



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE February 24, 2003

Contact: Andy Nielsen
515/281-5515

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

The City's receipts totaled \$1,260,791 for the year ended June 30, 2002, a thirteen percent increase from 2001. The receipts included \$380,744 in property tax, \$77,113 in tax increment financing collections, \$50,545 in local option sales tax, \$187,978 from the state, \$4,500 from the federal government and \$24,774 in interest on investments. The significant increase in receipts is due primarily to increased tax increment financing collections and the initial local option sales tax collections in fiscal year 2002.

Disbursements for the year totaled \$1,115,708, an eighteen percent decrease from 2001, and included \$63,775 for community protection, \$125,113 for human development, \$822,506 for home and community environment and \$104,314 for policy and administration. The significant decrease in disbursements is due primarily to the Fross Park property purchase in fiscal year 2001.

This report contains recommendations to the City Council and other City officials. For example, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. The City has responded that operating procedures will be reviewed.

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

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CITY OF CENTER POINT
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2002

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City of Center Point

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2002)		
John Stuelke	Mayor	Jan 2002
Dan Scheeler	Mayor Pro tem	Jan 2002
Gary Heins	Council Member	Jan 2002
Connie Robinson	Council Member	Jan 2002
Paula Freeman-Brown	Council Member	Jan 2004
Annette Slifka	Council Member	Jan 2004
Steve Gitch	City Administrator	(Resigned)
Karen Kaut	City Clerk	(Resigned)
Angela Rillings (Appointed)	City Clerk	Indefinite
LeAnn Kramer	Deputy City Clerk	Indefinite
Don Hoskins	City Attorney	Indefinite
(After January 2002)		
Tom Neenan	Mayor	Jan 2004
Gary Heins	Mayor Pro tem	Jan 2006
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	City Clerk	Indefinite
LeAnn Kramer	Deputy City Clerk	Indefinite
Don Hoskins	City 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, listed as exhibits in the table of contents of this report, of the City of Center Point, Iowa, as of and for the year ended June 30, 2002. These financial statements are the responsibility of the City of Center Point's management. Our responsibility is to express an opinion 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 that our audit provides a reasonable basis for our opinion.

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 aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Center Point as of and for the year ended June 30, 2002, and its indebtedness at June 30, 2002, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2002, 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 and contracts. 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.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. 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, 2001 (none of which are presented herein) and expressed an unqualified opinion on those 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, 2000 (none of which are presented herein) and expressed a qualified opinion on those financial statements since, as permitted by the Code of Iowa, the accounting records of the City were not audited for all prior years and, accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 1999. The supplemental information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 25, 2002

City of Center Point

Financial Statements

City of Center Point
 Combined Statement of Cash Transactions
 All Fund Types
 Year ended June 30, 2002

	<u>Governmental Fund</u>	
	<u>General</u>	<u>Special Revenue</u>
Receipts:		
Property tax	\$ 297,267	46,348
Tax increment financing collections	-	77,113
Other city tax	65,471	1,583
Licenses and permits	23,558	-
Use of money and property	5,138	792
Intergovernmental	46,579	160,756
Charges for service	80,928	-
Special assessments	-	-
Miscellaneous	5,743	-
Total receipts	<u>524,684</u>	<u>286,592</u>
Disbursements:		
Community Protection Program	63,775	-
Human Development Program	109,488	14,067
Home and Community Environment Program	179,428	153,960
Policy and Administration Program	98,305	6,009
Total disbursements	<u>450,996</u>	<u>174,036</u>
Excess (deficiency) of receipts over (under) disbursements	<u>73,688</u>	<u>112,556</u>
Other financing sources (uses):		
Operating transfers in	-	-
Operating transfers out	-	(97,188)
Total other financing sources (uses)	<u>-</u>	<u>(97,188)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	73,688	15,368
Balance beginning of year	<u>111,873</u>	<u>62,520</u>
Balance end of year	<u>\$ 185,561</u>	<u>77,888</u>

See notes to financial statements.

Types		Proprietary	Fiduciary	Total
Debt	Capital	Fund Type	Fund Type	(Memorandum
Service	Project	Enterprise	Trust	Only)
37,129	-	-	-	380,744
-	-	-	-	77,113
1,186	-	-	-	68,240
-	-	-	-	23,558
-	-	15,716	3,128	24,774
-	4,500	-	-	211,835
-	-	328,810	-	409,738
706	-	-	-	706
-	-	54,283	4,057	64,083
39,021	4,500	398,809	7,185	1,260,791
-	-	-	-	63,775
-	-	-	1,558	125,113
129,654	41,183	318,281	-	822,506
-	-	-	-	104,314
129,654	41,183	318,281	1,558	1,115,708
(90,633)	(36,683)	80,528	5,627	145,083
178,030	-	-	-	178,030
-	-	(80,842)	-	(178,030)
178,030	-	(80,842)	-	-
87,397	(36,683)	(314)	5,627	145,083
(88,407)	(34,122)	556,591	123,261	731,716
(1,010)	(70,805)	556,277	128,888	876,799

City of Center Point

City of Center Point

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2002

	Actual	Amended Budget	Variance Favorable (Unfavorable)	Actual as % of Amended Budget
Receipts:				
Property tax	\$ 380,744	378,409	2,335	101%
Tax increment financing collections	77,113	75,000	2,113	103%
Other city tax	68,240	61,800	6,440	110%
Licenses and permits	23,558	19,375	4,183	122%
Use of money and property	24,774	10,800	13,974	229%
Intergovernmental	211,835	176,350	35,485	120%
Charges for service	409,738	428,600	(18,862)	96%
Special assessment	706	706	-	100%
Miscellaneous	64,083	68,871	(4,788)	93%
Total receipts	<u>1,260,791</u>	<u>1,219,911</u>	<u>40,880</u>	<u>103%</u>
Disbursements:				
Community Protection Program	63,775	75,500	11,725	84%
Human Development Program	125,113	131,651	6,538	95%
Home and Community Environment Program	822,506	873,238	50,732	94%
Policy and Administration Program	104,314	128,091	23,777	81%
Total disbursements	<u>1,115,708</u>	<u>1,208,480</u>	<u>92,772</u>	<u>92%</u>
Excess of receipts over disbursements	145,083	11,431		
Balance beginning of year	<u>731,716</u>	<u>731,716</u>		
Balance end of year	<u>\$ 876,799</u>	<u>743,147</u>		

See notes to financial statements.

City of Center Point
Statement of Indebtedness
Year ended June 30, 2002

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Water	Mar 15, 1994	4.20%	\$ 105,000
General corporate purpose	Feb 1, 1995	6.50	250,000
Sewer improvements	Sep 1, 1996	4.90-5.55	620,000
Total			
Revenue notes:			
Water	May 28, 1996	7.50%	\$ 160,000
Lease-purchase agreement:			
City Hall	July 1, 1995	7.00%	\$ 195,586
Bank loans:			
Dump truck	Jan 14, 2000	6.00%	\$ 44,000
Land purchase	Sep 29, 2000	6.50	57,000
Total			

See notes to financial statements.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
35,000	10,000	25,000	1,468
40,000	40,000	-	2,600
425,000	45,000	380,000	22,287
<u>\$ 500,000</u>	<u>95,000</u>	<u>405,000</u>	<u>26,355</u>
60,000	40,000	20,000	4,126
<u>117,301</u>	<u>16,303</u>	<u>100,998</u>	<u>7,697</u>
36,994	4,954	32,040	2,004
51,831	4,400	47,431	3,299
<u>\$ 88,825</u>	<u>9,354</u>	<u>79,471</u>	<u>5,303</u>

City of Center Point

Notes to Financial Statements

June 30, 2002

(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, culture, recreation, public improvements and general administrative services.

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 of Center Point has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also 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. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and fund balances. The various funds and their designated purposes are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are 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 that are not paid through other funds.

Special Revenue Funds - The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

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

Capital Projects Funds - The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through the enterprise fund.

Proprietary Funds

Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Fiduciary Funds

Trust Funds - The Trust Funds are used to account for monies and properties received and held by the City in a trustee capacity. These include expendable trust funds.

C. 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.

D. Budgets and Budgetary Accounting

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 four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2002 were entirely covered by federal depository insurance or 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.

(3) Notes Payable

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

Year Ending June 30,	General Obligation Notes		Water Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 55,000	21,132	20,000	1,128	75,000	22,260
2004	65,000	18,462	-	-	65,000	18,462
2005	50,000	15,283	-	-	50,000	15,283
2006	55,000	12,708	-	-	55,000	12,708
2007	55,000	9,820	-	-	55,000	9,820
2008	60,000	6,878	-	-	60,000	6,878
2009	65,000	3,608	-	-	65,000	3,608
Total	\$405,000	87,891	20,000	1,128	425,000	89,019

The resolution providing for the issuance of the water revenue notes includes a provision that 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.

Lease-Purchase Agreement

The City has 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 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, 2002.

Year Ending June 30,	Amount
2003	\$ 24,000
2004	24,000
2005	24,000
2006	24,000
2007	<u>24,000</u>
Total minimum lease payments	120,000
Less amount representing interest	<u>(19,002)</u>
Present value of net minimum lease payments	<u><u>\$ 100,998</u></u>

During the year ended June 30, 2002, \$24,000 was paid under this lease.

Bank Loans Payable

On January 14, 2000, the City entered into a loan agreement with Center Point Bank & Trust to borrow \$44,000, with interest at 6.00% per annum, to finance the purchase of a dump truck. The loan will be repaid by the City in semi-annual installments of \$3,479, beginning January 1, 2000, with the final payment of the \$22,326 balance due on December 1, 2004. The unpaid balance at June 30, 2002 totaled \$32,040.

On September 29, 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 will 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 at June 30, 2002 totaled \$47,431.

(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 salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2002, 2001 and 2000 were \$12,401, \$14,223 and \$12,555, respectively, equal to the required contribution 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, 2002, primarily relating to the General Fund, is \$11,500. This liability has been computed based on rates of pay in effect at June 30, 2002.

(6) Risk Management

The City of Center Point 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 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 Debt Service Fund, General Obligation Bonds/Notes and the Capital Projects Fund, Well Project Accounts had deficit balances of \$4,375 and \$77,150, respectively, at June 30, 2002. The deficits will be eliminated upon receipt of state grant monies and future property tax collections.

(8) Construction Contract and Subsequent Events

During the year ended June 30, 2002, the City entered into a construction contract for water system improvements totaling \$418,022. At June 30, 2002, no payments have been made. On August 13, 2002, the City approved the issuance of up to \$500,000 in construction warrants in connection with this project. On November 12, 2002, the City approved the first pay estimate for the well drilling totaling \$147,000. Payments will be made as work on the project progresses.

Supplemental Information

Schedule 1

City of Center Point
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

Receipts:	
Property tax	\$ 297,267
Other city tax:	
Utility tax replacement excise tax	10,076
Local option sales tax	50,545
Cable franchise fee	4,850
	<u>65,471</u>
Licenses and permits:	
Liquor	2,752
Cigarette	450
Building and zoning	20,306
Miscellaneous	50
	<u>23,558</u>
Use of money and property:	
Interest on investments	<u>5,138</u>
Intergovernmental:	
State allocation	22,014
Bank franchise tax	2,208
Library open access	975
County and township library allocation	17,501
Enrich Iowa grant	2,025
County cemetery allocation	1,856
	<u>46,579</u>
Charges for service:	
Garbage collections	<u>80,928</u>
Miscellaneous:	
Cemetery lots	315
Refunds and reimbursements	210
Donations	300
Fines and fees	357
Ambulance reimbursement	962
Miscellaneous	3,599
	<u>5,743</u>
Total receipts	<u>524,684</u>

City of Center Point
 Schedule of Cash Transactions
 General Fund
 Year ended June 30, 2002

Disbursements:

Community Protection Program:

Police:

Contractual services	17,863
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Lease-purchase agreement:

Principal	652
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Interest	348
----------	-----

	18,863
--	--------

Street lighting

	16,235
--	--------

Ambulance

	1,526
--	-------

Fire:

Contractual services

	24,822
--	--------

Traffic safety:

Contractual services

	329
--	-----

Lease-purchase agreement:

Principal	1,304
-----------	-------

Interest	696
----------	-----

	2,329
--	-------

	63,775
--	--------

Human Development Program:

Animal control

	1,595
--	-------

Parks and recreation:

Personal services

	22,242
--	--------

Contractual services

	6,397
--	-------

Capital outlay

	21,365
--	--------

Lease-purchase agreement:

Principal	978
-----------	-----

Interest	522
----------	-----

	51,504
--	--------

Schedule 1

City of Center Point
Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

Disbursements:

Human Development Program:

Library:

Personal services	34,096
Contractual services	4,867
Commodities	3,127
Capital outlay	14,299
	<u>56,389</u>
	<u>109,488</u>

Home and Community Environment Program:

Cemetery:

Personal services	2,895
Contractual services	10,957
Capital outlay	1,545

Lease-purchase agreement:

Principal	326
Interest	174
	<u>15,897</u>

Solid waste:

Contractual services	<u>79,722</u>
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Streets:

Personal services	36,880
Contractual services	38,260
Commodities	4,669

Lease-purchase agreement:

Principal redemption	2,772
Interest payments	1,228
	<u>83,809</u>
	<u>179,428</u>

City of Center Point
 Schedule of Cash Transactions
 General Fund
 Year ended June 30, 2002

Disbursements (continued):	
Policy and Administration Program:	
Mayor and Council Members:	
Personal services	<u>5,413</u>
City Clerk:	
Personal services	<u>11,366</u>
Legal and professional:	
Contractual services	<u>9,048</u>
Elections	<u>1,392</u>
City hall:	
Contractual services	14,233
Commodities	3,184
Capital outlay	1,672
Lease-purchase agreement:	
Principal	5,380
Interest	<u>2,620</u>
	<u>27,089</u>
Miscellaneous administration:	
Personal services	17,445
Contractual services	<u>26,552</u>
	<u>43,997</u>
	<u>98,305</u>
Total disbursements	<u>450,996</u>
Excess of receipts over disbursements	73,688
Balance beginning of year	<u>111,873</u>
Balance end of year	<u><u>\$ 185,561</u></u>

See accompanying independent auditor's report.

Schedule 2

City of Center Point
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2002

	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment	Total
Receipts:				
Property tax	\$ -	46,348	-	46,348
Tax increment financing collections	-	-	77,113	77,113
Other City tax:				
Utility tax replacement excise tax	-	1,583	-	1,583
Use of money and property:				
Interest on investments	-	-	792	792
Intergovernmental:				
Road use tax allocation	160,756	-	-	160,756
Total receipts	160,756	47,931	77,905	286,592
Disbursements:				
Human Development Program:				
Personal services	-	14,067	-	14,067
Home and Community Environment Program:				
Street maintenance:				
Personal services	32,749	15,377	-	48,126
Contractual services	45,097	-	-	45,097
Commodities	29,263	-	-	29,263
Capital outlay	17,516	-	-	17,516
Lease-purchase agreement:				
Principal	4,891	-	-	4,891
Interest	2,109	-	-	2,109
Bank loan:				
Dump truck:				
Principal	4,954	-	-	4,954
Interest	2,004	-	-	2,004
	138,583	15,377	-	153,960
Policy and Administration Program:				
Personal services	-	6,009	-	6,009
Total disbursements	138,583	35,453	-	174,036
Excess of receipts over disbursements	22,173	12,478	77,905	112,556

City of Center Point
 Combining Schedule of Cash Transactions
 Special Revenue Funds
 Year ended June 30, 2002

	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment	Total
Other financing uses:				
Operating transfers out:				
Debt Service:				
General Obligation Bonds/Notes	-	-	(97,188)	(97,188)
Excess (deficiency) of receipts over (under) disbursements and other financing uses	22,173	12,478	(19,283)	15,368
Balance beginning of year	15,983	(223)	46,760	62,520
Balance end of year	<u>\$ 38,156</u>	<u>\$ 12,255</u>	<u>27,477</u>	<u>77,888</u>

See accompanying independent auditor's report.

Schedule 3

City of Center Point
Combining Schedule of Cash Transactions
Debt Service Fund
Year ended June 30, 2002

	General Obligation Bonds/ Notes	Junge Special Assess- ment	Sunrise Special Assess- ment	Total
Receipts:				
Property tax	\$ 37,129	-	-	37,129
Other city tax:				
Utility tax replacement excise tax	1,186	-	-	1,186
Special assessments	-	-	706	706
Total receipts	<u>38,315</u>	<u>-</u>	<u>706</u>	<u>39,021</u>
Disbursements:				
Home and Community Environment Program:				
Professional fees	600	-	-	600
Debt service:				
Principal redemption	99,400	-	-	99,400
Interest payments	29,654	-	-	29,654
Total disbursements	<u>129,654</u>	<u>-</u>	<u>-</u>	<u>129,654</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(91,339)</u>	<u>-</u>	<u>706</u>	<u>(90,633)</u>
Other financing sources:				
Operating transfers in:				
Special Revenue:				
Urban Renewal Tax Increment	97,188	-	-	97,188
Enterprise:				
Sewer Rental	80,842	-	-	80,842
Total other financing sources	<u>178,030</u>	<u>-</u>	<u>-</u>	<u>178,030</u>
Excess of receipts and other financing sources over disbursements	86,691	-	706	87,397
Balance beginning of year	<u>(91,066)</u>	<u>1,909</u>	<u>750</u>	<u>(88,407)</u>
Balance end of year	<u>\$ (4,375)</u>	<u>1,909</u>	<u>1,456</u>	<u>(1,010)</u>

See accompanying independent auditor's report.

City of Center Point
Combining Schedule of Cash Transactions
Capital Projects Fund
Year ended June 30, 2002

	Lagoon Project	Water Project	Well Project	Total
Receipts:				
Intergovernmental:				
Community development block grant	\$ -	-	4,500	4,500
Disbursements:				
Home and Community Environment Program:				
Contractual services	-	-	41,183	41,183
Deficiency of receipts under disbursements	-	-	(36,683)	(36,683)
Balance beginning of year	4,274	2,071	(40,467)	(34,122)
Balance end of year	<u>\$ 4,274</u>	<u>2,071</u>	<u>(77,150)</u>	<u>(70,805)</u>

See accompanying independent auditor's report.

City of Center Point
Combining Schedule of Cash Transactions

Enterprise Funds

Year ended June 30, 2002

	Water Revenue		
	Water	Note Sinking	Sewer Rental
Receipts:			
Use of money and property:			
Interest on investments	\$ 7,772	-	7,635
Charges for service:			
Sale of water	164,548	-	-
Installations and connections	1,200	-	1,200
Sewer rental fees	-	-	158,726
Miscellaneous	3,136	-	-
	<u>168,884</u>	<u>-</u>	<u>159,926</u>
Miscellaneous:			
Impact fees	-	16,500	-
Sales tax collections	-	-	-
Customer deposits	-	-	-
	<u>-</u>	<u>16,500</u>	<u>-</u>
Total receipts	<u>176,656</u>	<u>16,500</u>	<u>167,561</u>
Disbursements:			
Home and Community Environment Program:			
Personal services	38,350	-	40,769
Contractual services	69,713	-	57,905
Commodities	13,072	-	28,908
Capital outlay	6,364	-	-
Debt service:			
Principal redemption	-	40,000	-
Interest payments	-	4,126	-
Total disbursements	<u>127,499</u>	<u>44,126</u>	<u>127,582</u>
Excess (deficiency) of receipts over (under) disbursements	<u>49,157</u>	<u>(27,626)</u>	<u>39,979</u>

Sewer Revenue			
Note Sinking	Sales Tax	Meter Deposits	Total
-	-	309	15,716
-	-	-	164,548
-	-	-	2,400
-	-	-	158,726
-	-	-	3,136
-	-	-	328,810
16,500	-	-	33,000
-	9,583	-	9,583
-	-	11,700	11,700
16,500	9,583	11,700	54,283
16,500	9,583	12,009	398,809
-	-	-	79,119
-	6,896	12,178	146,692
-	-	-	41,980
-	-	-	6,364
-	-	-	40,000
-	-	-	4,126
-	6,896	12,178	318,281
16,500	2,687	(169)	80,528

City of Center Point
 Combining Schedule of Cash Transactions
 Enterprise Funds
 Year ended June 30, 2002

	Water Revenue		
	Water	Note Sinking	Sewer Rental
Other financing uses:			
Operating transfers out:			
Debt service:			
General Obligation Bonds/Notes	-	-	(80,842)
Excess (deficiency) of receipts over (under) disbursements and other financing uses	49,157	(27,626)	(40,863)
Balance beginning of year	63,320	194,709	148,711
Balance end of year	<u>\$ 112,477</u>	<u>167,083</u>	<u>107,848</u>

See accompanying independent auditor's report.

<u>Sewer Revenue</u>			
<u>Note</u>	<u>Sales</u>	<u>Meter</u>	
<u>Sinking</u>	<u>Tax</u>	<u>Deposits</u>	<u>Total</u>
-	-	-	<u>(80,842)</u>
16,500	2,687	(169)	(314)
<u>112,937</u>	<u>782</u>	<u>36,132</u>	<u>556,591</u>
<u>129,437</u>	<u>3,469</u>	<u>35,963</u>	<u>556,277</u>

City of Center Point
Combining Schedule of Cash Transactions
Trust Funds
Year ended June 30, 2002

	Fross Park Trust	Library Capital Equipment	Expendable Library Building Trust
Receipts:			
Use of money and property:			
Interest on investments	\$ -	308	2,820
Miscellaneous:			
Donations and contributions	530	-	2,597
Perpetual care payments	-	-	-
Total receipts	530	308	5,417
Disbursements:			
Human Development Program:			
Capital outlay	1,558	-	-
Excess (deficiency) of receipts over (under) disbursements	(1,028)	308	5,417
Balance beginning of year	5,184	10,091	56,902
Balance end of year	\$ 4,156	10,399	62,319

See accompanying independent auditor's report.

Trusts			Non-Expendable Trust	
Cemetery Stone Repair	Municipal Building Trust	Capital Equipment Replacement	Cemetery Perpetual Care	Total
-	-	-	-	3,128
-	-	-	-	3,127
-	-	-	930	930
-	-	-	930	4,057
-	-	-	930	7,185
-	-	-	-	1,558
-	-	-	930	5,627
430	2,401	12,589	35,664	123,261
430	2,401	12,589	36,594	128,888

Schedule 7

City of Center Point

Note Maturities

June 30, 2002

Year Ending June 30,	General Obligation Notes				
	Water		Sewer		Total
	Issued Mar 15, 1994		Improvements		
	Interest		Issued Sep 1, 1996		
Interest		Interest			
	Rates	Amount	Rates	Amount	
2003	4.20%	\$ 10,000	5.00%	\$ 45,000	\$ 55,000
2004	4.20	15,000	5.10	50,000	65,000
2005		-	5.15	50,000	50,000
2006		-	5.25	55,000	55,000
2007		-	5.35	55,000	55,000
2008		-	5.45	60,000	60,000
2009		-	5.55	65,000	65,000
Total		<u>\$ 25,000</u>		<u>\$ 380,000</u>	<u>\$ 405,000</u>

Year Ending June 30,	Revenue Notes	
	Water	
	Issued May 28, 1996	
	Interest	
	Rate	Amount
2003	7.50%	<u>\$ 20,000</u>

See accompanying independent auditor's report.

City of Center Point

Comparison of Taxes and Intergovernmental Receipts

	Years ended June 30,		
	2002	2001	2000
Property tax	\$ 380,744	338,839	315,779
Tax increment financing collections	77,113	15,897	70,383
Other City tax:			
Utility tax replacement excise tax	12,845	11,856	-
Local option sales tax	50,545	-	-
Cable franchise tax	4,850	4,317	3,968
	68,240	16,173	3,968
Intergovernmental:			
State allocation	22,014	22,261	22,327
Bank franchise tax	2,208	315	2,632
Community development block grant	4,500	-	-
Library open access	975	1,401	1,630
County and township library allocation	17,501	16,683	15,035
Enrich Iowa grant	2,025	789	-
County cemetery allocation	1,856	1,808	-
Road use tax	160,756	151,503	150,225
Miscellaneous	-	-	2,587
	211,835	194,760	194,436
Total	\$ 737,932	565,669	584,566

See accompanying independent auditor's report.

City of Cedar Point



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

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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, 2002, and have issued our report thereon dated November 25, 2002. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, 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 and contracts, 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 of Center Point's operations for the year ended June 30, 2002 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 item (10).

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, we believe that reportable condition (A) described above is a material weaknesses. Prior year reportable conditions have been resolved except for items (A), (B) and (C).

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.

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 25, 2002

City of Center Point
Schedule of Findings
Year ended June 30, 2002

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

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 that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The Clerk and Deputy clerk will cross-train each other so that responsibilities can be rotated, providing time permits.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel.

City of Center Point
Schedule of Findings
Year ended June 30, 2002

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

The City does not have written policies for:

- requiring a disaster recovery plan.
- requiring software and data file backups to be stored off-site.

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 are being developed.

Conclusion - Response accepted.

- (C) Investment Records - Although investment records were maintained, the records were not kept up-to-date, were not accurate, were not reconciled to the financial accounting system maintained on the City's computer system and were not included on monthly financial reports prepared for City officials.

Recommendation - Investment records should be kept up-to-date and reconciled to the financial accounting records maintained on the computer system. Also investments should be included on monthly financial reports prepared for City officials.

Response - We will implement the recommendation.

Conclusion - Response accepted.

- (D) Monthly Financial Reports, Accounting Records, and Computer Records - Certain receipts and disbursements were not entered on the computer and computer generated registers were not reconciled to monthly financial reports. Financial reports were not reconciled to the bank and the outstanding checks listings were not accurate.

Recommendation - Monthly receipts and disbursements should be reconciled to the bank and computer records. Monthly financial reports should be reconciled to the bank. The monthly financial reports and reconciliations should be provided to City officials for their review and approval.

Response - The Clerk has implemented the recommendation.

Conclusion - Response accepted.

- (E) Receipts - Receipts were not deposited in a timely manner.

Recommendation - Receipts should be deposited in a timely manner.

Response - Deposits will be made timely.

Conclusion - Response accepted.

City of Center Point
Schedule of Findings
Year ended June 30, 2002

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories - A resolution naming the 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, 2002.
- (2) Certified Budget - Disbursements during the year ended June 30, 2002 did not exceed the amounts budgeted.

Although disbursements of \$72,490 were included in the City budget publication for the Community Protection Program, the City Council approved a higher budget amount of \$73,959, which violates the provisions in Chapter 384.16(5) of the Code of Iowa. Actual disbursements of \$63,775 for the Community Protection Program did not exceed the amount published for that program for the year ended June 30, 2002.

Recommendation - The City should comply with the provisions of Chapter 384.16(5) of the Code of Iowa.

Response - We will review Chapter 384.16(5) of the Code of Iowa and comply with this requirement.

Conclusion - Response accepted.

- (3) Questionable Disbursements - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (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 that 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 did not publish minutes within 15 days as required by Chapter 372.13(6) of the Code of Iowa. Additionally, the City Council went into closed sessions on May 29, 2002 and June 11, 2002 but did not document that the individual requested the closed session and did not document the specific code section under which the City Council went into closed session.

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 of Center Point

Schedule of Findings

Year ended June 30, 2002

Response - The Clerk will publish the minutes as required by law and will ensure that closed sessions are properly documented as required by Chapter 21 of the Code of Iowa.

Conclusion - Response accepted.

- (8) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (9) Revenue Notes - The City has complied with the provisions of the revenue note indenture.
- (10) Financial Condition - The Debt Service Fund, General Obligation Bonds/Notes and the Capital Projects Fund, Well Project Accounts had deficit balances at June 30, 2002 of \$4,375 and \$77,150, respectively.

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

Response - These deficits will be eliminated when grant funds are received and when appropriate transfers are made, as necessary.

Conclusion - Response accepted.

- (11) Local Option Sales Tax - Local option sales tax collections were recorded directly to the General Fund.

Recommendation - The City should establish a Special Revenue Fund, Local Option Sales Tax Account and credit all local option sales tax collections to this account and then transfer the collections to the appropriate fund(s) as the Council directs.

Response - We are now doing this.

Conclusion - Response accepted.

City of Center Point

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
John G. Vanis, CGFM, Senior Auditor
Jason R. Matter, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State