



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

Rob Sand  
Auditor of State

State Capitol Building  
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NEWS RELEASE

Contact: Ernest Ruben  
515/281-5834

FOR RELEASE

March 3, 2022

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

**FINANCIAL HIGHLIGHTS:**

The City's receipts totaled \$8,635,614 for the year ended June 30, 2021, a 72.4% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$5,147,397 an 18.7% increase over the prior year. The significant increase in receipts is due primarily to approximately \$2,777,000 of general obligation bond receipts for the Fire Station project and approximately \$667,000 of sewer revenue capital loan anticipation project note proceeds for the sewer project. The increase in disbursements is due primarily to the expenses for the wastewater treatment plant project.

**AUDIT FINDINGS:**

Sand reported four findings related to the receipt and disbursement of taxpayer funds. They are found on pages 48 through 50 of this report. The findings address issues such as the lack of controls over cash and receipts, disbursements exceeding budgeted amounts prior to budget amendment and an understatement of debt outstanding in the Annual Urban Renewal Report. Sand provided the City with recommendations to address each of the findings.

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

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

###

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

**JUNE 30, 2021**

**City of Center Point**



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Rob Sand  
Auditor of State

February 8, 2022

Officials of the City of Center Point  
Center Point, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Center Point for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand  
Auditor of State

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**City of Center Point**

**Officials**

| <u>Name</u>         | <u>Title</u>         | <u>Term Expires</u> |
|---------------------|----------------------|---------------------|
| Paula Freeman-Brown | Mayor                | Jan 2022            |
| John Stuelke        | Mayor Pro tem        | Jan 2022            |
| Mike LeClere        | Council Member       | Jan 2022            |
| Traer Morgan        | Council Member       | Jan 2022            |
| Patric Engelken     | Council Member       | Jan 2024            |
| Paul Mann           | Council Member       | Jan 2024            |
| Kelly Groskurth     | City Administrator   | (Resigned Oct 2020) |
| Vacant              | City Administrator   |                     |
| Sarah Tritle        | City Clerk/Treasurer | Indefinite          |
| Anne Kruse          | Attorney             | Indefinite          |

**City of Center Point**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Center Point, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Center Point as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### *Supplementary and Other Information*


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Center Point's basic financial statements. The financial statements for the four years ended June 30, 2018 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2020, and the three years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 8, 2022 on our consideration of the City of Center Point's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Center Point's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA  
Deputy Auditor of State

February 8, 2022

**City of Center Point**

## **Basic Financial Statements**

City of Center Point

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

|   | Program Receipts          |  |  |                |
|---|---------------------------|--|--|----------------|
|   | Charges<br>for<br>Service | Operating Grants,<br>Contributions<br>and Restricted<br>Interest | Capital Grants,<br>Contributions<br>and Restricted<br>Interest | Disbursements  |
| <b>Functions/Programs:</b>                                      |                           |  |  |                |
| Governmental activities:  |                           |  |  |                |
| Public safety   | \$ 105,148                | 4,085  | 30,016   | 165,546        |
| Public works  | 714,423                   | 64,338   | 362,332  | 594,491        |
| Health and social services                                      | 70                        | -  | -  | -              |
| Culture and recreation  | 478,246                   | 52,353   | 139,137  | -              |
| Community and economic development                              | 37,374                    | -  | -  | -              |
| General government  | 377,214                   | 98,160   | -  | 19,975         |
| Debt service  | 602,835                   | -  | -  | -              |
| Capital projects  | 1,194,770                 | -  | -  | -              |
| Total governmental activities                                   | 3,510,080                 | 218,936  | 531,485  | 780,012        |
| Business type activities:                                       |                           |  |  |                |
| Water   | 346,086                   | 444,736  | -  | -              |
| Sewer   | 1,055,162                 | 946,695  | -  | -              |
| Garbage   | 173,670                   | 184,171  | -  | -              |
| Storm water   | 62,399                    | 51,867   | -  | -              |
| Total business type activities                                  | 1,637,317                 | 1,627,469  | -  | -              |
| <b>Total</b>  | <b>\$ 5,147,397</b>       | <b>1,846,405</b>   | <b>531,485</b>   | <b>780,012</b> |
| <b>General Receipts and Transfers:</b>                          |                           |  |  |                |
| Property and other city tax levied for:                         |                           |  |  |                |
| General purposes  |                           |  |  |                |
| Debt service  |                           |  |  |                |
| Tax increment financing   |                           |  |  |                |
| Local option sales tax  |                           |  |  |                |
| Commercial/industrial tax replacement                           |                           |  |  |                |
| Unrestricted interest on investments                            |                           |  |  |                |
| Miscellaneous   |                           |  |  |                |
| Sale of capital assets  |                           |  |  |                |
| Revenue note proceeds   |                           |  |  |                |
| General obligation bond proceeds including \$131,033 of premium |                           |  |  |                |
| Transfers   |                           |  |  |                |
| Total general receipts and transfers                            |                           |  |  |                |
| Change in cash basis net position                               |                           |  |  |                |
| Cash basis net position beginning of year                       |                           |  |  |                |
| Cash basis net position end of year                             |                           |  |  |                |
| <b>Cash Basis Net Position</b>                                  |                           |  |  |                |
| Restricted:   |                           |  |  |                |
| Nonexpendable:  |                           |  |  |                |
| Cemetery perpetual care   |                           |  |  |                |
| Expendable:   |                           |  |  |                |
| Streets   |                           |  |  |                |
| Local option sales tax  |                           |  |  |                |
| Capital projects  |                           |  |  |                |
| Debt service  |                           |  |  |                |
| Other purposes  |                           |  |  |                |
| Unrestricted  |                           |  |  |                |
| <b>Total cash basis net position</b>                            |                           |  |  |                |
| See notes to financial statements.                              |                           |  |  |                |

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

| Governmental<br>Activities | Business Type<br>Activities | Total       |
|----------------------------|-----------------------------|-------------|
| 94,499                     | -                           | 94,499      |
| 306,738                    | -                           | 306,738     |
| (70)                       | -                           | (70)        |
| (286,756)                  | -                           | (286,756)   |
| (37,374)                   | -                           | (37,374)    |
| (259,079)                  | -                           | (259,079)   |
| (602,835)                  | -                           | (602,835)   |
| (1,194,770)                | -                           | (1,194,770) |
| (1,979,647)                | -                           | (1,979,647) |
| -                          | 98,650                      | 98,650      |
| -                          | (108,467)                   | (108,467)   |
| -                          | 10,501                      | 10,501      |
| -                          | (10,532)                    | (10,532)    |
| -                          | (9,848)                     | (9,848)     |
| (1,979,647)                | (9,848)                     | (1,989,495) |
| 1,003,643                  | -                           | 1,003,643   |
| 298,262                    | -                           | 298,262     |
| 230,113                    | -                           | 230,113     |
| 397,116                    | -                           | 397,116     |
| 24,402                     | -                           | 24,402      |
| 33,624                     | 672                         | 34,296      |
| 21,347                     | -                           | 21,347      |
| 24,250                     | -                           | 24,250      |
| -                          | 667,250                     | 667,250     |
| 2,777,033                  | -                           | 2,777,033   |
| (35,000)                   | 35,000                      | -           |
| 4,774,790                  | 702,922                     | 5,477,712   |
| 2,795,143                  | 693,074                     | 3,488,217   |
| 3,840,107                  | 2,478,014                   | 6,318,121   |
| \$ 6,635,250               | 3,171,088                   | 9,806,338   |
| 63,313                     | -                           | 63,313      |
| 538,576                    | -                           | 538,576     |
| 211,179                    | -                           | 211,179     |
| 3,045,794                  | 1,894,621                   | 4,940,415   |
| 207,329                    | 8,670                       | 215,999     |
| 482,913                    | 32,172                      | 515,085     |
| 2,086,146                  | 1,235,625                   | 3,321,771   |
| \$ 6,635,250               | 3,171,088                   | 9,806,338   |

City of Center Point

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

As of and for the year ended June 30, 2021

|  | Special Revenue |                    |                              |
|--|-----------------|--------------------|------------------------------|
|  | General         | Road<br>Use<br>Tax | Local<br>Option<br>Sales Tax |
| Receipts:  |                 |                    |                              |
| Property tax   | \$ 833,655      | -                  | -                            |
| Tax increment financing  | -               | -                  | -                            |
| Local option sales tax   | -               | -                  | 397,116                      |
| Other city tax   | 10,512          | -                  | -                            |
| Licenses and permits   | 104,060         | -                  | -                            |
| Use of money and property  | 16,338          | -                  | -                            |
| Intergovernmental  | 146,630         | 362,332            | -                            |
| Charges for service  | 22,886          | -                  | -                            |
| Special assessments  | 60,573          | -                  | -                            |
| Miscellaneous  | 101,060         | 1,402              | -                            |
| Total receipts   | 1,295,714       | 363,734            | 397,116                      |
| Disbursements:   |                 |                    |                              |
| Operating:   |                 |                    |                              |
| Public safety  | 105,114         | -                  | -                            |
| Public works   | 225,016         | 489,407            | -                            |
| Health and social services   | 70              | -                  | -                            |
| Culture and recreation   | 392,106         | -                  | -                            |
| Community and economic development                                 | -               | -                  | -                            |
| General government   | 322,039         | -                  | -                            |
| Debt service   | -               | -                  | -                            |
| Capital projects   | -               | -                  | -                            |
| Total disbursements  | 1,044,345       | 489,407            | -                            |
| Excess (deficiency) of receipts over (under) disbursements         | 251,369         | (125,673)          | 397,116                      |
| Other financing sources (uses):                                    |                 |                    |                              |
| Sale of capital assets   | 24,250          | -                  | -                            |
| General obligation bond proceeds including<br>\$131,033 of premium | -               | -                  | -                            |
| Transfers in   | 146,424         | -                  | -                            |
| Transfers out  | (51,742)        | (50,000)           | (511,823)                    |
| Total other financing sources (uses)                               | 118,932         | (50,000)           | (511,823)                    |
| Change in cash balances  | 370,301         | (175,673)          | (114,707)                    |
| Cash balances beginning of year                                    | 1,925,165       | 714,249            | 325,886                      |
| Cash balances end of year  | \$ 2,295,466    | 538,576            | 211,179                      |
| <b>Cash Basis Fund Balances</b>                                    |                 |                    |                              |
| Nonspendable - Cemetery perpetual care                             | \$ -            | -                  | -                            |
| Restricted for:  |                 |                    |                              |
| Streets  | -               | 538,576            | -                            |
| Local option sales tax   | -               | -                  | 211,179                      |
| Capital projects   | -               | -                  | -                            |
| Debt service   | -               | -                  | -                            |
| Other purposes   | 209,320         | -                  | -                            |
| Assigned for fire station  | 57,014          | -                  | -                            |
| Unassigned   | 2,029,132       | -                  | -                            |
| Total cash basis fund balances                                     | \$ 2,295,466    | 538,576            | 211,179                      |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor  | Total     |
|--------------|------------------|-----------|-----------|
| 294,819      | -                | 157,500   | 1,285,974 |
| -            | -                | 230,113   | 230,113   |
| -            | -                | -         | 397,116   |
| 3,443        | -                | 1,976     | 15,931    |
| -            | -                | -         | 104,060   |
| -            | 16,295           | 1,062     | 33,695    |
| 5,364        | 594,491          | 3,013     | 1,111,830 |
| -            | -                | -         | 22,886    |
| -            | -                | -         | 60,573    |
| -            | 165,545          | 8,755     | 276,762   |
| 303,626      | 776,331          | 402,419   | 3,538,940 |
| -            | -                | 34        | 105,148   |
| -            | -                | -         | 714,423   |
| -            | -                | -         | 70        |
| -            | -                | 86,140    | 478,246   |
| -            | -                | 37,374    | 37,374    |
| -            | -                | 55,175    | 377,214   |
| 602,835      | -                | -         | 602,835   |
| -            | 1,194,770        | -         | 1,194,770 |
| 602,835      | 1,194,770        | 178,723   | 3,510,080 |
| (299,209)    | (418,439)        | 223,696   | 28,860    |
| -            | -                | -         | 24,250    |
| -            | 2,777,033        | -         | 2,777,033 |
| 283,077      | 344,742          | -         | 774,243   |
| -            | (2,001)          | (193,677) | (809,243) |
| 283,077      | 3,119,774        | (193,677) | 2,766,283 |
| (16,132)     | 2,701,335        | 30,019    | 2,795,143 |
| 204,714      | 344,459          | 325,634   | 3,840,107 |
| 188,582      | 3,045,794        | 355,653   | 6,635,250 |
| -            | -                | 63,313    | 63,313    |
| -            | -                | -         | 538,576   |
| -            | -                | -         | 211,179   |
| -            | 3,045,794        | -         | 3,045,794 |
| 188,582      | -                | 18,747    | 207,329   |
| -            | -                | 273,593   | 482,913   |
| -            | -                | -         | 57,014    |
| -            | -                | -         | 2,029,132 |
| 188,582      | 3,045,794        | 355,653   | 6,635,250 |



**City of Center Point**

City of Center Point

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

As of and for the year ended June 30, 2021

|  | Enterprise |           |          |           |
|--|------------|-----------|----------|-----------|
|  | Water      | Sewer     | Nonmajor | Total     |
| Operating receipts:  |            |           |          |           |
| Charges for service  | \$ 435,839 | 946,695   | 236,038  | 1,618,572 |
| Miscellaneous  | 8,897      | -         | -        | 8,897     |
| Total operating receipts   | 444,736    | 946,695   | 236,038  | 1,627,469 |
| Operating disbursements:   |            |           |          |           |
| Business type activities   | 255,086    | 274,468   | 236,069  | 765,623   |
| Excess (deficiency) of operating receipts<br>over(under) operating disbursements | 189,650    | 672,227   | (31)     | 861,846   |
| Non-operating receipts (disbursements):  |            |           |          |           |
| Interest on investments  | 241        | 431       | -        | 672       |
| Revenue note proceeds  | -          | 667,250   | -        | 667,250   |
| Debt service   | (91,000)   | (16,713)  | -        | (107,713) |
| Capital projects   | -          | (763,981) | -        | (763,981) |
| Net non-operating disbursements  | (90,759)   | (113,013) | -        | (203,772) |
| Excess (deficiency) of receipts over<br>(under) disbursements                    | 98,891     | 559,214   | (31)     | 658,074   |
| Transfers In   | -          | 50,000    | -        | 50,000    |
| Transfers Out  | (15,000)   | -         | -        | (15,000)  |
| Change in cash balances  | 83,891     | 609,214   | (31)     | 693,074   |
| Cash balances beginning of year  | 368,768    | 1,876,071 | 233,175  | 2,478,014 |
| Cash balances end of year  | \$ 452,659 | 2,485,285 | 233,144  | 3,171,088 |
| <b>Cash Basis Fund Balances</b>  |            |           |          |           |
| Restricted for:  |            |           |          |           |
| Customer deposits  | \$ 32,172  | -         | -        | 32,172    |
| Debt service   | 7,254      | 1,416     | -        | 8,670     |
| Capital projects   | -          | 1,894,621 | -        | 1,894,621 |
| Unrestricted   | 413,233    | 589,248   | 233,144  | 1,235,625 |
| Total cash basis fund balances   | \$ 452,659 | 2,485,285 | 233,144  | 3,171,088 |

See notes to financial statements.

City of Center Point

Notes to Financial Statements

June 30, 2021

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

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

A. Reporting Entity

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

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

Blended Component Unit

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The City reports the following major proprietary funds:

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

#### D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. In addition, disbursements exceeded the amount budgeted in the business type activities function prior to the budget amendment.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

**(3) Bonds and Notes Payable**

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

|                                      | Beginning<br>Balance | Increases | Decreases | Ending<br>Balance | Due<br>Within<br>One Year |
|--------------------------------------|----------------------|-----------|-----------|-------------------|---------------------------|
| Governmental activities:             |                      |           |           |                   |                           |
| General obligation bonds             | \$ 2,849,000         | 2,646,000 | 460,000   | 5,035,000         | 550,000                   |
| Business-type activities             |                      |           |           |                   |                           |
| Sewer revenue notes                  | \$ 145,000           | -         | 12,000    | 133,000           | 13,000                    |
| Water revenue notes                  | 800,000              | -         | 65,000    | 735,000           | 65,000                    |
| Sewer revenue loan anticipation note | 67,250               | 667,250   | -         | 734,500           | -                         |
| Business-type activities total       | \$ 1,012,250         | 667,250   | 77,000    | 1,602,500         | 78,000                    |

## General Obligation Bonds

A summary of the City's June 30, 2021 general obligation bonds payable is as follows:

| Year<br>Ending<br>June 30, | Street, Sidewalk, Storm Sewer<br>and Water System Construction<br>and Repairs |                     |                | City Hall Improvements<br>and Refunding |                   |               |
|----------------------------|---|---------------------|----------------|---|-------------------|---------------|
|                            | Issued July 28, 2011  |                     |                | Issued May 8, 2018                      |                   |               |
|                            | Interest<br>Rates   | Principal           | Interest       | Interest<br>Rates                       | Principal         | Interest      |
| 2022                       | 3.65%   | \$ 150,000          | 60,595         | 2.25%                                   | \$ 225,000        | 21,533        |
| 2023                       | 3.65  | 155,000             | 55,120         | 2.40                                    | 225,000           | 16,470        |
| 2024                       | 3.65  | 160,000             | 49,463         | 2.85                                    | 70,000            | 11,070        |
| 2025                       | 3.65  | 165,000             | 43,622         | 2.85                                    | 75,000            | 9,075         |
| 2026                       | 4.00  | 170,000             | 37,600         | 2.85                                    | 75,000            | 6,937         |
| 2027-2031                  | 4.00  | 770,000             | 78,600         | 3.00                                    | 160,000           | 7,200         |
| 2032-2036                  |   |                     |                |   |                   |               |
|                            |   | <u>\$ 1,570,000</u> | <u>325,000</u> |   | <u>\$ 830,000</u> | <u>72,285</u> |

| Year<br>Ending<br>June 30, | Fire Station and<br>Sewer Improvements |                     |                | Total               |                |                  |
|----------------------------|--|---------------------|----------------|---------------------|----------------|------------------|
|                            | Issued July 7, 2020                    |                     |                |                     |                |                  |
|                            | Interest<br>Rates                      | Principal           | Interest       | Principal           | Interest       | Total            |
| 2022                       | 2.00%                                  | \$ 175,000          | 52,700         | \$ 550,000          | 134,828        | 684,828          |
| 2023                       | 2.00                                   | 180,000             | 49,200         | 560,000             | 120,790        | 680,790          |
| 2024                       | 2.00                                   | 180,000             | 45,600         | 410,000             | 106,133        | 516,133          |
| 2025                       | 2.00                                   | 190,000             | 42,000         | 430,000             | 94,697         | 524,697          |
| 2026                       | 2.00                                   | 195,000             | 38,200         | 440,000             | 82,737         | 522,737          |
| 2027-2031                  | 2.00                                   | 960,000             | 131,100        | 1,890,000           | 216,900        | 2,106,900        |
| 2032-2036                  | 2.00                                   | 755,000             | 46,100         | 755,000             | 46,100         | 801,100          |
|                            |  | <u>\$ 2,635,000</u> | <u>404,900</u> | <u>\$ 5,035,000</u> | <u>802,185</u> | <u>5,837,185</u> |

On July 28, 2011, the City issued \$2,955,000 of general obligation corporate purpose bonds with interest rates ranging from 2.25% to 4.00% per annum. The bonds were issued for the purpose of financing costs of constructing street, sidewalk, storm sewer and waterworks system improvements. During the fiscal year ended June 30, 2021, the City paid \$175,000 of principal and \$66,983 of interest on the bonds.

On May 8, 2018, the City issued \$1,475,000 of general obligation corporate purpose and refunding bonds with interest rates ranging from 1.90% to 3.00% per annum. The bonds were issued to refund general obligation bonds issued November 12, 2008 and to pay the costs of improvements to City Hall. During the fiscal year ended June 30, 2021, the City paid \$220,000 of principal and \$26,153 of interest on the bonds.

On July 7, 2020, the City issued \$2,700,000 of general obligation corporate purpose bonds with an interest rate of 2.00% per annum. The City received a \$54,000 good faith deposit for the general obligation bond during the year ended June 30, 2020. The bonds were issued for the purpose of paying the cost of constructing, furnishing, and equipping a municipal fire station, and constructing street, water, sanitary sewer, storm water drainage and sidewalk improvements and acquiring and installing street lighting, signage and signals. During the fiscal year ended June 30, 2021, the City paid \$65,000 of principal and \$48,600 of interest on the bonds.

## Revenue Notes

A summary of the City's June 30, 2021 revenue notes payable is as follows:

| Year<br>Ending<br>June 30, | Sewer                    |                   |               | Water                |                   |                |
|----------------------------|--------------------------|-------------------|---------------|----------------------|-------------------|----------------|
|                            | Issued December 17, 2010 |                   |               | Issued July 15, 2011 |                   |                |
|                            | Interest<br>Rates        | Principal         | Interest      | Interest<br>Rates    | Principal         | Interest       |
| 2022                       | 3.00%                    | \$ 13,000         | 3,990         | 3.00%                | \$ 65,000         | 22,050         |
| 2023                       | 3.00                     | 13,000            | 3,600         | 3.00                 | 65,000            | 20,100         |
| 2024                       | 3.00                     | 14,000            | 3,210         | 3.00                 | 70,000            | 18,150         |
| 2025                       | 3.00                     | 14,000            | 2,790         | 3.00                 | 70,000            | 16,050         |
| 2026                       | 3.00                     | 15,000            | 2,370         | 3.00                 | 70,000            | 13,950         |
| 2027-2031                  |                          | 64,000            | 4,890         | 3.00                 | 395,000           | 36,300         |
|                            |                          | <u>\$ 133,000</u> | <u>20,850</u> |                      | <u>\$ 735,000</u> | <u>126,600</u> |

| Year<br>Ending<br>June 30, | Total             |                |                  |
|----------------------------|-------------------|----------------|------------------|
|                            | Principal         | Interest       | Total            |
| 2022                       | \$ 78,000         | 26,040         | 104,040          |
| 2023                       | 78,000            | 23,700         | 101,700          |
| 2024                       | 84,000            | 21,360         | 105,360          |
| 2025                       | 84,000            | 18,840         | 102,840          |
| 2026                       | 85,000            | 16,320         | 101,320          |
| 2027-2031                  | 459,000           | 41,190         | 500,190          |
|                            | <u>\$ 868,000</u> | <u>147,450</u> | <u>1,015,450</u> |

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$250,000 of sewer revenue notes issued in December 2010. Proceeds from the notes provided financing for the improvements and extensions to the sewer treatment facilities. The notes are payable solely from sewer customer net receipts and are payable through December 2030. Annual principal and interest payments on the notes are expected to require less than 3% of net receipts. The total principal and interest remaining to be paid on the notes is \$153,850. For the current year, principal and interest paid and total customer net receipts were \$16,350 and \$672,227, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,285,000 of water revenue notes issued in July 2011. Proceeds from the notes provided financing for improvements and extensions to the water tower. The notes are payable solely from water customer net receipts and are payable through June 2031. Annual principal and interest payments on the notes are expected to require 47% of net receipts. The total principal and interest remaining to be paid on the notes is \$861,600. For the current year, principal and interest paid and total customer net receipts were \$89,000 and \$189,650, respectively.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.



- (c) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

#### Sewer Revenue Capital Loan and Disbursement Agreement Anticipation Project Note

On January 10, 2020, the City entered into a sewer revenue loan and disbursement agreement anticipation project note with the Iowa Finance Authority to borrow up to \$755,000 to pay the costs in connection with planning and designing improvements and extensions to the sanitary sewer system. The note is interest free and matures on January 10, 2023. The City drew down \$667,250 on the notes during the year ended June 30, 2021. No payments were made on the note during the year ended June 30, 2021, and the City had drawn down \$734,500 of the authorized amount.

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

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

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

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

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

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

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

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

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

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City’s contributions to IPERS for the year ended June 30, 2021 totaled \$50,960.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$493,116 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City’s proportion was 0.007020%, which was a decrease of 0.000091% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$75,655, \$53,577 and \$11,688, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

| Asset Class              | Asset Allocation | Long-Term Expected Real Rate of Return |
|--------------------------|------------------|--|
| Domestic equity          | 22.0%            | 4.43%                                  |
| International equity     | 17.5             | 5.15                                   |
| Global smart beta equity | 6.0              | 4.87                                   |
| Core plus fixed income   | 28.0             | (0.29)                                 |
| Public credit            | 4.0              | 2.29                                   |
| Cash                     | 1.0              | (0.78)                                 |
| Private equity           | 11.0             | 6.54                                   |
| Private real assets      | 7.5              | 4.48                                   |
| Private credit           | 3.0              | 3.11                                   |
| Total                    | 100.0%           |  |

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

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

|   | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---------------------|-----------------------|---------------------|
| City's proportionate share of the net pension liability | \$ 822,229          | 493,116               | 217,159             |

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

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

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members range from \$516 for single coverage to \$1,153 for family coverage. For the year ended June 30, 2021, the City contributed \$156,564 and plan members eligible for benefits contributed \$15,833 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021, the following employees were covered by the benefit terms:

|                  |           |
|------------------|-----------|
| Active employees | <u>10</u> |
|------------------|-----------|

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused personal and administrative leave hours for subsequent use or for payment upon resignation or termination. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned personal and administrative leave payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u>    |
|------------------------|------------------|
| Personal               | \$ 64,000        |
| Administrative leave   | <u>2,000</u>     |
| Total                  | <u>\$ 66,000</u> |

This liability has been computed based on rates of pay in effect at June 30, 2021.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u>                    | <u>Amount</u>          |
|--------------------|---|------------------------|
| General            | Special Revenue:                        |                        |
|                    | Road Use Tax                            | \$ 50,000              |
|                    | Local Option Sales Tax                  | 79,423                 |
|                    | Capital Projects                        | 2,001                  |
|                    | Enterprise                              |                        |
|                    | Water                                   | <u>15,000</u>          |
|                    |   | <u>146,424</u>         |
| Debt Service       | Special Revenue:                        |                        |
|                    | Local Option Sales Tax                  | 89,400                 |
|                    | Urban Renewal Tax Incremental Financing | <u>193,677</u>         |
|                    |   | <u>283,077</u>         |
| Capital Projects   | General                                 | 51,742                 |
|                    | Special Revenue:                        |                        |
|                    | Local Option Sales Tax                  | <u>293,000</u>         |
|                    |   | <u>344,742</u>         |
| Enterprise         | Special Revenue:                        |                        |
|                    | Sewer                                   | Local Option Sales Tax |
| Total              |   | <u>\$ 824,243</u>      |

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

**(8) Commitments**

The City has entered into contracts totaling \$14,149,736 for construction of a fire station, sewer treatment plant improvements and various consulting, renovation, street improvement and construction services. As of June 30, 2021, costs of \$4,330,107 had been paid on the contracts. The remaining \$9,819,629 will be paid as work on these projects progresses.

**(9) Operating Leases – Lessor**

The City leases farmland and property around the City to individuals. The following is a schedule by year of minimum future rentals on the leases as of June 30, 2021:

| <u>Year ending</u> | <u>Amount</u>    |
|--------------------|------------------|
| <u>June 30,</u>    |                  |
| 2022               | \$ 13,503        |
| 2023               | 400              |
| 2024               | 400              |
| 2025               | 400              |
| 2026               | 400              |
| 2027-2031          | 2,000            |
| 2032-2036          | <u>1,600</u>     |
| Total              | <u>\$ 18,703</u> |

**(10) Operating Leases – Lessee**

The City entered into a lease agreement for a postage meter during the year ended June 30, 2018. Quarterly lease payments are \$418, and the lease expires January 2, 2023. Rental expense for the year ended June 30, 2021 for this operating lease totaled \$2,090. The July 2021 payment was made in June 2021

The City entered into a lease agreement for a copier and printer during the year ended June 30, 2020. Monthly lease payments are \$79, and the lease expires October 31, 2024. Rental expense for the year ended June 30, 2021 for this operating lease totaled \$948.

**(11) Risk Management**

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

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

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

**(12) Development Agreement**

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

The City agreed to make payments to the developer under Chapters 15A and 403 of the Code of Iowa not to exceed \$50,000, subject to annual appropriation by the City Council, in exchange for the construction of new commercial office space for leasing and use in its business operations. Payments will be made annually for a period of five years, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2021, the City made payments of \$10,000 to the developer. The balance remaining under the agreement at June 30, 2021 is \$10,000.

The City agreed to make payments to the developer under Chapters 15A and 403 of the Code of Iowa not to exceed \$150,000, subject to annual appropriation, in exchange for the construction of new commercial retail space for leasing and use in its business operations. Payments will be made annually for a period of five years, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2021, the City made payments of \$27,374 to the developer. The balance remaining under the agreement at June 30, 2021 is \$70,431.

**(13) Tax Abatements**

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

City Tax Abatements

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

For the year ended June 30, 2021, the City abated \$13,266 of property tax under the urban renewal and economic development agreements.

**(14) COVID-19**

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

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

**(15) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 87 Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

## **Other Information**



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

Other Information

Year ended June 30, 2021

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Less<br>Funds not<br>Required to<br>be Budgeted |
|---|---------------------------------|--------------------------------|---|
| Receipts:   |                                 |                                |   |
| Property tax  | \$ 1,285,974                    | -                              | -   |
| Tax increment financing                                       | 230,113                         | -                              | -   |
| Local option sales tax  | 397,116                         | -                              | -   |
| Other city tax  | 15,931                          | -                              | -   |
| Licenses and permits  | 104,060                         | -                              | -   |
| Use of money and property                                     | 33,695                          | 672                            | 20  |
| Intergovernmental   | 1,111,830                       | -                              | -   |
| Charges for service   | 22,886                          | 1,618,572                      | -   |
| Special assessments   | 60,573                          | -                              | -   |
| Miscellaneous   | 276,762                         | 8,897                          | 8,147   |
| Total receipts  | 3,538,940                       | 1,628,141                      | 8,167   |
| Disbursements:  |                                 |                                |   |
| Public safety   | 105,148                         | -                              | -   |
| Public works  | 714,423                         | -                              | -   |
| Health and social services                                    | 70                              | -                              | -   |
| Culture and recreation  | 478,246                         | -                              | 3,450   |
| Community and economic development                            | 37,374                          | -                              | -   |
| General government  | 377,214                         | -                              | -   |
| Debt service  | 602,835                         | -                              | -   |
| Capital projects  | 1,194,770                       | -                              | -   |
| Business type activities                                      | -                               | 1,637,317                      | -   |
| Total disbursements   | 3,510,080                       | 1,637,317                      | 3,450   |
| Excess (deficiency) of receipts<br>over (under) disbursements | 28,860                          | (9,176)                        | 4,717   |
| Other financing sources, net                                  | 2,766,283                       | 702,250                        | -   |
| Change in fund balances                                       | 2,795,143                       | 693,074                        | 4,717   |
| Balances beginning of year                                    | 3,840,107                       | 2,478,014                      | 15,066  |
| Balances end of year  | \$ 6,635,250                    | 3,171,088                      | 19,783  |

See accompanying independent auditor's report.

| Total     | Budgeted Amounts |             | Final to  |
|-----------|------------------|-------------|-----------|
|           | Original         | Final       | Total     |
|           |                  |             | Variance  |
| 1,285,974 | 1,276,022        | 1,276,022   | 9,952     |
| 230,113   | 233,677          | 233,677     | (3,564)   |
| 397,116   | 350,000          | 350,000     | 47,116    |
| 15,931    | 81,502           | 81,502      | (65,571)  |
| 104,060   | 6,650            | 6,650       | 97,410    |
| 34,347    | 11,500           | 11,500      | 22,847    |
| 1,111,830 | 1,299,160        | 1,299,160   | (187,330) |
| 1,641,458 | 1,488,250        | 1,488,250   | 153,208   |
| 60,573    | 60,578           | 60,578      | (5)       |
| 277,512   | 440,000          | 460,000     | (182,488) |
| 5,158,914 | 5,247,339        | 5,267,339   | (108,425) |
| 105,148   | 141,250          | 141,250     | 36,102    |
| 714,423   | 861,825          | 861,825     | 147,402   |
| 70        | 3,750            | 3,750       | 3,680     |
| 474,796   | 566,375          | 566,375     | 91,579    |
| 37,374    | 40,000           | 40,000      | 2,626     |
| 377,214   | 436,600          | 456,600     | 79,386    |
| 602,835   | 488,936          | 602,836     | 1         |
| 1,194,770 | 6,669,000        | 4,412,000   | 3,217,230 |
| 1,637,317 | 927,650          | 3,769,650   | 2,132,333 |
| 5,143,947 | 10,135,386       | 10,854,286  | 5,710,339 |
| 14,967    | (4,888,047)      | (5,586,947) | 5,601,914 |
| 3,468,533 | 3,055,000        | 3,055,000   | 413,533   |
| 3,483,500 | (1,833,047)      | (2,531,947) | 6,015,447 |
| 6,303,055 | 5,324,908        | 5,324,908   | 978,147   |
| 9,786,555 | 3,491,861        | 2,792,961   | 6,993,594 |

**City of Center Point**

City of Center Point

Notes to Other Information – Budgetary Reporting

June 30, 2021

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$718,900. The budget amendments are reflected in the final budgeted amounts.

Disbursements exceeded the amount budgeted in the business type activities function prior to the budget amendment.

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City of Center Point

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

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

Other Information

|  | 2021      | 2020      | 2019      | 2018      |
|--|-----------|-----------|-----------|-----------|
| City's proportion of the net pension liability   | 0.007020% | 0.007111% | 0.006931% | 0.006940% |
| City's proportionate share of the net pension liability  | \$ 493    | 412       | 439       | 462       |
| City's covered payroll   | \$ 557    | 541       | 521       | 518       |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 88.51%    | 76.16%    | 84.26%    | 89.19%    |
| IPERS' net position as a percentage of the total pension liability                             | 82.90%    | 85.45%    | 83.62%    | 82.21%    |

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

See accompanying independent auditor's report.

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| 2017      | 2016      | 2015      |
|-----------|-----------|-----------|
| 0.006415% | 0.006182% | 0.005463% |
| 404       | 305       | 221       |
| 460       | 424       | 365       |
| 87.83%    | 71.93%    | 60.55%    |
| 81.82%    | 85.19%    | 87.61%    |

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City of Center Point

Schedule of City Contributions

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

Other Information

|   | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|-------------|-------------|
| Statutorily required contribution                                     | \$ 51       | 53          | 51          | 47          |
| Contributions in relation to the<br>statutorily required contribution | <u>(51)</u> | <u>(53)</u> | <u>(51)</u> | <u>(47)</u> |
| Contribution deficiency (excess)                                      | <u>\$ -</u> | <u>-</u>    | <u>-</u>    | <u>-</u>    |
| City's covered payroll  | \$ 540      | 557         | 541         | 521         |
| Contributions as a percentage of<br>covered payroll *                 | 9.44%       | 9.44%       | 9.44%       | 8.93%       |

\* Amounts reported do not agree with the calculated amounts due to rounding required contributions and covered payroll to the nearest thousandth.

See accompanying independent auditor's report.

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| 2017  | 2016  | 2015  | 2014  | 2013  | 2012  |
|-------|-------|-------|-------|-------|-------|
| 46    | 41    | 38    | 33    | 33    | 30    |
| (46)  | (41)  | (38)  | (33)  | (33)  | (30)  |
| -     | -     | -     | -     | -     | -     |
| 518   | 460   | 424   | 365   | 378   | 369   |
| 8.93% | 8.93% | 8.93% | 8.93% | 8.67% | 8.07% |



City of Center Point

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

## **Supplementary Information**

City of Center Point

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

As of and for the year ended June 30, 2021

|  | Special  |                      |                        |
|--|--|----------------------|------------------------|
|  | Urban<br>Renewal Tax<br>Increment<br>Financing | Employee<br>Benefits | Fross<br>Park<br>Trust |
| Receipts:                              |  |                      |                        |
| Property tax                           | \$ -   | 157,500              | -                      |
| Tax increment financing                | 230,113  | -                    | -                      |
| Other city tax                         | -  | 1,976                | -                      |
| Use of money and property              | -  | -                    | 971                    |
| Intergovernmental                      | -  | 3,013                | -                      |
| Miscellaneous                          | -  | -                    | -                      |
| Total receipts                         | 230,113  | 162,489              | 971                    |
| Disbursements:                         |  |                      |                        |
| Operating:                             |  |                      |                        |
| Public safety                          | -  | 34                   | -                      |
| Culture and recreation                 | -  | 82,690               | -                      |
| Community and economic development     | 37,374   | -                    | -                      |
| General government                     | -  | 55,175               | -                      |
| Total disbursements                    | 37,374   | 137,899              | -                      |
| Excess of receipts over disbursements  | 192,739  | 24,590               | 971                    |
| Other financing uses:                  |  |                      |                        |
| Transfers out                          | (193,677)                                      | -                    | -                      |
| Change in cash balances                | (938)  | 24,590               | 971                    |
| Cash balances beginning of year        | 19,685   | 171,052              | 57,197                 |
| Cash balances end of year              | \$ 18,747                                      | 195,642              | 58,168                 |
| <b>Cash Basis Fund Balances</b>        |  |                      |                        |
| Nonspendable - Cemetery perpetual care | \$ -   | -                    | -                      |
| Restricted for:                        |  |                      |                        |
| Debt service                           | 18,747   | -                    | -                      |
| Other purposes                         | -  | 195,642              | 58,168                 |
| Total cash basis fund balances         | \$ 18,747                                      | 195,642              | 58,168                 |

See accompanying independent auditor's report.

| Friends of the<br>Center Point<br>Public<br>Library | Permanent<br>Cemetery<br>Perpetual<br>Care | Total     |
|---|--|-----------|
| -   | -  | 157,500   |
| -   | -  | 230,113   |
| -   | -  | 1,976     |
| 20  | 71   | 1,062     |
| -   | -  | 3,013     |
| 8,147   | 608  | 8,755     |
| 8,167   | 679  | 402,419   |
| -   | -  | 34        |
| 3,450   | -  | 86,140    |
| -   | -  | 37,374    |
| -   | -  | 55,175    |
| 3,450   | -  | 178,723   |
| 4,717   | 679  | 223,696   |
| -   | -  | (193,677) |
| 4,717   | 679  | 30,019    |
| 15,066  | 62,634                                     | 325,634   |
| 19,783  | 63,313                                     | 355,653   |
| -   | 63,313                                     | 63,313    |
| -   | -  | 18,747    |
| 19,783  | -  | 273,593   |
| 19,783  | 63,313                                     | 355,653   |

**City of Center Point**

## City of Center Point

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

As of and for the year ended June 30, 2021

|   | Enterprise |                |         |
|---|------------|----------------|---------|
|   | Garbage    | Storm<br>Water | Total   |
| Operating receipts:   |            |                |         |
| Charges for service   | \$ 184,171 | 51,867         | 236,038 |
| Operating disbursements:  |            |                |         |
| Business type activities  | 173,670    | 62,399         | 236,069 |
| Excess (deficiency) of operating receipts<br>over (under) operating disbursements | 10,501     | (10,532)       | (31)    |
| Cash balances beginning of year   | 59,969     | 173,206        | 233,175 |
| Cash balances end of year   | \$ 70,470  | 162,674        | 233,144 |
| <b>Cash Basis Fund Balances</b>   |            |                |         |
| Unrestricted  | \$ 70,470  | 162,674        | 233,144 |

See notes to financial statements.

City of Center Point

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

For the Last Ten Years

|                                    | 2021                | 2020             | 2019             | 2018             |
|------------------------------------|---------------------|------------------|------------------|------------------|
| <b>Receipts:</b>                   |                     |                  |                  |                  |
| Property tax                       | \$ 1,285,974        | 1,179,224        | 1,157,812        | 919,289          |
| Tax increment financing            | 230,113             | 236,534          | 238,341          | 211,012          |
| Local option sales tax             | 397,116             | 359,885          | 318,973          | 316,338          |
| Other city tax                     | 15,931              | 9,153            | 9,009            | 260,145          |
| Licenses and permits               | 104,060             | 92,555           | 50,722           | 10,869           |
| Use of money and property          | 33,695              | 22,604           | 21,064           | 23,350           |
| Intergovernmental                  | 1,111,830           | 1,159,050        | 544,944          | 422,659          |
| Charges for service                | 22,886              | 27,159           | 40,761           | 63,821           |
| Special assessments                | 60,573              | 62,540           | 66,057           | 66,474           |
| Miscellaneous                      | 276,762             | 293,685          | 176,681          | 84,776           |
| Total                              | <u>\$ 3,538,940</u> | <u>3,442,389</u> | <u>2,624,364</u> | <u>2,378,733</u> |
| <b>Disbursements:</b>              |                     |                  |                  |                  |
| <b>Operating:</b>                  |                     |                  |                  |                  |
| Public safety                      | \$ 105,148          | 492,337          | 76,765           | 96,864           |
| Public works                       | 714,423             | 291,707          | 305,522          | 515,341          |
| Health and social services         | 70                  | 3,629            | 3,041            | -                |
| Culture and recreation             | 478,246             | 456,054          | 580,516          | 428,155          |
| Community and economic development | 37,374              | 36,594           | 35,601           | 10,000           |
| General government                 | 377,214             | 460,183          | 435,197          | 417,178          |
| Debt service                       | 602,835             | 488,040          | 488,273          | 1,148,043        |
| Capital projects                   | 1,194,770           | 1,109,950        | 1,431,742        | 431,462          |
| Total                              | <u>\$ 3,510,080</u> | <u>3,338,494</u> | <u>3,356,657</u> | <u>3,047,043</u> |

See accompanying independent auditor's report.

| 2017      | 2016      | 2015      | 2014      | 2013      | 2012      |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 860,478   | 854,198   | 828,526   | 1,037,729 | 1,113,991 | 1,025,939 |
| 196,017   | 202,579   | 180,159   | 184,233   | 199,426   | 75,496    |
| 349,911   | 334,316   | 304,603   | 299,680   | 283,392   | 308,372   |
| 278,968   | 270,770   | 333,608   | 16,573    | 7,218     | 7,327     |
| 32,432    | 48,523    | 29,310    | 26,189    | 14,131    | 38,254    |
| 15,543    | 15,336    | 16,925    | 14,555    | 11,890    | 14,381    |
| 448,592   | 785,085   | 491,639   | 319,239   | 316,782   | 497,147   |
| 29,248    | 33,889    | 33,287    | 40,631    | 17,764    | 7,818     |
| 68,441    | 70,409    | 72,381    | 74,343    | -         | -         |
| 151,630   | 468,622   | 364,621   | 1,167,823 | 103,648   | 140,264   |
| 2,431,260 | 3,083,727 | 2,655,059 | 3,180,995 | 2,068,242 | 2,114,998 |
| 121,626   | 83,604    | 88,491    | 88,374    | 115,319   | 79,505    |
| 274,303   | 259,078   | 519,514   | 325,899   | 368,899   | 248,952   |
| 9,940     | 2,676     | -         | 2,072     | 9,785     | 11,591    |
| 460,348   | 415,295   | 800,404   | 590,757   | 502,089   | 536,192   |
| -         | -         | -         | -         | -         | 229,226   |
| 308,519   | 423,881   | 360,715   | 301,127   | 254,262   | 362,304   |
| 421,473   | 426,486   | 494,854   | 496,958   | 504,772   | 2,724,192 |
| 1,587,623 | 2,267,181 | -         | -         | 4,427     | -         |
| 3,183,832 | 3,878,201 | 2,263,978 | 1,805,187 | 1,759,553 | 4,191,962 |





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

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Center Point, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 8, 2022. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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 that a material misstatement of the City of Center Point's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

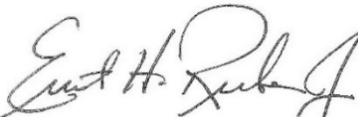
### The City of Center Point's Responses to the Findings

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

### Purpose of this Report

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

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

  
Ernest H. Ruben, Jr., CPA  
Deputy Auditor of State

February 8, 2022

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

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

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

- (1) Cash – Handling cash, collecting, depositing, posting. Additionally, bank reconciliations are reviewed by those who can handle cash, deposit and post receipts.
- (2) Receipts – Opening and listing mail receipts, collecting, depositing, posting, daily reconciling and handling cash.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. The City should utilize current personnel and officials to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of the review.

Response – This year was a little more difficult on the segregation of duties, due to having one less staff member in the administration office. The City Clerk tried to segregate to the best of their ability between the two of them. We have filled the Administrator position, adding a third headcount to administrative services. This Administrator can assist with review of utility billings reconciliation, bank reconciliation and sign off of deposits.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Center Point

Schedule of Findings

Year ended June 30, 2021

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

- (1) Certified Budget – Disbursements in the business type activities function exceeded the amount budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – As City Clerk, I was aware of this finding. Staff will work more diligently to approve amendments before spending or moving funds.

Conclusion – Response accepted.

- (2) Questionable Disbursements – A disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. This disbursement is detailed as follows:

| <u>Paid to</u> | <u>Purpose</u> | <u>Amount</u> |
|----------------|----------------|---------------|
| Lowe's         | Sales tax      | \$ 3          |

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

Response – Lowe’s switched software programs and at times the new system charges sales tax. The cashier is unable to remove the sales tax. The City staff has to go to customer service to get refunded, sometimes this is not a cost-effective approach with how much the employee is paid hourly to stand in line for minimal returns. City staff will continue to work with Lowe’s on eliminating the sales tax from all purchases.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Center Point

Schedule of Findings

Year ended June 30, 2021

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| <u>Name, Title and<br/>Business Connection</u>             | <u>Transaction<br/>Description</u> | <u>Amount</u> |
|--|------------------------------------|---------------|
| Pamela Freeman-Brown, Mayor,<br>Owner, Port 'O' Jonny Inc. | Sanitation services                | \$ 200        |

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions do not represent a conflict of interest since total transactions were less than \$6,000 during the fiscal year.

- (5) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B of the Code of Iowa and the City’s investment policy were noted.
- (9) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.
- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the City understated the amount reported as Tax Increment Financing (TIF) debt outstanding on the Levy Authority Summary by \$233,975. The debt outstanding did not include interest for two urban renewal bonds.

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

Response – An error was made. The City will try not to make this error again.

Conclusion – Response accepted.

City of Center Point

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy  
Michelle B. Meyer, CPA, Director  
Jesse J. Harthan, Senior II Auditor  
Brett A. Logsdon, Assistant Auditor  
Enoch Duval, Assistant Auditor