

**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO**

*Financial Statements  
(Audited)*

For The Years Ended  
December 31, 2001 and 2000

**KAY MCKINNEY, CLERK/TREASURER**





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Members of Council  
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, 2000 through December 31, 2001. 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

June 20, 2002

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**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO**

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# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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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, 2001 and 2000. 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 auditing standards generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America.

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, 2001 and 2000, 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 April 29, 2002, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.  
April 29, 2002

**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES -  
DECEMBER 31, 2001 AND 2000

	2001	2000
<u>Cash and Investments</u>		
Cash and cash equivalents	\$ 1,507,873	\$ 1,447,668
Investments	39,720	38,061
Total Cash and Investments	\$ 1,547,593	\$ 1,485,729
 <u>Fund Balances</u>		
<u>Governmental Fund Types:</u>		
General Fund	\$ 386,292	\$ 61,916
Special Revenue Funds	50,397	69,785
Capital Projects Funds	36,162	29,964
Total Governmental Fund Types	472,851	161,665
 <u>Proprietary Fund Type:</u>		
Enterprise Funds	510,325	459,716
 <u>Fiduciary Fund Type:</u>		
Expendable Trust Fund	564,417	864,348
Total Fund Balances	\$ 1,547,593	\$ 1,485,729

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, 2001

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash receipts:					
Local income taxes	\$ -	\$ 143,278	\$ -	\$ 573,111	\$ 716,389
Property and other taxes	154,529	-	-	-	154,529
Intergovernmental	182,002	90,143	37,529	-	309,674
Special assessments	1,539	-	-	-	1,539
Charges for services	1,171	-	-	-	1,171
Fines, licenses, and permits	16,752	-	-	-	16,752
Interest income	9,622	2,878	-	-	12,500
Donations	25,000	-	-	-	25,000
Refunds	14,225	-	-	-	14,225
Miscellaneous	7,019	2,715	180	-	9,914
Total cash receipts	<u>411,859</u>	<u>239,014</u>	<u>37,709</u>	<u>573,111</u>	<u>1,261,693</u>
Cash disbursements:					
Current:					
Security of persons and property	533,543	-	-	-	533,543
Leisure time activities	21,539	-	-	-	21,539
Community environment	983	-	-	-	983
Transportation	-	222,204	-	-	222,204
General government	173,989	-	-	21,042	195,031
Capital outlay	169,429	76,198	31,511	-	277,138
Total cash disbursements	<u>899,483</u>	<u>298,402</u>	<u>31,511</u>	<u>21,042</u>	<u>1,250,438</u>
Total cash receipts over/(under) cash disbursements	<u>(487,624)</u>	<u>(59,388)</u>	<u>6,198</u>	<u>552,069</u>	<u>11,255</u>
Other financing receipts/(disbursements):					
Transfers-in	852,000	40,000	-	-	892,000
Transfers-out	(40,000)	-	-	(852,000)	(892,000)
Total other financing receipts/(disbursements)	<u>812,000</u>	<u>40,000</u>	<u>-</u>	<u>(852,000)</u>	<u>-</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	324,376	(19,388)	6,198	(299,931)	11,255
Cash fund balances, January 1, 2001	<u>61,916</u>	<u>69,785</u>	<u>29,964</u>	<u>864,348</u>	<u>1,026,013</u>
Cash fund balances, December 31, 2001	<u>\$ 386,292</u>	<u>\$ 50,397</u>	<u>\$ 36,162</u>	<u>\$ 564,417</u>	<u>\$ 1,037,268</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, 2001

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 632,257
Miscellaneous	6,089
Total operating cash receipts	638,346
Operating cash disbursements:	
Personal services	265,945
Travel transportation	8,798
Contractual services	134,452
Supplies and material	45,040
Capital outlay	54,290
Total operating cash disbursements	508,525
Operating income	129,821
Nonoperating cash receipts:	
Interest	5,827
Total nonoperating cash receipts	5,827
Nonoperating cash disbursements:	
Debt service:	
Principal	54,670
Interest and fiscal charges	30,369
Total nonoperating cash disbursements	85,039
Net receipts over disbursements	50,609
Cash fund balances, January 1, 2001	459,716
Cash fund balances, December 31, 2001	\$ 510,325

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, 2001

Fund Types	Receipts				Disbursements				Variance Favorable (Unfavorable)			
	County Certified Unencumbered Cash	2001 Budget	Total Estimated Resources	Actual 2001 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2001 Appropriations	Total		Actual 2001 Disbursements	Encumbrances Outstanding at 12/31/01	Total
Governmental:												
General	\$ 31,059	\$ 1,074,292	\$ 1,105,351	\$ 1,263,859	\$ 189,567	\$ 30,696	\$ 1,105,350	\$ 1,136,046	\$ 939,483	\$ -	\$ 939,483	\$ 196,563
Special Revenue	62,798	308,700	371,498	279,014	(29,686)	-	371,497	371,497	298,402	-	298,402	73,095
Capital Projects	29,717	18,000	47,717	37,709	19,709	-	47,716	47,716	31,511	21,198	52,709	(4,993)
Proprietary:												
Enterprise	437,166	622,200	1,059,366	644,173	21,973	29,664	1,059,365	1,089,029	593,564	-	593,564	495,465
Fiduciary:												
Expendable Trust	864,407	574,000	1,438,407	573,111	(889)	-	738,225	738,225	873,042	-	873,042	(134,817)
Total (Memorandum only)	\$ 1,425,147	\$ 2,597,192	\$ 4,022,339	\$ 2,797,866	\$ 200,674	\$ 60,360	\$ 3,322,153	\$ 3,382,513	\$ 2,736,002	\$ 21,198	\$ 2,757,200	\$ 625,313

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, 2000

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash receipts:					
Local income taxes	\$ -	\$ 143,642	\$ -	\$ 574,567	\$ 718,209
Property and other taxes	160,445	-	-	-	160,445
Intergovernmental	178,370	91,199	31,403	-	300,972
Special assessments	1,554	-	-	-	1,554
Charges for services	961	-	-	-	961
Fines, licenses, and permits	15,224	-	-	-	15,224
Interest income	6,718	5,736	-	-	12,454
Miscellaneous	8,018	1,142	99	-	9,259
Total cash receipts	<u>371,290</u>	<u>241,719</u>	<u>31,502</u>	<u>574,567</u>	<u>1,219,078</u>
Cash disbursements:					
Current:					
Security of persons and property	448,278	-	-	-	448,278
Leisure time activities	19,918	-	-	-	19,918
Transportation	-	186,769	-	-	186,769
General government	150,516	-	-	31,154	181,670
Capital outlay	62,652	65,336	68,087	-	196,075
Total cash disbursements	<u>681,364</u>	<u>252,105</u>	<u>68,087</u>	# <u>31,154</u>	<u>1,032,710</u>
Total cash receipts over/(under) cash disbursements	<u>(310,074)</u>	<u>(10,386)</u>	<u>(36,585)</u>	<u>543,413</u>	<u>186,368</u>
Other financing receipts/(disbursements):					
Sale of asset	-	-	3,455	-	3,455
Transfers-in	377,500	40,000	17,500	-	435,000
Transfers-out	(57,500)	-	-	(377,500)	(435,000)
Total other financing receipts/(disbursements)	<u>320,000</u>	<u>40,000</u>	<u>20,955</u>	<u>(377,500)</u>	<u>3,455</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	9,926	29,614	(15,630)	165,913	189,823
Cash fund balances, January 1, 2000	<u>51,990</u>	<u>40,171</u>	<u>45,594</u>	<u>698,435</u>	<u>836,190</u>
Cash fund balances, December 31, 2000	<u>\$ 61,916</u>	<u>\$ 69,785</u>	<u>\$ 29,964</u>	<u>\$ 864,348</u>	<u>\$ 1,026,013</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, 2000

	Proprietary Fund Type
	Enterprise
Operating cash receipts:	
Charges for services	\$ 623,123
Miscellaneous	9,987
Total operating cash receipts	633,110
Operating cash disbursements:	
Personal services	232,533
Travel transportation	7,848
Contractual services	128,257
Supplies and material	34,354
Capital outlay	39,123
Total operating cash disbursements	442,115
Operating income	190,995
Nonoperating cash receipts:	
Interest	7,009
Total nonoperating cash receipts	7,009
Nonoperating cash disbursements:	
Debt service:	
Principal	50,443
Interest and fiscal charges	34,596
Total nonoperating cash disbursements	85,039
Net receipts over disbursements	112,965
Cash fund balances, January 1, 2000	346,751
Cash fund balances, December 31, 2000	\$ 459,716

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, 2000**

Fund Types	Receipts				Disbursements					Variance Favorable (Unfavorable)		
	County Certified Unencumbered Cash	2000 Budget	Total Estimated Resources	Actual 2000 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2000 Appropriations	Total	Actual 2000 Disbursements		Encumbrances Outstanding at 12/31/00	Total
Governmental:												
General	\$ 21,950	\$ 1,051,810	\$ 1,073,760	\$ 748,790	\$ (303,020)	\$ 31,287	\$ 1,091,710	\$ 1,122,997	\$ 738,864	\$ 30,696	\$ 769,560	\$ 353,437
Special Revenue	38,923	298,900	337,823	281,719	(17,181)	-	345,035	345,035	252,105	-	252,105	92,930
Capital Projects	22,292	25,000	47,292	52,457	27,457	23,302	47,292	70,594	68,087	-	68,087	2,507
Proprietary:												
Enterprise	342,502	563,000	905,502	640,119	77,119	4,249	907,611	911,860	527,154	29,664	556,818	355,042
Fiduciary:												
Expendable Trust	698,435	545,000	1,243,435	574,567	29,567	-	734,850	734,850	408,654	-	408,654	326,196
Total (Memorandum only)	\$ 1,124,102	\$ 2,483,710	\$ 3,607,812	\$ 2,297,652	\$ (186,058)	\$ 58,838	\$ 3,126,498	\$ 3,185,336	\$ 1,994,864	\$ 60,360	\$ 2,055,224	\$ 1,130,112

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, 2001 AND 2000

**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, 2001 AND 2000

**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.



**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

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

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 has an Expendable Trust Fund. The Village had the following significant fiduciary fund:

*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.

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

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

*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. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

*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. The Village had one supplemental appropriation during the year ended December 31, 2000 and none in 2001.

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

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

*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. The Village had outstanding encumbrances at December 31, 2001 and 2000.

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.

**D. CASH AND INVESTMENTS**

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 \$18,327 and \$19,463 for the years ended December 31, 2001 and 2000, 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.

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

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

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.

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 - EQUITY IN POOLED CASH AND INVESTMENTS**

The Village maintains a cash 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 were as follows:

	2001	2000
Deposits:		
Demand deposits	\$1,507,873	\$1,447,668
Investments:		
Certificates of Deposit	39,720	38,061
Total deposits and investments	\$1,547,593	\$1,485,729

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**Investments:** Certificates of Deposit are insured by the Federal Deposit Insurance Corporation.

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

**NOTE 4 - COMPLIANCE**

The following funds had appropriations in excess of estimated resources for the year ended December 31, 2000, in noncompliance with Ohio Revised Code Section 5705.39:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
2000:			
<u>GENERAL FUND</u>	\$1,073,760	\$1,091,710	\$17,950
<u>SPECIAL REVENUE FUND</u>			
Street Maintenance & Repair	310,363	317,575	7,212
<u>ENTERPRISE FUND</u>			
Trash	93,802	95,912	2,110

The following funds had expenditures in excess of appropriations for the years ended December 31, 2001 and 2000 in noncompliance with Ohio Revised Code Section 5703.41(B):

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
2001:			
<u>GENERAL FUND</u>			
Police Law Enforcement - Travel	\$ 11,000	\$ 13,334	\$ 2,334
Fire - Personal Service	18,930	19,383	453
Street Lights - Contractual Services	45,000	47,281	2,281
Parks - Personal Services	14,750	14,955	205
Community Planning - Personal Services	800	984	184
Council - Supplies & Materials	6,700	8,236	1,536
Clerk - Personal Services	32,134	33,443	1,309
Clerk - Contractual Services	800	871	71
Clerk - Supplies & Materials	1,500	1,863	363
Building - Capital Outlay	139,384	168,791	29,407
Board & Commissions - Contractual Services	19,000	45,149	26,149
Other General Government - Capital Outlay	30,696	37,500	6,804
<u>SPECIAL REVENUE FUND</u>			
Street Maintenance & Repair Fund			
Construction & Repair - Personal Services	179,354	183,601	4,247
Construction & Repair - Travel	3,500	3,862	362
Cleaning & Snow Removal - Supplies & Materials	4,000	5,706	1,706
Signs & Signals - Supplies & Materials	2,200	3,972	1,772
<u>CAPITAL PROJECTS FUND</u>			
Equipment	47,716	52,709	4,993

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

**NOTE 4 - COMPLIANCE - (Continued)**

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>ENTERPRISE FUNDS</u>			
Water Fund			
Office - Personal Services	\$ 85,000	\$ 96,435	\$ 11,435
Supply - Contractual Services	2,500	3,012	512
Supply - Supplies & Materials	15,000	15,013	13
Filtration - Supplies & Materials	6,500	6,542	42
Sewer Fund			
Office - Personal Services	131,960	148,615	16,655
Office - Supplies & Materials	5,000	5,141	141
<u>EXPENDABLE TRUST FUND</u>			
Income Tax Fund			
Transfers	700,000	852,000	152,000
2000:			
<u>GENERAL FUND</u>			
Council - Contractual Services	373	17,040	16,667
Other	26,943	33,340	6,397
<u>SPECIAL REVENUE FUND</u>			
Street Construction & Repair Fund			
Street Construction - Travel	3,250	3,282	32
Sign & Signals - Supplies & Materials	1,750	1,972	222
<u>ENTERPRISE FUNDS</u>			
Water Fund			
Office - Capital Outlay	0	1,818	1,818
Billing - Supplies & Materials	750	1,144	394
Automotive Equipment - Travel	1,200	1,277	77
Other Equipment - Contractual Services	500	1,241	741
Sewer Fund			
Office - Personal Services	112,460	126,792	14,332
Billing - Supplies & Materials	1,000	1,126	126
Distribution - Supplies & Materials	0	1,238	1,238
Land & Buildings - Contractual Services	14,000	16,136	2,136
Other Equipment - Travel	500	655	155
Other Equipment - Supplies & Materials	7,000	9,468	2,468
Trash Fund			
Contractual Services	66,480	66,803	323

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

**NOTE 5 - DEBT OBLIGATIONS**

At December 31, 2001, debt obligations consisted of the following issuances:

<u>Description</u>	<u>Balance at December 31, 2001</u>
1985 Ohio Water Development Authority loan, due in semiannual payments of \$42,519 through 2006 at a rate of 8.38%.	<u>\$307,731</u>
Total debt obligations at December 31, 2001	<u>\$307,731</u>

Transactions for the years ended December 31, 2001 and 2000 are summarized as follows:

2001:

	<u>Balance at December 31, 2000</u>	<u>Payments</u>	<u>Balance at December 31, 2001</u>
OWDA loan - 1985	<u>\$362,401</u>	<u>\$(54,670)</u>	<u>\$307,731</u>

2000:

	<u>Balance at December 31, 2000</u>	<u>Payments</u>	<u>Balance at December 31, 2000</u>
OWDA loan - 1985	<u>\$412,844</u>	<u>\$(50,443)</u>	<u>\$362,401</u>

The principal and interest requirement to retire the debt obligation outstanding at December 31, 2001, is as follows:

	<u>1985 OWDA Loan</u>	
	<u>Principal</u>	<u>Interest</u>
2002	\$ 28,434	\$ 14,085
2003	61,634	23,404
2004	66,799	18,239
2005	72,397	12,641
2006	<u>78,467</u>	<u>6,571</u>
Total	<u>\$307,731</u>	<u>\$74,940</u>

**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

**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.

**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 \$716,389 and \$718,209 for 2001 and 2000, respectively.

**NOTE 8 - RETIREMENT SYSTEMS**

The Village's full-time law enforcement officers belong to the Ohio Police & Fire Pension Funds (OP&F). Other employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F 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 2001 and 2000, members of OP&F contributed 10% of their wages to the OP&F. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. PERS temporarily reduced the employer contribution rate to 8.13%, effective July 1, 2000 through December 31, 2000. As of December 31, 2001, the Village has paid all contributions required through December 31, 2001.



**VILLAGE OF COVINGTON**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

**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"

1445 Worthington Woods Boulevard  
Suite B  
Worthington, Ohio 43085

Telephone 614.846.1899  
Facsimile 614.846.2799

## **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, 2001 and 2000, and have issued our report thereon dated April 29, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2001-VOC-001, 2001-VOC-002 and 2001-VOC-004. We also noted certain immaterial instances of noncompliance, that we have reported to management of the Village of Covington in a separate letter dated April 29, 2002.

Members of Council and Mayor  
Village of Covington

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 condition is described in the accompanying Schedule of Findings as item 2001-VOC-003.

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 condition described above is not a material weakness. 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 April 29, 2002.

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

Trimble, Julian & Grube, Inc.  
April 29, 2002

**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO  
DECEMBER 31, 2001 AND 2000**

**SCHEDULE OF FINDINGS**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2001-VOC-001

Ohio Revised Code Section 5705.39 in part requires that the total appropriation from each fund should not exceed total estimated resources.

It was noted during the audit that the total appropriations exceeded the estimated resources for the following funds at December 31, 2000:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
2000:			
GENERAL FUND	\$1,073,760	\$1,091,710	\$17,950
<u>SPECIAL REVENUE FUND</u>			
Street Maintenance & Repair	310,363	317,575	7,212
<u>ENTERPRISE FUND</u>			
Trash	93,802	95,912	2,110

When appropriations exceed estimated resources, the Village may spend monies not lawfully appropriated for the purposes and thus could cause a fund deficit.

We recommend that the Village comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring appropriations throughout the fiscal year and amending appropriations and/or estimated resources as necessary.

**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO  
DECEMBER 31, 2001 AND 2000**

**SCHEDULE OF FINDINGS**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2001-VOC-002

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 in excess of appropriations as follows:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
2001:			
<u>GENERAL FUND</u>			
Police Law Enforcement - Travel	\$ 11,000	\$ 13,334	\$ 2,334
Fire - Personal Service	18,930	19,383	453
Street Lights - Contractual Services	45,000	47,281	2,281
Parks - Personal Services	14,750	14,955	205
Community Planning - Personal Services	800	984	184
Council - Supplies & Materials	6,700	8,236	1,536
Clerk - Personal Services	32,134	33,443	1,309
Clerk - Contractual Services	800	871	71
Clerk - Supplies & Materials	1,500	1,863	363
Building - Capital Outlay	139,384	168,791	29,407
Board & Commissions - Contractual Services	19,000	45,149	26,149
Other General Government - Capital Outlay	30,696	37,500	6,804
<u>SPECIAL REVENUE FUND</u>			
Street Maintenance & Repair Fund			
Construction & Repair - Personal Services	179,354	183,601	4,247
Construction & Repair - Travel	3,500	3,862	362
Cleaning & Snow Removal - Supplies & Materials	4,000	5,706	1,706
Signs & Signals - Supplies & Materials	2,200	3,972	1,772
<u>CAPITAL PROJECTS FUND</u>			
Equipment	47,716	52,709	4,993
<u>ENTERPRISE FUNDS</u>			
Water Fund			
Office - Personal Services	85,000	96,435	11,435
Supply - Contractual Services	2,500	3,012	512
Supply - Supplies & Materials	15,000	15,013	13
Filtration - Supplies & Materials	6,500	6,542	42

**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO  
DECEMBER 31, 2001 AND 2000**

**SCHEDULE OF FINDINGS**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2001-VOC-002 - (Continued)

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Sewer Fund			
Office - Personal Services	\$131,960	\$148,615	\$ 16,655
Office - Supplies & Materials	5,000	5,141	141
 <u>EXPENDABLE TRUST FUND</u>			
Income Tax Fund			
Transfers	700,000	852,000	152,000
 2000:			
<u>GENERAL FUND</u>			
Council - Contractual Services	373	17,040	16,667
Other	26,943	33,340	6,397
 <u>SPECIAL REVENUE FUND</u>			
Street Construction & Repair Fund			
Street Construction - Travel	3,250	3,282	32
Sign & Signals - Supplies & Materials	1,750	1,972	222
 <u>ENTERPRISE FUNDS</u>			
Water Fund			
Office - Capital Outlay	0	1,818	1,818
Billing - Supplies & Materials	750	1,144	394
Automotive Equipment - Travel	1,200	1,277	77
Other Equipment - Contractual Services	500	1,241	741
Sewer Fund			
Office - Personal Services	112,460	126,792	14,332
Billing - Supplies & Materials	1,000	1,126	126
Distribution - Supplies & Materials	0	1,238	1,238
Land & Buildings - Contractual Services	14,000	16,136	2,136
Other Equipment - Travel	500	655	155
Other Equipment - Supplies & Materials	7,000	9,468	2,468
Trash Fund			
Contractual Services	66,480	66,803	323

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

**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO  
DECEMBER 31, 2001 AND 2000**

**SCHEDULE OF FINDINGS**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
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Finding Number	2001-VOC-002 - (Continued)
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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	2001-VOC-003
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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.

Finding Number	2001-VOC-004
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Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of monies are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted during the audit that 74% of the transactions tested for the Village's expenditures were not certified in a timely manner.

Without timely certification, the Village may expend more funds than available in the treasury or in the process of collection, or than funds appropriated.

**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO  
DECEMBER 31, 2001 AND 2000**

**SCHEDULE OF FINDINGS**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
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Finding Number	2001-VOC-004 - (Continued)
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We recommend that all orders or contracts involving the expenditure of money be timely certified to insure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The Village should consider using “Then” and “Now” certificates where applicable.



**VILLAGE OF COVINGTON  
MIAMI COUNTY, OHIO  
DECEMBER 31, 2001 AND 2000**

**STATUS OF PRIOR AUDIT FINDINGS**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
1999-001	Ohio Revised Code Section 5705.41(B)	No	The Village is attempting to review and adopt supplemental appropriations accordingly on a quarterly basis.
1999-002	Computerize Accounting System	No	The Village is currently investigating obtaining computer software programs.





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  
JULY 5, 2002**