

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT

OF

CITY OF COVINGTON

FOUNTAIN COUNTY, INDIANA

January 1, 2005 to December 31, 2005



FILED
7/21/06

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debby Gurley	01-01-04 to 12-31-07
Mayor	Brad Crain	01-01-04 to 12-31-07
President of the Board of Public Works	Brad Crain	01-01-04 to 12-31-07
President of the Common Council	Brad Crain	01-01-04 to 12-31-07
Superintendent of Water Utility	Robert Tanner	01-01-05 to 12-31-06
Superintendent of Wastewater Utility	Tom Edwards	01-01-05 to 12-31-06
Superintendent of Electric Utility	David Clodfelder	01-01-05 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF COVINGTON, FOUNTAIN COUNTY, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the City of Covington (City), for the period of January 1, 2005 to December 31, 2005. The City's management is responsible for the schedule. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above presents fairly, in all material respects, the cash transactions of the City for the year ended December 31, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 21, 2006

CITY OF COVINGTON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 77,669	\$ 611,208	\$ 570,496	\$ 118,381
Motor Vehicle Highway	162,222	239,272	317,298	84,196
Local Road and Street	10,767	10,311	10,000	11,078
Park and Recreation	33,402	117,343	119,763	30,982
Law Enforcement Continuing Education	1,481	433	80	1,834
Riverboat	6,334	16,174	-	22,508
Rainy Day	28,349	-	-	28,349
Community Improvement	28,160	14,000	8,038	34,122
Park and Recreation Vending	9,351	2,726	7,481	4,596
Levy Excess	-	3,456	-	3,456
Pool Concessions	-	6,496	3,745	2,751
Park and Recreation Nonreverting	13,668	8,139	16,868	4,939
Police Nonreverting	6,399	6,521	4,606	8,314
Cumulative Capital Improvement	40,434	7,929	-	48,363
Cumulative Capital Development	99,680	21,971	5,296	116,355
Proprietary Funds:				
Water Utility - Operating	14,966	321,734	323,639	13,061
Water Utility - Bond and Interest	139,352	91,498	97,645	133,205
Water Utility - Depreciation	73,227	20,287	31,626	61,888
Water Utility - Customer Deposit	4,445	2,350	2,050	4,745
Water Utility - Construction	4,787	4	4,496	295
Water Utility - Debt Service	130,451	17,449	-	147,900
Wastewater Utility - Operating	30,818	308,639	328,743	10,714
Wastewater Utility - Bond and Interest	692	46,994	46,882	804
Wastewater Utility - Customer Deposit	12,420	7,050	6,000	13,470
Wastewater Utility - Construction	6,184	-	-	6,184
Wastewater Utility - Improvement	112,171	15,191	-	127,362
Wastewater Utility - Debt Service	53,743	1,675	1,675	53,743
Electric Utility - Operating	445,039	2,003,481	2,029,398	419,122
Electric Utility - Customer Deposit	24,648	12,389	10,268	26,769
Electric Utility - Construction	432,767	87,620	26,207	494,180
Fiduciary Funds:				
Police Officers' Pension	31,457	58,676	37,662	52,471
Police Officers' Pension Savings	29,235	29	29,264	-
Payroll	6,927	834,439	841,299	67
Totals	<u>\$ 2,071,245</u>	<u>\$ 4,895,484</u>	<u>\$ 4,880,525</u>	<u>\$ 2,086,204</u>

The accompanying notes are an integral part of the schedules.

CITY OF COVINGTON
NOTES TO SCHEDULE

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, culture and recreation, highways and streets, electric, water, sewer, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the City on or prior to December 31 of the year collected.

CITY OF COVINGTON
NOTES TO SCHEDULE
(Continued)

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Long-Term Debt

The City has entered into various debts such as bonds for water and wastewater plant expansion and a lease for a fire truck. The outstanding principal at December 31, 2005, was \$1,325,000 and \$79,683, respectively.

Note 7. Subsequent Event

On January 3, 2006, the City of Covington agreed to act as the Local Public Agency for a Federal Transportation Enhancement grant for Phase I of the Covington Circle Trail. The grant was awarded to the Covington Community Foundation in the amount of \$950,000. The trail will be owned and insured by the City.

CITY OF COVINGTON
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Excess Amount Expended</u>
Park and Recreation	\$ 203
Police Pension	27,877

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

PUBLIC PURCHASES LAW

The City purchased a one-ton truck from Apple Chevrolet in December 2005. The original cost was \$27,395. However, this was not the lowest bid and no reason was stated for rejection of the lowest bidder.

Indiana Code 5-22-7-8 states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

CAPITAL ASSET RECORDS

The City and Utilities capital asset records have the following discrepancies:

1. The capitalization threshold was increased to \$5,000 in January 2003. The listings were not adjusted to reflect this new threshold.
2. The capital asset ledger was not complete. Any assets obtained prior to 1986 are not entered on the record. Some examples of items not listed are the city building, fire house, and fire trucks.
3. No control ledger is kept for the City.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF COVINGTON
EXIT CONFERENCE

The contents of this report were discussed on June 21, 2006, with Debby Gurley, Clerk-Treasurer.