



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

February 11, 2011

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

The City's receipts totaled \$2,289,693 for the year ended June 30, 2010, a 38 percent decrease from the prior year. The receipts included \$891,093 in property tax, \$78,477 from tax increment financing, \$225,577 from local option sales tax, \$548,488 from charges for service, \$271,265 from operating grants, contributions and restricted interest, \$212,069 from capital grants, contributions and restricted interest, \$8,191 from unrestricted interest on investments and \$54,533 from other general receipts.

Disbursements for the year totaled \$2,172,638, a 39 percent decrease from the prior year, and included \$403,332 for capital projects, \$333,763 for public works, \$276,385 for culture and recreation and \$247,842 for general government. Also, disbursements for business type activities totaled \$531,581.

The significant decrease in receipts and disbursements is due primarily to prior year note proceeds used to fund capital project activity during the prior year.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1020-0540-B00F.pdf>.

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

JUNE 30, 2010

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**City of Center Point
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
Paula Freeman-Brown	Mayor	Jan 2010
John Stuelke	Mayor Pro tem	Jan 2012
Mona Barz	Council Member	Jan 2010
Ted Callahan	Council Member	Jan 2010
Connie Robinson	Council Member	Jan 2010
Brent Schlotfeldt	Council Member	(Resigned Nov 2009)
Steve Winger	City Administrator	Indefinite
Melissa Atkinson	City Clerk/Treasurer	Indefinite
LeAnn Kramer	Deputy City Clerk	Indefinite
Anne Loomis	Attorney	Indefinite
(After January 2010)		
Mona Barz	Mayor	Jan 2012
Connie Robinson	Mayor Pro tem	Jan 2012
John Stuelke	Council Member	(Retired Aug 2010)
Ted Callahan (Appointed)	Council Member	Nov 2011
Paul Mann (Appointed)	Council Member	Nov 2011
Robert Dillon	Council Member	Jan 2014
Michael Stanton	Council Member	Jan 2014
Steve Winger	City Administrator	Indefinite
Melissa Atkinson	Clerk/Treasurer	Indefinite
LeAnn Kramer	Deputy City Clerk	Indefinite
Anne Loomis	Attorney	Indefinite

City of Center Point



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Center Point, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Center Point's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Center Point as of June 30, 2010, and the respective changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2011 on our consideration of the City of Center Point's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Center Point's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 12, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Center Point provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 44%, or approximately \$1,417,000, in fiscal year 2010 from fiscal year 2009. The City received \$1,706,240 in note proceeds during fiscal year 2009.
- Disbursements decreased 48%, or approximately \$1,501,000, in fiscal year 2010 from fiscal year 2009. Capital projects disbursements decreased approximately \$1,811,000. Public works, debt service and culture and recreation function disbursements increased approximately \$109,000, \$89,000 and \$76,000, respectively. The overall decrease was primarily due to the less capital project activity during the current year.
- The City's total cash basis net assets increased 4.5%, or approximately \$117,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased approximately \$252,000 and the assets of the business type activities decreased approximately \$135,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Solid Waste Funds, considered to be major funds of the City.

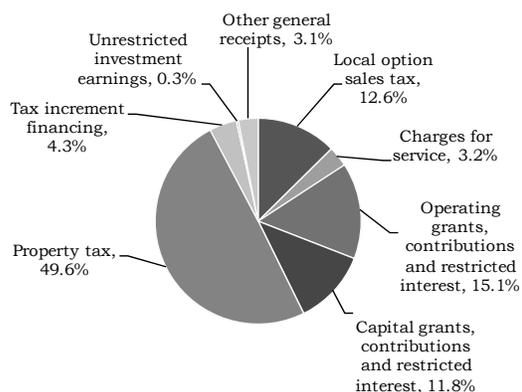
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

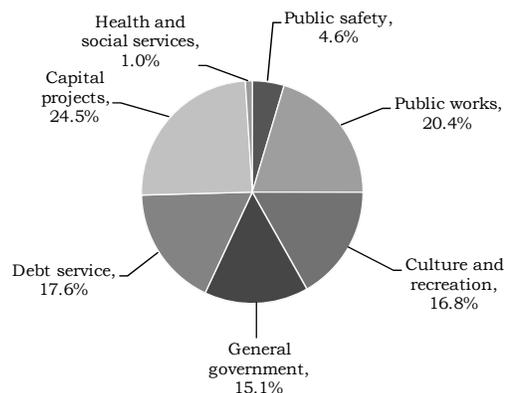
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from approximately \$1.618 million to approximately \$1.870 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 57	19
Operating grants, contributions and restricted interest	271	283
Capital grants, contributions and restricted interest	212	292
General receipts:		
Property tax	891	783
Tax increment financing	78	106
Local option sales tax	226	-
Unrestricted interest on investments	6	8
Note proceeds	-	1,706
Other general receipts	55	16
Total receipts	1,796	3,213
Disbursements:		
Public safety	75	71
Public works	334	225
Health and social services	16	7
Culture and recreation	276	200
General government	248	225
Debt service	289	200
Capital projects	403	2,214
Total disbursements	1,641	3,142
Change in cash basis net assets before transfers	155	71
Transfers, net	97	-
Changes in cash basis net assets	252	71
Cash basis net assets beginning of year	1,618	1,547
Cash basis net assets end of year	\$ 1,870	1,618

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 44%, or approximately \$1,417,000. The total cost of all programs and services decreased approximately \$1,501,000, or 48%, due primarily to less capital projects activity during the fiscal year. The decrease in receipts was due to note proceeds of \$1,706,240 in fiscal year 2009 which were used to fund capital project activity in that year.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 189	194
Sewer	172	175
Solid waste	131	119
General receipts:		
Unrestricted interest on investments	2	5
Total receipts	<u>494</u>	<u>493</u>
Disbursements:		
Water	210	175
Sewer	200	155
Solid waste	121	103
Total disbursements	<u>531</u>	<u>433</u>
Change in cash basis net assets before transfers	(37)	60
Transfers, net	(97)	-
Change in cash basis net assets	(134)	60
Cash basis net assets beginning of year	982	922
Cash basis net assets end of year	<u>\$ 848</u>	<u>\$ 982</u>

Total business type activities receipts for the fiscal year were approximately \$494,000 compared to approximately \$493,000 last year. The cash balance decreased approximately \$134,000 from the prior year because there was an increase in operating disbursements in fiscal year 2010 and transfers to the Capital Projects Fund to close out some projects. Total disbursements for the fiscal year increased 23% to approximately \$531,000, primarily due to an increase in insurance rates, the purchase of a radio upgrade for the water meter reading system, an increase in gas and electric rates paid by the City and an extra payment for the City's solid waste service.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Center Point completed the year, its governmental funds reported a combined fund balance of \$1,870,285, an increase of more than \$252,000 from last year's total of \$1,618,168. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$309,795 over the prior year to \$700,403. The increase is primarily due to the City collecting approximately \$226,000 in local option sales tax, an increase in property tax of approximately \$40,000 due to an increase in the property valuation and an increase of approximately \$36,000 in license and permits due to more building permits during the fiscal year. Disbursements in the culture and recreation and general government functions increased \$25,567 and \$20,726, respectively, due primarily to the City putting lime on the baseball diamonds at Fross Park, paying the contract for mowing the City Park and cemetery, the City Administrator being paid for the entire year and less maintenance at City Hall during fiscal year 2010.

- The Special Revenue, Road Use Tax Fund cash balance decreased \$10,945 to \$148,647 during the fiscal year. This decrease was primarily attributable to the City doing seal coating and various street repairs during fiscal year 2010.
- The Special Revenue, Urban Renewal Tax Increment Fund was established to account for a major urban renewal project within the City's business district. At the end of the fiscal year, the cash balance was \$177,277, an increase of \$8,477 over the previous year. The increase was due to the City transferring funds to the Debt Service Fund in fiscal year 2010, which was less than the amount of tax received.
- The Special Revenue, Park and Recreation Fund was established during fiscal year 2010 to account for the various activities, including a concession stand, mowing, and maintenance, at Fross Park. The fund was established by a transfer of \$332,900 from the Special Revenue, Fross Park Trust Fund. During fiscal year 2010, the fund had disbursements for lime for the ball park, fertilizing the grass areas and mowing.
- The Debt Service Fund cash balance increased \$42,191 to a balance of \$811 at the end of the fiscal year. The increase was due to an increase in property tax during fiscal year 2010 and a transfer from the Special Revenue, Urban Renewal Tax Increment Fund for the payment of principal and interest on debt issues.
- The Capital Projects Fund is a combination of several accounts, including the lagoon, water and well projects. The total cash balance for the Capital Projects Fund at the end of fiscal year 2010 was \$111,887, an increase of \$1,274,499 over the prior year. The main contributing factor to this increase was transfers from the Special Revenue, Fross Park Trust Fund and the Enterprise, Water and Sewer Funds to bring the Capital Projects Fund to a good financial standing.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$89,661 to \$430,534. The decrease was due to an increase in operating disbursements and transfers made to the Capital Projects Fund during fiscal year 2010.
- The Sewer Fund cash balance decreased \$54,594 to \$398,024, due primarily to an increase in operating disbursements and transfers to the Capital Projects Fund for sewer projects.
- The Solid Waste Fund cash balance increased \$9,193 to \$19,259, due primarily to an increase in solid waste and recycling rates during fiscal year 2009 which were in effect for the entire fiscal year.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2010, the City amended its budget one time. The amendment was approved on May 26, 2010 and resulted in a decrease in operating disbursements related to less capital project activity during the fiscal year than originally anticipated.

The City's receipts were \$765,154 more than budgeted. This was primarily due to the intergovernmental receipts being over budget by \$466,618 due to the City receiving Vision Iowa funds of \$212,069 during fiscal year 2010.

Total disbursements were \$1,751,490 less than budgeted. This was primarily due to the capital projects function being under budget by \$1,736,201. The City was expecting more activity on the water tower and the Lewis Access Road improvement projects and various other projects during the fiscal year.

The City exceeded the amount budgeted in the public works and culture and recreation functions for the year ended June 30, 2010 due primarily to various road projects in the Special Revenue, Road Use Tax Fund and the City under budgeting for the Special Revenue, Park and Recreation Fund due to it being created in fiscal year 2010.

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$2,072,000 in notes and other long-term debt outstanding, compared to approximately \$2,223,000 last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2010	2009
General obligation notes - water	310	365
General obligation notes - city	1,655	1,720
General obligation loan note - fire truck	107	138
Total	\$ 2,072	2,223

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,072,318 is significantly below its constitutional debt limit of approximately \$6 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Center Point's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City's total assessed valuation has increased 3.2%. Property tax is expected to increase in fiscal year 2011 compared to fiscal year 2010 due to the increase in assessed valuation.

The City of Center Point will be working on several major upgrades to the city infrastructure that affect the fiscal year 2011 budget. A new 500,000 gallon water tower is scheduled to begin construction in late 2010 with an estimated completion date in the fall of 2011. The new water tower tank is a unique structure that utilizes steel fused to glass. This type of tank will reduce maintenance costs over the lifespan of the tank.

Lewis Access Road is also slated to be torn out and reconstructed in the spring of 2011. The new road will be widened and have turning lanes. It is expected to accommodate and increase economic development, as well as traffic, along Lewis Access Road.

Iowa Street will be reconstructed from a gravel road to a concrete street. The new street will accommodate the increased pedestrian and automobile traffic to the new high school. Iowa street and the new high school have an estimated completion date of August 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

City of Center Point

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 75,264	39,605	-	-
Public works	333,763	-	208,934	-
Health and social services	15,664	-	-	-
Culture and recreation	276,385	12,215	58,272	-
General government	247,842	4,662	4,059	-
Debt service	288,807	-	-	-
Capital projects	403,332	-	-	212,069
Total governmental activities	1,641,057	56,482	271,265	212,069
Business type activities:				
Water	209,939	189,271	-	-
Sewer	199,902	171,802	-	-
Solid waste	121,740	130,933	-	-
Total business type activities	531,581	492,006	-	-
Total	\$ 2,172,638	548,488	271,265	212,069

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

Total general receipts and transfers
Change in cash basis net assets
Cash basis net assets beginning of year
Cash basis net assets end of year

Cash Basis Net Assets
Restricted:
 Nonexpendable:
 Cemetery perpetual care
 Expendable:
 Streets
 Urban renewal purposes
 Debt service
 Park and recreation
 Other purposes
 Capital projects
 Meter deposits
Unrestricted

Total cash basis net assets

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
(35,659)	-	(35,659)
(124,829)	-	(124,829)
(15,664)	-	(15,664)
(205,898)	-	(205,898)
(239,121)	-	(239,121)
(288,807)	-	(288,807)
(191,263)	-	(191,263)
<u>(1,101,241)</u>	<u>-</u>	<u>(1,101,241)</u>
-	(20,668)	(20,668)
-	(28,100)	(28,100)
-	9,193	9,193
<u>-</u>	<u>(39,575)</u>	<u>(39,575)</u>
<u>(1,101,241)</u>	<u>(39,575)</u>	<u>(1,140,816)</u>
630,094	-	630,094
260,999	-	260,999
78,477	-	78,477
225,577	-	225,577
6,411	1,780	8,191
54,533	-	54,533
97,267	(97,267)	-
<u>1,353,358</u>	<u>(95,487)</u>	<u>1,257,871</u>
252,117	(135,062)	117,055
<u>1,618,168</u>	<u>982,879</u>	<u>2,601,047</u>
<u>\$ 1,870,285</u>	<u>847,817</u>	<u>2,718,102</u>
\$ 45,316	-	45,316
148,647	-	148,647
177,277	-	177,277
811	154,771	155,582
304,796	-	304,796
381,148	-	381,148
111,887	-	111,887
-	37,775	37,775
<u>700,403</u>	<u>655,271</u>	<u>1,355,674</u>
<u>\$ 1,870,285</u>	<u>847,817</u>	<u>2,718,102</u>

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, 2010

	General	Special Revenue		
		Road Use Tax	Urban Renewal Tax Increment	Park and Recreation
Receipts:				
Property tax	\$ 546,035	-	-	-
Tax increment financing	-	-	78,477	-
Other city tax	229,977	-	-	-
Licenses and permits	50,054	-	-	-
Use of money and property	6,991	-	-	315
Intergovernmental	47,522	207,027	-	-
Charges for service	100	-	-	100
Miscellaneous	12,945	-	-	13,423
Total receipts	893,624	207,027	78,477	13,838
Disbursements:				
Operating:				
Public safety	75,264	-	-	-
Public works	99,892	217,972	-	-
Health and social services	15,664	-	-	-
Culture and recreation	179,417	-	-	41,942
General government	213,592	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	583,829	217,972	-	41,942
Excess (deficiency) of receipts over (under) disbursements	309,795	(10,945)	78,477	(28,104)
Other financing sources (uses):				
Transfers in	-	-	-	332,900
Transfers out	-	-	(70,000)	-
Total other financing sources (uses)	-	-	(70,000)	332,900
Net change in cash balances	309,795	(10,945)	8,477	304,796
Cash balances beginning of year	390,608	159,592	168,800	-
Cash balances end of year	\$ 700,403	148,647	177,277	304,796
Cash Basis Fund Balances				
Reserved for:				
Debt service	\$ -	-	-	-
Cemetery perpetual care	-	-	-	-
Unreserved:				
General fund	700,403	-	-	-
Special revenue funds	-	148,647	177,277	304,796
Capital projects fund	-	-	-	-
Total cash basis fund balances	\$ 700,403	148,647	177,277	304,796

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
258,856	-	78,872	883,763
-	-	-	78,477
2,142	-	788	232,907
-	-	50	50,104
-	-	1,079	8,385
-	212,069	-	466,618
-	-	-	200
-	250	48,835	75,453
260,998	212,319	129,624	1,795,907
-	-	-	75,264
-	-	15,899	333,763
-	-	-	15,664
-	-	55,026	276,385
-	-	34,250	247,842
288,807	-	-	288,807
-	403,332	-	403,332
288,807	403,332	105,175	1,641,057
(27,809)	(191,013)	24,449	154,850
70,000	1,465,512	-	1,868,412
-	-	(1,701,145)	(1,771,145)
70,000	1,465,512	(1,701,145)	97,267
42,191	1,274,499	(1,676,696)	252,117
(41,380)	(1,162,612)	2,103,160	1,618,168
811	111,887	426,464	1,870,285
811	-	-	811
-	-	45,316	45,316
-	-	-	700,403
-	-	381,148	1,011,868
-	111,887	-	111,887
811	111,887	426,464	1,870,285

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, 2010

	Enterprise			
	Water	Sewer	Solid Waste	Total
Operating receipts:				
Charges for service	\$ 188,124	171,792	130,772	490,688
Miscellaneous	1,147	10	161	1,318
Total operating receipts	189,271	171,802	130,933	492,006
Operating disbursements:				
Business type activities	209,939	199,902	121,740	531,581
Excess (deficiency) of operating receipts over (under) operating disbursements	(20,668)	(28,100)	9,193	(39,575)
Non-operating receipts:				
Interest on investments	1,224	556	-	1,780
Excess (deficiency) of receipts over (under) disbursements	(19,444)	(27,544)	9,193	(37,795)
Operating transfers out	(70,217)	(27,050)	-	(97,267)
Net change in cash balances	(89,661)	(54,594)	9,193	(135,062)
Cash balances beginning of year	520,195	452,618	10,066	982,879
Cash balances end of year	\$ 430,534	398,024	19,259	847,817
Cash Basis Fund Balances				
Reserved for:				
Debt service	\$ 89,483	65,288	-	154,771
Meter deposits	37,775	-	-	37,775
Unreserved	303,276	332,736	19,259	655,271
Total cash basis fund balances	\$ 430,534	398,024	19,259	847,817

See notes to financial statements.

City of Center Point

Notes to Financial Statements

June 30, 2010

(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 include the City of Center Point (the 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 E911 Service Board.

B. Basis of Presentation

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

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

Nonexpendable net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Park and Recreation Fund is used to account for activity related to the City parks.

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

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

The City reports the following major proprietary funds:

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

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

The Solid Waste Fund accounts for the operation of the City's solid waste disposal 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 assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public works and culture and recreation functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Long-Term Debt

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

Year Ending June 30,	General Obligation Notes		General Obligation Loan Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2011	155,000	91,633	15,331	5,205	170,331
2012	165,000	85,107	15,331	4,474	180,331	89,581
2013	170,000	77,832	15,331	3,718	185,331	81,550
2014	175,000	70,093	15,331	2,974	190,331	73,067
2015	185,000	57,658	15,331	2,231	200,331	59,889
2016-2020	650,000	213,180	30,663	2,234	680,663	215,414
2021-2023	465,000	47,090	-	-	465,000	47,090
Total	\$1,965,000	642,593	107,318	20,836	2,072,318	663,429

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$24,898, \$20,619 and \$17,543, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 21 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. 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 plan members are \$624 for single coverage and \$1,559 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2010, the City contributed \$97,955 and plan members eligible for benefits contributed \$9,985 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation payable to employees at June 30, 2010, primarily relating to the General Fund, is \$19,500. This liability has been computed based on rates of pay in effect at June 30, 2010.

(7) Risk Management

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

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Special Revenue: Urban Renewal Tax Increment	\$ 70,000
Special Revenue: Park and Recreation	Fross Park Trust	332,900
Capital Projects	General Special Revenue: Fross Park Trust	1,368,245
	Enterprise: Water	70,217
	Sewer	27,050
		<u>1,465,512</u>
Total		<u>\$ 1,868,412</u>

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

(9) Construction Commitments

The City entered into various construction contracts during the year. Unpaid contract commitments as of June 30, 2010 totaled \$263,407, which will be paid as work on the projects progresses.

(10) Subsequent Events

In July 2010, the City entered into an agreement for the 2010 water main improvement project totaling \$211,917.

In September 2010, the City accepted a bid for the water tower and connection mains for \$105,844.

In September 2010, the City accepted a bid for a 500,000 gallon water tower for \$1,164,500.

In September 2010, the City accepted a bid for the 1st Avenue North drainage project for \$73,609.

In October 2010, the City awarded a contract for a water main project for \$71,376.

City of Center Point

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required To be Budgeted	Total
Receipts:				
Property tax	\$ 883,763	-	-	883,763
Tax increment financing	78,477	-	-	78,477
Other city tax	232,907	-	-	232,907
Licenses and permits	50,104	-	-	50,104
Use of money and property	8,385	1,780	324	9,841
Intergovernmental	466,618	-	-	466,618
Charges for service	200	490,688	-	490,888
Miscellaneous	75,453	1,318	31,109	45,662
Total receipts	<u>1,795,907</u>	<u>493,786</u>	<u>31,433</u>	<u>2,258,260</u>
Disbursements:				
Public safety	75,264	-	-	75,264
Public works	333,763	-	-	333,763
Health and social services	15,664	-	-	15,664
Culture and recreation	276,385	-	9,631	266,754
Community and economic development	-	-	-	-
General government	247,842	-	-	247,842
Debt service	288,807	-	-	288,807
Capital projects	403,332	-	-	403,332
Business type activities	-	531,581	-	531,581
Total disbursements	<u>1,641,057</u>	<u>531,581</u>	<u>9,631</u>	<u>2,163,007</u>
Excess (deficiency) of receipts over (under) disbursements	154,850	(37,795)	21,802	95,253
Other financing sources (uses), net	97,267	(97,267)	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	252,117	(135,062)	21,802	95,253
Balances beginning of year	1,618,168	982,879	-	2,601,047
Balances end of year	<u>\$ 1,870,285</u>	<u>847,817</u>	<u>21,802</u>	<u>2,696,300</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
Original	Final	Total Variance
891,024	891,024	(7,261)
70,000	70,000	8,477
14,982	14,982	217,925
-	-	50,104
4,500	4,500	5,341
-	-	466,618
512,600	512,600	(21,712)
-	-	45,662
<u>1,493,106</u>	<u>1,493,106</u>	<u>765,154</u>
71,826	75,826	562
255,565	255,565	(78,198)
8,500	15,700	36
229,298	229,298	(37,456)
10,400	10,400	10,400
260,750	260,750	12,908
376,395	376,395	87,588
3,139,533	2,139,533	1,736,201
551,030	551,030	19,449
<u>4,903,297</u>	<u>3,914,497</u>	<u>1,751,490</u>
(3,410,191)	(2,421,391)	2,516,644
<u>3,075,038</u>	<u>1,335,000</u>	<u>(1,335,000)</u>
(335,153)	(1,086,391)	1,181,644
<u>2,601,047</u>	<u>2,601,047</u>	-
<u>2,265,894</u>	<u>1,514,656</u>	<u>1,181,644</u>

City of Center Point

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the 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 decreased budgeted disbursements by \$988,800. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public works and culture and recreation functions.

Other Supplementary Information

City of Center Point

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

As of and for the year ended June 30, 2010

	Special Revenue			
	Employee Benefits	Fross Park Trust	Library Capital Equipment	Cemetery Stone Repair
Receipts:				
Property tax	\$ 78,872	-	-	-
Other city tax	788	-	-	-
Licenses and Permits	-	-	-	-
Use of money and property	-	565	190	-
Miscellaneous	-	6,192	10,784	-
Total receipts	79,660	6,757	10,974	-
Disbursements:				
Operating:				
Public works	15,702	-	-	-
Culture and recreation	38,747	5,517	971	160
General government	34,250	-	-	-
Total disbursements	88,699	5,517	971	160
Excess (deficiency) of receipts over (under) disbursements	(9,039)	1,240	10,003	(160)
Other financing (uses):				
Operating transfers out	-	(1,701,145)	-	-
Net change in cash balances	(9,039)	(1,699,905)	10,003	(160)
Cash balances beginning of year	103,093	1,801,145	68,841	530
Cash balances end of year	\$ 94,054	101,240	78,844	370
Cash Basis Fund Balances				
Reserved for cemetery perpetual care	\$ -	-	-	-
Unreserved:				
Special revenue funds	94,054	101,240	78,844	370
Total cash basis fund balances	\$ 94,054	101,240	78,844	370

See accompanying independent auditor's report.

Capital Equipment Replacement	Sidewalk Revolving	Friends of the Center Point Public Library	Permanent		Total
			Cemetery Perpetual Care		
-	-	-	-	-	78,872
-	-	-	-	-	788
-	-	-	50	-	50
-	-	324	-	-	1,079
-	-	31,109	750	-	48,835
-	-	31,433	800	-	129,624
-	197	-	-	-	15,899
-	-	9,631	-	-	55,026
-	-	-	-	-	34,250
-	197	9,631	-	-	105,175
-	(197)	21,802	800	-	24,449
-	-	-	-	-	(1,701,145)
-	(197)	21,802	800	-	(1,676,696)
39,871	45,164	-	44,516	-	2,103,160
39,871	44,967	21,802	45,316	-	426,464
-	-	-	45,316	-	45,316
39,871	44,967	21,802	-	-	381,148
39,871	44,967	21,802	45,316	-	426,464

City of Center Point
Schedule of Indebtedness
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Water improvements	Sep 15, 2005	4.85-6.00%	540,000
City improvements	Nov 12, 2008	3.30-5.05	1,720,000
Total			
General obligation loan note:			
Fire truck	Jun 21, 2007	4.85%	\$ 153,311

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
365,000	-	55,000	310,000	20,870
1,720,000	-	65,000	1,655,000	113,395
<u>\$ 2,085,000</u>	-	120,000	1,965,000	134,265
<u>137,980</u>	-	30,662	107,318	3,079

Schedule 3

City of Center Point

Note Maturities

June 30, 2010

Year Ending June 30,	General Obligation Notes					General Obligation Loan Note		
	Water Improvements		City Improvements			Fire Truck		
	Issued Sep 15, 2005		Issued Nov 12, 2008			Issued Jun 21, 2007		
	Interest Rates	Amount	Interest Rates	Amount	Total	Interest Rates	Amount	
2011	5.50%	\$ 55,000	3.50%	\$ 100,000	155,000	4.85%	\$ 15,331	
2012	5.65	60,000	3.70	105,000	165,000	4.85	15,331	
2013	5.75	60,000	3.90	110,000	170,000	4.85	15,331	
2014	5.90	65,000	4.00	110,000	175,000	4.85	15,331	
2015	6.00	70,000	4.15	115,000	185,000	4.85	15,331	
2016		-	4.30	120,000	120,000	4.85	15,331	
2017		-	4.40	125,000	125,000	4.85	15,332	
2018		-	4.60	130,000	130,000		-	
2019		-	4.70	135,000	135,000		-	
2020		-	4.80	140,000	140,000		-	
2021		-	4.90	150,000	150,000		-	
2022		-	5.00	155,000	155,000		-	
2023		-	5.05	160,000	160,000		-	
Total		<u>\$ 310,000</u>		<u>\$ 1,655,000</u>	<u>1,965,000</u>		<u>\$ 107,318</u>	

City of Center Point

City of Center Point

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

For the Last Eight Years

	2010	2009	2008	2007	2006
Receipts:					
Property tax	\$ 883,763	754,854	522,518	557,574	506,908
Tax increment financing	78,477	105,842	100,648	69,611	125,097
Other city tax	232,907	28,484	21,731	26,075	22,175
Licenses and permits	50,104	13,480	15,862	31,590	26,377
Use of money and property	8,385	15,517	66,803	82,118	50,801
Intergovernmental	466,618	544,166	487,197	238,506	225,070
Charges for service	200	4,225	3,671	107,414	109,295
Special assessments	-	-	-	-	398
Miscellaneous	75,453	40,457	41,605	280,492	1,060,160
Total	\$ 1,795,907	1,507,025	1,260,035	1,393,380	2,126,281
Disbursements:					
Operating:					
Public safety	\$ 75,264	70,902	220,442	163,095	60,847
Public works	333,763	224,548	224,952	344,176	373,250
Health and social services	15,664	7,656	10,554	-	-
Culture and recreation	276,385	199,992	189,355	215,213	438,354
Community and economic development	-	-	-	-	2,185
General government	247,842	224,528	128,985	164,526	143,741
Debt service	288,807	200,108	163,427	139,035	121,048
Capital projects	403,332	2,214,227	980,373	434,561	264,861
Total	\$ 1,641,057	3,141,961	1,918,088	1,460,606	1,404,286

See accompanying independent auditor's report.

2005	2004	2003
459,136	421,080	\$ 385,358
25,832	23,478	23,692
20,332	24,751	194,641
40,134	37,569	20,894
9,229	6,306	5,797
212,934	267,500	414,282
174,998	85,289	82,807
431	863	662
733,613	24,243	23,947
<u>1,676,639</u>	<u>891,079</u>	<u>1,152,080</u>

60,281	66,848	\$ 58,820.00
340,356	282,499	312,660.00
-	-	-
237,317	242,168	126,442.00
-	-	-
158,133	132,257	104,684.00
65,682	130,700	80,311.00
432,576	230,168	428,945.00
<u>1,294,345</u>	<u>1,084,640</u>	<u>1,111,862</u>

City of Center Point



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Center Point, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 12, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be 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 described in the accompanying Schedule of Findings as items (A) through (D) 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 (E) through (I) 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 12, 2011

City of Center Point
Schedule of Findings
Year ended June 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. 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) Cash – reconciling bank accounts, initiating cash receipt and disbursement functions, handling petty cash and recording cash.
 - (2) Investments – detailed record keeping and reconciling earnings.
 - (3) Receipts – collecting, depositing, journalizing and posting.
 - (4) Utility receipts – billing, collecting, depositing, posting and reconciling.
 - (5) Disbursements – purchasing, check signing, recording and reconciling.
 - (6) Payroll – preparing and distributing.
 - (7) Transfers – recording and reconciling.
 - (8) Financial reporting – preparing, reconciling and distributing.
 - (9) Accounting system – performing all general accounting functions and having custody of City assets.
 - (10) Information system (computer usage) – performing all general accounting functions and controlling all data input and output, including journal entries.

In addition, an initial listing of mail receipts is not prepared by the mail opener.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review.

Response – Due to the limited number of full time staff in the office it is difficult to achieve the proper segregation duties. The City will review and update its procedures to comply as best we can.

Conclusion – Response accepted.

City of Center Point

Schedule of Findings

Year ended June 30, 2010

- (B) Financial Reporting – During the audit, we identified material errors in the City’s financial records. Adjustments were subsequently made by the City to properly report the amounts in the City’s financial statements.

Recommendation – The City should implement procedures to ensure receipts and disbursements are properly recorded in the City’s financial statements.

Response – The City will implement procedures to ensure receipts and disbursements are properly recorded in the City’s financial statements.

Conclusion – Response accepted.

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

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

Response – Senior Auditor Grady created a spreadsheet and showed Deputy Clerk Kramer how it worked. She has been using the spreadsheet provided and it seems to be working well. We will visit with the Auditor if we have any issues.

Conclusion – Response accepted.

- (D) Monthly Bank Reconciliations – Although monthly bank reconciliations were prepared, the reconciliations included only the City checking account and did not include investments, Library checking and money market accounts and other reconciling items necessary to reconcile with the monthly financial reports. Additionally, the City’s fund balances did not reconcile to the bank at June 30, 2010. These items were properly adjusted for reporting purposes.

Recommendation – To provide better control over financial transactions and overall accountability, monthly bank reconciliations should include all checking accounts, investments, petty cash and reconciling items. The reconciliations should agree with the fund and account balances on the clerk/treasurer’s monthly financial report.

Response – All City monies will be accounted for and balanced monthly.

Conclusion – Response accepted.

City of Center Point

Schedule of Findings

Year ended June 30, 2010

(E) Information System – During our review of internal control, the existing control activities in the City’s computer system were evaluated to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. Although the City has adopted written policies, certain items were not included in the plan. Specifically, the plan does not address the following:

- Password privacy and confidentiality.
- Requiring password changes because software does not require the user to change log-ins/passwords periodically.

Recommendation – The City should develop written policies addressing the above items to improve the City’s control over its computer based financial system.

Response – The City will add password requirements to its policy. Per the City policy passwords are updated January 1 and July1. Each individual must place their password in a sealed envelope and give to the City Attorney for safekeeping. Computers will be set to lock after 10 minutes of inactivity.

Conclusion – Response accepted.

(F) Uniform Chart of Accounts – Certain items were not coded to the proper expense code in the financial records according to the Uniform Chart of Accounts.

Recommendation – The City should ensure all items are coded to the proper expense codes in the financial records according to the Uniform Chart of Accounts.

Response – The City will use the Uniform Chart of Accounts to correct the coding errors.

Conclusion – Response accepted.

(G) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- 1) Aid in training additional or replacement personnel.
- 2) Help achieve uniformity in accounting and in the application of policies and procedures.
- 3) Save supervisory time by recording decisions so that they will not have to be made each time the same, or a similar, situation arises.

Response – The City will work to get one created before the next audit.

Conclusion – Response accepted.

City of Center Point

Schedule of Findings

Year ended June 30, 2010

- (H) Local Option Sales Tax – The ballot for the local option sales tax authorizes the City to collect the tax and to allocate 10% for property tax relief and 90% for repairs, replacements, upgrades and new additions to the infrastructure systems of the City, including sanitary sewer, storm sewer, water treatment, water distribution and streets, including the Lewis Access Paving Project.

The City transfers from the General Fund to other funds for reimbursement of disbursements. However, in fiscal year 2010 the City did not transfer to the Special Revenue, Road Use Tax Fund for one disbursement approved by the Council. Additionally, the City does not track the receipts on a separate line item in the General Fund or monitor the disbursements against the ballot.

Recommendation – The City should transfer to the appropriate funds when a disbursement for local option sales tax is approved by the Council. Additionally, the City should set up a separate line item to track the local option sales tax as it is collected. The City should document the purpose of the local option sales tax transfer to demonstrate compliance with the ballot requirements.

Response – The City has already set up a new special revenue fund to track the local option sales tax money. When the money is to be used it will be transferred with Council approval to the correct fund.

Conclusion – Response accepted.

- (I) Interest Earned – The City did not record interest on various bank accounts and CD's for the month ended June 30, 2010.

Recommendation – The City should establish procedures to ensure all interest receipts are properly recorded.

Response – With each bank reconciliation the City will add the accruing interest to the appropriate funds once all accounts are added.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Center Point

Schedule of Findings

Year ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public works and culture and recreation functions prior to the May 26, 2010 budget amendment. At June 30, 2010, disbursements exceeded the amounts budgeted in the public works and culture and recreation functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will correct the budget issues for fiscal year 2011 as soon as possible and ensure it will not happen going forward in the future.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.

The City provides cell phones for usage by the City works employees and the City Administrator. Two cellular telephone service billings reviewed included a total of \$4.98 in EasyEdge charges.

An employee was reimbursed for lodging, but there was no documented reason as to why this employee was being reimbursed. After speaking with City personnel, it was determined the reimbursement was for an Iowa Rural Water Association Conference, which was not documented on the claim.

The City is required to submit monthly reports to IPERS. The City incurred \$114.50 in late charges for submitting these reports late.

According to the Attorney General’s opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between proper and an improper purpose is very thin.

Recommendation – Cellular phone bills should be scrutinized for proper usage by the City works employees and the City Administrator. Any employee using cell phones for personal usage should reimburse the City for those charges. In addition, the City should document the reason why an employee is being reimbursed.

The City should submit the monthly IPERS reports timely.

City of Center Point

Schedule of Findings

Year ended June 30, 2010

Response – The employee who incurred the EasyEdge charges will work to ensure that it doesn't happen in the future.

The City will update the reimbursement policy to reflect documenting public purpose.

The City has changed the procedure to bi-weekly payments. Each time payroll is run and the check is cut for IPERS the payment is sent immediately and the report is completed the first week of each month.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions - No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the State Treasurer's Office annually. The City did not remit these obligations as required.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the State Treasurer's Office as required.

Response – All items will be resolved before the next audit.

Conclusion – Response accepted.

City of Center Point

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager
Daniel L. Grady, Senior Auditor
Jacqueline E. Gulick, Staff Auditor
Kristin M. Ockenfels, Staff Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State