

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**



**GUEYE & ASSOCIATES, CPA, INC.**

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OHIO AUDITOR OF STATE  
KEITH FABER



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Village Council  
Village of Covington  
1 South High Street  
Covington, Ohio 45318

We have reviewed the *Independent Auditor's Report* of the Village of Covington, Miami County, prepared by Gueye & Associates, CPA, for the audit period January 1, 2021 through December 31, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

**June 28, 2023**

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**VILLAGE OF COVINGTON  
MIAMI COUNTY  
DECEMBER 31, 2022 AND 2021  
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## INDEPENDENT AUDITOR'S REPORT

Village of Covington  
Miami County  
1 S. High Street  
Covington, Ohio 45318

To the Village Council:

### ***Report on the Audit of the Financial Statements***

#### ***Unmodified and Adverse Opinions***

We have audited the financial statements of the Village of Covington, Miami County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type combined total as of and for the years ended December 31, 2022, and December 31, 2021, and the related notes to the financial statements.

#### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type combined total as of and for the years ended December 31, 2022 and December 31, 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

#### ***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* section of our report, the accompanying financial statements 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, 2022, and December 31, 2021, or the changes in financial position thereof for the years then ended.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



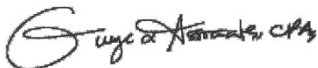
In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Columbus, Ohio  
June 6, 2023

**Village of Covington, Ohio**  
*Miami County*  
**Combined Statement of Receipts, Disbursements**  
**and Changes in Fund Balances (Regulatory Cash Basis)**  
*All Governmental Fund Types*  
**For the Year Ended December 31, 2022**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 281,370	\$ 100,308	\$ -	\$ 381,678
Municipal Income Tax	1,212,133	400,098	-	1,612,231
Intergovernmental	117,655	2,895,624	-	3,013,279
Special Assessments	-	48,170	12,417	60,587
Charges for Services	52,066	-	-	52,066
Fines, Licenses and Permits	28,277	6,942	-	35,219
Earnings on Investments	431	-	-	431
Miscellaneous	26,132	1,036	734,136	761,304
<i>Total Cash Receipts</i>	<u>1,718,064</u>	<u>3,452,178</u>	<u>746,553</u>	<u>5,916,795</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	651,878	294,071	-	945,949
Leisure Time Activities	22,775	-	-	22,775
Transportation	-	279,938	-	279,938
General Government	464,604	2,368	932	467,904
Capital Outlay	18,489	2,728,527	208,155	2,955,171
Debt Service:				
Principal Retirement	-	146,615	-	146,615
Interest and Fiscal Charges	-	17,011	-	17,011
<i>Total Cash Disbursements</i>	<u>1,157,746</u>	<u>3,468,530</u>	<u>209,087</u>	<u>4,835,363</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>560,318</u>	<u>(16,352)</u>	<u>537,466</u>	<u>1,081,432</u>
<b>Non-Operating Receipts (Disbursements)</b>				
Loans Issued	-	119,890	-	119,890
Transfers In	-	160,057	325,000	485,057
Transfers Out	(485,057)	-	-	(485,057)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(485,057)</u>	<u>279,947</u>	<u>325,000</u>	<u>119,890</u>
<i>Net Change in Fund Cash Balances</i>	75,261	263,595	862,466	1,201,322
<i>Fund Cash Balances, January 1</i>	<u>663,152</u>	<u>594,347</u>	<u>170,624</u>	<u>1,428,123</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 738,413</u>	<u>\$ 857,942</u>	<u>\$ 1,033,090</u>	<u>\$ 2,629,445</u>

See accompanying notes to the basic financial statements

**Village of Covington, Ohio**  
*Miami County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Proprietary Fund Types**  
*For the Year Ended December 31, 2022*

	Proprietary Funds Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 1,970,160
Miscellaneous	10,595
<i>Total Operating Cash Receipts</i>	<i>1,980,755</i>
<b>Operating Cash Disbursements</b>	
Personal Services	296,244
Employee Fringe Benefits	127,973
Contractual Services	415,307
Supplies and Materials	35,179
<i>Total Operating Cash Disbursements</i>	<i>874,703</i>
<i>Operating Income (Loss)</i>	<i>1,106,052</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Loans Issued	592,418
Capital Outlay	(592,418)
Principal Retirement	(412,124)
Interest and Other Fiscal Charges	(49,501)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(461,625)</i>
 <i>Net Change in Fund Cash Balances</i>	 <i>644,427</i>
<i>Fund Cash Balances, January 1</i>	<i>1,559,697</i>
<i>Fund Cash Balances, December 31</i>	<i>\$ 2,204,124</i>

*See accompanying notes to the basic financial statements*

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2022**

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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.

***Public Entity Risk Pool***

The Village participated in a public entity risk pool, Public Entities Pool of Ohio (The Pool). Note 6 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.

***State Highway Fund*** This fund receives gasoline and motor vehicle taxes for use in constructing, maintaining, and repairing state highways within the Village.

***Street Lighting Fund*** This fund receives proceeds of special assessments from Village property owners to provide street lighting.

***Fire/EMS Fund*** - This fund receives tax levy monies for providing fire protection and emergency medical services.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2022**

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**American Rescue Plan Grant Fund** This fund accounts for and reports intergovernmental revenues restricted for disbursements designated by the grant.

**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 (C). 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 (C) 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.

**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2022**

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A summary of 2022 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.

**Leases**

The Village is the lessor/lessee in various leases (as defined by GASB 87) related to buildings, vehicles, and other equipment under noncancelable leases. Lease revenue/disbursements are recognized when they are received/paid.

**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, 2022**

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2022 follows:

2022 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,546,387	\$ 1,718,064	\$ 171,677
Special Revenue	5,130,526	3,732,125	(1,398,401)
Capital Projects	1,322,000	1,071,553	(250,447)
Enterprise	2,299,125	2,573,173	274,048
Total	\$ 10,298,038	\$ 9,094,915	\$ (1,203,123)

2022 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,881,150	\$1,643,272	\$237,878
Special Revenue	5,584,911	3,468,530	2,116,381
Capital Projects	785,750	325,068	460,682
Enterprise	2,933,225	1,991,759	941,466
Total	\$11,185,036	\$7,428,629	\$3,756,407

**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, 2022 was as follows:

	2022
Demand deposits	\$ 4,833,569
Total deposits	\$4,833,569

**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, 2022**

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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. The Village Administrator serves as the liaison between the Village and St Marys for Income tax information and administrative issues.

**Note 6 - 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

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

	<u>2021</u>
Cash and investments	\$41,996,850
Actuarial liabilities	\$14,974,099



**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2022**

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**Note 7 - 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, 2022.

***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, 2022.

***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, 2022.

**Note 8 - 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 2022. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2022. 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.

Beginning January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2022**

**Note 9 – Debt**

Debt outstanding at December 31, 2022 was as follows:

Description	Principal	Interest Rate
General Obligation Bonds-Spring Street Reconstruction	\$ 285,000	3.25%
Ohio Public Works Commission Loan (Spring Street)	313,333	0.00%
Ohio Public Works Commission Loan (St Rt 48)	343,588	0.00%
Ohio Public Works Commission Loan (High Street)	119,890	0.00%
Ohio Water Development Authority Loan (Water Plant)	689,404	2.75%
Ohio Water Development Authority Loan (St Rt 48)	278,571	0.50%
Ohio Public Works Commission Loan (Lift Station)	135,000	0.00%
Ohio Public Works Commission Loan (Sewer Plant Phase 1)	325,000	0.00%
Ohio Water Development Authority Loan (Sewer Plant)	552,413	1.00%
Ohio Water Development Authority Loan (Sewer Plant Phase 2)	592,418	0.00%
TCF Financing Lease (Street Sweeper)	141,806	3.56%
Total	<u>\$ 3,776,423</u>	

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 2022 and two interest payments were made on this bond in 2022, \$6,175 in April 2022 and \$4,631 in October 2022. 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. The Village will repay the loan in semiannual installments of \$6,667 over 30 years. Payments were made from the street fund.

The Street and Waterline Utility Project OPWC loan (St Rt 48) was issued for State Route 48 during 2021 in the amount of \$349,412. The first payment was due in July 2022. The Village will repay the loan in semiannual installments of \$5,823 over 30 years. Payments were made from the street fund.

The High Street Reconstruction Ohio Public Works Commission (OPWC) Loan for High Street was obtained in 2022 in the amount of \$948,500. The loan balance drawn down at December 2022 was \$119,890. Once the project is finalized with ODOT, the Village will repay the loan in semiannual installments of over 30 years. Payments will be made from the street 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 Street and Waterline Utility Project OWDA loan was issued for State Route 48 during 2021 in the amount of \$300,050. The first payment is due in January 2022. The Village will repay the loan in semiannual installments of \$7,892, including interest, over 20 years. Payments will be made from the water fund.

The OPWC Lift Station Improvements loan was approved in 2017 in the total amount \$150,000. The Village will repay the loan in semiannual installments of \$2,500 over 30 years. Payments were made from the sewer fund.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2022**

The WWTP Improvements OPWC loan was issued in the amount of \$375,000 during 2018. Payments were made from the sewer fund. The Village will repay the loan in semiannual installments of \$6,250 over 30 years.

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 Wastewater Treatment Plant (WWTP) Improvements OWDA loan is a 0% interest planning design loan that was obtained in 2022 to pay for a portion of the Sewer Plant Phase 2 design. The loan was approved in the amount of \$643,125. The loan balance drawn down at December 2022 was \$592,418. In 2023, the balance of the design loan will be rolled over to the Sewer Plant Construction loan.

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

***Financed Purchases***

The Village has entered into financed purchase agreements for vehicles where ownership of the underlying asset transfers to the Village by the end of the contract. In January 2021, the Village entered into a lease agreement for a new Tymco Street Sweeper. The original amount of the lease is \$193,310, including interest at a rate of 3.56%, and a term of five years. The Village will repay the lease in annual installments of \$38,662, including interest, over 5 years. Payments were made from the street fund.

***Amortization***

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

Year ending December 31:	Financed Purchases	OWDA Loans	General Obligation	
			Bonds	OPWC Loans
2023	\$ 38,662	\$ 295,332	\$ 102,719	\$ 42,480
2024	38,662	295,332	99,631	42,480
2025	38,662	295,332	96,544	42,480
2026	38,662	54,346	-	42,480
2027	-	54,346	-	42,480
2028-2032	-	271,728	-	212,402
2033-2037	-	271,728	-	212,402
2038-2042	-	74,524	-	212,402
2043-2047	-	-	-	192,402
2048-2052	-	-	-	74,912
Total	<u>\$ 154,648</u>	<u>\$ 1,612,668</u>	<u>\$ 298,894</u>	<u>\$ 1,116,920</u>

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2022**

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**Note 10 – Subsequent Events**

During the first quarter of 2023, the Village will apply for a water pollution control loan for the construction of the new wastewater plant through OWDA for approximately \$19,334,957. The design loan balance of \$592,418 will be rolled over and is included in the above total. The new construction loan will include a \$4,000,000 principal forgiveness, \$5,564,840 at 0% interest, and the remaining balance of \$9,770,117 at 1% interest. The estimated annual debt payment on the construction loan is \$566,685 and payments will not begin until 2025.

**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**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds.

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Outstanding Encumbrances	\$ 469	\$ -	\$ 115,981	\$ 116,450
<i>Total</i>	<u>\$ 469</u>	<u>\$ -</u>	<u>\$ 115,981</u>	<u>\$ 116,450</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered 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.

During 2022, the Village received \$142,965 of American Rescue Plan funding. Combined with the amount received in 2021 of \$141,833, the amount received in American Rescue Plan funding totals \$284,798. The Village expended none of these funds in 2022.

**Village of Covington, Ohio**  
*Miami County*  
**Combined Statement of Receipts, Disbursements**  
**and Changes in Fund Balances (Regulatory Cash Basis)**  
*All Governmental Fund Types*  
**For the Year Ended December 31, 2021**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 281,165	\$ 100,271		\$ 381,436
Municipal Income Tax	1,086,019	356,548		1,442,567
Intergovernmental	116,452	416,690		533,142
Special Assessments	-	51,061	12,645	63,706
Charges for Services	55,500	-		55,500
Fines, Licenses and Permits	26,911	6,998		33,909
Earnings on Investments	262	-		262
Miscellaneous	9,229	10,618		19,847
<b>Total Cash Receipts</b>	<b>1,575,538</b>	<b>942,186</b>	<b>12,645</b>	<b>2,530,369</b>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	595,692	289,813		885,505
Leisure Time Activities	61,968	-		61,968
Transportation	-	300,640	-	300,640
General Government	421,559	405	790	422,754
Capital Outlay	59,124	878,250	146,069	1,083,443
Debt Service:				
Principal Retirement	38,065	101,666		139,731
Interest and Fiscal Charges	1,390	13,894		15,284
<b>Total Cash Disbursements</b>	<b>1,177,798</b>	<b>1,584,668</b>	<b>146,859</b>	<b>2,909,325</b>
<b>Excess of Cash Receipts Over (Under) Cash Disbursements</b>	<b>397,740</b>	<b>(642,482)</b>	<b>(134,214)</b>	<b>(378,956)</b>
<b>Non-Operating Receipts (Disbursements)</b>				
Loans Issued	-	523,675	-	523,675
Transfers In	-	280,000	275,000	555,000
Transfers Out	(801,886)	-	-	(801,886)
Advance In	166,886	-	-	166,886
<b>Total Non-Operating Receipts (Disbursements)</b>	<b>(635,000)</b>	<b>803,675</b>	<b>275,000</b>	<b>443,675</b>
<b>Net Change in Fund Cash Balances</b>	<b>(237,260)</b>	<b>161,193</b>	<b>140,786</b>	<b>64,719</b>
<b>Fund Cash Balances, January 1</b>	<b>900,412</b>	<b>433,154</b>	<b>29,838</b>	<b>1,363,404</b>
<b>Fund Cash Balances, December 31</b>	<b>\$ 663,152</b>	<b>\$ 594,347</b>	<b>\$ 170,624</b>	<b>\$ 1,428,123</b>

See accompanying notes to the basic financial statements

**Village of Covington, Ohio**  
*Miami County*  
**Combined Statement of Receipts, Disbursements**  
*and Changes in Fund Balances (Regulatory Cash Basis)*  
**All Proprietary Fund Types**  
*For the Year Ended December 31, 2021*

	Proprietary Fund Type
	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$ 1,801,805
Miscellaneous	8,596
<i>Total Operating Cash Receipts</i>	1,810,401
<b>Operating Cash Disbursements</b>	
Personal Services	323,909
Employee Fringe Benefits	102,886
Contractual Services	488,216
Supplies and Materials	105,803
<i>Total Operating Cash Disbursements</i>	1,020,814
<i>Operating Income (Loss)</i>	789,587
<b>Non-Operating Receipts (Disbursements)</b>	
Other Non-Operating Cash Receipts	
Intergovernmental Grants	290,154
Loans Issued	300,050
Capital Outlay	(644,490)
Principal Retirement	(165,988)
Interest and Other Fiscal Charges	(19,599)
<i>Total Non-Operating Receipts (Disbursements)</i>	(239,873)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	549,714
Transfers In	246,886
Advances Out	(166,886)
<i>Net Change in Fund Cash Balances</i>	629,714
<i>Fund Cash Balances, January 1</i>	929,983
<i>Fund Cash Balances, December 31</i>	\$ 1,559,697

*See accompanying notes to the basic financial statements*

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2021**

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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.

***Public Entity Risk Pool***

The Village participated in a public entity risk pool, the Public Entities Pool of Ohio (The Pool). Note 8 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.

***State Highway Fund*** This fund receives gasoline and motor vehicle taxes for use in constructing, maintaining, and repairing state highways within the Village.

***Street Lighting Fund*** This fund receives proceeds of special assessments from Village property owners to provide street lighting.

***Fire/EMS Fund*** - This fund receives tax levy monies for providing fire protection and emergency medical services.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2021**

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**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 (C). 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 (C) 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.

**Encumbrances** The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated.

A summary of 2021 budgetary activity appears in Note 4.



**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2021**

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**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.

**Leases**

The Village is the lessor/lessee in various leases (as defined by GASB 87) related to buildings, vehicles, and other equipment under noncancelable leases. Lease revenue/disbursements are recognized when they are received/paid.

**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 13.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2021**

**Note 3 – Compliance**

Contrary to Ohio Laws, budgetary expenditures exceeded appropriations authority in the General, Water, and Refuse/Trash funds by \$45,596, \$75,194, and \$84,928, respectively.

**Note 4 - Budgetary Activity**

Budgetary activity for the year ending December 31, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,411,329	\$ 1,742,424	\$ 331,095
Special Revenue	2,020,073	1,745,861	(274,212)
Capital Projects	275,000	287,645	12,645
Enterprise	1,709,000	2,647,491	938,491
Total	\$ 5,415,402	\$ 6,423,421	\$ 1,008,019

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,957,177	\$2,002,773	(\$45,596)
Special Revenue	2,134,689	1,604,934	529,755
Capital Projects	233,500	147,991	85,509
Enterprise	1,926,468	2,055,771	(129,303)
Total	\$6,251,834	\$5,811,469	\$440,365

**Note 5 – 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, 2021 was as follows:

	2021
Demand deposits	\$ 2,987,820
Total deposits	\$2,987,820

**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 6 – 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, 2021**

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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. The Village Administrator serves as the liaison between the Village and St Marys for income tax information and administrative issues.

**Note 7 – 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 was repaid in 2021 through a conversion into a transfer from the trash fund to the general fund, and no outstanding advance remained at December 31, 2021.

**Note 8 - 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, 2021**

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

	<u>2021</u>
Cash and investments	\$41,996,850
Actuarial liabilities	\$14,974,099

**Note 9- 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, 2021.

***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, 2021.

***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, 2021.

**Note 10 - 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 2021. 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.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2021**

Beginning January 1, 2022, OPERS discontinued the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses.

**Note 11 – Debt**

Debt outstanding at December 31, 2021 was as follows:

<u>Description</u>	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds-Spring Street Reconstruction	\$ 380,000	3.25%
Ohio Public Works Commission Loan (Spring Street)	326,667	0.00%
Ohio Water Development Authority Loan (Water Plant)	1,013,492	2.75%
Ohio Water Development Authority Loan (Sewer Plant)	601,470	1.00%
Ohio Public Works Commission Loan (Sewer Plant Phase 1)	337,500	0.00%
Ohio Public Works Commission Loan (Lift Station)	140,000	0.00%
Ohio Public Works Commission Loan (St Rt 48)	349,412	0.00%
Ohio Water Development Authority Loan (St Rt 48)	300,050	0.50%
TCF Financing Lease (Street Sweeper)	<u>174,263</u>	3.56%
Total	<u>\$ 3,622,854</u>	

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 2021 and two interest payments were made on this loan in 2021, \$7,719 in April 2021 and \$6,175 in October 2021. 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. One payment was made on this debt during 2021 in the amount of \$6,666 in September 2021. The Village will repay the loan in semiannual installments over 30 years. Payments were made from the street fund and debt service 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. The Village paid the loan in full July 2021 with a payment of \$13,344, including interest.

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. The Village repays the loan in semiannual installments of \$19,281, including interest, over 20 years. Payments were made from the sewer fund.

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2021**

The WWTP Improvements OPWC loan was issued in the amount of \$375,000 during 2018. One payment was made on this debt during 2021, in the amount of \$6,250. The payments were made from the sewer fund. The Village will repay the loan in semiannual installments over 30 years.

The OPWC Lift Station Improvements loan was approved in 2017 in the total amount of \$150,000. One payment was made on this debt in the amount of \$2,500 in September 2021. The Village will repay the loan in semiannual installments over 30 years.

In July 2019, the Village obtained a loan in the amount of \$31,065 through Covington Savings & Loan to purchase a new Vermeer Chipper with payments beginning in 2020. This loan was paid in full July 2021 with a payment of \$26,135, including interest.

The Street and Waterline Utility Project OPWC loan was issued for State Route 48 during 2021 in the amount of \$349,412. No payments were made on this loan in 2021. The first payment is due in July 2022. The Village will repay the loan in semiannual installments of \$5,823 over 30 years. Payments will be made from the street fund.

The Street and Waterline Utility Project OWDA loan was issued for State Route 48 during 2021 in the amount of \$300,050. No payments were made on this loan in 2021. The first payment is due in January 2022. The Village will repay the loan in semiannual installments of \$7,892, including interest, over 20 years. Payments will be made from the water fund.

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

In the prior year, total loan balances disclosed were \$3,110,199. This amount was overstated by \$5,351. The 2019 Vermeer Chipper Loan was overstated by \$97, and the WTP and New Wells OWDA loan by \$5,254.

**Lease**

The Village leases buildings, vehicles, and other equipment under noncancelable leases. The Village disbursed \$37,056 including interest for the final lease payment on a 2017 trash truck for the year ended December 31, 2021.

In January 2021, the Village entered into a lease agreement for a new Tymco Street Sweeper. The original amount of the lease is \$174,263, at an interest rate of 3.56%, and a term of five years. No payments were made in 2021. An annual principal and interest payment of \$38,662 will begin in May 2022.

**Amortization**

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

Year ending December 31:	Lease	OWDA Loan	Improvement Bond	OPWC Loans
2022	\$38,662	\$442,998	\$105,806	\$57,897
2023	\$38,662	\$295,332	\$102,719	\$42,480
2024	\$38,662	\$295,332	\$99,631	\$42,480
2025	\$38,662	\$295,332	\$96,544	\$42,480
2026	\$38,662	\$54,346	\$0	\$42,480
2027-2031	\$0	\$271,728	\$0	\$212,402
2032-2036	\$0	\$271,728	\$0	\$212,402
2037-2041	\$0	\$128,870	\$0	\$212,402
2042-2046	\$0	\$0	\$0	\$199,068
2047-2051	\$0	\$0	\$0	\$89,485
Total	<u>\$193,310</u>	<u>\$2,055,666</u>	<u>\$404,700</u>	<u>\$1,153,576</u>

**Village of Covington  
Miami County  
Notes to the Financial Statements  
For the Year Ended December 31, 2021**

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**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.

**Note 13 – Fund Balances**

Included in fund balance are amounts the Village cannot spend, including the balance of unclaimed monies which cannot be spent for five years and the unexpendable corpus of the permanent funds.

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Capital Projects	Total
Outstanding Encumbrances	\$ 23,089	\$ 20,265	\$ 1,132	\$ 44,486
<i>Total</i>	<u>\$ 23,089</u>	<u>\$ 20,265</u>	<u>\$ 1,132</u>	<u>\$ 44,486</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

**Note 14 - COVID-19**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic, Ohio's state of emergency ended in June 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**Note 15 – Subsequent Events**

In January 2022, the Village applied for and was granted a water pollution control loan for the design of the new wastewater plant through OWDA for a total of \$643,125 at 0% interest. The intention is for this loan to be rolled into a construction loan once the design is completed in January 2023.



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## 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 types as of and for the years ended December 31, 2022 and 2021, and related notes of the Village of Covington, Miami County, (the Village) and have issued our report thereon dated June 6, 2023, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit.

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

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

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings as item No. 2022-001 that we consider to be a material weakness.

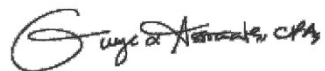


***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Village's financial statements are free from 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 financial statements. 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2022-002.

***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.



Columbus, Ohio  
June 6, 2023

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2022-001**

**Material Weakness – Accuracy of Financial Statements**

In our audit engagement letter, as required by AU-C Section 210, 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.

All local public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Ohio Village Handbook provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications will provide the Village with information required to monitor compliance with the budget and prepare annual reports in the format required by the Auditor of State.

The Village did not properly post all receipts and expenditures. Amounts were not always posted to the correct fund and/or line item. The following errors were noted:

- In 2021, the Village entered into a lease agreement for the purchase of a street sweeper. The Village did not record the proceeds from the lease in its accounting ledgers or financial statements. The Village also failed to recognize the related capital outlay resulting from the lease.

Audit adjustments, which were agreed by management, are reflected in the financial statements and in the accounting, records correcting the misstatement.

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:** We did not receive a response to this finding from Officials.

**VILLAGE OF COVINGTON  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2022 AND 2021**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2022-002**

**Non-Compliance: Appropriations in Excess of Expenditures ORC 5705.41(B)**

**Ohio Rev. Code § 5705.41(B)** states, in part, no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Village's General, Water Operating and Refuse Operating funds had expenditures in excess of appropriations in the amount of \$45,596, \$75,194, and \$84,929, respectively, at December 31, 2021.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources and expenditures to exceed appropriations, resulting in deficit spending practices.

The Village should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if necessary, to reduce the likelihood of expenditures exceeding appropriations.

**Officials' Response:** We did not receive a response to this finding from Officials.



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2022 AND 2021**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2020-001	Material Weakness – Financial Statement Errors	Partially Corrected	Reissued under 2022-01.

1 South High Street, Covington, Ohio 45318  
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# 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 7/11/2023**

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)