

CITY OF CORRECTIONVILLE, IOWA  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
AND SCHEDULE OF FINDINGS

JUNE 30, 2009

CITY OF CORRECTIONVILLE, IOWA

JUNE 30, 2009

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CITY OF CORRECTIONVILLE

CITY OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Donald Dixon	Mayor	Dec 2009
Gerald Hylar	Council Member	Dec 2009
Sonya Kostan	Council Member	Dec 2011
Randy Kirchner	Council Member	Dec 2011
Gail Stanton	Council Member	Dec 2009
Jean Schumacher	Council Member	Dec 2009
Susan Fitch	Clerk/Treasurer	Annual
Barry Thomspen	Attorney	Annual



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Phone (712) 423-2616  
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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council  
City of Correctionville, Iowa

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 Correctionville, Iowa as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of City of Correctionville's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Correctionville, Iowa, as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2010 on our consideration of City of Correctionville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit

Management has omitted the Management' Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. The City of Correctionville, Iowa has presented budgetary comparison information on pages 13 thru 15. We have applied certain limited procedures, which consisted of inquiries of management about the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Correctionville's basic financial statements. The Other Supplemental Information including the Combining Schedule of Cash Receipts, Disbursements, and Changes in Cash Balances – Nonmajor Governmental Funds and the Schedule of Indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Williams & Company P.C.*  
Certified Public Accountants

Onawa, Iowa  
June 28, 2010

BASIC FINANCIAL STATEMENTS

CITY OF CORRECTIONVILLE, IOWA  
 STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Disbursements	Program Receipts		
		Charges for Services	Operating Grants Contributions and Other Program Revenues	Capital Notes Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	\$ 117,486	\$ 114,623		
Public Works	143,742	66,712	\$ 100,607	
Culture and Recreation	83,194	16,375		
Community and Economic Development	34,650			
General Government	83,612	10,042		
Debt Service	74,848			
Total Governmental Activities	<u>537,532</u>	<u>207,752</u>	<u>100,607</u>	<u>-</u>
<b>Business-Type Activities:</b>				
Water System	92,393	99,183		
Sewer System	902,493	143,132		\$ 223,731
Total Business-Type Activities:	<u>994,886</u>	<u>242,315</u>	<u>-</u>	<u>223,731</u>
Total	<u>\$ 1,532,418</u>	<u>\$ 450,067</u>	<u>\$ 100,607</u>	<u>\$ 223,731</u>

**General Receipts:**

Property Tax Levied For:  
 General Purposes  
 Tax Increment Financing Collections  
 Local Option Sales Tax  
 Unrestricted Interest on Investments  
 Miscellaneous  
 Proceeds from Borrowings  
 Interfund Transfers  
 Total General Revenues  
 Change in Net Assets  
 Net Assets - Beginning  
 Net Assets - Ending

See Accompanying Notes to Financial Statements

Exhibit A

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**Net (Disbursements) Receipts  
and Changes in Net Assets**

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Governmental Activities	Business-Type Activities	Total
<p>\$ (2,863)</p> <p>23,577</p> <p>(66,819)</p> <p>(34,650)</p> <p>(73,570)</p> <p>(74,848)</p> <hr/> <p>(229,173)</p>	<p>\$ 6,790</p> <p>(535,630)</p> <hr/> <p>(528,840)</p>	<p>\$ (2,863)</p> <p>23,577</p> <p>(66,819)</p> <p>(34,650)</p> <p>(73,570)</p> <p>(74,848)</p> <hr/> <p>(229,173)</p>
	<p>\$ 6,790</p> <p>(535,630)</p> <hr/> <p>(528,840)</p>	<p>6,790</p> <p>(535,630)</p> <hr/> <p>(528,840)</p>
<p>(229,173)</p>	<p>(528,840)</p>	<p>(758,013)</p>
<p>125,152</p> <p>8,990</p> <p>95,502</p> <p>53,285</p> <p>5,193</p> <p>42,546</p> <hr/> <p>330,668</p> <p>101,495</p> <p>1,506,512</p> <hr/> <p>\$ 1,608,007</p>	<p>19,731</p> <p>600,000</p> <p>(42,546)</p> <hr/> <p>577,185</p> <p>48,345</p> <p>513,331</p> <hr/> <p>\$ 561,676</p>	<p>125,152</p> <p>8,990</p> <p>95,502</p> <p>73,016</p> <p>5,193</p> <p>600,000</p> <p>-</p> <hr/> <p>907,853</p> <p>149,840</p> <p>2,019,843</p> <hr/> <p>\$ 2,169,683</p>

**CITY OF CORRECTIONVILLE, IOWA**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**GOVERNMENTAL FUNDS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

	General	Special Revenue		Nonmajor Funds	Total Governmental Funds
		Road Use Tax	Local Option Sales Tax		
<b>Receipts:</b>					
Property Tax	\$ 105,205			\$ 15,125	\$ 120,330
Other City Taxes	4,822				4,822
Tax Increment Financing Collections				8,990	8,990
Licenses and Permits	1,997				1,997
Intergovernmental Revenue		\$ 100,607	\$ 95,502		196,109
Charges for Services	193,813				193,813
Fines and Forfeits	8,045				8,045
Refunds/Reimbursements	3,897				3,897
Unrestricted Interest on Investments	45,900		2,440	4,945	53,285
Miscellaneous	4,987			206	5,193
Total Receipts	<u>368,666</u>	<u>100,607</u>	<u>97,942</u>	<u>29,266</u>	<u>596,481</u>
<b>Disbursements:</b>					
Operating:					
Public Safety	117,486				117,486
Public Works	65,689	76,012		2,041	143,742
Culture and Recreation	83,194				83,194
Community and Economic Development	13,085			21,565	34,650
General Government	83,612				83,612
Debt Service					
Principal Retirements				53,000	53,000
Interest				21,848	21,848
Total Disbursements	<u>363,066</u>	<u>76,012</u>	<u>-</u>	<u>98,454</u>	<u>537,532</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>5,600</u>	<u>24,595</u>	<u>97,942</u>	<u>(69,188)</u>	<u>58,949</u>
Other Financing Sources (Uses):					
Operating Transfers In	15,125			54,017	69,142
Operating Transfers Out	(11,471)			(15,125)	(26,596)
Total Other Financing Sources (Uses)	<u>3,654</u>	<u>-</u>	<u>-</u>	<u>38,892</u>	<u>42,546</u>
Net Change in Cash Balances	9,254	24,595	97,942	(30,296)	101,495
Cash Balances Beginning of Year	1,196,875	92,233	88,347	129,057	1,506,512
Cash Balances End of Year	<u>\$ 1,206,129</u>	<u>\$ 116,828</u>	<u>\$ 186,289</u>	<u>\$ 98,761</u>	<u>\$ 1,608,007</u>

See Accompanying Notes to Financial Statements

CITY OF CORRECTIONVILLE, IOWA  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES**  
**PROPRIETARY FUNDS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Business Type Activities</u>		
	<u>Water System</u>	<u>Sewer System</u>	<u>Total</u>
<b>Operating Receipts:</b>			
Charges for Services	\$ 99,183	\$ 143,132	\$ 242,315
<b>Operating Disbursements:</b>			
Business Type Activities	92,393	113,619	206,012
Excess of Receipts Over Operating Disbursements	6,790	29,513	36,303
Other Financing Sources (Uses)			
Proceeds from Borrowings		600,000	600,000
Grant Proceeds		223,731	223,731
Interest on Investments	9,277	10,454	19,731
Capital Projects		(759,518)	(759,518)
Payment on Debt		(29,356)	(29,356)
Operating Transfers Out		(42,546)	(42,546)
Total Other Financing Sources	9,277	2,765	12,042
Net Change in Cash Balances	16,067	32,278	48,345
Cash Balances - Beginning of Year	247,715	265,616	513,331
Cash Balances - End of Year	<u>\$ 263,782</u>	<u>\$ 297,894</u>	<u>\$ 561,676</u>

See Accompanying Notes to Financial Statements

CITY OF CORRECTIONVILLE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Correctionville is a political subdivision of the State of Iowa located in Woodbury County. It was first incorporated in 1855 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 and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Correctionville has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no potential component units meeting this criteria.

Jointly Governed Organizations

City of Correctionville also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Woodbury County Assessors' Conference Board, Woodbury County Emergency Management Commission and Woodbury County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement

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

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

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

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

CITY OF CORRECTIONVILLE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the operation of street maintenance and construction financed by allocations of state fuel taxes.

The Local Option Sales Tax Fund is used to account for the monies received from local option sales tax.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the Community and Economic Development function.

CITY OF CORRECTIONVILLE, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009

**Note 2 - CASH AND POOLED INVESTMENTS**

The City's deposits in banks at June 30, 2009 were entirely covered by Federal Depository Insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments at June 30, 2009; however the City's time deposits were as follows:

Certificates of Deposit \$1,499,819

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**Note 3 - BONDS AND NOTES PAYABLE**

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

Year Ending June 30,	General Obligation Bonds		Sewer Revenue 2000 Capital Loan Note		Sewer Revenue 2008 Capital Loan Note		Woodbury County Operating Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 15,000	\$ 6,323	\$ 40,000	\$ 21,246	\$ 281,644	\$ 12,240	\$ 6,000	\$ -	\$ 342,644	\$ 39,809
2011	16,000	5,941	42,000	19,678	11,000	8,670	6,000	-	75,000	34,289
2012	17,000	5,485	44,000	18,032	12,000	8,340	6,000	-	79,000	31,857
2013	18,000	4,975	45,000	16,307	12,000	7,980	6,000	-	81,000	29,262
2014	19,000	4,408	47,000	14,543	12,000	7,620	6,000	-	84,000	26,571
2015-2019	105,000	11,940	265,000	43,512	69,000	32,310			439,000	87,762
2020-2024			59,000	2,313	79,000	21,360			138,000	23,673
2025-2029					94,000	8,610			94,000	8,610
<b>Total</b>	<b>\$ 190,000</b>	<b>\$ 39,072</b>	<b>\$ 542,000</b>	<b>\$ 135,631</b>	<b>\$ 570,644</b>	<b>\$ 107,130</b>	<b>\$ 30,000</b>	<b>\$ -</b>	<b>\$ 1,332,644</b>	<b>\$ 281,833</b>

In March 2003 the City issued General Obligation Bonds for \$250,000. The bonds are due in annual installments of \$10,000 to \$23,000 through 2019. The interest rate varies from 2.30% to 3.80%. As of June 30, 2009 the outstanding balance was \$190,000.

In May 2006 the City obtained a capital loan note through the Iowa Finance Authority for \$850,000 which bears an interest rate of 3.92% and payable semi-annually beginning December 2000 until maturity in 2020. The unpaid balance at June 30, 2009 was \$542,000.

In September 2008 the City obtained a capital loan note through the Iowa Finance Authority for \$600,000 which bears an interest rate of 3.00% and payable semi-annually beginning December 2008 until maturity in 2029. The unpaid balance at June 30, 2009 was \$570,644. See Note 8 for subsequent event and early payment of principal.

In June 2008 the City entered into an operating note with Woodbury County for \$30,000 which bears an interest rate of 0.00% and payable annually beginning July 2009 until maturity in July 2012. The unpaid balance at June 30, 2009 was \$30,000.

CITY OF CORRECTIONVILLE, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009

**Note 4 - PENSION AND RETIREMENT BENEFITS**

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute.

The City's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$11,409, \$18,217 and \$14,749, respectively, equal to the required contributions for each year.

**Note 5 - COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation hours and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time payable to employees at June 30, 2009, is \$4,595. This liability has been computed based on rates of pay in effect at June 30, 2009.

**Note 6 - INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 15,125	
Sewer Fund		42,546
Nonmajor Fund - Employee Benefits		15,125
Nonmajor Fund - Debt Service	54,017	
Nonmajor Fund - Sidewalks Fund		11,471
	<u>\$ 69,142</u>	<u>\$ 69,142</u>

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

**Note 7 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; thefts, 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.

**Note 8 - SUBSEQUENT EVENTS**

In October 2009 the City was approved for a USDA grant for the purchase of a new ambulance. The grant is to cover 55% of the costs. The cost of the new ambulance was \$116,263 of which \$63,945 was paid by the USDA grant. The remaining \$52,318 was paid by the City.

In October 2009 the City made a payment of \$300,000 on the current maturity on the 2008 Sewer Revenue Capital Loan note. It was paid using reserves from the General Fund of \$100,000 and \$200,000 from the Sewer Fund.

CITY OF CORRECTIONVILLE, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

Note 9 - CONSTRUCTION COMMITMENT

In July 2008 the City approved a construction contract for \$754,172 for a sewer lining project. \$620,243 was spent by fiscal year end and requested through draw down requests on a note obtained from Iowa Finance Authority as discussed in Note 3. The remaining commitment at June 30, 2009 was \$133,929, of which an additional \$29,356 was requested through draw down requests in July 2009.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CORRECTIONVILLE, IOWA  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<b>Governmental Funds Actual</b>	<b>Proprietary Funds Actual</b>	<b>Total</b>
<b>Receipts:</b>			
Property Tax	\$ 120,330		\$ 120,330
Other City Taxes	4,822		4,822
Tax Increment Financing Collections	8,990		8,990
Licenses and Permits	1,997		1,997
Intergovernmental Revenue	196,109		196,109
Charges for Services	193,813	\$ 242,315	436,128
Fines and Forfeits	8,045		8,045
Refunds/Reimbursements	3,897		3,897
Grants and Capital Loans		223,731	223,731
Interest	53,285	19,731	73,016
Miscellaneous	5,193		5,193
Total Revenue	<u>596,481</u>	<u>485,777</u>	<u>1,082,258</u>
<b>Disbursements:</b>			
Operating:			
Public Safety	117,486		117,486
Public Works	143,742		143,742
Culture and Recreation	83,194		83,194
Community and Economic Development	34,650		34,650
General Government	83,612		83,612
Debt Service	74,848		74,848
Business Type Activities		965,530	965,530
Total Disbursements	<u>537,532</u>	<u>965,530</u>	<u>1,503,062</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>58,949</u>	<u>(479,753)</u>	<u>(420,804)</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Long Term Debt		600,000	600,000
Interfund Transfers In	69,142		69,142
Interfund Transfers Out	(26,596)	(42,546)	(69,142)
Total Other Financing Sources (Uses)	<u>42,546</u>	<u>557,454</u>	<u>600,000</u>
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing (Uses)	101,495	77,701	179,196
Cash Balances - Beginning of Year	<u>1,506,512</u>	<u>513,331</u>	<u>2,019,843</u>
Cash Balances - End of Year	<u>\$ 1,608,007</u>	<u>\$ 591,032</u>	<u>\$ 2,199,039</u>

<b>Budgeted Amounts</b>		<b>Final To Net Variance</b>
<b>Original</b>	<b>Final</b>	
\$ 117,288	\$ 117,288	\$ 3,042
86,024	86,024	(81,202)
8,600	8,600	390
1,300	1,300	697
106,400	346,400	(150,291)
262,325	262,325	173,803
		8,045
3,500	3,500	397
		223,731
59,500	59,500	13,516
12,600	12,600	(7,407)
<u>657,537</u>	<u>897,537</u>	<u>184,721</u>
131,300	131,300	13,814
170,500	170,500	26,758
138,000	138,000	54,806
10,400	10,400	(24,250)
87,700	87,700	4,088
82,711	82,711	7,863
162,800	1,012,800	47,270
<u>783,411</u>	<u>1,633,411</u>	<u>130,349</u>
<u>(125,874)</u>	<u>(735,874)</u>	<u>315,070</u>
-	604,000	(4,000)
272,767	272,767	(203,625)
<u>(272,767)</u>	<u>(272,767)</u>	<u>203,625</u>
-	604,000	(4,000)
(125,874)	(131,874)	311,070
<u>1,752,055</u>	<u>1,752,055</u>	<u>267,788</u>
<u>\$ 1,626,181</u>	<u>\$ 1,620,181</u>	<u>\$ 578,858</u>

**CITY OF CORRECTIONVILLE, IOWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**  
**JUNE 30, 2009**

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. 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 or fund type. 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, 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, a budget amendment increased budget disbursements by \$850,000 for the sewer lining project estimated expenditures. The budget amendment is reflected in the final budgeted amounts.

<b><u>Function</u></b>	<b><u>Budgeted Original</u></b>	<b><u>5-11-09 Amendment</u></b>	<b><u>Amended Budget</u></b>
Public Safety	\$ 131,300		\$ 131,300
Public Works	170,500		170,500
Culture and Recreation	138,000		138,000
Community and Economic Development	10,400		10,400
General Government	87,700		87,700
Debt Service	82,711		82,711
Business Type Activities	162,800	\$ 850,000	1,012,800
Total	<u>\$ 783,411</u>	<u>\$ 850,000</u>	<u>\$ 1,633,411</u>

During the year ended June 30, 2009, the disbursements exceeded the amount budgeted in the Community and Economic Development function due to the expenditures in the TIF fund.

SUPPLEMENTARY INFORMATON

**CITY OF CORRECTIONVILLE, IOWA**  
**COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Special Revenue</u>			<u>Permanent</u>	<u>Total</u>
	<u>Employee</u>		<u>Debt Service</u>	<u>Perpetual</u>	
	<u>Benefits</u>	<u>TIF Fund</u>		<u>Care</u>	
				<u>Fund</u>	
<b>Receipts:</b>					
Property Tax	\$ 15,125				\$ 15,125
Tax Increment Financing Collections		\$ 8,990			8,990
Interest		3,749	1,196		4,945
Miscellaneous				\$ 206	206
Total Receipts	<u>15,125</u>	<u>12,739</u>	<u>1,196</u>	<u>206</u>	<u>29,266</u>
<b>Disbursements:</b>					
Operating:					
Public Works			2,041		2,041
Community and Economic Development		21,565			21,565
Debt Service					
Principal Retirements			53,000		53,000
Interest			21,848		21,848
Total Disbursements	<u>-</u>	<u>21,565</u>	<u>76,889</u>	<u>-</u>	<u>98,454</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>15,125</u>	<u>(8,826)</u>	<u>(75,693)</u>	<u>206</u>	<u>(69,188)</u>
Other Financing Sources (Uses):					
Operating Transfers In			54,017		54,017
Operating Transfers Out	(15,125)				(15,125)
Total Other Financing Sources (Uses)	<u>(15,125)</u>	<u>-</u>	<u>54,017</u>	<u>-</u>	<u>38,892</u>
Net Change in Cash Balances	-	(8,826)	(21,676)	206	(30,296)
Cash Balances Beginning of Year	-	88,821	21,780	18,456	129,057
Cash Balances End of Year	<u>\$ -</u>	<u>\$ 79,995</u>	<u>\$ 104</u>	<u>\$ 18,662</u>	<u>\$ 98,761</u>

See Accompanying Notes to Financial Statements

**CITY OF CORRECTIONVILLE, IOWA  
SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2009**

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General Obligation Bonds: Sidewalk Project	May 1, 2003	1.25 - 3.80%	\$ 250,000	\$ 204,000	\$ -	\$ 14,000	\$ 190,000	\$ 6,645	\$ -
Sewer Revenue:									
Capital Loan Notes	May 16, 2000	3.92%	850,000	581,000	-	39,000	542,000	22,775	-
Capital Loan Notes	Sep. 10, 2008	3.00%	600,000	-	600,000	29,356	570,644	7,788	-
Woodbury County: Operating Note	Jun. 1, 2008	None	30,000	-	30,000	-	30,000	-	-
Total			<u>\$ 1,730,000</u>	<u>\$ 785,000</u>	<u>\$ 630,000</u>	<u>\$ 82,356</u>	<u>\$ 1,332,644</u>	<u>\$ 37,208</u>	



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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of City of Correctionville, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 28, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting:**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Correctionville's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City of Correctionville's financial statements that is more than inconsequential will not be prevented or detected by the City of Correctionville's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items 09-II-A, 09-II-B, 09-II-C and 09-II-D to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Correctionville's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are material weaknesses.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 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.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of City of Correctionville and other parties to whom City of Correctionville may report, including federal awarding agencies and pass-through entities. This report is not intended to be used and should not be used by anyone other than these specified parties.

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

  
Certified Public Accountants

Onawa, Iowa  
June 28, 2010

CITY OF CORRECTIONVILLE, IOWA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009

Part I – Summary of the Independent Auditor’s Results:

1. Unqualified opinions were issued on the financials statements.
2. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
3. The audit disclosed non-compliance which is material to the financials statements.

Part II: Findings Related to the Financial Statements

Instances of noncompliance.

No matters were reported.

Significant Deficiencies:

09-II-A. Segregation of Accounting Functions

Observation – The City clerk is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements.

Recommendations – With a limited number of personnel, segregation of duties is difficult. The City should implement management review procedures which we feel would aid in improving the internal control of the City.

Response – The City feels that additional personnel would not be cost effective. However, management will monitor transactions on a regular basis.

Conclusion – Response accepted.

09-II-B. Financial Reporting

Observation – During the audit, we identified several transfers not recorded in the City’s general ledger.

Recommendations – With limited personnel, the City should implement procedures to ensure that all cash disbursements are properly identified and recorded in the financial statements.

Response – The City will double check transfers in the future to ensure they are properly recorded in the financial statements. The City also has new accounting software to record these transfers.

Conclusion – Response accepted.

09-II-C. Financial Reporting

Observation – The City does not track the balance in the Local Option Sales Tax Fund according to the approved percentage of the voters.

Recommendations – The City should track these amounts in a spreadsheet to support these funds were spent in accordance with the vote of the voters.

CITY OF CORRECTIONVILLE, IOWA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009

Part II: Findings Related to the Financial Statements – (Continued)

Response – The City will determine what the make up of the balance at June 30, 2009 and track future receipts and disbursements

Conclusion – Response accepted.

09-II-D. Financial Reporting

Observation – The City has made various loans, transfers from the General Fund Funds. The amounts identified as loans have not been tracked as to repayment forgiveness or balance still owed.

Recommendations – The City should determine loans made to other funds and how much is owed to other funds of the City.

Response – The City will determine the amounts owed with the council voting to determine which amounts will be repaid or forgiven.

Conclusion – Response accepted.

Part III Other findings Related to Required Statutory Reporting

09-III-A. Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2009.

09-III-B. Certified Budget - City disbursements during the fiscal year ended June 30, 2009 exceeded the amount budgeted in Community and Economic Development function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

09-III-C. Travel Expense - No expenditures of City money for travel expense of spouses of City officials and/or employees were noted.

09-III-D. Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions, but we suggest that the City review its coverage with the council and insurance agent on an annual basis.

09-III-E. Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

09-III-F. Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

CITY OF CORRECTIONVILLE, IOWA  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009

Part III Other findings Related to Required Statutory Reporting – (Continued)

09-III-G. Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

09-III-H. Business Transactions – Business transactions between the City and City Officials are as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Don Dixon, Mayor Owner – Dixon Construction	Safety Vests	\$ 72
Randy Kirchner, Council Member Owner – Kirchner Construction	Repairs	1,200
Carla Mathers, Deputy City Clerk Husband owns Mathers Construction	Snow Removal	800
Gail Stanton, Council Member Son-in-law owns Jacobs Electric	Repairs	510

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with council members and the deputy city clerk do not appear to represent conflicts of interest since transactions with each individual were less than \$2,500 during the fiscal year.

09-III-I. Tax Increment Financing (TIF) Fund Balance – The City TIF Fund has accumulated a fund balance of \$79,995, an amount in excess of the amount needed.

Recommendation – The City should consider using the amount in the TIF Fund to pay debt or determine if the balance was transferred from other City funds.

Response – The City will review the balance and determine if the debt should be paid and also review with TIF legal council.

Conclusion – Response accepted.

09-III-J. Tax Increment Financing (TIF) Disbursements – A mower that is used throughout the City was purchased with TIF funds. The TIF agreement did not authorize this disbursement.

Recommendation – The City should review this purchase with TIF legal council. The City should determine if this was appropriate and if any corrective action needs to be taken.

Response – The City will review with legal council and follow their recommendation.

Conclusion – Response accepted.