

**VILLAGE OF COVINGTON**

DAYTON REGION, MIAMI COUNTY

**REGULAR AUDIT**

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Village of Covington, Miami County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2006 through December 31, 2007. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 12, 2009

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**VILLAGE OF COVINGTON  
MIAMI COUNTY**

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**MANNING & ASSOCIATES CPAs, LLC**  
**6105 NORTH DIXIE DRIVE**  
**DAYTON, OHIO 45414**

**INDEPENDENT AUDITORS' REPORT**

Mayor and Members of Council  
Village of Covington  
1 S. High St.  
Covington, Ohio 45318

We have audited the accompanying financial statements of the Village of Covington, Miami County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on the 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Covington, Miami County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determines is necessary to supplement, although not required to be a part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Manning & Associates CPAs, LLC  
Dayton, Ohio

July 20, 2009

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<b>GOVERNMENTAL FUND TYPES</b>			
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property & Local Taxes	\$ 366,833	\$ 168,732	\$ 0	\$ 535,565
Municipal Income Taxes	719,006	0	0	719,006
Intergovernmental Receipts	177,995	130,927	0	308,922
Special Assessments	6,157	20,530	0	26,687
Charges for Services	10,782	0	0	10,782
Fines, Licenses, Permits	13,579	0	0	13,579
Earnings on Investments	6,858	0	83	6,941
Misc	6,154	166	3,000	9,320
<b>Total Cash Receipts</b>	<u>1,307,364</u>	<u>320,355</u>	<u>3,083</u>	<u>1,630,802</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons & Property	634,949	0	0	634,949
Leisure Time Activities	28,809	0	0	28,809
Community Environment	1,187	0	0	1,187
Transportation	0	279,693	0	279,693
General Government	283,452	0	0	283,452
Capital Outlay	121,020	91,963	46,297	259,280
Debt:				
Principal	90,000	0	0	90,000
Interest and Other Fiscal Charges	34,425	0	0	34,425
<b>Total Cash Disbursements</b>	<u>1,193,842</u>	<u>371,656</u>	<u>46,297</u>	<u>1,611,795</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>113,522</u>	<u>(51,301)</u>	<u>(43,214)</u>	<u>19,007</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Fixed Assets	0	0	2,687	2,687
Transfers-In	0	50,000	141,383	191,383
Transfers-Out	(191,383)	0	0	(191,383)
<b>Total Other Financing Receipts (Disbursements)</b>	<u>(191,383)</u>	<u>50,000</u>	<u>144,070</u>	<u>2,687</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(77,861)</u>	<u>(1,301)</u>	<u>100,856</u>	<u>21,694</u>
<b>Fund Cash Balances, January 1</b>	<u>378,486</u>	<u>27,318</u>	<u>30,714</u>	<u>436,518</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 300,625</u>	<u>\$ 26,017</u>	<u>\$ 131,570</u>	<u>\$ 458,212</u>

The Notes to the Financial Statements are an integral part of this statement.



**VILLAGE OF COVINGTON  
MIAMI COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH FUND BALANCES - PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 944,599
Earnings on Investments	3,532
	948,131
<b>Operating Cash Disbursements:</b>	
Personal Service	318,747
Travel Transportation	6,735
Contractual Services	165,712
Supplies & Materials	96,976
Miscellaneous	54,222
Capital Outlay	24,181
	666,573
Total Operating Cash Disbursements	666,573
Operating Income (Loss)	281,558
<b>Non-Operating Receipts/(Disbursements):</b>	
Sale of Fixed Assets	800
Debt Service: Redemption of Principal	(145,479)
Interest & Other Fiscal Charges	(97,292)
	(241,971)
Total Non-Operating Receipts/(Disbursements)	(241,971)
<b>Net Income/(Loss)</b>	39,587
<b>Fund Cash Balances, January 1</b>	415,765
<b>Fund Cash Balances, December 31</b>	\$ 455,352

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<b>GOVERNMENTAL FUND TYPES</b>			<b>Total (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	
<b>Cash Receipts:</b>				
Property & Local Taxes	\$ 369,846	\$ 175,484	\$ 0	\$ 545,330
Municipal Income Taxes	707,973	0	0	707,973
Intergovernmental Receipts	37,285	136,536	0	173,821
Special Assessments	5,456	0	0	5,456
Charges for Services	1,050	0	0	1,050
Fines, Licenses, Permits	17,228	0	0	17,228
Earnings on Investments	2,205	0	4,988	7,193
Miscellaneous	14,412	1,974	0	16,386
<b>Total Cash Receipts</b>	<b>1,155,455</b>	<b>313,994</b>	<b>4,988</b>	<b>1,474,437</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons & Property	634,889	0	0	634,889
Leisure Time Activities	28,976	0	0	28,976
Community Environment	917	0	0	917
Transportation	0	287,316	0	287,316
General Government	395,650	0	0	395,650
Capital Outlay	119,658	73,761	4,334,947	4,528,366
Debt:				
Principal	90,000	0	0	90,000
Interest and Other Fiscal Charges	38,250	0	6,836	45,086
<b>Total Cash Disbursements</b>	<b>1,308,340</b>	<b>361,077</b>	<b>4,341,783</b>	<b>6,011,200</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>(152,885)</b>	<b>(47,083)</b>	<b>(4,336,795)</b>	<b>(4,536,763)</b>
<b>Other Financing Receipts/(Disbursements):</b>				
Debt Proceeds	0	0	3,624,921	3,624,921
Sale of Fixed Assets	877	0	0	877
Transfers-In	0	47,500	0	47,500
Transfers-Out	(47,500)	0	0	(47,500)
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(46,623)</b>	<b>47,500</b>	<b>3,624,921</b>	<b>3,625,798</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(199,508)	417	(711,874)	(910,965)
<b>Fund Cash Balances, January 1</b>	<b>577,994</b>	<b>26,901</b>	<b>742,588</b>	<b>1,347,483</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 378,486</b>	<b>\$ 27,318</b>	<b>30,714</b>	<b>\$ 436,518</b>

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH FUND BALANCES - PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 918,157
Earnings on Investments	1,214
Miscellaneous	4,161
Total Operating Cash Receipts	923,532
<b>Operating Cash Disbursements:</b>	
Personal Service	320,958
Travel Transportation	9,241
Contractual Services	168,839
Supplies & Materials	71,323
Capital Outlay	63,612
Total Operating Cash Disbursements	633,973
Operating Income (Loss)	289,559
<b>Non-Operating Receipts/(Disbursements):</b>	
Debt Service: Redemption of Principal	(180,794)
Interest & Other Fiscal Charges	(103,955)
Total Non-Operating Receipts/(Disbursements)	(284,749)
<b>Net Income/(Loss)</b>	4,810
<b>Fund Cash Balances, January 1</b>	410,955
<b>Fund Cash Balances, December 31</b>	\$ 415,765

The Notes to the Financial Statements are an integral part of this statement.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Covington, Miami County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly elected six-member Council. The Village provides general governmental services, including water and sewer utilities, refuse services, street maintenance, and police protection.

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

**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 a payment is made 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. Cash and Investments**

Certificates of deposit are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains and losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use.

The Village classifies its funds into the following types:

**1. General Fund**

The General Fund is used to account for all activities of the Village not required to be included in another fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Fund Accounting** (Continued)

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. 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.

**3. Capital Project Funds**

These funds are used to accumulate resources for the payment of construction, improvements, and purchase of equipment for the Village. The Village had the following significant capital project funds:

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

**4. 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 water services to residents.

**Sewer Fund** – This fund receives charges for services from residents to cover the cost of providing sewer services to residents.

**E. 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 level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process, (Continued)**

**Estimated Resources**

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

**Encumbrances**

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

A summary of 2007 and 2006 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**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 cash basis of accounting used by the Village.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2007</u>	<u>2006</u>
Demand Deposits	\$ 832,071	\$ 773,934
Certificates of Deposit	<u>81,493</u>	<u>78,349</u>
Total Deposits	<u>\$ 913,564</u>	<u>\$ 852,283</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2007 and 2006 as follows:

**2007 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,216,319	\$ 1,307,364	\$ 91,045
Special Revenue	376,571	370,355	(6,216)
Capital Projects	25,000	147,153	122,153
Enterprise	913,000	948,931	35,931
Total	<u>\$ 2,530,890</u>	<u>\$ 2,773,803</u>	<u>\$ 242,913</u>

**2007 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,480,093	\$ 1,385,225	\$ 94,868
Special Revenue	431,161	371,656	59,505
Capital Projects	47,302	46,297	1,005
Enterprise	1,347,281	909,344	437,937
Total	<u>\$ 3,305,837</u>	<u>\$ 2,712,522</u>	<u>\$ 593,315</u>

**2006 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,161,369	\$ 1,156,332	\$ (5,037)
Special Revenue	373,300	361,494	(11,806)
Capital Projects	10,000	3,629,909	3,619,909
Enterprise	742,000	923,532	181,532
Total	<u>\$ 2,286,669</u>	<u>\$ 6,071,267</u>	<u>\$ 3,784,598</u>

**2006 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,729,447	\$ 1,355,840	\$ 373,607
Special Revenue	399,904	361,077	38,827
Capital Projects	65,406	4,341,783	(4,276,377)
Enterprise	1,152,955	918,722	234,233
Total	<u>\$ 3,347,712</u>	<u>\$ 6,977,422</u>	<u>\$ (3,629,710)</u>

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006**

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**3. BUDGETARY, (Continued)**

Ohio Rev. Code Section 5705.41(B), states no subdivision can expend money unless appropriated. Contrary to Ohio Law, the Village expenditures exceeded appropriations in the capital projects funds by \$4,341,783.

Ohio Rev. Code Section 5705.36 requires all subdivision to request reduced amended certificates upon determination that revenue will be less than the official certificate of estimated resources. The Village did not request a reduced estimated certificate of resources or amend appropriations as required in 2007 or 2006. Contrary to Ohio Law, estimated resources exceeded actual receipts in the sewer and law enforcement funds by \$25,762 and \$5,000 in 2007; and the street and trash collection funds by \$12,760 and \$3,403 in 2006.

Ohio Rev. Code Section 5705.39 states the total appropriation from each fund shall not exceed the total estimated resources. Contrary to Ohio Law, the Village's appropriations exceeded resources in 2007 in the street, sewer, and trash collection funds by \$32,929, \$34,771, and \$283, respectively.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. 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 by December 31. If the property owner elects to make semiannual payment, 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.

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.

**5. 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 \$719,006 and \$707,973 for 2007 and 2006 respectively.



**VILLAGE OF COVINGTON  
MIAMI COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

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**6. DEBT**

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$ 3,337,883	2.75%
Village Hall Renovation Bond	720,000	4.25%
Total	<u>\$ 4,057,883</u>	

The Ohio Water Development Authority (OWDA) loan relates to upgrades and improvements to the Village's water treatment plant wells. The Village was approved for \$3,715,577, of which \$3,624,921 has been disbursed. The loan will be repaid in semi-annual installments of \$121,385, over 20 years. Final payment is due January 1, 2026. The loan is collateralized by water and sewer receipts.

The Village issued Village Hall Renovation Bonds, Series 2005, dated July 20, 2005 in the amount of \$900,000. The Series consists of one Bond. Interest will be paid semi-annually on June 1 and December 1. The bond will be redeemed in annual installments of \$90,000, starting December 1, 2006 and ending with the final payment on December 1, 2015.

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

	OWDA Water Authority Loan	Village Renovation Bond
2008	\$121,385	\$120,600
2009	242,770	116,775
2010	242,771	112,950
2011	242,771	109,125
2012	242,771	105,300
2013-2017	1,213,853	292,950
2018-2022	1,213,853	0
2023-2027	849,697	0
TOTAL	<u>\$4,369,871</u>	<u>\$857,700</u>

**7. RETIREMENT SYSTEMS**

The Village's law enforcement officers belong to the Ohio Police and Fire Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement health care, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006**

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**7. RETIREMENT SYSTEMS, (Continued)**

Contribution rates are also prescribed by the Ohio Revised Code. For 2007 and 2006, members of OP&F contribute 10 percent of their wages to the OP&F. The Village contributes an amount equal to 19.5 percent of their wages. OPERS members contribute 9.5 percent and 9.0 percent of their gross salaries for 2007 and 2006, respectively. The Village contributes an amount equal to 13.85 percent and 13.70 percent of participants' gross salaries for 2007 and 2006, respectively. The Village has paid all contributions required through December 31, 2007.

**8. RISK MANAGEMENT**

The Village is exposed to various risks of property and casualty losses, and injuries to employees. The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation. During 2006 and the majority of 2007, the Village was obtained commercial insurance which covered the following:

- General Liability
- Public Officials Liability
- Vehicle
- Law Enforcement
- Property

Beginning in October 2007, the Village switched to the Public Entities Pool of Ohio.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

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**8. RISK MANAGEMENT, (Continued)**

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment.

For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006

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**8. RISK MANAGEMENT, (Continued)**

<u>Contributions to PEP</u>	
2007	\$21,692

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

The Village also provides health, dental, and vision insurance coverage to full-time employees through a private insurance carrier.

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**MANNING & ASSOCIATES, CPAs, LLC**  
**6105 North Dixie Drive**  
**Dayton, Ohio 45414**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the accompanying financial statements of the Village of Covington, Miami County, Ohio (the Village), as of and for the years ended December 31, 2007, and 2006, and have issued our report thereon dated July 20, 2009, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices the Auditor of State prescribes such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the deficiencies described in the accompanying Schedule of Findings as items 2007-001 through 2007-009 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of the section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described in items 2007-001 through 2007-003, and 2007-008 through 2007-009 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompany Schedule of Findings as items 2007-001, 2007-004 through 2007-009.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We also noted certain noncompliance or other matters that we reported to the Village's management in a separate letter dated July 20, 2009.

We intend this report solely for the information and use of the management, and Council. We intend it for no one other than these specified parties.

Manning & Associates CPAs, LLC  
Dayton, Ohio

July 20, 2009

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001**

**Village Books and Records – Significant Deficiency/Material Weakness**

**Ohio Admin Code Section 117-2** provides that the Fiscal Officer shall keep the books of the Village; exhibit accurate statements of all monies received and expended, and maintain records of all property owned by the Village and income derived. In addition, Ohio Admin Code Section 117-2-02(A) states that all public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets and liabilities, document compliance with finance relate legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the administrative code. The following was items were noted:

- Receipts and Disbursements:
  - There were various expenditures in 2007 and 2006 that were not supported by invoices. Failure to maintain original supporting documentation could lead to expenditures being made to fictitious vendors and for items that are not considered a proper public purchase. Failure to maintain documentation indicates noncompliance with Ohio Revised Code section 149.42 and 149.43
  - Annual reports did not tie to the Village’s receipt and disbursement ledgers in 2007 or 2006, due to the changes made upon reconciling the Villages bank accounts in July 2009.
  - State receipts were not recorded by the Fiscal Officer from June 2007 through December 2007; in December 2007, a lump sum was recorded but could not be supported by documentation. This included 28 electronic fund transfers of state receipts.
  - Numerous adjustments were required for both 2007 and 2006 for receipts and disbursements items, which were never recorded or were incorrectly recorded
  - Renovations to the Village offices of \$671,739 were not recorded by the Village
  - Debt payments were included in capital outlay; requiring adjustment
  - Disbursement payments made by Ohio Water Development Authority for the water treatment well project; nor the loan proceeds associated with the project, were not included in the Village’s financial records.
  
- Banking and Reconciliations:
  - Numerous bank statements could not be provided by the Fiscal Officer, copies of some statements were requested and provided by the Village’s banks; some of the bank statements provided by the Fiscal Officer were observed unopened, still sealed in their original envelopes
  - The bank account for the Capital Bond Fund, which had a balance of \$687,182 in January 2006, was not included on the Village’s books; the village building renovations were paid through this account, balance at December 31 2007 and 2006 was \$8,411 and 8,329, respectively.
  - Interest was not recorded in proper period
  - Bank reconciliations were not completed on a timely basis
  - Outstanding checks were not accounted for on the annual reports for 2007 and 2006



**VILLAGE OF COVINGTON  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-001, (Continued)**

- Payroll Irregularities
  - IRS penalties of \$1,060.78 were assessed for multiple late payments in the last quarter of 2007. Differences were noted between W-3s and 941 totals in both 2007 and 2006, IRS notices were received for 941 miscalculations in 2006
- Transfers exceeded the amounts approved by Council
  - 2006 - \$57,500 total transfer was made from the General to the Street fund, however only \$47,500 was approved; \$10,000 was reversed.
- Budgetary:
  - The Village's Estimated receipts and appropriations reported on the annual report did not match the amounts filed with the County Auditor in 2007 and 2006
  - Beginning cash balances reported to the County Auditor did not match beginning balances on the Village's annual reports in 2007 or 2006
  - Comparison of actual receipts and expenditures with budgetary amounts were not calculated on the annual report for 2006
- Other:
  - Some of the Village's accounting records were not stored in an organized and accessible manner. Numerous items were haphazardly stored in bags under the Fiscal Officer's desk or unorganized in drawers without folders or dividers
  - The Village was deemed unauditible until the books could be brought up to date.
  - Currently the fund journal, receipts ledger, payroll ledger, and appropriations/disbursements 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. We recommend that an accounting software program (such as Uniform Accounting Network) be implemented to provide for more efficient and effective financial reporting.

Sound financial reporting is the responsibility of the Fiscal Officer and Members of Council and is essential to ensuring the information provided to the readers of the financial statements is complete and accurate. All of these conditions reveal a lack of control over and monitoring of the recording and reporting of the Village's financial activity and resulted in inaccurate accounting records. These financial statements have been adjusted to reflect the above.

Response: The Village will consider the issues noted above individually and will review current procedures and implement all necessary changes. For 2009, the Village has implemented a computerized system for accounting and is considering hiring an assistant to the Fiscal Officer to lessen some of the burden. The Village moved which created some of the unorganized accounting records which needed to be filed. Village Council and Fiscal Officer understand importance of data integrity and has requested interim audit work be performed.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-002**

**Lack of Effective Monitoring/Oversight– Significant Deficiency/Material Weakness**

The Village has not implemented an effective monitoring control system to assist management in detecting material misstatements in financial or other information. The failure of the Village’s governing body to monitor the financial activity of the Village could result in financial objectives not being achieved; the violation of Ohio Rev. Code laws, Village Ordinances, grant requirements, or debt covenants; or errors and/or irregularities occurring and not being detected in a timely manner.

Proper monitoring and oversight are the responsibility of management. Numerous material misstatements were noted during the audit period which could have been prevented or detected if an effective monitoring system were in place. The Village should develop and implement a monitoring control system to ensure proper oversight and determine that material misstatements or misappropriation of assets do not occur.

Monitoring controls comprise regular management and supervisory activities established to oversee whether management’s objectives are being achieved, covering operational, legal compliance, and financial control objectives. Effective monitoring controls should identify unexpected results or exceptions (including significant compliance exceptions), investigate underlying causes, and take corrective action.

Monitoring controls should assist management in detecting material misstatements in the financial or other information presented. Such controls may include, but are not limited to, the following reviews by the Council:

- Monthly review of bank statements and reconciliations;
- Monthly review of budget and actual activity including required submission of budgetary reports;
- Monthly review of unusual or significant items on the bank-to-book reconciliation, such as long outstanding checks or deposits;
- Planning for adequate separation of duties or compensating controls.
- Ensuring the accounting records are properly designed

Response: Council will take corrective action including establishing and implementing monitoring procedures to ensure effective monitoring and oversight. For 2009, the Village has implemented a computerized system for accounting for financial transactions and processing; this should aid in the monitoring process.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-003**

**Monthly Bank Reconciliations – Significant Deficiency/Material Weakness**

The Fiscal Officer could not provide monthly bank reconciliations from February 2006 through December 2007. The Fiscal Officer stated that the reconciliations were prepared on a monthly basis, but that they had been misplaced. However, we found nothing to suggest that any bank reconciliations were prepared after January 2006.

It was also noted that some of the bank statements which were provided had never been opened; they were still sealed in their original envelopes; and others had been misplaced. Ultimately copies of some statements had to be obtained from the bank.

In July 2009, the Fiscal Officer provided recreated reconciliations for February 2006 through December 2007. However, the reconciliations did not agree to the Village’s Annual Report or ledgers; which had to be restated, for both years.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions, as well as ensure that all recorded transactions have been deposited with the financial institutions. We recommend that the Village implement procedures to ensure the timely preparation of monthly bank reconciliations.

Response: The Fiscal Officer will take all necessary steps to ensure that monthly reconciliations are prepared in a timely manner.

**FINDING NUMBER 2007-004**

**Ohio Rev. Code Section 5705.41 (D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41 (D) (1) and 5705.41 (D) (3), respectively, of the Ohio Revised Code.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-004, (Continued)**

1. **“Then and Now” certificate** – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval or expenditures by the Village.

2. **Blanket certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super blanket certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

Unless the exception noted above is used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, we recommend that the Village’s Fiscal Officer certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, “then and now” certification should be used

Testing revealed that the during the audit period the Village routinely issued purchase orders after the incurrence of an expense. During the audit period the Village failed to properly certify 97 percent of expenditures tested in 2007 and 93 percent of expenditures tested in 2006. The corresponding purchase orders for these expenses were issued after the incurrence of the expense without being certified as “then and now.”

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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

**FINDING NUMBER 2007-004, (Continued)**

Failure to properly certify the availability of funds can result in the Village overspending available funds and negative cash fund balances. Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders.

We recommend that the Village obtain a proper and approved purchase order, including amounts, which contain the Fiscal Officer's certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. We further recommend that the Fiscal Officer issue blanket or super blanket purchase orders for qualifying expenses if the purchase order is to be used for more than one invoice.

Response: The Village will review ORC regulations to ensure that purchase orders are properly issued and used.

**FINDING NUMBER 2007-005**

**Ohio Rev. Code Section 5705.39** states that the total appropriation from each fund shall not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

The following funds had appropriations in excess of estimated resources as certified by the County Auditor:

<b>Fund</b>	<b>Total Appropriations</b>	<b>Total Available Resources</b>	<b>Variance</b>
<b>2007</b>			
Street	\$ 396,969	\$ 364,040	\$ (32,929)
Sewer Operating	443,474	408,703	(34,771)
Trash Collection	94,207	93,924	(283)

To comply with this Ohio Revised Code Section and to improve budgetary controls the Village should file their appropriation measures with the county budget commission for certification that the amounts appropriated do not exceed the available resources. In addition, the Certificate of Estimated Resources should be amended on a timely basis to reflect changes in actual or expected revenue and the corresponding appropriations should be amended accordingly.

Response: The Fiscal Officer and Members of Council will monitor budgetary compliance more closely in the future.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-006**

**Ohio Rev. Code, Section 5705.36**, requires all subdivisions to request reduced amended certificates upon determination by the Fiscal Officer that revenue to be collected will be less than the amount in the official certificate of estimated resources. The intent of this requirement is to require the Fiscal Officer to obtain a reduced amended certificate when it appears that budgetary resources will fall short of earlier estimates, reducing the possibility that deficit spending will occur. The actual receipts were below estimated receipts for the Village in 2007 and 2006 in the following funds:

Fund	Estimated Receipts	Actual Receipts	Variance
<b>2007</b>			
Sewer Operating	\$ 320,000	\$ 294,238	\$ (25,762)
Law Enforcement	5,000	0	(5,000)
<b>2006</b>			
Street	\$ 364,200	\$ 351,440	\$ (12,760)
Trash Collection	97,000	93,597	(3,403)

Failure to monitor estimated resources and provide accurate and complete financial information limits management's resources for decision making and can provide a false perception of the Village's financial position which could result in overspending. Failure to accurately prepare and reconcile the accounting records reduces Council's ability to monitor financial activity, increases the likelihood that monies will be misappropriated and go undetected and increases the likelihood that the Village's financial statements will be misstated

Response: The Village Council and Fiscal Officer recognize the importance of budgetary law and plan to monitor budgetary receipts in the future. This will be aided by the implementation of the computerized system in 2009.

**FINDING NUMBER 2007-007**

**Ohio Rev. Code Section 5705.41(B)** states that no subdivision or taxing authority is to expend money unless it has been appropriated. During 2006, expenditures exceeded appropriations in the Capital projects fund for the Village municipal building by \$651,456 and the well water treatment plant by \$3,624,921.

The Village should monitor appropriations and expenditures throughout the year, making amendments to appropriations as needed to comply with the requirement that expenditures cannot exceed the amounts appropriated at the legal level of control. Implementing these procedures will also reduce the risk that the Village expends or certifies as available more resources than were legally appropriated by Council.

Response: The Village will monitor budgetary more closely in the future. Council and Fiscal Officer was unaware of budgeting responsibilities for transactions processed by a third party on the Villages behalf.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

SCHEDULE OF FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2007-008**

**Failure to File Annual Reports**

**Ohio Rev. Code Section 117.38** requires each public office to file a financial report for each fiscal year with the Auditor of State within 60 days. It further requires that upon filing the Fiscal Officer shall publish notice in a newspaper of general circulation in the subdivision that the annual financial report has been completed and is available for inspection at the office of the Village.

The Village failed to file the annual report with the Auditor of State for 2007 which could lead to a penalty assessed by the Auditor of State. Also, there was no indication of a published notice that the annual reports were available for inspection in both 2007 and 2006.

The Village Council Members should develop procedures for monitoring compliance with the annual report filing and publication requirements.

Response: The Fiscal Officer will file future reports timely via certified mail. Notice will be given to the public when these reports are available for inspection.

**FINDING NUMBER 2007-009**

**On behalf payments**

The Village did not record on-behalf payments made to contractors by Ohio Water Development Authority (OWDA) in the amount of \$3,624,921. The disbursements were paid through a loan granted by OWDA in the amount of \$3,715,577. These funds should be accounted for and recorded in an appropriately established fund and should be budgeted by the Village. Not recording the receipts and disbursements resulted in total receipts and disbursements on the Village's financial statements being understated. The accompanying financial statements have been adjusted to reflect this activity.

We recommend the Village record future payments made by the grant as receipts and disbursements within the appropriate fund.

Response: The Village will review AOS Bulletin 2000-008, and record on behalf payments as directed.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007 AND 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Correction Action Taken; or Finding No Longer Valid; <b>Explain</b>
2005-001	ORC Sec. 5705.41(B) - Expenditures exceeded appropriations	No	Reissued as Finding 2007-007
2005-002	Manual accounting system used, which increases the likelihood of mistakes	No	Combined into Finding 2007-001
2005-003	ORC Sec. 5705.41(D) - Expenditures were not properly certified prior to the incurrence of each expense	No	Reissued as Finding 2007-004
2005-004	The issuance of bonds and contractor payments were not properly recorded and reflected in the financial statements	No	Reissued as Finding 2007-010





Mary Taylor, CPA  
Auditor of State

**VILLAGE OF COVINGTON**

**MIAMI COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 5, 2009**