

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
CITY OF COVINGTON  
FOUNTAIN COUNTY, INDIANA  
January 1, 2006 to December 31, 2006



**FILED**  
05/02/2007



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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	Bradley D. Crain	01-01-04 to 12-31-07
President of the Board of Public Works	Bradley D. Crain	01-01-04 to 12-31-07
President of the Common Council	Bradley D. Crain	01-01-04 to 12-31-07
Superintendent of Water Utility	Robert Tanner	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	Tom Edwards	01-01-06 to 12-31-07
Superintendent of Electric Utility	David Clodfelder	01-01-06 to 12-31-07



**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 financial information presented herein of the City of Covington (City), for the period of January 1, 2006 to December 31, 2006. The City's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 5, 2007

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, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 118,381	\$ 545,578	\$ 563,901	\$ 100,058
Motor Vehicle Highway	84,196	425,816	348,183	161,829
Local Road and Street	11,078	10,077	10,000	11,155
Park and Recreation	30,982	97,422	92,516	35,888
Law Enforcement Continuing Education	1,834	690	-	2,524
Riverboat	22,508	16,141	-	38,649
Rainy Day	28,349	-	-	28,349
Community Improvement	34,122	1,562	19,817	15,867
Park and Recreation Vending	4,596	2,201	2,155	4,642
Levy Excess	3,456	-	3,456	-
Pool Concessions	2,751	5,035	2,925	4,861
Park and Recreation Nonreverting	4,939	9,720	6,979	7,680
Police Nonreverting	8,314	10	2,516	5,808
Cumulative Capital Improvement	48,363	10,680	27,241	31,802
Cumulative Capital Development	116,355	25,859	27,083	115,131
<b>Proprietary Funds:</b>				
Water Utility - Operating	13,061	311,646	307,791	16,916
Water Utility - Bond and Interest	133,205	99,823	93,745	139,283
Water Utility - Depreciation	61,888	14,102	-	75,990
Water Utility - Customer Deposit	4,745	3,125	2,025	5,845
Water Utility - Construction	295	1	-	296
Water Utility - Debt Service	147,900	19,035	-	166,935
Wastewater Utility - Operating	10,714	319,084	329,624	174
Wastewater Utility - Bond and Interest	804	50,098	50,225	677
Wastewater Utility - Customer Deposit	13,470	7,050	5,550	14,970
Wastewater Utility - Construction	6,184	-	-	6,184
Wastewater Utility - Improvement	127,362	11,268	25,000	113,630
Wastewater Utility - Debt Service	53,743	1,677	1,677	53,743
Electric Utility - Operating	419,122	2,080,476	2,156,671	342,927
Electric Utility - Customer Deposit	26,769	18,751	11,415	34,105
Electric Utility - Construction	494,180	74,400	-	568,580
<b>Fiduciary Funds:</b>				
Police Officers' Pension	52,471	56,713	38,749	70,435
Payroll	67	872,402	865,331	7,138
<b>Totals</b>	<u>\$ 2,086,204</u>	<u>\$ 5,090,442</u>	<u>\$ 4,994,575</u>	<u>\$ 2,182,071</u>

The accompanying notes are an integral part of the schedules.

CITY OF COVINGTON  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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.

CITY OF COVINGTON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

Capital assets for the utilities are reported at actual historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$      2,084
Buildings	20,248
Plant	1,845,001
Machinery and equipment	<u>      148,332</u>
Total Water Utility capital assets	<u>     2,015,665</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	29,663
Construction in progress	309,447
Buildings	46,711
Plant	915,308
Machinery and equipment	<u>     453,598</u>
Total Wastewater Utility capital assets	<u>     1,754,727</u>
Electric Utility:	
Capital assets, not being depreciated:	
Buildings	34,186
Plant	1,432,829
Machinery and equipment	<u>      794,215</u>
Total Electric Utility capital assets	<u>     2,261,230</u>
Total business-type activities capital assets	<u><u>     \$  6,031,622</u></u>

CITY OF COVINGTON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
2006 International 4400 Tanker	<u>\$ 69,823</u>	<u>\$ 9,859</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Waterworks Revenue and Refunding Bonds of 1998	<u>\$ 985,000</u>	<u>\$ 55,000</u>
Wastewater Utility		
Revenue bonds:		
Sewage Works Refunding and Acquisition Revenue Bonds Series 1993	<u>260,000</u>	<u>-</u>
Total business-type activities long-term debt:	<u>\$ 1,245,000</u>	<u>\$ 55,000</u>

CITY OF COVINGTON  
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2006	<u>\$ 114,498</u>

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."

CAPITAL ASSET RECORDS

The City did not maintain an adequate listing of capital assets. The following deficiencies were noted:

1. The capitalization threshold was increased to \$5,000 in 2003. The listings have not been adjusted to reflect this new threshold.
2. The capital asset ledger is not complete. Any assets obtained prior to 1986 or after 2003 are not listed. Some examples of items not listed are the city building, fire house, fire trucks and park buildings.
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 April 5, 2007, with Debby Gurley, Clerk-Treasurer; and Bradley D. Crain, Mayor. The officials concurred with our findings.