

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

CITY OF COVINGTON

FOUNTAIN COUNTY, INDIANA

January 1, 2011 to December 31, 2011



FILED
10/17/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Debby Gurley	01-01-08 to 12-31-15
Mayor	Bradley D. Crain	01-01-08 to 12-31-15
President of the Board of Public Works	Bradley D. Crain	01-01-11 to 12-31-12
President of the Common Council	Bradley D. Crain	01-01-11 to 12-31-12
Superintendent of Water Utility	Rick Smith	01-01-11 to 12-31-12
Superintendent of Wastewater Utility	Greg Myers	01-01-11 to 12-31-12
Superintendent of Electric Utility	David Clodfelder Clint Karushis	01-01-11 to 03-31-12 04-01-12 to 12-31-12



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 accompanying financial statement of the City of Covington (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the financial statement 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management, Common Council, Board of Public Works, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 6, 2012

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF COVINGTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
GENERAL FUND	\$ 67,167	\$ 612,851	\$ 772,844	\$ (92,826)
MOTOR VEHICLE HIGHWAY	6,487	319,641	287,247	38,881
LOCAL ROAD & STREET	10,043	9,181	678	18,546
P&R NON-REVERTING	6,805	9,620	5,101	11,324
COMMUNITY IMPROVEMENT	39	14,655	13,959	735
CONTINUING EDUCATION	6,799	1,057	519	7,337
PARK & RECREATION	4,405	114,425	92,982	25,848
RAINY DAY FUND	67,947	-	13,169	54,778
LEVY EXCESS FUND	1,762	-	1,762	-
CCD FUND	43,487	14,317	-	57,804
CCI FUND	8,741	7,366	-	16,107
POLICE PENSION FUND	105,760	73,677	69,851	109,586
RIVERBOAT REVENUE SHARING	25,703	16,052	-	41,755
POLICE NON-REVERTING	1,766	75	-	1,841
PARK & RECREATION VENDING	4,659	534	551	4,642
POOL CONCESSION	11,473	9,123	6,127	14,469
SIDEWALK FUND	-	1,864	1,864	-
COVINGTON CIRCLE TRAIL	-	859	859	-
PAYROLL FUND	16,026	1,009,530	1,010,129	15,427
ELECTRIC OPERATING	259,196	2,636,998	2,601,378	294,816
ELECTRIC METER DEPOSIT	44,139	15,657	12,439	47,357
ELECTRIC DEPREC. CASH	902,649	102,667	120,513	884,803
WASTEWATER OPERATING	100,091	324,284	386,095	38,280
WASTEWATER METER DEPOSITS	13,690	5,575	4,807	14,458
WASTEWATER DEPREC. CASH	75,234	17,329	13,860	78,703
WASTEWATER B&I	2,278	48,574	48,750	2,102
WW NEW CONSTRUCTION	6,184	-	-	6,184
WW DEBT SERV RESRV CASH	53,743	1,096	1,096	53,743
WATER OPERATING	62,938	353,709	310,879	105,768
WATER METER DEPOSITS	4,670	2,650	2,100	5,220
WATER DEPRECIATION CASH	49,613	24,875	-	74,488
WATER BOND & INTEREST	148,560	99,278	97,705	150,133
WATER DEBT SERV RESRV-CA	243,075	19,035	-	262,110
Totals	<u>\$ 2,355,129</u>	<u>\$ 5,866,554</u>	<u>\$ 5,877,264</u>	<u>\$ 2,344,419</u>

The notes to the financial statement are an integral part of this statement.

CITY OF COVINGTON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF COVINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

CITY OF COVINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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.

CITY OF COVINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize 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 5. Risk Management

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 Indiana Public Retirement System (INPRS) 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 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

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

CITY OF COVINGTON
NOTES TO FINANCIAL STATEMENT
(Continued)

B. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the City which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the City. It is presented as intended by the City.

CITY OF COVINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	P&R NON-REVERTING	COMMUNITY IMPROVEMENT	CONTINUING EDUCATION	PARK & RECREATION
Cash and investments - beginning	\$ 67,167	\$ 6,487	\$ 10,043	\$ 6,805	\$ 39	\$ 6,799	\$ 4,405
Receipts:							
Taxes	241,355	208,450	-	-	-	-	86,463
Licenses and permits	1,104	-	-	-	-	-	-
Intergovernmental	194,092	110,912	9,181	-	-	-	12,339
Charges for services	173,621	-	-	-	-	-	15,619
Fines and forfeits	50	-	-	3,420	-	1,057	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2,629	279	-	6,200	14,655	-	4
Total receipts	<u>612,851</u>	<u>319,641</u>	<u>9,181</u>	<u>9,620</u>	<u>14,655</u>	<u>1,057</u>	<u>114,425</u>
Disbursements:							
Personal services	508,712	229,683	-	-	-	-	59,302
Supplies	41,274	27,108	-	-	-	-	6,977
Other services and charges	196,171	27,898	-	-	-	90	21,830
Capital outlay	26,472	2,558	678	-	-	429	4,873
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	215	-	-	5,101	13,959	-	-
Total disbursements	<u>772,844</u>	<u>287,247</u>	<u>678</u>	<u>5,101</u>	<u>13,959</u>	<u>519</u>	<u>92,982</u>
Excess (deficiency) of receipts over disbursements	<u>(159,993)</u>	<u>32,394</u>	<u>8,503</u>	<u>4,519</u>	<u>696</u>	<u>538</u>	<u>21,443</u>
Cash and investments - ending	<u>\$ (92,826)</u>	<u>\$ 38,881</u>	<u>\$ 18,546</u>	<u>\$ 11,324</u>	<u>\$ 735</u>	<u>\$ 7,337</u>	<u>\$ 25,848</u>

CITY OF COVINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	RAINY DAY FUND	LEVY EXCESS FUND	CCD FUND	CCI FUND	POLICE PENSION FUND	RIVERBOAT REVENUE SHARING	POLICE NON-REVERTING
Cash and investments - beginning	\$ 67,947	\$ 1,762	\$ 43,487	\$ 8,741	\$ 105,760	\$ 25,703	\$ 1,766
Receipts:							
Taxes	-	-	12,529	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	1,788	7,366	-	16,052	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	73,677	-	75
Total receipts	-	-	14,317	7,366	73,677	16,052	75
Disbursements:							
Personal services	-	-	-	-	69,851	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	9,558	-	-	-	-	-	-
Capital outlay	3,611	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	1,762	-	-	-	-	-
Total disbursements	13,169	1,762	-	-	69,851	-	-
Excess (deficiency) of receipts over disbursements	(13,169)	(1,762)	14,317	7,366	3,826	16,052	75
Cash and investments - ending	\$ 54,778	\$ -	\$ 57,804	\$ 16,107	\$ 109,586	\$ 41,755	\$ 1,841

CITY OF COVINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	PARK & RECREATION VENDING	POOL CONCESSION	SIDEWALK FUND	COVINGTON CIRCLE TRAIL	PAYROLL FUND	ELECTRIC OPERATING	ELECTRIC METER DEPOSIT
Cash and investments - beginning	\$ 4,659	\$ 11,473	\$ -	\$ -	\$ 16,026	\$ 259,196	\$ 44,139
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	859	-	-	-
Charges for services	534	9,123	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	2,508,315	15,657
Other receipts	-	-	1,864	-	1,009,530	128,683	-
Total receipts	<u>534</u>	<u>9,123</u>	<u>1,864</u>	<u>859</u>	<u>1,009,530</u>	<u>2,636,998</u>	<u>15,657</u>
Disbursements:							
Personal services	-	-	-	-	807,577	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	2,278,021	-
Other disbursements	551	6,127	1,864	859	202,552	323,357	12,439
Total disbursements	<u>551</u>	<u>6,127</u>	<u>1,864</u>	<u>859</u>	<u>1,010,129</u>	<u>2,601,378</u>	<u>12,439</u>
Excess (deficiency) of receipts over disbursements	<u>(17)</u>	<u>2,996</u>	<u>-</u>	<u>-</u>	<u>(599)</u>	<u>35,620</u>	<u>3,218</u>
Cash and investments - ending	<u>\$ 4,642</u>	<u>\$ 14,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,427</u>	<u>\$ 294,816</u>	<u>\$ 47,357</u>

CITY OF COVINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	ELECTRIC DEPREC. CASH	WASTEWATER OPERATING	WASTEWATER METER DEPOSITS	WASTEWATER DEPREC. CASH	WASTEWATER B&I	WW NEW CONSTRUCTION	WW DEBT SERV RESRV CASH
Cash and investments - beginning	\$ 902,649	\$ 100,091	\$ 13,690	\$ 75,234	\$ 2,278	\$ 6,184	\$ 53,743
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	324,201	5,575	-	-	-	-
Other receipts	102,667	83	-	17,329	48,574	-	1,096
Total receipts	<u>102,667</u>	<u>324,284</u>	<u>5,575</u>	<u>17,329</u>	<u>48,574</u>	<u>-</u>	<u>1,096</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	174,362	-	-	-	-	-
Other disbursements	120,513	211,733	4,807	13,860	48,750	-	1,096
Total disbursements	<u>120,513</u>	<u>386,095</u>	<u>4,807</u>	<u>13,860</u>	<u>48,750</u>	<u>-</u>	<u>1,096</u>
Excess (deficiency) of receipts over disbursements	<u>(17,846)</u>	<u>(61,811)</u>	<u>768</u>	<u>3,469</u>	<u>(176)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 884,803</u>	<u>\$ 38,280</u>	<u>\$ 14,458</u>	<u>\$ 78,703</u>	<u>\$ 2,102</u>	<u>\$ 6,184</u>	<u>\$ 53,743</u>

CITY OF COVINGTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	WATER OPERATING	WATER METER DEPOSITS	WATER DEPRECIATION CASH	WATER BOND & INTEREST	WATER DEBT SERV RESRV-CA	Totals
Cash and investments - beginning	\$ 62,938	\$ 4,670	\$ 49,613	\$ 148,560	\$ 243,075	\$ 2,355,129
Receipts:						
Taxes	-	-	-	-	-	548,797
Licenses and permits	-	-	-	-	-	1,104
Intergovernmental	-	-	-	-	-	352,589
Charges for services	-	-	-	-	-	198,897
Fines and forfeits	-	-	-	-	-	4,527
Utility fees	349,426	2,650	-	-	-	3,205,824
Other receipts	4,283	-	24,875	99,278	19,035	1,554,816
Total receipts	<u>353,709</u>	<u>2,650</u>	<u>24,875</u>	<u>99,278</u>	<u>19,035</u>	<u>5,866,554</u>
Disbursements:						
Personal services	-	-	-	-	-	1,675,125
Supplies	-	-	-	-	-	75,359
Other services and charges	-	-	-	-	-	255,547
Capital outlay	-	-	-	-	-	38,621
Utility operating expenses	155,455	-	-	-	-	2,607,838
Other disbursements	155,424	2,100	-	97,705	-	1,224,774
Total disbursements	<u>310,879</u>	<u>2,100</u>	<u>-</u>	<u>97,705</u>	<u>-</u>	<u>5,877,264</u>
Excess (deficiency) of receipts over disbursements	<u>42,830</u>	<u>550</u>	<u>24,875</u>	<u>1,573</u>	<u>19,035</u>	<u>(10,710)</u>
Cash and investments - ending	<u>\$ 105,768</u>	<u>\$ 5,220</u>	<u>\$ 74,488</u>	<u>\$ 150,133</u>	<u>\$ 262,110</u>	<u>\$ 2,344,419</u>

CITY OF COVINGTON
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 38,388	\$ 972
Electric	133,722	15,195
Wastewater	825	3,171
Water	1,198	3,101
Totals	\$ 174,133	\$ 22,439

CITY OF COVINGTON
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: City Of Covington	Fire Truck	\$ 13,650	06-15-05	06-15-12
Total of annual lease payments		<u>\$ 13,650</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater: Revenue bonds	Sewer System	\$ 85,000	\$ 2,975
Water: Revenue bonds	Water System	690,000	99,735
Totals		<u>\$ 775,000</u>	<u>\$ 102,710</u>

CITY OF COVINGTON
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Buildings	\$ 923,187
Improvements other than buildings	398,009
Machinery, equipment and vehicles	1,240,190
Total governmental activities	2,561,386
Electric:	
Infrastructure	1,799,955
Buildings	34,186
Improvements other than buildings	35,776
Machinery, equipment and vehicles	578,260
Books and other	23,951
Total Electric	2,472,128
Wastewater:	
Land	29,663
Infrastructure	259,986
Buildings	46,711
Improvements other than buildings	419,164
Machinery, equipment and vehicles	545,304
Construction in progress	309,447
Books and other	243,118
Total Wastewater	1,853,393
Water:	
Land	2,084
Infrastructure	451,921
Buildings	2,834
Improvements other than buildings	1,479,278
Machinery, equipment and vehicles	204,807
Total Water	2,140,924
Total capital assets	\$ 9,027,831

CITY OF COVINGTON
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCES

At December 31, 2011, the General Fund was overdrawn by \$92,826.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

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

Fund	Year	Excess Amount Expended
General	2011	\$ 4,291
Motor Vehicle Highway	2011	68,929
Park and Recreation	2011	2,801

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."

SUPPORTING DOCUMENTATION

Some of the claims tested did not contain adequate supporting documentation, such as receipts, invoices, and other public records.

Some of the claims selected for testing were not presented for examination.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF COVINGTON
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The City records capital asset additions, but disposals are not being properly recorded. A line is drawn through the amount, but dates and disposal amounts have not been recorded. We also noted that the city building is not listed in the ledger.

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)

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CITY OF COVINGTON
EXIT CONFERENCE

The contents of this report were discussed on September 6, 2012, with Debby Gurley, Clerk-Treasurer, and Bradley D. Crain, Mayor. The officials concurred with our findings.