

CITY OF CORYDON, KENTUCKY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

CITY OF CORYDON, KENTUCKY
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor Rhonda Smith 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, and each major fund of the City of Corydon, Kentucky, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, and each major fund of the City of Corydon, Kentucky as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Your Long-Term Accounting Partner

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 25 and 26 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's 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 consider it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2022 on our consideration of the City of Corydon, Kentucky'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 the effectiveness of City's internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Corydon, Kentucky's internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC

Henderson, Kentucky
August 4, 2022

CITY OF CORYDON, KENTUCKY
Statement of Net Position
For the fiscal year ended June 30, 2021

	Primary Government		
	Governmental	Business- type	Totals
	Activities	Activities	
ASSETS:			
Cash and cash equivalents	\$ 165,721	\$ 199,563	\$ 365,284
Investments	18,940	-	18,940
Receivables, Net	33,662	27,944	61,606
Due from other governments	1,297	-	1,297
Internal balances	10,681	(10,681)	-
Other assets	4,647	-	4,647
Restricted cash and cash equivalents	-	23,922	23,922
Capital Assets:			
Land and construction in progress	28,858	24,163	53,021
Distribution and collection systems	-	2,163,224	2,163,224
Buildings and Improvements	858,926	189,921	1,048,847
Equipment	96,795	105,861	202,656
Less: Accumulated depreciation	(314,589)	(1,665,369)	(1,979,958)
Total assets	\$ 904,938	\$ 1,058,548	\$ 1,963,486
LIABILITIES			
Accounts payable	\$ 15,273	\$ 12,738	\$ 28,011
Other liabilities	5,485	-	5,485
Customer security deposits	-	12,199	12,199
Interest payable	-	10,269	10,269
Long-term liabilities:			
Due within one year	-	31,000	31,000
Due in more than one year	-	446,000	446,000
Total liabilities	20,758	512,206	532,964
NET POSITION			
Net investment in capital assets	669,990	340,800	1,010,790
Restricted for:			
Debt Service	-	23,922	23,922
Streets	23,364	-	23,364
Unrestricted	190,826	181,620	372,446
Total Net Position	\$ 884,180	\$ 546,342	\$ 1,430,522

The accompanying notes are an integral part of the financial statements.

CITY OF CORYDON, KENTUCKY
Statement of Activities
For the fiscal year ended June 30, 2021

Functions-Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government		
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental Activities:							
General government	\$ 213,603	\$ 20,232	\$ -	\$ -	\$ (193,371)	\$ -	\$ (193,371)
Public Safety	997	-	-	-	(997)	-	(997)
Streets	11,958	-	14,307	21,837	24,186	-	24,186
Public Support	478	-	-	-	(478)	-	(478)
Parks and recreation	7,190	-	-	-	(7,190)	-	(7,190)
Total governmental activities	234,226	20,232	14,307	21,837	(177,850)	-	(177,850)
Business-type Activities:							
Enterprise fund	140,417	165,602	-	-	-	25,185	25,185
Total business-type activities	140,417	165,602	-	-	-	25,185	25,185
Total primary government	\$ 374,643	\$ 185,834	\$ 14,307	\$ 21,837	(177,850)	25,185	(152,665)
General revenues:							
Taxes:							
Property taxes					27,408	-	27,408
Insurance taxes					148,527	-	148,527
Sewer taxes					-	14,632	14,632
Investment income					540	285	825
Other					10,154	(21,232)	(11,078)
Transfers					19,427	(19,427)	-
Total general revenues and transfers					206,056	(25,742)	180,314
Change in net position					28,206	(557)	27,649
Net position, July 1, 2020					855,974	546,899	1,402,873
Net position, June 30, 2021					\$ 884,180	\$ 546,342	\$ 1,430,522

The accompanying notes are an integral part of the financial statements

CITY OF CORYDON, KENTUCKY
Balance Sheet-Governmental Funds
As of June 30, 2021

	General Fund	MRA Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 143,654	\$ 22,067	\$ 165,721
Investments	18,940	-	18,940
Receivables, net			
Taxes	33,662	-	33,662
Other assets	4,647	-	4,647
Due from sewer fund	10,681	-	10,681
Due from other governments	-	1,297	1,297
Total assets	\$ 211,584	\$ 23,364	\$ 234,948
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 15,273	\$ -	\$ 15,273
Due to other funds	71	-	71
Other liabilities	5,414	-	5,414
Total liabilities	20,758	-	20,758
Fund balances:			
Restricted			
Streets	-	23,364	23,364
Unassigned	190,826	-	190,826
Total fund balances	190,826	23,364	214,190
Total liabilities and fund balance	\$ 211,584	\$ 23,364	\$ 234,948

The accompanying notes are an integral part of the financial statements

CITY OF CORYDON, KENTUCKY
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net
Position
As of June 30, 2021

Fund balances-total governmental funds		\$	214,190
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not reported in the governmental funds:			
Governmental capital assets	\$	984,579	
Less accumulated depreciation		(314,589)	<u>669,990</u>
Net Position of Governmental Activities		\$	<u>884,180</u>

The accompanying notes are an integral part of the financial statements

CITY OF CORYDON, KENTUCKY
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the fiscal year ended June 30, 2021

	<u>General Fund</u>	<u>MRA Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	175,935	\$ -	\$ 175,935
Licenses, permits, and fees	20,232	-	20,232
Intergovernmental revenues	21,837	14,307	36,144
Investment income	534	6	540
Other revenue	10,154	-	10,154
Total revenues	<u>228,692</u>	<u>14,313</u>	<u>243,005</u>
Expenditures:			
Current:			
General government	185,615	-	185,615
Public safety	997	-	997
Streets	9,507	2,451	11,958
Public support	478	-	478
Parks and recreation	7,190	-	7,190
Capital outlay	51,354	-	51,354
Total expenditures	<u>255,141</u>	<u>2,451</u>	<u>257,592</u>
Excess (deficiency) of Revenues Over (under) expenses	(26,449)	11,862	(14,587)
Other financing sources (uses):			
Transfers in	19,427	-	19,427
Transfers out	-	-	-
Total other financing sources	<u>19,427</u>	<u>-</u>	<u>19,427</u>
Change in fund balance	(7,022)	11,862	4,840
Fund Balance, July 1, 2020	<u>197,848</u>	<u>11,502</u>	<u>209,350</u>
Fund Balance, June 30, 2021	<u>\$ 190,826</u>	<u>\$ 23,364</u>	<u>\$ 214,190</u>

The accompanying notes are an integral part of the financial statements

City of Corydon, Kentucky
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balance-Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net change in fund balances-governmental funds	\$	4,840
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Amounts reported for governmental activities in
Statement of Net Position are different because

Governmental funds report capital outlays as
expenditures. However, in the Statement of Activities,
the cost of those assets is depreciated over their estimated
useful lives:

Expenditures for capital assets	\$	51,354		
Less-Current year depreciation		(27,988)		23,366
				23,366
Change in net position of governmental activities				\$ 28,206

The accompanying notes are an integral part of the financial statements

City of Corydon, Kentucky
Statement of Net Position - Enterprise Fund
As of June 30, 2021

	Enterprise Fund Sewer System
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 199,563
Receivables, net	27,944
Total current assets	<u>227,507</u>
Noncurrent assets:	
Restricted cash and cash equivalents	23,922
Capital assets:	
Land	24,163
Distribution and collection systems	2,163,224
Buildings	189,921
Equipment	105,861
Less: Accumulated depreciation	<u>(1,665,369)</u>
Total noncurrent assets	<u>841,722</u>
Total assets	<u><u>\$ 1,069,229</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 12,738
Customer security deposits	12,199
Interest payable	10,269
Due to general fund	10,681
Bonds and notes payable	<u>31,000</u>
Total current liabilities	<u>76,887</u>
Noncurrent liabilities:	
Bonds and notes payable-net of current portion	<u>446,000</u>
Total liabilities	<u>522,887</u>
NET POSITION	
Net investment in capital assets	340,800
Restricted for debt service	23,922
Unrestricted	<u>181,620</u>
Total net position	<u>546,342</u>
Total liabilities and net position	<u><u>\$ 1,069,229</u></u>

The accompanying notes are an integral part of the financial statements

City of Corydon, Kentucky
Statement of Revenues, Expenses, and Changes in Net Position - Enterprise Fund
For the fiscal year ended June 30, 2021

	Enterprise Fund Sewer System
Operating Revenues:	
Charges for services	\$ 159,417
Penalties	2,810
Miscellaneous	3,375
Total operating revenue	<u>165,602</u>
Operating expenses:	
Contractual services	71,601
Materials and supplies	1,020
Other expenses	812
Depreciation	66,984
Total operating expenses	<u>140,417</u>
Net operating income	<u>25,185</u>
Nonoperating revenues (expenses):	
Taxes	14,632
Interest income	285
Interest expense	(21,232)
Total nonoperating revenues (expenses)	<u>(6,315)</u>
Income-loss before transfers	18,870
Other financing sources (uses):	
Transfers out	(19,427)
	<u>(19,427)</u>
Change in net position	(557)
Net position July 1, 2020	546,899
Net position June 30, 2021	<u><u>\$ 546,342</u></u>

The accompanying notes are an integral part of the financial statements

City of Corydon, Kentucky
Statement of Cash Flows – Enterprise Fund
For the fiscal year ended June 30, 2021

	Enterprise Fund
	Sewer System
Cash flows from operating activities	
Receipts from customers	\$ 169,254
Payments to suppliers for goods and services	(61,518)
Net cash provided by operating activities	<u>107,736</u>
Cash flows from noncapital financing activities:	
Transfers in	-
Transfers out	(8,746)
Increase in customer deposits	267
Net cash used by noncapital financing activities	<u>(8,479)</u>
Cash flows from capital and related financing activities:	
Special tax revenues	14,632
Purchases of property and equipment	(1,000)
Principal paid on revenue bonds	(30,000)
Interest paid on revenue bonds	(21,832)
Net cash used by capital and related financing activities	<u>(38,200)</u>
Cash flows from investing activities	
Interest income	285
Net cash provided by investing activities	<u>285</u>
Net increase in cash and cash equivalents	61,342
Cash and cash equivalents July 1, 2020	<u>162,143</u>
Cash and cash equivalents June 30, 2021	<u><u>\$ 223,485</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ 25,185
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation	66,984
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	3,652
Increase (decrease) in accounts payable and other liabilities	11,915
Net cash provided by operating activities	<u><u>\$ 107,736</u></u>
Cash and Cash Equivalents Consist of the Following:	
Unrestricted Cash and Cash Equivalents	\$ 199,563
Restricted Cash	23,922
	<u><u>\$ 223,485</u></u>

The accompanying notes are an integral part of the financial statements

City of Corydon, Kentucky
Notes to the Financial Statements
For the fiscal year ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Corydon, Kentucky is a municipal corporation formed in 1847 operating under a Mayor/Council form of government and provides the following services as authorized: fire protection, parks and recreation, public works, and general administrative services. The City also owns and operates a sewer system.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accounts in the publication entitled *Audits of State and Local Governmental Units*, when applicable. The City follows GASB pronouncements as codified under GASB No. 62. The more significant policies of the City are described below:

a) Financial Reporting Entity

The City of Corydon, Kentucky (primary government) is a municipal corporation governed by an elected mayor and four-member council. The City adheres to the standards set forth in GASB Statement No. 14 as amended by GASB Statement No. 61 in reporting the primary government. The City of Corydon, Kentucky has no component units.

b) Basic Financial Statements-Government-wide Financial Statements

The City of Corydon's basic financial statements consist of both government-wide (reporting the City as a whole) and fund financial statements categorize primary activities as either governmental or business-type. The City's fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The City's sewer system is classified as a business -type activity.

In the government wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations

The government-wide Statement of Activities reports both the gross and the net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating specific and discretionary grants while the capital grants column reports capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property and insurance taxes, franchise fees, intergovernmental revenues, interest income, etc.)

City of Corydon, Kentucky
Notes to the Financial Statements
For the fiscal year ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

The City does not allocate indirect costs. Except for the charges from the City's enterprise fund to various other functions of the City and transfers between the City's enterprise fund and its governmental funds, all interfund activity has been eliminated.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

c) Basic Financial Statements-Fund Financial Statements

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements. The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City electively added funds, which either had outstanding debt or specific community focus.

d) Governmental Funds

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these major governmental fund and fund types:

General Fund:

The General Fund is the City's primary operating fund. It is used to account for and report all financial resources except those required to be accounted for in another fund.

MRA Fund:

The Municipal Road Aid (MRA) Fund is used to account for the City's intergovernmental road aid funds that are legally restricted to expenditures for road and street maintenance.

The activities reported in these funds are reported as governmental activities in the government-wide financial statements.

City of Corydon, Kentucky
Notes to the Financial Statements
For the fiscal year ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

e) Proprietary Funds:

The focus of proprietary funds measure is upon the determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are similar to those used by businesses in the private sector.

Enterprise Fund:

Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by the pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The Enterprise Fund of the City, which primarily serves the City residents is comprised of sewer operations.

f) Measurement Focus - Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the focus applied.

Governmental funds (General and MRA fund) financial statements are reported using the current financial resource focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; that is, when they become both measurable and available. "Measurable" means when the amount of the transaction can be determined and "available" means collectible with the current period or soon enough thereafter to be used to pay the liabilities of the current period. The City considers property taxes available if they are collected within 60 days of year end. Insurance taxes are reported as revenue when received. Intergovernmental revenues received for specific purposes or projects are recognized based upon expenditures recorded. Expenditures are recorded when incurred.

g) Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded when the resources are available and measurable. Available means that the resources will be collected within the current fiscal year or are expected to be collected shortly thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the City of Corydon receives value without directly giving equal value in return, includes insurance and property taxes, grants, entitlements, and donations. Revenue from grants is recognized in the year in which all of the eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the year in which use of the funds is first permitted, matching requirements, in which the City of Corydon must provide local resources for a specified purpose, and expenditure requirements, in which resources are

City of Corydon, Kentucky
Notes to the Financial Statements
For the fiscal year ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

g) Revenues - Exchange and Non-Exchange Transactions, continued

provided to the City of Corydon on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

h) Cash Equivalents and Investments

Cash equivalents include demand deposits as well as all highly liquid investments with a maturity date of three months or less when purchased by the City of Corydon. Money market and certificate of deposits are stated at amortized costs which approximates fair value. Kentucky Revised Statute No. 66.480 allows the City to invest in U.S. Government and Agency securities.

i. Receivables:

All receivables are reported net of estimated uncollectible amounts. Sewer fund accounts receivable consist of both billed and unbilled sewer services.

j) Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The City reports are major general infrastructure assets constructed or acquired in fiscal years ending after June 30, 2002, or that received major renovations, restorations, or improvements during that period. Depreciation on all assets is provided on the straight-line basis using the following estimated useful lives:

Buildings	40 years
System improvements	25-50 years
Equipment	3-15 years
Vehicles	5 years

k) Long-Term Debt and Bond Costs

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs are expensed as incurred. Bond premiums and discounts are amortized over the life of the bonds issued.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

City of Corydon, Kentucky
Notes to the Financial Statements
For the fiscal year ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

l) Property Tax Calendar and Revenues

The City is responsible for levying and collecting property taxes. Property taxes are levied on October 1st based on assessed property value as of January 1st, and are due and payable at that time. Property taxes become delinquent December 31st of the same year. Taxes are considered delinquent 90 days after the due date. Property taxes are recognized as revenue to the extent they are both available and measurable and available; an appropriate allowance is established for those amounts deemed to be uncollectible.

m) Compensated Absences

The City does not accrue compensated absences as the amount is deemed immaterial by management.

n) Operating Revenues and Expenses

The City's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the City's sewer operations consist of charges for services and the costs of providing those services, including depreciation and excluding interest costs. All other revenues and expenses are reported as nonoperating.

o) Net Position/Fund Balance

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources and is classified into the following components:

- Net investment in capital assets - Capital assets, net of related accumulated depreciation and reduced by the outstanding balance of any related indebtedness that is attributable to the acquisition, construction, or improvements of those assets, net of unspent financing proceeds.
- Restricted net position - Net position with constraints placed on their use that are either externally imposed by creditors, grantors, contributors, laws, or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - All other net position that does not meet the definition of restricted or net investment in capital assets.

In government fund financial statements, equity is classified as fund balance and is displayed in up to five components based primarily on the extent to which the City is bound to observe constraints imposed on the use of fund resources. These components are as follows:

- Non-spendable fund balance - Amounts that are not spendable, such as inventory or prepaid items, or required to remain intact.

City of Corydon, Kentucky
Notes to the Financial Statements
For the fiscal year ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

o) Net Position/Fund Balance, continued

- Restricted fund balance - Amounts constrained to specific purposes by their providers such as grantors, bondholders, and higher levels of government.
- Committed fund balance - Amounts constrained to specific purposes by the City itself, using its highest level of decision making authority. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance - Amounts the City intends to use for a specific purpose. Intent can be expressed by the City or by an official or body to which the City delegates the authority.
- Unassigned fund balance - Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

p) Net Position/Fund Balance

In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

q) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

r) Deferred Outflows of Resources/Deferred Inflows of Resources

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods; therefore, the item will not be recognized as an outflow (expenditure) of resources until that time. The City has no items that are required to be reported in this category as of June 30, 2021.

City of Corydon, Kentucky
Notes to the Financial Statements
For the fiscal year ended June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

r) Deferred Outflows of Resources/Deferred Inflows of Resources, continued

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period; therefore, will not be recognized as an inflow of resources (revenue) until that time. The City has no items that are required to be reported in this category as of June 30, 2021.

s) Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

t) Budget and Budgetary Accounting

The City follows the procedures established pursuant to Section 91A.030 of the Kentucky Revised Statutes in establishing the budgetary data reflected in the financial statements. Budgets are prepared for all funds. The City of Corydon follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1st, the Mayor obtains estimates in order to prepare the proposed operating budget.
2. Prior to June 30th, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.
3. Prior to July 1st, the budget is enacted through the issuance of an ordinance approved by the City Council.
4. The Mayor is authorized to transfer budgeted amounts of any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Therefore, the level of control on budgetary items is maintained at the operations level.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Corydon, Kentucky
Notes to the Financial Statements
For the fiscal year ended June 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS:

A) Deposits

All deposits of the City of Corydon are held at area financial institutions. As of June 30, 2021, the carrying amount of the City of Corydon, Kentucky's deposits were \$334,019. The amount on deposit exceed FDIC limits, and was determined not to have been pledged by collateral held by custodial bank in City's name. The deposits are held in two financial institutions. Of the balance, approximately \$65,644 was uninsured or collateralized. A summary of cash and investments is presented below:

	<u>Deposits</u>	<u>Investments</u>	<u>Totals</u>
Cash equivalents	\$ 365,284	\$ -	\$ 365,284
Investments	-	18,940	18,940
<u>Restricted Assets:</u>			
Investments	23,922	-	23,922
Totals	<u><u>\$ 389,206</u></u>	<u><u>\$ 18,940</u></u>	<u><u>\$ 408,146</u></u>

B) Investments

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increase interest rates.

Credit Risk and Custodial Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The custodial credit risk for investments is the risk that a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not place any limit on the amount that may be invested with one issuer.

City of Corydon, Kentucky
Notes to the Financial Statements
For the fiscal year ended June 30, 2021

NOTE 3 – ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS:

The sewer system allowance for uncollectible accounts receivable as of June 30, 2021 was \$1,880. The general fund allowance for uncollectible accounts as of June 30, 2021 was \$1,642.

NOTE 4 - CAPITAL ASSETS:

The following table provides a summary of changes in capital assets:

Governmental Activities:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
Governmental activities:				
Land	\$ 28,858	\$ -	\$ -	\$ 28,858
Buildings	710,232	28,006	-	738,238
Improvements	103,988	16,700	-	120,688
Equipment	90,147	6,648	-	96,795
Total capital assets	<u>933,225</u>	<u>51,354</u>	<u>-</u>	<u>984,579</u>
Less accumulated depreciation:				
Buildings	(184,816)	(18,839)	-	(203,655)
Improvements	(14,786)	(5,700)	-	(20,486)
Equipment	(86,999)	(3,449)	-	(90,448)
Total accumulated depreciation	<u>(286,601)</u>	<u>(27,988)</u>	<u>-</u>	<u>(314,589)</u>
Capital assets, net	<u>\$ 646,624</u>	<u>\$ 23,366</u>	<u>\$ -</u>	<u>\$ 669,990</u>

Depreciation expense charged to functions of governmental activities was as follows:

General government	\$ 23,911
Public safety	956
Public support	3,121
	<u>\$ 27,988</u>

City of Corydon, Kentucky
Notes to the Financial Statements
For the fiscal year ended June 30, 2021

NOTE 4 - CAPITAL ASSETS, continued:

The following table provides a summary of changes in business-type capital assets:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Business type activities:				
Land	\$ 24,163	\$ -	\$ -	\$ 24,163
Distribution and collection systems	2,163,224	-	-	2,163,224
Buildings	189,921	-	-	189,921
Equipment	104,861	1,000	-	105,861
	<u>2,482,169</u>	<u>1,000</u>	<u>-</u>	<u>2,483,169</u>
Less accumulated depreciation:				
Distribution and collection systems	(1,343,640)	(56,205)	-	(1,399,845)
Buildings	(175,541)	(4,851)	-	(180,392)
Equipment	(79,204)	(5,928)	-	(85,132)
Total accumulated depreciation	<u>(1,598,385)</u>	<u>(66,984)</u>	<u>-</u>	<u>(1,665,369)</u>
Capital assets, net	<u>\$ 883,784</u>	<u>\$ (65,984)</u>	<u>\$ -</u>	<u>\$ 817,800</u>

NOTE 5 - PROPERTY TAXES:

Property taxes attach as an enforceable lien on property as of January 1st each year. Taxes are levied on January 1st of each year and are payable any time before October 31st of that year. Uncollected taxes at June 30th of each year are recorded as a receivable and the portion not collected within 60 days are recorded as unavailable revenue/deferred inflows of resources. Uncollected delinquent taxes are written off after one year. The City bills and collects its own property taxes. The City elects to use the assessment prepared by the Henderson County Property Valuation Assessor as is base to apply the property tax rate. Enforceable liens on delinquent property tax bills attach to the property when filed by the City on August 31st of each year. City tax revenues are recognized when levied to the extent that they result in current receivables.

The City is permitted by Section 157 of the Constitution of Kentucky to levy taxes of up to \$0.75 per \$100 of assessed valuation for general government services other than school purposes. The tax rate on real property to finance general government services other than school purposes for the year ended June 30, 2021 was \$.09 per \$100, which means that the City has a tax margin of \$.66 per \$100. Although this tax margin would indicate significantly higher potential tax revenues, the City is subject to an absolute maximum tax rate in that House Bill 44 prohibits levying a tax rate that will produce more revenue, exclusive of revenue from net assessment growth, than would be produced by application of the tax rate that was levied in the preceding year to the preceding year's assessment. The effect of this legislation has been to limit increases in property tax revenues to minimal levels.

City of Corydon, Kentucky
Notes to the Financial Statements
For the fiscal year ended June 30, 2021

NOTE 6 -LONG-TERM DEBT:

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	<u>Balance July 1, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2021</u>
Business-type activities:				
\$809,000 Public Project Refunding Bonds, Series 2007A, dated January 30, 2007, due in annual installments of \$18,000 to \$50,000 through January 1, 2033, interest payable semiannually on July 1st and January 1st, ranging from 4.0% to 4.375%.	\$ 507,000	\$ -	\$ (30,000)	\$ 477,000

Interest expense in the enterprise fund for the year ended June 30, 2021, was \$21,232 and is included on the statement of activities under business-type activities as direct function expenses.

The annual debt service requirements to maturity for the City of Corydon, Kentucky as of June 30, 2021, are as follows:

<u>Year ending June 30th:</u>	<u>Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 31,000	\$ 19,916	\$ 50,916
2023	33,000	18,616	51,616
2024	34,000	17,213	51,213
2025	35,000	15,747	50,747
2026	37,000	14,218	51,218
2027-2031	209,000	45,163	254,163
2032-2033	98,000	4,331	102,331
	<u>\$ 477,000</u>	<u>\$ 135,204</u>	<u>\$ 612,204</u>

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

NOTE 7- RISK MANAGEMENT

The City is exposed various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

City of Corydon, Kentucky
Notes to the Financial Statements
For the fiscal year ended June 30, 2021

NOTE 8- OTHER EMPLOYEE BENEFITS

Compensated absences

All employees of the City earn and accrue vacation and sick time. No liability is reported for unpaid accumulated sick leave as it is non-vesting. Compensated absences obligations arise from amounts due City employees for amounts of vacation which will be available in the future, and are accounted for by the City in accordance with GASB No. 16 *Accounting for Compensated Absences*. As of June 30, 2021, no accrual for compensated absences was made as the amount is considered by management to be immaterial.

NOTE 9- COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the City receives grant funds from various state and local agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of potential audits is not considered to be material to the financial statements.

NOTE 10 - TRANSFERS:

Interfund transfers for the year ended June 30, 2021 consisted of the following:

Transfer Activity:

General Fund from Sewer Fund	Operating Subsidy	<u>\$ 19,427</u>
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NOTE 11 - RESTRICTED NET POSITION/FUND BALANCE:

A portion of the governmental activities net position and fund balance in the amount of \$23,364 is restricted by statute for highway and road improvements.

A portion of the business-type activities net position and fund balance in the amount of \$23,922 is restricted by statute for debt service in relation to the Sewer Bond Series 2007 A.

NOTE 12- LITIGATION

The City is not aware of any pending or threatened litigation in which it is involved which would have a material effect on these primary government financial statements.

NOTE 13 - CONTINGENT LIABILITIES

The City is a participant in the Commonwealth of Kentucky's Municipal Road Aid program. This program is subject to program compliance audits by the grantors or their representatives. The audit for this program has not been conducted for the year ended June 30, 2021. Accordingly, the City's compliance with applicable grant requirements will be established at some future date.

City of Corydon, Kentucky
Notes to the Financial Statements
For the fiscal year ended June 30, 2021

NOTE 14 - COVID-19 PANDEMIC

The City evaluated its financial statements for subsequent events through the date that the financial statements were issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact the results of operations. The potential impact is unknown as of the date of this report.

NOTE 15 - SUBSEQUENT EVENTS:

The date to which events occurring after June 30, 2021, the date of the most recent statement of net position have been evaluated for possible adjustment to the financial statements or disclosure through August 4, 2022, which is the date on which the financial statements were available to be issued.

City of Corydon, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual-
General Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ 179,500	\$ 179,500	\$ 175,935	\$ (3,565)
Licenses, permits, fees	20,960	20,960	20,232	(728)
Intergovernmental revenues	2,000	2,000	21,837	19,837
Investment income	40	40	534	494
Other revenue	10,650	10,650	10,154	(496)
Total revenues	<u>213,150</u>	<u>213,150</u>	<u>228,692</u>	<u>15,542</u>
Expenditures:				
Current:				
General government	224,329	224,329	185,615	38,714
Public safety	5,000	5,000	997	4,003
Streets	14,400	14,400	9,507	4,893
Public support	-	-	478	(478)
Parks and recreation	3,000	3,000	7,190	(4,190)
Capital outlay	20,500	20,500	51,354	(30,854)
Total expenditures	<u>267,229</u>	<u>267,229</u>	<u>255,141</u>	<u>12,088</u>
Excess (deficiency) of revenues over (under) expenditures	(54,079)	(54,079)	(26,449)	27,630
Other financing sources:				
Transfers in	24,690	24,690	19,427	(5,263)
Transfers out	-	-	-	-
	<u>24,690</u>	<u>24,690</u>	<u>19,427</u>	<u>(5,263)</u>
Net change in fund balances	(29,389)	(29,389)	(7,022)	22,367
Fund balance, beginning of year	<u>197,848</u>	<u>197,848</u>	<u>197,848</u>	<u>-</u>
Fund balance, end of year	<u>\$ 168,459</u>	<u>\$ 168,459</u>	<u>\$ 190,826</u>	<u>\$ 22,367</u>

See Independent Auditor's Report.

City of Corydon, Kentucky
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual-
MRA Fund
For the fiscal year ended June 30, 2021

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental revenues	\$ 16,800	\$ 16,800	\$ 14,307	\$ (2,493)
Investment income	15	15	6	(9)
Total revenues	16,815	16,815	14,313	(2,502)
Expenditures:				
Current:				
Streets	5,000	5,000	2,451	2,549
Total expenditures	5,000	5,000	2,451	2,549
Excess (deficiency) of revenues over (under) expenditures	11,815	11,815	11,862	47
Fund balance, beginning of year	11,502	11,502	11,502	-
Fund balance, end of year	<u>\$ 23,317</u>	<u>\$ 23,317</u>	<u>\$ 23,364</u>	<u>\$ 47</u>

See Independent Auditor's Report



**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 Rhonda Smith and
Members of the City Council

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Corydon, Kentucky as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 4, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Corydon, Kentucky's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Corydon, Kentucky's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Corydon, Kentucky'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 entity'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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (2021-01, 2021-02, 2021-04, and 2021-05)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Corydon, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses.(2021-03)

City of Corydon, Kentucky's Response to Findings

The City of Corydon, Kentucky's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Corydon, Kentucky'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander Thompson Arnold PLLC

Henderson, Kentucky
August 4, 2022

**City of Corydon, Kentucky
Schedule of Findings and Responses
For the fiscal year ended June 30, 2021**

2021-01 Control Risk Due to Lack of Segregation of Duties:

Condition:

Due to a limited number of personnel employed in the accounting area, incompatible work functions are often performed by the same individual and a high degree of trust in employees is necessitated. Ideally, each key step of the accounting system should be segregated among employees. However, this is not always feasible due to the costs versus benefit relationship inherent in providing internal control. In the process of segregating functions among employees, management must continually make decisions relating to the applicable cost in comparison to the expected benefits to be achieved.

Cause:

It is not cost beneficial to hire additional staff for the sole purpose of segregating incompatible duties.

Criteria:

Internal controls should be in place that provides reasonable assurance that accounting transactions (billings, adjustments, cash receipts and disbursements) are properly recorded and authorized.

Effect:

Because of a lack of segregation of duties involving key steps in the accounting system, transactions may occur that are not properly recorded, or authorized.

Recommendation:

We recommend the segregation of duties between accounting employees to the extent possible based on limited personnel.

Management Response:

While the City agrees with the finding, it is not feasible from an economic perspective to add additional personnel. Management and those charged with governance will continue to provide strong oversight to the City's operations.

Corrective Action:

None warranted. Risk is mitigated via the purchase of insurance.

**City of Corydon, Kentucky
Schedule of Findings and Responses
For the fiscal year ended June 30, 2021**

2021-02 Management and personnel lack qualifications and training to prepare financial statements in accordance with generally accepted accounting principles:

Condition:

The City does not have any individual staff with the necessary knowledge and expertise to draft the financial statements and notes to the financials.

Criteria:

Ideally, The City should have at least one staff member with the training and expertise to properly prepare the financial statements and notes to the financial statements.

Cause:

Limited staff employed lack the knowledge, training and expertise.

Effect:

The City cannot prepare the financial statements or related notes to the financials.

Recommendation:

The City should provide training to personnel or contract an independent contractor with the knowledge to properly prepare the financial statements and notes to the financials statements.

Management Response:

The City has no plans of changing its current arrangement for the preparation of its financial statements.

Corrective Action:

None warranted. Risk is mitigated via managements review and acceptance of adjusting journal entries.

**City of Corydon, Kentucky
Schedule of Findings and Responses
For the fiscal year ended June 30, 2021**

2021-3 Collateralization of Balances with Depository Institutions:

Condition:

As of June 30, 2020 the City of Corydon's bank accounts with its primary financial institution were undercollateralized by \$60,003.

Criteria:

KRS 66.480 requires that all uninsured deposits be collateralized by US Treasury or Agency securities.

Cause:

Staff were unaware of the requirement to collateralize amounts in excess of FDIC coverage limits. There was no monitoring in place of cash balances.

Effect:

The City's funds are subject to credit risk.

Recommendation:

The City staff should monitor bank balance on a regular basis to ensure that in the event funds with its primary depository institution are in excess of \$250,000, the bank pledges securities against the amount in excess of the limit.

Management Response:

The City staff will now monitor cash balances on a regular basis and ensure that in the event balances exceed \$250,000, collateral is pledged by the depository institution against the excess.

Corrective Action:

Monitoring of cash balances should be performed on a regular basis so as to comply with Kentucky Revised Statute 66.480.

**City of Corydon, Kentucky
Schedule of Findings and Responses
For the fiscal year ended June 30, 2021**

2021-04 Enhancement of Council Meeting Minutes

Condition:

Several instances were noted from our review of the council meeting minutes where information related to certain transactions to be approved was incomplete. Additionally, in some instances the council minutes lacked adequate detail.

Criteria:

Meeting minutes maintained by the clerk should include all materially significant details related to transactions approved by the council, and other actions taken should be notated clearly and concisely.

Effect:

Incomplete minutes do not provide for an adequate audit trail documenting the approval of actions taken or transactions approved.

Recommendation:

We recommend that the Council ensure the content of meeting minutes is enhanced to provide clear and concise detail as to actions ratified by the Council.

Management Response:

Management agrees with this finding and will take appropriate actions to improve the quality of the information documented within the minutes of our Council meetings.

Corrective Action:

Implement measures to improve the quality and content of Council minutes.

**City of Corydon, Kentucky
Schedule of Findings and Responses
For the fiscal year ended June 30, 2021**

2021-05 Improving Audit Trail from Property Tax Collection Report to Bank Deposit

Condition:

Several instances were noted from our testing of the property tax receipts where the detailed property tax collection report generated did not balance to the respective bank deposit made.

Criteria:

There should be a clear audit trail from the property tax collection report to the bank deposit for the day's receipts of property taxes.

Effect:

In some instances the manner in which a cash deposit ticket is prepared does not provide for an adequate audit trail from the property tax register.

Recommendation:

We recommend that the City's clerical staff make separate deposit tickets for property tax deposits to ensure that they agree to the property tax system collection reports.

Management Response:

Management agrees with this finding and will take appropriate actions to address the situation.

Corrective Action:

Implement measures to ensure there is a clear audit trail from the daily property tax collection reports to the respective bank deposit for the taxes collected.

City of Corydon, Kentucky
Schedule of Findings and Responses-Prior Year
For the fiscal year ended June 30, 2021

2020-01 Control Risk Due to Lack of Segregation of Duties:

Condition:

Due to a limited number of personnel employed in the accounting area, incompatible work functions are often performed by the same individual and a high degree of trust in employees is necessitated. Ideally, each key step of the accounting system should be segregated among employees. However, this is not always feasible due to the costs versus benefit relationship inherent in providing internal control. In the process of segregating functions among employees, management must continually make decisions relating to the applicable cost in comparison to the expected benefits to be achieved.

Criteria:

Internal controls should be in place that provides reasonable assurance that accounting transactions (billings, adjustments, cash receipts and disbursements) are properly recorded and authorized.

Effect:

Because of a lack of segregation of duties involving key steps in the accounting system, transactions may occur that are not properly recorded, or authorized.

Recommendation:

We recommend the segregation of duties between accounting employees to the extent possible based on limited personnel.

Management Response:

While the City agrees with the finding, it is not feasible from an economic perspective to add additional personnel. Management and those charged with governance will continue to provide strong oversight to the City's operations.

Corrective Action:

None warranted. Risk is mitigated via the purchase of insurance.

Current Status:

Condition still exists as of June 30, 2021.

City of Corydon, Kentucky
Schedule of Findings and Responses-Prior Year
For the fiscal year ended June 30, 2021

2020-02 Management and personnel lack qualifications and training to prepare financial statements in accordance with generally accepted accounting principles:

Condition:

City management and personnel responsible for the accounting and reporting function lack the qualifications and training to prepare financial statements in accordance with generally accepted accounting principles.

Criteria: The City should have at least one staff member with the training and expertise to properly prepare the financial statements and notes to the financial statements.

Effect:

The City cannot prepare the financial statements or related notes to the financials.

Recommendation:

The City should provide training to personnel or contract an independent contractor with the knowledge to properly prepare the financial statements and notes to the financial statements.

Management Response:

The City has no plans of changing its current arrangement for the preparation of its financial statements.

Corrective Action:

None.

Current Status:

Condition still exists as of June 30, 2021.

**City of Corydon, Kentucky
Schedule of Findings and Responses-Prior Year
For the fiscal year ended June 30, 2021**

2020-3 Collateralization of Balances with Depository Institutions:

Condition:

As of June 30, 2020 the City of Corydon's bank accounts with its primary financial institution were undercollateralized by \$13,000.

Criteria:

KRS 66.480 requires that all uninsured deposits be collateralized by US Treasury or Agency securities.

Cause:

Staff were unaware of the requirement to collateralize amounts in excess of FDIC coverage limits. There was no monitoring in place of cash balances.

Effect:

The City's funds are subject to credit risk.

Recommendation:

The City staff should monitor bank balance on a regular basis to ensure that in the event funds with its primary depository institution are in excess of \$250,000, the bank pledges securities against the amount in excess of the limit.

Management Response:

The City staff will now monitor cash balances on a regular basis and ensure that in the event balances exceed \$250,000, collateral is pledged by the depository institution against the excess.

Corrective Action:

Monitoring of cash balances should be performed on a regular basis so as to comply with Kentucky Revised Statute 66.480.

Current Status:

Condition still exists as of June 30, 2021.

City of Corydon, Kentucky
Schedule of Findings and Responses-Prior Year
For the fiscal year ended June 30, 2021

2020-04 Failure to Expend within Parameters Established by Fiscal Year 2020 Budget Ordinance

Condition:

The City of Corydon, Kentucky, during the year ended June 30, 2020, had line item expenditures in excess of budgeted amounts by approximately \$46,000 in the general fund and by \$15,000 in the MRA fund.

Criteria:

KRS 91A.030 requires each city to adopt an annual budget ordinance and no city shall expend any monies from any fund, except in accordance with the budget ordinance.

Cause:

The mayor and city council were not provided timely financial statements and budgetary status reports.

Effect:

The City of Corydon, Kentucky is not in compliance with KRS 91A.030 as some line item expenditures exceeded budgeted amounts.

Recommendation:

The mayor and city council of the City of Corydon, Kentucky should implement budgetary status reports to ensure compliance with budget ordinances as well as KRS 91A.030. Additionally, management should develop written policies and procedures to ensure that no monies are expended in excess of budgeted amounts and that a budgetary status report is prepared monthly.

Management Response:

Management has implemented Quick Books budgetary module to monitor expenditures in relation to budgeted amounts on a monthly basis. In the event expenditures are estimated to exceed amounts as originally budgeted, the Council will amend the budget accordingly.

Corrective Action:

Management has implemented Quick Books budgetary module to monitor expenditures in relation to budgeted amounts on a monthly basis. In the event expenditures are estimated to exceed budgeted amounts as originally appropriated, the Council will amend the budget accordingly.

Status:

Condition no longer exists as of June 30, 2021 as corrective measures were implemented to monitor expenditures of the City in relation to budgeted amounts.