

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, 2007 to December 31, 2007



FILED
10/06/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debby Gurley	01-01-04 to 12-31-11
Mayor	Bradley D. Crain	01-01-04 to 12-31-11
President of the Board of Public Works	Bradley D. Crain	01-01-04 to 12-31-11
President of the Common Council	Bradley D. Crain	01-01-04 to 12-31-11
Superintendent of the Water Utility	Robert Tanner	01-01-07 to 12-31-08
Superintendent of the Wastewater Utility	Greg Myers	01-01-07 to 12-31-08
Superintendent of the Light Utility	David Clodfelder	01-01-07 to 12-31-08



STATE OF INDIANA
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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, 2007 to December 31, 2007. 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, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

August 13, 2008

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, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 100,058	\$ 776,291	\$ 639,878	\$ 236,471
Motor Vehicle Highway	161,828	244,054	317,931	87,951
Local Road and Street	11,155	10,254	10,000	11,409
Parks and Recreation	35,887	77,033	94,835	18,085
Law Enforcement Continuing Education	2,524	1,133	-	3,657
Riverboat Fund	38,649	16,174	-	54,823
Rainy Day Fund	28,349	10,707	-	39,056
Community Improvement	15,867	137	15,799	205
Park and Recreation Vending	4,643	2,042	1,185	5,500
Pool Concessions	4,861	6,738	7,365	4,234
Park and Recreation Nonreverting	7,680	11,190	6,477	12,393
Police Nonreverting	5,809	10	1,654	4,165
Cumulative Capital Improvement	31,803	10,639	-	42,442
Cumulative Capital Development	115,132	25,256	51,913	88,475
Proprietary Funds:				
Water Utility Operating	16,916	366,060	311,449	71,527
Water Utility Bond and Interest	139,283	99,854	97,617	141,520
Water Utility Depreciation	75,990	23,507	5,103	94,394
Water Utility Customer Deposit	5,845	2,600	2,550	5,895
Water Utility Construction	295	1	-	296
Water Utility Debt Service Reserve	166,935	19,035	-	185,970
Wastewater Utility Operating	174	345,960	324,868	21,266
Wastewater Utility Bond and Interest	677	48,564	48,200	1,041
Wastewater Utility Customer Deposit	14,970	5,450	6,125	14,295
Wastewater Utility Construction	6,184	-	-	6,184
Wastewater Utility Improvement	113,630	17,403	-	131,033
Wastewater Utility Debt Service Reserve	53,743	35,870	35,870	53,743
Electric Utility Operating	342,927	2,197,020	2,136,890	403,057
Electric Utility Customer Deposit	34,106	16,400	14,495	36,011
Electric Utility Construction	568,581	124,058	5,800	686,839
Fiduciary Funds:				
Police Pension	70,436	25,661	39,589	56,508
Payroll	7,137	893,657	891,254	9,540
Totals	<u>\$ 2,182,074</u>	<u>\$ 5,412,758</u>	<u>\$ 5,066,847</u>	<u>\$ 2,527,985</u>

The accompanying notes are an integral part of the financial information.

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, culture and recreation, light, 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 LONG-TERM DEBT
 December 31, 2007

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal Due Within One Year
Governmental Activities:		
Capital leases:		
2006 International 4400 Tanker	\$ 59,495	\$ 10,820
Total governmental activities debt	<u>\$ 59,495</u>	<u>\$ 10,820</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Waterworks Revenue & Refunding Bonds of 1998	<u>930,000</u>	<u>55,000</u>
Total Water Utility	<u>930,000</u>	<u>55,000</u>
Wastewater Utility		
Revenue bonds:		
Sewage Works Refunding & Acquisition Revenue Bonds Series 1993	<u>200,000</u>	<u>-</u>
Total Wastewater Utility	<u>200,000</u>	<u>-</u>
Total business-type activities debt:	<u>\$ 1,130,000</u>	<u>\$ 55,000</u>

CITY OF COVINGTON
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

Park department receipts tested were deposited with the Clerk-Treasurer later than the next business day. Two receipts were held for 22 days prior to remittance.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

PAYROLL DEDUCTIONS

Some personnel files tested did not have a W-4 on file. Employee W-4 withholding authorizations were several years old in most instances. It was recommended during the 2006 audit that the unit update all W-4s.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns State of Indiana, Chapter 7)

COMPENSATION AND BENEFITS

The meter reader for the City earned \$1,500 per month for 2007 which was not included on the salary ordinance.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF COVINGTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

GUARANTEE DEPOSIT REGISTER

The Electric Utility Guarantee Deposit Register was not in balance with the Electric Utility Meter Deposit Fund's cash balance. The detail was \$95.91 less than the control. The Water/Wastewater Guarantee Deposit Register was not in balance with the Water/Wastewater Utility Meter Deposit Fund's cash balance. The detail was \$1019.51 more than the control.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns State of Indiana, Chapter 7)

CAPITAL ASSET RECORDS

The City does not maintain a listing of capital assets. A similar comment was included in the prior report.

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 form. 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 August 13, 2008, with Bradley D. Crain, Mayor; and Debby Gurley, Clerk-Treasurer. The officials concurred with our findings.