

**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO**

*Financial Statements  
(Audited)*

For The Years Ended  
December 31, 1999 and 1998

**KAY MCKINNEY, CLERK/TREASURER**



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of Council and Mayor  
Village of Covington  
1 South High Street  
Covington, Ohio 45318

We have reviewed the Independent Auditor's Report of the Village of Covington, Miami County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 1998 through December 31, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Covington is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO  
Auditor of State

September 8, 2000

**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO**

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## Independent Auditor's Report

Members of Council and Mayor  
Village of Covington  
1 South High Street  
Covington, Ohio 45318

We have audited the accompanying financial statements of the Village of Covington, Miami County, as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village of Covington's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the Village of Covington prepares its financial statements on the basis of accounting prescribed or permitted by Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances and fund balances of the Village of Covington, as of December 31, 1999 and 1998, and its combined cash receipts and disbursements, combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances for the years then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 8, 2000, on our consideration of the Village of Covington's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

This report is intended solely for the information and use of the officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.  
August 8, 2000

**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 1999 AND 1998

	1999	1998
<u>Cash and cash equivalents</u>		
Cash and cash equivalents	\$ 1,182,941	\$ 936,535
Total cash and cash equivalents	\$ 1,182,941	\$ 936,535
 <u>Fund balances</u>		
<u>Governmental funds:</u>		
General fund	\$ 51,990	\$ 23,769
Special revenue funds	40,171	47,941
Capital projects funds	45,594	81,957
Total governmental funds	137,755	153,667
 <u>Proprietary fund:</u>		
Enterprise funds	346,751	307,904
 <u>Fiduciary fund:</u>		
Expendable trust fund	698,435	474,964
Total fund balances	\$ 1,182,941	\$ 936,535

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

**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH FUND  
BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 1999

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash receipts:					
Local income taxes				\$ 549,343	\$ 549,343
Property and other taxes	\$ 154,913	\$ 136,886			291,799
Intergovernmental	166,622	92,629	\$ 56,804		316,055
Special assessments	2,168				2,168
Charges for services	1,020				1,020
Fines, licenses, and permits	15,859				15,859
Interest income	705	482			1,187
Refunds	24,000				24,000
Miscellaneous	4,771	377	4,790		9,938
Total cash receipts	<u>370,058</u>	<u>230,374</u>	<u>61,594</u>	<u>549,343</u>	<u>1,211,369</u>
Cash disbursements:					
Current:					
Security of persons and property	396,104				396,104
Leisure time activities	20,075				20,075
Transportation		176,764			176,764
General government	108,844			20,872	129,716
Capital outlay	68,088	113,260	149,656		331,004
Total cash disbursements	<u>593,111</u>	<u>290,024</u>	<u>149,656</u>	# <u>20,872</u>	<u>1,053,663</u>
Total cash receipts over/(under) cash disbursements	<u>(223,053)</u>	<u>(59,650)</u>	<u>(88,062)</u>	<u>528,471</u>	<u>157,706</u>
Other financing receipts/(disbursements):					
Sale of fixed assets		1,880	1,699		3,579
Transfers-in	305,000	50,000	50,000		405,000
Transfers-out	(100,000)			(305,000)	(405,000)
Repayment of loan	46,274				46,274
Total other financing receipts/(disbursements)	<u>251,274</u>	<u>51,880</u>	<u>51,699</u>	<u>(305,000)</u>	<u>49,853</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	28,221	(7,770)	(36,363)	223,471	207,559
Cash fund balances, January 1, 1999	<u>23,769</u>	<u>47,941</u>	<u>81,957</u>	<u>474,964</u>	<u>628,631</u>
Cash fund balances, December 31, 1999	<u>\$ 51,990</u>	<u>\$ 40,171</u>	<u>\$ 45,594</u>	<u>\$ 698,435</u>	<u>\$ 836,190</u>

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

**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH FUND BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 1999

	Proprietary Fund Types
	Enterprise
Operating cash receipts:	
Charges for services	\$ 566,186
Miscellaneous	4,109
Total operating cash receipts	570,295
Operating cash disbursements:	
Personal services	233,958
Travel transportation	6,199
Contractual services	123,135
Supplies and material	53,186
Capital outlay	35,010
Total operating cash disbursements	451,488
Operating income	118,807
Nonoperating cash receipts:	
Interest	5,078
Total nonoperating cash receipts	5,078
Nonoperating cash disbursements:	
Debt service:	
Principal	46,542
Interest and fiscal charges	38,496
Total nonoperating cash disbursements	85,038
Net receipts over disbursements	38,847
Cash fund balances, January 1, 1999	307,904
Cash fund balances, December 31, 1999	\$ 346,751

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

VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 1999

Fund Types	Receipts				Disbursements				Variance Favorable (Unfavorable)			
	County Certified Unencumbered Cash	1999 Budget	Total Estimated Resources	Actual 1999 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	1999 Appropriations	Total		Actual 1999 Disbursements	Encumbrances Outstanding at 12/31/99	Total
Governmental:												
General	\$ 5,516	\$ 850,896	\$ 856,412	\$ 721,332	\$ (129,564)	\$ 19,018	\$ 856,411	\$ 875,429	\$ 693,111	\$ 31,287	\$ 724,398	\$ 151,031
Special revenue	36,962	323,000	359,962	282,254	(40,746)	10,213	359,963	370,176	290,024		290,024	80,152
Capital projects	50,267	20,000	70,267	113,293	93,293	31,690	70,267	101,957	149,656	23,302	172,958	(71,001)
Proprietary:												
Enterprise	307,723	542,000	849,723	575,373	33,373	182	849,722	849,904	536,526	4,249	540,775	309,129
Fiduciary:												
Expendable trust	474,964	500,000	974,964	549,343	49,343		622,000	622,000	325,872		325,872	296,128
Total (Memorandum only)	\$ 875,432	\$ 2,235,896	\$ 3,111,328	\$ 2,241,595	\$ 5,699	\$ 61,103	\$ 2,758,363	\$ 2,819,466	\$ 1,995,189	\$ 58,838	\$ 2,054,027	\$ 765,439

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



**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH FUND  
BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 1998

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash receipts:					
Local income taxes				\$ 534,877	\$ 534,877
Property and other taxes	\$ 186,853	\$ 133,719			320,572
Intergovernmental	155,699	88,863	\$ 59,717		304,279
Special assessments	1,452				1,452
Charges for services	980				980
Fines, licenses, and permits	13,277				13,277
Interest income	403	766			1,169
Refunds	64,809				64,809
Miscellaneous		132	4,000		4,132
Total cash receipts	<u>423,473</u>	<u>223,480</u>	<u>63,717</u>	<u>534,877</u>	<u>1,245,547</u>
Cash disbursements:					
Current:					
Security of persons and property	385,586				385,586
Leisure time activities	19,468				19,468
Transportation		177,367			177,367
General government	145,644			20,692	166,336
Capital outlay	66,592	58,888	116,274		241,754
Debt Service:					
Principal	18,000				18,000
Interest and fiscal charges	765				765
Total cash disbursements	<u>636,055</u>	<u>236,255</u>	<u>116,274</u>	<u># 20,692</u>	<u>1,009,276</u>
Total cash receipts over/(under) cash disbursements	<u>(212,582)</u>	<u>(12,775)</u>	<u>(52,557)</u>	<u>514,185</u>	<u>236,271</u>
Other financing receipts/(disbursements):					
Sale of fixed assets			4,600		4,600
Transfers-in	295,147	30,000	75,147		400,294
Transfers-out	(105,147)			(295,147)	(400,294)
Total other financing receipts/(disbursements)	<u>190,000</u>	<u>30,000</u>	<u>79,747</u>	<u>(295,147)</u>	<u>4,600</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(22,582)	17,225	27,190	219,038	240,871
Cash fund balances, January 1, 1998	<u>46,351</u>	<u>30,716</u>	<u>54,767</u>	<u>255,926</u>	<u>387,760</u>
Cash fund balances, December 31, 1998	<u>\$ 23,769</u>	<u>\$ 47,941</u>	<u>\$ 81,957</u>	<u>\$ 474,964</u>	<u>\$ 628,631</u>

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

**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH FUND BALANCES - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 1998

	Proprietary Fund Types
	Enterprise
Operating cash receipts:	
Charges for services	\$ 560,537
Miscellaneous	2,151
Total operating cash receipts	562,688
Operating cash disbursements:	
Personal services	220,792
Travel transportation	9,590
Contractual services	114,195
Supplies and material	53,991
Capital outlay	17,074
Total operating cash disbursements	415,642
Operating income	147,046
Nonoperating cash receipts:	
Interest	4,135
Total nonoperating cash receipts	4,135
Nonoperating cash disbursements:	
Debt service:	
Principal	50,960
Interest and fiscal charges	42,745
Total nonoperating cash disbursements	93,705
Net receipts over disbursements	57,476
Cash fund balances, January 1, 1998	250,428
Cash fund balances, December 31, 1998	\$ 307,904

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

VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 1998

Fund Types	Receipts				Disbursements				Variance Favorable (Unfavorable)			
	County Certified Unencumbered Cash	1998 Budget	Total Estimated Resources	Actual 1998 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	1998 Appropriations	Total		Actual 1998 Disbursements	Encumbrances Outstanding at 12/31/98	Total
Governmental:												
General	\$ 37,122	\$ 887,956	\$ 925,078	\$ 718,620	\$ (169,336)		\$ 800,412	\$ 800,412	\$ 741,202	\$ 19,018	\$ 760,220	\$ 40,192
Special revenue	33,087	279,950	313,037	253,480	(26,470)		313,067	313,067	236,255	10,213	246,468	66,599
Capital projects	28,329	120,147	148,476	143,464	23,317	\$ 26,438	73,329	99,767	116,274	31,690	147,964	(48,197)
Proprietary:												
Enterprise	258,223	510,000	768,223	566,823	56,823		768,221	768,221	509,347	182	509,529	258,692
Fiduciary:												
Expendable trust	255,926	550,000	805,926	534,877	(15,123)		620,900	620,900	315,839	-	315,839	305,061
Total (Memorandum only)	\$ 612,687	\$ 2,348,053	\$ 2,960,740	\$ 2,217,264	\$ (130,789)	\$ 26,438	\$ 2,575,929	\$ 2,602,367	\$ 1,918,917	\$ 61,103	\$ 1,980,020	\$ 622,347

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

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

**NOTE 1 - DESCRIPTION OF THE ENTITY**

The Village of Covington (“the Village”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The Village operates under a council-mayor form of government and provides the following services: police protection, water, sewer, trash, street maintenance and repair, as well as other general government services.

Management believes the financial statements included in this report represent all of the funds of the Village over which the Village officials have direct operating control.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant of the Village’s accounting policies are described below.

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Village.

GOVERNMENTAL FUNDS

General Fund

The general fund is used to account for all activities of the Village not required to be included in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Village had the following significant Special Revenue Funds:

*Street Construction, Maintenance and Repair Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

*State Highway Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village state highways.

Capital Projects Fund

This fund is used to accumulate resources for the payment of construction and improvements to land and building.

*Equipment* - This fund accumulates resources for the payment of capital equipment.

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant enterprise funds:

*Water Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sanitary Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Trash Collection Fund* - This fund receives charges for services from residents to cover the cost of providing this service.

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds:

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Local Income Tax Fund* (expendable trust) - This fund receives monies from collections on the Village's one and one half percent income tax imposed. Funds collected are used in both general operations of the Village and for capital expenditures and maintenance and repairs as required.

**B. BASIS OF ACCOUNTING**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the item level within each fund. Any budgetary modifications at this level may only be made by resolution of the Village's Council.

*Tax Budget:*

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds (except certain agency funds) are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include unencumbered fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Village determines that receipts collected will be greater than or less than the prior estimates, and the Budget Commission finds the revised estimates to be reasonable. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**D. CASH AND CASH EQUIVALENTS**

For reporting purposes, the Village considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Village with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the Village totaled \$6,265 and \$5,304 for the years ended December 31, 1999 and 1998, respectively.

**E. PROPERTY, PLANT, AND EQUIPMENT**

Fixed assets are not capitalized in any of the Village's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

**F. INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis, are recorded when received in accordance with the Village's method of accounting.

**G. UNPAID VACATION AND SICK LEAVE**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Village.

**H. INTERFUND TRANSACTIONS**

During the course of normal operations, the Village had transactions between funds. The most significant include:

Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers.



**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

I. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The Village maintains individual cash balances in bank accounts and short-term cash equivalents classified as "Cash and Cash Equivalents" on the Statement of Fund Balances.

A. LEGAL REQUIREMENTS

Statutes require the classifications of funds held by the Village into two categories:

**Category 1** consists of active funds - those funds required to be kept in a cash or cash equivalent status for immediate use by the Village. Such funds must be maintained either as cash in the Village treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

**Category 2** consists of inactive funds - those funds not required for use within the current two year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Inactive funds may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any Federal government agency, or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

**NOTE 3 - CASH AND CASH EQUIVALENTS - (Continued)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

The Village may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default principal, interest or coupons;
3. Obligations to the Village.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the Village has not purchased these types of investments or issued these types of notes. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Village and must be purchased with the expectation that it will be held to maturity.

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

**NOTE 3 - CASH AND CASH EQUIVALENTS - (Continued)**

**B. DEPOSITS**

The Village maintains a cash and cash equivalents pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and cash equivalents at December 31 was as follows:

	1999	1998
Demand Deposits	\$1,182,941	\$936,535
Total Deposits	\$1,182,941	\$936,535

For the year ended December 31, 1999 the carrying amount of the balance of the Village's deposit was \$1,182,941, and the bank balance was \$1,205,098. Of the bank balance:

1. \$165,124 was covered by federal depository insurance for 1999.
2. \$1,039,974 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Village held to a successful claim by the FDIC.

For the year ended December 31, 1998, the carrying amount of the balance of the Village's deposit was \$936,535, and the bank balance was \$968,270. Of the bank balance:

1. \$162,463 was covered by federal depository insurance for 1998.
2. \$805,807 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Village held to a successful claim by the FDIC.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of pledging specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure the repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

**NOTE 4 - COMPLIANCE**

The following funds had expenditures in excess of appropriations at the legal level of control for the years ended December 31, 1999 and 1998, in noncompliance with Ohio Revised Code Section 5705.41: General fund; Equipment fund; Water fund; Sewer fund; and Trash Collection fund during 1999 and General fund; Street Construction, Repair and Maintenance fund; Equipment fund; Water fund; Sewer fund; and Trash Collection fund during 1998.

**NOTE 5 - DEBT OBLIGATIONS**

At December 31, 1999, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at December 31, 1999</u>
1985 Ohio Water Development Authority loan, due in semiannual payments of \$42,519 through 2006 at a rate of 8.38%.	<u>\$412,844</u>
Total debt obligations at December 31, 1999	<u>\$412,844</u>

1999:

	<u>Balance at December 31, 1998</u>	<u>Payments</u>	<u>Balance at December 31, 1999</u>
OWDA loan - 1985	<u>\$459,386</u>	<u>\$46,542</u>	<u>\$412,844</u>
Total loan	<u>\$459,386</u>	<u>\$46,542</u>	<u>\$412,844</u>

1998:

	<u>Balance at December 31, 1997</u>	<u>Payments</u>	<u>Balance at December 31, 1998</u>
OWDA loan - 1985	\$502,329	\$42,943	\$459,386
OWDA loan - 1988	8,017	8,017	-
Construction note - 1997	<u>18,000</u>	<u>18,000</u>	<u>-</u>
Total	<u>\$528,346</u>	<u>\$68,960</u>	<u>\$459,386</u>

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

**NOTE 5 - DEBT OBLIGATIONS - (Continued)**

The principal and interest requirement to retire the debt obligation outstanding at December 31, 1999, is as follows:

	<u>1985 OWDA Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2000	\$ 24,207	\$ 18,312
2001	52,473	32,565
2002	56,868	28,170
2003	61,634	23,404
2004	66,799	18,239
Subsequent	<u>150,863</u>	<u>19,213</u>
Total	<u>\$412,844</u>	<u>\$139,903</u>

The beginning balances of the 1985 and 1988 OWDA loans were restated due to the first payments of 1998 paid in 1997. The balances were overstated at December 31, 1997.

**NOTE 6 - PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County annually. However, if the property owner elects, he/she may make semiannual payments.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

**NOTE 7 - LOCAL INCOME TAX**

This locally levied tax of one and one half percent applies to gross salaries, wages and other personal service compensation earned by residents both in and out of the Village and to earnings of nonresidents (except certain transients) earned in the Village. It also applies to the net income of business organizations located within the Village. Tax receipts are credited to the Village and amounted to \$549,343 and \$534,877 for 1999 and 1998, respectively.

**NOTE 8 - RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Police & Firemen's Disability & Pension Funds (PFDPF). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999, members of PFDPF contribute 10% of their wages to the PFDPF. The Village contributes an amount equal to 19.5% of their wages for 1999 and 1998 members. PERS members contribute 8.5% of their gross salaries. The Village contributes an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

**NOTE 9 - RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- General liability and casualty
- Public official's liability
- Property (fleet and fire).

The Village also provides health insurance to full-time employees through a private carrier.

**NOTE 10 - CONTINGENT LIABILITY**

LITIGATION

The Village is currently not involved in litigation.

# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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## **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of Council and Mayor  
Village of Covington  
1 South High Street  
Covington, Ohio 45318

We have audited the financial statements of the Village of Covington, Miami County, Ohio, as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 8, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Village of Covington’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 1999-001. We also noted certain immaterial instances of noncompliance, that we have reported to management of the Village of Covington in a separate letter dated August 8, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Covington's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 1999-001 and 1999-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of the Village in a separate letter dated August 8, 2000.

This report is intended for the information of the Council of the Village of Covington and its management and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.  
August 8, 2000



**SCHEDULE OF FINDINGS**

**Village of Covington  
Miami County  
December 31, 1999 and 1998**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number	1999-001
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Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the Village had expenditures plus encumbrances in excess of appropriations at the legal level of control in the following funds: General fund; Equipment fund; Water fund; Sewer fund; and Trash Collection fund during 1999 and General fund; Street Construction, Repair and Maintenance fund; Equipment fund; Water fund; Sewer fund; and Trash Collection fund during 1998.

With expenditures plus encumbrances exceeding appropriations, the Village is unlawfully expending monies that have not been approved.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

Finding Number	1999-002
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Computerize Accounting System - Currently, the fund journal, receipts ledger, payroll ledger, and appropriation/disbursement ledger are all computed manually. There are many transactions which are recorded once in the fund journal and again in the respective ledgers which provides for a greater chance of error. It is also very inefficient to record information twice. It was noted during the audit that numerous errors were made in posting receipts and expenditures between the journal and the ledgers. These errors misstate revenue and expenditures and prevent the Council from making informed financial decisions.

We recommend that an accounting software program be implemented to provide for more efficient and effective financial reporting. A software program would require only one initial entry of data.

Although the utilities billing has been computerized, the reports generated are not being used as a management tool. We recommend that the Utilities Supervisor and Clerk/Treasurer receive training on the software to allow for better information for management and Council.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**VILLAGE OF COVINGTON**

**MIAMI COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 14, 2000**