CITY OF CORYDON, KENTUCKY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

CITY OF CORYDON, KENTUCKY
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FINANCIAL SECTION

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Independent Auditor's Report

To the Honorable Mayor Rhonda Smith and
Members of the City Council
City of Corydon, Kentucky

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City of Corydon, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, 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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Corydon, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Corydon, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Corydon, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Corydon, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 July 7, 2023 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 internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Corydon, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of 's internal control over financial reporting and compliance.

ATA CPAs + Advisors PLLC

Corydon, Kentucky

July 07, 2023

CITY OF CORYDON, KENTUCKY
Statement of Net Position
For the fiscal year ended June 30, 2022

	Primary Government		
	Governmental Activities	Business- type Activities	Totals
ASSETS:			
Cash and cash equivalents	$ 307,043	$ 208,692	$ 515,735
Investments	19,054	-	19,054
Receivables, Net	45,919	18,059	63,978
Due from other governments	1,188	-	1,188
Internal balances	7,595	(7,595)	-
Other assets	4,536	-	4,536
Restricted cash and cash equivalents	-	23,735	23,735
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	108,933	205,728
Construction in Progress	79,226	-	79,226
Less: Accumulated deprecation	(342,681)	(1,732,275)	(2,074,956)
Total assets	$ 1,106,459	$ 996,857	$ 2,103,316
LIABILITIES:			
Accounts payable	$ 84,284	$ 8,101	$ 92,385
Other liabilities	7,388	-	7,388
Customer security deposits	-	14,857	14,857
Interest payable	-	9,649	9,649
Unearned revenue - ARPA Funds	100,808	-	100,808
Long-term liabilities:			
Due within one year	-	33,000	33,000
Due in more than one year	-	413,000	413,000
Total liabilities	192,480	478,607	671,087
NET POSITION:			
Net investment in capital assets	721,124	307,966	1,029,090
Restricted for:			
Debt Service	-	23,735	23,735
Streets	34,814	-	34,814
Unrestricted	158,041	186,549	344,590
Total Net Position	$ 913,979	$ 518,250	$ 1,432,229

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, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position — Primary Government		
Functions-Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary government:							
Governmental Activities:							
General government	$ 295,811	$ 26,643	$ -	$ -	$ (269,168)	$ -	$ (269,168)
Public Safety	10,482	-	-	-	(10,482)	-	(10,482)
Streets	19,674	-	14,723	81,523	76,572	-	76,572
Public Support	19,022	-	-	-	(19,022)	-	(19,022)
Parks and recreation	11,278	-	-	-	(11,278)	-	(11,278)
Total governmental activities	356,267	26,643	14,723	81,523	(233,378)	-	(233,378)
Business-type Activities:							
Enterprise fund	159,779	163,495	-	-	-	3,716	3,716
Total business-type activities	159,779	163,495	-	-	-	3,716	3,716
Total primary government	$ 516,046	$ 190,138	$ 14,723	$ 81,523	(233,378)	3,716	(229,662)
General revenues:							
Taxes:							
Property taxes					34,090	-	34,090
Insurance taxes					187,643	-	187,643
Sewer taxes					-	14,353	14,353
Investment income					72	311	383
Other					15,500	(20,600)	(5,100)
Transfers					25,872	(25,872)	-
Total general revenues and transfers					263,177	(31,808)	231,369
Change in net position					29,799	(28,092)	1,707
Net position, July 1, 2021					884,180	546,342	1,430,522
Net position, June 30, 2022					$ 913,979	$ 518,250	$ 1,432,229

The accompanying notes are an integral part of the financial statements

CITY OF CORYDON, KENTUCKY
Balance Sheet-Governmental Funds
As of June 30, 2022

ASSETS	General Fund	MRA Fund	Total Governmental Funds
Cash and cash equivalents	$ 273,417	$ 33,626	$ 307,043
Investments	19,054	-	19,054
Receivables, net			
Taxes	45,919	-	45,919
Other assets	4,536	-	4,536
Due from sewer fund	7,595	-	7,595
Due from other governments	-	1,188	1,188
Total assets	$ 350,521	$ 34,814	$ 385,335
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	$ 84,284	$ -	$ 84,284
Unearned revenue	100,808	-	100,808
Other liabilities	7,388	-	7,388
Total liabilities	192,480	-	192,480
Fund balances:			
Restricted			
Streets	-	34,814	34,814
Unassigned	158,041	-	158,041
Total fund balances	158,041	34,814	192,855
Total liablities and fund balance	$ 350,521	$ 34,814	$ 385,335

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, 2022

Fund balances-total governmental funds		$ 192,855
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activites are not reported in the govermental funds:		
Governmental capital assets	$ 1,063,805	
Less accumulated depreciation	(342,681)	721,124
Net Position of Governmental Activities		$ 913,979

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, 2022

	General Fund	MRA Fund	Total Governmental Funds
Revenues:			
Taxes	$ 221,733	$ -	$ 221,733
Licenses, permits, and fees	26,643	-	26,643
Intergovernmental revenues	81,523	14,723	96,246
Investment income	64	8	72
Other revenue	15,500	-	15,500
Total revenues	345,463	14,731	360,194
Expenditures:			
Current:			
General government	267,719	-	267,719
Public safety	10,482	-	10,482
Streets	16,393	3,281	19,674
Public support	19,022	-	19,022
Parks and recreation	11,278	-	11,278
Capital outlay	79,226	-	79,226
Total expenditures	404,120	3,281	407,401
Excess (deficiency) of Revenues Over (under) expenses	(58,657)	11,450	(47,207)
Other financing sources (uses):			
Transfers in	25,872	-	25,872
Total other financing sources	25,872	-	25,872
Change in fund balance	(32,785)	11,450	(21,335)
Fund Balance, July 1, 2021	190,826	23,364	214,190
Fund Balance, June 30, 2022	$ 158,041	$ 34,814	$ 192,855

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, 2022

Net change in fund balances-governmental funds		$ (21,335)
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	$ 79,226	
Less-Current year depreciation	(28,092)	51,134
Change in net position of governmental activities		$ 29,799

The accompanying notes are an integral part of the financial statements

City of Corydon, Kentucky
Statement of Net Position – Enterprise Fund
For the Year Ended June 30, 2022

		Enterprise Fund Sewer System
ASSETS:		
Current assets:		
Cash and cash equivalents	$	208,692
Receivables, net		18,059
Total current assets		226,751
Noncurrent assets:		
Restricted cash and cash equivalents		23,735
Capital assets:		
Land		24,163
Distribution and collection systems		2,163,224
Buildings		189,921
Equipment		108,933
Less: Accumulated depreciation		(1,732,275)
Total noncurrent assets		777,701
Total assets	$	1,004,452
LIABILITIES:		
Current liablities:		
Accounts payable	$	8,101
Customer security deposits		14,857
Interest payable		9,649
Due to general fund		7,595
Bonds and notes payable		33,000
Total current liablities		73,202
Noncurrent liabilities:		
Bonds and notes payable-net of current portion		413,000
Total liabilities		486,202
NET POSITION:		
Net investment in capital assets		307,966
Restricted for debt service		23,735
Unrestricted		186,549
Total net position		518,250
Total liabilities and net position	$	1,004,452

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, 2022

	Enterprise Fund Sewer System
Operating Revenues:	
Charges for services	$ 159,287
Penalties	3,308
Miscellaneous	900
Total operating revenue	163,495
Operating expenses:	
Contractual services	85,259
Materials and supplies	2,731
Other expenses	4,883
Depreciation	66,906
Total operating expenses	159,779
Net operating income	3,716
Nonoperating revenues (expenses):	
Taxes	14,353
Interest income	311
Interest expense	(20,600)
Total nonoperating revenues (expenses)	(5,936)
Income-loss before transfers	(2,220)
Other financing sources (uses):	
Transfers out	(25,872)
	(25,872)
Change in net position	(28,092)
Net position July 1, 2021	546,342
Net position June 30, 2022	$ 518,250

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, 2022

		Enterprise Fund
		Sewer System
Cash flows from operating activities:		
Receipts from customers	$	173,380
Payments to suppliers for goods and services		(100,596)
Net cash provided by operating activities		72,784
Cash flows from noncapital financing activities:		
Transfers out		(25,872)
Increase in customer deposits		2,658
Net cash used by noncapital financing activities		(23,214)
Cash flows from capital and related financing activities:		
Special tax revenues		14,353
Purchases of propery and equipment		(3,072)
Principal paid on revenue bonds		(31,000)
Interest paid on revenue bonds		(21,220)
Net cash used by capital and related financing activities		(40,939)
Cash flows from investing activities:		
Interest income		311
Net cash provided by investing activities		311
Net increase in cash and cash equivalents		8,942
Cash and cash equivalents July 1, 2021		223,485
Cash and cash equivalents June 30, 2022	$	232,427
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	$	3,716
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation		66,906
Change in assets and liabilities:		
(Increase) decrease in accounts receivable		9,885
Increase (decrease) in accounts payable and other liabilities		(7,723)
Net cash provided by operating activities	$	72,784
Cash and Cash Equivalents Consist of the Following:		
Unrestricted Cash and Cash Equivalents	$	208,692
Restricted Cash		23,735
	$	232,427

The accompanying notes are an integral part of the financial statements

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.)

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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:

<u>General Fund:</u>
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.

<u>MRA Fund:</u>
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.

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.

<u>Enterprise Fund:</u>

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and all liabilities (whether current or non-current) are included on the statement of net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled sewer which is accrued. Expenses are recognized at the time the liability is 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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

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.

When both restricted and unrestricted funds are available for expenditure, restricted funds are spent first unless legal requirements disallow it. When committed, assigned or unassigned funds are available for expenditure, committed funds are spent first, assigned funds are second, and unassigned funds last.

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.

- 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

p) 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.

q) 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, 2022.

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, 2022.

r) 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

s) 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).

NOTE 2 - DEPOSITS AND INVESTMENTS:

A) Deposits

All deposits of the City of Corydon are held at area financial institutions. As of June 30, 2022, the bank balances of the City of Corydon, Kentucky's deposits were $590,445. The entire amount on deposit was insured or properly collateralized. A summary of cash and investments is presented below:

	Deposits	Investments	Totals
Cash equivalents	$ 515,735	$ -	$ 515,735
Investments	-	19,054	19,054
Restricted Assets:			
Cash equivalents	23,735	-	23,735
Totals	$ 539,470	$ 19,054	$ 558,524

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.

NOTE 2 - DEPOSITS AND INVESTMENTS, Continued:

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.

NOTE 3 – ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS:

The sewer system allowance for uncollectible accounts receivable as of June 30, 2022 was $5,794. The general fund allowance for uncollectible accounts as of June 30, 2022 was $2,339.

NOTE 4 - CAPITAL ASSETS:

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

Governmental Activities:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Governmental activities:				
Land	$ 28,858	$ -	$ -	$ 28,858
Buildings	738,238	-	-	738,238
Improvements	120,688	-	-	120,688
Equipment	96,795	-	-	96,795
Construction in process	-	79,226		79,226
Total capital assets	984,579	79,226	-	1,063,805
Less accumulated depreciation:				
Buildings	(203,655)	(18,939)	-	(222,594)
Improvements	(20,486)	(5,704)	-	(26,190)
Equipment	(90,448)	(3,449)	-	(93,897)
Total accumulated depreciation	(314,589)	(28,092)	-	(342,681)
Capital assets, net	$ 669,990	$ 51,134	$ -	$ 721,124

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

General government	$ 24,015
Public safety	956
Public support	3,121
	$ 28,092

NOTE 4 - CAPITAL ASSETS, continued:

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

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022
Business type activities:				
Land	$ 24,163	$ -	$ -	$ 24,163
Distribution and collection systems	2,163,224	-	-	2,163,224
Buildings	189,921	-	-	189,921
Equipment	105,861	3,072	-	108,933
	2,483,169	3,072	-	2,486,241
Less accumulated depreciation:				
Distrubition and collection systems	(1,399,845)	(56,205)	-	(1,456,050)
Buildings	(180,392)	(4,773)	-	(185,165)
Equipment	(85,132)	(5,928)	-	(91,060)
Total accumulated depreciation	(1,665,369)	(66,906)	-	(1,732,275)
Capital assets, net	$ 817,800	$ (63,834)	$ -	$ 753,966

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 its 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, 2022 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.

NOTE 6 -LONG-TERM DEBT:

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022	Due Within One Year
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%.	$ 477,000	$ -	$ (31,000)	$ 446,000	$ 33,000

Interest expense in the enterprise fund for the year ended June 30, 2022, was $20,600 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, 2022, are as follows:

	Revenue Bonds		
Year ending June 30th:	Principal	Interest	Total
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	38,000	12,600	50,600
2028-2032	219,000	35,800	254,800
2033	50,000	1,094	51,094
	$ 446,000	$ 115,288	$ 561,288

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, 2022

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, 2022, 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, 2022 consisted of the following:

Transfer Activity:		
General Fund from Sewer Fund	Operating Subsidy	$ 25,872

NOTE 11 - RESTRICTED NET POSITION/FUND BALANCE:

A portion of the governmental activities net position and fund balance in the amount of $34,814 is restricted by statute for highway and road improvements. Another portion in the amount of $100,808 is restricted by grant requirements for improvements to a fieldhouse and playground equipment.

A portion of the business-type activities net position and fund balance in the amount of $23,735 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, 2022. Accordingly, the City's compliance with applicable grant requirements will be established at some future date.

NOTE 14 – BUDGET ORDINANCE VIOLATION:

During the year ended June 30, 2022, the City expended $77,767 more than was legally appropriated in the General Fund. The excess of the expenditures over budgeted amounts was covered by existing reserves in both funds, in violation of Kentucky Revised Statutes 91A.030

NOTE 15 – SUBSEQUENT EVENTS:

The date to which events occurring after June 30, 2022, the date of the most recent statement of net position have been evaluated for possible adjustment to the financial statements or disclosure through June 7, 2023, 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, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Taxes	$ 166,700	$ 166,700	$ 221,733	$ 55,033
Licenses, permits, fees	20,675	20,675	26,643	5,968
Intergovernmental revenues	2,000	2,000	81,523	79,523
Investment income	50	50	64	14
Other revenue	9,100	9,100	15,500	6,400
Total revenues	198,525	198,525	345,463	146,938
Expenditures:				
Current:				
General government	214,150	249,322	267,719	(18,397)
Public safety	8,075	17,813	10,482	7,331
Streets	18,000	18,000	16,393	1,607
Public support	21,600	29,100	19,022	10,078
Parks and recreation	5,868	9,418	11,278	(1,860)
Capital outlay	2,700	2,700	79,226	(76,526)
Total expenditures	270,393	326,353	404,120	(77,767)
Excess (deficiency) of revenues over (under) expenditures	(71,868)	(127,828)	(58,657)	69,171
Other financing sources:				
Transfers in	22,000	22,000	25,872	3,872
Transfers out	-	-	-	-
	22,000	22,000	25,872	3,872
Net change in fund balances	(49,868)	(105,828)	(32,785)	73,043
Fund balance, beginning of year	190,826	190,826	190,826	-
Fund balance, end of year	$ 140,958	$ 84,998	$ 158,041	$ 73,043

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, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental revenues	$ 17,000	$ 17,000	$ 14,723	$ (2,277)
Investment income	15	15	8	(7)
Total revenues	17,015	17,015	14,731	(2,284)
Expenditures:				
Current:				
Streets	15,530	15,530	3,281	12,249
Total expenditures	15,530	15,530	3,281	12,249
Excess (deficiency) of revenues over (under) expenditures	1,485	1,485	11,450	9,965
Fund balance, beginning of year	23,364	23,364	23,364	-
Fund balance, end of year	$ 24,849	$ 24,849	$ 34,814	$ 9,965

See Independent Auditor's Report

ATA

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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 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, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 7, 2023.

Report on 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. (2022-01, 2022-02, 2022-03 and 2022-04)

Report on 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 as finding number 2022-05.

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.

ATA CPAs + Advisors PLLC

Henderson, Kentucky
July 7, 2023

City of Corydon, Kentucky
Schedule of Findings and Responses
For the fiscal year ended June 30, 2022

2022-01 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.

2022-02 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.

2022-03 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
For the fiscal year ended June 30, 2022

2022-04 Improving Audit Trail for Insurance Revenue Tax Collections

Condition:

Several instances were noted from our testing of the Insurance tax receipts where the payer information was not recorded in Quickbooks.

Criteria:

There should be a clear audit trail from Insurance tax receipts to the general ledger. Customer or payer information should be entered into Quickbooks where a report can be generated to show how much each payer paid.

Effect:

In some instances the manner in which insurance tax receipts are recorded does not provide for an adequate audit trail from actual receipts to the general ledger.

Recommendation:

We recommend that the City's clerical staff make separate entries or provide general ledger detail for each insurance tax payment made by each payer. Deposits should not be grouped without the customer information.

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 back to the customer for each insurance tax receipt.

City of Corydon, Kentucky
Schedule of Findings and Responses
For the fiscal year ended June 30, 2022

2022-05 Budget Ordinance Violation

Condition:

The City of Corydon, Kentucky, during the year ended June 30, 2022, had line item expenditures in excess of budgeted amounts.

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 a budget ordinance.

Effect:

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

Recommendation:

Recommend keeping expenditures within budgetary amounts or amend budget as appropriate.

Management Response:

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

Corrective Action:

Amend budget as appropriate.

City of Corydon, Kentucky
Schedule of Findings and Responses – Prior Year
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.

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, 2022.

City of Corydon, Kentucky
Schedule of Findings and Responses – Prior Year
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:

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, 2022.

City of Corydon, Kentucky
Schedule of Findings and Responses – Prior Year
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:

Implemented collateral security agreement with bank

Current Status:

Finding has been corrected.

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:

City improved quality of information documented in minutes.

Current Status:

Finding has been corrected.

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.

Status:

Condition still exists as of June 30, 2022.