



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE July 19, 2005

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

The City has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$1,270,710 for the year ended June 30, 2004, a 17 percent decrease from 2003. The receipts included \$438,007 in property tax, \$23,478 from tax increment financing, \$505,120 from charges for service, \$222,350 from operating grants, contributions and restricted interest, \$62,146 from capital grants, contributions and restricted interest, \$462 from local option sales tax, \$7,779 from unrestricted interest on investments and \$11,368 from other general receipts.

Disbursements for the year totaled \$1,344,653, a 1 percent decrease from the prior year, and included \$282,499 for public works, \$242,168 for culture and recreation and \$230,168 for capital projects. Also, disbursements for business type activities totaled \$260,013.

The significant decrease in receipts is due primarily to receiving less community development block grant funds in 2004 and to a reduction in local option sales tax collections.

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

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

JUNE 30, 2004

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City of Center Point

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Tom Neenan	Mayor	Jan 2004
Gary Heins	Mayor Pro tem	Resigned
Ted Callahan (Appointed)	Council Member	Nov 2003
Paula Freeman-Brown	Council Member	Jan 2004
Annette Slifka	Council Member	Jan 2004
Dennis Hundley	Council Member	Jan 2006
Curt Sloan	Council Member	Jan 2006
Angela Rillings-Batcheler	Finance Director	Resigned
LeAnn Kramer	Deputy City Clerk	Indefinite
Don Hoskins	Attorney	Indefinite
(After January 2004)		
Paula Freeman-Brown	Mayor	Jan 2006
Dennis Hundley	Mayor Pro tem	Jan 2006
Annette Slifka	Council Member	Jan 2006
Curt Sloan	Council Member	Resigned
Ted Callahan	Council Member	Jan 2008
Brent Schlofeldt	Council Member	Jan 2008
John Stuelke	Council Member	Jan 2008
Christy Dyer (Appointed)	Finance Director	Indefinite
LeAnn Kramer	Deputy City Clerk	Indefinite
Don Hoskins	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, 2004, 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our 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.

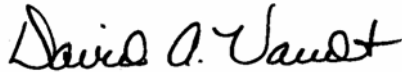
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Center Point as of June 30, 2004, 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.

As described in Note 10, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated April 14, 2005 on our consideration of the City of Center Point's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied 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 year ended June 30, 2003 (which are not presented herein) and expressed an unqualified opinion on those financial statements. 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

April 14, 2005

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, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 23%, or approximately \$261,000, from fiscal 2003 to fiscal 2004. Property tax increased approximately \$36,000, intergovernmental receipts decreased approximately \$147,000 and local option sales tax decreased approximately \$170,000.
- Disbursements decreased 2%, or approximately \$27,000, in fiscal 2004 from fiscal 2003. Public safety, debt service and capital projects disbursements increased (decreased) approximately \$8,000, \$50,000 and \$(199,000), respectively.
- The City's total cash basis net assets decreased 7%, or approximately \$74,000, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$194,000 and the assets of the business type activities increased by approximately \$120,000.

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, the reader 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 two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 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.

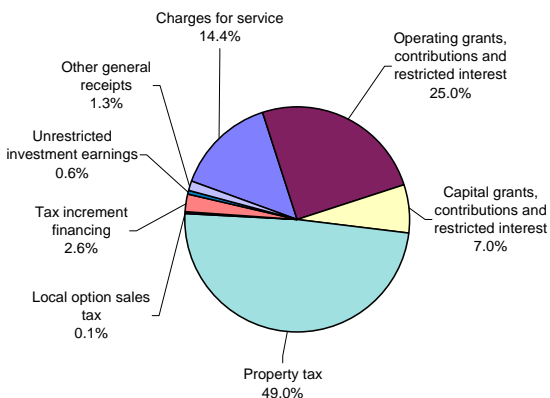
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

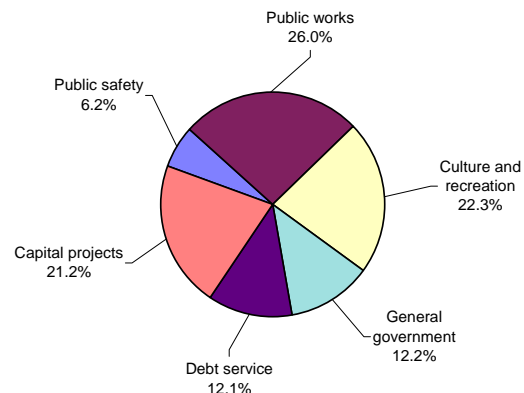
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$418,513 to \$224,952. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2004
Receipts:	
Program receipts:	
Charges for service	\$ 128,264
Operating grants, contributions and restricted interest	222,350
Capital grants, contributions and restricted interest	62,146
General receipts:	
Property tax	438,007
Local option sales tax	462
Tax increment financing	23,478
Unrestricted investment earnings	5,004
Other general receipts	11,368
Total receipts	<u>891,079</u>
Disbursements:	
Public safety	66,848
Public works	282,499
Culture and recreation	242,168
General government	132,257
Debt service	130,700
Capital projects	230,168
Total disbursements	<u>1,084,640</u>
Decrease in cash basis net assets	(193,561)
Cash basis net assets beginning of year, as restated	<u>418,513</u>
Cash basis net assets end of year	<u>\$ 224,952</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased by 23%, or \$261,001. The total cost of all programs and services decreased by approximately \$27,222, or 2%, with no new programs added this year. The significant decrease in receipts was primarily the result of receiving less community development block grant funds in 2004 and to a reduction in local option sales tax collections.

The City increased property tax rates for 2004 by an average of 2.7 percent. This increase raised the City's property tax receipts by approximately \$36,000 in 2004. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional \$35,000 next year.

The cost of all governmental activities this year was \$1,084,640 compared to \$1,111,862 last year. However, as shown in the Statement of Activities and Net Assets on pages 14-15, the amount taxpayers ultimately financed for these activities was only \$671,880 because some of the cost was paid by those directly benefited from the programs (\$128,264) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$284,496). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2004 from approximately \$1,152,000 to approximately \$891,000, principally due to receiving less community development block grant funds in 2004 and to a reduction in local option sales tax collections. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$478,319 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2004</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 198,773
Sewer	178,083
General receipts:	
Unrestricted interest on investments	2,775
Total receipts	<u>379,631</u>
Disbursements:	
Water	143,479
Sewer	116,534
Total disbursements	<u>260,013</u>
Increase in cash basis net assets	119,618
Cash basis net assets beginning of year, as restated	<u>629,276</u>
Cash basis net assets end of year	<u>\$ 748,894</u>

Total business type activities receipts for the fiscal year were \$379,631 compared to \$382,141 last year. This slight decrease was due primarily to a reduction in available interest rates. The cash balance increased by approximately \$120,000 from the prior year because no major projects occurred in 2004. Total disbursements for the fiscal year increased by 3% to a total of \$260,013.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Center Point completed the year, its governmental funds reported a combined fund balance of \$224,952, a decrease of more than \$193,000 from last year's total of \$418,513. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$79,120 from the prior year to \$485,622. Approximately \$40,000 of this increase was due to a reduction in capital asset acquisitions in 2004.
- The Road Use Tax Fund cash balance increased by \$58,088 to \$135,838 during the fiscal year. This increase was primarily attributable to the dump truck bank loan payments ending in 2003.
- The Urban Renewal Tax Increment Fund was established to account for a major urban renewal project within the City's business district. At the end of the fiscal year, the cash balance was \$75,186, an increase of \$23,684 from the previous year. The increase was the result of tax increment financing of \$23,478 received before the related debt was paid. These proceeds will be used to pay off debt and fund projects within the urban renewal district. The principal and interest will be redeemed with incremental property tax generated from the increased taxable valuation in the district.
- The Debt Service Fund cash balance decreased by \$96,497 to a deficit of \$91,834 during the fiscal year. This decrease was due to principal and interest payments increasing by approximately \$50,000 in fiscal 2004.
- The Capital Projects Fund is a combination of several accounts, including the Lagoon, Water and Well Projects. The fiscal year 2004 total cash balance for the Capital Projects Fund was a deficit of \$463,922, a decrease of \$168,886 from the prior year. The main contributing factor to this significant decrease is the fact the majority of the 2004 capital projects disbursements were for the Well Project which will be funded through future debt issuance.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$57,645 to \$434,274, due primarily to an increase in the sale of water and reductions in debt service payments from the prior year.
- The Sewer Fund cash balance increased by \$61,973 to \$314,620, due primarily to no major projects occurring in 2004.

BUDGETARY HIGHLIGHTS

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

DEBT ADMINISTRATION

At June 30, 2004, the City had \$349,775 in notes and other long-term debt, compared to \$478,568 last year, as shown below.

Outstanding Debt at Year-End	
	June 30, 2004
General obligation notes	\$ 285,000
Lease-purchase agreement	64,775
Total	<u>\$ 349,775</u>

Debt decreased primarily due to paying off one note issue and a bank loan.

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 \$349,775 is significantly below its constitutional debt limit of \$3.8 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 2005 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 4%. However, funding from the State has decreased due to the State's budget constraints.

Property tax is expected to increase slightly in FY 2005 as compared to FY 2004. The General Fund balance is expected to increase slightly by the close of FY 2005.

If these estimates are realized, the City's budgeted cash balance is expected to increase by \$100,000 by the close of 2005.

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, 2004

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions, and Restricted Interest
Functions / Programs:			
Governmental activities:			
Public safety	\$ 66,848	34,542	-
Public works	282,499	-	185,163
Culture and recreation	242,168	3,386	37,187
General government	132,257	90,336	-
Debt service	130,700	-	-
Capital projects	230,168	-	-
Total governmental activities	1,084,640	128,264	222,350
Business type activities:			
Water	143,479	198,773	-
Sewer	116,534	178,083	-
Total business type activities	260,013	376,856	-
Total	\$ 1,344,653	505,120	222,350

General Receipts:

Property tax levied for:
 General purposes
 Debt service
Tax increment financing
Local option sales tax
Unrestricted interest on investments
Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year, as restated

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Streets
 Urban renewal purposes
 Cemetery perpetual care
Unrestricted

Total cash basis net assets

See notes to financial statements.

Capital Grants, Contributions and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
-	(32,306)	-	(32,306)
-	(97,336)	-	(97,336)
-	(201,595)	-	(201,595)
-	(41,921)	-	(41,921)
863	(129,837)	-	(129,837)
61,283	(168,885)	-	(168,885)
62,146	(671,880)	-	(671,880)
-	-	55,294	55,294
-	-	61,549	61,549
-	-	116,843	116,843
62,146	(671,880)	116,843	(555,037)
	404,667	-	404,667
	33,340	-	33,340
	23,478	-	23,478
	462	-	462
	5,004	2,775	7,779
	11,368	-	11,368
	478,319	2,775	481,094
	(193,561)	119,618	(73,943)
	418,513	629,276	1,047,789
	\$ 224,952	748,894	973,846
	\$ 135,838	-	135,838
	75,186	-	75,186
	40,858	-	40,858
	(26,930)	748,894	721,964
	\$ 224,952	748,894	973,846

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, 2004

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 346,983	-	-
Tax increment financing	-	-	23,478
Other city tax	21,774	-	-
Licenses and permits	37,569	-	-
Use of money and property	4,717	82	206
Intergovernmental	20,930	185,162	-
Charges for service	85,289	-	-
Special assessments	-	-	-
Miscellaneous	6,413	-	-
Total receipts	523,675	185,244	23,684
Disbursements:			
Operating:			
Public safety	54,193	-	-
Public works	155,343	127,156	-
Culture and recreation	108,743	-	-
General government	126,276	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	444,555	127,156	-
Net change in cash balances	79,120	58,088	23,684
Cash balances beginning of year	406,502	77,750	51,502
Cash balances end of year	\$ 485,622	135,838	75,186
Cash Basis Fund Balances			
Reserved:			
Permanent fund	\$ -	-	-
Local option sales tax	221,956	-	-
Unreserved:			
General fund	263,666	-	-
Special revenue funds	-	135,838	75,186
Debt service fund	-	-	-
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 485,622	135,838	75,186

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor Governmental	Total
32,064	-	42,033	421,080
-	-	-	23,478
1,276	-	1,701	24,751
-	-	-	37,569
-	113	1,188	6,306
-	61,169	239	267,500
-	-	-	85,289
863	-	-	863
-	-	17,830	24,243
34,203	61,282	62,991	891,079
-	-	12,655	66,848
-	-	-	282,499
-	-	133,425	242,168
-	-	5,981	132,257
130,700	-	-	130,700
-	230,168	-	230,168
130,700	230,168	152,061	1,084,640
(96,497)	(168,886)	(89,070)	(193,561)
4,663	(295,036)	173,132	418,513
(91,834)	(463,922)	84,062	224,952
-	-	40,858	40,858
-	-	-	221,956
-	-	43,204	306,870
-	-	-	211,024
(91,834)	-	-	(91,834)
-	(463,922)	-	(463,922)
(91,834)	(463,922)	84,062	224,952

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, 2004

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 175,331	166,083	341,414
Miscellaneous	23,442	12,000	35,442
Total operating receipts	198,773	178,083	376,856
Operating disbursements:			
Business type activities	143,479	116,534	260,013
Excess of operating receipts over operating disbursements	55,294	61,549	116,843
Non-operating receipts:			
Interest on investments	2,351	424	2,775
Net change in cash balances	57,645	61,973	119,618
Cash balances beginning of year	376,629	252,647	629,276
Cash balances end of year	\$ 434,274	314,620	748,894
Cash Basis Fund Balances			
Reserved for meter deposits	\$ 32,944	-	32,944
Unreserved	401,330	314,620	715,950
Total cash basis fund balances	\$ 434,274	314,620	748,894

See notes to financial statements.

City of Center Point

Notes to Financial Statements

June 30, 2004

(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 and proprietary funds. 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 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 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.

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.

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, 2004, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

(3) Long-Term Debt

General Obligation Notes

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

Year Ending June 30,	General Obligation Notes			
	Interest Rates	Principal	Interest	Total
2005	5.15%	\$ 50,000	15,283	65,283
2006	5.25	55,000	12,708	67,708
2007	5.35	55,000	9,820	64,820
2008	5.45	60,000	6,878	66,878
2009	5.55	65,000	3,608	68,608
Total		\$ 285,000	48,297	333,297

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, 2004:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Amount</u>
2005	\$ 24,000
2006	24,000
2007	<u>24,000</u>
Total minimum lease payments	72,000
Less amount representing interest	<u>(7,225)</u>
Present value of net minimum lease payments	<u>\$ 64,775</u>

During the year ended June 30, 2004, \$24,000 was paid under this agreement.

Bank Loan

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

(4) Pension and Retirement Benefits

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$12,474, \$13,048 and \$12,401, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2003, primarily relating to the General Fund, is \$11,000. This liability has been computed based on rates of pay in effect at June 30, 2004.

(6) 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.

(7) Deficit Balances

The Special Revenue, Library Building Fund had a deficit balance of \$26,787 at June 30, 2004. The deficit will be eliminated by transferring local option sales tax collections from the General Fund.

The Debt Service Fund had a deficit balance of \$91,834 at June 30, 2004. The deficit will be eliminated 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 \$463,922 at June 30, 2004. The deficit balance will be eliminated through the issuance of long term financing as the project nears completion.

(8) Construction Contract/Commitment

During the year ended June 30, 2004, the City entered into a construction contract totaling \$490,044 for a new water well. The City has paid \$443,520 on this contract through June 30, 2004, leaving an unpaid balance of \$46,524 at June 30, 2004. The City will pay the contract balance as work is completed.

(9) Subsequent Events

In August 2004, the City approved the purchase of a compact end loader at a cost of \$45,408.

In September 2004, the City approved entering into a construction contract for a new well treatment building for \$273,273.

In March 2005, the City approved entering into a construction contract for a water/sewer project for \$66,714 and accepted a bid of \$96,244 for a truck and other equipment.

(10) Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Implementation of these standards had no effect on the beginning balances of the individual funds.

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, 2004

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 421,080	-
Tax increment financing	23,478	-
Other city tax	24,751	-
Licenses and permits	37,569	-
Use of money and property	6,306	2,775
Intergovernmental	267,500	-
Charges for service	85,289	332,462
Special assessments	863	-
Miscellaneous	24,243	44,394
Total receipts	891,079	379,631
Disbursements:		
Public safety	66,848	-
Public works	282,499	-
Culture and recreation	242,168	-
General government	132,257	-
Debt service	130,700	-
Capital projects	230,168	-
Business type activities	-	260,013
Total disbursements	1,084,640	260,013
Excess (deficiency) of receipts over (under) disbursements	(193,561)	119,618
Balances beginning of year	418,513	629,276
Balances end of year	\$ 224,952	748,894

See accompanying independent auditor's report.

Total	Budgeted Amounts Original and Final	Final to Total Variance
421,080	431,208	(10,128)
23,478	25,500	(2,022)
24,751	13,155	11,596
37,569	29,578	7,991
9,081	6,870	2,211
267,500	1,187,060	(919,560)
417,751	518,200	(100,449)
863	-	863
68,637	33,620	35,017
1,270,710	2,245,191	(974,481)
66,848	84,623	17,775
282,499	387,127	104,628
242,168	153,890	(88,278)
132,257	132,314	57
130,700	83,533	(47,167)
230,168	1,000,000	769,832
260,013	304,184	44,171
1,344,653	2,145,671	801,018
(73,943)	99,520	(173,463)
1,047,789	1,003,152	44,637
973,846	1,102,672	(128,826)

City of Center Point

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. 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, 2004.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions.

Other Supplementary Information

City of Center Point

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

As of and for the year ended June 30, 2004

	Employee Benefits	Fross Park	Library Capital Equipment
Receipts:			
Property tax	\$ 42,033	-	-
Other city tax	1,701	-	-
Use of money and property	-	-	98
Intergovernmental	-	-	-
Miscellaneous	-	2,586	104
Total receipts	43,734	2,586	202
Disbursements:			
Operating:			
Public works	12,655	-	-
Culture and recreation	24,476	-	-
General government	5,957	-	-
Total disbursements	43,088	-	-
Net change in cash balances	646	2,586	202
Cash balances beginning of year	9,682	4,526	11,768
Cash balances end of year	\$ 10,328	7,112	11,970
Cash Basis Fund Balances			
Reserved for permanent fund	\$ -	-	-
Unreserved:			
Special revenue funds	10,328	7,112	11,970
Total cash basis fund balances	\$ 10,328	7,112	11,970

See accompanying independent auditor's report.

Special Revenue					Permanent	
Library Building	Cemetery Stone Repair	Municipal Building	Park and Recreation Donations	Capital Equipment Replacement	Cemetery Perpetual Care	Total
-	-	-	-	-	-	42,033
-	-	-	-	-	-	1,701
909	-	-	-	-	181	1,188
239	-	-	-	-	-	239
12,727	-	-	-	-	2,413	17,830
13,875	-	-	-	-	2,594	62,991
-	-	-	-	-	-	12,655
107,616	-	-	1,329	4	-	133,425
-	-	-	-	24	-	5,981
107,616	-	-	1,329	28	-	152,061
(93,741)	-	-	(1,329)	(28)	2,594	(89,070)
66,954	430	2,401	1,609	37,498	38,264	173,132
(26,787)	430	2,401	280	37,470	40,858	84,062
-	-	-	-	-	40,858	40,858
(26,787)	430	2,401	280	37,470	-	43,204
(26,787)	430	2,401	280	37,470	40,858	84,062

City of Center Point
Schedule of Indebtedness
Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Water	Mar 15, 1994	4.20%	\$ 105,000
Sewer improvements	Sep 01, 1996	5.15-5.55	380,000
Total			
Lease-purchase agreement:			
City hall	Jul 01, 1995	7.00%	\$ 195,586
Bank loan:			
Land	Sep 01, 2000	6.50%	\$ 57,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
15,000	-	15,000	-	630
335,000	-	50,000	285,000	17,833
<u>\$ 350,000</u>	<u>-</u>	<u>65,000</u>	<u>285,000</u>	<u>18,463</u>
83,516	-	18,741	64,775	5,259
45,052	-	45,052	-	1,885

Schedule 3

City of Center Point

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

For the Last Two Years

	<u>2004</u>	<u>2003</u>
Receipts:		
Property tax	\$ 421,080	385,358
Tax increment financing	23,478	23,692
Other city tax	24,751	194,641
Licenses and permits	37,569	20,894
Use of money and property	6,306	5,797
Intergovernmental	267,500	414,282
Charges for service	85,289	82,807
Special assessments	863	662
Miscellaneous	24,243	23,947
	<u> </u>	<u> </u>
Total	<u>\$ 891,079</u>	<u>1,152,080</u>
Disbursements:		
Operating:		
Public safety	\$ 66,848	58,820
Public works	282,499	312,660
Culture and recreation	242,168	126,442
General government	132,257	104,684
Debt service	130,700	80,311
Capital projects	230,168	428,945
	<u> </u>	<u> </u>
Total	<u>\$ 1,084,640</u>	<u>1,111,862</u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Center Point, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated April 14, 2005. 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items (10), (11), (12), (13) and (14).

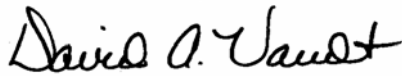
Internal Control Over Financial Reporting

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

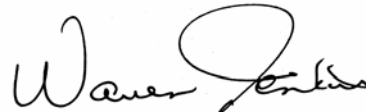
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected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

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

April 14, 2005

City of Center Point
Schedule of Findings
Year ended June 30, 2004

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. 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 its procedures in order to improve on the segregation of duties and maximize the internal control of our finances.

Conclusion – Response accepted.

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

The City does not have written policies for:

- use of the internet.

City of Center Point
Schedule of Findings
Year ended June 30, 2004

- requiring a disaster recovery plan.
- requiring computer users to change their passwords every 60 to 90 days.
- maintaining password privacy and confidentiality.
- running anti-virus programs on a regular basis.

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

Response – Written policies will be developed for a disaster recovery plan, software and data file backup storage and password privacy and confidentiality. Anti-virus programs are kept up-to-date and set to automatically update and scan.

Conclusion – Response accepted.

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

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

Response – Procedures have been put in place to assure monthly reconciling of the City’s bank and computer records. Reconciliation of the computer and bank records has been attempted and computer-coding problems are being corrected so that accurate reporting can be accomplished. Financial reports and reconciliations will be provided to the appropriate City officials for their review.

Conclusion – Response accepted.

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

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

Response – Pre-numbered receipts are now being issued for all monies received by the City for all collections and are being deposited to the bank in a timely manner.

Conclusion – Response accepted.

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

City of Center Point

Schedule of Findings

Year ended June 30, 2004

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

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

Conclusion – Response accepted.

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

Additionally, the Library Board approved disbursements prior to actual receipt of the items ordered. Checks were issued and held until the goods were actually received.

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

Also, the Library Board should not approve disbursements prior to the receipt of the goods ordered and should not write and hold checks until the goods are received.

Response – All City disbursements are being approved by the City Council prior to actual disbursement except for routine disbursements specifically allowed by policy or resolution. All such “interim” disbursements are being reported to the Council for their approval at the next meeting. Disbursements are paid on a timely basis in order to avoid past due fees and penalties. All supporting documentation is attached to all invoices paid and invoices are being cancelled upon payment noting check number and date paid.

Conclusion – Response accepted.

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

City of Center Point

Schedule of Findings

Year ended June 30, 2004

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

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

Conclusion – Response accepted.

City of Center Point
Schedule of Findings
Year ended June 30, 2004

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the culture and recreation and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts 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 the Code of Iowa Chapter 384.18 in the future.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The City and Library Board minutes were not always signed. Also, City minute publications did not include a recap of actual receipts as required. Additionally, the City Council entered into closed sessions by motion of a Council Member and a second by another Council Member rather than by a vote of two-thirds of the City Council as a whole and the minutes record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa.

Recommendation – The City should publish minutes as required by Chapter 372.13 of the Code of Iowa and enter into closed sessions in accordance with Chapter 21 of the Code of Iowa. City and Library minutes should be signed as required by Chapter 380.7 of the Code of Iowa.

City of Center Point

Schedule of Findings

Year ended June 30, 2004

Response – The City publishes minutes in accordance with Chapter 372.13 of the Code of Iowa and seeks legal opinion prior to entering closed sessions. City minutes are signed as required by Chapter 380.7 of the Code of Iowa.

Conclusion – Response accepted.

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

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 566.16 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 from the Permanent, Cemetery Perpetual Care Fund for \$181 to correct these errors for the fiscal year ended June 30, 2004. Additionally, all interest earned on the above noted investments should be credited to the General Fund as required by the Code of Iowa.

Response – Interest earned on invested funds for the Special Revenue, Road Use Tax Fund and the Permanent, Cemetery Perpetual Care Fund are being posted directly to the General Fund. Corrective transfers will be made for FY04.

Conclusion – Response accepted.

- (9) Financial Condition – The Special Revenue, Library Building Fund had a deficit balance of \$26,787 at June 30, 2004. The Debt Service Fund had a deficit balance at June 30, 2004 of \$91,834. The Capital Projects Fund had a deficit balance at June 30, 2004 of \$463,922.

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

Response – The City is working to develop a plan to eliminate deficits in these funds.

Conclusion – Response accepted.

- (10) Local Option Sales Tax – Local option sales tax collections during the fiscal years ended June 30, 2002, 2003 and 2004 were credited directly to the General fund. The City Council approved, on June 25, 2003, allocating funds for the Library (\$100,000), streets (\$75,000) and sidewalks (\$25,000), leaving \$21,956 unallocated.

City of Center Point

Schedule of Findings

Year ended June 30, 2004

Recommendation – The City should ensure the local option sales tax collections are disbursed in accordance with voter approval and City Resolution No. 4-7-01. Additionally, 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 – The City will ensure that local option sales tax collections have been and are disbursed in accordance with voter approval and Resolution 4-7-01 as well as develop a plan to account for these funds appropriately.

Conclusion – Response accepted.

- (11) Tax Increment Financing Collections – Fiscal year 2003 and 2004 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 also aid in eliminating the deficit balance in the Debt Service Fund as of June 30, 2004.

Response – Transfers will be made to the Debt Service Fund, General Obligation Bonds/Notes account to repay the portion of TIF debt originally paid from the Debt Service Fund.

Conclusion – Response accepted.

- (12) Mayor Additional Compensation and Council Member Compensation - The Mayor's compensation exceeded the amount allowable in Chapter 15.04 of the Center Point Code of ordinances by \$56 for the fiscal year ended June 30, 2004. FICA and IPERS were deducted from Council Member Annette Slifka's Council Member fees. Per a 218 agreement with the Social Security Administration, FICA should not be deducted from the Council Member fees paid.

Recommendation – Chapter 372.13(8) of the Code of Iowa states “a City officer (Mayor) shall not receive any other compensation for any other office or employment during that officer's tenure in office.” The City should consult legal counsel to determine the disposition of the Mayor's additional compensation.

The City should contact the Internal Revenue Service and other Federal authorities in order to resolve the matter of FICA deductions from Council Member Slifka's fees.

Response – The City will investigate this mater and consider all options.

Conclusion – Response accepted.

City of Center Point

Schedule of Findings

Year ended June 30, 2004

- (13) Payroll, W-2's and 1099 Forms – Gross wage amounts reported on Federal 941 forms were not correct and did not agree with payroll records maintained by the City. Additionally, W-2's and 1099 forms filed for City employees did not agree with City payroll records for 2003.

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

Response – Accurate, complete and correct payroll records are being maintained. All related reports are being reconciled against payroll records. The City is working with the IRS and other state and federal organizations to resolve any problems with past reporting.

Conclusion – Response accepted.

- (14) Petty Cash – Supporting invoices and other documentation was not always available and/or copies of invoices were not attached to support the petty cash funds expended.

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

Response – Audit controls for petty cash have been put in place by the City and supporting invoices are being required to replenish the account.

Conclusion – Response accepted.

- (15) Notice of Public Hearing for Public Improvements – The City did not publish notices of public hearings and bid lettings on the Well #6 connection to the system, Street Seal Coating and the Franklin Heights – Rosedale Extension Projects as required by Chapters 384.102(c) and 362.3 of the Code of Iowa.

Recommendation – Before entering into any contract for public improvements where the cost is \$25,000 or more, the Council should set a date for a public hearing and give notice at least four but not more than twenty days prior to the hearing as provided in Chapter 362.3 of the Code of Iowa.

Response – The City is complying with the requirements of Chapter 362.3 of the Code of Iowa.

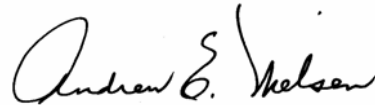
Conclusion – Response accepted.

City of Center Point

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
John G. Vanis, CGFM, Senior Auditor
Richard C. Brown, CGFM, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State