- (10) Tax Increment Financing Collections – Fiscal year 2003, 2004, 2005 and 2006 tax increment financing collections were properly posted to the Special Revenue, Urban Renewal Tax Increment Fund. However, the collections were not used to reduce applicable tax increment debt being paid from the Debt Service Fund.

Recommendation – The City should transfer the tax increment financing collections to the Debt Service Fund to repay the portion of TIF debt originally paid from the Debt Service Fund. This will aid in eliminating the deficit balance in the Debt Service Fund as of June 30, 2006.

Response – These recommended transfers will be presented to the City Council for approval along with other modifications being recommended by a special consultant the City has hired to help make improvements to the financial system.

Conclusion – Response accepted.

- (11) Annual Financial Report – The 2006 Annual Financial Report was not filed by December 1 as required by Chapter 384.22 of the Code of Iowa.

Recommendation – The Annual Financial Report should be completed and filed in accordance with Chapter 384.22 of the Code of Iowa.

Response – The Annual Report was filed with the State Auditor by December 1 as required but the publication deadline was not met. We will strive to meet all required deadlines in the future.

Conclusion – Response accepted.

- (12) Transfers – The City transfers money to and from various funds and accounts periodically. However, these transfers were not always approved by the Council prior to the actual transfer.

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

Response – The Council has been notified of all fund/account transfers in the past. In the future all fund/account transfers will be presented to the Council for their approval.

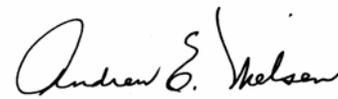
Conclusion – Response accepted.

City of Center Point

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Kip M. Druecker, Senior Auditor
Andrew N. Pulford, Staff Auditor
Carrie L. Livingston, CPA, Staff Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State