

**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, 2009 to December 31, 2009



**FILED**  
06/24/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debby Gurley	01-01-08 to 12-31-11
Mayor	Bradley D. Crain	01-01-09 to 12-31-10
President of the Board of Public Works	Bradley D. Crain	01-01-09 to 12-31-10
President of the Common Council	Bradley D. Crain	01-01-09 to 12-31-10
Superintendent of the Water Utility	Rick Smith	01-01-09 to 12-31-10
Superintendent of the Wastewater Utility	Greg Myers	01-01-09 to 12-31-10
Superintendent of the Electric Utility	David Clodfelder	01-01-09 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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, 2009 to December 31, 2009. 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, 2009, 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

May 12, 2010

CITY OF COVINGTON  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 113,373	\$ 687,805	\$ 725,373	\$ 75,805
Motor Vehicle Highway	61,039	469,951	408,096	122,894
Local Road and Street	21,374	9,233	15,000	15,607
Parks and Recreation	91	135,923	116,441	19,573
Law Enforcement Continuing Education	4,227	2,335	427	6,135
Riverboat Fund	70,913	16,052	73,669	13,296
Rainy Day Fund	56,208	30,923	-	87,131
Community Improvement	39	51,587	51,587	39
Park and Recreation Vending	6,083	2,319	4,609	3,793
Pool Concessions	8,604	4,830	2,746	10,688
Park and Recreation Nonreverting	18,279	10,694	13,094	15,879
Police Nonreverting	2,496	1,806	2,536	1,766
Cumulative Capital Improvement	43,291	7,866	29,997	21,160
Cumulative Capital Development	83,089	34,811	58,507	59,393
Proprietary Funds:				
Water Utility Operating	43,536	350,981	371,318	23,199
Water Utility Bond and Interest	145,717	99,275	79,617	165,375
Water Utility Depreciation	58,016	24,857	33,791	49,082
Water Utility Customer Deposit	7,070	2,400	2,925	6,545
Water Utility Construction	297	-	-	297
Water Utility Debt Service Reserve	205,005	19,035	-	224,040
Wastewater Utility Operating	56,631	328,805	294,862	90,574
Wastewater Utility Bond and Interest	965	49,002	47,771	2,196
Wastewater Utility Customer Deposit	16,470	5,075	6,925	14,620
Wastewater Utility Construction	6,184	-	-	6,184
Wastewater Utility Improvement	48,270	16,875	5,611	59,534
Wastewater Utility Debt Service Reserve	53,743	396	396	53,743
Electric Utility Operating	478,520	2,442,431	2,515,706	405,245
Electric Utility Customer Deposit	40,760	14,425	16,608	38,577
Electric Utility Construction	806,446	140,519	62,178	884,787
Fiduciary Funds:				
Police Pension	36,547	71,328	67,121	40,754
Payroll	10,331	980,319	976,869	13,781
Totals	<u>\$ 2,503,614</u>	<u>\$ 6,011,858</u>	<u>\$ 5,983,780</u>	<u>\$ 2,531,692</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, highway and streets, health and social services, culture and recreation, planning and zoning, general administrative services, electric, water, wastewater and sanitation.

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  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Event

The City has been awarded \$638,809 in 2010 from the Indiana Department of Transportation to enhance their pedestrian facility, also known as Covington Circle Trail.

CITY OF COVINGTON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
2006 International 4400 Tanker	\$ 37,341	\$ 13,650
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks Revenue & Refunding Bonds of 1998	\$ 815,000	\$ 95,410
Wastewater Utility:		
Revenue bonds:		
Sewage Works Refunding & Acquisition Revenue Bonds Series 1993	160,000	5,600
<b>Total business-type activities debt:</b>	<b>\$ 975,000</b>	<b>\$ 101,010</b>

CITY OF COVINGTON  
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The City does not maintain a listing of capital assets. A similar comment was included in prior Reports B32906 and B34726.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

PUBLIC WORKS PROJECT

The City of Covington, during 2009, contracted with Hesler Paving & Contracting, Inc. for the paving of the roads in the park. The total amount paid to Hesler Paving & Contracting, Inc. was \$101,704. There was no evidence presented for examination that sealed bids were requested or received.

IC 36-1-12-4(a) states, in part: "This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; or (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1)."

IC 36-1-12-4(b) states, in part: "The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. . . ."

CONTRACTS

Payments totaling \$110,263.94 were made to Allied Waste Services for trash service in 2009 without a contract. The last contract on file for Allied Waste Services expired in 2002.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF COVINGTON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

DEPOSITS – PARK AND RECREATION DEPARTMENT

Five park department receipts tested were deposited with the Clerk-Treasurer later than the next business day. One receipt was held for twenty-nine days prior to remittance. A similar comment was included in prior Reports B32906 and B34726.

IC 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."

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 \$806.61 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 \$1,614.51 more than the control. A similar comment was included in prior Reports B32906 and B34726.

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, Chapter 7)

ORDINANCES AND RESOLUTIONS

The City has an ordinance regarding late fees assessed to delinquent utility accounts. However, tax-exempt units are not being assessed the late fees.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (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 May 12, 2010, with Bradley D. Crain, Mayor; and Debby Gurley, Clerk-Treasurer. The officials concurred with our findings.