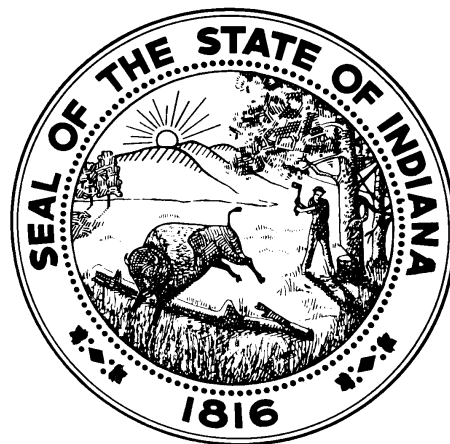


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
CITY OF COVINGTON
FOUNTAIN COUNTY, INDIANA
January 1, 2008 to December 31, 2008



FILED
08/19/2009

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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	01-01-08 to 12-31-11
President of the Common Council	Bradley D. Crain	01-01-08 to 12-31-11
Superintendent of the Water Utility	Robert Tanner	01-01-08 to 12-31-09
Superintendent of the Wastewater Utility	Greg Myers	01-01-08 to 12-31-09
Superintendent of the Light Utility	David Clodfelder	01-01-08 to 12-31-09



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, 2008 to December 31, 2008. 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, 2008, 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

July 22, 2009

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, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 236,471	\$ 550,399	\$ 673,497	\$ 113,373
Motor Vehicle Highway	87,951	274,528	301,440	61,039
Local Road and Street	11,409	9,965	-	21,374
Parks and Recreation	18,085	82,824	100,818	91
Law Enforcement Continuing Education	3,657	1,145	575	4,227
Riverboat Fund	54,823	16,090	-	70,913
Rainy Day Fund	39,056	19,903	2,751	56,208
Community Improvement	205	7,218	7,384	39
Park and Recreation Vending	5,500	2,048	1,465	6,083
Pool Concessions	4,234	7,231	2,861	8,604
Park and Recreation Nonreverting	12,393	19,584	13,698	18,279
Police Nonreverting	4,165	10	1,679	2,496
Cumulative Capital Improvement	42,442	9,185	8,336	43,291
Cumulative Capital Development	88,475	14,926	20,312	83,089
Proprietary Funds:				
Water Utility Operating	71,527	357,408	385,399	43,536
Water Utility Bond and Interest	141,520	99,560	95,363	145,717
Water Utility Depreciation	94,394	25,125	61,503	58,016
Water Utility Customer Deposit	5,895	3,400	2,225	7,070
Water Utility Construction	296	1	-	297
Water Utility Debt Service Reserve	185,970	19,035	-	205,005
Wastewater Utility Operating	21,266	333,766	298,401	56,631
Wastewater Utility Bond and Interest	1,041	51,024	51,100	965
Wastewater Utility Customer Deposit	14,295	7,200	5,025	16,470
Wastewater Utility Construction	6,184	-	-	6,184
Wastewater Utility Improvement	131,033	18,830	101,593	48,270
Wastewater Utility Debt Service Reserve	53,743	1,275	1,275	53,743
Electric Utility Operating	403,057	2,317,182	2,241,719	478,520
Electric Utility Customer Deposit	36,011	19,600	14,851	40,760
Electric Utility Construction	686,839	132,993	13,386	806,446
Fiduciary Funds:				
Police Pension	56,508	30,039	50,000	36,547
Payroll	9,540	934,030	933,239	10,331
Totals	<u>\$ 2,527,985</u>	<u>\$ 5,365,524</u>	<u>\$ 5,389,895</u>	<u>\$ 2,503,614</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, 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.

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.

CITY OF COVINGTON
NOTES TO FINANCIAL INFORMATION
(Continued)

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.

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, 2008

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	\$ 48,676	\$ 13,650
Total governmental activities debt	<u>\$ 48,676</u>	<u>\$ 13,650</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks Revenue & Refunding Bonds of 1998	\$ 875,000	\$ 97,960
Total Water Utility	<u>875,000</u>	<u>97,960</u>
Wastewater Utility:		
Revenue bonds:		
Sewage Works Refunding & Acquisition Revenue Bonds Series 1993	195,000	6,825
Total Wastewater Utility	<u>195,000</u>	<u>6,825</u>
Total business-type activities debt	<u>\$ 1,070,000</u>	<u>\$ 104,785</u>

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 the prior Report B32906.

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)

PAYROLL DEDUCTIONS

Six of twenty personnel files tested did not have an Employee W-4 withholding authorization on file. A similar comment was included in prior Report B32906.

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, Chapter 7)

DEPOSITS – PARK AND RECREATION DEPARTMENT

Eight of ten Park Department receipts tested were deposited with the Clerk-Treasurer later than the next business day. One receipt was held for twenty-four days prior to remittance. A similar comment was included in prior Report B32906.

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 \$75.02 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 \$1,144.51 more than the control. A similar comment was included in prior Report B32906.

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)

CITY OF COVINGTON
EXIT CONFERENCE

The contents of this report were discussed on July 22, 2009, with Bradley D. Crain, Mayor; Debby Gurley, Clerk-Treasurer; and Dale A. White, Council member. The officials concurred with our findings.