

**CITY OF CENTER POINT, IOWA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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# Officials

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Name	Title	Term Expires
<b>Elected Officials</b>		
Paula Freeman-Brown	Mayor	December 31, 2015
John Stuelke	Mayor Pro tem	December 31, 2017
Paul Mann	Council Member	December 31, 2015
Matt Brunner	Council Member	December 31, 2015
Michael Stanton	Council Member (resigned August 26, 2014)	December 31, 2017
Josh Hendryx	Council Member (appointed December 9, 2014)	December 31, 2017
Adam Reece	Council Member	December 31, 2017
<b>Appointed Officials</b>		
Chelsea Huisman	City Administrator	Indefinite
Melissa Atkinson	City Clerk/Treasurer	Indefinite
Sarah Tritle	Deputy Clerk	Indefinite
Anne Kruse	City Attorney	Indefinite

## Independent Auditor's Report

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To the Honorable Mayor  
and Members of the City Council  
City of Center Point, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Center Point, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Center Point as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended, in accordance with the basis of accounting described in Note 1.

### **Basis of Accounting**

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

### **Emphasis of a Matter**

As discussed in Note 4 to the financial statements, the City of Center Point adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Center Point's basic financial statements. The financial statements for the nine years ended June 30, 2014 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report who expressed unmodified opinions on those financial statements which were prepared in accordance with an other comprehensive basis of accounting. The supplementary information included on pages 32 through 35, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Center Point's basic financial statements. The City's management's discussion and analysis, the budgetary comparison information, the schedule of proportionate share of the net pension liability and the schedule or contributions on pages 5 through 11 and 26 through 31, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

To the Honorable Mayor  
and Members of the City Council  
City of Center Point, Iowa  
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**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated January 21, 2016 on our consideration of the City of Center Point's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Center Point's internal control over financial reporting and compliance.

*HOGAN - HANSEN*

HOGAN - HANSEN

Cedar Rapids, Iowa  
January 21, 2016

## **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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2015 FINANCIAL HIGHLIGHTS**

Receipts of the City's governmental activities decreased 15.3%, or \$485,602, in fiscal year 2015 from fiscal year 2014. The decrease was due to a fundraising campaign for the library expansion project that was completed in the prior year.

Disbursements of the City's governmental activities increased 25.4%, or \$458,791, in fiscal year 2015 from fiscal year 2014. The increase was due to disbursements for the Safe Routes to School Project that was completed in the current year and the library expansion project.

The City's total cash basis net position increased 8.6%, or \$432,501, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased \$384,115 and the cash basis net position of the business-type activities increased \$48,386.

### **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 position - cash basis. 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 the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

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 accounting principles generally accepted in the United States of America. 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 position - cash basis reports information which helps answer this question.

The statement of activities and net position - cash basis presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities and net position - cash basis is divided into two kinds of activities:

- Governmental activities include public safety, public works, culture and recreation, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business-type activities include the water, sanitary sewer, solid waste and storm sewer systems. 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 (a) the General Fund; (b) the Special Revenue Funds such as Sidewalk Revolving and Local Option Sales Tax; (c) the Debt Service Fund; (d) the Capital Projects Fund; and (e) 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 several enterprise funds to provide separate information for water, sewer, solid waste and storm sewer funds. The water, sewer and solid waste funds are 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

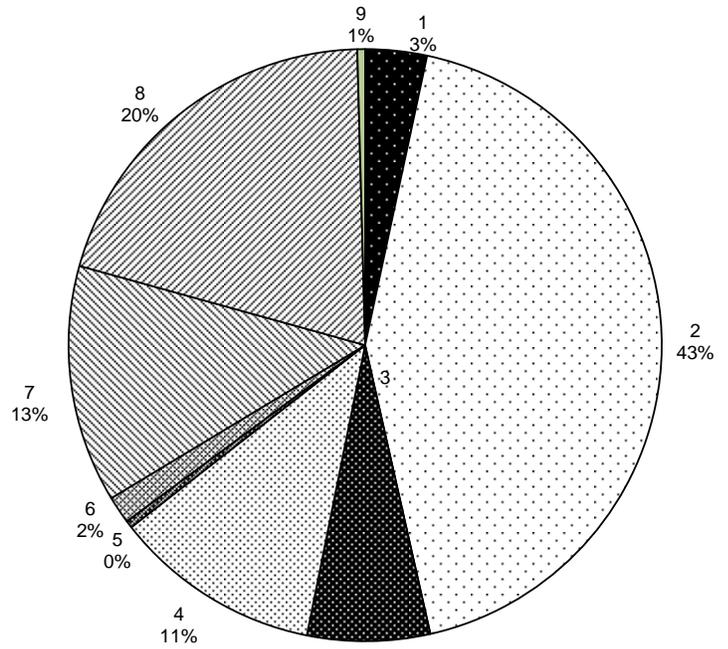
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$4,504,705 a year ago to \$4,888,820. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

### Changes in Cash Basis Net Position of Governmental Activities

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
Receipts		
Program Receipts		
Charges for service	\$ 90,405	\$ 101,155
Operating grants and contributions	349,369	438,476
Capital grants and contributions	546,010	1,075,932
General Receipts		
Property and other city tax	1,162,134	1,054,302
Tax increment financing	180,159	184,233
Local option sales tax	304,603	299,680
Unrestricted interest on investments	10,915	7,151
Other general receipts	11,464	20,066
Sale of capital assets	40,334	—
Total Receipts	<u>2,695,393</u>	<u>3,180,995</u>
Disbursements		
Public safety	88,491	88,374
Public works	519,514	325,899
Health and social services	—	2,072
Culture and recreation	800,404	590,757
General government	360,715	301,127
Debt service	494,854	496,958
Total Disbursements	<u>2,263,978</u>	<u>1,805,187</u>
Change in Cash Basis Net Position Before Transfers	431,415	1,375,808
Transfers, net	<u>(47,300)</u>	<u>(19,000)</u>
Change in Cash Basis Net Position	384,115	1,356,808
Cash Basis Net Position - Beginning of Year	<u>4,504,705</u>	<u>3,147,897</u>
<b>Cash Basis Net Position - End of Year</b>	<b><u>\$ 4,888,820</u></b>	<b><u>\$ 4,504,705</u></b>

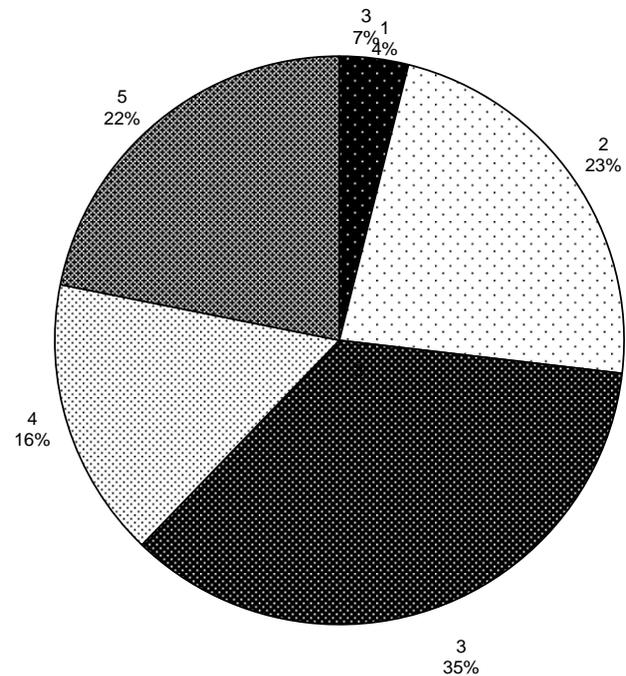
### Receipts by Source

1. Charges for service	\$ 90,405
2. Property and other city tax	1,162,134
3. Tax increment financing	180,159
4. Local option sales tax	304,603
5. Unrestricted interest on investments	10,915
6. Sale of capital assets	40,334
7. Operating grants and contributions	349,369
8. Capital grants and contributions	546,010
9. Other general receipts	<u>11,464</u>
<b>Total</b>	<b><u>\$ 2,695,393</u></b>



### Disbursements by Function

1. Public safety	\$ 88,491
2. Public works	519,514
3. Culture and recreation	800,404
4. General government	360,715
5. Debt service	<u>494,854</u>
<b>Total</b>	<b><u>\$ 2,263,978</u></b>



The City's total receipts for governmental activities decreased by 15.3%, or approximately \$485,000. The decrease was due to a fundraising campaign for the library expansion project that was completed in the prior year.

The total cost of all programs and services increased by approximately \$460,000, or 25.4%. The increase was due to disbursements for the Safe Routes to School Project and the library expansion project.

## Changes in Cash Basis Net Position of Business-Type Activities

	Year Ended June 30,	
	2015	2014
Receipts		
Program Receipts		
Charges for Service		
Water	\$ 382,506	\$ 370,454
Sewer	221,759	204,830
Solid waste	140,512	137,811
Storm sewer	12,758	—
General Receipts		
Bond proceeds	—	5,000
Unrestricted interest on investments	4,103	1,668
Total Receipts	761,638	719,763
Disbursements		
Water	372,481	281,587
Sewer	233,282	250,284
Solid waste	154,789	140,029
Total Disbursements	760,552	671,900
Change in Cash Basis Net Position Before Transfers	1,086	47,863
Transfers, net	47,300	19,000
Change in Cash Basis Net Position	48,386	66,863
Cash Basis Net Position - Beginning of Year	499,052	432,189
<b>Cash Basis Net Position - End of Year</b>	<b>\$ 547,438</b>	<b>\$ 499,052</b>

Total business-type activities receipts for the fiscal year were \$761,638 compared to \$719,763 last year, an increase of 5.8%. The cash balance increased by \$48,386, or 9.7%, from the prior year. Total disbursements for the fiscal year increased by 13.2%, or \$88,652.

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City of Center Point's governmental funds reported a combined fund balance of \$4,888,820, an increase of \$384,115 from last year's total of \$4,504,705.

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 \$303,222 from the prior year to \$2,090,525. This increase was due to an increase in property tax receipts and transfers in from other funds.

The Special Revenue, Sidewalk Revolving Fund cash balance increased by \$76,045 from the prior year to \$0. This increase was due to a grant received and transfers in to pay for the Safe Routes to School Project which was completed in the current year.

The Special Revenue, Local Option Sales Tax Fund was established to account for receipts and disbursements authorized by the referendum vote on May 5, 2009 and readopted on May 3, 2011 for the period July 1, 2014 through June 30, 2034. At the end of the fiscal year, the cash balance was \$1,029,484, an increase of \$31,072 from the previous year. The increase is primarily due to the City collecting \$304,603 in local option sales tax receipts with no disbursements and two transfers out totaling \$276,083. The City is planning to use the balance to fund future street construction or sewer plant improvement projects.

The Debt Service Fund cash balance increased \$78,810 from the prior year to \$68,322. The increase was primarily due to transfers in from the Special Revenue, Urban Renewal Tax Increment Financing Fund to pay tax increment debt.

The Capital Projects Fund traditionally is a combination of several accounts. As of June 30, 2015, it accounts for wayfinding/beautification and the library expansion project. The total cash balance for the Capital Projects Fund increased \$985,888 from the prior year to \$1,133,533. The increase was the result of transfers from the General Fund, Special Revenue, Library Capital Equipment Fund and Special Revenue, Friends of the Center Point Public Library, contributions and grants well in excess of disbursements.

## **INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS**

The Enterprise, Water Fund cash balance increased \$44,215 to a balance of \$83,774. The increase was due to transfers in from the Special Revenue, Local Option Sales Tax Fund to pay the cleaning and painting of the above-ground storage tank.

The Enterprise, Sewer Fund cash balance increased \$5,690 to a balance of \$397,930. The increase was due to incurring less repair and maintenance costs related the City's sanitary sewer system and increased sewer rates.

The Enterprise, Solid Waste Fund cash balance decreased \$14,277 to \$52,976 due primarily to a slight increase in operating disbursements.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 12, 2015. The amendment resulted in increasing budgeted disbursements \$250,000, increasing budgeted transfers out \$1,000,000 and budgeted receipts \$1,486,831. Disbursements increased for the Safe Routes to School Project.

The City's receipts were \$1,808,744 less than budgeted and disbursements were \$5,257,252 less than budgeted. Capital projects activity did not progress as expected.

During the year ended June 30, 2015, disbursements in public works, culture and recreation, general government and business-type activities functions exceeded the budgeted amounts.

## DEBT ADMINISTRATION

As of June 30, 2015, the City had \$4,967,322 of bonds notes outstanding, compared to \$5,367,653 last year, as shown below.

### Outstanding Debt at Year End

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
General obligation notes	\$ 3,650,000	\$ 3,975,000
Revenue bonds	1,287,000	1,347,000
General obligation loan note	<u>30,322</u>	<u>45,653</u>
<b>Total</b>	<b><u>\$ 4,967,322</u></b>	<b><u>\$ 5,367,653</u></b>

Debt decreased as a result of payment of principal during the fiscal year.

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 \$3,680,322 is below its constitutional debt limit of \$7,232,457. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The elected and appointed officials as well as the citizens of Center Point considered many factors such as the City's Capital Improvement Plan, Comprehensive Plan and the current economy when setting the fiscal year 2016 budget, tax rates and fees charged for City services and activities.

All of these factors were taken into account when adopting the budget for fiscal year 2016. The amount available for appropriation in the operating budget is approximately \$1,097,000, an increase of 5% over fiscal year 2015. Budgeted disbursements are \$3,028,000 less than in fiscal year 2015 due to the reduction of budgeted capital projects.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$400,000 by the close of fiscal year 2016.

## 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, please contact Chelsea Huisman, City Administrator at 200 Franklin Street, Center Point, IA 52213.

## **Basic Financial Statements**

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**Statement of Activities and Net Position - Cash Basis**

As of and for the Year Ended June 30, 2015

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental Activities</b>							
Public safety .....	\$ 88,491	\$ 24,964	\$ —	\$ —	\$ (63,527)	\$ —	\$ (63,527)
Public works .....	519,514	—	252,388	168,004	(99,122)	—	(99,122)
Culture and recreation .....	800,404	60,338	93,441	378,006	(268,619)	—	(268,619)
General government.....	360,715	5,103	3,540	—	(352,072)	—	(352,072)
Debt service .....	494,854	—	—	—	(494,854)	—	(494,854)
<b>Total Governmental Activities .....</b>	<b>2,263,978</b>	<b>90,405</b>	<b>349,369</b>	<b>546,010</b>	<b>(1,278,194)</b>	<b>—</b>	<b>(1,278,194)</b>
<b>Business-Type Activities</b>							
Water.....	372,481	382,506	—	—	—	10,025	10,025
Sewer.....	233,282	221,759	—	—	—	(11,523)	(11,523)
Solid waste.....	154,789	140,512	—	—	—	(14,277)	(14,277)
Storm sewer.....	—	12,758	—	—	—	12,758	12,758
<b>Total Business-Type Activities.....</b>	<b>760,552</b>	<b>757,535</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(3,017)</b>	<b>(3,017)</b>
<b>Total .....</b>	<b>\$ 3,024,530</b>	<b>\$ 847,940</b>	<b>\$ 349,369</b>	<b>\$ 546,010</b>	<b>(1,278,194)</b>	<b>(3,017)</b>	<b>(1,281,211)</b>
<b>General Receipts and Transfers</b>							
Property and Other City Tax Levied for							
General purposes.....					853,251	—	853,251
Debt service.....					308,883	—	308,883
Tax increment financing .....					180,159	—	180,159
Local option sales tax.....					304,603	—	304,603
Unrestricted interest on investments.....					10,915	4,103	15,018
Miscellaneous.....					11,464	—	11,464
Sale of capital assets.....					40,334	—	40,334
Transfers, net .....					(47,300)	47,300	—
<b>Total General Receipts and Transfers .....</b>					<b>1,662,309</b>	<b>51,403</b>	<b>1,713,712</b>
<b>Change in Cash Basis Net Position .....</b>					<b>384,115</b>	<b>48,386</b>	<b>432,501</b>
Cash Basis Net Position - Beginning of Year .....					4,504,705	499,052	5,003,757
<b>Cash Basis Net Position - End of Year.....</b>					<b>\$ 4,888,820</b>	<b>\$ 547,438</b>	<b>\$ 5,436,258</b>
<b>Cash Basis Net Position</b>							
Restricted							
Nonexpendable							
Cemetery perpetual care.....					\$ 55,265	\$ —	\$ 55,265
Expendable							
Employee benefits.....					70,596	—	70,596
Streets.....					313,410	—	313,410
Local option sales tax.....					1,029,484	—	1,029,484
Library expansion project .....					1,149,948	—	1,149,948
Debt service .....					68,322	164,297	232,619
Other purposes .....					176,707	—	176,707
Customer deposits .....					—	40,677	40,677
Unrestricted.....					2,025,088	342,464	2,367,552
<b>Total Cash Basis Net Position .....</b>					<b>\$ 4,888,820</b>	<b>\$ 547,438</b>	<b>\$ 5,436,258</b>

See accompanying notes to the financial statements.

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

As of and for the Year Ended June 30, 2015

	General	Special Revenue		Debt Service	Capital Projects	Nonmajor	Total
		Sidewalk Revolving	Local Option Sales Tax				
<b>Receipts</b>							
Property tax.....	\$ 722,254	\$ —	\$ —	\$ —	\$ —	\$ 106,272	\$ 828,526
Tax increment financing .....	—	—	—	—	—	180,159	180,159
Other city tax .....	24,725	—	304,603	308,883	—	—	638,211
Licenses and permits.....	29,200	—	—	—	—	110	29,310
Use of money and property .....	11,308	—	2,552	—	—	3,065	16,925
Intergovernmental .....	68,364	95,623	—	—	75,910	251,742	491,639
Charges for service .....	33,287	—	—	—	—	—	33,287
Special assessments.....	—	—	—	72,381	—	—	72,381
Miscellaneous.....	34,727	—	—	—	67,800	262,094	364,621
<b>Total Receipts</b> .....	<b>923,865</b>	<b>95,623</b>	<b>307,155</b>	<b>381,264</b>	<b>143,710</b>	<b>803,442</b>	<b>2,655,059</b>
<b>Disbursements</b>							
Operating							
Public safety .....	88,491	—	—	—	—	—	88,491
Public works .....	57,040	229,405	—	—	18,915	214,154	519,514
Culture and recreation .....	313,132	—	—	—	448,186	39,086	800,404
General government.....	346,837	—	—	—	—	13,878	360,715
Debt service .....	—	—	—	494,854	—	—	494,854
<b>Total Disbursements</b> .....	<b>805,500</b>	<b>229,405</b>	<b>—</b>	<b>494,854</b>	<b>467,101</b>	<b>267,118</b>	<b>2,263,978</b>
<b>Receipts Over (Under) Disbursements</b> .....	<b>118,365</b>	<b>(133,782)</b>	<b>307,155</b>	<b>(113,590)</b>	<b>(323,391)</b>	<b>536,324</b>	<b>391,081</b>
<b>Other Financing Sources (Uses)</b>							
Sale of capital assets.....	40,334	—	—	—	—	—	40,334
Transfers in .....	283,724	209,827	—	192,400	1,309,279	100,250	2,095,480
Transfers out .....	(139,201)	—	(276,083)	—	—	(1,727,496)	(2,142,780)
<b>Total Other Financing Sources (Uses)</b> .....	<b>184,857</b>	<b>209,827</b>	<b>(276,083)</b>	<b>192,400</b>	<b>1,309,279</b>	<b>(1,627,246)</b>	<b>(6,966)</b>
<b>Change in Cash Balances</b> .....	<b>303,222</b>	<b>76,045</b>	<b>31,072</b>	<b>78,810</b>	<b>985,888</b>	<b>(1,090,922)</b>	<b>384,115</b>
Cash Balances - Beginning of Year .....	1,787,303	(76,045)	998,412	(10,488)	147,645	1,657,878	4,504,705
<b>Cash Balances - End of Year</b> .....	<b>\$ 2,090,525</b>	<b>\$ —</b>	<b>\$ 1,029,484</b>	<b>\$ 68,322</b>	<b>\$ 1,133,533</b>	<b>\$ 566,956</b>	<b>\$ 4,888,820</b>
<b>Cash Basis Fund Balances</b>							
Nonexpendable - cemetery perpetual care .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 55,265	\$ 55,265
Restricted for							
Employee benefits .....	—	—	—	—	—	70,596	70,596
Streets.....	—	—	—	—	—	313,410	313,410
Local option sales tax .....	—	—	1,029,484	—	—	—	1,029,484
Library expansion project.....	—	—	—	—	1,149,948	—	1,149,948
Debt service .....	—	—	—	68,322	—	—	68,322
Other purposes.....	—	—	—	—	—	176,707	176,707
Assigned for capital equipment .....	166,508	—	—	—	—	—	166,508
Unassigned .....	1,924,017	—	—	—	(16,415)	(49,022)	1,858,580
<b>Total Cash Basis Fund Balances</b> .....	<b>\$ 2,090,525</b>	<b>\$ —</b>	<b>\$ 1,029,484</b>	<b>\$ 68,322</b>	<b>\$ 1,133,533</b>	<b>\$ 566,956</b>	<b>\$ 4,888,820</b>

See accompanying notes to the financial statements.

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

As of and for the Year Ended June 30, 2015

	Enterprise				Total
	Water	Sewer	Solid Waste	Nonmajor Storm Sewer	
<b>Operating Receipts</b>					
Charges for service .....	\$ 379,476	\$ 219,951	\$ 140,512	\$ 12,758	\$ 752,697
Miscellaneous.....	3,030	1,808	—	—	4,838
<b>Total Operating Receipts .....</b>	<b><u>382,506</u></b>	<b><u>221,759</u></b>	<b><u>140,512</u></b>	<b><u>12,758</u></b>	<b><u>757,535</u></b>
<b>Operating Disbursements</b>					
Business-type activities .....	<b><u>285,593</u></b>	<b><u>216,392</u></b>	<b><u>154,789</u></b>	<b><u>—</u></b>	<b><u>656,774</u></b>
<b>Operating Receipts Over (Under)</b>					
<b>Operating Disbursements.....</b>	<b><u>96,913</u></b>	<b><u>5,367</u></b>	<b><u>(14,277)</u></b>	<b><u>12,758</u></b>	<b><u>100,761</u></b>
<b>Nonoperating Receipts (Disbursements)</b>					
Interest on investments .....	2,890	1,213	—	—	4,103
Debt service .....	(86,888)	(16,890)	—	—	(103,778)
<b>Net Nonoperating Receipts (Disbursements).....</b>	<b><u>(83,998)</u></b>	<b><u>(15,677)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(99,675)</u></b>
<b>Receipts Over (Under) Disbursements.....</b>	<b><u>12,915</u></b>	<b><u>(10,310)</u></b>	<b><u>(14,277)</u></b>	<b><u>12,758</u></b>	<b><u>1,086</u></b>
<b>Other Financing Sources (Uses)</b>					
Transfers in .....	81,300	16,000	—	—	97,300
Transfers out .....	(50,000)	—	—	—	(50,000)
<b>Total Other Financing Sources (Uses)...</b>	<b><u>31,300</u></b>	<b><u>16,000</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>47,300</u></b>
<b>Change in Cash Balances.....</b>	<b><u>44,215</u></b>	<b><u>5,690</u></b>	<b><u>(14,277)</u></b>	<b><u>12,758</u></b>	<b><u>48,386</u></b>
Cash Balances - Beginning of Year.....	39,559	392,240	67,253	—	499,052
<b>Cash Balances - End of Year .....</b>	<b><u>\$ 83,774</u></b>	<b><u>\$ 397,930</u></b>	<b><u>\$ 52,976</u></b>	<b><u>\$ 12,758</u></b>	<b><u>\$ 547,438</u></b>
<b>Cash Basis Fund Balances</b>					
Restricted for					
Customer deposits.....	\$ 40,677	\$ —	\$ —	\$ —	\$ 40,677
Debt service.....	94,222	70,075	—	—	164,297
Unrestricted .....	(51,125)	327,855	52,976	12,758	342,464
<b>Total Cash Basis Fund Balances .....</b>	<b><u>\$ 83,774</u></b>	<b><u>\$ 397,930</u></b>	<b><u>\$ 52,976</u></b>	<b><u>\$ 12,758</u></b>	<b><u>\$ 547,438</u></b>

See accompanying notes to financial statements.

# Notes to the Financial Statements

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## **(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 nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation and general government services. The City also provides water, sewer and solid waste utilities for its citizens.

### **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 and 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.

### **Basis of Presentation**

#### ***Government-Wide Financial Statements***

The statement of activities and net position - cash basis 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 revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

The statement of activities and net position - cash basis presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

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

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

### ***Fund Financial Statements***

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds, and the remaining enterprise fund is reported as a nonmajor proprietary fund.

The City reports the following major governmental funds:

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

### *Special Revenue*

The *Sidewalk Revolving Fund* is used to account for receipts from local grants to be used for the Safe Routes to School Project.

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

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

# Notes to the Financial Statements

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## (1) Summary of Significant Accounting Policies

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

The City reports the following major proprietary funds:

The *Enterprise, Water Fund* is used to account for the operation and maintenance of the City's water system.

The *Enterprise, Sewer Fund* is used to account for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The *Enterprise, Solid Waste Fund* is used to account for the operation and maintenance of the City's solid waste disposal system.

### 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 fund types in accordance with accounting principles generally accepted in the United States of America.

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

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

Proprietary funds distinguish operating receipts and disbursements from nonoperating 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 nonoperating receipts and disbursements.

### Governmental Cash Basis Fund Balances

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

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

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

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

**Unassigned** - All amounts not included in the preceding classifications.

# Notes to the Financial Statements

## (1) Summary of Significant Accounting Policies

### Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as other information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government and business-type activities functions

### Estimates and Assumptions

The preparation of the financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amount of assets and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

## (2) Cash and Pooled Investments

The City's deposits in banks as of June 30, 2015 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 Account 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, water and sewer revenue bonds and general obligation loan note are as follows:

Year Ending June 30,	General Obligation Notes		Water/Sewer Revenue Bonds		General Obligation Loan Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016 .....	\$ 270,000	\$ 138,653	\$ 66,000	\$ 38,610	\$ 15,331	\$ 1,475	\$ 351,331	\$ 178,738
2017 .....	275,000	130,118	66,000	36,630	14,991	727	355,991	167,475
2018 .....	285,000	121,243	66,000	34,650	—	—	351,000	155,893
2019 .....	300,000	111,775	72,000	32,670	—	—	372,000	144,445
2020 .....	310,000	101,388	72,000	30,510	—	—	382,000	131,898
2021-25 ..	1,270,000	322,874	401,000	118,290	—	—	1,671,000	441,164
2026-30 ..	940,000	116,200	459,000	54,960	—	—	1,399,000	171,160
2031 .....	—	—	85,000	2,550	—	—	85,000	2,550
	<u>\$ 3,650,000</u>	<u>\$ 1,042,251</u>	<u>\$ 1,287,000</u>	<u>\$ 348,870</u>	<u>\$ 30,322</u>	<u>\$ 2,202</u>	<u>\$ 4,967,322</u>	<u>\$ 1,393,323</u>

### (3) Long-Term Debt

#### Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$250,000 in sewer revenue bonds issued in December, 2010. Proceeds from the bonds provided financing for improvements and extensions to the sewage treatment facilities. The bonds are payable solely from sewer customer net receipts and are payable through December, 2029. The total principal and interest remaining to be paid on the bonds is \$254,170. For the current year, principal and interest paid and total customer net receipts were \$16,360 and \$5,367, respectively.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

1. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earning of the funds.
2. Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
3. User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

The City was in compliance with these provisions as of June 30, 2015 except net receipts were not at least 110% of bond principal and interest payments due in the same year.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,285,000 in water revenue bonds issued in July, 2011. Proceeds from the bonds provided financing for improvements and extensions to the water tower. The bonds are payable solely from water customer net receipts and are payable through June, 2031. Annual principal and interest payments on the bonds are expected to require approximately 48% of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,381,700. For the current year, principal and interest paid and total customer net receipts were \$84,050 and \$96,913, respectively.

The resolutions providing for the issuance of the water revenue bonds includes the following provisions:

1. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earning of the funds.
2. Sufficient monthly transfers shall be made to a separate water revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
3. User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

The City was in compliance with these provisions as of June 30, 2015.

### (4) Pension Plan

#### Plan Description

IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

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

#### Pension Benefits

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

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

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

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

#### Disability and Death Benefits

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

## (4) Pension Plan

### Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to one percentage point. IPERS' Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$37,821.

### Collective Net Pension Liabilities, Collective Pension Expense and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions

As of June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$221,096. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. As of June 30, 2014, the City's proportion was 0.005463% which was a decrease of 0.000415% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$12,067, \$6,884 and \$116,897, respectively.

### Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3%
Salary increases (effective June 30, 2010)	4%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.5% per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

## Notes to the Financial Statements

### (4) Pension Plan

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31%
Non-US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
<b>Total</b>	<u><u>100%</u></u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$417,755	\$221,096	\$55,096

### **(4) Pension Plan**

#### **Pension Plan Fiduciary Net Position**

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

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

#### **Plan Description**

The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 21 active members 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 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 \$404 for single coverage and \$1,011 for family coverage. For the year ended June 30, 2015, the City contributed of \$64,451 and plan members eligible for benefits contributed \$10,229 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 (including related fringe benefits) payable to employees as of June 30, 2015, primarily relating to the General Fund, is \$45,611. This liability has been computed based on rates of pay in effect at June 30, 2015.

## Notes to the Financial Statements

### (7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue	
	Local Option Sales Tax	\$ 45,000
	Road Use Tax	40,000
	Library Capital Equipment	148,724
	Enterprise	
	Water	<u>50,000</u>
		<u>283,724</u>
Special Revenue		
Sidewalk Revolving	General	76,044
	Special Revenue	
	Local Option Sales Tax	<u>133,783</u>
		<u>209,827</u>
Library Capital Equipment	Special Revenue	
	Friends of the Center Point Public Library	<u>100,250</u>
Debt Service	Special Revenue	
	Urban Renewal Tax Increment Financing	<u>192,400</u>
Capital Projects	General	63,157
	Special Revenue	
	Library Capital Equipment	1,240,676
	Friends of the Center Point Public Library	<u>5,446</u>
		<u>1,309,279</u>
Enterprise		
Water	Special Revenue	
	Local Option Sales Tax	<u>81,300</u>
Sewer	Special Revenue	
	Local Option Sales Tax	<u>16,000</u>
<b>Total</b>		<b><u>\$ 2,192,780</u></b>

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

## Notes to the Financial Statements

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### **(8) 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.

### **(9) Deficit Balances**

The Special Revenue, Urban Renewal Tax Increment Financing and Park and Recreation Funds had deficit balances of \$18,536 and \$30,486, respectively, as of June 30, 2015. The deficit balances were a result of various costs incurred prior to availability of funds. The deficits will be eliminated upon receipt of available resources or transfers from other funds.

The Capital Projects Fund had a deficit unrestricted balance of \$16,415 as of June 30, 2015. The deficit will be eliminated upon receipt of available resources or transfers from other funds.

The Enterprise, Water Fund had a deficit unrestricted balance of \$51,125 as of June 30, 2015. The deficit will be eliminated upon receipt of available resources or transfers from other funds.

### **(10) Commitments**

As of June 30, 2015, the City had entered into various contracts and agreements with remaining commitments totaling approximately \$1,550,000 for the library expansion and approximately \$65,000 for road improvements.

### **(11) Subsequent Events**

Management has evaluated subsequent events through January 21, 2016, the date which the financial statements were available to be issued.

Subsequent to June 30, 2015, the City entered into the following transactions:

Approved an agreement to purchase a property for \$75,000.

Approved a development agreement totaling \$150,000.

Approved several agreements to purchase equipment and construct capital improvements. These agreements totaled approximately \$140,000.

**Other Information** 

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

Year Ended June 30, 2015

	Governmental Funds - Actual	Proprietary Funds - Actual	Less Funds Not Required to be Budgeted	Total	Budgeted Amounts		Over (Under) Budget
					Original	Final	
<b>Receipts</b>							
Property tax.....	\$ 828,526	\$ —	\$ —	\$ 828,526	\$ 1,096,981	\$ 1,096,981	\$ (268,455)
Tax increment financing .....	180,159	—	—	180,159	192,400	549,231	(369,072)
Other city tax .....	638,211	—	—	638,211	297,372	297,372	340,839
Licenses and permits.....	29,310	—	—	29,310	7,775	7,775	21,535
Use of money and property .....	16,925	4,103	378	20,650	5,200	135,200	(114,550)
Intergovernmental .....	491,639	—	—	491,639	321,985	321,985	169,654
Charges for service .....	33,287	757,535	—	790,822	777,400	777,400	13,422
Special assessments.....	72,381	—	—	72,381	—	—	72,381
Miscellaneous.....	364,621	—	11,135	353,486	1,027,984	2,027,984	(1,674,498)
<b>Total Receipts .....</b>	<b>2,655,059</b>	<b>761,638</b>	<b>11,513</b>	<b>3,405,184</b>	<b>3,727,097</b>	<b>5,213,928</b>	<b>(1,808,744)</b>
<b>Disbursements</b>							
Public safety .....	88,491	—	—	88,491	93,552	93,552	(5,061)
Public works .....	519,514	—	—	519,514	247,350	497,350	22,164
Health and social services.....	—	—	—	—	2,500	2,500	(2,500)
Culture and recreation.....	800,404	—	2,900	797,504	451,800	451,800	345,704
General government.....	360,715	—	—	360,715	315,745	315,745	44,970
Debt service .....	494,854	—	—	494,854	494,977	494,977	(123)
Capital projects.....	—	—	—	—	5,700,000	5,700,000	(5,700,000)
Business-type activities .....	—	760,552	—	760,552	722,958	722,958	37,594
<b>Total Disbursements.....</b>	<b>2,263,978</b>	<b>760,552</b>	<b>2,900</b>	<b>3,021,630</b>	<b>8,028,882</b>	<b>8,278,882</b>	<b>(5,257,252)</b>
<b>Receipts Over (Under) Disbursements .....</b>	<b>391,081</b>	<b>1,086</b>	<b>8,613</b>	<b>383,554</b>	<b>(4,301,785)</b>	<b>(3,064,954)</b>	<b>(3,448,508)</b>
<b>Other Financing Sources (Uses), Net.....</b>	<b>(6,966)</b>	<b>47,300</b>	<b>(105,696)</b>	<b>146,030</b>	<b>5,700,000</b>	<b>4,700,000</b>	<b>(4,553,970)</b>
<b>Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses ...</b>	<b>384,115</b>	<b>48,386</b>	<b>(97,083)</b>	<b>529,584</b>	<b>1,398,215</b>	<b>1,635,046</b>	<b>(1,105,462)</b>
Balances - Beginning of Year .....	4,504,705	499,052	129,590	4,874,167	(744,145)	(744,145)	5,618,312
<b>Balances - End of Year.....</b>	<b>\$ 4,888,820</b>	<b>\$ 547,438</b>	<b>\$ 32,507</b>	<b>\$ 5,403,751</b>	<b>\$ 654,070</b>	<b>\$ 890,901</b>	<b>\$ 4,512,850</b>

## Notes to Other Information - Budgetary Reporting ---

Year Ended June 30, 2015

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$250,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government and business-type activities functions.

# Schedule of Proportionate Share of the Net Pension Liability ————— Iowa Public Employees' Retirement System

Last Fiscal Year\*

	<b>2015</b>
City's proportion of the net pension liability .....	0.005463%
City's proportionate share of the net pension liability .....	\$221,096
City's covered-employee payroll .....	\$365,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll .....	60.57%
Plan fiduciary net position as a percentage of the total pension liability .....	87.61%

\* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the City will present information for those years for which information is available.

**Schedule of Contributions**  
**Iowa Public Employees' Retirement System**

Last Eight Fiscal Years

	2015	2014	2013	2012	2011	2010	2009	2008
Statutorily required contribution .....	\$ 37,821	\$ 32,577	\$ 32,755	\$ 29,797	\$ 27,116	\$ 24,898	\$ 20,619	\$ 17,557
Contributions in relation to the statutorily required contributions .....	<u>(37,821)</u>	<u>(32,577)</u>	<u>(32,755)</u>	<u>(29,797)</u>	<u>(27,116)</u>	<u>(24,898)</u>	<u>(20,619)</u>	<u>(17,557)</u>
Contribution Deficiency (Excess) .....	<u>\$ —</u>							
City's covered-employee payroll .....	\$ 424,000	\$ 365,000	\$ 378,000	\$ 369,000	\$ 390,000	\$ 374,000	\$ 325,000	\$ 290,000
Contributions as a percentage of covered-employee payroll.....	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%

## Notes to Other Information - Pension Liability

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Year Ended June 30, 2015

### Changes of Benefit Terms

Legislation passed in 2010 modified benefit terms for current regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

### Changes of Assumptions

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

## Notes to Other Information - Pension Liability

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Year Ended June 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

**Supplementary Information**

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

As of and for the Year Ended June 30, 2015

	Special Revenue							Permanent Cemetery Perpetual Care	Total
	Road Use Tax	Urban Renewal Tax Increment Financing	Library Capital Equipment	Employee Benefits	Fross Park Trust	Park and Recreation	Friends of the Center Point Public Library		
<b>Receipts</b>									
Property tax.....	\$ —	\$ —	\$ —	\$ 106,272	\$ —	\$ —	\$ —	\$ —	\$ 106,272
Tax increment financing.....	—	180,159	—	—	—	—	—	—	180,159
Licenses and permits.....	—	—	—	—	—	—	—	110	110
Use of money and property.....	134	165	1,625	—	494	—	378	269	3,065
Intergovernmental.....	251,742	—	—	—	—	—	—	—	251,742
Miscellaneous.....	646	—	234,296	—	—	13,943	11,135	2,074	262,094
<b>Total Receipts.....</b>	<b>252,522</b>	<b>180,324</b>	<b>235,921</b>	<b>106,272</b>	<b>494</b>	<b>13,943</b>	<b>11,513</b>	<b>2,453</b>	<b>803,442</b>
<b>Disbursements</b>									
Operating									
Public works.....	202,077	—	—	12,077	—	—	—	—	214,154
Culture and recreation.....	—	—	—	30,793	—	5,393	2,900	—	39,086
General government.....	—	—	—	13,822	—	56	—	—	13,878
<b>Total Disbursements.....</b>	<b>202,077</b>	<b>—</b>	<b>—</b>	<b>56,692</b>	<b>—</b>	<b>5,449</b>	<b>2,900</b>	<b>—</b>	<b>267,118</b>
<b>Receipts Over Disbursements.....</b>	<b>50,445</b>	<b>180,324</b>	<b>235,921</b>	<b>49,580</b>	<b>494</b>	<b>8,494</b>	<b>8,613</b>	<b>2,453</b>	<b>536,324</b>
<b>Other Financing Sources (Uses)</b>									
Transfers in.....	—	—	100,250	—	—	—	—	—	100,250
Transfers out.....	(40,000)	(192,400)	(1,389,400)	—	—	—	(105,696)	—	(1,727,496)
<b>Total Other Financing Sources (Uses).....</b>	<b>(40,000)</b>	<b>(192,400)</b>	<b>(1,289,150)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(105,696)</b>	<b>—</b>	<b>(1,627,246)</b>
<b>Change in Cash Balances.....</b>	<b>10,445</b>	<b>(12,076)</b>	<b>(1,053,229)</b>	<b>49,580</b>	<b>494</b>	<b>8,494</b>	<b>(97,083)</b>	<b>2,453</b>	<b>(1,090,922)</b>
Cash Balances - Beginning of Year.....	302,965	(6,460)	1,053,229	21,016	143,706	(38,980)	129,590	52,812	1,657,878
<b>Cash Balances - End of Year.....</b>	<b>\$ 313,410</b>	<b>\$ (18,536)</b>	<b>\$ —</b>	<b>\$ 70,596</b>	<b>\$ 144,200</b>	<b>\$ (30,486)</b>	<b>\$ 32,507</b>	<b>\$ 55,265</b>	<b>\$ 566,956</b>
<b>Cash Basis Fund Balances</b>									
Nonspendable - cemetery perpetual care.....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 55,265	\$ 55,265
Restricted for									
Employee benefits.....	—	—	—	70,596	—	—	—	—	70,596
Streets.....	313,410	—	—	—	—	—	—	—	313,410
Other purposes.....	—	—	—	—	144,200	—	32,507	—	176,707
Unassigned.....	—	(18,536)	—	—	—	(30,486)	—	—	(49,022)
<b>Total Cash Basis Fund Balances.....</b>	<b>\$ 313,410</b>	<b>\$ (18,536)</b>	<b>\$ —</b>	<b>\$ 70,596</b>	<b>\$ 144,200</b>	<b>\$ (30,486)</b>	<b>\$ 32,507</b>	<b>\$ 55,265</b>	<b>\$ 566,956</b>

## Schedule of Indebtedness

Year Ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
<b>General Obligation Notes</b>							
Water improvements .....	9-15-05	4.85 - 6.00%	\$ 540,000	\$ 70,000	\$ 70,000	\$ —	\$ 4,200
City improvements.....	11-12-08	3.30 - 5.05	1,720,000	1,230,000	115,000	1,115,000	57,658
City improvements.....	7-28-11	2.25 - 4.00	2,955,000	<u>2,675,000</u>	<u>140,000</u>	<u>2,535,000</u>	<u>88,918</u>
<b>Total General Obligation Notes .....</b>				<b><u>\$ 3,975,000</u></b>	<b><u>\$ 325,000</u></b>	<b><u>\$ 3,650,000</u></b>	<b><u>\$ 150,776</u></b>
<b>Revenue Bonds</b>							
Sewer .....	12-17-10	3.00%	\$ 250,000*	\$ 212,000	\$ 10,000	\$ 202,000	\$ 6,360
Water.....	7-15-11	3.00	1,285,000*	<u>1,135,000</u>	<u>50,000</u>	<u>1,085,000</u>	<u>34,050</u>
<b>Total Revenue Bonds.....</b>				<b><u>\$ 1,347,000</u></b>	<b><u>\$ 60,000</u></b>	<b><u>\$ 1,287,000</u></b>	<b><u>\$ 40,410</u></b>
<b>General Obligation Loan Note</b>							
Fire truck .....	6-21-07	4.85%	\$ 153,311	<u>\$ 45,653</u>	<u>\$ 15,331</u>	<u>\$ 30,322</u>	<u>\$ 2,247</u>

\* The agreement also requires the City to annually pay a 0.25% servicing fee on the outstanding balance.

## Schedule of Bond and Note Maturities

As of June 30, 2015

Year Ending June 30,	General Obligation Notes					Total
	City Improvements		City Improvements			
	Issued November 12, 2008		Issued July 28, 2011			
Interest Rates	Amount	Interest Rates	Amount			
2016	4.30%	\$ 120,000	2.25%	\$ 150,000	\$ 270,000	
2017	4.40	125,000	2.25	150,000	275,000	
2018	4.60	130,000	2.25	155,000	285,000	
2019	4.70	135,000	2.25	165,000	300,000	
2020	4.80	140,000	2.45	170,000	310,000	
2021	4.90	150,000	2.65	175,000	325,000	
2022	5.00	155,000	3.65	150,000	305,000	
2023	5.05	160,000	3.65	155,000	315,000	
2024		—	3.65	160,000	160,000	
2025		—	3.65	165,000	165,000	
2026		—	3.65	170,000	170,000	
2027		—	4.00	180,000	180,000	
2028		—	4.00	190,000	190,000	
2029		—	4.00	195,000	195,000	
2030		—	4.00	205,000	205,000	
<b>Total</b>		<b>\$ 1,115,000</b>		<b>\$ 2,535,000</b>	<b>\$ 3,650,000</b>	

Year Ending June 30,	Revenue Bonds					General Obligation Loan Note	
	Sewer		Water		Total	Fire Truck	
	Issued Dec. 17, 2010		Issued July 15, 2011			Issued June 21, 2007	
Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount	
2016	3.00%	\$ 11,000	3.00%	\$ 55,000	\$ 66,000	4.85%	\$ 15,331
2017	3.00	11,000	3.00	55,000	66,000	4.85	14,991
2018	3.00	11,000	3.00	55,000	66,000		—
2019	3.00	12,000	3.00	60,000	72,000		—
2020	3.00	12,000	3.00	60,000	72,000		—
2021	3.00	12,000	3.00	65,000	77,000		—
2022	3.00	13,000	3.00	65,000	78,000		—
2023	3.00	13,000	3.00	65,000	78,000		—
2024	3.00	14,000	3.00	70,000	84,000		—
2025	3.00	14,000	3.00	70,000	84,000		—
2026	3.00	15,000	3.00	70,000	85,000		—
2027	3.00	15,000	3.00	75,000	90,000		—
2028	3.00	16,000	3.00	75,000	91,000		—
2029	3.00	16,000	3.00	80,000	96,000		—
2030	3.00	17,000	3.00	80,000	97,000		—
2031		—	3.00	85,000	85,000		—
<b>Total</b>		<b>\$ 202,000</b>		<b>\$ 1,085,000</b>	<b>\$ 1,287,000</b>		<b>\$ 30,322</b>

**Schedule of Receipts by Source and Disbursements by Function  
All Governmental Funds**

For the Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Receipts</b>										
Property tax.....	\$ 828,526	\$ 1,037,729	\$ 1,113,991	\$ 1,025,939	\$ 838,546	\$ 883,763	\$ 754,854	\$ 522,518	\$ 557,574	\$ 506,908
Tax increment financing .....	180,159	184,233	199,426	75,496	69,035	78,477	105,842	100,648	69,611	125,097
Other city tax .....	638,211	316,253	290,610	315,699	272,322	232,907	28,484	21,731	26,075	22,175
Licenses and permits.....	29,310	26,189	14,131	38,254	26,191	50,104	13,480	15,862	31,590	26,377
Use of money and property .....	16,925	14,555	11,890	14,381	9,463	8,385	15,517	66,803	82,118	50,801
Intergovernmental .....	491,639	319,239	316,782	497,147	287,989	466,618	544,166	487,197	238,506	225,070
Charges for service .....	33,287	40,631	17,764	7,818	19,366	200	4,225	3,671	107,414	109,295
Special assessments.....	72,381	74,343	—	—	—	—	—	—	—	398
Miscellaneous.....	364,621	1,167,823	103,648	140,264	149,781	75,453	40,457	41,605	280,492	1,060,160
<b>Total Receipts.....</b>	<b>\$ 2,655,059</b>	<b>\$ 3,180,995</b>	<b>\$ 2,068,242</b>	<b>\$ 2,114,998</b>	<b>\$ 1,672,693</b>	<b>\$ 1,795,907</b>	<b>\$ 1,507,025</b>	<b>\$ 1,260,035</b>	<b>\$ 1,393,380</b>	<b>\$ 2,126,281</b>
<b>Disbursements</b>										
Operating										
Public safety.....	\$ 88,491	\$ 88,374	\$ 115,319	\$ 79,505	\$ 80,123	\$ 75,264	\$ 70,902	\$ 220,442	\$ 163,095	\$ 60,847
Public works.....	519,514	325,899	368,899	248,952	244,272	333,763	224,548	224,952	344,176	373,250
Health and social services.....	—	2,072	9,785	11,591	8,281	15,664	7,656	10,554	—	—
Culture and recreation.....	800,404	590,757	502,089	536,192	344,606	276,385	199,992	189,355	215,213	438,354
Community and economic development.....	—	—	—	—	—	—	—	—	—	2,185
General government .....	360,715	301,127	254,262	229,226	230,058	247,842	224,528	128,985	164,526	143,741
Debt service .....	494,854	496,958	504,772	362,304	286,460	288,807	200,108	163,427	139,035	121,048
Capital projects.....	—	—	4,427	2,724,192	1,873,331	403,332	2,214,227	980,373	434,561	264,861
<b>Total Disbursements.....</b>	<b>\$ 2,263,978</b>	<b>\$ 1,805,187</b>	<b>\$ 1,759,553</b>	<b>\$ 4,191,962</b>	<b>\$ 3,067,131</b>	<b>\$ 1,641,057</b>	<b>\$ 3,141,961</b>	<b>\$ 1,918,088</b>	<b>\$ 1,460,606</b>	<b>\$ 1,404,286</b>

**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**

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To the Honorable Mayor and  
Members of the City Council  
City of Center Point, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Center Point, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents, and have issued our report thereon dated January 21, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Center Point's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying schedule of findings as items 15-I-R-1, 15-I-R-2, 15-I-R-3, 15-I-R-4 and 15-I-R-5 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 deficiency described in Part I of the accompanying schedule of findings as item 15-I-R-6 to be a significant deficiency.

### **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, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying schedule of findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 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 or other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

### **Purpose of This Report**

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

*HOGAN - HANSEN*

HOGAN - HANSEN

Cedar Rapids, Iowa  
January 21, 2016

# Schedule of Findings

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Year Ended June 30, 2015

## **Part I: Findings Related to the Financial Statements:**

### **Internal Control Deficiencies**

#### **15-I-R-1 Segregation of Duties**

**Finding** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- Accounting System - performing all general accounting functions and having custody of assets.
- Cash - handling and recording.
- Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- Utilities - billing, collecting, depositing, posting and maintaining detailed accounts receivable and write-off records.
- Debt - recordkeeping, compliance and debt payment processing.
- Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- Payroll - entering rates into the system, recordkeeping, preparing and distributing.
- Computer System - performing all general accounting functions and controlling all data input and output.
- Financial Reporting - Preparing and reconciling.

The potential effect of this material weakness is that a misstatement or omission in the financial statements or fraud would not be prevented, detected or corrected on a timely basis.

**Auditor's Recommendation** - We realize that segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

**City's Response** - The City has implemented a segregation of duties policy and has worked to include multiple staff members as well as the Mayor in our processes.

**Auditor's Conclusion** - Response accepted.

## Schedule of Findings

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Year Ended June 30, 2015

### 15-I-R-2 Financial Statement Preparation

**Finding** - The City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with the cash basis of accounting. As is inherent in many organizations of this size, the City has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply cash basis accounting principles in preparing the financial statements and the related disclosures. The potential effect of this material weakness is that the financial statements and related disclosures may not be prepared in accordance with the cash basis of accounting.

**Auditor's Recommendation** - The City should obtain additional knowledge through reading relevant accounting literature and attending local professional education courses.

**City's Response** - The City staff will research available educational courses regarding financial statement preparation as well as continue to attend the work session held annually by the League of Cities.

**Auditor's Conclusion** - Response accepted.

### 15-I-R-3 Financial Reporting

**Finding** - During our audit, we identified material amounts of receipts, disbursements and adjustments which were not posted correctly. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements. The potential effect of this material weakness is material misstatements in the City's financial statements.

**Auditor's Recommendation** - The City should implement procedures to ensure receipts, disbursements and adjustments are properly recorded in the City's accounting records and financial statements. Those procedures should include a detailed review of the transactions and postings each month by an independent person such as a council member.

**City's Response** - The City will create and implement a procedure to help eliminate these types of errors.

**Auditor's Conclusion** - Response accepted.

### 15-I-R-4 Reconciliation of Utility Billings, Collections and Delinquent Accounts

**Finding** - Utility billings, collections and delinquent accounts were not reconciled. The potential effect of this material weakness is material misstatements in utility activity on the City's financial statements and reports.

**Auditor's Recommendation** - The City should establish procedures to reconcile utility billings to collections and delinquent accounts each month. The City Council should review the reconciliation, document the review by the signature or initials of the reviewer and date of the review. Delinquent accounts should be monitored by the City Council monthly.

## Schedule of Findings

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Year Ended June 30, 2015

**City's Response** - The City will create and implement a policy regarding utility account reconciliations that include monthly monitoring by City Council.

**Auditor's Conclusion** - Response accepted.

### 15-I-R-5 Monthly Bank Reconciliations

**Finding** - Although monthly bank reconciliations were prepared, the City's fund balances did not reconcile to the reconciled bank balances as of June 30, 2015. In addition, the reconciliations did not include one outstanding check. The potential effect of this material weakness is material misstatements in the City's financial statements or fraud not being prevented, detected or corrected on a timely basis.

**Auditor's Recommendation** - To provide better control over financial transactions and overall accountability, monthly bank reconciliations should include all reconciling items. The reconciliations should agree with the fund and account balances on the Clerk/Treasurer's monthly financial report. The bank reconciliations should be reviewed each month by someone outside of the City finance department. The City should also consider reducing the number of bank accounts maintained to simplify the reconciling process.

**City's Response** - The City has corrected the fund balance issues and will continue to monitor the monthly reporting to ensure that it stays in balance.

**Auditor's Conclusion** - Response accepted.

### 15-I-R-6 Accounting Policies and Procedures Manual

**Finding** - The City does not have an accounting policies and procedures manual. The potential effect of this significant deficiency is lack of uniformity in accounting and in the application of policies and procedures.

**Auditor's 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 they will have to be made each time the same, or a similar, situation arises.

**City's Response** - The City does not have a printed accounting policy/procedure manual but many of our procedures have been documented and are updated as needed. The City will put them together in an official manual.

**Auditor's Conclusion** - Response accepted.

# Schedule of Findings

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Year Ended June 30, 2015

## **Part II: Other Findings Related to Statutory Reporting**

### **15-II-A Certified Budget**

**Finding** - Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public works, culture and recreation, general government and business-type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

**Auditor's 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.

**City's Response** - The City is making it a priority to amend the budget prior to the expenditures exceeding budget and will continue to do so in the future.

**Auditor's Conclusion** - Response accepted.

**15-II-B Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

**15-II-C Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**15-II-D Business Transactions** - No business transactions between the City and City officials or employees were noted.

**15-II-E 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.

**15-II-F Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not.

**Finding** - Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within 15 days of the meeting and include total disbursements from each fund and a summary of receipts. During our audit, we noted that the City did not publish total disbursements from each fund and a listing of receipts in a timely manner.

**Auditor's Recommendation** - The City should review the requirements of Chapter 372.13(6) of the Code of Iowa and implement policies to ensure compliance.

**City's Response** - The City will update their processes to include the fund totals and a receipt summary.

**Auditor's Conclusion** - Response accepted.

## Schedule of Findings

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Year Ended June 30, 2015

**15-II-G Deposits and Investments** - Except as noted below, no instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

**Finding** - Amounts deposited at one financial institution exceeded the maximum amount approved in the City's Depository Resolution.

**Auditor's Recommendation** - The City should ensure that amounts deposited at any financial institution do not exceed the maximum allowable per the City's Depository Resolution.

**City's Response** - The City will review and update the depository resolution.

**Auditor's Conclusion** - Response accepted.

**15-II-H Revenue Bonds**

**Finding** - Section 7 of the sewer revenue bond agreement requires sewer rates to be established which are sufficient "to produce and maintain Net Revenues at a level not less than 110% of the amount of principal and interest on the Revenue Bond and any other obligations secured by a pledge of the Net Revenues falling due in the same year." During fiscal year 2015, net receipts in the Enterprise, Sewer Fund were \$5,367 while principal and interest payments were \$16,360.

**Auditor's Recommendation** - The City should ensure that net operating receipts for the Enterprise, Sewer Fund are sufficient to make required debt service payments and comply with the sewer revenue bond resolution.

**City's Response** - The City has recognized this shortage and has made an ordinance change to correct the rates.

**Auditor's Conclusion** - Response accepted.

**15-II-I Annual Urban Renewal Report**

**Finding** - The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1. However, the City understated the amount reported as TIF debt outstanding on the Levy Authority Summary by \$6,459.

**Auditor's Recommendation** - The City should ensure that the TIF debt outstanding reported agrees with the City's records.

**City's Response** - The City has corrected the reporting and will continue to report the monies correctly in the future.

**Auditor's Conclusion** - Response accepted.

# Schedule of Findings

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Year Ended June 30, 2015

## 15-II-J Unclaimed Property

**Finding** - Chapter 556.11 of the Code of Iowa requires each city to annually report and remit obligations, including checks, outstanding for more than two years to the Office of the Treasurer of State. The City did not remit these obligations as required.

**Auditor's Recommendation** - The outstanding checks should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State.

**City's Response** - The City will create a policy/procedure for unclaimed property and will ensure its implementation.

**Auditor's Conclusion** - Response accepted.

## 15-II-K Annual Financial Report (AFR)

**Finding** - The City completed and filed its AFR by December 1 as required by Chapter 384.22 of the Code of Iowa. However, the receipts, disbursements and cash basis fund balances were material misstated.

**Auditor's Recommendation** - The City should develop procedures to ensure that the Annual Financial Report reconciles to the City's general ledger. Those procedures should include a review of the report by someone outside of the finance department prior to filing the report with the state.

**City's Response** - The City has worked with the State of Iowa Department of Management to correct the balances on the AFR, it should be correct going forward.

**Auditor's Conclusion** - Response accepted.

## 15-II-L Financial Condition

**Finding** - The funds listed below had deficit balances as of June 30, 2015:

Capital Projects (unrestricted) .....	\$ 16,415
Special Revenue	
Urban Renewal Tax Increment Financing .....	18,536
Park and Recreation .....	30,486
Enterprise	
Water (unrestricted) .....	51,125

**Auditor's Recommendation** - The City should investigate alternatives to eliminate these deficits in order to return the funds to sound financial position.

**City's Response** - In FY16, the City is going to present a resolution to the City Council for approval to close these funds with the appropriate transfers.

**Auditor's Conclusion** - Response accepted.