



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

March 17, 2008

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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 \$1,768,584 for the year ended June 30, 2007, a 42 percent decrease from 2006. The receipts included \$576,386 in property tax, \$69,611 from tax increment financing, \$506,819 from charges for service, \$581,135 from operating grants, contributions and restricted interest, \$6,505 from capital grants, contributions and restricted assets, \$16,811 from unrestricted interest on investments and \$11,317 from other general receipts.

Disbursements for the year totaled \$1,752,151, a 4 percent increase over the prior year, and included \$434,561 for capital projects, \$344,176 for public works and \$215,213 for culture and recreation. Also, disbursements for business type activities totaled \$291,545.

The significant decrease in receipts is due primarily to receiving a donation from an estate during fiscal year 2006.

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, 2007

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City of Center Point

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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	City Clerk/Treasurer	Indefinite
LeAnn Kramer	Deputy City Clerk	Indefinite
Anne Loomis	Attorney	Indefinite

City of Center Point



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Center Point, Iowa, as of and for the year ended June 30, 2007, 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.

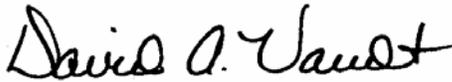
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, 2007, 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 February 5, 2008 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Center Point's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (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

February 5, 2008

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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 48%, or approximately \$1,276,000, from fiscal year 2006 to fiscal year 2007. Property tax increased approximately \$52,000. The City received donations for Fross Park totaling approximately \$182,000, or approximately \$823,000 less than the prior year. The City also received approximately \$531,000 in note proceeds during fiscal year 2006.
- Disbursements increased 4%, or approximately \$57,000, in fiscal 2007 over fiscal 2006.
- The City's total cash basis net assets increased 1%, or approximately \$16,000, from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities increased approximately \$178,000 and the assets of the business type activities decreased approximately \$162,000.

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.

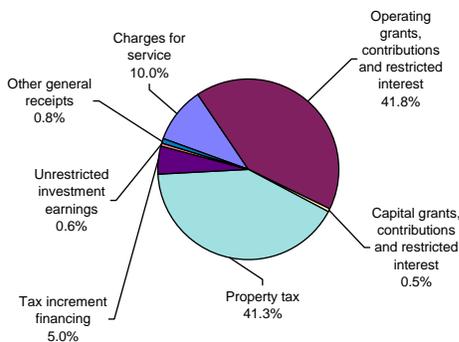
The required financial statement for the Fiduciary Fund is a statement of changes in fiduciary assets and liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

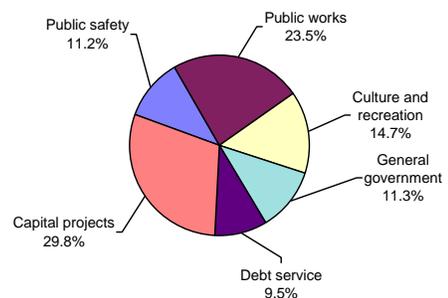
Net assets may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities increased from a year ago from \$1,873,444 to \$2,051,606. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service	\$ 140	136
Operating grants, contributions and restricted interest	581	1,279
Capital grants, contributions and restricted interest	7	40
General receipts:		
Property tax	576	524
Tax increment financing	70	125
Unrestricted investment earnings	9	8
Note proceeds	-	531
Other general receipts	11	27
Total receipts	1,394	2,670
Disbursements:		
Public safety	163	61
Public works	344	373
Culture and recreation	215	438
Community and economic development	-	2
General government	165	144
Debt service	139	121
Capital projects	435	265
Total disbursements	1,461	1,404
Change in cash basis net assets before transfers	(67)	1,266
Transfers, net	245	-
Change in cash basis net assets	178	1,266
Cash basis net assets beginning of year	1,873	607
Cash basis net assets end of year	\$ 2,051	1,873

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 48%, or approximately \$1,276,000. The total cost of all programs and services increased approximately \$57,000, or 4%, due to several capital projects being completed. The significant decrease in receipts was due primarily to the sale of notes to finance completed water projects and receiving significant donations for Fross Park during fiscal year 2006.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 200	207
Sewer	167	175
General receipts:		
Unrestricted interest on investments	8	6
Total receipts	<u>375</u>	<u>388</u>
Disbursements:		
Water	170	161
Sewer	122	119
Total disbursements	<u>292</u>	<u>280</u>
Change in cash basis net assets before transfers	83	108
Transfers, net	(245)	-
Change in cash basis net assets	(162)	108
Cash basis net assets beginning of year	960	852
Cash basis net assets end of year	<u>\$ 798</u>	<u>960</u>

Total business type activities receipts for the fiscal year were \$375,204 compared to \$387,860 last year. The cash balance decreased approximately \$162,000 from the prior year because several major projects were paid for from business type activities in 2007. Total disbursements for the fiscal year increased only 4% to a total of \$291,545.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Center Point completed the year, its governmental funds reported a combined fund balance of \$2,051,606, an increase of more than \$178,000 over last year's total of \$1,873,444. 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 \$224,871 from the prior year to \$225,517. \$122,000 was for the transfer of prior year local option sales tax to the proper funds. In addition, disbursements in the public safety function increased \$102,248, due primarily to the purchase of a fire truck chassis for \$98,680.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$206,757 to \$18,498 during the fiscal year. This decrease was primarily attributable to a transfer of approximately \$280,000 to close two projects within the Capital Projects Fund.
- The Special Revenue, 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 \$105,918, a decrease of \$118,638 from the previous year. The decrease was due to a transfer to the Debt Service Fund to pay principal and interest for a land purchased in a prior fiscal year.
- The Special Revenue, Fross Park Fund cash balance increased \$188,941 to \$1,721,221. This increase was due to donations received in fiscal year 2007.

- The Debt Service Fund cash balance increased \$111,920 to a deficit of \$74,481 at the end of the fiscal year. A transfer of TIF funds is planned for fiscal year 2008 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 2007 total cash balance for the Capital Projects Fund was a deficit of \$239,157, an increase of \$268,199 over the prior year. The main contributing factor to this increase was transfers from several funds to close two of the capital project accounts and to reduce some of the deficit balances in others.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$91,371 to \$438,388. The decrease was due to a transfer of \$128,270 to close a capital project account and to help reduce a deficit balance for two water projects.
- The Sewer Fund cash balance decreased \$70,358 to \$359,850, due primarily to a transfer to the Capital Projects Fund to cover sewer project disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 30, 2007 and resulted in a decrease in operating disbursements since the City did not issue general obligation debt during fiscal year 2007. In addition, the City was awarded a Vision Iowa grant during fiscal year 2007 for the Fross Park project, but did not start drawing down funds until the next fiscal year. Furthermore, the amendment was to alleviate a cost overrun of approximately \$102,000 in the public safety function. The City had sufficient cash balances to absorb these additional costs.

The City’s receipts were \$10,485 more than budgeted. This was primarily due to the Library receiving approximately \$16,000 more in funding from the City/County shares than anticipated.

Total disbursements were \$274,861 less than budgeted. This was partially due to the debt service function being over budgeted by \$212,450. New general obligation debt was not issued, so no debt payments were due. In addition, the general government function was over budgeted by \$63,770, due primarily to \$54,350 budgeted for employee benefits entirely to general government rather than the functions actually charged.

The City exceeded the amounts budgeted in the culture and recreation and capital projects functions. The culture and recreation function went over budget as a result of the City budgeting employee benefits in the general government function and reporting the disbursements in the applicable functions. The capital projects function went over budget because the budget amendment reduced the function too much.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$590,000 in notes and other long-term debt outstanding, compared to \$713,113 last year, as shown below.

	Outstanding Debt at Year-End	
	Year ended June 30,	
	2007	2006
General obligation notes - sewer	\$ 125,000	180,000
General obligation notes - water	465,000	510,000
Lease-purchase agreement	-	23,113
Total	\$ 590,000	713,113

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 \$743,311 is significantly below its constitutional debt limit of approximately \$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 2008 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City's total assessed valuation has increased 5.1%.

Property tax is expected to decrease in fiscal year 2008 as compared to fiscal year 2007. The assessed valuation increased, but the total property tax levy decreased for fiscal year 2008.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$1,249,000 by the close of 2008 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, 2007

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Public safety	\$ 163,095	29,163	-	-
Public works	344,176	104,725	187,530	-
Culture and recreation	215,213	2,969	387,608	-
General government	164,526	3,078	5,997	-
Debt service	139,035	-	-	-
Capital projects	434,561	-	-	6,505
Total governmental activities	1,460,606	139,935	581,135	6,505
Business type activities:				
Water	170,266	199,913	-	-
Sewer	121,279	166,970	-	-
Total business type activities	291,545	366,883	-	-
Total	\$ 1,752,151	506,818	581,135	6,505
General Receipts:				
Property tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
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
(133,932)	-	(133,932)
(51,921)	-	(51,921)
175,364	-	175,364
(155,451)	-	(155,451)
(139,035)	-	(139,035)
(428,056)	-	(428,056)
(733,031)	-	(733,031)
-	29,647	29,647
-	45,691	45,691
-	75,338	75,338
(733,031)	75,338	(657,693)
507,962	-	507,962
68,424	-	68,424
69,611	-	69,611
8,491	8,321	16,812
11,317	-	11,317
245,388	(245,388)	-
911,193	(237,067)	674,126
178,162	(161,729)	16,433
1,873,444	959,967	2,833,411
\$ 2,051,606	798,238	2,849,844
\$ 18,498	-	18,498
105,918	-	105,918
-	125,330	125,330
1,721,221	-	1,721,221
252,201	-	252,201
41,889	-	41,889
-	38,779	38,779
(88,121)	634,129	546,008
\$ 2,051,606	798,238	2,849,844

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, 2007

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Fross Park
Receipts:				
Property tax	\$ 416,450	-	-	-
Tax increment financing	-	-	69,611	-
Other city tax	21,382	-	-	-
Licenses and permits	31,590	-	-	-
Use of money and property	8,491	-	-	72,284
Intergovernmental	50,976	187,530	-	-
Charges for service	107,414	-	-	-
Miscellaneous	17,270	-	-	182,163
Total receipts	653,573	187,530	69,611	254,447
Disbursements:				
Operating:				
Public safety	163,095	-	-	-
Public works	214,957	114,740	-	-
Culture and recreation	163,889	-	-	4,564
General government	152,366	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	694,307	114,740	-	4,564
Excess (deficiency) of receipts over (under) disbursements	(40,734)	72,790	69,611	249,883
Other financing sources (uses):				
Operating transfers in	272	-	-	-
Operating transfers out	(184,409)	(279,547)	(188,249)	(60,942)
Total other financing sources (uses)	(184,137)	(279,547)	(188,249)	(60,942)
Net change in cash balances	(224,871)	(206,757)	(118,638)	188,941
Cash balances beginning of year	450,388	225,255	224,556	1,532,280
Cash balances end of year	\$ 225,517	18,498	105,918	1,721,221
Cash Basis Fund Balances				
Reserved for cemetery care	\$ -	-	-	-
Unreserved:				
General fund	225,517	-	-	-
Special revenue funds	-	18,498	105,918	1,721,221
Debt service fund	-	-	-	-
Capital projects fund	-	-	-	-
Total cash basis fund balances	\$ 225,517	18,498	105,918	1,721,221

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
66,272	-	74,852	557,574
-	-	-	69,611
2,152	-	2,541	26,075
-	-	-	31,590
-	-	1,343	82,118
-	-	-	238,506
-	-	-	107,414
-	-	81,059	280,492
68,424	-	159,795	1,393,380
-	-	-	163,095
-	-	14,479	344,176
-	-	46,760	215,213
-	-	12,160	164,526
139,035	-	-	139,035
-	434,561	-	434,561
139,035	434,561	73,399	1,460,606
(70,611)	(434,561)	86,396	(67,226)
188,249	702,760	75,554	966,835
(5,718)	-	(2,582)	(721,447)
182,531	702,760	72,972	245,388
111,920	268,199	159,368	178,162
(186,401)	(507,356)	134,722	1,873,444
(74,481)	(239,157)	294,090	2,051,606
-	-	41,889	41,889
-	-	-	225,517
-	-	252,201	2,097,838
(74,481)	-	-	(74,481)
-	(239,157)	-	(239,157)
(74,481)	(239,157)	294,090	2,051,606

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, 2007

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 199,913	166,970	366,883
Operating disbursements:			
Business type activities	170,266	121,279	291,545
Excess of operating receipts over operating disbursements	29,647	45,691	75,338
Non-operating receipts:			
Interest on investments	7,252	1,069	8,321
Excess of receipts over disbursements	36,899	46,760	83,659
Other financing uses:			
Operating transfers out	(128,270)	(117,118)	(245,388)
Net change in cash balances	(91,371)	(70,358)	(161,729)
Cash balances beginning of year	529,759	430,208	959,967
Cash balances end of year	\$ 438,388	359,850	798,238
Cash Basis Fund Balances			
Reserved for:			
Debt service	\$ 72,636	52,694	125,330
Meter deposits	38,779	-	38,779
Unreserved	326,973	307,156	634,129
Total cash basis fund balances	\$ 438,388	359,850	798,238

See notes to financial statements.

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

Year ended June 30, 2007

	<u>Agency</u> <u>Tri-Fire</u> <u>Group</u>
Additions:	
Donations	\$ 1,350
Deductions:	
Refunds	<u>7,928</u>
Net change in cash balance	(6,578)
Cash balance beginning of year	<u>6,713</u>
Cash balance end of year	<u><u>\$ 135</u></u>

See notes to financial statements.

City of Center Point

Notes to Financial Statements

June 30, 2007

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

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, 2007, disbursements exceeded the amounts budgeted in the culture and recreation and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 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, 2007, the City had the following investments:

Type	Amortized Cost
Edward Jones Money Market Fund	\$ 1,702,039

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

On June 21, 2007, the City entered into a loan agreement to purchase a fire truck. The loan proceeds were received on July 2, 2007.

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

Year Ending June 30,	Principal	Interest	Total
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	60,000	14,875	74,875
2013-2015	195,000	23,720	218,720
Total	\$ 590,000	137,490	727,490

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. During the year ended June 30, 2007, the final payment of \$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 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, 2007, 2006 and 2005 were \$16,373, \$14,786 and \$12,754, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2007, primarily relating to the General Fund, is \$17,000. This liability has been computed based on rates of pay in effect at June 30, 2007.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 91
	Permanent:	
	Perpetual Care	181
		<u>272</u>
Special Revenue:		
Sidewalk Revolving	General	46,956
	Special Revenue:	
Park and Recreation Donations	Fross Park	26,197
Capital Equipment Replacement	Municipal Building	2,401
		<u>75,554</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	<u>188,249</u>
Capital Projects	General	137,453
	Special Revenue:	
	Road Use Tax	279,456
	Fross Park	34,745
	Enterprise:	
	Water	128,270
	Sewer	117,118
	Debt Service	5,718
		<u>702,760</u>
Total		<u>\$ 966,835</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 during a ten year period ending June 1, 2017. The City rebated \$25,000 during fiscal year 2007. The outstanding balance of the agreement at June 30, 2007 was \$50,000.

(9) Deficit Balances

The Debt Service Fund had a deficit balance of \$74,481 at June 30, 2007. The deficit will be reduced by transferring urban renewal tax increment financing collections from the Special Revenue, Urban Renewal Tax Increment Fund.

The Capital Projects Fund had a deficit balance of \$239,157 at June 30, 2007. The deficit balance will be eliminated through the issuance of long term financing as projects near completion.

(10) Subsequent Event

In July 2007, the City awarded a bid for approximately \$2,000,000 for the Fross Park project.

(11) Special Investigation

The City of Center Point requested the Office of Auditor of State to perform a special investigation of the City as a result of concerns identified with the Library.

Copies of the special investigation report will be filed with the Linn County Attorney's Office, the Division of Criminal Investigation and the Attorney General's Office when completed.

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, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 557,574	-	557,574
Tax increment financing	69,611	-	69,611
Other city tax	26,075	-	26,075
Licenses and permits	31,590	-	31,590
Use of money and property	82,118	8,321	90,439
Intergovernmental	238,506	-	238,506
Charges for service	107,414	366,883	474,297
Miscellaneous	280,492	-	280,492
Total receipts	<u>1,393,380</u>	<u>375,204</u>	<u>1,768,584</u>
Disbursements:			
Public safety	163,095	-	163,095
Public works	344,176	-	344,176
Health and social services	-	-	-
Culture and recreation	215,213	-	215,213
General government	164,526	-	164,526
Debt service	139,035	-	139,035
Capital projects	434,561	-	434,561
Business type activities	-	291,545	291,545
Total disbursements	<u>1,460,606</u>	<u>291,545</u>	<u>1,752,151</u>
Excess (deficiency) of receipts over (under) disbursements	(67,226)	83,659	16,433
Other financing sources (uses), net	245,388	(245,388)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	178,162	(161,729)	16,433
Balances beginning of year	<u>1,873,444</u>	<u>959,967</u>	<u>2,833,411</u>
Balances end of year	<u>\$ 2,051,606</u>	<u>798,238</u>	<u>2,849,844</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
563,667	497,844	59,730
68,075	68,075	1,536
14,177	77,000	(50,925)
31,150	26,325	5,265
40,900	84,500	5,939
223,066	191,000	47,506
493,630	535,193	(60,896)
1,009,500	278,162	2,330
2,444,165	1,758,099	10,485
61,320	163,539	444
469,385	399,270	55,094
7,000	-	-
161,596	189,255	(25,958)
227,435	228,296	63,770
155,933	351,485	212,450
3,444,850	398,748	(35,813)
351,355	296,419	4,874
4,878,874	2,027,012	274,861
(2,434,709)	(268,913)	285,346
1,901,510	1,022,273	(1,022,273)
(533,199)	753,360	(736,927)
1,640,635	1,107,436	1,725,975
1,107,436	1,860,796	989,048

City of Center Point

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Fiduciary Fund. 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. During the year, the City amended the budget once, decreasing disbursements by \$2,851,862.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the culture and recreation and capital projects 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, 2007

	Special Revenue				
	Employee Benefits	Library Capital Equipment	Cemetery Stone Repair	Municipal Building	Park and Recreation Donations
Receipts:					
Property tax	\$ 74,852	-	-	-	-
Other city tax	2,541	-	-	-	-
Use of money and property	-	1,343	-	-	-
Miscellaneous	-	-	-	-	79,859
Total receipts	77,393	1,343	-	-	79,859
Disbursements:					
Operating:					
Public works	14,479	-	-	-	-
Culture and recreation	28,246	12,065	-	-	6,449
General government	12,160	-	-	-	-
Total disbursements	54,885	12,065	-	-	6,449
Excess (deficiency) of receipts over (under) disbursements	22,508	(10,722)	-	-	73,410
Other financing sources (uses):					
Operating transfers in	-	-	-	-	26,197
Operating transfers out	-	-	-	(2,401)	-
Total other financing sources (uses)	-	-	-	(2,401)	26,197
Net change in cash balances	22,508	(10,722)	-	(2,401)	99,607
Cash balances beginning of year	70,690	82,468	430	2,401	(99,607)
Cash balances end of year	\$ 93,198	71,746	430	-	-
Cash Basis Fund Balances					
Reserved for cemetery care	\$ -	-	-	-	-
Unreserved:					
Special revenue funds	93,198	71,746	430	-	-
Total cash basis fund balances	\$ 93,198	71,746	430	-	-

See accompanying independent auditor's report.

Capital Equipment Replacement	Sidewalk Revolving	Permanent Cemetery Perpetual Care	Total
-	-	-	74,852
-	-	-	2,541
-	-	-	1,343
-	-	1,200	81,059
-	-	1,200	159,795
-	-	-	14,479
-	-	-	46,760
-	-	-	12,160
-	-	-	73,399
-	-	1,200	86,396
2,401	46,956	-	75,554
-	-	(181)	(2,582)
2,401	46,956	(181)	72,972
2,401	46,956	1,019	159,368
37,470	-	40,870	134,722
39,871	46,956	41,889	294,090
-	-	41,889	41,889
39,871	46,956	-	252,201
39,871	46,956	41,889	294,090

City of Center Point
Schedule of Indebtedness
Year ended June 30, 2007

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
180,000	-	55,000	125,000	9,820
510,000	-	45,000	465,000	28,415
<u>\$ 690,000</u>	<u>-</u>	<u>100,000</u>	<u>590,000</u>	<u>38,235</u>
<u>23,113</u>	<u>-</u>	<u>23,113</u>	<u>-</u>	<u>887</u>

Schedule 3

City of Center Point

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

For the Last Five Years

	2007	2006	2005	2004	2003
Receipts:					
Property tax	\$ 557,574	506,908	459,136	421,080	385,358
Tax increment financing	69,611	125,097	25,832	23,478	23,692
Other city tax	26,075	22,175	20,332	24,751	194,641
Licenses and permits	31,590	26,377	40,134	37,569	20,894
Use of money and property	82,118	50,801	9,229	6,306	5,797
Intergovernmental	238,506	225,070	212,934	267,500	414,282
Charges for service	107,414	109,295	174,998	85,289	82,807
Special assessments	-	398	431	863	662
Miscellaneous	280,492	1,060,160	733,613	24,243	23,947
Total	\$ 1,393,380	2,126,281	1,676,639	891,079	1,152,080
Disbursements:					
Operating:					
Public safety	\$ 163,095	60,847	60,281	66,848	58,820
Public works	344,176	373,250	340,356	282,499	312,660
Culture and recreation	215,213	438,354	237,317	242,168	126,442
Community and economic development	-	2,185	-	-	-
General government	164,526	143,741	158,133	132,257	104,684
Debt service	139,035	121,048	65,682	130,700	80,311
Capital projects	434,561	264,861	432,576	230,168	428,945
Total	\$ 1,460,606	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**

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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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 5, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Center Point's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Center Point's financial statements that is more than inconsequential will not be prevented or detected by the City of Center Point's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Center Point's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) 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 an instance of non-compliance or other matters that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings. We also noted certain immaterial instances of non-compliance or 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, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Center Point and other parties to whom the City of Center Point may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Center Point during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 5, 2008

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (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 – We will continue to review procedures and implement risk management policies as needed.

Conclusion – Response accepted.

City of Center Point

Schedule of Findings

Year ended June 30, 2007

- (B) 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 – A reconciliation is being done to balance cash deposited against payments received. Further procedures are being developed to accomplish a more in depth reconciliation of utility billings, collections and delinquencies. These reconciliations will be reviewed by the Mayor and Council.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

A special investigation is being performed relating to the Library.

City of Center Point

Schedule of Findings

Year ended June 30, 2007

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the culture and recreation and capital project functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – We will monitor the budget more closely in the future and do amendments as needed.

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 the City and City officials or employees during the fiscal year ended June 30, 2007 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 Council went into closed session on March 13, 2007. The minutes record did not document the specific reason and applicable Code of Iowa section for the closed session as required by the Chapter 21.5 of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa.

Response – This was an isolated omission. We normally cite state code sections for all closed session meetings as advised by our City attorney. We will be more careful in the future to see this is not forgotten.

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, 2007

- (8) Financial Condition – The Debt Service Fund and the Capital Projects Fund had deficit balances at June 30, 2007 of \$74,481, and \$239,157, respectively.

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

Response – The Debt Service Fund has deficit balances due to issuance of debt not anticipated at the time the budget was set. The City will eliminate the deficits through future property tax collections and transfers from the Urban Renewal Tax Increment Fund. Adequate amounts to cover debt repayments will be levied in the future. The Capital Projects Fund had a deficit balance at June 30, 2007 due to transfers not yet completed and debt not yet issued which will be done in the next fiscal year. The City will strive to eliminate deficit balances in the future.

Conclusion – Response accepted.

- (9) Tax Incremental Financing Development 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 rebated \$25,000 during fiscal year 2007 from the Capital Projects Fund rather than from the TIF Fund.

Recommendation – The City should make a corrective transfer for \$25,000 from the TIF Fund to the Capital Projects Fund, Street Project - Palo Road account to reimburse the account for the development and rebate agreement.

Response – The transfer will be presented to the City Council for approval. Then the transfer will be made in the financial system.

Conclusion – Response accepted.

- (10) 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 – All transfers were approved by or reported to the Council but not always as a motion or resolution. In the future all transfers will be approved by the City Council and noted in the minutes.

Conclusion – Response accepted.

City of Center Point

Schedule of Findings

Year ended June 30, 2007

- (11) Mileage Reimbursements – City employees received mileage reimbursements of \$.445 to \$.485 per mile, equal to the federal rate, on claims submitted for the year ended June 30, 2007. This is in excess of the rate of \$.34 per mile allowed by a resolution approved by the City Council.

Recommendation – The mileage reimbursement rate should not exceed the rate set by the City Council by resolution.

Response – Previously the City Council had set the reimbursement amount by consensus when approving the budget. To clarify this for the future, the City Council approved Resolution 12-7-02, on December 18, 2007. This resolution sets the mileage reimbursement at the current federal rate allowed.

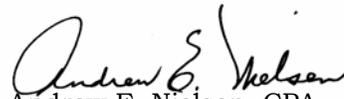
Conclusion – Response accepted.

City of Center Point

Staff

This audit was performed by:

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