



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

State Capitol Building  
Des Moines, Iowa 50319-0006

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

Rob Sand  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

January 6, 2021

Contact: Marlys Gaston  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The City's receipts totaled \$5,008,832 for the year ended June 30, 2020, a 28.4% increase over the prior year. Disbursements for the year ended June 30, 2020 totaled \$4,338,283, a 4.5% increase over the prior year. The significant increase in receipts is due primarily to the current year receipt of approximately \$653,000 of federal grant reimbursements for the Franklin Street Bridge project. The increase in disbursements is due primarily to the purchase of a fire truck.

**AUDIT FINDINGS:**

Sand reported five findings related to the receipt and disbursement of taxpayer funds and one finding pertaining to the friends of the Center Point Library (Friends of the Library), a blended component unit. They are found on pages 52 through 56 of this report. The findings address issues such as the lack of an independent mail opener, the lack of documentation of an independent review of utility reconciliations, disbursements exceeding budgeted amounts and an overstatement of debt outstanding in the Annual Urban Renewal Report. Sand provided the City and the Friends of the Library with recommendations to address each of the findings.

Nine of the eleven findings reported in the prior year were corrected by the City and are not repeated in this report. Two of the five findings discussed above pertaining to the City are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

###

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

**JUNE 30, 2020**

**City of Center Point**



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

November 10, 2020

Officials of the City of Center Point  
Center Point, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Center Point for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand  
Auditor of State

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**City of Center Point**

**Officials**

**(Before January 2020)**

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

**(After January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Paula Freeman-Brown	Mayor	Jan 2022
John Stuelke	Mayor Pro tem	Jan 2022
Mike LeClere	Council Member	Jan 2022
Traer Morgan	Council Member	Jan 2022
Patric Engelken	Council Member	Jan 2024
Paul Mann	Council Member	Jan 2024
Kelly Groskurth	City Administrator	Indefinite
Sarah Tritle	City Clerk/Treasurer	Indefinite
Anne Kruse	Attorney	Indefinite

**City of Center Point**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Center Point, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Center Point as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

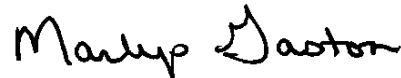
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Center Point's basic financial statements. The financial statements for the four years ended June 30, 2018 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2019 and the four years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 30 through 38, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2020 on our consideration of the City of Center Point's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Center Point's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA  
Deputy Auditor of State

November 10, 2020

**City of Center Point**

## **Basic Financial Statements**

City of Center Point

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 492,337	10,304	69,187	246,016
Public works	291,707	66,450	311,191	653,404
Health and social services	3,629	-	-	-
Culture and recreation	456,054	34,232	99,542	-
Community and economic development	36,594	-	-	-
General government	460,183	85,085	-	-
Debt service	488,040	-	-	-
Capital projects	1,109,950	-	-	-
Total governmental activities	3,338,494	196,071	479,920	899,420
Business type activities:				
Water	358,840	417,954	-	-
Sewer	475,229	799,452	-	-
Garbage	165,720	180,231	-	-
Storm water	-	45,593	-	-
Total business type activities	999,789	1,443,230	-	-
Total	\$ 4,338,283	1,639,301	479,920	899,420
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Miscellaneous				
Sale of capital assets				
Revenue note proceeds				
Good faith deposit on general obligation bond				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Local option sales tax				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

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

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Governmental Activities	Business Type Activities	Total
(166,830)	-	(166,830)
739,338	-	739,338
(3,629)	-	(3,629)
(322,280)	-	(322,280)
(36,594)	-	(36,594)
(375,098)	-	(375,098)
(488,040)	-	(488,040)
(1,109,950)	-	(1,109,950)
(1,763,083)	-	(1,763,083)
-	59,114	59,114
-	324,223	324,223
-	14,511	14,511
-	45,593	45,593
-	443,441	443,441
(1,763,083)	443,441	(1,319,642)
904,092	-	904,092
284,285	-	284,285
236,534	-	236,534
359,885	-	359,885
43,994	-	43,994
20,353	807	21,160
17,835	-	17,835
1,156	-	1,156
-	67,250	67,250
54,000	-	54,000
(15,000)	15,000	-
1,907,134	83,057	1,990,191
144,051	526,498	670,549
3,696,056	1,951,516	5,647,572
\$ 3,840,107	2,478,014	6,318,121

62,634	-	62,634
714,249	-	714,249
325,886	-	325,886
224,399	8,754	233,153
398,731	27,170	425,901
2,114,208	2,442,090	4,556,298
\$ 3,840,107	2,478,014	6,318,121

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, 2020

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 759,939	-	-
Tax increment financing	-	-	-
Local option sales tax	-	-	359,885
Other city tax	7,762	-	-
Licenses and permits	92,555	-	-
Use of money and property	20,665	74	-
Intergovernmental	179,088	311,191	-
Charges for service	27,159	-	-
Special assessments	62,540	-	-
Miscellaneous	41,005	141	-
Total receipts	1,190,713	311,406	359,885
Disbursements:			
Operating:			
Public safety	492,337	-	-
Public works	72,102	219,605	-
Health and social services	3,629	-	-
Culture and recreation	367,448	-	-
Community and economic development	-	-	-
General government	424,470	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	1,359,986	219,605	-
Excess (deficiency) of receipts over (under) disbursements	(169,273)	91,801	359,885
Other financing sources (uses):			
Sale of capital assets	1,156	-	-
Good faith deposit on general obligation bond	-	-	-
Transfers in	121,977	-	-
Transfers out	(123,788)	(60,275)	(456,977)
Total other financing sources (uses)	(655)	(60,275)	(456,977)
Change in cash balances	(169,928)	31,526	(97,092)
Cash balances beginning of year	2,095,093	682,723	422,978
Cash balances end of year	\$ 1,925,165	714,249	325,886
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Streets	-	714,249	-
Local option sales tax	-	-	325,886
Debt service	-	-	-
Other purposes	155,416	-	-
Assigned for fire station	1,914	-	-
Unassigned	1,767,835	-	-
Total cash basis fund balances	\$ 1,925,165	714,249	325,886

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
284,285	-	135,000	1,179,224
-	-	236,534	236,534
-	-	-	359,885
-	-	1,391.00	9,153
-	-	-	92,555
-	585	1,280	22,604
10,219	653,404	5,148	1,159,050
-	-	-	27,159
-	-	-	62,540
-	245,916	6,623	293,685
294,504	899,905	385,976	3,442,389
-	-	-	492,337
-	-	-	291,707
-	-	-	3,629
-	-	88,606	456,054
-	-	36,594	36,594
-	-	35,713	460,183
488,040	-	-	488,040
-	1,109,950	-	1,109,950
488,040	1,109,950	160,913	3,338,494
(193,536)	(210,045)	225,063	103,895
-	-	-	1,156
-	54,000	-	54,000
223,599	588,198	-	933,774
-	-	(307,734)	(948,774)
223,599	642,198	(307,734)	40,156
30,063	432,153	(82,671)	144,051
174,651	(87,694)	408,305	3,696,056
204,714	344,459	325,634	3,840,107
-	-	62,634	62,634
-	-	-	714,249
-	-	-	325,886
204,714	-	19,685	224,399
-	-	243,315	398,731
-	-	-	1,914
-	344,459	-	2,112,294
204,714	344,459	325,634	3,840,107



**City of Center Point**

City of Center Point

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

As of and for the year ended June 30, 2020

	Enterprise			
	Water	Sewer	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 410,102	799,163	225,824	1,435,089
Miscellaneous	7,852	289	-	8,141
Total operating receipts	417,954	799,452	225,824	1,443,230
Operating disbursements:				
Business type activities	270,890	263,472	165,720	700,082
Excess of operating receipts over operating disbursements	147,064	535,980	60,104	743,148
Non-operating receipts (disbursements):				
Interest on investments	299	508	-	807
Revenue note proceeds	-	67,250	-	67,250
Debt service	(87,950)	(17,103)	-	(105,053)
Capital projects	-	(194,654)	-	(194,654)
Net non-operating disbursements	(87,651)	(143,999)	-	(231,650)
Excess of receipts over disbursements	59,413	391,981	60,104	511,498
Transfers In	-	15,000	-	15,000
Change in cash balances	59,413	406,981	60,104	526,498
Cash balances beginning of year	309,355	1,469,090	173,071	1,951,516
Cash balances end of year	\$ 368,768	1,876,071	233,175	2,478,014
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Customer deposits	\$ 27,170	-	-	27,170
Debt service	7,329	1,425	-	8,754
Unrestricted	334,269	1,874,646	233,175	2,442,090
Total cash basis fund balances	\$ 368,768	1,876,071	233,175	2,478,014

See notes to financial statements.

City of Center Point

Notes to Financial Statements

June 30, 2020

**(1) Summary of Significant Accounting Policies**

The City of Center Point is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Center Point has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Center Point (primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Friends of the Center Point Public Library is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the nonmajor governmental funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Linn County Assessor's Conference Board, Linn County Emergency Management Commission, and Linn County Joint 911 Service Board.

B. Basis of Presentation

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

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

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise 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 from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account receipts from local option sales tax. The receipts are to be used for property tax relief, infrastructure and community projects.

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

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. Disbursements at June 30, 2020 exceeded the amount budgeted in the debt service function. In addition, disbursements exceeded the amount budgeted in the health and social services function prior to the budget amendment.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

**(3) Bonds Payable**

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,180,000	54,000	385,000	2,849,000	395,000
Business-type activities:					
Sewer Revenue Notes	\$ 157,000	-	12,000	145,000	12,000
Water Revenue Notes	860,000		60,000	800,000	65,000
Sewer Revenue Loan Anticipation Note		- 67,250		67,250	-
Business-type activities total	\$ 1,017,000	67,250	72,000	1,012,250	77,000

General Obligation Bonds

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

Year Ending June 30,	Street, Sidewalk, Storm Sewer and Water System Construction and Repairs			City Hall Improvements and Refunding			Total		
	Issued July 28, 2011			Issued May 8, 2018					
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	3.65%	\$ 175,000	66,983	2.10%	\$ 220,000	26,153	\$ 395,000	93,136	488,136
2022	3.65	150,000	60,595	2.25	225,000	21,533	375,000	82,128	457,128
2023	3.65	155,000	55,120	2.40	225,000	16,470	380,000	71,590	451,590
2024	3.65	160,000	49,463	2.85	70,000	11,070	230,000	60,533	290,533
2025	3.65	165,000	43,623	2.85	75,000	9,075	240,000	52,698	292,698
2026-2030	4.00	940,000	116,200	2.85-3.00	235,000	14,138	1,175,000	130,338	1,305,338
		<u>\$ 1,745,000</u>	<u>391,984</u>		<u>\$ 1,050,000</u>	<u>98,439</u>	<u>\$ 2,795,000</u>	<u>490,423</u>	<u>3,285,423</u>

On July 28, 2011 the City issued \$2,955,000 of general obligation corporate purpose bonds with interest rates ranging from 2.25% to 4.00% per annum. The bonds were issued for the purpose of financing costs of constructing street, sidewalk, storm sewer and waterworks system improvements. During the fiscal year ended June 30, 2020, the City paid \$170,000 of principal and \$71,488 of interest on the bonds.

On May 8, 2018 the City issued \$1,475,000 of general obligation corporate purpose and refunding bonds with interest rates ranging from 1.90% to 3.00% per annum. The bonds were issued to refund general obligation bonds issued November 12, 2008 and to pay the costs of improvements to City Hall. During the fiscal year ended June 30, 2020, the City paid \$215,000 of principal and \$30,452 of interest on the bonds.

Revenue Notes

A summary of the City’s June 30, 2020 revenue bonds payable is as follows:

Year Ending June 30,	Sewer			Water			Total		
	Issued December 17, 2010			Issued July 15, 2011					
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	3.00%	\$ 12,000	4,350	3.00%	\$ 65,000	24,000	\$ 77,000	28,350	105,350
2022	3.00	13,000	3,990	3.00	65,000	22,050	78,000	26,040	104,040
2023	3.00	13,000	3,600	3.00	65,000	20,100	78,000	23,700	101,700
2024	3.00	14,000	3,210	3.00	70,000	18,150	84,000	21,360	105,360
2025	3.00	14,000	2,790	3.00	70,000	16,050	84,000	18,840	102,840
2026-2030	3.00	79,000	7,260	3.00	380,000	47,700	459,000	54,960	513,960
2031		-	-	3.00	85,000	2,550	85,000	2,550	87,550
		<u>\$ 145,000</u>	<u>25,200</u>		<u>\$ 800,000</u>	<u>150,600</u>	<u>\$ 945,000</u>	<u>175,800</u>	<u>1,120,800</u>

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$250,000 of sewer revenue notes issued in December 2010. Proceeds from the notes provided financing for the improvements and extensions to the sewer treatment facilities. The notes are payable solely from sewer customer net receipts and are payable through December 2030. Annual principal and interest payments on the notes are expected to require less than 4% of net receipts. The total principal and interest remaining to be paid on the notes is \$170,200. For the current year, principal and interest paid and total customer net receipts were \$16,710 and \$535,980, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,285,000 of water revenue notes issued in July 2011. Proceeds from the notes provided financing for improvements and extensions to the water tower. The notes are payable solely from water customer net receipts and are payable through June 2031. Annual principal and interest payments on the notes are expected to require 58% of net receipts. The total principal and interest remaining to be paid on the notes is \$950,600. For the current year, principal and interest paid and total customer net receipts were \$85,800 and \$147,064, respectively.

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

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

Sewer Revenue Capital Loan and Disbursement Agreement Anticipation Project Note

On January 10, 2020, the City entered into a sewer revenue loan and disbursement agreement anticipation project note with the Iowa Finance Authority to borrow up to \$755,000 to pay the costs in connection with planning and designing improvements and extensions to the sanitary sewer system. The note bears interest of 0% per annum and matures on January 10, 2023. The City drew down \$67,250 on the notes during the year ended June 30, 2020.



**(4) Pension Plan**

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

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

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

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

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

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

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

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

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City’s contributions to IPERS for the year ended June 30, 2020 totaled \$52,590.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$411,768 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City’s proportion was 0.007111%, which was an increase of 0.000180% over its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$75,745, \$45,248 and \$61,207, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0%	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 731,167	411,768	143,860

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

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members range from \$521 for single coverage to \$1,164 for family coverage. For the year ended June 30, 2020, the City contributed \$137,040 and plan members eligible for benefits contributed \$16,666 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Active employees 11

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused personal and administrative leave hours for subsequent use or for payment upon resignation or termination. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned personal and administrative leave payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Personal	\$ 66,000
Administrative leave	<u>2,000</u>
Total	<u><u>\$ 68,000</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 50,000
	Local Option Sales Tax	<u>71,977</u>
		<u>121,977</u>
Debt Service	General	28,705
	Special Revenue:	
	Urban Renewal Tax Incremental Financing	<u>194,894</u>
		<u>223,599</u>
Capital Projects	General	95,083
	Special Revenue:	
	Fire Station Fundraising	112,840
	Road Use Tax	10,275
	Local Option Sales Tax	<u>370,000</u>
	<u>588,198</u>	
Enterprise	Special Revenue:	
Sewer	Local Option Sales Tax	<u>15,000</u>
Total		<u>\$ 948,774</u>

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

**(8) Commitments**

The City has entered into contracts totaling \$3,357,653 for various consulting, renovation, street improvement and construction services. As of June 30, 2020, costs of \$2,416,343 had been paid on the contracts. The remaining \$941,310 will be paid as work on these projects progresses.

**(9) Operating Leases – Lessor**

The City leases farmland and property around the City to individuals. The following is a schedule by year of minimum future rentals on the leases as of June 30, 2020:

**(10) Operating Leases – Lessee**

The City entered into a lease agreement for a postage meter during the year ended June 30, 2018. Quarterly lease payments are \$418, and the lease expires January 2, 2023. Rental expense for the year ended June 30, 2020 for this operating lease totaled \$1,254.

The City entered into a lease agreement for a copier and printer during the year ended June 30, 2020. Monthly lease payments are \$79, and the lease expires October 31, 2024. Rental expense for the year ended June 30, 2020 for this operating lease totaled \$632.

**(11) Risk Management**

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

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

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

**(12) Development Agreement**

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

The City agreed to make payments to the developer under Chapters 15A and 403 of the Code of Iowa not to exceed \$50,000, subject to annual appropriation by the City Council, in exchange for the construction of new commercial office space for leasing and use in its business operations. Payments will be made annually for a period of five years, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2020, the City made payments of \$10,000 to the developer. The balance remaining under the agreement at June 30, 2020 is \$20,000.

The City agreed to make payments to the developer under Chapters 15A and 403 of the Code of Iowa not to exceed \$150,000, subject to annual appropriation, in exchange for the construction of new commercial retail space for leasing and use in its business operations. Payments will be made annually for a period of five years, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2020, the City made payments of \$26,594 to the developer. The balance remaining under the agreement at June 30, 2020 is \$97,805.

**(13) Tax Abatements**

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

City Tax Abatements

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

For the year ended June 30, 2020, the City abated \$12,573 of property tax under the urban renewal and economic development agreements.

**(14) Subsequent Event**

In July 2020, the City issued \$2,700,000 of general obligation bonds for construction of a fire station and street, water, sanitary sewer and storm water construction and improvements. During the year ended June 30, 2020, the City received a good faith deposit of \$54,000.

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Center Point.

To date, the outbreak has not created a material disruption to the operations of the City of Center Point. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Center Point's operations and finances.

## **Other Information**



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

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,179,224	-	-
Tax increment financing	236,534	-	-
Local option sales tax	359,885	-	-
Other city tax	9,153	-	-
Licenses and permits	92,555	-	-
Use of money and property	22,604	807	17
Intergovernmental	1,159,050	-	-
Charges for service	27,159	1,435,089	-
Special assessments	62,540	-	-
Miscellaneous	293,685	8,141	5,712
Total receipts	<u>3,442,389</u>	<u>1,444,037</u>	<u>5,729</u>
Disbursements:			
Public safety	492,337	-	-
Public works	291,707	-	-
Health and social services	3,629	-	-
Culture and recreation	456,054	-	4,135
Community and economic development	36,594	-	-
General government	460,183	-	-
Debt service	488,040	-	-
Capital projects	1,109,950	194,654	-
Business type activities	-	805,135	-
Total disbursements	<u>3,338,494</u>	<u>999,789</u>	<u>4,135</u>
Excess (deficiency) of receipts over (under) disbursements	103,895	444,248	1,594
Other financing sources, net	40,156	82,250	-
Change in fund balances	144,051	526,498	1,594
Balances beginning of year	3,696,056	1,951,516	13,472
Balances end of year	<u>\$ 3,840,107</u>	<u>2,478,014</u>	<u>15,066</u>

See accompanying independent auditor's report.

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Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,179,224	1,207,078	1,207,078	(27,854)
236,534	241,941	241,941	(5,407)
359,885	325,000	325,000	
9,153	374,069	66,069	(56,916)
92,555	7,050	7,050	85,505
23,394	9,500	9,500	13,894
1,159,050	1,426,855	1,426,855	(267,805)
1,462,248	1,388,950	1,388,950	73,298
62,540	62,545	62,545	(5)
296,114	225,900	525,900	(229,786)
4,880,697	5,268,888	5,260,888	(415,076)
492,337	539,250	539,250	46,913
291,707	343,975	343,975	52,268
3,629	3,500	4,000	371
451,919	469,125	496,125	44,206
36,594	40,000	40,000	3,406
460,183	538,650	538,650	78,467
488,040	486,941	486,941	(1,099)
1,304,604	1,250,000	2,264,000	959,396
805,135	902,903	952,903	147,768
4,334,148	4,574,344	5,665,844	1,331,696
546,549	694,544	(404,956)	951,505
122,406	-	100,000	22,406
668,955	694,544	(304,956)	973,911
5,634,100	5,178,187	5,629,864	4,236
6,303,055	5,872,731	5,324,908	978,147

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**City of Center Point**

City of Center Point

Notes to Other Information – Budgetary Reporting

June 30, 2020

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,091,500. The budget amendment is reflected in the final budgeted amounts.

At June 30, 2020, disbursements exceeded the amount budgeted in the debt service function. In addition, disbursements exceeded the amount budgeted in the health and social services function prior to the budget amendment.

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City of Center Point

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

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

Other Information

	2020	2019	2018	2017
City's proportion of the net pension liability	0.0071111%	0.006931%	0.006940%	0.006415%
City's proportionate share of the net pension liability	\$ 412	439	462	404
City's covered payroll	\$ 541	521	518	460
City's proportionate share of the net pension liability as a percentage of its covered payroll	76.16%	84.26%	89.19%	87.83%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

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

See accompanying independent auditor's report.

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2016	2015
0.006182%	0.005463%
305	221
424	365
71.93%	60.55%
85.19%	87.61%

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City of Center Point

Schedule of City Contributions

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

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 53	51	47	46
Contributions in relation to the statutorily required contribution	<u>(53)</u>	<u>(51)</u>	<u>(47)</u>	<u>(46)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 557	541	521	518
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%

See accompanying independent auditor's report.

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2016	2015	2014	2013	2012	2011
41	38	33	33	30	27
(41)	(38)	(33)	(33)	(30)	(27)
-	-	-	-	-	-
460	424	365	378	369	390
8.93%	8.93%	8.93%	8.67%	8.07%	6.95%



City of Center Point

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

## **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, 2020

	Urban		Special
	Renewal Tax Increment Financing	Employee Benefits	Fross Park Trust
Receipts:			
Property tax	\$ -	135,000	-
Tax increment financing	236,534	-	-
Other city tax	-	1,391	-
Use of money and property	-	-	1,167
Intergovernmental	-	5,148	-
Miscellaneous	-	17	-
Total receipts	<u>236,534</u>	<u>141,556</u>	<u>1,167</u>
Disbursements:			
Operating:			
Cultures and recreation	-	84,471	-
Community and economic development	36,594	-	-
General government	-	35,713	-
Total disbursements	<u>36,594</u>	<u>120,184</u>	<u>-</u>
Excess of receipts over disbursements	199,940	21,372	1,167
Other financing uses:			
Transfers out	(194,894)	-	-
Change in cash balances	5,046	21,372	1,167
Cash balances beginning of year	14,639	149,680	56,030
Cash balances end of year	<u>\$ 19,685</u>	<u>171,052</u>	<u>57,197</u>
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Debt service	19,685	-	-
Other purposes	-	171,052	57,197
Total cash basis fund balances	<u>\$ 19,685</u>	<u>171,052</u>	<u>57,197</u>

See accompanying independent auditor's report.

Revenue		Permanent		
Fire Station	Friends of the Center Point Public Library	Cemetery Perpetual Care		Total
-	-	-		135,000
-	-	-		236,534
-	-	-		1,391
32	17	64		1,280
-	-	-		5,148
100	5,712	794		6,623
132	5,729	858		385,976
-	4,135	-		88,606
-	-	-		36,594
-	-	-		35,713
-	4,135	-		160,913
132	1,594	858		225,063
(112,840)	-	-		(307,734)
(112,708)	1,594	858		(82,671)
112,708	13,472	61,776		408,305
-	15,066	62,634		325,634
-	-	62,634		62,634
-	-	-		19,685
-	15,066	-		243,315
-	15,066	62,634		325,634

**City of Center Point**

## City of Center Point

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

As of and for the year ended June 30, 2020

	Enterprise		
	Garbage	Storm Water	Total
Operating receipts:			
Charges for service	\$ 180,231	45,593	225,824
Operating disbursements:			
Business type activities	165,720	-	165,720
Excess of operating receipts over operating disbursements	14,511	45,593	60,104
Cash balances beginning of year	45,458	127,613	173,071
Cash balances end of year	\$ 59,969	173,206	233,175
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 59,969	173,206	233,175

See notes to financial statements.

City of Center Point  
Schedule of Indebtedness  
Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
City improvements, Series 2011	Jul 28, 2011	2.25-4.00%	\$ 2,955,000
City improvement and refunding, Series 2018	May 8, 2018	1.90-3.00	1,475,000
City Improvements Series, 2020	Jul 7, 2020	2.00	** 2,700,000
Total			
Revenue notes:			
Sewer 2010	Dec 17, 2010	3.00%	* \$ 250,000
Water 2011	Jul 15, 2011	3.00	* 1,285,000
Total			
Project anticipation notes:			
Sewer anticipation project note	Jan 10, 2020	0.00%	\$ 755,000

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

\*\* The City issued general obligation bonds of \$2,700,000 on July 7, 2020. The City received a good faith deposit of \$54,000 on June 10, 2020 and the remaining proceeds of \$2,646,000 on July 7, 2020.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,915,000	-	170,000	1,745,000	71,488
1,265,000	-	215,000	1,050,000	30,452
-	54,000	-	54,000	-
<b>\$ 3,180,000</b>	<b>54,000</b>	<b>385,000</b>	<b>2,849,000</b>	<b>101,940</b>
157,000	-	12,000	145,000	4,710
860,000	-	60,000	800,000	25,800
<b>\$ 1,017,000</b>	<b>-</b>	<b>72,000</b>	<b>945,000</b>	<b>30,510</b>
-	67,250	-	67,250	-



**City of Center Point**

City of Center Point  
Bond and Note Maturities  
June 30, 2020

Year Ending June 30,	General Obligation					Total
	Street, Sidewalk, Storm Sewer and Water System Construction and Repairs			City Hall Improvements and Refunding		
	Issued July 28, 2011			Issued May 8, 2018		
	Interest Rates	Amount	Interest Rates	Amount		
2021	3.65%	\$ 175,000	2.10%	\$ 220,000	395,000	
2022	3.65	150,000	2.25	225,000	375,000	
2023	3.65	155,000	2.40	225,000	380,000	
2024	3.65	160,000	2.85	70,000	230,000	
2025	3.65	165,000	2.85	75,000	240,000	
2026	4.00	170,000	2.85	75,000	245,000	
2027	4.00	180,000	3.00	80,000	260,000	
2028	4.00	190,000	3.00	80,000	270,000	
2029	4.00	195,000		-	195,000	
2030	4.00	205,000		-	205,000	
Total		<u>\$ 1,745,000</u>		<u>\$ 1,050,000</u>	<u>2,795,000</u>	

Year Ending June 30,	Revenue Notes					Total
	Sewer		Water			
	Issued Dec 17, 2010		Issued July 15, 2011			
	Interest Rates	Amount	Interest Rates	Amount		
2021	3.00%	\$ 12,000	3.00%	\$ 65,000	77,000	
2022	3.00	13,000	3.00	65,000	78,000	
2023	3.00	13,000	3.00	65,000	78,000	
2024	3.00	14,000	3.00	70,000	84,000	
2025	3.00	14,000	3.00	70,000	84,000	
2026	3.00	15,000	3.00	70,000	85,000	
2027	3.00	15,000	3.00	75,000	90,000	
2028	3.00	16,000	3.00	75,000	91,000	
2029	3.00	16,000	3.00	80,000	96,000	
2030	3.00	17,000	3.00	80,000	97,000	
2031		-	3.00	85,000	85,000	
Total		<u>\$ 145,000</u>		<u>\$ 800,000</u>	<u>945,000</u>	

See accompanying independent auditor's report.

City of Center Point

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

For the Last Ten Years

	2020	2019	2018	2017
<b>Receipts:</b>				
Property tax	\$ 1,179,224	1,157,812	919,289	860,478
Tax increment financing	236,534	238,341	211,012	196,017
Local option sales tax	359,885	318,973	316,338	349,911
Other city tax	9,153	9,009	260,145	278,968
Licenses and permits	92,555	50,722	10,869	32,432
Use of money and property	22,604	21,064	23,350	15,543
Intergovernmental	1,159,050	544,944	422,659	448,592
Charges for service	27,159	40,761	63,821	29,248
Special assessments	62,540	66,057	66,474	68,441
Miscellaneous	293,685	176,681	84,776	151,630
Total	<u>\$ 3,442,389</u>	<u>2,624,364</u>	<u>2,378,733</u>	<u>2,431,260</u>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 492,337	76,765	96,864	121,626
Public works	291,707	305,522	515,341	274,303
Health and social services	3,629	3,041	-	9,940
Culture and recreation	456,054	580,516	428,155	460,348
Community and economic development	36,594	35,601	10,000	-
General government	460,183	435,197	417,178	308,519
Debt service	488,040	488,273	1,148,043	421,473
Capital projects	1,109,950	1,431,742	431,462	1,587,623
Total	<u>\$ 3,338,494</u>	<u>3,356,657</u>	<u>3,047,043</u>	<u>3,183,832</u>

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
854,198	828,526	1,037,729	1,113,991	1,025,939	838,546
202,579	180,159	184,233	199,426	75,496	69,035
334,316	304,603	299,680	283,392	308,372	266,175
270,770	333,608	16,573	7,218	7,327	6,147
48,523	29,310	26,189	14,131	38,254	26,191
15,336	16,925	14,555	11,890	14,381	9,463
785,085	491,639	319,239	316,782	497,147	287,989
33,889	33,287	40,631	17,764	7,818	19,366
70,409	72,381	74,343	-	-	-
468,622	364,621	1,167,823	103,648	140,264	149,781
<b>3,083,727</b>	<b>2,655,059</b>	<b>3,180,995</b>	<b>2,068,242</b>	<b>2,114,998</b>	<b>1,672,693</b>
83,604	88,491	88,374	115,319	79,505	80,123
259,078	519,514	325,899	368,899	248,952	244,272
2,676	-	2,072	9,785	11,591	8,281
415,295	800,404	590,757	502,089	536,192	344,606
-	-	-	-	229,226	-
423,881	360,715	301,127	254,262	362,304	230,058
426,486	494,854	496,958	504,772	2,724,192	286,460
2,267,181	-	-	4,427	-	1,873,331
<b>3,878,201</b>	<b>2,263,978</b>	<b>1,805,187</b>	<b>1,759,553</b>	<b>4,191,962</b>	<b>3,067,131</b>



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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Center Point, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 10, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Center Point's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Center Point's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Center Point's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Center Point's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) and (D) to be significant deficiencies.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

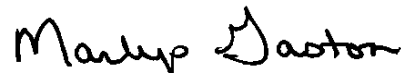
### The City of Center Point's Responses to the Findings

The City of Center Point's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Center Point's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

November 10, 2020

City of Center Point  
Schedule of Findings  
Year ended June 30, 2020

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

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

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

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

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

Recommendation – All incoming mail should be opened by someone independent of processing and recording receipts. This independent person should prepare a listing of cash and checks received in the mail, then forward the mail on to the accounting personnel for processing. The independent mail opener should later compare the listing to the City’s receipt and deposit records to ensure proper posting and depositing.

Response – City staff segregates duties to the extent possible with a limited staff.

Conclusion – Response acknowledged. The City should continue to review procedures over mail receipts and ensure mail is opened and tested by someone independent of the accounting process.

(B) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts and investments. Supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Bank reconciliations prepared for Friends of the Center Point Public Library (Friends of the Library) are not reviewed by an independent person.

Cause – Procedures have not been designed and implemented to ensure bank reconciliations have been reviewed by an independent person.

City of Center Point

Schedule of Findings

Year ended June 30, 2020

Effect – Lack of independent review of bank reconciliations can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – To improve the Friends of the Library’s financial accountability and control, monthly bank reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

Response – We plan to set up a procedure wherein an officer will review and sign off on checks written and deposits as recorded in the check register and the officer will review and sign off on the bank statements and the treasurer's monthly financial report.

Conclusion – Response accepted.

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

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances. An independent review of these reconciliations and delinquent account listing helps to ensure their accuracy.

Condition – Utility billings, collections and delinquent accounts were reconciled throughout the year and a delinquent accounts listing was prepared and reviewed. However, the reconciliations and delinquent accounts listings do not include documentation of review and approval of the reconciliations by an independent person.

Cause – Procedures have not been implemented to clearly document the review of the reconciliations of utility billings, collections and delinquent accounts.

Effect – Lack of independent review of the utility reconciliations can result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances not being identified.

Recommendation – The City Administrators’ review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response – The City Administrator will formally verify reconciliations.

Conclusion – Response accepted.



City of Center Point

Schedule of Findings

Year ended June 30, 2020

(D) Credit Cards

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Cause – Adoption of a formal policy to regulate the use of credit cards has not been prioritized by the City Council.

Effect – Lack of written policies and procedures to regulate the use of credit cards could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – The City will create a credit card policy.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Center Point

Schedule of Findings

Year ended June 30, 2020

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements at June 30, 2020 exceeded the amount budgeted in the debt service function. In addition, disbursements exceeded the amount budgeted in the health and social services function prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City has increased the fiscal year 2021 budget to include the increased debt fees. The City has increased the health and social services function budget for fiscal year 2021 as this expense is due to a product that varies in cost. The City will continue to monitor the budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between City and City official or employees were noted.
- (5) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (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) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the City’s investment policy were noted.
- (9) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

City of Center Point

Schedule of Findings

Year ended June 30, 2020

- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the City overstated the amount reported as Tax Increment Financing (TIF) debt outstanding on the Levy Authority Summary by \$635,000. The debt outstanding included one urban renewal bond twice.

Recommendation – The City should ensure the TIF debt outstanding properly reports all TIF debt issues without duplicating them.

Response – The City will take care to double check reports by comparing with other available reports.

Conclusion – Response accepted.

City of Center Point

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Michelle B. Meyer, CPA, Manager  
Jesse J. Harthan, Senior II Auditor  
William J. Sallen, CPA, Staff Auditor  
Benjamin M. Weiland, Assistant Auditor