

CITY OF CORYDON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2010

Peak & Co., LLP
Certified Public Accountants
1370 NW 114th St., Suite 205
Clive, IA 50325

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City of Corydon

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2010)		
Larry Harlan	Mayor	December, 2009
John Rider	Mayor Pro Tem	December, 2009
Rod Parham	Council Member	December, 2011
Cindy Miller	Council Member	December, 2011
Cheryl Nessen	Council Member	December, 2009
Daren Relph	Council Member	December, 2009
Ann Stevens	City Clerk	Indefinite
Judy Annis	City Treasurer	Indefinite
Verle W. Norris	Attorney	Indefinite
(After January, 2010)		
Rod Parham	Mayor	December, 2011
Daren Relph	Mayor Pro Tem	December, 2013
Cindy Miller	Council Member	December, 2011
Cheryl Nessen	Council Member	December, 2013
Eric Jaeckel	Council Member	December, 2011
Terry Morgan	Council Member	December, 2013
Ann Stevens	City Clerk	Indefinite
Judy Annis	City Treasurer	Indefinite
Verle W. Norris	Attorney	Indefinite

City of Corydon

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114TH ST., SUITE 205
CLIVE, IA 50325

(515) 277-3077

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Corydon, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Corydon's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Corydon as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 28, 2011 on our consideration of the City of Corydon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not 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 and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 21 through 22 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Corydon's basic financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009 as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Co., LLP
Certified Public Accountants

April 28, 2011

Basic Financial Statements

City of Corydon

Exhibit A

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2010

Functions / Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest		Governmental Activities	Business Type Activities	Total
			Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest			
Governmental activities:							
Public safety	\$ 165,659	3,584	14,262	20,428	(127,385)	-	(127,385)
Public works	159,838	11,195	149,084	23,225	23,666	-	23,666
Culture and recreation	240,900	52,214	42,965	3,737	(141,984)	-	(141,984)
Community and economic development	4,773	-	-	-	(4,773)	-	(4,773)
General government	81,978	5,938	13,032	-	(63,008)	-	(63,008)
Debt service	102,639	-	-	-	(102,639)	-	(102,639)
Capital projects	45,758	-	-	-	(45,758)	-	(45,758)
Total governmental activities	801,545	72,931	219,343	47,390	(461,881)	-	(461,881)
Business type activities:							
Water	342,056	370,557	-	-	-	28,501	28,501
Sewer	330,131	153,495	-	-	-	(176,636)	(176,636)
Garbage	176,754	185,098	-	-	-	8,344	8,344
Childcare	16,416	18,072	-	-	-	1,656	1,656
Rural fire department	41,306	17,239	-	16,548	-	(7,519)	(7,519)
Total business type activities	906,663	744,461	-	16,548	-	(145,654)	(145,654)
Total	\$ 1,708,208	817,392	219,343	63,938	(461,881)	(145,654)	(607,535)
General Receipts:							
Property tax and other city tax levied for:					\$ 312,042	-	312,042
General purposes					61,500	-	61,500
Debt service					14,126	-	14,126
Tax increment financing					89,516	-	89,516
Local option sales tax						-	
Grants and contributions not restricted to specific purposes					11,836	-	11,836
Unrestricted interest on investments					15,318	84	15,402
Revenue bond proceeds					-	194,959	194,959
Sale of capital assets					1,000	2,075	3,075
Total general receipts					505,338	197,118	702,456
Change in cash basis net assets					43,457	51,464	94,921
Cash basis net assets beginning of year					334,758	645,060	979,818
Cash basis net assets end of year					\$ 378,215	696,524	1,074,739
Cash Basis Net Assets							
Restricted:							
Expendable:					\$ 86,068	-	86,068
Streets					36,630	-	36,630
Urban renewal purposes					(11,038)	162,338	151,300
Debt service					19,402	-	19,402
Other purposes					247,153	534,186	781,339
Unrestricted							
Total cash basis net assets					\$ 378,215	696,524	1,074,739

See notes to financial statements.

City of Corydon

Exhibit B

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

As of and for the year ended June 30, 2010

	Special Revenue						Total
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax	Debt Service	Nonmajor	
Receipts:							
Property tax	\$ 238,802	-	73,240	-	61,500	-	373,542
Tax increment financing	-	-	-	-	-	14,126	14,126
Other city tax	11,836	-	-	89,517	-	-	101,353
Licenses and permits	4,266	-	-	-	-	-	4,266
Use of money and property	28,559	-	-	-	-	-	28,559
Intergovernmental	28,626	147,584	-	-	-	-	176,210
Charges for service	31,503	-	-	-	-	-	31,503
Miscellaneous	110,706	-	-	-	-	3,737	114,443
Total receipts	454,298	147,584	73,240	89,517	61,500	17,863	844,002
Disbursements:							
Operating:							
Public safety	138,696	-	26,963	-	-	-	165,659
Public works	1,250	143,186	15,402	-	-	-	159,838
Culture and recreation	218,391	-	22,509	-	-	-	240,900
Community and economic development	4,773	-	-	-	-	-	4,773
General government	69,982	-	11,996	-	-	-	81,978
Debt service	-	-	-	-	102,639	-	102,639
Capital projects	-	-	-	44,758	-	1,000	45,758
Total disbursements	433,092	143,186	76,870	44,758	102,639	1,000	801,545
Excess (deficiency) of receipts over (under) disbursements	21,206	4,398	(3,630)	44,759	(41,139)	16,863	42,457
Other financing sources (uses):							
Sale of capital assets	1,000	-	-	-	-	-	1,000
Operating transfers in	-	-	-	-	40,439	-	40,439
Operating transfers out	-	-	-	-	-	(40,439)	(40,439)
Total other financing sources (uses)	1,000	-	-	-	40,439	(40,439)	1,000
Net change in cash balances	22,206	4,398	(3,630)	44,759	(700)	(23,576)	43,457
Cash balances beginning of year	224,947	81,670	78,865	53,489	(10,338)	(93,875)	334,758
Cash balances end of year	\$ 247,153	86,068	75,235	98,248	(11,038)	(117,451)	378,215
Cash Basis Fund Balances							
Reserved:							
Debt service	\$ -	-	-	-	(11,038)	-	(11,038)
Unreserved:							
General fund	247,153	-	-	-	-	-	247,153
Special revenue funds	-	86,068	75,235	98,248	-	36,630	296,181
Capital projects fund	-	-	-	-	-	(154,081)	(154,081)
Total cash basis fund balances	\$ 247,153	86,068	75,235	98,248	(11,038)	(117,451)	378,215

See notes to financial statements.

City of Corydon

Exhibit C

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

As of and for the year ended June 30, 2010

	Enterprise Funds				Total
	Water	Sewer	Garbage	Nonmajor	
Operating receipts:					
Charges for service	\$ 370,557	153,495	185,098	35,311	744,461
Total operating receipts	370,557	153,495	185,098	35,311	744,461
Operating disbursements:					
Business type activities	259,361	95,596	176,754	31,512	563,223
Total operating disbursements	259,361	95,596	176,754	31,512	563,223
Excess of operating receipts over operating disbursements	111,196	57,899	8,344	3,799	181,238
Non-operating receipts (disbursements):					
Interest on investments	84	-	-	-	84
Intergovernmental	-	-	-	16,548	16,548
Sale of capital assets	-	-	2,000	75	2,075
Revenue bond proceeds	-	194,959	-	-	194,959
Debt service	(82,695)	(44,973)	-	(26,210)	(153,878)
Capital projects	-	(189,562)	-	-	(189,562)
Net non-operating receipts (disbursements)	(82,611)	(39,576)	2,000	(9,587)	(129,774)
Net change in cash balances	28,585	18,323	10,344	(5,788)	51,464
Cash balances beginning of year	228,076	229,332	111,366	76,286	645,060
Cash balances end of year	\$ 256,661	247,655	121,710	70,498	696,524
Cash Basis Fund Balances					
Reserved for debt service	\$ 68,353	73,405	-	20,580	162,338
Unreserved	188,308	174,250	121,710	49,918	534,186
Total cash basis fund balances	\$ 256,661	247,655	121,710	70,498	696,524

See notes to financial statements.

City of Corydon

Notes to Financial Statements

June 30, 2010

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

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

A. Reporting Entity

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

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the boards of the Wayne County Assessor's Conference Board and the Wayne County Development Corporation.

B. Basis of Presentation

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

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City. The City has no nonexpendable restricted net assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by law through constitutional provisions or enabling legislation.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefits Fund is used to account for the tax levy and the costs associated with providing employee benefits.

The Local Option Sales Tax Fund is used to account for the local option sales tax receipts and the related costs paid from this fund.

The Debt Service Fund is utilized to account for the payment of interest and principal of the City's general long-term debt.

The City reports the following major proprietary funds:

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

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

The Enterprise - Garbage Fund accounts for the operation and maintenance of the City's garbage system.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$545,000 pursuant to rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk – The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Bonds and Notes Payable and Other Financing Arrangements

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

Year Ended June 30,	General Obligation Bonds and Notes		Revenue Notes		Note Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 43,000	\$ 17,280	\$ 82,881	\$ 56,995	\$ 3,571	\$ 12,929	\$ 129,452	\$ 87,204
2012	49,000	15,750	92,805	57,495	3,749	12,750	145,554	85,995
2013	49,000	13,930	96,288	54,552	3,937	12,563	149,225	81,045
2014	50,000	12,040	98,794	51,496	4,134	12,366	152,928	75,902
2015	50,000	10,085	102,323	48,357	4,341	12,159	156,664	70,601
2016-2020	181,000	20,000	561,381	190,872	25,184	57,317	767,565	268,189
2021-2025	-	-	602,355	99,895	213,664	21,076	816,019	120,971
2026-2030	-	-	43,545	38,535	-	-	43,545	38,535
2031-2035	-	-	55,192	26,888	-	-	55,192	26,888
2036-2040	-	-	69,966	12,114	-	-	69,966	12,114
2041	-	-	14,100	333	-	-	14,100	333
Total	\$ 422,000	\$ 89,085	\$ 1,819,630	\$ 637,532	\$ 258,580	\$ 141,160	\$ 2,500,210	\$ 867,777

Child Care Center Revenue Note

The City has pledged future Child Care Center receipts, net of specified operating disbursements, to repay \$288,000 in a Child Care Center revenue note issued in March 2002. Proceeds from the note provided financing for the construction of a Child Care Center. The note is payable solely from Child Care Center net receipts and is payable through fiscal year 2041. Annual principal and interest payments on the note are expected to require less than 91 percent of net receipts. The total principal and interest remaining to be paid on the note is \$506,913. For the current year, principal and interest paid and total customer net receipts were \$16,416 and \$18,072 respectively.

The note is payable to the U.S. Department of Agriculture (USDA) in monthly installments of \$1,368 including interest at 4.75% per annum. During the year ended June 30, 2010, payments of \$16,416 were made to the USDA, leaving a principal balance due at June 30, 2010 of \$265,649.

The resolutions for the issuance of the Child Care Center revenue note includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a Child Care Center revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers of \$138 to the Child Care Center reserve account shall be made until specific minimum balances have been accumulated. This account is restricted for the purpose of paying for the annual bond principal and interest payments should the sinking account have insufficient funds. When \$16,416 is in this account the City does not have to continue to fund this account. At June 30, 2010 the balance in this account was \$14,388.
- (d) The charges to customers for services of the system shall be sufficient in each year for payment of the proper and reasonable expenses of operation and maintenance of the system and for the payment of principal and interest on the revenue notes.

The City has an agreement with the Wayne County Hospital to operate and manage the Child Care Center. Wayne County Hospital will pay the City use payments on a monthly basis since the City owns the Child Care Center.

Fire Department of Revenue Note

The City has pledged future township fire receipts, net of specified operating disbursements, to repay \$107,000 in a fire department revenue note issued in June, 2004. Proceeds from the note provided financing for the purchase of a new fire truck. The note is payable solely from township fire net receipts and is payable through fiscal year 2020. Annual principal and interest payments on the note are expected to require in excess of 100 percent of net receipts. The total principal and interest remaining to be paid on the note is \$88,119. For the current year, principal and interest paid and total customer net receipts were \$9,794 and (\$14,273) respectively.

The note is payable to the U.S. Department of Agriculture (USDA) in annual installments of \$9,794 including interest at 4.25% per annum. During the year ended June 30, 2010, a payment of \$9,794 was made to the USDA, leaving a principal balance due at June 30, 2010 of \$71,981.

The resolution for the issuance of the fire department revenue note includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the fire department revenue note sinking account for the purpose of making the note principal and interest payments when due. The City had an adequate balance in the sinking account at June 30, 2010.

- (c) Additional monthly transfers of \$86 to the fire department reserve account shall be made until specific minimum balances have been accumulated. This account is restricted for the purpose of paying for annual bond principal and interest payments should the sinking account have insufficient funds. When \$10,928 is in this account, the City does not have to continue to fund this account. At June 30, 2010 the City had \$6,192 in this account.
- (d) The charges to customers for services of the system shall be sufficient in each year for payment of the proper and reasonable expenses of operation and maintenance of the system and for the payment of principal and interest on the revenue notes.

Sewer Revenue Capital Loan Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$654,000 of sewer revenue capital loan notes issued in September 2004, with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. Proceeds from the notes provided financing for the construction of improvements and extensions to the municipal sanitary sewer system. The notes are payable solely from sewer customer receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require less than 78 percent of net receipts. The total principal and interest remaining to be paid on notes is \$660,850. For the current year, principal and interest paid and total customer net receipts were \$43,590 and \$57,899 respectively.

The resolution providing for the issuance of the sewer revenue capital loan notes issued under a loan agreement between the City of Corydon, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo, N. A. includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) User rates shall be established at a level which produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.
- (d) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to pay for extraordinary repairs or replacements to the wastewater system, may be used to pay or redeem any notes, and then can be used for any lawful purpose.

Water Revenue Capital Loan Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,193,000 of water revenue capital loan notes issued in September, 2004, with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. Proceeds from the notes provided financing for the construction of improvements and extensions to the municipal water system. The notes are payable solely from water customer receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require less than 75 percent of net receipts. The total principal and interest remaining to be paid on notes is \$1,201,280. For the current year, principal and interest paid and total customer net receipts were \$80,180 and \$111,196 respectively.

The resolution providing for the issuance of the water revenue capital loan notes issued under a loan agreement between the City of Corydon, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo, N.A. includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.

- (b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) User rates shall be established at a level which produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.
- (d) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to pay for extraordinary repairs or replacements to the water system, may be used to pay or redeem any notes, and then can be used for any lawful purpose.

Note Payable

The City is indebted to Great Western Bank in the amount of \$258,580 at June 30, 2010. The note requires annual payments of \$16,500 due on September 1 of each year. The maturity date of this note is September 1, 2021, at which time the balloon amount, currently calculated at \$207,849, will be due. Currently, the interest rate is 5%. The interest is calculated on the unpaid principal balance at a discounted rate (currently at 5%) based on the Wall Street Journal Prime Rate. The interest rate change will not occur more often than each 36 months. The final payment, consisting of unpaid principal and interest, is due on September 1, 2021.

Lease-Purchase Agreement

During the year ended June 30, 2010, the City entered into a lease-purchase agreement to lease a garbage truck. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2010:

Year Ending June 30,	Amount
2011	\$ -
2012	26,703
2013	26,703
2014	26,703
Total minimum lease payments	80,109
Less amount representing interest	(8,109)
Present value of net minimum lease payments	<u>\$ 72,000</u>

Payments under the agreement for the year ended June 30, 2010 totaled \$0.

Sewer Interim Project Note

On December 9, 2009 the City entered into an agreement with the Iowa Finance Authority for issuance of an interest free interim project note not to exceed \$350,000. The principal on the note is payable solely and only from the future proceeds of an authorized loan and disbursement agreement and the corresponding issuance of sewer revenue bonds within three years of the date of the agreement. The agreement was executed pursuant to provisions of Sections 76.13 and 384.24A of the Code of Iowa for the purpose of paying the costs of planning and designing improvements to the sanitary sewer system. The City receives drawdowns from the Iowa Finance Authority for costs as they are incurred. At June 30, 2010 the City had drawn \$194,959 of the \$350,000 authorized.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2010 was \$25,418, equal to the required contributions for the year.

(5) Termination Benefits

In fiscal year 2010, the City approved a voluntary early retirement plan for employees. Eligible employees must have completed at least 10 years of employment with the City and must have reached the age of 60 at the time of early retirement. The application for early retirement was subject to approval by the City Council.

Early retirement benefits equal the value of individual health insurance coverage for one year. The individual can either be included on the City's individual health insurance policy, with the City paying the cost for one year, or the individual can receive a like amount in cash at the time of early retirement.

At June 30, 2010, the District had an obligation to one participant with a total liability of \$2,891. Actual early retirement disbursements for the year ended June 30, 2010 totaled \$1,239.

(6) Other Postemployment Benefits (OPEB)

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2010.

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 9 active and 1 retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Truenorth Companies, LC. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you go basis. The most recent active member monthly premiums for the City and plan members are \$397.53 for single members. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$53,678 and plan members eligible for benefits contributed \$0 to the plan.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, personal, wellness, and compensatory leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, personal, wellness, and compensatory leave termination payments payable to employees at June 30, 2010, primarily relating to the General Fund, is \$16,793.

This liability has been computed based on rates of pay in effect at June 30, 2010.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: Tax Increment Financing	<u>\$ 40,439</u>

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

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$4,563 during the year ended June 30, 2010.

(10) Risk Management

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

(11) Deficit Fund Balance

At June 30, 2010, the City had deficit balances as follows:

Capital Projects - Swimming Pool Fund	\$ 154,081
Debt Service Fund	11,038

The Capital Projects - Swimming Pool Fund deficit occurred because the costs incurred on the pool construction exceeded available receipts. The City is unsure how this deficit will be eliminated.

The Debt Service Fund deficit occurred because the City did not levy enough property taxes to cover these costs. This deficit should eventually be eliminated through an increase in property taxes.

(12) Contingency

The City participates in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(13) Commitments/Subsequent Events

The City purchases all of its water for resale from the Rathbun Regional Water Association, Inc. The City has no alternative source of water.

The City signed an agreement with a vendor which provides water services to the City at a contracted amount of \$2,000 per year for the next four years.

The City incurred approximately \$141,000 in costs for a paving project that was completed in the summer/fall of 2010. It is anticipated that the cost of this project will be paid for in fiscal year 2011.

The City entered into a loan agreement with the State of Iowa for \$2,525,000; however, as of April 28, 2011, none of these funds were drawn. Monies from this loan will fund the costs of major sewer repair in the City.

The City awarded a bid for \$222,196 for sewer repair work. This project began in April, 2011. As of April 28, 2011, no costs have been paid on this project.

Required Supplementary Information

City of Corydon

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 373,542	-	373,542	352,444	352,444	21,098
Tax increment financing	14,126	-	14,126	-	7,100	7,026
Other city tax	101,353	-	101,353	100,340	105,500	(4,147)
Licenses and permits	4,266	-	4,266	5,338	4,200	66
Use of money and property	28,559	84	28,643	71,470	66,270	(37,627)
Intergovernmental	176,210	16,548	192,758	179,014	178,214	14,544
Charges for service	31,503	744,461	775,964	737,200	952,000	(176,036)
Miscellaneous	114,443	-	114,443	70,960	56,460	57,983
Total receipts	844,002	761,093	1,605,095	1,516,766	1,722,188	(117,093)
Disbursements:						
Public safety	165,659	-	165,659	130,636	134,636	(31,023)
Public works	159,838	-	159,838	151,659	158,659	(1,179)
Culture and recreation	240,900	-	240,900	211,420	215,920	(24,980)
Community and economic development	4,773	-	4,773	4,773	4,773	-
General government	81,978	-	81,978	130,728	134,928	52,950
Debt service	102,639	-	102,639	107,810	148,249	45,610
Capital projects	45,758	-	45,758	-	-	(45,758)
Business type activities	-	906,663	906,663	695,213	933,586	26,923
Total disbursements	801,545	906,663	1,708,208	1,432,239	1,730,751	22,543
Excess (deficiency) of receipts over (under) disbursements	42,457	(145,570)	(103,113)	84,527	(8,563)	(94,550)
Other financing sources, net	1,000	197,034	198,034	-	30,000	168,034
Excess of receipts and other financing sources over disbursements and other financing uses	43,457	51,464	94,921	84,527	21,437	73,484
Balances beginning of year	334,758	645,060	979,818	884,708	884,708	95,110
Balances end of year	\$ 378,215	696,524	1,074,739	969,235	906,145	168,594

See accompanying independent auditor's report.

City of Corydon

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2010

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$298,512. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, and capital projects functions.

Other Supplementary Information

City of Corydon

Schedule 1

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

As of and for the year ended June 30, 2010

	Special Revenue	Capital Projects	
	Tax Increment Financing	Swimming Pool	Total
Receipts:			
Tax increment financing	\$ 14,126	-	14,126
Miscellaneous	-	3,737	3,737
Total receipts	14,126	3,737	17,863
Disbursements:			
Capital projects	-	1,000	1,000
Total disbursements	-	1,000	1,000
Excess of receipts over disbursements	14,126	2,737	16,863
Other financing sources (uses):			
Operating transfers out	(40,439)	-	(40,439)
Total other financing sources (uses)	(40,439)	-	(40,439)
Net change in cash balances	(26,313)	2,737	(23,576)
Cash balances beginning of year	62,943	(156,818)	(93,875)
Cash balances end of year	\$ 36,630	(154,081)	(117,451)
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 36,630	-	36,630
Capital projects fund	-	(154,081)	(154,081)
Total cash basis fund balances	\$ 36,630	(154,081)	(117,451)

See accompanying independent auditor's report.

City of Corydon

Schedule 2

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

As of and for the year ended June 30, 2010

	Enterprise Funds		
	Childcare	Rural Fire Department	Total
Operating receipts:			
Charges for service	\$ 18,072	17,239	35,311
Total operating receipts	18,072	17,239	35,311
Operating disbursements:			
Business type activities	-	31,512	31,512
Total operating disbursements	-	31,512	31,512
Excess (deficiency) of operating receipts over (under) operating disbursements	18,072	(14,273)	3,799
Non-operating receipts (disbursements):			
Intergovernmental	-	16,548	16,548
Miscellaneous	-	75	75
Debt service	(16,416)	(9,794)	(26,210)
Net non-operating receipts (disbursements)	(16,416)	6,829	(9,587)
Net change in cash balances	1,656	(7,444)	(5,788)
Cash balances beginning of year	12,732	63,554	76,286
Cash balances end of year	\$ 14,388	56,110	70,498
Cash Basis Fund Balances			
Reserved for debt service	\$ 14,388	6,192	20,580
Unreserved	-	49,918	49,918
Total cash basis fund balances	\$ 14,388	56,110	70,498

See accompanying independent auditor's report.

City of Corydon

Schedule 3

Schedule of Indebtedness

Year ended June 30, 2010

Obigation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes:									
General Obligation Capital Loan Notes	April 9, 1996	3.00%	\$ 230,000	100,000	-	13,000	87,000	3,000	-
General Obligation Capital Loan Notes	November 17, 2000	5.90%	115,000	40,000	-	40,000	-	439	-
General Obligation Bonds	June 1, 2004	3.60-5.50%	500,000	365,000	-	30,000	335,000	15,750	-
Total				\$ 505,000	-	83,000	422,000	19,189	-
Revenue Notes:									
Child Care Center Revenue Note	March 1, 2002	4.75%	\$ 288,000	269,351	-	3,702	265,649	12,714	-
Fire Department Revenue Note	June 9, 2004	4.25%	107,000	78,441	-	6,460	71,981	3,334	-
Sewer Revenue Capital Loan Notes	September 29, 2004 *	3.00%	654,000	553,000	-	27,000	526,000	16,590	-
Water Revenue Capital Loan Notes	September 29, 2004 *	3.00%	1,193,000	1,006,000	-	50,000	956,000	30,180	-
Total				\$ 1,906,792	-	87,162	1,819,630	62,818	-
Sewer Interim Project Note	December 9, 2009	0.00%	\$ 350,000	-	194,959	-	194,959	-	-
Note Payable - Swimming Pool Note	July 1, 2005	5.00%	\$ 300,000	266,433	-	7,853	258,580	11,147	-
Lease Purchase Agreement - Garbage Truck	April 13, 2010	4.86%	\$ 72,000	-	72,000	-	72,000	-	-

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

City of Corydon
Bond and Note Maturities

Schedule 4

June 30, 2010

Year Ending June 30,	General Obligation Bonds and Notes				
	General Obligation Capital Loan Notes		General Obligation Bonds		
	Issued April 9, 1996		Issued June 1, 2004		
	Interest Rates	Amount	Interest Rates	Amount	Total
2011	3.00%	\$ 13,000	3.80%	\$ 30,000	\$ 43,000
2012	3.00%	14,000	4.00%	35,000	49,000
2013	3.00%	14,000	4.20%	35,000	49,000
2014	3.00%	15,000	4.30%	35,000	50,000
2015	3.00%	15,000	4.40%	35,000	50,000
2016	3.00%	16,000	4.50%	40,000	56,000
2017	-	-	4.60%	40,000	40,000
2018	-	-	4.65%	40,000	40,000
2019	-	-	4.70%	45,000	45,000
		<u>\$ 87,000</u>		<u>\$ 335,000</u>	<u>\$ 422,000</u>

Year Ending June 30,	Revenue Notes								Note Payable		
	Child Care Center Revenue Notes		Fire Department Revenue Note		Sewer Revenue Capital Loan Notes		Water Revenue Capital Loan Note		Swimming Pool Note		
	Issued March 1, 2002		Issued June 9, 2004		Issued September 29, 2004		Issued September 29, 2004		Issued July 1, 2005		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	Interest Rates	Amount
2011	4.75%	\$ 3,881	4.25%	\$ -	3.00%	\$ 28,000	3.00%	\$ 51,000	\$ 82,881	5.00%	\$ 3,571
2012	4.75%	4,070	4.25%	6,735	3.00%	29,000	3.00%	53,000	92,805	5.00%	3,749
2013	4.75%	4,267	4.25%	7,021	3.00%	30,000	3.00%	55,000	96,288	5.00%	3,937
2014	4.75%	4,475	4.25%	7,319	3.00%	31,000	3.00%	56,000	98,794	5.00%	4,134
2015	4.75%	4,692	4.25%	7,631	3.00%	32,000	3.00%	58,000	102,323	5.00%	4,341
2016	4.75%	4,920	4.25%	7,955	3.00%	33,000	3.00%	60,000	105,875	5.00%	4,558
2017	4.75%	5,159	4.25%	8,293	3.00%	34,000	3.00%	61,000	108,452	5.00%	4,785
2018	4.75%	5,409	4.25%	8,645	3.00%	35,000	3.00%	63,000	112,054	5.00%	5,025
2019	4.75%	5,671	4.25%	9,013	3.00%	36,000	3.00%	65,000	115,684	5.00%	5,276
2020	4.75%	5,947	4.25%	9,369	3.00%	37,000	3.00%	67,000	119,316	5.00%	5,540
2021	4.75%	6,235	-	-	3.00%	38,000	3.00%	69,000	113,235	5.00%	5,817
2022	4.75%	6,538	-	-	3.00%	39,000	3.00%	71,000	116,538	5.00%	207,847
2023	4.75%	6,856	-	-	3.00%	40,000	3.00%	73,000	119,856	-	-
2024	4.75%	7,189	-	-	3.00%	41,000	3.00%	76,000	124,189	-	-
2025	4.75%	7,538	-	-	3.00%	43,000	3.00%	78,000	128,538	-	-
2026	4.75%	7,903	-	-	-	-	-	-	7,903	-	-
2027	4.75%	8,287	-	-	-	-	-	-	8,287	-	-
2028	4.75%	8,690	-	-	-	-	-	-	8,690	-	-
2029	4.75%	9,111	-	-	-	-	-	-	9,111	-	-
2030	4.75%	9,554	-	-	-	-	-	-	9,554	-	-
2031	4.75%	10,018	-	-	-	-	-	-	10,018	-	-
2032	4.75%	10,504	-	-	-	-	-	-	10,504	-	-
2033	4.75%	11,014	-	-	-	-	-	-	11,014	-	-
2034	4.75%	11,549	-	-	-	-	-	-	11,549	-	-
2035	4.75%	12,109	-	-	-	-	-	-	12,109	-	-
2036	4.75%	12,697	-	-	-	-	-	-	12,697	-	-
2037	4.75%	13,313	-	-	-	-	-	-	13,313	-	-
2038	4.75%	13,959	-	-	-	-	-	-	13,959	-	-
2039	4.75%	14,637	-	-	-	-	-	-	14,637	-	-
2040	4.75%	15,349	-	-	-	-	-	-	15,349	-	-
2041	4.75%	14,108	-	-	-	-	-	-	14,108	-	-
		<u>\$ 265,649</u>		<u>\$ 71,981</u>		<u>\$ 526,000</u>		<u>\$ 956,000</u>	<u>\$ 1,819,630</u>		<u>\$ 258,580</u>

See accompanying independent auditor's report.

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Corydon, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issue our report thereon dated April 28, 2011. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Corydon's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A), (B), (C) and (G) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (D), (E) and (F) to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Corydon's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Corydon's responses and, accordingly, we do not express an opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Corydon and other parties to whom the City of Corydon may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Peak & Co., LLP
Certified Public Accountants

April 28, 2011

City of Corydon

Schedule of Findings

Year Ended June 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The issuance of receipt slips, bank deposits and the posting of the cash receipts to the accounting records are sometimes all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will review this area and take action as necessary.

Conclusion - Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- (B) **Accounting Records** - The City Treasurer's report is overstated by \$15,000 as of June 30, 2010.

Recommendation - The City implement procedures to ensure the City Treasurer's report reconciles to the bank statements on a monthly basis.

Response - We have implemented this recommendation.

Conclusion - Response accepted.

- (C) **Deposit Timeliness** - Instances were noted where the City and the Library did not always deposit receipts timely and on an intact basis. We noted instances in which receipts were held several days to several weeks before they were deposited. To help ensure security and accountability over receipts, all receipts should be deposited timely and on an intact basis.

Recommendation - The City and the Library should implement procedures to ensure all receipts are deposited intact and on a timely basis.

Response - We will implement this recommendation.

Conclusion - Response accepted.

City of Corydon

Schedule of Findings

Year Ended June 30, 2010

- (D) **Receipts** – The pool collects monies from admissions and concessions. Sales are not recorded when initially received, such as being recorded on a cash register at the time of receipt. As a result, there is less assurance that all receipts are accounted for properly.

The police department issues parking tickets, with the fine payable to the City. There does not appear to be any reconciliation procedures in place to ensure all parking tickets are accounted for properly, and that all fines are collected and deposited to the bank account.

The City collects monies from the sale of garbage bags. There does not appear to be procedures in place to ensure all garbage bags are accounted for properly, and that all monies from garbage bag sales are deposited to the bank account.

Recommendation – The City implement procedures to ensure all pool admission and concession sales are recorded in the cash register when initially received. In addition, procedures should be implemented to ensure all parking tickets are either on hand, voided, or issued, and that all monies collected from issued parking tickets are deposited to the bank account. Also, procedures should be implemented to ensure all garbage bags are either on hand or sold, and that all monies from garbage bag sales are deposited to the bank account.

Response – We will review the above and take appropriate action.

Conclusion – Response accepted.

- (E) **Financial Reporting** – We noted that while management is capable of preparing accurate financial statements that provide information sufficient for City Council members to make management decisions, reporting financial data reliably in accordance with an other comprehensive basis of accounting (OCBOA) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Due to the technical nature of these requirements, management does not prepare this information, which is a common situation in all small entities.

Recommendation – Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare OCBOA financial statements.

Response – This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with the OCBOA requirements.

Conclusion – Response accepted.

City of Corydon

Schedule of Findings

Year Ended June 30, 2010

- (F) Separately Maintained Records – The volunteer fire department and the Library maintain bank accounts for fundraiser, donations, intergovernmental receipts, and charges for services activity separate from the City Clerk’s accounting records. The transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget or monthly financial reports. However, the transactions and resulting balances are included in these financial statements.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A City shall keep accounts which show an accurate and detailed statement for all public funds collected, received, or expended for any City purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s accounting records and annual budget and should be reported to the Council on a monthly basis.

Response – We will attempt to implement this recommendation.

Conclusion – Response accepted.

- (G) Fire Department – No evidence could be found that monthly reconciliations of the book and bank balances were prepared by the fire department. Prenumbered receipts were not issued for collections. Additionally, the fire department did not consistently retain invoices to support the amounts paid.

The fire department holds a fundraiser every year. Tickets are sold for this fundraising event. However, no documented reconciliation could be located to ensure that all tickets and monies were accounted for properly.

Recommendation – The book and bank balances should be reconciled monthly, prenumbered receipts should be issued for all collections, and invoices should be retained to support the amounts paid. The fire department should also implement procedures to ensure controls exist over fundraisers. Specifically, documentation should be retained which reconciles the tickets and monies to ensure that all tickets and monies are accounted for properly.

Response – We will attempt to implement these recommendations.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Corydon
 Schedule of Findings
 Year Ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

- (1) **Certified Budget** - Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public safety, public works, culture and recreation and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Chapter 384.16 of the Code of Iowa requires that a notice of public hearing be published in the newspaper not less than ten nor more than twenty days before the hearing. We noted that the City did not meet this ten to twenty day publication requirement for the fiscal year 2010 budget.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. In addition, procedures should be implemented to ensure budget publications meet the ten to twenty day publication requirements of the Code of Iowa.

Response - We will implement these recommendations.

Conclusion - Response accepted.

- (2) **Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (3) **Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) **Business Transactions** - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Cheryl Nessen, Council Member Co-Owner of Nessen Pharmacy	Supplies	\$ 9
Rod Parham, Mayor/Council Member Owner of Rod's Auto, Inc.	Vehicle repair maintenance and fuel	\$ 4,554

In accordance with Chapter 362.5(11) of the Code of Iowa, the above transactions with Rod's Auto, Inc., may represent a conflict of interest as defined in Chapter 362.5 of the Code of Iowa since the total transactions were greater than \$2,500 during the fiscal year.

Recommendation - The City consult with their Attorney on the above to determine a proper resolution of the matter.

Response - We will review this with our Attorney.

Conclusion - Response accepted.

- (5) **Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Corydon

Schedule of Findings

Year Ended June 30, 2010

- (6) Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the Council minutes but were not.

We noted one regular City Council meeting minutes, including related claims, were not published in the newspaper. Chapter 372.13 (6) of the Code of Iowa requires that all City Council minutes be published in the newspaper, and that the publications include a list of claims allowed and total expenditures from each city fund.

The publication of claims did not include the amounts paid from the separately maintained volunteer fire department accounts, even though Chapter 372.13 (6) of the Code of Iowa states that the publication should include a list of all claims allowed.

For a closed session, the Council minutes did not document the vote of each Council member, as required by Chapter 21 of the Code of Iowa. In addition, the votes of each member on split votes were not consistently documented in the Council minutes.

We noted one resolution which was signed by the Mayor, but there was no evidence in the City Council minutes that this resolution was approved by the City Council.

Recommendation – The City should publish all the City Council minutes and claims, as required by the Code of Iowa. For closed sessions, the City should implement procedures to ensure compliance with Chapter 21 of the Code of Iowa. Also, the vote of each Council Member should be documented in the City Council minutes on split votes. In addition, all resolutions voted on should be documented in the City Council minutes.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- (9) Annual Reports – The beginning and ending balances recorded on the City's annual financial report do not agree to the City's accounting records. In addition, the City's annual financial report did not include the separately maintained volunteer fire department activities and the Library activities. All of this is required by Chapter 384.22 of the Code of Iowa. In addition, the Outstanding Obligations Report submitted to the State Treasurer's Office was inaccurate. The Street Finance Report submitted to the Department of Transportation did not include some receipts.

Recommendation – The City implement procedures to ensure the City's annual financial report and the Outstanding Obligations Report agrees to the City's accounting records and includes all City funds. Also, procedures should be implemented to ensure the Street Finance Report is accurate.

Response – We will make corrections next year to bring everything into balance.

Conclusion – Response accepted.

City of Corydon

Schedule of Findings

Year Ended June 30, 2010

- (10) **Financial Condition** – The Capital Projects, Swimming Pool Fund had a deficit balance of \$154,081 at June 30, 2010. The Debt Service Fund had a deficit balance of \$11,038 at June 30, 2010.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The deficit balance in the Capital Projects, Swimming Pool Fund was due to construction costs incurred prior to receipt of donations. In addition, the Debt Service Fund deficit balance will be positive in the future as a result of an increase in property taxes.

Conclusion – Response accepted. However, the City should address the deficit balance in the Capital Projects, Swimming Pool Fund, as it appears the City is not actively seeking donations in order to reduce the deficit balance in this fund.

- (11) **Payment of General Obligation Capital Loan Notes** – A general obligation capital loan note principal and interest payment was paid from the Special Revenue, Tax Increment Financing Fund. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.” This issue was corrected for audit report purposes.

Recommendation – Future payments of general obligation bond principal and interest should be disbursed from the Debt Service Fund.

Response – We will implement this in the future.

Conclusion – Response accepted.

- (12) **Tax Levy** - The City levies a separate property tax levy for liability insurance, pursuant to Chapter 384.12 of the Code of Iowa. However, it appears the City has levied too much in property taxes for liability insurance given the annual liability insurance cost. It would appear that the City is not allowed to levy excess taxes under the liability insurance Code Section in order to fund the general operations of the City.

Recommendation – The City review this Code Section to ensure compliance with the Code of Iowa requirements. In addition, the City needs to consult with legal counsel to determine an appropriate course of action in relation to the above issue.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- (13) **Public Works Department** – Chapter 23A of the Code of Iowa discusses noncompetition by government. Specifically, Chapter 23A.2 states, in part, “A state agency or political subdivision shall not, unless specifically authorized by statute, rule, ordinance, or regulation:

- (a) Engage in the manufacturing, processing, sale, offering for sale, rental, leasing, delivery, dispensing, distributing, or advertising of goods or services to the public which are also offered by private enterprise unless such goods or services are for use or consumption exclusively by the state agency or political subdivision.
- (b) Offer or provide goods or services to the public for or through another state agency or political subdivision, by intergovernmental agreement or otherwise, in violation of this chapter.”

City of Corydon

Schedule of Findings

Year Ended June 30, 2010

The City's public works department rents equipment to private individuals, sands private parking lots, and installs water and sewer lines to private individuals for a fee. This may violate the noncompetition provisions of Chapter 23A of the Code of Iowa.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response - The City has stopped providing these services.

Conclusion – Response accepted.

- (14) **Depository and Bank Interest** – Even though the City has named a depository, the City did not specify the maximum amount that may be kept on deposit in each depository, as required by Chapter 12C.2 of the Code of Iowa.

The Enterprise, Sewer Fund did not receive any bank interest, even though this is required by Chapter 12C.9 of the Code of Iowa, as this fund is accumulating monies for the payment of debt.

It appears the City could have earned an additional \$18,000 in bank interest during the year ended June 30, 2010, if the City would have invested their funds in a NOW account at the local bank instead of investing their funds in a savings account with Iowa Public Agency Investment Trust.

Recommendation – The City specify the maximum amount that may be kept on deposit in each depository and allocate bank interest to the Enterprise, Sewer Fund as required by the Code of Iowa. In addition, the City look at all investing alternatives, and make prudent decisions on where and how to invest excess funds.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (15) **Lease-Purchase** – On April 13, 2010, the City entered into a lease purchase agreement for \$72,000 for the purchase of a garbage truck. However, the City did not comply with the provisions of Chapter 364.4, 384.83, and 362.3 of the Code of Iowa which requires certain authorization procedures be followed, including publication of a notice of intended action and the time and place of the meeting.

Recommendation – The City should comply with the Code of Iowa when entering into lease purchase agreements.

Response – We will follow these requirements in the future.

Conclusion – Response accepted.

- (16) **Tax Increment Financing** – The City has no tax increment financing (TIF) debt as of June 30, 2010. However, the City has cash on hand of \$36,630 at June 30, 2010 in the Special Revenue, Tax Increment Financing Fund. In addition, the City certified debt to Wayne County for fiscal year 2011, resulting in the City receiving additional TIF funds in fiscal year 2011.

City of Corydon

Schedule of Findings

Year Ended June 30, 2010

Recommendation – The City should consult the Wayne County Auditor and TIF legal counsel to determine what to do with the excess cash on hand at June 30, 2010 in the Special Revenue, Tax Increment Financing Fund.

In addition, the City should work with the Wayne County Auditor to ensure additional TIF monies are not received by the City. A copy of this report has been filed with the Wayne County Auditor.

Response – We will contact the above individuals regarding this issue. In relation to the certification of the debt to Wayne County, we did as we were instructed by the Wayne County Auditor.

Conclusion – Response accepted.

- (17) **Expense Allocation** – The City has no formal policy detailing how certain expenses should be allocated. The City currently allocates most of the cost of workers' compensation to the Special Revenue, Employee Benefits Fund, instead of to the funds which incurred the costs. Workers' compensation costs incurred by the Enterprise Funds should be paid by the Enterprise Funds.

Liability and property insurance cost is charged to the General Fund instead of to the funds which incurred the costs. Liability and property insurance costs incurred by the Enterprise Funds should be paid by the Enterprise Funds.

It does not appear that any fuel charges are allocated to the Enterprise, Sewer Fund. In addition, the employees do not document time worked by area. As a result, employee compensation expenses may not be charged to the funds which incurred the costs.

By not allocating costs to certain funds, the City could be in violation of the bond covenants which requires the Enterprise Funds to provide sufficient revenues to pay operating costs since all operating costs may not be properly posted to those funds. In addition, the City could be in violation of Chapter 312.6 of the Code of Iowa if more costs are allocated to the Special Revenue, Road Use Tax Fund than pertain to that fund.

Recommendation – The City should review its cost allocation procedures and allocate costs to the various funds which incurred the costs.

Response – We will review this and take action as necessary.

Conclusion – Response accepted.

- (18) **Ordinances** – Based on the wording of the City ordinance, it appears the sewer rate fees currently charged by the City conflict with the sewer rate fees as documented in the City ordinance. In addition, the City ordinance states that a 10% penalty on delinquent accounts will be assessed on the entire utility billing; however, the City only assesses the 10% penalty on the delinquent portion of the water bill. The City collects garbage in non-official City garbage bags, even though this violates City ordinance.

Recommendation – The City review its ordinances to ensure it is charging the proper sewer rates, is properly charging the 10% penalty on delinquent accounts, and follows its ordinance regarding non-official City garbage bags.

Response – We will review this and take action as necessary.

Conclusion – Response accepted.

City of Corydon

Schedule of Findings

Year Ended June 30, 2010

- (19) Compliance Issues – The City has not consistently followed the account code structure as recommended by the City Finance Committee. As a result, several receipts and disbursements were misclassified on the accounting records.

The City did not issue an IRS 1099-Misc. form to a vendor as required by IRS regulations.

Reimbursements to the City from the golf club are not consistently credited to the funds which originally incurred the costs.

Authorized signatories on some bank accounts include former City officials. Signatories on bank accounts should only include current authorized City officials.

Recommendation – The City implement procedures to ensure the account code structure is followed as required by the City Finance Committee. In addition, the City should issue IRS 1099-Misc. forms as required. Also, reimbursements from the golf club should be credited to the funds which originally incurred the costs. The City should also ensure current signatories on bank accounts include authorized City officials.

Response – We will implement these recommendations.

Conclusion – Response accepted.

- (20) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Library and volunteer fire department retain electronic images of the front of cancelled checks, but not the back of cancelled checks.

Recommendation – The Library and the volunteer fire department should retain an image of both the front and back of each cancelled check as required.

Response – We will ask that these organizations implement this recommendation.

Conclusion – Response accepted.

- (21) Payroll – It does not appear that the City Council approves all employee compensation, such as compensation for the following – Christmas bonus, summer help, double pay, on call pay, treasurer pay, and new employee wage rate.

Most City employees keep timecards. However, the timecards are not reviewed and approved by a supervisor.

In one case, the City was unable to determine if an employee was paid the correct amount of hours given the information as noted on the timecard.

Recommendation – The City implement procedures to ensure the City Council approves all employee compensation, such as Christmas bonus, summer help, double pay, on call pay, treasurer pay, and new employee wage rates. In addition, the City should ensure timecards for all employees are reviewed and approved by a supervisor, and implement procedures to ensure the hours paid to employees agree to the hours recorded on the timesheets.

Response – We will implement these recommendations.

Conclusion – Response accepted.