

**CITY OF CORYDON**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD  
JULY 1, 2013 THROUGH JUNE 30, 2014**

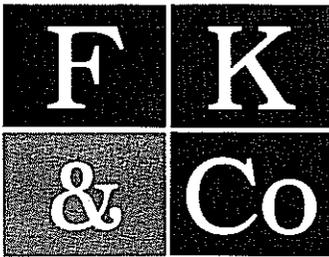
## Table of Contents

	<u>Page</u>
Officials	3
Independent Accountant's Report on Applying Agreed-Upon Procedures	4-5
Detailed Recommendations:	<u>Finding</u>
Segregation of Duties	A 7
Bank Reconciliations	B 7
Deposits	C 7
Business Transactions	D 8
Separately Maintained Records	E 8
Annual Financial Report	F 8
Financial Condition	G 8
Library Deposit Timeliness	H 9
Payroll	I 9
Disbursements	J 9

**City of Corydon**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>(Before January, 2014)</u>		
Rodney Parham	Mayor	Jan 2014
Cheri Nessen	Council Member	Jan 2014
Daren Relph	Council Member	Jan 2014
Clint Carpenter	Council Member	Jan 2014
Kenneth Holmes	Council Member	Jan 2016
Eric Jaeckel	Council Member	Jan 2016
Ann Stevens	Clerk	Jan 2014
Verle Norris	Attorney	Jan 2014
<u>(After January, 2014)</u>		
Rodney Parham	Mayor	Jan 2016
Kenneth Holmes	Council Member	Jan 2016
Eric Jaeckel	Council Member	Jan 2016
Rick Schmidt	Council Member	Jan 2016
Dennis Moorman	Council Member	Jan 2018
Nathan Bennett	Council Member	Jan 2018
Ann Stevens	Clerk	Jan 2016
Verle Norris	Attorney	Jan 2016



**FALLER, KINCHELOE & CO, PLC**

**Certified Public Accountants**

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor  
and Members of City Council:

We have performed an agreed-upon procedures engagement of the City of Corydon pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide certain minimum oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Corydon for the period July 1, 2013 through June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.

Joel C. Faller, CPA

Alan Kincheloe, CPA

Ryan Roof, CPA

2721 SW 30<sup>th</sup> Street  
(515) 362-5672

Des Moines, Iowa  
CPA@FKCcpa.com

50321-1409  
Fax (515) 362-5674

10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization, and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Corydon, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Corydon, additional matters might have come to our attention that would have been reported to you.

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 agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
Faller, Kincheloe & Co, PLC

December 1, 2014

**Detailed Recommendations**

CITY OF CORYDON  
DETAILED RECOMMENDATIONS  
For the period July 1, 2013 through June 30, 2014

(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. Generally, one or two individuals have control over each of the following areas for the City of Corydon (City), the Corydon Fire Department and the Corydon Public Library:

1. Cash – handling, reconciling and recording.
2. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
4. Payroll – recordkeeping, preparation and distribution.
5. Utilities – billing, collecting, depositing and posting.
6. Financial reporting – preparing and reconciling.
7. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City, the Corydon Fire Department and the Corydon Public Library should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) Bank Reconciliations – The cash and investment balances in the City’s general ledger were not reconciled to bank and investment account balances throughout the year. For one of the two months reviewed, the bank and book balances did not properly reconcile.

Recommendation – The City should establish procedures to ensure bank and investment balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely.

(C) Deposits – A resolution naming official depositories has been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa. However, at times during the fiscal year, the depository amount was insufficient for one depository, and another depository used by the City was not on the depository resolution.

Recommendation – The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa. In addition, all depositories used by the City should be included on the City’s depository resolution.

CITY OF CORYDON  
 DETAILED RECOMMENDATIONS  
 For the period July 1, 2013 through June 30, 2014

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

Name, Title and Business Connection	Transaction Description	Amount
Rodney Parham, Mayor Owner of Rod's Auto, Inc.	Tires, parts, service on vehicles	\$1,889
Dave Cusic, City Supervisor Owner of Coates Manufacturing	Parts, repairs	\$87

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions do not appear to represent a conflict of interest since total transactions with each business were less than \$2,500 during the fiscal year.

(E) Separately Maintained Records – The Corydon Public Library maintains separate accounting records for its operations. These transactions and resulting balances are not included in the City's accounting records.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of 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 reported to the City Council on a monthly basis.

(F) Annual Financial Report – The City prepared the Annual Financial Report (AFR) for the fiscal year ended June 30, 2014. However, the report did not include the separately maintained records for the Corydon Public Library for the fiscal year as required by Chapter 384.22 of the Code of Iowa.

The budgeted beginning fund balance on the AFR was not accurate by a material amount.

Recommendation – The Annual Financial Report should be completed and filed as required by Chapter 384.22 of the Code of Iowa. In addition, the City should ensure future AFR's are supported by the City's accounting records.

(G) Financial Condition – At June 30, 2014, the City had a deficit balance of \$149,421 in the Capital Project, Swimming Pool Project Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

CITY OF CORYDON  
DETAILED RECOMMENDATIONS  
For the period July 1, 2013 through June 30, 2014

(H) Library Deposit Timeliness – Library receipts are deposited once per month.

Recommendation – The Library should implement procedures to ensure all receipts are deposited on a timely basis. For better control purposes, Library receipts should be deposited more timely, preferably daily or when cash and checks on hand exceed \$100.

(I) Payroll – Some timesheets did not include evidence of supervisory review.

Recommendation – All time sheets should be reviewed and approved by supervisory personnel prior to processing payroll.

(J) Disbursements – The City paid sales tax on a purchase. The City is exempt from paying sales tax on its purchases.

In one instance, the City paid a claim from a statement and not from an invoice.

Recommendation – The City should ensure sales taxes are not paid on purchases. In addition, the City should ensure that all disbursements are paid from an invoice.