

**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, 2010 to December 31, 2010



**FILED**  
04/12/2011



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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	01-01-08 to 12-31-11
President of the Board of Public Works	Bradley D. Crain	01-01-10 to 12-31-11
President of the Common Council	Bradley D. Crain	01-01-10 to 12-31-11
Superintendent of the Water Utility	Rick Smith	01-01-10 to 12-31-11
Superintendent of the Wastewater Utility	Greg Myers	01-01-10 to 12-31-11
Superintendent of the Electric Utility	David Clodfelder	01-01-10 to 12-31-11



**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, 2010 to December 31, 2010. 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, 2010, 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

February 23, 2011

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, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
<b>Governmental Funds:</b>				
General	\$ 75,805	\$ 707,867	\$ 716,505	\$ 67,167
Motor Vehicle Highway	122,894	358,946	475,353	6,487
Local Road and Street	15,607	9,436	15,000	10,043
Park and Recreation	19,573	103,137	118,306	4,404
Law Enforcement Continuing Education	6,135	1,525	861	6,799
Riverboat	13,297	16,052	3,646	25,703
Rainy Day	87,131	202,269	221,453	67,947
Community Improvement	39	-	-	39
Park and Recreation Vending	3,793	1,437	571	4,659
Pool Concessions	10,688	7,635	6,850	11,473
Covington Circle Trails	-	80,649	80,649	-
Park and Recreation Nonreverting	15,879	8,975	18,049	6,805
Police Nonreverting	1,766	-	-	1,766
Cumulative Capital Improvement	21,160	7,510	19,929	8,741
Cumulative Capital Development	59,393	13,802	29,708	43,487
Levy Excess	-	1,762	-	1,762
<b>Proprietary Funds:</b>				
Water Utility - Operating	23,199	359,734	319,945	62,988
Water Utility - Bond and Interest	165,375	99,275	116,091	148,559
Water Utility - Depreciation	49,082	25,393	24,862	49,613
Water Utility - Customer Deposit	6,545	3,150	3,025	6,670
Water Utility - Construction	296	-	296	-
Water Utility - Debt Service Reserve	224,040	19,035	-	243,075
Wastewater Utility - Operating	90,574	332,520	323,003	100,091
Wastewater Utility - Bond and Interest	2,196	46,282	46,200	2,278
Wastewater Utility - Depreciation	59,534	17,799	2,099	75,234
Wastewater Utility - Customer Deposit	14,620	7,100	6,530	15,190
Wastewater Utility - Construction	6,184	-	-	6,184
Wastewater Utility - Debt Service Reserve	53,743	1,096	1,096	53,743
Electric Utility- Operating	405,245	2,570,852	2,716,801	259,296
Electric Utility- Customer Deposit	38,577	20,158	18,096	40,639
Electric Utility- Construction	884,787	126,883	109,021	902,649
<b>Fiduciary Funds:</b>				
Police Officers' Pension	40,754	133,471	68,465	105,760
Payroll	13,781	1,013,580	1,011,335	16,026
<b>Totals</b>	<b>\$ 2,531,692</b>	<b>\$ 6,297,330</b>	<b>\$ 6,473,745</b>	<b>\$ 2,355,277</b>

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, health and social services, culture and recreation, and general administrative services, water utility services, wastewater utility services, and electric utility 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  
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.

CITY OF COVINGTON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

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 Trailer	\$ 25,468	\$ 13,650
Total governmental activities debt	<u>\$ 25,468</u>	<u>\$ 13,650</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks Revenue & Refunding Bonds of 1998	\$ 755,000	\$ 97,705
Total Water Utility	<u>\$ 755,000</u>	<u>\$ 97,705</u>
Wastewater Utility		
Revenue bonds:		
Sewage Works Refunding & Acquisition Revenue Bonds Series 1993	\$ 125,000	\$ 4,375
Total Wastewater Utility	<u>125,000</u>	<u>4,375</u>
Total business-type activities debt:	<u>\$ 880,000</u>	<u>\$ 102,080</u>

CITY OF COVINGTON  
EXAMINATION RESULTS AND COMMENTS

INVESTMENT MATURITY LIMITATIONS

The governmental unit purchased certificates of deposit which have a stated maturity in excess of two years.

IC 5-13-9-5.6 states:

"Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

CAPITAL ASSET RECORDS

The City is not maintaining capital asset records.

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)

PUBLIC WORKS PROJECT

The City of Covington, during 2010, paid \$164,595 to Milestone Contractors for street paving. The City did not go through the formal bid process.

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 \$105,892 were made to Allied Waste for trash removal and payments totaling \$21,995 were made to Dunham Construction for park improvements. No contracts for these payments were presented for examination.

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  
EXIT CONFERENCE

The contents of this report were discussed on February 23, 2011, with Debby Gurley, Clerk-Treasurer; and Bradley D. Crain, Mayor. The officials concurred with our findings.