



OHIO AUDITOR OF STATE  
KEITH FABER



**VILLAGE OF COVINGTON  
MIAMI COUNTY  
DECEMBER 31, 2020 AND 2019**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Village of Covington  
Miami County  
1 South High Street  
Covington, Ohio 45318

To the Members of the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Covington, Miami County, Ohio (the Village).

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Village of Covington  
Miami County  
Independent Auditor's Report  
Page 2

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2020 and 2019, and the respective changes in financial position or cash flows thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

***Emphasis of Matter***

As discussed in Note 13 to the 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2021, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

July 12, 2021

**Village of Covington  
Miami County  
Combined Statement of Receipts, Disbursements,  
and Changes in Fund Balances (Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2020**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 260,189	\$ 97,041		\$357,230
Municipal Income Tax	1,047,215	341,382		1,388,597
Intergovernmental	162,345	505,094		667,439
Special Assessments		49,309	37,605	86,914
Charges for Services	32,113			32,113
Fines, Licenses and Permits	29,771	6,640		36,411
Earnings on Investments	199			199
Miscellaneous	74,881	39,932		114,813
Loan Interest	7,861			7,861
<i>Total Cash Receipts</i>	<u>1,614,574</u>	<u>1,039,398</u>	<u>37,605</u>	<u>2,691,577</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	460,868	376,300		837,168
Leisure Time Activities	33,099			33,099
Community Environment	3,427			3,427
Transportation		428,618		428,618
General Government	312,171	44,557	1,655	358,383
Capital Outlay	40,848	63,831	82,576	187,255
Debt Service:				
Principal Retirement	24,833	108,333		133,166
Interest and Fiscal Charges	1,302	16,981		18,283
<i>Total Cash Disbursements</i>	<u>876,548</u>	<u>1,038,620</u>	<u>84,231</u>	<u>1,999,399</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>738,026</u>	<u>778</u>	<u>(46,626)</u>	<u>692,178</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In		197,237	50,000	247,237
Advances In	29,627			29,627
Transfers Out	(247,237)			(247,237)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(217,610)</u>	<u>197,237</u>	<u>50,000</u>	<u>29,627</u>
<i>Net Change in Fund Cash Balances</i>	<u>520,416</u>	<u>198,015</u>	<u>3,374</u>	<u>721,805</u>
<i>Fund Cash Balances, January 1</i>	<u>379,996</u>	<u>235,139</u>	<u>26,464</u>	<u>641,599</u>
<i>Fund Cash Balances, December 31</i>	<u>\$900,412</u>	<u>\$433,154</u>	<u>\$29,838</u>	<u>\$1,363,404</u>

See accompanying notes to the financial statements

**Village of Covington**  
**Miami County**  
**Combined Statement of Receipts, Disbursements,**  
**and Changes in Fund Balance (Cash Basis)**  
**All Proprietary Fund Types**  
**For the Year Ended December 31, 2020**

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	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$1,746,496
Miscellaneous	<u>\$44,876</u>
<i>Total Operating Cash Receipts</i>	<u>1,791,372</u>
<b>Operating Cash Disbursements</b>	
Personal Services	318,521
Employee Fringe Benefits	124,929
Contractual Services	777,424
Supplies and Materials	<u>93,569</u>
<i>Total Operating Cash Disbursements</i>	<u>1,314,443</u>
<i>Operating Income</i>	<u>476,929</u>
<b>Non-Operating Receipts (Disbursements)</b>	
Capital Outlay	(163,933)
Principal Retirement	(298,431)
Interest and Other Fiscal Charges	<u>(50,463)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(512,827)</u>
<i>(Loss) Before Advances</i>	(35,898)
Advances Out	<u>(29,627)</u>
<i>Net Change in Fund Cash Balance</i>	(65,525)
<i>Fund Cash Balance, January 1</i>	<u>995,508</u>
<i>Fund Cash Balance, December 31</i>	<u>\$929,983</u>

*See accompanying notes to the financial statements*

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2020**

**Note 1 - Reporting Entity**

The Village of Covington (the Village), Miami County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, trash collection and police services. The Village contracts with Covington Fire and Rescue to receive fire protection and EMS services. The Village also contracts with the City of St. Marys to provide for income tax collection and administrative services. The Village Administrator serves as the liaison between the Village and St Marys for Income tax information and administrative issues.

**Public Entity Risk Pool**

The Village participated in a public entity risk pool, Public Entities Pool of Ohio (The Pool). Note 7 to the financial statements provides additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (cash basis) for all proprietary fund types which are organized on a fund type basis.

***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

**General Fund** - The general fund accounts for and reports all financial resources not accounted for and reported 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 account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

**Street Construction Maintenance and Repair** - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2020**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Coronavirus-CARES ACT Fund** - The Coronavirus-CARES ACT fund is funded through revenue from the Department of the Treasury distributed by Miami County, Ohio to the Village. These funds are restricted for necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease.

**Capital Project Fund** - This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village accounts for its street and sidewalk special assessment projects and other capital projects funding in the fund.

**Enterprise Funds** These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

**Water Fund** - The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. Revenues are utilized to cover the cost of providing operation and maintenance of the water system as well as water system debt service repayment.

**Sewer Fund** - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. Revenues are utilized to cover the cost of providing operation and maintenance of the water system as well as sewer system debt service repayment.

**Trash Fund** - The trash fund accounts for the provision of trash, recycling and debris collection services to the residents and commercial users within the Village. Revenues are utilized to cover the cost of providing operation and maintenance of the trash, recycling and debris collection equipment as well as equipment debt service repayment.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, object and department level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**Estimated Resources** Estimated resources include estimates of cash to be received (budgeted receipts) plus cash balances as of January 1. The County Budget Commission must approve estimated resources.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2020**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2020 budgetary activity appears in Note 3.

**Deposits**

The Village only had depository bank accounts.

**Capital Assets**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Nonspendable** - The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**Restricted** - Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed** - Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*.

**Unassigned** - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosures related to fund balance is included in Note 12.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2020**

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2020 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,412,647	\$1,644,201	\$231,554
Special Revenue	1,414,375	1,236,635	(177,740)
Capital Projects	105,000	87,605	(17,395)
Enterprise	1,596,000	1,791,372	195,372
Total	<u>\$4,528,022</u>	<u>\$4,759,813</u>	<u>\$231,791</u>

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,487,882	\$1,123,785	\$364,097
Special Revenue	1,554,093	1,038,620	515,473
Capital Projects	111,000	84,231	26,769
Enterprise	2,496,886	1,856,897	639,989
Total	<u>\$5,649,861</u>	<u>\$4,103,533</u>	<u>\$1,546,328</u>

**Note 4 – Deposits**

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31, 2020 was as follows:

	2020
Demand deposits	2,293,387
Total deposits	<u>2,293,387</u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2020**

**Note 5 – Taxes (continued)**

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

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

***Income Taxes***

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

The Village contracts with the City of St. Marys to provide for income tax collection and administrative services.

**Note 6 – Interfund Balances**

***Advances***

During 2018, Village Council approved an advance from the general fund to the trash fund in the amount of \$225,000 and at an interest rate of 4% to be used to purchase a new trash truck. The advance and repayment amortization schedule were approved by Village Ordinance 16-18 on October 10, 2018. The advance is to be repaid in annual payment amounts of \$37,487 including interest, for seven years ending in 2025. The outstanding advance at December 31, 2020 was \$166,886.

**Note 7 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

***Risk Pool Membership***

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2020**

**Note 7 - Risk Management (continued)**

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

<u>2020</u>	
Cash and investments	\$40,318,971
Actuarial liabilities	\$14,111,510

**Note 8 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

***Ohio Police and Fire Retirement System***

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 % of their gross salaries and the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2020.

***Social Security***

Several Village council members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Council Members contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

**Note 9 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2020**

**Note 9 - Postemployment Benefits (continued)**

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**Note 10 – Debt**

Debt outstanding at December 31, 2020 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Spring Street Improvement Bond	\$475,000	3.25%
Spring Street Reconstruction OPWC Loan	\$333,333	0.00%
2018 Police Cruiser Bank Loan	\$12,861	3.75%
WTP and New Wells OWDA Loan	\$1,123,858	2.75%
WWTP Improvements OWDA Loan	\$617,670	1.00%
WWTP Improvements OPWC Loan	\$343,750	0.00%
Pump Station Improvements OPWC Loan	\$142,500	0.00%
2016 Trash Truck Lease	\$35,926	3.10%
2019 Vermeer Chipper Loan	\$25,301	3.75%
Total	<u><u>\$3,110,199</u></u>	

***Bonds and Loans***

The Spring Street Improvement Bond was issued in the amount of \$950,000 and was obtained through Covington Savings and Loan in 2015 to pay for the reconstruction of Spring Street. One principal payment of \$95,000 was made on this debt in April 2020 and two interest payments were made on this bond in 2020, \$9,263 in April 2020 and \$7,719 in October 2020. The Village will repay the bond in semiannual installments over 10 years. Payments were made from the street fund.

The Spring Street Reconstruction Ohio Public Works Commission (OPWC) Loan for Spring Street was obtained in 2015 in the amount of \$400,000.00. One payment was made on this debt during 2020, in the amount of \$13,333 in December. The Village will repay the loan in semiannual installments over 30 years. Payments were made from the street fund.

The 2017 Police Cruiser loan in the amount of \$36,234 was obtained through Covington Savings and Loan in 2017 to pay for the purchase of a 2017 Ford Explorer Police Cruiser. The final principal payment of \$12,437 and interest payment of \$354 was made in June of 2020. Payments were made from the general fund. This loan was paid in full in 2020.

The 2018 Police Cruiser loan in the amount of \$37,206 was obtained through Covington Savings and Loan in 2018 to pay for the purchase of a 2018 Ford Explorer Police Cruiser. One principal payment of \$12,396 and one interest payment of \$947 was made in July 2020. The Village will repay the loan in annual installments over 3 years. Payments will be made from the general fund.

The Water Treatment Plant (WTP) and New Wells Ohio Water Development Authority (OWDA) loan was obtained to construct a new water treatment plant for the village that was mandated by the Ohio Environmental Protection Agency (Ohio EPA). The OWDA approved a loan of \$3,688,265 in 2006 to the Village for this project. The Village repays the loan in semiannual installments of \$120,493, including interest, over 20 years. Payments were made from the water fund.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2020**

**Note 10 – Debt (continued)**

The Wastewater Treatment Plant (WWTP) Improvements OWDA loan is a 1% low interest loan that was originally obtained in 2015 to pay for a portion of the Sewer Plant Phase 1 design. In 2017, the balance of the design loan in the amount \$70,951 was rolled over to the Sewer Plant Construction loan. The loan was approved in the amount of \$697,749. The Village repays the loan in semiannual installments of \$19,281, including interest, over 20 years. Payments were made from the sewer fund.

The WWTP Improvements OPWC loan was issued in the amount of \$375,000 during 2018. One payment was made on this debt during 2020, in the amount of \$12,500 in December. The payment was made from the sewer fund. The Village will repay the loan in semiannual installments over 30 years.

The OPWC Pump Station Improvements loan was approved in 2017 in the total amount of \$150,000. One payment was made on this debt during 2020, in the amount of \$5,000 in December. The payment was made from the sewer fund. The Village will repay the loan in semiannual installments over 30 years.

The 2019 Vermeer Chipper loan in the amount of \$31,065 was obtained through Covington Savings and Loan in 2019 to pay for the purchase of a Vermeer wood chipper. One principal payment of \$5,764 and one interest payment of \$1,165 was made in July 2020. The Village will repay the loan in annual installments over 5 years. Payments will be made from the trash fund.

The Village adjusted utility rates sufficiently to cover OWDA/OPWC debt service requirements.

**Lease**

In July 2016, the Village entered into a lease agreement for a new 2017 trash truck. The original amount of the lease was \$169,009 and the term of the lease is for 5 years. An annual principal and interest payment in the total amount of \$37,056 was made in 2020. The payment was made from the trash fund.

**Amortization**

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Improvement			OPWC	
	Leases	OWDA Loans	Bond	Bank Loans	Loans
2021	\$37,056	\$279,548	\$108,894	\$20,273	\$30,833
2022	\$0	\$279,548	\$105,806	\$6,929	\$30,833
2023	\$0	\$279,548	\$102,719	\$6,929	\$30,833
2024	\$0	\$279,548	\$99,631	\$6,929	\$30,833
2025	\$0	\$279,548	\$96,544	\$0	\$30,833
2026-2030	\$0	\$192,809	\$0	\$0	\$154,167
2031-2035	\$0	\$192,809	\$0	\$0	\$154,167
2036-2040	\$0	\$96,404	\$0	\$0	\$154,167
2041-2045	\$0	\$0	\$0	\$0	\$154,167
2046-2049	\$0	\$0	\$0	\$0	\$48,750
Total	<u>\$37,056</u>	<u>\$1,879,762</u>	<u>\$513,594</u>	<u>\$41,060</u>	<u>\$819,583</u>

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2020**

**Note 11 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 12 – Fund Balances**

The Village did not have any nonspendable funds or outstanding encumbrances as of December 31, 2020.

The fund balance of special revenue funds is either restricted or committed. The fund balance of the capital projects fund are restricted, committed, or assigned.

**Note 13 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Note 14 – Subsequent Events**

In February 2021, the Village received approval to apply for two new loans through OPWC and OWDA for the High Street utilities project. These loans were approved for a total amount of approximately \$1 million. The Village also awarded a contract for the High Street utilities project in March 2021 in the amount of \$1,022,275.

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**Village of Covington**  
**Miami County**  
**Combined Statement of Receipts, Disbursements,**  
**and Changes in Fund Balances (Cash Basis)**  
**All Governmental Fund Types**  
**For the Year Ended December 31, 2019**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$ 253,101	\$ 98,296			\$351,397
Municipal Income Tax	757,897	251,590			1,009,487
Intergovernmental	138,937	149,476			288,413
Special Assessments		49,078		31,937	81,015
Charges for Services	37,040				37,040
Fines, Licenses and Permits	25,669				25,669
Earnings on Investments	180				180
Miscellaneous	179,418	14,449		20,000	213,867
Loan Interest	9,000				9,000
<i>Total Cash Receipts</i>	<i>1,401,242</i>	<i>562,889</i>	<i>0</i>	<i>51,937</i>	<i>2,016,068</i>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	619,574	139,479			759,053
Leisure Time Activities	32,131				32,131
Community Environment	1,958				1,958
Transportation		450,668			450,668
General Government	311,603	4,404		1,579	317,586
Capital Outlay	150,970			97,275	248,245
Debt Service:					
Principal Retirement	24,023	108,115	219		132,357
Interest and Fiscal Charges	2,130	20,069			22,199
<i>Total Cash Disbursements</i>	<i>1,142,389</i>	<i>722,735</i>	<i>219</i>	<i>98,854</i>	<i>1,964,197</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>258,853</i>	<i>(159,846)</i>	<i>(219)</i>	<i>(46,917)</i>	<i>51,871</i>
<b>Other Financing Receipts (Disbursements)</b>					
Sale of Capital Assets		31,350			31,350
Transfers In		196,000		40,000	236,000
Transfers Out	(236,000)				(236,000)
Advances In	28,487				28,487
<i>Total Other Financing Receipts (Disbursements)</i>	<i>(207,513)</i>	<i>227,350</i>	<i>0</i>	<i>40,000</i>	<i>59,837</i>
<i>Net Change in Fund Cash Balances</i>	<i>51,340</i>	<i>67,504</i>	<i>(219)</i>	<i>(6,917)</i>	<i>111,708</i>
<i>Fund Cash Balances, January 1</i>	<i>328,656</i>	<i>167,635</i>	<i>219</i>	<i>33,381</i>	<i>529,891</i>
<b>Fund Cash Balances, December 31</b>					
Restricted		235,139		26,464	261,603
Committed	19,591				19,591
Assigned	62,746				62,746
Unassigned	297,659				297,659
<i>Fund Cash Balances, December 31</i>	<i>\$379,996</i>	<i>\$235,139</i>	<i>\$0</i>	<i>\$26,464</i>	<i>\$641,599</i>

See accompanying notes to the financial statements

**Village of Covington**  
**Miami County**  
**Combined Statement of Receipts, Disbursements,**  
**and Changes in Fund Balance (Cash Basis)**  
**All Proprietary Fund Types**  
**For the Year Ended December 31, 2019**

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	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$1,576,211</u>
<i>Total Operating Cash Receipts</i>	<u>1,576,211</u>
 <b>Operating Cash Disbursements</b>	
Personal Services	284,083
Employee Fringe Benefits	107,006
Contractual Services	444,287
Supplies and Materials	115,770
General Government	<u>35</u>
<i>Total Operating Cash Disbursements</i>	<u>951,181</u>
 <i>Operating Income</i>	<u>625,030</u>
 <b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	125,000
Loan Proceeds	319,135
Sale of Capital Assets	7,265
Capital Outlay	(715,181)
Principal Retirement	(328,291)
Interest and Other Fiscal Charges	<u>(12,330)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(604,402)</u>
 <i>Income Before Advances</i>	20,628
Advances Out	<u>(28,487)</u>
 <i>Net Change in Fund Cash Balance</i>	<u>(7,859)</u>
 <i>Fund Cash Balance, January 1</i>	<u>1,003,367</u>
 <i>Fund Cash Balance, December 31</i>	<u>\$995,508</u>

*See accompanying notes to the financial statements*

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2019**

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### **Note 1 - Reporting Entity**

The Village of Covington (the Village), Miami County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, trash collection and police services. The Village contracts with Covington Fire and Rescue to receive fire protection and EMS services. The Village also contracts with the City of St. Marys to provide for income tax collection and administrative services. The Village Administrator serves as the liaison between the Village and St Marys for income tax information and administrative issues.

#### ***Public Entity Risk Pool***

The Village participated in a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM) from January to September 2019. The Village then participated in a different public entity risk pool, Public Entities Pool of Ohio (The Pool) from September 2019 to December 2019. Note 7 to the financial statements provides additional information for this entity.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

### **Note 2 - Summary of Significant Accounting Policies**

#### ***Basis of Presentation***

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balance (cash basis) for all proprietary fund types which are organized on a fund type basis.

#### ***Fund Accounting***

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

**General Fund** - The general fund accounts for and reports all financial resources not accounted for and reported 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 account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

**Street Construction Maintenance and Repair** - The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

**Debt Service Fund** - This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village has only one debt service fund that is utilized for debt service payments.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2019**

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**Note 2 - Summary of Significant Accounting Policies (continued)**

**Capital Projects Fund** - This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village accounts for its street and sidewalk special assessment projects and other capital projects funding in the fund.

**Enterprise Funds** - These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

**Water Fund** - The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village. Revenues are utilized to cover the cost of providing operation and maintenance of the water system as well as water system debt service repayment.

**Sewer Fund** - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village. Revenues are utilized to cover the cost of providing operation and maintenance of the sewer system as well as sewer system debt service repayment.

**Trash Fund** - The trash fund accounts for the provision of trash, recycling and debris collection services to the residents and commercial users within the Village. Revenues are utilized to cover the cost of providing operation and maintenance of the trash, recycling and debris collection equipment as well as equipment debt service repayment.

**Basis of Accounting**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

**Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, object and department level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

**Estimated Resources** - Estimated resources include estimates of cash to be received (budgeted receipts) plus cash balances as of January 1. The County Budget Commission must approve estimated resources.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2019**

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**Note 2 - Summary of Significant Accounting Policies (continued)**

**Encumbrances** - The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 3.

**Deposits**

The Village only has depository bank accounts.

**Capital Assets**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Nonspendable** - The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**Restricted** - Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed** - Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**Assigned** - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State statute.

**Unassigned** - Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2019**

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**Note 2 - Summary of Significant Accounting Policies (continued)**

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2019 follows:

**2019 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,169,227	\$1,429,729	\$260,502
Special Revenue	678,853	790,239	111,386
Capital Projects	103,000	91,937	(11,063)
Enterprise	1,912,000	2,027,611	115,611
<b>Total</b>	<b>\$3,863,080</b>	<b>\$4,339,516</b>	<b>\$476,436</b>

**2019 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,423,900	\$1,378,389	\$45,511
Special Revenue	789,400	722,735	66,665
Debt Service	219	219	0
Capital Projects	135,000	98,854	36,146
Enterprise	2,680,120	2,035,470	644,650
<b>Total</b>	<b>\$5,028,639</b>	<b>\$4,235,667</b>	<b>\$792,972</b>

**Note 4 – Deposits**

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31, 2019 was as follows:

	<b>2019</b>
Demand deposits	1,637,107
<b>Total deposits</b>	<b>1,637,107</b>

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation, collateralized by securities specifically pledged by the financial institution to the Village, or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2019**

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**Note 5 – Taxes**

***Property Taxes***

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

***Income Taxes***

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

The Village contracts with the City of St. Marys to provide for income tax collection and administrative services.

**Note 6 – Interfund Balances**

***Advances***

During 2018, Village Council approved an advance from the general fund to the trash fund in the amount of \$225,000 and at an interest rate of 4% to be used to purchase a new trash truck. The advance and repayment amortization schedule were approved by Village Ordinance 16-18 on October 10, 2018. The advance is to be repaid in annual payment amounts of \$37,487, including interest, for seven years beginning in 2019. The outstanding advance at December 31, 2019 was \$196,513.

**Note 7 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2019**

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**Note 7 - Risk Management (Continued)**

***Risk Pool Membership***

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

2019

Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

**Note 8- Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

Most Village employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

***Ohio Police and Fire Retirement System***

The Village's full-time Police Officers belong to the Ohio Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their gross salaries and the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2019.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2019**

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**Note 8- Defined Benefit Pension Plans (Continued)**

***Social Security***

Several Village council members contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Council Members contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

**Note 9 - Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

**Note 10 – Debt**

Debt outstanding at December 31, 2019 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Spring Street Improvement Bond	\$570,000	3.25%
Spring Street Reconstruction OPWC Loan	346,666	0.00%
2017 Police Cruiser Bank Loan	12,437	3.00%
2018 Police Cruiser Bank Loan	25,258	3.75%
WTP and New Wells OWDA Loan	1,329,825	2.75%
WWTP Improvements OWDA Loan	647,970	1.00%
WWTP Improvements OPWC Loan	356,250	0.00%
Pump Station Improvements OPWC Loan	147,500	0.00%
2016 Trash Truck Lease	70,757	3.10%
2019 Vermeer Chipper Loan	31,065	3.75%
<b>Total</b>	<b><u>\$3,537,728</u></b>	

***Bonds and Loans***

The Spring Street Improvement Bond was issued in the amount of \$950,000 and was obtained through Covington Savings and Loan in 2015 to pay for the reconstruction of Spring Street. One principal payment of \$95,000 was made on this debt in April 2019 and two interest payments were made on this bond in 2019, \$10,806 in April 2019 and \$9,263 in October 2019. The Village will repay the bond in semiannual installments over 10 years. Payments were made from the street fund.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2019**

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**Note 10 – Debt (Continued)**

The Spring Street Reconstruction Ohio Public Works Commission (OPWC) Loan for Spring Street was obtained in 2015 in the amount of \$400,000. Two payments were made on this debt during 2019, in the amount of \$6,667 each in May 2019 and November 2019. The Village will repay the loan in semiannual installments over 30 years. Payments were made from the street fund and debt service fund.

The 2017 Police Cruiser loan in the amount of \$36,234 was obtained through Covington Savings and Loan in 2017 to pay for the purchase of a 2017 Ford Explorer Police Cruiser. One principal payment of \$12,074 and one interest payment of \$735 was made in June of 2019. The Village will repay the loan in annual installments over 3 years. Payments were made from the general fund.

The 2018 Police Cruiser loan in the amount of \$37,206 was obtained through Covington Savings and Loan in 2018 to pay for the purchase of a 2018 Ford Explorer Police Cruiser. One principal payment of \$11,948 and one interest payment of \$1,395 was made in July 2019. The Village will repay the loan in annual installments over 3 years. Payments were made from the general fund.

The Water Treatment Plant (WTP) and New Wells Ohio Water Development Authority (OWDA) loan was obtained to construct a new water treatment plant for the village that was mandated by the Ohio Environmental Protection Agency (Ohio EPA). The OWDA approved a loan of \$3,688,265 in 2006 to the Village for this project. The Village repays the loan in semiannual installments of \$120,493, including interest, over 20 years. Payments were made from the water fund.

The Wastewater Treatment Plant (WWTP) Improvements OWDA loan is a 1% low interest loan that was originally obtained in 2015 to pay for a portion of the Sewer Plant Phase 1 design. In 2017, the balance of the design loan in the amount \$70,951 was rolled over to the Sewer Plant Construction loan. The loan was approved in the amount of \$697,749. Through December 31, 2019, the Village had drawn down a total of \$695,835, including the previously mentioned \$70,951. Two payments of principal and interest totaling \$38,579 were made in 2019. The payments were made from the sewer fund.

The WWTP Improvements OPWC loan was issued in the amount of \$375,000 during 2018. Two payments were made on this debt during 2019, in the amount of \$6,250 each in May 2019 and November 2019. The payments were made from the sewer fund. The Village will repay the loan in semiannual installments over 30 years.

The OPWC Pump Station Improvements loan was approved in 2017 in the total amount of \$150,000. In 2019, \$137,500 was drawn down as part of this project, and this was the final draw down on this loan. One payment was made on this debt during 2019, in the amount of \$2,500 in November 2019. The Village will repay the loan in semiannual installments over 30 years.

The 2019 Vermeer Chipper loan in the amount of \$31,065 was obtained through Covington Savings and Loan in 2019 to pay for the purchase of a Vermeer wood chipper. No payments were made in 2019. The Village will repay the loan in annual installments over 5 years. Payments will be made from the trash fund.

The Village adjusted utility rates sufficiently to cover OWDA/OPWC debt service requirements.

**Lease**

In July 2016, the Village entered into a lease agreement for a new 2017 trash truck. The original amount of the lease was \$169,009 and the term of the lease is for 5 years. An annual principal and interest payment in the total amount of \$37,056 was made in 2019. The payment was made from the trash fund.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2019**

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**Note 10 – Debt (continued)**

***Amortization***

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Improvement			OPWC Loans
	Lease	OWDA Loan	Bond	
2020	\$37,056	\$279,548	\$111,981	\$33,083
2021	\$37,056	\$279,548	\$108,894	\$20,273
2022	\$0	\$279,548	\$105,806	\$6,929
2023	\$0	\$279,548	\$102,719	\$6,929
2024	\$0	\$279,548	\$99,631	\$6,929
2025-2029	\$0	\$433,795	\$96,544	\$0
2030-2034	\$0	\$192,809	\$0	\$0
2035-2039	\$0	\$134,966	\$0	\$0
2040-2044	\$0	\$0	\$0	\$0
2045-2049	\$0	\$0	\$0	\$0
Total	<u>\$74,112</u>	<u>\$2,159,310</u>	<u>\$625,575</u>	<u>\$850,416</u>

**Note 11 – Subsequent Events**

In March 2020, the Village Council approved to enter into a contract for the Ludlow Street improvements and the 2020 paving program at a cost of \$147,259.

**Note 12 – Contingent Liabilities**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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# OHIO AUDITOR OF STATE KEITH FABER



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WestRegion@ohioauditor.gov

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Covington  
Miami County  
1 South High Street  
Covington, Ohio 45318

To the Members of the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the year ended December 31, 2020 and for each governmental and proprietary fund type as of and for the year ended December 31, 2019, and related notes of the Village of Covington, Miami County, (the Village) and have issued our report thereon dated July 12, 2021, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weaknesses. We consider finding 2020-001 to be a material weakness.

Village of Covington  
Miami County  
Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by Government Auditing Standards  
Page 2

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Village's Response to Finding***

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Village's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

July 12, 2021

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2020 AND 2019**

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

**FINDING NUMBER 2020-001**

**Material Weakness – Financial Statement Errors**

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following errors were identified and adjusted on the Village's financial statements for 2019:

- The Village recorded a donation receipt related to a capital project (the related expenditures was recorded in the capital projects fund) in the general fund in the amount of \$20,000. As a result, capital projects fund miscellaneous revenue and fund balance were understated and general fund miscellaneous revenue and fund balance were overstated by this amount. This error has been corrected on the Village's accounting system.
- The Village recorded a receipt for the sale of capital assets as miscellaneous receipts in the special revenue fund in the amount of \$31,350. As a result, miscellaneous receipts were overstated and the sale of capital assets receipts were understated by this amount.
- The Village incorrectly reported disbursements in the enterprise fund resulting in an overstatement of operating disbursements - personal services in the amount of \$723,282, and an understatement of operating disbursements - employee fringe benefits, operating disbursements - contractual services, operating disbursements - supplies and materials, and non-operating disbursements - capital outlay in the amount of \$107,006, \$444,287, \$115,770 and \$56,219, respectively.

The following errors were identified and adjusted on the Village's financial statements for 2020:

- The Village recorded special revenue fund (fire & ems fund) homestead and rollback intergovernmental receipts as general fund intergovernmental receipts in the amount of \$3,088. This resulted in an understatement of the special revenue intergovernmental receipts and fund balance and an overstatement of general fund intergovernmental receipts and fund balance. This error has been corrected on the Village's accounting system.
- The Village improperly reported disbursements in the enterprise fund resulting in an overstatement of operating disbursements - personal services in the amount of \$1,144,710, and an understatement of operating disbursements - employee fringe benefits, operating disbursements - contractual services, operating disbursements - supplies and materials, and non-operating disbursements - capital outlay in the amount of \$124,929, \$777,424, \$93,570 and \$148,787, respectively.

The above errors occurred when posting transactions to the accounting system and in creating the annual financial statements. Failure to properly record and report financial activity could lead to material financial statement errors and misleading financial statement information.

The Village should establish and implement policies and procedures to verify that all financial activity is recorded correctly and properly reported.

**Officials' Response:** Neither the current Village Administrator, nor the current Fiscal Officer were with the Village of Covington at the time of these receipts and disbursements. The Village will work with the Auditor of State to correct this issue.

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2020 AND 2019**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2018-001	Material Weakness – Financial Statement Errors	Not Corrected	Various financial statement errors were noted for the current audit and this matter has been repeated in finding number 2020-001 and in the management letter.
2018-002	Material Weakness – Fund Balance Classifications	Partially Corrected	A fund balance classification error was identified for 2019, but this matter will be included in the management letter as there have been partial corrections.

1 South High Street, Covington, Ohio 45318  
Phone 937/473-3420

# OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF COVINGTON

MIAMI COUNTY

## AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 7/29/2021

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)