CITY OF COVINGTON, LOUISIANA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2018

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CITY OF COVINGTON, LOUISIANA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2018

Submitted by:

Department of Administration

Gina Hayes, Chief Administrative Director

Alisa Faciane, Director of Finance

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CITY OF COVINGTON, LOUISIANA
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INTRODUCTORY SECTION

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MIKE COOPER
Mayor

CITY OF COVINGTON
317 North Jefferson Avenue
Post Office Box 778
Covington, Louisiana 70434
phone 985.892.1811
fax 985.898.4723
www.covla.com

June 13, 2019

To the Honorable Mayor Michael B. "Mike" Cooper, Members of the Covington City Council and Citizens of the City of Covington:

State law requires that all general-purpose local governments publish, within six (6) months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the Covington City Government (the "City") for the year ended December 31, 2018.

This report consists of the administration's representations concerning the finances of the City. Administration, hereinafter referred to as "Management", assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As Management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Carr, Riggs & Ingram, LLC, a firm of licensed certified public accountants, has audited the City's financial statements and has issued an unmodified ("clean") opinion on the City of Covington's financial statements for the year ended December 31, 2018. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PATRICK MCMATH
Councilman-at-Large
R. S. "SAM" O'KEEFE
Councilman-at-Large
JOHN CALLAHAN
Councilman, District "A"
JERRY CONER
Councilman, District "B"
JOEY ROBERTS
Councilman, District "C"
LARRY ROLLING
Councilman, District "D"
RICK SMITH
Councilman, District "E"

Profile of the Government

The City was founded by John Wharton Collins, a New Orleans merchant by way of New York, on July 4, 1813 as the Town of Wharton. The City was formally incorporated in 1816 by the state legislature and renamed Covington much to the chagrin of John Wharton Collins. The City of Covington is located in St. Tammany Parish in southeast Louisiana and encompasses approximately 7.98 square miles. Covington is the Parish seat and houses the 22nd Judicial District Court, also known as the St. Tammany Parish Courthouse.

Covington is a political subdivision of the State of Louisiana located in St. Tammany Parish. The citizens of Covington approved and adopted the Home-Rule Charter on November 7, 1978. The City operates a Mayor-Council form of government. Both the Mayor and the Council are elected by the voters to serve a four-year term with a limit of two (2) consecutive terms. The Mayor is the head of the executive branch. The Mayor's responsibilities include, but are not limited to, administering policies that facilitate the adherence to ordinances created by the Council, effectuating the smooth daily operations of government, and appointing the department heads. The Council is the legislative branch of the city. The Council's responsibilities include, but are not limited to, passing ordinances and resolutions, as well as adopting an annual budget. The Council consists of seven (7) members – five (5) of which are district members and two (2) of which are at-large members.

The City provides a full range of services, including police and fire protection, construction and maintenance of roads, bridges, drainage and other infrastructure, water and sewer services, permitting and inspections, code enforcement, planning and zoning, recreational activities, cultural events and other general governmental functions and administrative services. The financial reporting entity consists of the primary government and has no component units. A more detailed discussion of the reporting entity is included in Note 1 in the Notes to the Financial Statements.

The annual budget, both operating and capital, serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the Mayor on or before mid-July of each year. The Mayor uses these requests as a starting point for developing the Proposed Budget. The Mayor also prepares a five (5) year Capital Improvement Plan. The Mayor then presents the Proposed Budget and Capital Improvement Plan to the City Council at the first council meeting in September. The Council is required to hold public hearings and publish the Proposed Budget in the official journal at least ten (10) days prior to the hearing.

Department heads may make transfers of appropriations within a department. The transfer of appropriations between departments requires the approval of the governing City Council.

Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on pages 75-83.

Factors Affecting Financial Condition

Local Economy

Although Covington has a residential population of approximately 8,765 people, the population swells to approximately 20,000 during the day due to the Courthouse and St. Tammany Parish Hospital. In 2014 the City experienced an increase of approximately 4 %. In 2015, the City experienced a decrease in sales tax of less than 1%. In 2016, 2017 and 2018 the city experienced an increase in sales tax of 6%, 5.7%, and 3.4% respectively. The City is optimistic that sales tax will continue to increase in 2019.

Long-term Financial Planning

The five (5) year Capital Improvement Plan is continuing to be monitored and updated accordingly. With the assistance of the new Geographical Information Systems (GIS) Specialist, the City Engineer is working to complete the process of developing an Infrastructure Master Plan which is intended to guide us for the next twenty (20) years.

Major Initiatives

Over the next year we will be concentrating on the following major projects:

- Wastewater Treatment Plant Improvements
- Wastewater Collection System Repair Program
- Sewer line and lift station improvements and repairs
- Waterline Extensions and Upgrades to provide increased water supply and the addition of fire hydrants where needed for enhanced fire protection in our established neighborhoods
- Improvements to our municipal water wells
- Roadway Overlay and Improvement Program
- Sidewalk Construction and Repair Program
- Drainage and street repairs in River Forest Subdivision, including Willow Drive Phase 2
- Purchase of new Vehicles and/or equipment in Police, Fire, Recreation and Public Works Departments, replacing vehicles and/or equipment that will be taken out of service and surplused
- Maintenance and improvements to public buildings and facilities
    1) Renovations of four (4) public restrooms in the Greater Covington Center
    2) Interior Renovations of the day area and kitchen of the Ernest J. Cooper Memorial Fire Station
    3) Interior Renovations of the Administrative and Detective Offices of the Police Department

- Investment in conversion to new Water Meter System
- Funding for Engineering Services for adopted future projects

Among the Capital Infrastructure Projects funded in the ***2018 Budget*** which are in varying stages of design, engineering, permitting, and/or construction are the following which are scheduled for completion in 2019:

- Replacement of 11th Ave Bridge at Mile Branch
- Replacement of W. 15th Ave Bridge at Simpson Creek
- Relocation of water and sewer utilities for the Jefferson/21st Ave Roundabout Project
- Grading, De-Snagging and Clearing of the Patricia Drive Ditch
- Grading, De-Snagging and Clearing of the Blue Swamp Creek
- Clearing and Bank Stabilization of a defined section of Mile Branch
- Construction of a shared use trail along N. Jefferson Ave connecting the Tammany Trace to the new roundabout at 21st Ave
- Claiborne Hill Water System Improvements

In addition to the above referenced Capital Infrastructure Projects, the following Building Projects funded in the ***2018 Budget*** are underway in different stages of construction:

- Addition of two full-length vehicle bays at the Ernest J Cooper Memorial Fire Station on N. Jefferson Ave
- New ADA bathroom facility at Rev Peter Atkins Park
- Construction of a new Public Works Office Facility replacing the outdated, outgrown building
- Renovation of the Old Fire Station at Theard Street

Acknowledgments

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Covington for its comprehensive annual financial report for the fiscal year ended December 31, 2017. This was the 7th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to thank the City Council, especially Council President, R.S. "Sam" O'Keefe, for their unfailing support for elevating and maintaining the highest standards of professionalism in the management of the City's finances.

Finally, and most importantly, we would like to thank Mayor Michael B. "Mike" Cooper for his leadership and the confidence he has shown in us over the past eight years. We hope that we have assisted him in accomplishing all of his goals as Mayor of his hometown.

Respectfully submitted,

GINA T. HAYES
Chief Administrative Officer

ALISA B. FACIANE
Director of Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Covington

Louisiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF COVINGTON
PRINCIPAL ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2018

MAYOR

Mike Cooper - Mayor

COUNCIL MEMBERS

R.S. “Sam” O’Keefe – Councilman at Large

Patrick McMath – Councilman at Large

John Callahan – Councilman District A

Jerry Coner – Councilman District B

Joey Roberts – Councilman District C

Larry Rolling – Councilman District D

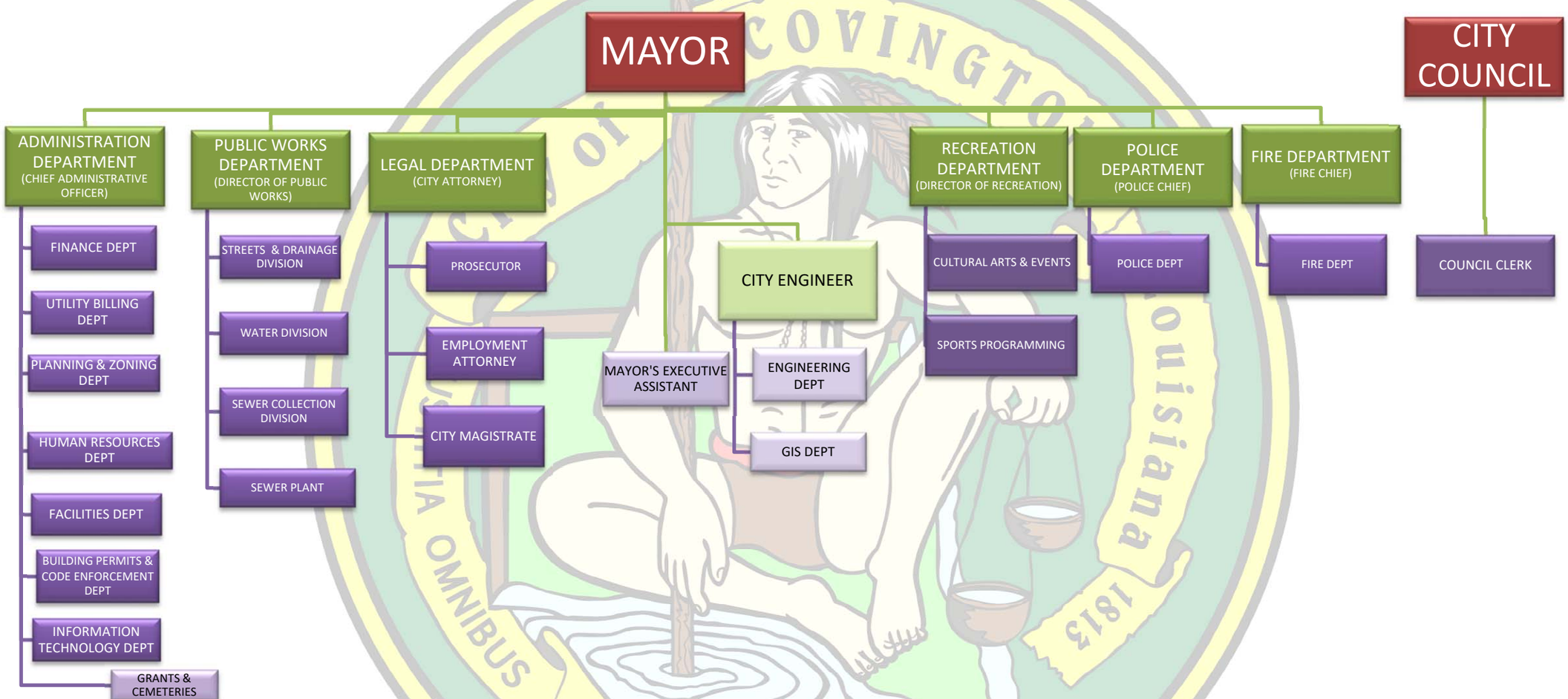
Rick Smith – Councilman District E

CHIEF OF POLICE

Steven Culotta – Interim Chief of Police

FIRE CHIEF

Gary S. Blocker Jr. – Fire Chief


MAYOR
CITY COUNCIL
ADMINISTRATION DEPARTMENT (CHIEF ADMINISTRATIVE OFFICER)
PUBLIC WORKS DEPARTMENT (DIRECTOR OF PUBLIC WORKS)
LEGAL DEPARTMENT (CITY ATTORNEY)
RECREATION DEPARTMENT (DIRECTOR OF RECREATION)
POLICE DEPARTMENT (POLICE CHIEF)
FIRE DEPARTMENT (FIRE CHIEF)
FINANCE DEPT
UTILITY BILLING DEPT
PLANNING & ZONING DEPT
HUMAN RESOURCES DEPT
FACILITIES DEPT
BUILDING PERMITS & CODE ENFORCEMENT DEPT
INFORMATION TECHNOLOGY DEPT
GRANTS & CEMETERIES
STREETS & DRAINAGE DIVISION
WATER DIVISION
SEWER COLLECTION DIVISION
SEWER PLANT
PROSECUTOR
EMPLOYMENT ATTORNEY
CITY MAGISTRATE
CITY ENGINEER
MAYOR'S EXECUTIVE ASSISTANT
ENGINEERING DEPT
GIS DEPT
CULTURAL ARTS & EVENTS
SPORTS PROGRAMMING
POLICE DEPT
FIRE DEPT
COUNCIL CLERK

FINANCIAL SECTION

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CRI CARR RIGGS & INGRAM
CPAs and Advisors

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Covington, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Covington, Louisiana (the "City"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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 City's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 21 to the financial statements, certain errors resulting in misstatement of special revenue funds as of December 31, 2017, were discovered by management of the City during the current year. Accordingly, an adjustment of $1,167,943 was made to the beginning net position of the General Fund. Our opinion is not modified with respect to this matter.

As described in Note 20 to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, which resulted in a cumulative effect of change in accounting principle of ($2,603,447) and ($632,406) to the December 31, 2017 net position for governmental activities and business-type activities, respectively. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Employer Contributions, Schedule of Investment Returns, budgetary comparison information, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Employer Contributions to the Pension Funds on pages 4-13 and 72-87, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund statements and schedules, Schedule of Council Compensation, Schedule of Compensation, Benefits, and Other Payments to Agency Head, and introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules Schedule of Council Compensation, and Schedule of Compensation, Benefits, and Other Payments to Agency Head are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund statements and schedules, Schedule of Council Compensation, and Schedule of Compensation, Benefits, and Other Payments to Agency Head are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2019on our consideration of the City'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 the effectiveness of the City'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 City's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

June 13, 2019

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2018

Our discussion and analysis of the City of Covington's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2018. Please review in conjunction with the Letter of Transmittal on page iv and the City's Basic Financial Statements, which begin on page 14.

Reviewing the Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 14 and 15) provide information about the activities of the City as a whole and present a long-term view of the City's finances.

Fund financial statements start on page 16. For governmental activities, these statements report how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as an agent for the benefit of those outside of the government.

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's financial activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. As such, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position—the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources—as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall financial health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities—Most of the City's basic services are reported here, including the police, fire, public works, and recreation and culture departments, and general administration. Sales and use taxes, property taxes, and franchise fees finance most of these activities.

- Business-type activities—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems, are reported here.

Fund Financial Statements

Our analysis of the City's major funds begins on page 9. The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City establishes other funds to help it control and manage money for particular purposes or to account for it to meet legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

- Governmental funds—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations on page 17 and 19 of the Basic Financial Statements.

- Proprietary funds—When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information such as cash flows for the proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 24 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning budgetary basis reporting for the General Fund as well as other information detailed in the table of contents surrounding OPEB and pension liabilities. Required supplementary information can be found on pages 72 to 87 of this report.

The combining statements of non-major governmental funds are presented immediately following the Required Supplementary Information. Combining statements and schedules can be found on pages 89 to 90 of this report.

Financial Highlights

After this year's operations, the City's ending net position is as follows: the net position of governmental activities was $24,775,716 and the net position of business-type activities was $26,054,156 and.

- The current year's expense total was $14,639,944 as compared to the $17,309,437 generated in fees and charges, grants, general revenues, and taxes for governmental programs (before special items). In the previous year, expenses were $15,421,236 as compared to the $17,116,576 generated in tax and other revenues for governmental programs (before special items).
- For business-type activities. City revenues (before special items) were $5,703,311. Expenses were $4,960,245.
- The annual cost of all City programs was $19,600,189. The previous year's cost was $20,233,118.

Table 1
Net Position (in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Current and Other Assets	$ 18,172	$ 18,433	$ 6,407	$ 5,331	$ 24,579	$ 23,764
Capital Assets, net	30,104	28,384	22,917	22,690	53,021	51,074
Total Assets	**48,276**	**46,817**	**29,324**	**28,021**	**77,600**	**74,838**
Deferred loss on refunding	116	132	-	-	116	132
Deferred outflows – pension	2,746	3,096	505	587	3,251	3,683
Deferred outflows – other post-employment benefit	12	-	2	-	14	-
Total Deferred Outflows	**2,874**	**3,228**	**507**	**587**	**3,381**	**3,815**
Current liabilities	2,940	2,970	1,158	600	4,098	3,570
Long-term liabilities	21,818	21,762	2,390	1,990	24,208	23,752
Total Liabilities	**24,758**	**24,732**	**3,549**	**2,590**	**28,307**	**27,322**
Advance Collections	-	12	-	-	-	12
Deferred inflows – pension	869	591	104	75	973	666
Deferred inflows – other post-employment benefits	747	-	125	-	872	-
Total Deferred Inflows	**1,616**	**603**	**229**	**75**	**1,845**	**678**
Net Position						
Net investment in capital assets	25,478	23,052	22,917	22,690	48,395	45,742
Restricted	1,804	1,595	-	-	1,804	1,595
Unrestricted	(2,506)	63	3,136	3,253	630	3,316
Total Net Position	**$ 24,776**	**$ 24,710**	**$ 26,053**	**$ 25,943**	**$ 50,829**	**$ 50,653**

Government-Wide Financial Analysis

The City's combined net position from the previous year was $50,653,166 as compared to $50,829,872 this year. However, net position and expenses from governmental and business-type activities must be reviewed separately. Table 1 focuses on the net position and Table 2 focuses on changes in the net position of the City's governmental and business-type activities.

The City's net position for governmental activities was $24,775,716 this year as compared to $24,709,670 last year. Unrestricted net position for governmental activities was ($2,506,238) this year as compared to $62,767 last year. Unrestricted net position are those funds that that can be used to finance everyday operations without restrictions set by legislation, debt covenants, or other legal regulations. Unrestricted net position decreased primarily due the change in accounting principle for other post-employment benefits (See Note 20).

The net position of the City's business-type activities was $26,054,156 this year as compared to $25,943,496 last year.

By far the largest portion of the City's net position reflects its investment in capital assets (e.g. infrastructure, land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Covington uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the current fiscal year, the City is able to report overall positive net position, both for the government as a whole, as well as a for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

City revenues (excluding special items) for the current year were $24,062,748 as compared to $22,907,646 in the previous year. The total yearly cost of all programs and services was $19,600,189 as compared to $20,223,118 in the previous year.

Table 2
Changes in Net Position
(*in Thousands)*

	Governmental Activities		Business-Type Activities		Total Primary Government	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenues						
Program Revenues						
Charges for Services	$ 1,992	$ 1,651	$ 4,356	$ 4,093	$ 6,348	$ 5,744
Restricted Operating Grants	138	54	-	-	138	54
Restricted Capital Grants	3	592	-	-	3	592
General Revenues:						
Property Taxes	2,866	2,852	-	-	2,866	2,852
Sales Taxes	12,430	11,973	-	-	12,430	11,973
Other Taxes	825	763	-	-	825	763
Interest and Investment Income	197	88	-	-	197	88
Other General Revenues	1,209	812	47	29	1,256	841
Total Revenues	**19,660**	**18,786**	**4,403**	**4,122**	**24,063**	**22,908**
Program Expenses						
General Government	3,353	4,038	-	-	3,353	4,038
Public Safety	6,811	6,869	-	-	6,811	6,869
Public Works	3,469	3,296	-	-	3,469	3,296
Culture and Recreation	900	1,095	-	-	900	1,095
Interest on Long-Term Debt	107	124	-	-	107	124
Water and Sewer	-	-	4,138	4,012	4,138	4,012
Other Utilities	-	-	823	790	823	790
Total Expenses	**14,640**	**15,422**	**4,961**	**4,802**	**19,601**	**20,224**
Excess (Deficit) Before Special Items and Transfers	5,020	3,364	(558)	(680)	4,462	2,684
Transfers	(2,350)	(1,669)	1,301	1,669	(1,049)	-
Change in Net Position	**2,670**	**1,695**	**743**	**989**	**3,413**	**2,684**
Net Position – Beginning	**24,710**	**23,015**	**25,943**	**24,953**	**50,653**	**47,969**
Cumulative effect of change in accounting principle (Note 20)	(2,604)	-	(632)	-	(3,236)	-
Net Position – Beginning (As Restated)	**22,106**	**23,015**	**25,311**	**24,953**	**47,417**	**47,969**
Net Position – Ending	**$ 24,776**	**$ 24,710**	**$ 26,054**	**$ 25,943**	**$ 50,830**	**$ 50,653**

Governmental Activities

This year's governmental activities revenues were $19,660,274 as compared to $18,785,596 last year. Total revenues increased by $874,678 or 4.7%. This is primarily due to the increase in sales tax.

This year's governmental activities cost was $14,639,944 as compared to $15,421,236 in the previous year. Total expenses decreased by $781,292 or -5.1%. This is primarily due to the opening of the OPEB trust as well as the change in accounting principle for other post-employment benefits (See Note 20).

Business-Type Activities

This year's business-type activities revenues were $4,402,474 as compared to $4,122,050 last year. Total revenues increased by $280,424 or 6.8%. This increase is primarily due to growth of the community.

This year's expenses were $4,960,245 as compared to $4,801,882 in the previous year. Total expenses increased by $158,363 or 3.3%. The increase is primarily to equipment purchases and depreciation expense.

Table 3 details the cost of the City's major programs as well as each program's net cost (total cost less revenues generated by the program). The net cost indicates the financial burden that was shifted to the City's taxpayers by each of these programs:

Table 3
Governmental Activities
(*in Thousands*)

	Total Cost of Services		Net Cost of Services	
	Current Year	Previous Year	Current Year	Previous Year
Police Department	$ 4,663	$ 4,563	$ 4,577	$ 4,459
Fire Department	2,148	2,306	2,142	2,303
Public Works	3,469	3,296	3,409	2,665
Culture and Recreation	900	1,095	627	860
All Others	3,460	4,161	1,752	2,837
Totals	**$ 14,640**	**$ 15,421**	**$ 12,507**	**$ 13,124**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $16,419,870, a decrease of $229,623 in comparison with the prior year.

Approximately 48% of the ending fund balance, or $7,874,558, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending. Approximately 22% is assigned, 19% is committed, 10% is restricted and 1% is nonspendable.

The fund balance of the general fund decreased by $870,448 in the current year, and decreased by $233,938 in the prior year (as restated). The decrease is primarily due to the increase in capital outlay projects.

Total revenue in the general fund increased by $955,940 or 7%. This increase is primarily due to the increase in sales tax.

Expenditures in the general fund increased $960,801 or 7%. Expenses in general government increased by $192,011 or 6%. Public safety expenses increased by $240,182 or 4%. Public Works had a decrease in expenses of $48,038 or -2%. There was a decrease in culture and recreation expenses of $101,239 or -11.9% due the Cultural Arts and Events expenses moving from the general government. There was an increase of $677,564 or 34.8% in capital outlay expenses in the current year as in comparison with prior year with an increase in the amount of capital projects. 21 projects are in progress as of December 31, 2018 in comparison to the 17 projects there were in progress as of December 31, 2017.

The A3 Sales Tax Fund accounts for the special annexation sales tax. Total revenues increased $223,862 or 7.8% due to an increase in sales tax collections for the current year.

General Fund Budgetary Statements

The City Council revised the 2018 original adopted budget numerous times throughout the year as revenues and expenditures changed. The original budget was voted and approved on November 15, 2017 and the amended budgets were voted and approved on April 17, 2018, May 15, 2018, June 19, 2018, September 18, 2018, and November 20, 2018.

By budgetary policy, revenue estimates are prepared with a conservative bias. Overall, general fund revenue in 2018 experienced a positive variance of $719,045 or 5.0% from the amount in the final adopted budget.

The final budget for general fund expenditures increased $3,005,761 or 17.4% from the original budget for 2018 primarily due to approved capital outlay projects. Actual expenditures were $2,461,179 less than the original adopted budget and $5,466,940 less than the final adopted budget. The decrease in expenditures between the final adopted budget and actual expenditures is mainly due to the Capital Outlay projects.

Capital Assets

Table 4
Capital Assets at Year-End
(*Net of Depreciation, in Thousands)*

	Governmental Activities		Business-Type Activities		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Land	$ 807	$ 782	$ -	$ -	$ 807	$ 782
Building and Improvements	9,390	9,584	-	-	9,390	9,584
Equipment	1,764	1,739	4,525	4,667	6,289	6,406
Infrastructure	16,329	14,423	16,799	17,026	33,128	31,449
Construction in Progress	1,813	1,856	1,594	997	3,407	2,853
Total	**$ 30,103**	**$ 28,384**	**$ 22,918**	**$ 22,690**	**$ 53,021**	**$ 51,074**

At the close of the year, the City had invested $53,021,309 (see Table 4). $51,073,532 was invested in similar assets last year.

The current year's significant capital asset additions included:

- Governmental Activities: Capital asset additions included the 2016 Roadway Improvements, Willow Drive River Forest (Phase I), 2017 Road Improvements, W 29th Avenue Bridge Repairs, 2016 Sidewalks, and Covington Community Trail.
- Business-Type Activities: E 1st Avenue L/S Improvements, WTTP Improvements, WTTP Plant Capital Plan Task 1 & 2, Sewer System Improvements, Sanitary Sewer System Evaluation, and Water Distribution System Improvements.

More detailed information about the City's capital assets is presented in Note 12 to the financial statements.

Debt Management

At the close of the year, the City had $4,742,000 in outstanding bonds and notes as compared to $5,464,000 in the previous year (see Table 5). This decrease in debt of $722,000 is due to regularly scheduled principal payments along with the defeasance of General Obligation Bonds.

Table 5
Outstanding Debt at Year-End
(*in Thousands)*

	Governmental Activities		Business-Type Activities		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
General Obligation Bonds (Backed by the City)	$ 3,797	$ 4,229	$ -	$ -	$ 3,797	$ 4,229
Revenue Bonds and Notes (Backed by Specific Tax and Fee Revenues)	945	1,235	-	-	945	1,235
Total	**$ 4,742**	**$ 5,464**	**$ -**	**$ -**	**$ 4,742**	**$ 5,464**

More detailed information about the City's long-term liabilities is presented in Note 14 to the financial statements.

Economic Issues/Upcoming Yearly Budgets

City public officials considered many issues when establishing the upcoming year's budget, tax rates, and fees.

In 2019 we anticipate over 61% of the City's general fund revenues will be derived from sales taxes. We budgeted $12,406,073 in net sales tax collections for 2019, which represents approximately 3.47% of an increase from 2018 budgeted.

From the general fund sales tax revenues, $319,655 will go to the Sales Tax Bond Sinking Fund for bond payments.

Another $1,541,865 will be transferred from the A3 Sales Tax Fund to the General Fund for the purpose of maintaining roads, bridges and drainage in areas where it benefits residents of St. Tammany Parish Sales Tax District 3. An additional $1,551,218 of revenue in the A3 Sales Tax is dedicated to the construction and maintenance of roads, bridges and drainage projects in St. Tammany Parish Sales Tax District 3.

Ad Valorem Tax is anticipated to generate just over $2,396,223 in revenue for the General Fund. This represents about a 1.9% increase over 2018 projected and is based upon an assessed valuation of $141,800,091. It should be noted that property taxes represent 14% of the 2019 General Fund Budget. The City of Covington currently has the following ad valorem tax assessments: 21.00 millage comprised of 3.5 millage for retiring general obligation bonds, 7.5 millage to general fund revenues, and 10.0 millage for operation and maintenance of the Fire Department. All millage rates were approved by the voters in 2018.

The administration recognizes that the amount of revenues generated does not cover the amount of expenses proposed in the general fund budget. In order to subsidize this difference, funds are taken from the General Fund Balance. The projected difference between revenues and expenditures in the 2019 budget is $1,264,146. This includes $2,042,155 in one-time capital expenditures and $1,500,000 transfer out to the Utility Fund. This budget, while balanced, provides for an estimated $2,987,564 unassigned General Fund Balance at the end of 2019. An additional $2,286,901 is in Assigned Fund Balance for the GFOA recommended 2 months of operating expenditures or revenue range to cover emergencies and unexpected expenditures. The British Petroleum Settlement Proceeds has all been earmarked for investments in projects which fuel economic development, protection of our environment, enhancement of active and passive recreational opportunities, traffic, transportation, public works, historic preservation and other priorities which are determined to be of positive benefit to the citizens and our community. Finally, $1,050,000, which was in the Other Post-Employment Benefits (OPEB) assigned fund balance in 2017, has since been moved to a fiduciary fund as the OPEB Trust fund was established in December of 2018.

Contact Information

The financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

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Chief Administrative Officer
317 N. Jefferson Ave.
Covington, LA 70433
Phone: 985-892-1811
Fax: 985-898-4723
ghayes@covla.com

BASIC FINANCIAL STATEMENTS

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CITY OF COVINGTON, LOUISIANA
STATEMENT OF NET POSITION
December 31, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	$ 15,568,509	$ 400	$ 15,568,909
Investments - LAMP	4,143,636	-	4,143,636
Certificates of deposit	302,455	-	302,455
Receivables, net	3,937,359	515,896	4,453,255
Internal balances	(5,882,517)	5,882,517	-
Prepaid expense	102,447	7,745	110,192
Capital assets not being depreciated	2,620,839	1,594,051	4,214,890
Capital assets being depreciated, net of accumulated depreciation	27,482,717	21,323,702	48,806,419
TOTAL ASSETS	48,275,445	29,324,311	77,599,756
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	115,992	-	115,992
Deferred outflows - pension plans	2,746,119	504,848	3,250,967
Deferred outflows - other post-employment benefits	12,371	2,077	14,448
TOTAL DEFERRED OUTFLOWS	2,874,482	506,925	3,381,407
LIABILITIES			
Accounts payable	1,438,822	751,068	2,189,890
Accrued payroll expenses	301,794	14,495	316,289
Customer deposits	-	392,112	392,112
Accrued interest	26,717	-	26,717
Unearned revenue	-	86	86
Compensated absences:			
Due within one year	427,084	-	427,084
Due in more than one year	80,500	-	80,500
Claims and judgements:			
Due within one year	-	-	-
Revenue bonds payable:			
Due within one year	299,000	-	299,000
Due in more than one year	646,000	-	646,000
General obligations bond payable:			
Due within one year	447,000	-	447,000
Due in more than one year	3,350,000	-	3,350,000
Net pension liability	12,193,294	1,972,231	14,165,525
Net other post-employment benefit liability	5,548,418	417,955	5,966,373
TOTAL LIABILITIES	24,758,629	3,547,947	28,306,576
DEFERRED INFLOWS OF RESOURCES			
Advanced collections	300	-	300
Deferred inflows - pension plans	868,834	103,844	972,678
Deferred inflows - other post-employment benefits	746,448	125,289	871,737
TOTAL DEFERRED INFLOWS	1,615,582	229,133	1,844,715
NET POSITION			
Net investment in capital assets	25,477,548	22,917,753	48,395,301
Restricted for:			
Expendable:			
Debt service	1,049,690	-	1,049,690
Perpetual care	15,762	-	15,762
FHA loan program	250,642	-	250,642
Fire department	1,935	-	1,935
Drug forfeiture	31,142	-	31,142
Tree mitigation	4,990	-	4,990
Capital outlay	322,843	-	322,843
Nonexpendable:			
Permanent Fund	127,402	-	127,402
Unrestricted	(2,506,238)	3,136,403	630,165
TOTAL NET POSITION	$ 24,775,716	$ 26,054,156	$ 50,829,872

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities							
General government	$ 3,352,924	$ 1,658,114	$ 51,414	$ -	$ (1,643,396)	$ -	$ (1,643,396)
Public safety - Police	4,663,107	61,740	24,263	-	(4,577,104)	-	(4,577,104)
Public safety - Fire	2,147,677	-	5,262	-	(2,142,415)	-	(2,142,415)
Public works	3,468,910	-	56,451	3,097	(3,409,362)	-	(3,409,362)
Culture and recreation	900,389	272,055	1,000	-	(627,334)	-	(627,334)
Interest on long-term debt	106,937	-	-	-	(106,937)	-	(106,937)
Total Governmental Activities	14,639,944	1,991,909	138,390	3,097	(12,506,548)	-	(12,506,548)
Business-Type Activities							
Water	1,741,357	1,568,834	-	-	-	(172,523)	(172,523)
Sewer	2,396,349	1,902,523	-	-	-	(493,826)	(493,826)
Garbage	822,539	884,599	-	-	-	62,060	62,060
Total Business-Type Activities	4,960,245	4,355,956	-	-	-	(604,289)	(604,289)
Total	$ 19,600,189	$ 6,347,865	$ 138,390	$ 3,097	(12,506,548)	(604,289)	(13,110,837)
		General Revenues					
		Taxes:					
		Sales taxes			12,429,707	-	12,429,707
		Property taxes			2,866,280	-	2,866,280
		Franchise taxes			825,019	-	825,019
		Other general revenues			761,177	-	761,177
		Miscellaneous revenues			48,042	-	48,042
		Other Revenues					
		Interest and penalties			197,327	-	197,327
		Non-employer contribution revenue			299,191	29,711	328,902
		Benefit payments			100,135	16,807	116,942
		Transfers			(2,350,837)	1,300,837	(1,050,000)
		Total General Revenues, Other Revenues, and Transfers			15,176,041	1,347,355	16,523,396
		Change in net position			2,669,493	743,066	3,412,559
		Net position - beginning of year			24,709,670	25,943,496	50,653,166
		Cumulative effect of change in accounting principle (Note 20)			(2,603,447)	(632,406)	(3,235,853)
		Net position - beginning of year (as restated)			22,106,223	25,311,090	47,417,313
		Net position - end of year			$ 24,775,716	$ 26,054,156	$ 50,829,872

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018

	General Fund	A3 Sales Tax Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 15,216,305	$ -	$ 352,204	$ 15,568,509
Equity in pooled cash	-	2,888,178	368,353	3,256,531
Investments - LAMP	4,143,636	-	-	4,143,636
Certificates of deposits	-	-	302,455	302,455
Receivables:				
Property taxes	1,981,354	-	456,149	2,437,503
Sales tax	1,071,134	320,475	-	1,391,609
Notes receivable	19,338	-	-	19,338
Grant receivable	-	-	73,412	73,412
Accrued interest	-	-	-	-
Other	15,497	-	-	15,497
Prepaid expenditures	102,447	-	-	102,447
Due from other funds	32,387	-	-	32,387
TOTAL ASSETS	$ 22,582,098	$ 3,208,653	$ 1,552,573	$ 27,343,324
LIABILITIES				
Accounts payable	$ 1,355,295	$ 56,029	$ 27,498	$ 1,438,822
Equity in pooled cash	9,070,713	-	54,992	9,125,705
Accrued payroll expenditures	301,794	-	-	301,794
Due to other funds	22,000	2,652	21,078	45,730
TOTAL LIABILITIES	10,749,802	58,681	103,568	10,912,051
DEFERRED INFLOWS OF RESOURCES				
Advanced collections	11,103	-	-	11,103
Unavailable revenues	-	-	300	300
TOTAL DEFERRED INFLOWS OF RESOURCES	11,103	-	300	11,403
FUND BALANCE				
Nonspendable:				
Permanent fund	102,447	-	24,955	127,402
Restricted:				
Perpetual care	-	-	15,762	15,762
Capital outlay	-	-	322,843	322,843
Debt service	677	-	1,049,013	1,049,690
FHA loan program	250,642	-	-	250,642
Fire department (dedication)	1,935	-	-	1,935
Drug forfeiture	-	-	31,142	31,142
Tree mitigation	-	-	4,990	4,990
Committed:				
Capital outlay	-	3,149,972	-	3,149,972
Assigned:				
2018 operating budget	1,264,146	-	-	1,264,146
Contingency	2,326,788	-	-	2,326,788
Unassigned	7,874,558	-	-	7,874,558
TOTAL FUND BALANCE	11,821,193	3,149,972	1,448,705	16,419,870
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 22,582,098	$ 3,208,653	$ 1,552,573	$ 27,343,324

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2018

Fund Balances - Total Governmental Funds	$	16,419,870
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Governmental capital assets		48,115,351
Less: accumulated depreciation		(18,011,795)
Deferred outflows of resources - pension plans		2,746,119
Deferred inflows of resources - pension plans		(868,834)
Deferred outflows of resources - other post-employment benefits		12,371
Deferred inflows of resources - other post-employment benefits		(746,448)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Accrued interest on bonds		(26,717)
Compensated absences		(507,584)
Revenue bonds, net		(945,000)
General obligations bonds, net		(3,797,000)
Net pension liability		(12,193,294)
Net other post-employment benefit liability		(5,548,418)
Advanced collections		11,103
Deferred loss on refunding		115,992
Net Position of Governmental Activities	$	24,775,716

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	General Fund	A3 Sales Tax Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Sales taxes	$ 9,358,102	$ 3,071,605	$ -	$ 12,429,707
Property taxes	2,327,562	-	538,718	2,866,280
Franchise taxes	825,019	-	-	825,019
Licenses and permits	1,658,114	-	-	1,658,114
Other revenues	459,132	-	-	459,132
Fines and forfeitures	56,656	-	5,084	61,740
Charges for services	103,185	-	168,870	272,055
Intergovernmental revenues	250,160	-	-	250,160
Interest and penalties	156,925	32,754	7,648	197,327
State and federal grants	-	-	142,007	142,007
Total Revenues	15,194,855	3,104,359	862,327	19,161,541
EXPENDITURES				
Current:				
General government	3,242,552	-	61,282	3,303,834
Public safety - Police	4,194,229	-	27,480	4,221,709
Public safety - Fire	1,988,244	-	-	1,988,244
Public works	1,986,849	-	19,278	2,006,127
Culture and recreation	751,614	-	-	751,614
Sewer department	-	-	44,327	44,327
Water department	-	-	18,100	18,100
Capital outlay	2,623,681	1,282,824	5,262	3,911,767
Debt service:				
Principal	-	-	722,000	722,000
Interest	-	-	94,974	94,974
Payments on claims and judgements	30,000	-	-	30,000
Total Expenditures	14,817,169	1,282,824	992,703	17,092,696
Excess (Deficiency) of Revenues Over Expenditures	377,686	1,821,535	(130,376)	2,068,845
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of equipment	52,368	-	-	52,368
Transfers in	1,371,031	-	320,697	1,691,728
Transfers out	(2,671,533)	(1,291,368)	(79,663)	(4,042,564)
Total Other Financing Sources (Uses)	(1,248,134)	(1,291,368)	241,034	(2,298,468)
Changes in Fund Balance	(870,448)	530,167	110,658	(229,623)
Fund Balance, Beginning of Year (as restated)	12,691,641	2,619,805	1,338,047	16,649,493
Fund Balance, End of Year	$ 11,821,193	$ 3,149,972	$ 1,448,705	$ 16,419,870

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

Changes in Fund Balances - Total Governmental Funds	$ (229,623)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives through depreciation expense.	
Capital outlay	3,936,767
Depreciation expense	(2,168,842)
Change in deferred outflows of resources -pension plans	350,056
Change in deferred inflows of resources - pension plans	(277,200)
Change in deferred outflows of resources - other post-employment benefits	12,371
Change in deferred inflows of resources - other post-employment benefits	(746,448)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position.	
Change in compensated absences	164,013
Claims and judgements paid	30,000
Debt principal payments	722,000
Deferred revenue	520
Increase in net pension expense	(383,413)
Change in net other post-employment benefit obligation	1,252,919
Amortization of loss on refunding	(5,590)
Difference in interest cost on the modified accrual basis as reported in the fund statements versus interest expense on the full accrual basis.	11,963
Changes in Net Position of Governmental Activities	$ 2,669,493

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2018

ASSETS	
Current assets	
Cash and cash equivalents	$ 400
Equity in pooled cash	5,869,174
Receivables	
Accounts receivable, net of uncollectible $31,187	515,896
Prepaid expenses	7,745
Due from other funds	22,000
TOTAL CURRENT ASSETS	6,415,215
Capital assets, net of accumulated depreciation	22,917,753
TOTAL ASSETS	29,332,968
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pension plans	504,848
Deferred outflows - other post-employment benefits	2,077
TOTAL DEFERRED OUTFLOWS OF RESOURCES	506,925
LIABILITIES	
Current liabilities	
Accounts payable	751,068
Accrued payroll expense	14,495
Customer deposits	392,112
Unearned revenues	86
Due to other funds	8,657
TOTAL CURRENT LIABILITIES	1,166,418
Noncurrent liabilities	
Net pension liability	1,972,231
Net other post-employment benefit liability	417,955
TOTAL NONCURRENT LIABILITIES	2,390,186
TOTAL LIABILITIES	3,556,604
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pension plans	103,844
Deferred Inflows - other post-employment benefits	125,289
TOTAL DEFERRED INFLOWS OF RESOURCES	229,133
NET POSITION	
Net investment in capital assets	22,917,753
Unrestricted net position	3,136,403
TOTAL NET POSITION	$ 26,054,156

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended December 31, 2018

OPERATING REVENUES	
Sewer maintenance fees	$ 1,817,352
Water revenues	1,382,904
Garbage collection fees	884,599
Miscellaneous	64,015
Connection fees	73,538
Water installations	48,377
DHH fee	64,071
Non-employer contribution revenue	29,711
Benefit payments	16,807
Sewer installations	21,100
TOTAL OPERATING REVENUES	4,402,474
OPERATING EXPENSES	
Sewer department expenses	1,261,132
Water department expenses	1,380,737
Garbage department expenses	822,539
Depreciation	1,495,837
TOTAL OPERATING EXPENSES	4,960,245
OPERATING LOSS	(557,771)
LOSS BEFORE TRANSFERS AND CONTRIBUTIONS	(557,771)
Transfers and Contributions	1,300,837
TOTAL TRANSFERS AND CONTRIBUTIONS	1,300,837
CHANGES IN NET POSITION	743,066
NET POSITION, Beginning of Year	25,943,496
Cumulative effect of change in accounting principle (Note 20)	(632,406)
NET POSITION, Beginning of Year (as restated)	25,311,090
NET POSITION, End of Year	$ 26,054,156

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2018

	2018
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 4,308,748
Other receipts	64,015
Payments to suppliers	(1,900,454)
Payments to employees	(903,443)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,568,866
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Net interfund borrowings to other funds	(39,654)
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	(39,654)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(1,711,055)
Transfer in	1,300,837
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTVITIES	(410,218)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,118,994
CASH AND CASH EQUIVALENTS, Beginning of Year	4,750,580
CASH AND CASH EQUIVALENTS, End of Year	$ 5,869,574
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating loss	$ (557,771)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	1,495,837
Changes in assets and liabilities	
Increase in:	
Deferred outflow - pension plans	82,455
Accounts payable	38,691
Customer deposits	4,615
Net other post-employment benefit liability	417,955
Deferred inflows - pension plans	29,260
Deferred outflows - other post-employment benefit	125,289
Decrease in:	
Accounts receivable	(13,028)
Prepaid expenses	(110)
Deferred outflows - other post-employment benefit	(2,077)
Accrued payroll expenses	(33,372)
Net pension liability	(18,353)
Unearned revenues	(525)
NET PROVIDED BY OPERATING ACTIVITIES	$ 1,568,866

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
December 31, 2018

ASSETS	
Cash and cash equivalents	$ 1,050,000
TOTAL ASSETS	1,050,000
NET POSITION	
Restricted for other post-employment benefits	1,050,000
TOTAL NET POSITION	$ 1,050,000

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Covington, Louisiana (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP); these financial statements present the City as the primary government. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The City of Covington, Louisiana adopted the Home Rule Charter on November 7, 1978, under the provisions of Article VI, Section 5, of the Louisiana Constitution of 1974. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation and utilities, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The City has seven council members which serve four year terms. All seven council members were elected for an additional term in 2015. However, due to the death of one of the at-large council members in October of 2016, an interim council person was appointed in November of 2016. A special election was held in March of 2017 to fill this vacant position. Also, in 2017 due to the election of one of our council members as a state representative an interim council person was appointed in October of 2017. A special election was held in March of 2018 to fill the vacant position. The council members are elected by majority vote. The City covers an approximately eight square mile area and has approximately 8,765 residents. The city has approximately 200 employees who encompass police, fire, public works, recreation and general administration employees. The City operates a water department and a sewerage department.

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name).
- The City holds the corporate powers of the organization.
- The City appoints a voting majority of the organization's board.
- The City is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the City.
- There is a fiscal dependency by the organization on the City.

Based on the aforementioned criteria, the City has no component units.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues from taxes consist primarily of sales and use and property taxes. Property tax revenues are recognized as revenue primarily as received except at year end when they are accrued for a period not exceeding 60 days. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Generally, investment earnings are recorded as earned since they are measurable and available.

Grant funds are considered to be earned when qualifying expenditures are made and all other grant requirements have been met and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

The City reports the following major governmental funds:

- *General Fund* - The General Fund is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal grants, licenses, permits, charges for service, and interest income. At December 31, 2018, there was a minimum fund balance of $2,286,901 which consists of approximately two months of expenditures.

- *A3 Sales Tax* – The A3 Sales Tax fund was created to track the revenues and expenditures of the annexation sales taxes.

The City has one proprietary fund to account for the water, sewer, and garbage services it provides to the residents and businesses of the City.

As a general rule, the effect of interfund activity has been eliminated from the government wide financial statements. Exceptions to this general rule are payments in-lieu-of taxes and other charges between the government's enterprise operations. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues for the City's proprietary fund consist of charges to customers and users of its water, sewer and garbage services. Operating expenses for the City's proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the City's own programs. The fiduciary fund categories within this CAFR include one Other Post-Employment Benefits Fund. The City also has an Other Post-Employment Benefits Trust Fund, which falls under the category of Pension and Other Employee Benefit Trust Funds. This type of fund used to report resources required to be held in trust for the members and beneficiaries of the City, which was established in 2018 for the purpose of providing postemployment retiree medical benefits for the City's eligible retirees. The financials for the aforementioned fiduciary fund can be found beginning with page 23.

D. BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the required supplemental information and other supplemental information:

1. At or prior to the first City Council meeting in September, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted at City Hall.

3. Prior to the last meeting of the current fiscal year, the budget is legally enacted through passage of an ordinance.

4. The Mayor may transfer part or all of any unencumbered appropriation balance among programs within a department, office or agency. Any unencumbered appropriation balance may be transferred from one department, office, or agency to another only upon action of the City Council by ordinance.

5. Formal budgetary integration is employed as a measurement control device during the year for the General Fund, the major Special Revenue Fund, and the Debt Service Funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Debt Service Funds, the Capital Project Funds, Non-Major Special Revenue Funds, and the Permanent Fund. Budgeted amounts are as originally adopted, or as amended by the City Council.

7. Budgets are amended as necessary throughout the year.

8. All unencumbered appropriations, except capital outlay, lapse at year end.

E. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the General Fund and major Special Revenue Funds. Encumbrances lapse at year-end, however, it is the City's intention to honor these encumbrances under authority provided in the subsequent year's budget.

The total encumbrances as of December 31, 2018 were as follows:

		Amount
General Fund	$	1,433,463
Special Revenue Fund:		
A3 Sales Tax Fund		68,343
Total	$	1,501,806

F. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.

The City is authorized under state law to deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the United States, or laws of the United States. Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. State Law R.S. 39:1225 provides that the amount of the security shall at all times be equal to 100% of the amount on deposit to the credit of each depositing authority, except that portion of the deposits insured by United States.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. INVESTMENTS

State Law R.S. 33:2955 allows the investment in direct United States Treasury obligations; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies or U.S. government instrumentalities, which are federally sponsored; direct security repurchase agreements of any federal book-entry-only securities guaranteed by the U.S. government; time certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana; savings accounts or shares of certain savings and loan associations and savings banks; certain accounts of federally or state chartered credit unions, and certain mutual or trust fund institutions.

Investments are stated at fair value in accordance with the Governmental Accounting Standards Board Statement (GASB) Codification Section I50 *"Investments."*

H. INTERFUND TRANSACTIONS

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds". Short-term interfund loans are reported as "interfund receivables and payables". Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

The permanent reallocations of resources between funds of the City are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. Interfund services provided and used are not eliminated in the process of consolidation.

I. ACCOUNTS RECEIVABLE

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available that would indicate the uncollectibility of the particular receivable. The allowance for doubtful accounts is $31,187 at December 31, 2018.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At December 31, 2018, the aging of utility receivables is as follows:

Under 30 days	$	517,889
Over 31 under 60 days		1,486
Over 61 under 90 days		940
Over 91 days		26,768
Less Allowance		(31,187)
Total	$	515,896

J. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost, if historical costs are not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The City maintains a threshold level of $2,500 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital outlays are recorded as expenditures of the General and Capital Projects Funds and as assets in the government-wide and proprietary fund financial statements, to the extent that the City's capitalization threshold is met. In accordance with GASB Codification, the City has elected to not capitalize infrastructure retroactively. Interest incurred during construction will be capitalized on a government-wide basis. Interest attributable to capitalized assets as of December 31, 2018 was immaterial to the financial statements. Depreciation is recorded on capital assets on a government-wide basis.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Asset Description	Asset Life in Years
Roads, Bridges, and Infrastructure	20 to 40
Utility System	30 to 40
Buildings and Building Improvements	20 to 40
Furniture and Fixtures	5 to 10
Vehicles	5 to 10
Equipment	5 to 15

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. COMPENSATED ABSENCES

City employees are not allowed to carry over vacation time but are allowed to carry over sick time up to a maximum of 720 hours. Civil service employees of the City are allowed to accrue vacation up to a maximum of 500 hours. Sick time accrual is unlimited; however, only 500 hours of sick time is paid out to civil service employees if they retire or pass away while still employed. At termination, employees are paid for any accumulated annual leave. The amount of accumulated annual leave payable in the government-wide financial statements at December 31, 2018 is $507,584.

L. LONG-TERM DEBT

In the government-wide and proprietary fund financial statements, debt principal payments are reported as decreases in the balance of the liability on the Statement of Net Position. In the governmental fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

M. AD VALOREM TAXES

Ad Valorem taxes are due on December 31st and delinquent if not paid by January 1st. Ad Valorem taxes are recorded as revenues when levied. Tax liens are filed on all unpaid bills. The City bills property taxes using the assessed values determined by the tax assessor of St. Tammany Parish. The St. Tammany Parish Sheriff collects property taxes and remits taxes to the City as collected.

Total property tax revenue for the year ended December 31, 2018, was $2,866,280 and is recorded in the funds as follows:

General Fund	$ 2,327,562
General Obligation Debt Service Fund	538,718
Total	$ 2,866,280

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. NET POSITION CLASSIFICATIONS

In the government-wide financial statements, equity is classified as net position and displayed in three components:

a. Net investment in capital assets - The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflow of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

b. Restricted net position - consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation. Restricted for other purposes on the Statement of Net Position consist of prepaid expenditures.

c. Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets".

O. FUND BALANCE

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

1. Nonspendable - This component includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Restricted – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

3. Committed - This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority which include the ordinances of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action ordinance it employed previously to commit those amounts.

4. Assigned - This component consists of amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Mayor or the Council's designee established in the City's Fund Balance Policy.

5. Unassigned – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. When both restricted and unrestricted resources are available for use, it is the City Council's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City Council's policy to use committed resources first, then assigned, and then unassigned as they are needed. The General Fund is the only fund which may report a positive unassigned fund balance.

P. ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from these estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. NEW FINANCIAL ACCOUNTING STANDARDS

Future GASB Pronouncement Implementations

In January 2017, the GASB issued Statement No. 84 – Fiduciary Activities. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The standard is effective for the year ended December 31, 2019, and the City is currently assessing its impact, if any.

In June 2017, the GASB issued Statement No. 87 – Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The standard is effective for the year ending December 31, 2020 and the City is currently assessing their impact.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In April 2018, the GASB issued Statement No. 88 - Certain Disclosures Related to Debt. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The standard is effective for the year ending December 31, 2019 and the City is currently assessing their impact.

R. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The City has three items that meet this criterion – pension deferrals, OPEB deferrals, and deferred loss on refunding. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The City has three items that meet the criteria for this category – pension deferrals, OPEB deferrals, and advanced collections.

S. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System, Municipal Police Employees' Retirement System, and the Firefighters' Retirement System and additions to/deductions from these retirement system's fiduciary net positions have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. OTHER POST-EMPLOYMENT BENEFITS

The fiduciary net position of the City of Covington Retiree Benefits Plan (the OPEB Plan) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the OPEB Plan's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2– STEWARDSHIP, COMPLIANCE, AND ACCOUNTABLIITY

Deposits and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The City was in compliance with the deposit and investment laws and regulations as of December 31, 2018.

Compliance with Debt Covenants

As of December 31, 2018, the City was in compliance with all debt covenants**.**

NOTE 3 - CASH AND CASH EQUIVALENTS

The City's deposits are categorized as follows at December 31, 2018:

	Carrying Amount	Bank Balance
Demand deposits	$15,567,709	$15,700,284
Certificates of deposit	302,455	302,455
	$15,870,164	$16,002,739

These deposits are stated at cost, which approximates fair value.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. As of December 31, 2018, the City's bank balance was not exposed to custodial credit risk. $559,995 of deposits were secured by federal deposit insurance coverage, while the remaining $15,442,744 of deposits were secured by the pledge of securities owned by the fiscal agent bank. The other post-employment benefits trust held cash of $1,050,000 at year end.

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

Under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

NOTE 4 – INVESTMENTS - LAMP

Investment – LAMP of $4,143,636, which are stated at fair value using published market quotes for those securities (Level 1 inputs) at December 31, 2018, consist of shares in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool.

LAMP is a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955.

GASB Statement No. 40, Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk and foreign currency risk for all public entity investments.

LAMP is a local government investment pool. The following facts are relevant for local government investment pools:

- Credit risk: LAMP is rated AAAm by Standard & Poor's.

- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest area risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days as of December 31, 2018.

NOTE 4 – INVESTMENTS – LAMP (CONTINUED)

- Foreign currency risk: Not applicable to local government pools.

Investments in LAMP are stated at amortized cost based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the State Treasurer and the Board of Directors. LAMP is not registered with the SEC as an investment company. If you have any questions, please feel free to contact the LAMP administrative office at 800-249-5267.

NOTE 5 – RETIREMENT PLANS

Substantially all employees of the City are members of one of the following statewide retirement systems: Municipal Employees' Retirement System of Louisiana (the "Municipal System"), Municipal Police Employees' Retirement System of Louisiana (the "Police System"), or the Firefighters' Retirement System of Louisiana (the "Firefighters' System"). These systems are cost-sharing multiple-employer, defined benefit pension plans administered by separate boards of trustees.

Pertinent information relative to each plan follows:

General Information about the Pension Plans

Plan Descriptions/Benefits Provided

The Municipal System

The Municipal System administers a plan to provide retirement benefits to employees of all incorporated villages, towns, and cities within the State which do not have their own retirement system and which elect to become members of the Municipal System. The age and years of creditable service (service) required in order for a member to receive retirement benefits are established by the plan and vary depending on the member's hire date, employer and job classification

NOTE 5 – RETIREMENT PLANS (CONTINUED)

Membership is mandatory as a condition of employment beginning on the date employed if the employee is permanent and works at least 35 hours per week. Plan A members who were hired prior to January 1, 2013 may retire 1) at any age with 25 years or more of creditable service, 2) at age 60 with at least 10 years of creditable service, 3) at any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit. Plan B members may retire 1) at any age with 30 years of creditable service, or 2) at age 60 with at least 10 years of creditable service. For Plan A and B members hired after January 1, 2013, the employee may retire 1) at age 67 with at least 7 years of creditable service, 2) at age 62 with at least 10 years of creditable service, 3) at age 55 with 30 or more years of creditable services with an actuarially reduced benefit, exclusive of military service and unused sick leave. Both plans also have criteria for disability and survivor benefits.

For Plan A, in general, the monthly amount of the retirement allowance shall consist of an amount equal to 3.0 percent of the member's monthly average final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specific amounts. For Plan B, in general, the monthly amount of the retirement allowance shall consist of an amount equal to 2.0 percent of the member's monthly average final compensation multiplied by his years of creditable service. However, under certain conditions as outlined in the statues, the benefits are limited to specific amounts.

The Police System

The Police System administers a plan to provide retirement benefits to employees of all full-time police officers employed by a municipality in the State of Louisiana and engaged in law enforcement, empowered to make arrests, providing he or she does not have to pay social security and providing he meets the statutory criteria. Benefits provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-2233.

Membership is mandatory as a condition of employment beginning on the date employed if the employee is a full-time police officer employed by a municipality. Members who were hired prior to January 1, 2013 may retire 1) at any age with 25 years or more of creditable service, 2) at age 50 with at least 20 years of creditable service, 3) at age 55 with at least 12 years of creditable service, or 4) at any age with 20 years of creditable service, with an actuarially reduced benefit. For members hired after January 1, 2013, eligibility for retirement benefits is based on Hazardous Duty and Non-Hazardous Duty sub plans. Under the Hazardous Duty sub plan, a member is eligible for retirement 1) at any age with at least 25 years of creditable service, or 2) at age 55 with at least 12 years of creditable service. Under the Non-Hazardous Duty sub plan, a member is eligible for retirement 1) at any age with at least 30 years of creditable service, or 2) at age 55 with at least 25 years of creditable service or 3) at age 60 with at least 10 years of service. Under both sub plans, a member is eligible for retirement at any age with at least 20 years of creditable service, with an actuarially reduced benefit from age 55.

NOTE 5 – RETIREMENT PLANS (CONTINUED)

For members hired prior to January 1, 2013, the benefit rates are 3 1/3rd percent of the average final compensation (average monthly earnings during the highest 36 consecutive months or joined months, if service was interrupted) times the number of years of creditable service, not to exceed 100 percent of final salary. For members hired after January 1, 2013, the benefit rates are 3.0 percent for the Hazardous Duty sub plan and 2 ½ percent for the Non-Hazardous Duty sub plan of the average final compensation (average monthly earnings during the highest 60 consecutive months or joined months, if service was interrupted) times the number of years of creditable service, not to exceed 100 percent of final salary.

The Firefighters' System

The Firefighters' System is the administrator of a cost-sharing multiple-employer plan. Membership in the system is a condition of employment for any full-time firefighters who earn at least $375 per month and are employed by any municipality, parish, or fire protection district of the State of Louisiana in addition to employees of the Firefighters' System. The system provides retirement benefits for their members. The projections of benefit payments in the calculation of the total pension liability includes all benefits to be provided to current active and inactive employees through the system in accordance with benefit terms and any additional legal agreements to provide benefits that are in force at the measurement date.

Benefit provisions are authorized within Act 434 of 1979 and amended by LRS 11:2251-11:2272. The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Any person who becomes an employee as defined in RS 11:2252 on and after January 1, 1980 shall become a member as a condition of employment. Members may retire 1) at any age with 25 years or more of creditable service, 2) at age 50 with at least 20 years of creditable service.

No person who has attained age fifty or over shall become a member of the system, unless the person becomes a member by reason of a merger or unless the system received an application for membership before the applicant attained the age of fifty. No person who has not attained the age of eighteen years shall become a member of the system.

Any person who has retired from service under any retirement system or pension fund maintained basically for public officers and employees of the state, its agencies or political subdivisions, and who is receiving retirement benefits therefrom may become a member of this System, provided the person meets all other requirements for membership. Service credit from the retirement system or pension plan from which the member is retired shall not be used for reciprocal recognition of service with this system, or for any other purpose in order to attain eligibility or increase the amount of service credit in this system.

NOTE 5 – RETIREMENT PLANS (CONTINUED)

Disability Benefits

The Municipal System
For Plan A, a member shall be eligible to receive a disability benefit if he has at least 5 years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. A disabled member of Plan A shall be paid a disability benefit equal to the lesser of 45 percent of his final average compensation or 3 percent of his final average compensation multiplied by his years of creditable service, whichever is greater or an amount equal to 3 percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

For Plan B, a member shall be eligible to receive a disability benefit if he has at least 10 years of creditable service, is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. A disabled member of Plan B shall be paid a disability benefit equal to the lesser of 30 percent of his final average compensation or 2 percent of his final average compensation multiplied by his years of creditable service, whichever is greater or an amount equal to 2 percent of the member's final average compensation multiplied by his years of creditable service projected to his earliest normal retirement age.

Survivor Benefits

The Municipal System
Survivor benefits are available to the surviving spouse and/or minor children as outlined in the statutes, upon the death of any member of Plan A with 5 years or more of creditable service, who is not eligible for retirement. Upon death of any member of Plan B with 5 or more years of creditable service, not eligible for normal retirement, the plan provides for benefits for the surviving spouse as outlined in the statutes. For any member of Plan A or B who is eligible for normal retirement at time of death and who leaves a surviving spouse will be deemed to have retired and selected Option 2 benefits on behalf of the surviving spouse on the date of death. Such benefits will begin only upon proper application and are paid in lieu of any other survivor benefits.

The Police System
Upon the death of the active contributing member, or disability retiree, the plan provides for benefits for the surviving spouse and minor children. Prior to January 1, 2013, under certain conditions outlined in the statues, the benefits range from 40 to 60 percent of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives benefits equal to 10 percent of the member's average final compensation or $200/month, whichever is greater. For members hired after January 1, 2013, under certain conditions outlined in the statutes, the benefits range from 25 to 55 percent of the member's average final compensation for the surviving spouse. In addition, each child under age 18 receives benefits equal to 10 percent of the member's average final compensation or $200/month, whichever is greater. If the decease member had less than 10 years of service, the beneficiary will receive a refund of employee contributions only.

NOTE 5 – RETIREMENT PLANS (CONTINUED)

Deferred Retirement Option Plan benefits (DROP)

The Municipal System

In lieu of terminating employment and accepting a service retirement allowance, any member of Plan A or B who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to 3 years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP fund. Interest is earned when the member has completed DROP participation. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, or any other method of payment if approved by the board of trustees. If employment is not terminated at the end of 3 years, payments into the DROP fund cease and the person resumes active contributing membership in the Municipal System.

The Police System

In lieu of terminating employment and accepting a service retirement allowance, any member who is eligible to retire may elect to participate in the deferred retirement option plan (DROP) for up to 36 months and defer the receipt of benefits. During participation in DROP, both the employee and employer contributions to the Police System cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP fund. Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum or a true annuity. If employment is not terminated at the end of 3 years, payments into the DROP fund cease and the person resumes active contribution membership in the Police System. For those eligible to enter DROP prior to January 1, 2004, DROP accounts shall earn interest subsequent to the termination of DROP participation at a rate of half of one percentage point below the percentage return of the system's investment portfolio. For those eligible to enter DROP subsequent to January1, 2004, an irrevocable election is made to earn interest based on the system's investment portfolio return or a money market investment return, which could result in a negative earnings rate being applied to the account.

The Firefighters' System

After completing 20 years of creditable service and age 50 or 25 years at any age, a member may elect to participate in the deferred retirement option plan (DROP) for up to 36 months.

Upon commencement of participation in the deferred retirement option plan, employer and employee contributions to the system cease. The monthly retirement benefit that would have been payable is paid into the deferred retirement option plan account. Upon termination of employment, a participant in the program shall receive, at his option, a lump-sum payment from the account or an annuity based on the deferred retirement option plan account balance in addition to his regular monthly benefit.

NOTE 5 – RETIREMENT PLANS (CONTINUED)

If employment is not terminated at the end of the 36 months, the participant resumes regular contributions to the system. No payments may be made from the deferred retirement option plan account until the participant retires.

Initial Benefit Option Plan

The Firefighters' System
Effective June 16, 1999, members eligible to retire and who do not choose to participate in DROP may elect to receive, at the time of retirement, an initial benefit option (IBO) in an amount up to 36 months of benefits, with an actuarial reduction of their future benefits. Such amounts may be withdrawn or remain in the IBO account earning interest at the same rate as the DROP account.

The Police System
In 1999, the State Legislature authorized the Police System to establish an Initial Benefit Option (IBO) Program. Members eligible to retire and who do not choose to participate in DROP may elect to receive, at the time of retirement, a one-time single sum payment of up to 36 months of regular monthly retirement benefit, plus a reduced monthly retirement benefit for life. Interest is computed on the balance based on the same criteria as DROP.

Cost of Living Adjustments

The Municipal System
The system is authorized under state statutes to grant a cost of living increase to members who have been retired for at least one year. The increase cannot exceed 2.0% of the eligible retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. State statutes allow the Municipal System to grant an additional cost of living increase to all retirees and beneficiaries who are age 65 and above equal to 2.0% of the benefit being received on October 1, 1977, or the original benefit, if retirement commenced after that date.

The Police System
The board of trustees is authorized to provide annual cost-of-living adjustments (COLA) computed on the amount of the current regular retirement, disability, beneficiary, or survivor's benefit, not to exceeded 3.0% in any given year. The board is authorized to provide an additional 2.0% COLA, computed on the member's original benefit, to all regular retirees, disability, survivors and beneficiaries who are 65 year or older on the cut-off date which determines eligibility. No regular retiree, survivor or beneficiary shall be eligible to receive a cost-of-living adjustment until benefits have been received at least one full fiscal year and the payment of such COLA when authorized shall not be effective until the lapse of at least one-half of the fiscal year. Members who elect early retirement are not eligible for a cost of living adjustment until they reach regular retirement age.

NOTE 5 – RETIREMENT PLANS (CONTINUED)

Contributions

The Municipal System

Contributions for all members are established by statute at 9.50% for Plan A and 5.0% for Plan B for wages for the year ended June 30, 2018. The contributions are deducted from the member's salary and remitted by the Parish.

According to state statute, employer contributions are actuarially determined each year. For the years ending/ended June 30, 2018 and 2017, the actuarially determined contribution rates were 24.75% and 22.75%, respectively, of member's compensation for Plan A and 13.25% and 14.00%, respectively, of member's compensation for Plan B. However, for the year ended June 30, 2018, employer contributions were 24.75% for Plan A and 13.25% for Plan B of covered payroll. The actual rates differ from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective. Contributions to the pension plan from the City were $552,967 for the year ended December 31, 2018.

In accordance with state statutes, the system also receives ad valorem taxes and state revenue sharing funds. The additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions are recognized by the system and are excluded from pension expense for the year ended December 31, 2018.

The Police System

Contributions for all members are actuarially determined as required by state statutes but cannot be less than 9.0% of the employee's earnable compensation excluding overtime but including state supplemental pay for the year ended June 30, 2018. The contributions are deducted from the member's salary and remitted by the City.

According to state statute, employer contributions are actuarially determined each year. For the years ending/ended June 30, 2018 and 2017, the actuarially determined contribution rates were 32.55% and 32.22%, respectively, of member's compensation. However, or the year ended June 30, 2018, the total actual employer and employee contribution rate was 40.75%. For employees hired prior to January 1, 2013 and for Hazardous Duty members hired after January 1, 2013, the rates were 30.75% for the employer and 10.00% for the employee. For all Non-Hazardous Duty members hired subsequent to January 1, 2013, the rates were 30.75% for the employer and 8.0% for the employee. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 33.25% and 7.5%, respectively, for the year ended June 30, 2018. The actual rates differ from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective. Contributions to the pension plan from the City were $552,967 for the year ended December 31, 2018.

NOTE 5 – RETIREMENT PLANS (CONTINUED)

In accordance with state statutes, the system also receives insurance premium taxes as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. The additional sources are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contributions are recognized as revenue during the year ended December 31, 2018, and were excluded from pension expense.

The Firefighters' System

Contributions for all members are established by statute at 10.0% for wages above poverty and 8.0% for wages below poverty for the years ending/ended June 30, 2018 and 2017. The contributions are deducted from the member's salary and remitted by the City.

According to state statute, employer contributions are actuarially determined each year. For the years ending/ended June 30, 2018 and 2017, the actuarially determined contribution rates were 28.32% and 28.67%, respectively, of member's compensation. However, for the years ending/ended June 30, 2018 and 2017, employer contributions were 26.50% and 25.25%, respectively, of covered payroll above poverty and 28.50% and 27.25%, respectively, of covered payroll below poverty, respectively. The actual rates differ from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective. Contributions to the pension plan from the City were $262,537 for the year ended December 31, 2018.

The System also receives insurance premium tax monies as additional employer contributions. The tax is considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study. Non-employer contributions are recognized as revenue during the year ended December 31, 2018, and were excluded from pension expense.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the City reported a combined liability of $14,165,525 for its proportionate share of the Net Pension Liabilities (NPL) of the Municipal System, the Police System, and the Firefighters' System. The amount for each plan was $6,783,826, $4,883,784 and $2,497,915, respectively. The NPL for each system was measured as of June 30, 2018, and the total pension liability used to calculate the NPL was determined based on an actuarial valuation as of that date. The City's proportion of the NPL was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contribution of all participating employers, actuarially determined.

NOTE 5 – RETIREMENT PLANS (CONTINUED)

As of June 30, 2018, the most recent measurement date, the City's proportionate share for each system was:

	The Municipal System	The Police System	The Firefighters' System
City's proportionate share	1.638340%	0.57769%	0.43426%
Increase (decrease) from prior year	0.04669%	0.00086%	0.00802%

For the year ended December 31, 2018, the City recognized a total pension expense of $742,182. These amounts are made up of the following:

Components of Pension Expense	The Municipal System	The Police System	The Firefighters' System
City's pension expenses per the pension plan	$ 1,054,116	$ 806,813	$ 423,308
City's amortization of actual contributions over its proportionate share of contributions.	(742,152)	(524,447)	(275,456)
Total Pension Expense Recognized	$ 311,964	$ 282,366	$ 147,852

At year end, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
The Municipal System		
Differences between expected and actual experience	$ -	$ 241,044
Net difference between projected and actual earnings on pension plan investments	1,039,577	-
Changes in assumptions	217,724	-
Differences between the City's contributions and its proportionate share of contributions	86,512	115,994
The City's contributions subsequent to the measurement date	406,207	-
Total	$ 1,750,038	$ 357,038

NOTE 5 – RETIREMENT PLANS (CONTINUED)

The Police System				
Differences between expected and actual experience	$	22,016	$	249,571
Net difference between projected and actual earnings on pension plan investments		234,118		-
Changes in assumptions		319,152		-
Differences between the City's contributions and its proportionate share of contributions		68,354		20,123
The City's contributions subsequent to the measurement date		282,438		-
Total	$	926,078	$	269,694
The Firefighters' System				
Differences between expected and actual experience	$	-	$	190,119
Net difference between projected and actual earnings on pension plan investments		162,426		-
Changes in assumptions		174,254		396
Differences between the City's contributions and its proportionate share of contributions		110,291		155,431
The City's contributions subsequent to the measurement date		127,880		-
Total	$	574,581	$	345,946
Total for all Retirement Systems	$	3,250,967	$	972,678

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date (June 30, 2018) totaled $816,525 ($406,207 for the Municipal System, $282,438 for the Police System, and $127,880 for the Firefighters' System). These amounts will be recognized as a reduction of the NPL in the year ending December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Amount of Amortization		
Fiscal Year Ending December 31,	**The Municipal System**	**The Police System**	**The Firefighters' System**
2019	$ 598,519	$ 302,680	$ 136,628
2020	263,434	197,944	41,620
2021	91,691	(134,612)	(101,451)
2022	29,710	8,506	(3,288)
2023	-	-	7,797
2024	-	-	7,162

NOTE 5 – RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2017 are as follows:

The Municipal System

Valuation date	June 30, 2018
Actuarial cost method	Entry age normal cost
Expected remaining service lives	3 years
Investment rate of return	7.275% net of investment expense
Inflation rate	2.6% per annum
Salary increases	5.0% per annum
Cost of Living adjustments	Only those previously granted

The mortality rate assumption used was verified by combining data from this plan with three other statewide plans which have similar workforce composition in order to produce a credible experience. The aggregated data was collected over the period July 1, 2009 through June 30, 2014.

The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the Municipal System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables would produce liability values approximating the appropriate generational mortality tables.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.7% an adjustment for the effect of rebalancing/diversification. The resulting expected long term rate of return was 7.0% as of June 30, 2018.

NOTE 5 – RETIREMENT PLANS (CONTINUED)

Best estimates of real rates of return for each major asset class included in the Municipal System's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	50%	2.2%
Public fixed income	35%	1.5%
Alternatives	15%	0.6%
Totals	100%	4.3%
Inflation		2.7%
Expected Arithmetic Nominal Return		7.0%

The Police System

Valuation date	June 30, 2018
Actuarial cost method	Entry age normal cost
Expected remaining service lives	4 years
Investment rate of return	7.2% net of investment expense
Inflation rate	2.60% per annum
Salary increases	Vary from 9.75% in the first two years of service, to 4.75% for years 3-23, to 4.25% after 23 years
Cost of Living adjustments	Only those previously granted

The mortality rate assumption used was set based upon an experience study performed by the prior actuary on plan data for the period July 1, 2009 through June 30, 2014 and review of similar law enforcement mortality. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the Police System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

NOTE 5 – RETIREMENT PLANS (CONTINUED)

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long term expected nominal rate of return was 8.03% as of June 30, 2018.

Best estimates of real rates of return for each major asset class included in the Police system's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	52%	3.58%
Fixed income	22%	0.46%
Alternatives	20%	1.07%
Other	6%	0.17%
Totals	100%	5.28%
Inflation		2.75%
Expected Arithmetic Nominal Return		8.03%

The Firefighter's System

Valuation date	June 30, 2018
Actuarial cost method	Entry age normal cost
Expected remaining service lives	7 years
Investment rate of return	7.30% net of investment expense
Inflation rate	2.700% per annum
Salary increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years
Cost of Living adjustments	Only those previously granted

NOTE 5 – RETIREMENT PLANS (CONTINUED)

The mortality rate assumption used was set based upon an experience study performed on plan data for the period July 1, 2009 through June 30, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the Firefighter system's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set-back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long term expected nominal rate of return was 7.82% as of June 30, 2018.

Best estimates of real rates of return for each major asset class included in the Firefighters' System's target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed income	26%	1.76%
Equity	54%	6.78%
Alternatives	10%	6.55%
Other	10%	4.60%
Totals	100%	4.60%
Inflation		2.70%
Expected Arithmetic Nominal Return		7.30%

Discount Rate

The discount rate used to measure the total pension liability for the Municipal System was 7.275%, the Police System was 7.2%, and Firefighters' System was 7.3%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of each of the system's actuary. Based on those assumptions, each of the system's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 5 – RETIREMENT PLANS (CONTINUED)

Sensitivity of the Proportionate Share of the NPL to Changes in the Discount Rate.

The following presents the City's proportionate share of the Net Pension Liability using the discount rate, as well as what the City's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

	1.0% Decrease	Current Discount Rate	1.0% Increase
The Municipal System			
Discount rate	6.275%	7.275%	8.275%
City's proportionate share of the net pension liability	$ 8,714,443	$ 6,783,826	$ 5,135,976
The Police System			
Discount rate	6.2%	7.2%	8.2%
City's proportionate share of the net pension liability	$ 6,863,069	$ 4,883,784	$ 3,223,241
The Firefighters' System			
Discount rate	6.3%	7.3%	8.3%
City's proportionate share of the net pension liability	$ 3,365,048	$ 2,497,915	$ 1,533,928

Support of Non-employer Contributing Entities

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The City recognizes revenue in an amount equal to their proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended December 31, 2018, the City recognized revenue as a result of support received from non-employer contributing entities of $328,902. The Municipal System, Police System, and Firefighters' System received $102,195, $113,998, and $112,709, respectively, for their participation in the City's Pension and Relief Fund.

Pension Plan Fiduciary Net Position

The Municipal System, the Police System, and the Firefighters' System issue publicly available financial reports that include financial statements and required supplementary information for the systems. Detailed information about each system's fiduciary net position is available in these separately issued financial reports. These reports may be obtained by visiting the Louisiana Legislative Auditor's website at www.lla.la.gov and searching under the Reports section. The

NOTE 5 – RETIREMENT PLANS (CONTINUED)

Police System's report may also be found at www.lampers.org. The Municipal System's report may also be found at www.mersla.com.

Payables to the Pension Plan

At December 31, 2018, the City had payables of $187,505 to the pension plans.

NOTE 6 – RESTRICTED ASSETS

General Obligation Bond Restricted Assets (Debt Service)

An ordinance authorizing the issuance of a $1,240,000 General Obligation Bonds dated February 1, 2002, which were defeased on November 2, 2011 for the issuance of $777,000 General Obligation Bonds, along with $5,285,000 General Obligation Bonds dated January 1, 2007, which were defeased on August 2, 2016 for the issuance of $3,890,000 General Obligation Refunding Bonds, together provide for certain restrictions on assets of the General Fund. The bond funding requirements provide that upon receipt of the proceeds of the ad valorem tax, the Issuer has the responsibility for the deposit of such receipts in a debt service fund and such proceeds will be used to pay the principal and interest of the bonds' payments.

Garden of Pines (Perpetual Care)

The Ordinance requires the establishment of a trust responsible for the general maintenance and care of the mausoleum. The original deposit of $24,955 must be kept intact in an income earning trust and the income can be used to make disbursements of $100 per month to the City for the care and maintenance of the mausoleum.

NOTE 7 – INTERFUND TRANSFERS

Transfers between funds consist primarily of sales tax revenues transferred out of the General Fund to the particular funds for which, the sales tax revenue is to be used for debt service and capital outlay expenditures:

	Transfers In	Transfers Out
Governmental Activities:		
General Fund	$ 1,371,031	$ 3,210,252
Special Revenue Funds:		
A3 Sales Tax Fund	-	1,291,368
State and Federal Grants Fund	6,096	79,663
Debt Service Funds:		
General Obligation Debt Service Fund	538,718	-
Sales Tax Bond Debt Service Fund	314,601	-
	2,230,446	4,581,283
Business-Type Activities:		
Utility Fund	1,300,837	-
Fiduciary Funds:		
Other Post-Employment Benefits Fund	1,050,000	-
Total	**$ 4,581,283**	**$ 4,581,283**

NOTE 8 – DUE TO/FROM OTHER FUNDS

Due to/from other funds

The primary purpose of interfund receivables/payables is to loan funds from the General Fund to individual funds to cover current expenditures.

NOTE 8 – DUE TO/FROM OTHER FUNDS (CONTINUED)

Individual fund balances due from/to other funds at December 31, 2018, are as follows:

	Interfund Receivables	Interfund Payables
Governmental Activities		
General Fund	$ 32,387	$ 22,000
Special Revenue Fund:		
A3 Sales Tax Fund	-	2,652
Debt Service Fund:		
General Obligation Debt Service Fund	-	1,800
Permanent Fund:		
Garden of Pines Permanent	-	19,278
	32,387	45,730
Business-Type Activities		
Utility Fund	22,000	8,657
Total	$ 54,387	$ 54,387

The above due to/from other funds were short-term receivables or payables resulting from the normal course of the City's operations.

NOTE 9 – EQUITY IN POOLED CASH

To the extent possible, cash is pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose funds are deposited in the pooled cash accounts has equity therein. Pooled cash at December 31, 2018 is as follows:

	Equity in Pooled Cash
Governmental Activities	
General Fund	$ (9,070,713)
Special Revenue Funds:	
A3 Sales Tax	2,888,178
State & Federal Grants	(54,992)
Drug Forfeiture	31,142
Tree Mitigation Fund	14,368
Capital Projects:	
Water Capacity	60,589
Waste Water Capacity	262,254
	(5,869,174)
Business-Type Activities	
Utility Fund	5,869,174
Total	$ -

NOTE 10 – INTERNAL BALANCES

In the Government-Wide Statement of Net Position, the balances of the due to/from other funds (Note 8) and the equity in pooled cash (Note 9) are combined into a single line, internal balances. The following is the reconciliation for the amount shown on the Statement of Net Position for internal balance:

	2018
Governmental Activities	
Due from other funds	$ 32,387
Due to other funds	(45,730)
Deficit in pooled cash	(5,869,174)
	(5,882,517)
Business-Type Activities	
Due from other funds	22,000
Due to other funds	(8,657)
Equity in pooled cash	5,869,174
	5,882,517
Total	$ -

NOTE 11 – DEFERRED INFLOWS OF RESOURCES

At December 31, 2018, the City has advanced collections as follows:

Governmental Activities	
Federal grant	$ 11,403
Total Governmental Funds	11,403
Disaster Grant recognized as revenue on the government-wide in 2012	(11,103)
Total Advanced Collections	$ 300

NOTE 12 - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2018:

Governmental Activities	Balance 12/31/2017	Increases	Decreases	Balance 12/31/2018
Capital Assets Not Depreciated:				
Land	$ 782,452	$ 25,000	$ -	$ 807,452
Construction in Progress	1,855,479	2,686,495	(2,728,587)	1,813,387
Total Capital Assets Not Depreciated	2,637,931	2,711,495	(2,728,587)	2,620,839
Capital Assets Being Depreciated:				
Building	8,984,614	-	(138,915)	8,845,699
Improvements	6,279,707	250,941	(172,009)	6,359,639
Vehicles	3,768,321	332,390	(548,287)	3,552,424
Tools and Equipment	3,720,571	249,377	(208,763)	3,761,185
Infrastructure	19,855,414	3,121,151	-	22,976,565
Total Capital Assets Being Depreciated	42,608,627	3,953,859	(1,067,974)	45,494,512
Less Accumulated Depreciation:				
Building	(2,951,415)	(173,832)	137,046	(2,988,201)
Improvements	(2,729,098)	(254,584)	157,258	(2,826,424)
Vehicles	(2,797,488)	(297,735)	528,323	(2,566,900)
Tools and Equipment	(2,952,150)	(228,080)	197,266	(2,982,964)
Infrastructure	(5,432,695)	(1,214,611)	-	(6,647,306)
Total Accumulated Depreciation	(16,862,846)	(2,168,842)	1,019,893	(18,011,795)
Total Capital Assets being Depreciated, Net	25,745,781	1,785,017	(48,081)	27,482,717
Total Capital Assets	$ 28,383,712	$ 4,496,512	$ (2,776,668)	$ 30,103,556

NOTE 12 - CAPITAL ASSETS (CONTINUED)

As of December 31, 2018, Construction in Progress consisted of the following:

Governmental Activities

Project	Expended as of 12/31/2018	Amount Authorized	Committed Financing
Public Works Maintenance Barn	$ 215,266	$ 531,000	$315,734
Bulkhead BF Park Shoreline Protection	44,715	859,808	815,093
Old Theard Fire Station Renovation	306,360	487,000	180,640
W. 15th Bridge, Simson Creek	27,164	310,000	282,836
River Forest-Willow Drive Phase II	25,000	147,000	122,000
Cleveland St. Bridge	62,400	418,200	355,800
Seeling Drive Improvements	3,950	46,000	42,050
City Drainage Study	35,000	35,000	-
Rutland Street Drainage	43,178	338,556	295,378
Blue Swamp Creek Drainage	104,843	428,000	323,157
Peter Atkins Restroom	205,977	249,300	43,323
W 11th Avenue Bridge Replacement	96,325	1,305,000	1,208,675
8th Avenue Traffic Study	15,428	15,000	428
Fire station Addition	356,012	628,336	272,324
W 15th Avenue Trail	27,085	254,564	227,479
2017 Sidewalk	119,124	225,000	105,876
Patricia Dr. Ditch Grading	28,300	178,300	150,000
W 8th Avenue Safety Interim	27,213	35,000	7,787
W 8th Avenue Safety Improvements	28,564	201,000	172,436
Jefferson Avenue Shared Path	11,000	239,560	228,560
Mile Branch Drainage	30,483	250,000	$219,517
Total Construction in Progress	$ 1,813,387	$ 7,181,624	$ 5,368,237

NOTE 12 - CAPITAL ASSETS (CONTINUED)

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended December 31, 2018:

Business Activities	Balance 12/31/2017	Increases	Decreases	Balance 12/31/2018
Capital Assets Not Depreciated				
Construction in Progress	$ 966,304	$ 1,527,932	$ (930,185)	$ 1,594,051
Capital Assets Being Depreciated:				
Sewer Plant and Lines	29,536,015	996,456	(207,632)	30,324,839
Water Wells, Tanks, and Lines	9,738,926	130,791	(93,099)	9,776,618
Total Capital Assets Being Depreciated	39,274,941	1,127,247	(300,731)	40,101,457
Less Accumulated Depreciation:				
Sewer Plant and Lines	(12,509,606)	(1,130,892)	114,594	(13,525,904)
Water Wells, Tanks, and Lines	(5,071,819)	(364,945)	184,913	(5,251,851)
Total Accumulated Depreciation	(17,581,425)	(1,495,837)	299,507	(18,777,755)
Total Capital Assets Being Depreciated, Net	21,693,516	(368,590)	1,224	21,323,702
Total Capital Assets	$ 22,689,820	$ 1,159,342	$ (931,409)	$ 22,917,753

NOTE 12 - CAPITAL ASSETS (CONTINUED)

As of December 31, 2018, Construction in Progress consisted of the following:

Business-Type Activities

Project	Expended As of 12/31/2018	Amount Authorized	Committed Financing
River Forest & 16th Ave. Water Well	$ 11,500	$ 214,925	$ 203,425
Claiborne Hill Booster Pump Station	11,350	450,000	438,650
Regina Coeli Watt Water Ext	32,365	235,075	202,710
W 16th Avenue Water Production	3,700	105,000	101,300
E. 9th Avenue L/S Improvements	380,720	404,600	565,280
PW Building	121,771	946,000	53,229
St. Paul's Well Rehabiliation	10,350	175,000	164,650
Covington High L/S #18	113,935	201,300	87,365
Waste Water Treatment Rehabilitation	513,445	590,200	76,755
Old Landing L/S	53,182	53,182	-
Sewer Point Repairs	223,349	300,000	76,651
2018 SSES Point Program	56,331	130,000	73,669
Patricia Drive Sewer Lift Station Study	3,115	60,000	56,885
2017 SSES Sewer Repairs	54,450	560,000	505,550
Sewer & Waste Disposal System	4,488	75,000	70,512
Total Construction in Progress	$ 1,594,051	$ 4,500,282	$ 2,676,631

For the year ended December 31, 2018, depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities

General Government	$ 276,872
Public Safety – Police	242,670
Public Safety – Fire	100,214
Public Works	1,400,611
Culture and Recreation	148,775
Total – governmental activities:	$ 2,168,842

Business-type activities

Sewer department	$ 1,130,892
Water department	364,945
Total – business-type activities:	$ 1,495,837

NOTE 13 –CLAIMS AND JUDGEMENTS

The City is a defendant in several lawsuits, which are currently pending. The City persists in its vigorous defense of these lawsuits and maintains that the defenses available should shield the City from liability or, at a minimum, preclude the amount of damages sought by the plaintiffs. The majority of the cases are covered by insurance and, in the opinion of legal counsel for the City the ultimate resolution of this litigation will not result in a significant liability to the City.

The City settled a lawsuit, Brown v. City of Covington, on February 27, 2009. Beginning February 26, 2009, the City must make ten annual payments of $30,000 resulting in a total payment of $300,000. If the City is delinquent in any payments, it will be responsible for the entire obligation at that point and interest will accrue at 8% per day until the obligation is paid in full. The City is currently in compliance with this payment requirement without any incurred interest to date. The City made the final payment February 28, 2018.

NOTE 14 – LONG TERM LIABILITIES

The following is a summary of long-term liability transactions and total long-term liabilities of the City for the year ended December 31, 2018:

	Balance at 12/31/2017	Additions	Retirements	Balance at 12/31/2018	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 4,229,000	$ -	$ (432,000)	$ 3,797,000	$ 447,000
Sales tax revenue bonds	1,235,000	-	(290,000)	945,000	299,000
Net OPEB liability (as restated)	6,826,079	-	(1,277,661)	5,548,418	-
Net pension liability	12,552,709	-	(359,415)	12,193,294	-
Compensated absences	671,302	-	(163,718)	507,584	427,084
Litigation settlements	30,000	-	(30,000)	-	-
Total governmental	25,544,090	-	(2,552,794)	22,991,296	1,103,084
Business-Type Activities:					
Net pension liability	1,990,584	-	(18,353)	1,972,231	-
Net OPEB liability (as restated)	632,406	-	(214,451)	417,955	-
Total business-type	2,622,990	-	(232,804)	2,390,186	-
Total long term liabilities	$ 28,167,080	$ -	$ (2,785,598)	$ 25,381,482	$ 1,103,084

Long-term liabilities other than debt are normally liquidated by the general fund. These include net OPEB liability, net pension liability, and compensated absences.

NOTE 14 – LONG TERM LIABILITIES (CONTINUED)

General Obligation Bonds, Revenue Bonds and other long-term debt are comprised of the following individual issues:

Governmental Activities:	Date of Issuance	Authorized & Issued	Interest Rate %	Maturity Date	Principal Outstanding
General obligation bonds					
Series 2011 – Refunding	9/20/2011	$ 777,000	2.09	9/1/2021	$ 292,000
Series 2016 – Refunding	8/2/2016	3,890,000	1.69	3/1/2027	3,505,000
Series 2011 – Sales tax refunding	11/2/2011	2,775,000	2.09	11/1/2021	945,000
Total					$ 4,742,000

Total future principal payments are as follows:

Maturity	General Obligation Bonds	Sales Tax Revenue Bonds	Total
2019	$ 441,000	$ 305,000	$ 746,000
2020	459,000	315,000	774,000
2021	472,000	325,000	797,000
2022	380,000	-	380,000
2023	385,000	-	385,000
Thereafter	1,660,000	-	1,660,000
	$ 3,797,000	$ 945,000	$ 4,742,000

Plus amounts representing interest:

2019	$ 61,429	$ 19,751	$ 81,180
2020	53,444	13,376	66,820
2021	45,175	6,793	51,968
2022	37,772	-	37,772
2023	31,307	-	31,307
Thereafter	56,953	-	56,953
	286,080	39,920	326,000
	$ 4,083,080	$ 984,920	$ 5,068,000

As of December 31, 2018, there is $1,049,013 in restricted fund balance available in the Debt Service Funds to service the governmental activity bonds.

General obligation bonds are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the City is legally restricted from incurring long term bonded debt in excess of 35% of the assessed value of taxable property in the City. At December 31, 2018, the City had not exceeded this statutory limit.

NOTE 14 – LONG TERM LIABILITIES (CONTINUED)

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

Defeasance of Debts

In 2011, the Council defeased $745,000 of General Obligation Bonds by issuing $777,000 in General Obligation Refunding Bonds, Series 2011. This advance refunding was undertaken to reduce total debt service payment by $35,713 and resulted in an economic gain of $85,092. The Council placed the proceeds of the new bonds in an irrevocable trust to provide for complete payment of the outstanding balance of the defeased bonds on March 1, 2012.

In 2016, the Council defeased $3,755,000 of General Obligation Bonds by issuing $3,890,000 in General Obligation Refunding Bonds, Series 2016. This advance refunding was undertaken to reduce total debt service payment by $129,995 and resulted in an economic gain of $162,319. The Council placed the proceeds of the new bonds in an irrevocable trust to provide for complete payment of the outstanding balance of the defeased bonds on March 1, 2017.

Accordingly, the trust accounts assets and the liabilities for the defeased bonds are not included in the City's financial statements.

At December 31, 2018, the outstanding balances of $292,000 and $3,505,000 of the General Obligation Refunding Bonds, Series 2011 and the General Obligation Refunding Bonds, Series 2016, respectively, are recorded on the statement of net position.

NOTE 15 – FHA REVOLVING LOAN FUND

In prior years, the City was awarded grant funds under the Rural Business Enterprise Grant (CFDA #10.769) for the purpose of making loans to area businesses at low interest rates to promote economic development. The grant funds were to form a revolving loan fund where notes would be collected and new loans would be made.

NOTE 15 – FHA REVOLVING LOAN FUND (CONTINUED)

The following is a recap of the cash flows of the revolving loan fund which is accounted for in the City's General Fund:

Cash Balance – December 31, 2017	$ 223,448
Deletions	
New loans issued	-
Additions	
Principal payments on notes	6,927
Interest payments on notes	369
Interest on cash account	211
Cash Balance – December 31, 2018	$ 230,955
Notes Receivable Balance – December 31, 2018	$ 19,687

NOTE 16 - OPERATING LEASE

The City leases copiers, equipment, and storage space from multiple parties. Future minimum lease payments due under these leases are as follows:

Year ending December 31,	Amount
2019	$ 316,801
2020	222,017
2021	80,664
2022	8,667
Total	$ 628,149

The City also leases parking lots for public use on a month-to-month and yearly basis. Therefore, there are no future minimum payments noted.

NOTE 17 - RISK MANAGEMENT

The City has contracted with a commercial insurance company to provide liability coverage for general acts, law enforcement, and public officials' errors and omissions. The policy requires the City to pay for claims and costs up to $25,000 with maximum aggregate payments limited to $200,000. At December 31, 2018, no significant claims were owed and no liability has been recorded.

NOTE 18- OTHER POST-EMPLOYMENT BENEFITS

Plan Description

Plan Administration – The City of Covington's medical benefits are provided through a fully insured medical plan and are made available to employees upon actual retirement.

Management of the Plan is vested in the Plan's Board of Trustees (the Board), which consists of the Mayor, Chief Administrative Officer, Finance Director and the members of the Finance Committee of the City Council for the City of Covington. The plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees of the City.

Plan Membership – At December 31, 2018, the Plan's membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	22
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	138
	160

Benefits Provided – The employees are covered by one of three retirement systems: first, the Municipal Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service; second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service; and, third, the Firefighters' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service.

Contributions – The City of Covington has the authority to establish and amend the contribution requirements of the City of Covington and the plan members. Plan members are not required to contribute to their post-employment benefits costs.

NOTE 18- OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Investments

Investment policy – The OPEB Trust was funded on December 7, 2018. As of December 31, 2018 the funds were not invested. The Board is in the process of selecting an investment advisor for the OPEB Trust. An investment policy has been established, however, the asset allocation policy will be determined once the investment advisor has been selected:

Asset Class	Target Allocation
Money Market	100%

Concentrations – All plan assets are held in cash in a deposit account with a local bank authorized by the City of Covington and are protected by insurance or collateral.

Rate of Return – For the year ended December 31, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 0.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The components of the net OPEB liability of the City of Covington at December 31, 2018, were as follows:

Total OPEB liability	$	7,016,373
Plan fiduciary net position		1,050,000
City of Covington's net OPEB liability	$	5,966,373
Plan fiduciary net position as a percentage of the total OPEB liability		14.96%

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	4.0%, including inflation
Discount rate	3.44% annually (Beginning of Year to Determine ADC) 4.10% annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually

The RP-2000 Table without projection with 50%/50% unisex blend has been used. Projected future mortality improvement has not been used since it is our opinion that this table contains a substantial conservative margin for the population involved in this valuation.

NOTE 18- OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2006 to December 31, 2018 in addition to the Office of Group Benefits (OGB) assumptions.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	6.0%
Corporate Bonds	5.0%
Certificates of Deposit	1.0%
Cash	0.0%

Discount Rate – The discount rate used to measure the total OPEB liability was 4.10%. The projection of cash flows used to determine the discount rate assumed that City of Covington contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 18- OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Net OPEB Liability

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Pension (b)	Net OPEB Liability (a)+(b)
Balances at December 31, 2017 (as restated)	$ 7,458,485	$ -	$ 7,458,485
Service cost	239,287	-	239,287
Interest cost at 3.44%	254,560	-	254,560
Difference between expected and actual experience	(14,113)	-	(14,113)
Employer contributions trust	-	1,050,000	1,050,000
Net investment income	-	-	-
Changes of assumptions	(804,905)	-	(804,905)
Benefit payments			
(a) From trust	-	-	-
(b) Direct	(116,941)	-	(116,941)
Administrative expense			
(a) From trust	-	-	-
(b) Direct	-	-	-
Net Change	(442,112)	1,050,000	(1,492,112)
Balances at December 31, 2018	$ 7,016,373	$ 1,050,000	$ 5,966,373

Sensitivity of the net OPEB liability to changes in the discount rate – The following represents the net OPEB liability of the City of Covington, as well as what the City of Covington's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.10%) or 1-percentage-point higher (5.10%) than the current discount rate:

	1.0% Decrease (3.10%)	Current Healthcare cost trend Rate (4.10%)	1.0% Increase (5.10%)
Net OPEB liability	$ 7,312,976	$ 5,966,373	$ 4,905,204

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following represents the net OPEB liability of the City of Covington, as well as what the City of Covington's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1.0% Decrease (4.5%)	Current Healthcare Cost Trend Rate (5.5%)	1.0% Increase (6.5%)
Net OPEB liability	$ 4,857,811	$ 5,966,373	$ 7,363,668

NOTE 18- OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the City recognized OPEB expense of $532,118. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (13,172)
Net difference between projected and actual earnings on OPEB plan investments	-	(858,565)
Changes in assumptions/inputs	14,448	-
Total	**$ 14,448**	**$ (871,737)**

NOTE 19 – TAX ABATEMENT

St. Tammany Parish (the Parish) negotiates property tax abatement agreements on the City's behalf on an individual basis. Each agreement was negotiated for a variety of economic development purposes, including business relocation, retention, and expansion. The City has tax abatement agreements with two entities as of December 31, 2018:

- A manufacturing company, through an agreement negotiated with the Industrial Tax Exemption (ITE) program, has property assessed at $687,672 with exempt taxes of $6,672. The ITE program may be granted to manufacturers located within the Parish. The ITE program abates, up to ten years, local property taxes on a manufacturer's new investment and annual capitalized additions related to the manufacturing sale.
- A services company, through a Restoration Tax Abatement program, has property assessed at $47,682 with exempt taxes of $2,256. The Restoration Tax Abatement may be granted to any commercial property owners or homeowners located within the Parish who expand, restore, improve or develop an existing structure in an economic development or historic district.
- A hotel, through a Restoration Tax Abatement program, has property assessed at $646,194 with exempt taxes of $52,500. The Restoration Tax Abatement may be granted to any commercial property owners or homeowners located within the Parish who expand, restore, improve or develop an existing structure in an economic development or historic district.
- A manufacturing company, through an agreement negotiated with the Industrial Tax Exemption (ITE) program, has property assessed at $1,225,000 with exempt taxes of $18,064. The ITE program may be granted to manufacturers located within the Parish. The ITE program abates, up to ten years, local property taxes on a manufacturer's new investment and annual capitalized additions related to the manufacturing sale.

NOTE 19 – TAX ABATEMENT (CONTINUED)

The Parish has not made any commitments as part of the agreements other than to reduce taxes.

The City is not subject to any tax abatement agreements entered into by other governmental entities other than the Parish.

NOTE 20 – CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

During the preparation of the financial statements for the year ended December 31, 2018, the City adopted GASB 75 related to post-employment benefits other than pension, as described in Note 1 as adoption of new financial accounting standards.

The adoption of GASB 75 had the following impact on the beginning net position at January 1, 2018:

	Governmental Activities	Business Type Activities	Total
Net Position – December 31, 2017	$ 24,709,670	$ 25,943,496	$ 50,653,166
Prior Period Adjustments:			
Cumulative effect of changes in accounting principle:			
GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	(2,603,447)	(632,406)	(3,235,853)
Net Position – as restated	$ 21,106,223	$ 25,311,090	$ 47,417,313

NOTE 21 – RESTATEMENT

Subsequent to the issuance of the financial statements for the year ended December 31, 2017, the City determined that certain funds should have been combined into the general fund. The City determined that these transactions caused an understatement to the general fund's fund balance of $1,167,943.

	December 31, 2017	Adjustment	December 31, 2017 (as restated)
General Fund:			
Fund Balance, Beginning of Year	$ 11,523,698	$ 1,167,943	$ 12,691,641
1982 Sales Tax Fund:			
Fund Balance, Beginning of Year	1,167,943	(1,167,943)	-

NOTE 22 – SUBSEQUENT EVENTS

Subsequent events and transactions have been evaluated for potential recognition or disclosure through June 13, 2019, the date the financial statements were available to be issued, and determined that no events occurred that required disclosure.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF COVINGTON, LOUISIANA
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
For the Year Ended December 31, 2018

Total OPEB Liability		
Service cost	$	239,287
Interest		254,560
Changes of benefit terms		-
Differences between expected and actual experience		(14,113)
Changes of assumptions		(804,905)
Benefit payments		116,941
Net change in total OPEB liability		(442,112)
Total OPEB liability - beginning		7,458,485
Total OPEB liability - ending (a)	$	7,016,373
Administrative expense		
Plan Fiduciary Net Position		
Contributions - employer	$	1,050,000
Contributions - member		-
Net investment income		-
Benefit payments		-
Administrative expense		-
Net change in plan fiduciary net position		1,050,000
Plan fiduciary net position - beginning		-
Plan fiduciary net position - ending (b)	$	1,050,000
Net OPEB liability - ending (a) - (b)	$	5,966,373
Plan fiduciary net position as a percentage of the total OPEB liability		14.96%
Covered-employee payroll	$	5,376,452
Net OPEB liability as a percentage of covered-employee payroll		110.97%

Notes to Schedule:
Benefit Changes. There were no changes of benefit terms for the year ended December 31, 2018.

Changes of Assumptions. The discount rate as of 12/31/2017 was 3.44% and it changed to 4.10% as of 12/31/2018.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditor's report and notes to Required Supplementary Information.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Year Ended December 31, 2018

Actuarially determined contribution		$	641,772
Contributions in relation to the actuarially determined contribution			
Employer contributions to trust	1,050,000		
Employer-paid retiree premiums	116,941		
			1,166,941
Contribution deficiency (excess)		$	(525,169)
Covered annual payroll		$	5,376,452
Contributions as a percentage of covered-employee payroll			21.70%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditor's report and notes to Required Supplementary Information.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF INVESTMENT RETURNS
For the Year Ended December 31, 2018

	Annual Money Weighted Rate of Return, Net of Investment Expense
2018	0.00%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditor's report and notes to Required Supplementary Information.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
TAXES				
Sales Tax	$ 9,130,570	$ 9,130,570	$ 9,358,102	$ 227,532
Property taxes	2,311,309	2,311,309	2,327,562	16,253
Franchise taxes	766,000	766,000	825,019	59,019
Total Taxes	12,207,879	12,207,879	12,510,683	302,804
LICENSES AND PERMITS				
Insurance	650,000	650,000	686,629	36,629
Occupational	430,000	430,000	434,861	4,861
Building	150,000	150,000	512,064	362,064
Liquor and beer	21,000	21,000	19,910	(1,090)
Filming	-	-	4,650	4,650
Total Licenses and Permits	1,251,000	1,251,000	1,658,114	407,114
OTHER REVENUES				
Other revenues	20,000	225,030	244,387	19,357
Insurance claim revenue	-	27,001	28,677	1,676
LWCC	140,000	140,000	121,322	(18,678)
Donations	16,000	16,000	17,313	1,313
Accident reports	6,000	6,000	6,472	472
Rent income	15,400	15,400	25,001	9,601
Cemetery plot sale	1,500	1,500	800	(700)
Event Ticket Sales	25,000	25,000	13,990	(11,010)
Code Enforcement Liens	15,000	15,000	1,170	(13,830)
Total Other Revenues	238,900	470,931	459,132	(11,799)
FINES AND FORFEITURES				
Court fines	2,000	2,000	1,026	(974)
DWI fines	56,000	56,000	44,035	(11,965)
City court fee	11,000	11,000	11,595	595
Total Fines and Forfeitures	69,000	69,000	56,656	(12,344)
CHARGES FOR SERVICES				
Greater Covington center rentals	80,100	80,100	71,070	(9,030)
Greater Covington center leases	5,000	5,000	6,450	1,450
Basketball registration	3,000	3,000	1,165	(1,835)
Baseball registration	4,000	4,000	2,360	(1,640)
Football registration	4,000	4,000	995	(3,005)
Zoning revenue	15,000	15,000	14,095	(905)
Park rental	8,000	8,000	7,050	(950)
Total Charges for Services	119,100	119,100	103,185	(15,915)

(Continued)

See independent auditor's report and notes to Required Supplementary Information.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
INTERGOVERNMENTAL REVENUES				
911 revenue	$ 40,300	$ 40,300	$ 38,040	$ (2,260)
Task Force	7,000	7,000	-	(7,000)
Fire insurance premium tax	41,000	41,000	38,024	(2,976)
School resource officer	91,100	91,100	91,084	(16)
District court witness fees	3,000	3,000	2,700	(300)
Beer tax	36,000	36,000	50,856	14,856
District 12 dispatch	22,500	22,500	20,970	(1,530)
Crossing guard	18,000	18,000	8,486	(9,514)
Total Intergovernmental Revenues	258,900	258,900	250,160	(8,740)
INTEREST AND PENALTIES				
Interest on CDs	33,000	33,000	54,063	21,063
Interest on LAMP	38,000	38,000	78,437	40,437
Interest on ad valorem taxes	15,000	15,000	17,100	2,100
Penalties	13,000	13,000	6,745	(6,255)
Interest on FHA loans	-	-	580	580
Total Interest and Penalties	99,000	99,000	156,925	57,925
TOTAL REVENUES	14,243,779	14,475,810	15,194,855	719,045
EXPENDITURES				
GENERAL GOVERNMENT				
ADMINISTRATION - COUNCIL				
Salaries	116,500	116,500	117,952	(1,452)
Payroll related benefits and taxes	70,270	80,337	79,397	940
Advertising	10,000	10,000	9,291	709
Contract services	16,000	16,000	7,649	8,351
Dues and subscription	500	500	740	(240)
Meetings, trainings and conventions	13,000	13,000	6,317	6,683
Office supplies general & uniforms	3,300	3,300	1,571	1,729
Small office furnishings & equipment	1,500	1,500	-	1,500
Repairs and maintenance	4,000	4,000	599	3,401
Operating lease	4,000	4,000	2,301	1,699
Total Administration Council	239,070	249,137	225,817	23,320

(Continued)

See independent auditor's report and notes to Required Supplementary Information.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
GENERAL GOVERNMENT				
ADMINISTRATION - MAYOR				
Salaries	$ 88,890	$ 88,890	$ 89,328	$ (438)
Payroll related benefits and taxes	20,980	21,647	21,519	128
Meetings and conventions	6,000	6,000	6,055	(55)
Vehicle allowance	9,000	9,000	9,000	-
Small office furnishings and equipment	1,000	1,000	597	403
Office supplies	12,000	13,843	-	13,843
Cell phone	1,100	1,100	1,290	(190)
Total Administration Mayor	138,970	141,480	127,789	13,691
GENERAL GOVERNMENT				
ADMINISTRATION - LEGAL				
Professional services	168,500	168,500	129,529	38,971
Total Legal	168,500	168,500	129,529	38,971
GENERAL GOVERNMENT				
ADMINISTRATION				
Salaries	637,130	668,330	646,040	22,290
Professional services	87,700	93,700	55,235	38,465
Payroll related benefits and taxes	265,910	285,510	284,273	1,237
Repairs and maintenance	139,000	142,710	116,003	26,707
Insurance	83,600	78,600	58,649	19,951
Office supplies	55,500	56,530	35,414	21,116
Contract services	93,100	93,100	88,230	4,870
Service charges and fees	60,500	60,500	63,873	(3,373)
Utilities	17,700	17,700	16,382	1,318
Advertising	5,000	5,000	5,690	(690)
Training and education	15,000	20,280	17,530	2,750
Dues and subscriptions	6,000	6,000	6,175	(175)
Small office furnishings and equipment	1,700	5,245	4,564	681
Computer equipment	11,000	8,455	3,474	4,981
Election expense	-	-	10,149	(10,149)
Gasoline	500	500	166	334
Rent	8,400	8,400	8,226	174
Operating leases	14,700	14,700	12,928	1,772
Total Administration	1,502,440	1,565,260	1,433,001	132,259

(Continued)

See independent auditor's report and notes to Required Supplementary Information.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
GENERAL GOVERNMENT				
ENGINEERING				
Salary	$ 158,500	$ 158,500	$ 145,386	$ 13,114
Payroll related benefits and taxes	66,250	67,650	65,366	2,284
Contract services	-	24,894	-	24,894
Professional services	5,500	19,500	18,100	1,400
Office supplies	11,450	11,450	1,461	9,989
Training and education	1,500	1,500	490	1,010
Dues and subscriptions	705	705	450	255
Insurance	1,400	1,400	1,441	(41)
Utilities	1,200	1,200	-	1,200
Repairs and maintenance	450	450	347	103
Gasoline	2,000	2,000	2,202	(202)
Total Engineering	248,955	289,249	235,243	54,006
GENERAL GOVERNMENT				
PLANNING AND ZONING				
Salaries	107,200	107,200	109,534	(2,334)
Payroll related benefits and taxes	49,265	50,598	52,620	(2,022)
Professional services	8,000	8,000	1,500	6,500
Office supplies	4,500	4,500	2,641	1,859
Contract services	7,000	27,907	23,657	4,250
Service charges and fees	2,000	2,000	1,330	670
Advertising	5,000	7,100	7,089	11
Training and education	5,000	3,200	1,409	1,791
Façade grants	1,000	1,000	-	1,000
Repairs and maintenance	2,000	2,000	854	1,146
Operating lease	3,000	3,000	2,692	308
Small office furnishings and equipment	2,200	2,200	660	1,540
Dues and subscriptions	2,000	1,700	1,119	581
Total Planning and Zoning	198,165	220,405	205,105	15,300
GENERAL GOVERNMENT				
CODE ENFORCEMENT				
Salaries	47,141	47,141	34,192	12,949
Payroll related benefits and taxes	19,870	19,870	16,822	3,048
Training and education	750	750	-	750
Contract services	30,900	30,900	7,940	22,960
Gasoline	1,000	1,000	721	279
Service charges and fees	1,500	1,500	230	1,270

(Continued)

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
GENERAL GOVERNMENT				
CODE ENFORCEMENT (CONTINUED)				
Insurance	$ 700	$ 700	$ 716	$ (16)
Utilities	840	840	840	-
Office supplies	1,000	1,000	268	732
Repairs and maintenance	1,000	1,000	451	549
Materials and supplies	300	300	-	300
Total Code Enforcement	105,001	105,001	62,180	42,821
GENERAL GOVERNMENT				
BUILDING PERMITS				
Salaries	104,500	104,500	94,093	10,407
Payroll related benefits and taxes	53,910	55,843	53,433	2,410
Professional services	93,900	93,900	59,280	34,620
Repairs and maintenance	2,000	2,000	1,843	157
Insurance	700	700	6,792	(6,092)
Office supplies	6,786	6,786	4,879	1,907
Operating leases	2,700	2,700	2,653	47
Utilities	900	900	840	60
Small office furnishings & equipment	1,500	1,500	-	1,500
Training and education	2,500	1,900	1,278	622
Dues and subscriptions	350	950	925	25
Gasoline	1,200	1,200	764	436
Computer equipment	1,000	1,000	944	56
Total Building Permits	271,946	273,879	227,724	46,155
GENERAL GOVERNMENT				
TRAILHEAD				
Salaries	36,868	43,868	39,224	4,644
Payroll related benefits and taxes	26,765	27,915	26,881	1,034
Contract labor	15,000	7,450	5,166	2,284
Contract services	1,500	1,000	702	298
Gasoline	300	300	144	156
Insurance	11,100	11,100	10,865	235
Office supplies	4,500	6,800	6,964	(164)
Repairs and maintenance	12,100	11,300	11,300	-
Utilities	8,500	8,500	9,945	(1,445)
Total Trailhead	116,633	118,233	111,191	7,042

(Continued)

See independent auditor's report and notes to Required Supplementary Information.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
GENERAL GOVERNMENT				
BOGUE FALAYA PARK				
Salaries	$ 31,620	$ 31,620	$ 30,185	$ 1,435
Payroll related benefits and taxes	19,725	20,325	18,639	1,686
Gasoline	1,600	1,030	1,010	20
Insurance	5,000	5,000	2,784	2,216
Office supplies	2,350	3,405	3,612	(207)
Utilities	3,400	3,400	3,636	(236)
Repairs and maintenance	11,000	9,040	8,745	295
Small tools and equipment	2,600	1,200	1,139	61
Garbage collection	2,600	2,600	1,517	1,083
Materials and supplies	7,000	1,090	1,165	(75)
Contract services	200	200	181	19
Total Bogue Falaya Park	87,095	78,910	72,613	6,297
GENERAL GOVERNMENT				
GREATER COVINGTON CENTER				
Salaries	141,400	141,400	134,414	6,986
Payroll related benefits and taxes	71,100	71,500	72,280	(780)
Contract labor	32,000	23,000	21,859	1,141
Contract services	7,000	6,100	4,747	1,353
Advertising	200	200	110	90
Garbage collection	1,700	1,700	1,389	311
Gasoline	1,000	600	474	126
Insurance	46,700	46,700	45,686	1,014
Office supplies	8,800	19,608	19,489	119
Repairs and maintenance	36,500	40,235	47,658	(7,423)
Small tools and equipment	1,000	3,200	3,191	9
Training and education	1,850	250	-	250
Utilities	53,100	53,100	61,063	(7,963)
Total Greater Covington Center	402,350	407,593	412,360	(4,767)
Total General Government	3,479,125	3,617,647	3,242,552	375,095

(Continued)

See independent auditor's report and notes to Required Supplementary Information.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
PUBLIC SAFETY - POLICE				
Salaries	$ 2,139,900	$ 2,137,840	$ 2,060,454	$ 77,386
Payroll related taxes and benefits	1,467,135	1,503,869	1,371,680	132,189
Materials and supplies	25,500	23,657	15,036	8,621
Gasoline	80,000	75,000	64,112	10,888
Insurance	141,800	141,800	134,276	7,524
Repairs and maintenance	98,000	98,995	68,273	30,722
Utilities	69,600	69,600	78,636	(9,036)
Office supplies	52,100	68,754	56,600	12,154
Training and education	90,000	82,500	103,023	(20,523)
Small tools and equipment	70,000	93,893	65,847	28,046
Professional services	53,000	53,000	47,434	5,566
Garbage collection	1,500	1,500	817	683
Rent	29,000	29,000	25,010	3,990
Contract services	60,928	131,958	89,747	42,211
Dues and subscriptions	8,000	8,000	7,884	116
Vehicles	7,200	7,200	5,400	1,800
Total Public Safety - Police	4,393,663	4,526,566	4,194,229	332,337
PUBLIC SAFETY - FIRE				
Salaries	1,127,000	1,131,239	1,054,015	77,224
Payroll related taxes and benefits	708,850	720,864	624,277	96,587
Utilities	31,500	31,500	28,926	2,574
Small tools and equipment	33,400	43,635	42,368	1,267
Insurance	51,200	51,200	53,734	(2,534)
Repairs and maintenance	58,000	73,687	69,245	4,442
Gasoline	25,000	22,000	16,715	5,285
Office supplies	18,000	15,188	14,508	680
Materials and supplies	15,000	14,258	12,806	1,452
Garbage collection	1,700	817	817	-
Contract services	3,600	31,500	30,916	-
Training and education	22,000	18,604	18,108	496
Dues and subscriptions	5,700	4,826	4,503	323
Professional services	27,600	17,362	17,306	56
Total Public Safety - Fire	2,128,550	2,176,680	1,988,244	187,852

(Continued)

See independent auditor's report and notes to Required Supplementary Information.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
PUBLIC WORKS				
Salaries	$ 889,650	$ 889,650	$ 798,485	$ 91,165
Payroll related taxes and benefits	547,700	562,700	486,091	76,609
Professional services	77,200	81,200	70,449	10,751
Contract labor	40,000	40,000	44,400	(4,400)
Utilities	261,000	261,000	265,468	(4,468)
Repairs and maintenance	117,500	122,500	76,088	46,412
Materials and supplies	155,000	151,000	104,852	46,148
Gasoline	90,000	90,000	54,249	35,751
Insurance	46,000	46,000	36,792	9,208
Office supplies	43,550	36,350	28,431	7,919
Contract services	8,000	8,000	7,085	915
Small tools and equipment	14,200	14,200	5,940	8,260
Garbage collection	8,000	8,000	5,130	2,870
Dues and subscriptions	800	800	633	167
Training and education	1,200	1,200	469	731
Operating leases	-	2,200	2,287	(87)
Total Public Works	2,299,800	2,314,800	1,986,849	327,951
CULTURE AND RECREATION				
Salaries	329,465	329,465	252,578	76,887
Payroll related taxes and benefits	113,890	116,623	83,323	33,300
Materials and supplies	114,100	145,983	101,306	44,677
Utilities	37,020	38,320	42,856	(4,536)
Contract labor	29,000	29,000	10,887	18,113
Professional services	3,800	3,800	3,760	40
Repairs and maintenance	52,275	53,075	20,154	32,921
Insurance	10,500	10,500	9,301	1,199
Office supplies	23,400	24,975	10,049	14,926
Contract services	156,200	163,225	128,674	34,551
Service charges and fees	8,000	8,000	175	7,825
Garbage collection	2,000	2,000	1,207	793
Pool operations	10,480	10,480	6,670	3,810
Small tools and equipment	19,800	21,690	11,829	9,861
Meetings and conventions	11,400	11,400	4,390	7,010
Advertising	53,020	52,615	46,223	6,392
Dues and subscriptions	1,700	1,700	963	737
Gasoline	1,750	1,750	1,887	(137)
Operating leases	5,000	5,500	5,422	78
Farmer's market	10,000	10,000	9,960	40
Rent	1,500	1,500	-	1,500
Total Culture and Recreation	994,300	1,041,601	751,614	289,987

(Continued)

See independent auditor's report and notes to Required Supplementary Information.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
CAPITAL OUTLAY				
Capital outlay	3,952,910	6,576,815	2,623,681	3,953,134
Total Capital Outlay	3,952,910	6,576,815	2,623,681	3,953,134
PAYMENTS ON CLAIMS AND JUDGEMENTS				
Payments on claims and judgments	30,000	30,000	30,000	-
Total Payments on Claims and Judgments	30,000	30,000	30,000	-
Total Expenditures	17,278,348	20,284,109	14,817,169	5,466,940
Excess (Deficiency) of Revenues Over Expenditures	(3,034,569)	(5,808,299)	377,686	6,185,985
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of equipment	22,000	22,000	52,368	30,368
Transfers in	10,919,345	10,920,345	1,371,031	(9,549,314)
Transfers out	(1,122,310)	(2,551,023)	(2,671,533)	(120,510)
Total Other Financing Sources	9,819,035	8,391,322	(1,248,134)	(9,639,456)
Changes in Fund Balance	6,784,466	2,583,023	(870,448)	(3,453,471)
Fund Balance, Beginning of Year	12,691,641	12,691,641	12,691,641	-
Fund Balance, End of Year	$ 19,476,107	$ 15,274,664	$ 11,821,193	$ (3,453,471)

See independent auditor's report and notes to Required Supplementary Information.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ANNEXATION AREA (A3) SALES TAX FUND
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes:				
Sales taxes	$ 2,831,262	$ 2,831,262	$ 3,071,605	$ 240,343
Interest and penalties	24,000	24,000	32,754	8,754
Total Revenues	2,855,262	2,855,262	3,104,359	249,097
EXPENDITURES				
Current				
Capital outlay	2,635,000	3,741,240	1,282,824	2,458,416
Total Expenditures	2,635,000	3,741,240	1,282,824	2,458,416
Excess (Deficiency) of Revenues Over Expenditures	220,262	(885,978)	1,821,535	2,707,513
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,483,463)	(1,483,463)	(1,291,368)	(192,095)
Total Other Financing Uses	(1,263,201)	(2,369,441)	530,167	2,515,418
Changes in Fund Balance	(1,042,939)	(3,255,419)	2,351,702	5,607,121
Fund Balance, Beginning of Year	2,619,805	2,619,805	2,619,805	-
Fund Balance, End of Year	$ 1,576,866	$ (635,614)	$ 4,971,507	$ 5,607,121

See independent auditor's report and notes to Required Supplementary Information.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last Five Years

	2018	2017	2016	2015	2014
The Municipal System					
City of Covington's proportion of the net pension liability (%)	1.638340%	1.685030%	1.602460%	1.643521%	1.668320%
City of Covington's proportion of the net pension liability ($)	6,783,826	7,049,195	6,568,003	5,870,914	4,281,651
City of Covington's covered payroll ($)	2,961,267	3,030,352	2,862,540	2,805,094	2,689,407
City of Covington's proportionate share of the net pension liability as a percentage of its covered payroll	229.09%	232.62%	229.45%	209.29%	159.20%
Plan fiduciary net position as a percentage of the total pension liability	63.90%	62.50%	62.11%	66.18%	76.94%
The Police System					
City of Covington's proportion of the net pension liability (%)	0.577690%	0.578550%	0.560620%	0.568431%	0.536795%
City of Covington's proportion of the net pension liability ($)	4,883,784	5,050,978	5,254,579	4,453,063	3,358,234
City of Covington's covered payroll ($)	1,704,795	1,626,838	1,503,506	1,347,463	1,292,945
City of Covington's proportionate share of the net pension liability as a percentage of its covered payroll	286.47%	310.48%	349.49%	330.48%	259.74%
Plan fiduciary net position as a percentage of the total pension liability	70.10%	70.10%	66.04%	70.73%	75.10%
The Firefighters' System					
City of Covington's proportion of the net pension liability (%)	0.434260%	0.426240%	0.433230%	0.459625%	0.484880%
City of Covington's proportion of the net pension liability ($)	2,497,915	2,443,120	2,833,709	2,480,648	2,157,674
City of Covington's covered payroll ($)	1,048,998	995,201	976,837	976,788	947,814
City of Covington's proportionate share of the net pension liability as a percentage of its covered payroll	238.12%	245.49%	290.09%	253.96%	227.65%
Plan fiduciary net position as a percentage of the total pension liability	74.80%	73.50%	68.16%	62.70%	65.00%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ended

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditor's report and notes to Required Supplementary Information.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION FUNDS
Last Five Years

	2018	2017	2016	2015	2014
The Municipal System					
Contractually required contribution	$ 771,786	$ 717,787	$ 625,486	$ 557,105	$ 539,797
Contributions in relation to the contractually required contribution	771,786	717,787	625,486	557,105	539,797
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,039,066	$ 3,024,599	$ 2,940,646	$ 2,820,787	$ 2,804,436
Contributions as a percentage of covered payroll	25.40%	23.73%	21.27%	19.75%	19.25%
The Police System					
Contractually required contribution	$ 552,967	$ 526,234	$ 540,210	$ 490,167	$ 445,036
Contributions in relation to the contractually required contribution	552,967	526,234	540,210	490,167	445,036
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,755,544	$ 1,681,942	$ 1,561,694	$ 1,419,730	$ 1,275,014
Contributions as a percentage of covered payroll	31.50%	31.29%	34.59%	34.53%	34.90%
The Firefighters' System					
Contractually required contribution	262,537	251,289	258,903	272,059	280,598
Contributions in relation to the contractually required contribution	262,537	251,289	258,903	272,059	280,598
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	990,706	1,042,519	986,254	963,150	975,685
Contributions as a percentage of covered payroll	26.50%	24.10%	26.25%	28.25%	28.76%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditor's report and notes to Required Supplementary Information.

NOTE A – BUDGETARY BASIS OF ACCOUNTING

Budgets for the General Fund and each major Special Revenue Fund are adopted on the modified accrual basis of accounting. Therefore, GAAP serves as the budgetary basis of accounting.

NOTE B – PENSION SCHEDULES

Changes to Benefit Terms

There were no changes to benefit terms for the five plan or valuation years ended June 30, 2018.

Changes of Assumptions

For Municipal Employees' Retirement System for the valuation year ended June 30, 2018, the investment rate of return decreased from 7.4% to 7.275% and the rate of inflation decreased from 2.775% to 2.6%. For the valuation year ended June 30, 2017, the investment rate of return decreased from 7.5% to 7.4% and the rate of inflation decreased from 2.875% to 2.775%. For the valuation year ended June 30, 2015, the investment rate of return decreased from 7.75% to 7.5%, the rate for projected salary increases decreased from 5.75% to 5.0%, and the rate of inflation decreased from 3.0% to 2.875%.

For Municipal Police Employees' Retirement System for the valuation year ended June 30, 2018, the investment rate of return decreased from 7.33% to 7.20% and the inflation rate decreased from 2.70% to 2.60%. For the valuation year ended June 30, 2017, the investment rate of return decreased from 7.5% to 7.33% and the inflation rate decreased from 2.875% to 2.70%. For the valuation year ended June 30, 2015, the inflation rate decreased from 3% to 2.875%.

For Firefighters' Retirement System for the valuation year ended June 30, 2018, the investment rate of return decreased from 7.40% to 7.30% and the inflation rate decreased from 2.775% to 2.70%. For the valuation year ended June 30, 2017, the investment rate of return decreased from 7.50% to 7.40% and the inflation rate decreased from 2.875% to 2.775%. For the valuation year ended June 30, 2015, the inflation rate decreased from 3% to 2.875%.

OTHER SUPPLEMENTARY INFORMATION

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CITY OF COVINGTON, LOUISIANA
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2018

DEBT SERVICE FUNDS

Debt service funds are used to accumulate monies for the payment of principal, interest, and fiscal charges for the City's outstanding bonded debt.

General Obligation Debt Service Fund – This fund was created to account for the annual principal and interest of the general obligation bonded debt.

Sales Tax Bond Debt Service Fund – This fund was created to account for the annual principal and interest of the sales tax secured debt.

PERMANENT FUND

Permanent funds are used to account for funds that are required to be kept in perpetual trust.

Garden of Pines Permanent – This fund was created to account for the trust responsible for the general maintenance and care of the mausoleum. The original deposit must be kept intact.

SPECIAL REVENUE FUNDS

State and Federal Grants Fund – This fund was created in 2012 to account for all resources and expenditures in connection with the State and Federal funding.

Drug Forfeiture – This fund was created in 2017 to account for all expenditures in connection with drug forfeiture revenues.

Tree Mitigation Fund – This fund was created in 2017 to account for all expenditures in connection with fees collected for tree mitigation.

CAPITAL PROJECTS FUNDS

Water Capacity Fund – This fund was created in 2016 to account for all resources and expenditures in connection with the City's water system improvements.

Wastewater Capacity Fund – This fund was created in 2016 to account for all resources and expenditures in connection with the City's wastewater system improvements.

CITY OF COVINGTON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
December 31, 2018

	Debt Service		Permanent	Special Revenue Funds			Capital Project Funds		
	General Obligation Debt Service Fund	Sales Tax Bond Debt Service Fund	Garden of Pines Permanent	State and Federal Grants	Drug Forfeiture	Tree Mitigation Fund	Water Capacity Treatment Fund	Waste-Water Capacity Treatment Fund	Total Non-Major Governmental
ASSETS									
Cash and cash equivalents	$ 259,411	$ 57,753	$ 35,040	$ -	$ -	$ -	$ -	$ -	$ 352,204
Equity in pooled cash	-	-	-	-	31,142	14,368	60,589	262,254	368,353
Certificates of deposits	-	277,500	24,955	-	-	-	-	-	302,455
Receivables									
Property taxes	456,149	-	-	-	-	-	-	-	456,149
Grants	-	-	-	73,412	-	-	-	-	73,412
Other	-	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	$ 715,560	$ 335,253	$ 59,995	$ 73,412	$ 31,142	$ 14,368	$ 60,589	$ 262,254	$ 1,552,573
LIABILITIES AND FUND BALANCES									
Accounts payable	-	-	-	18,120	-	9,378	-	-	27,498
Equity in pooled cash	-	-	-	54,992	-	-	-	-	54,992
Due to other funds	1,800	-	19,278	-	-	-	-	-	21,078
TOTAL LIABILITIES	1,800	-	19,278	73,112	-	9,378	-	-	103,568
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenues	-	-	-	300	-	-	-	-	300
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	300	-	-	-	-	300
FUND BALANCE									
Nonspendable:									
Permanent fund	-	-	24,955	-	-	-	-	-	24,955
Restricted:									
Perpetual care	-	-	15,762	-	-	-	-	-	15,762
Debt services	713,760	335,253	-	-	-	-	-	-	1,049,013
Drug forfeiture	-	-	-	-	31,142	-	-	-	31,142
Tree mitigation	-	-	-	-	-	4,990	-	-	4,990
Committed:									
Capital outlay	-	-	-	-	-	-	60,589	262,254	322,843
Unassigned	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCE	713,760	335,253	40,717	-	31,142	4,990	60,589	262,254	1,448,705
TOTAL LIABILITIES , DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 715,560	$ 335,253	$ 59,995	$ 73,412	$ 31,142	$ 14,368	$ 60,589	$ 262,254	$ 1,552,573

See independent auditor's report.

CITY OF COVINGTON
COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	Debt Service		Permanent	Special Revenue Funds			Capital Project Funds		
	General Obligation Debt Service Fund	Sales Tax Bond Debt Service Fund	Garden of Pines Permanent	State and Federal Grants	Drug Forfeiture	Tree Mitigation Fund	Water Capacity Treatment Fund	Waste-Water Capacity Treatment Fund	Total Non-Major Governmental
REVENUES									
Taxes									
Property taxes	$ 538,718	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 538,718
State and federal grants	-	-	-	142,007	-	-	-	-	142,007
Charges for services	-	-	-	-	-	-	35,109	133,761	168,870
Fines and forfeitures	-	-	-	-	5,084	-	-	-	5,084
Interest and penalties	54	4,750	344	-	273	98	358	1,771	7,648
Total Revenues	538,772	4,750	344	142,007	5,357	98	35,467	135,532	862,327
EXPENDITURES									
Current									
General government	400	-	-	51,172	-	9,710	-	-	61,282
Public safety - Police	-	-	-	27,480	-	-	-	-	27,480
Public safety - Fire	-	-	-	-	-	-	-	-	-
Public works	-	-	19,278	-	-	-	-	-	19,278
Culture and recreation	-	-	-	-	-	-	-	-	-
Sewer department	-	-	-	44,327	-	-	-	-	44,327
Water department	-	-	-	18,100	-	-	-	-	18,100
Capital outlay	-	-	-	5,262	-	-	-	-	5,262
Debt service									
Principal	432,000	290,000	-	-	-	-	-	-	722,000
Interest	69,162	25,812	-	-	-	-	-	-	94,974
Total Expenditures	501,562	315,812	19,278	146,341	-	9,710	-	-	992,703
Excess (Deficiency) of Revenues Over Expenditures	37,210	(311,062)	(18,934)	(4,334)	5,357	(9,612)	35,467	135,532	(130,376)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	314,601	-	6,096	-	-	-	-	320,697
Transfers out	-	-	-	(79,663)	-	-	-	-	(79,663)
Total Other Financing Sources (Uses)	-	314,601	-	(73,567)	-	-	-	-	241,034
Changes in Fund Balance	37,210	3,539	(18,934)	(77,901)	5,357	(9,612)	35,467	135,532	110,658
Fund Balance, Beginning of Year	676,550	331,714	59,651	77,901	25,785	14,602	25,122	126,722	1,338,047
Fund Balance, End of Year	$ 713,760	$ 335,253	$ 40,717	$ -	$ 31,142	$ 4,990	$ 60,589	$ 262,254	$ 1,448,705

See independent auditor's report.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF COUNCIL COMPENSATION
For the Year Ended December 31, 2018

Council Members	Term of Office	Compensation
R.S. "Sam" O'Keefe	Jul 2015 - Jul 2019	$ 9,000
Joey Roberts	May 2018 - July 2019	6,400
Patrick McMath	April 2017 - Jul 2019	9,000
John Callahan	Jul 2015 - Jul 2019	9,000
Jerry Coner	Jul 2015 - Jul 2019	9,000
Dianne Weiss	Nov 2017 - April 2018	4,100
Larry Rolling	Jul 2015 - Jul 2019	9,000
Rick Smith	Jul 2015 - Jul 2019	9,000
		$ 64,500

See independent auditor's report.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
For the Year Ended December 31, 2018

Agency Head Name: Michael Cooper, Mayor

PURPOSE	AMOUNT
Salary	$ 89,328
Benefits-Health Insurance	10,901
Benefits-retirement	0
Benefits - Workers Comp	156
Benefits-Life Insurance	348
Benefits-Long Term Disability	2,555
Benefits-Fica & Medicare	7,559
Car allowance	9,000
Cell phone	1,290
Meetings & conventions	6,055
Other	0
	$ 127,192

See independent auditor's report.

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STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Covington's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Contents	**Tables**
Financial Trends	1 - 5
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	6 - 10
These schedules contain information to help the reader assess the City's property tax.	
Debt Capacity	11 - 15
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	16 - 17
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	18 - 20
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

TABLE 1

CITY OF COVINGTON, LOUISIANA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net investment in captial assets	$ 7,999,710	$ 9,003,688	$ 8,540,837	$ 10,963,044	$ 14,051,675	$ 17,029,735	$ 18,519,019	$ 21,362,467	$ 23,051,733	$ 25,477,548
Restricted	4,082,723	4,407,344	6,335,844	5,878,390	5,492,166	5,121,612	5,218,131	1,266,366	1,595,170	1,804,406
Unrestricted	4,242,371	2,653,185	1,088,416	2,955,180	4,984,304	4,953,099	(1,132,977)	385,497	62,767	(2,506,238)
Total Governmental Activities Net Position	$ 16,324,804	$ 16,064,217	$ 15,965,097	$ 19,796,614	$ 24,528,145	$ 27,104,446	$ 22,604,173	$ 23,014,330	$ 24,709,670	$ 24,775,716
Business-Type Activities										
Net investment in captial assets	$ 22,558,143	$ 22,965,009	$ 23,281,856	$ 22,599,871	$ 22,033,851	$ 22,109,454	$ 22,311,124	$ 22,870,664	$ 22,689,820	$ 22,917,753
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	539,374	586,803	824,855	1,189,702	1,793,519	2,429,351	1,980,260	2,083,644	3,253,676	3,136,403
Total Business Type Activities Net Position	$ 23,097,517	$ 23,551,812	$ 24,106,711	$ 23,789,573	$ 23,827,370	$ 24,538,805	$ 24,291,384	$ 24,954,308	$ 25,943,496	$ 26,054,156
Primary Government										
Net investment in captial assets	$ 30,557,853	$ 31,968,697	$ 31,822,693	$ 33,562,915	$ 36,085,526	$ 39,139,189	$ 40,830,143	$ 44,233,131	$ 45,741,553	$ 48,395,301
Restricted	4,082,723	4,407,344	6,335,844	5,878,390	5,492,166	5,121,612	5,218,131	1,266,366	1,595,170	1,804,406
Unrestricted	4,781,745	3,239,988	1,913,271	4,144,882	6,777,823	7,382,450	847,283	2,469,141	3,316,443	630,165
Total Primary Governement Net Position	$ 39,422,321	$ 39,616,029	$ 40,071,808	$ 43,586,187	$ 48,355,515	$ 51,643,251	$ 46,895,557	$ 47,968,638	$ 50,653,166	$ 50,829,872

See independent auditor's report.

TABLE 2

CITY OF COVINGTON, LOUISIANA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Expenses	Fiscal Year									
Governmental Activities:	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General government	$ 3,543,490	$ 3,994,184	$ 4,108,782	$ 4,000,021	$ 3,794,356	$ 3,486,965	$ 4,668,943	$ 4,769,296	$ 4,038,234	$ 3,352,924
Public safety - Police	4,070,684	4,181,956	4,101,809	3,946,313	3,886,455	4,040,778	3,882,644	5,006,714	4,563,093	4,663,107
Public safety - Fire	1,461,511	1,603,010	1,742,454	1,770,518	1,747,521	1,889,585	1,879,036	2,526,229	2,305,524	2,147,667
Public works	1,906,012	1,730,586	1,869,449	2,180,001	2,312,901	2,512,339	2,539,709	3,082,316	3,295,665	3,468,910
Culture and recreation	996,333	829,061	902,326	803,635	757,640	547,055	458,504	541,513	1,095,418	900,389
Interest on long-term debt	559,762	469,112	475,019	319,774	442,827	246,632	229,043	117,453	123,302	106,937
Total Governmental Activites Expenses	12,537,792	12,807,909	13,199,839	13,020,262	12,941,700	12,723,354	13,657,879	16,043,521	15,421,236	14,639,934
Business-Type Activities:										
Water	1,231,623	1,217,823	1,776,889	1,823,929	1,857,583	1,921,567	1,932,925	1,486,619	1,612,340	1,741,357
Sewer	1,818,321	1,958,438	1,803,094	1,719,964	1,690,685	1,582,093	1,565,892	2,280,164	2,399,537	2,396,349
Garbage	747,879	754,995	718,460	727,783	659,800	649,894	684,886	767,388	790,005	822,539
Interest on long-term debt	2,243	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Expenses	3,800,066	3,931,256	4,298,443	4,271,676	4,208,068	4,153,554	4,183,703	4,534,171	4,801,882	4,960,245
Total Primary Government Expenses	$ 16,337,858	$ 16,739,165	$ 17,498,282	$ 17,291,938	$ 17,149,768	$ 16,876,908	$ 17,841,582	$ 20,577,692	$ 20,223,118	$ 19,600,179
Program Revenues										
Governmental Activities										
Charges for Services:										
General government	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,501,344	$ 1,320,913	$ 1,658,114
Public safety - Police	-	-	-	-	-	-	-	103,222	78,493	61,740
Public works	6,700	10,909	19,785	172,124	17,402	27,349	26,468	19,329	21,907	-
Culture and recreation	159,153	163,132	151,813	-	86,529	104,647	105,114	85,431	229,464	272,055
Operating Grants and Contribution										
General government	144,960	215,333	210,263	204,253	2,293,734	-	13,724	21,128	4,711	51,414
Public safety - Police	34,352	36,067	96,332	168,375	146,840	46,059	28,221	44,875	25,135	24,263
Public safety - Fire	47,718	49,371	40,965	63,850	51,854	4,324	-	10,424	-	5,262
Public works	-	42,376	-	-	-	-	-	173,124	18,410	56,451
Culture and recreation	-	-	25,000	2,753	-	-	-	-	5,750	1,000
Capital Grants and Contributions										
General government	811,125	111,516	139,152	20,048	1,364	142,207	25,000	75,005	-	-
Public safety - Police	-	-	17,761	1,070	29,877	-	-	44,795	-	-
Public safety - Fire	-	-	-	285,532	-	-	-	71,979	2,130	-
Public works	-	-	436,947	7,795	239,070	50,853	472,944	81,883	590,078	3,097
Culture and recreation	-	-	-	-	-	15,209	139,791	2,436	-	-
Total Governmental Activities Program Revenues	1,204,008	628,704	1,138,018	925,800	2,866,670	390,648	811,262	2,234,975	2,296,991	2,133,396
Business-Type Activities:										
Charges for Services:										
Water	1,203,705	1,278,548	1,287,180	1,262,419	1,328,553	1,329,090	1,406,118	1,438,457	1,462,483	1,568,834
Sewer	1,077,679	1,148,835	1,281,408	1,375,189	1,591,966	1,611,462	1,706,001	1,725,651	1,793,771	1,902,523
Garbage	734,338	762,522	729,122	683,106	736,864	734,984	774,651	799,028	836,508	884,599
Total Business-Type Activities Program Revenues	3,015,722	3,189,905	3,297,710	3,320,714	3,657,383	3,675,536	3,886,770	3,963,136	4,092,762	4,355,956
Total Primary Government Program Revenues	$ 4,219,730	$ 3,818,609	$ 4,435,728	$ 4,246,514	$ 6,524,053	$ 4,066,184	$ 4,698,032	$ 6,198,111	$ 6,389,753	$ 6,489,352

(continued)

See independent auditor's report.

TABLE 2

CITY OF COVINGTON, LOUISIANA
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental activities	$ (11,333,784)	$ (12,179,205)	$ (12,061,821)	$ (12,094,462)	$ (10,075,030)	$ (12,332,706)	$ (12,846,617)	$ (13,808,546)	$ (13,124,245)	$ (12,506,538)
Business-type activities	(784,344)	(741,351)	(1,000,733)	(950,962)	(550,685)	(478,018)	(296,933)	(571,035)	(709,120)	(604,289)
Total Primary Government Net Expense	$ (12,118,128)	$ (12,920,556)	$ (13,062,554)	$ (13,045,424)	$ (10,625,715)	$ (12,810,724)	$ (13,143,550)	$ (14,379,581)	$ (13,833,365)	$ (13,110,827)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property	$ 2,466,358	$ 2,337,157	$ 2,320,671	$ 2,433,574	$ 2,496,702	$ 2,619,670	$ 2,638,760	$ 2,774,300	$ 2,852,243	$ 2,866,280
Sales	8,523,983	8,329,496	8,896,937	10,277,805	10,356,610	10,796,315	10,750,947	10,874,639	11,973,167	12,429,707
Franchise	644,819	663,240	690,328	655,994	748,346	775,089	786,218	774,406	763,357	825,019
Licenses and permits	1,206,703	1,177,394	1,265,372	1,248,790	1,451,406	1,311,592	1,433,599	-	-	-
Fines and forfeitures	270,616	260,855	141,773	105,856	90,881	481,808	86,020	-	-	-
Investment	104,932	70,946	43,704	44,530	38,408	82,585	32,197	57,007	88,099	197,327
Other general revenues	374,857	235,349	156,450	269,047	212,690	31,401	475,066	805,950	518,983	761,177
Special item - loss/gain on disposed assets	(3,370)	39,827	-	24,207	-	-	-	(142,591)	-	48,042
Special item - repayment of taxes to parish	-	-	-	-	-	-	-	-	-	-
Special item - lawsuit settlement	-	-	-	-	-	-	1,469,800	-	-	-
Non-employer contribution revenue	-	-	-	-	-	-	278,908	280,471	292,756	299,191
Benefit payments	-	-	-	-	-	-	-	-	-	100,135
Transfers	(442,184)	-	-	(633,824)	(588,482)	(1,189,453)	(1,275,484)	(1,205,479)	(1,669,020)	(2,350,837)
Capital contributions	(87,471)	(1,195,646)	(1,523,217)	1,500,000	-	-	-	-	-	-
Total Governmental Activities	13,059,243	11,918,618	11,992,018	15,925,979	14,806,561	14,909,007	16,676,031	14,218,703	14,819,585	15,176,041
Business-Type Activities:										
Investment	318	-	-	-	-	-	-	-	-	-
Other general revenues	-	-	32,415	-	-	-	-	-	-	-
Transfers	442,184	-	-	633,824	588,482	1,189,453	1,275,484	1,205,479	1,669,020	-
Non-employer contribution revenue	-	-	-	-	-	-	29,276	28,480	29,288	29,711
Benefit payments	-	-	-	-	-	-	-	-	-	16,807
Capital contributions	87,471	1,195,646	1,523,217	-	-	-	-	-	-	1,300,837
Total Business-Type Activities	529,973	1,195,646	1,555,632	633,824	588,482	1,189,453	1,304,760	1,233,959	1,698,308	1,347,355
Total Primary Government	$ 13,589,216	$ 13,114,264	$ 13,547,650	$ 16,559,803	$ 15,395,043	$ 16,098,460	$ 17,980,791	$ 15,452,662	$ 16,517,893	$ 16,523,396
Changes in Net Position										
Governmental activities	$ 1,725,459	$ (260,587)	$ (69,803)	$ 3,831,517	$ 4,731,531	$ 2,576,301	$ 3,829,414	$ 410,157	$ 1,695,340	$ 2,669,503
Business-type activities	(254,371)	454,295	554,899	(317,138)	37,797	711,435	1,007,827	662,924	989,188	743,066
Total Primary Government	$ 1,471,088	$ 193,708	$ 485,096	$ 3,514,379	$ 4,769,328	$ 3,287,736	$ 4,837,241	$ 1,073,081	$ 2,684,528	$ 3,412,569

See independent auditor's report.

TABLE 3

CITY OF COVINGTON, LOUISIANA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

Fiscal Year	Sales Tax	Property Tax	Total
2009	$ 8,523,983	$ 2,466,358	$ 10,990,341
2010	8,329,496	2,337,157	10,666,653
2011	8,896,937	2,320,671	11,217,608
2012	10,277,805	2,433,574	12,711,379
2013	10,356,610	2,496,702	12,853,312
2014	10,796,315	2,619,670	13,415,985
2015	10,750,947	2,638,760	13,389,707
2016	10,874,639	2,774,300	13,648,939
2017	11,973,167	2,852,243	14,825,410
2018	12,429,707	2,866,280	15,295,987

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TABLE 4

CITY OF COVINGTON, LOUISIANA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Nonspendable	$ -	$ -	$ -	$ 365	$ -	$ -	$ -	$ -	$ 79,509	$ 102,447
Restricted	-	-	246,776	250,540	253,219	521,987	287,655	253,853	255,515	253,254
Committed	-	-	1,712,823	2,004,594	440,795	176,089	1,209,809	-	-	-
Assigned	-	-	-	2,090,993	1,972,837	2,036,859	2,102,610	5,594,298	6,347,449	3,590,934
Unassigned	-	-	979,860	1,125,879	3,695,549	4,379,657	5,351,571	3,319,642	4,841,225	7,874,558
Reserved (1)	2,322,755	-	-	-	-	-	-	-	-	-
Unreserved (1)	6,872,983	5,442,428	-	-	-	-	-	-	-	-
Total general fund	$ 9,195,738	$ 5,442,428	$ 2,939,459	$ 5,472,371	$ 6,362,400	$ 7,114,592	$ 8,951,645	$ 9,167,793	$ 11,523,698	$ 11,821,193
All other governmental funds										
Nonspendable	$ -	$ -	$ 24,955	$ 24,955	$ 24,955	$ 24,955	$ 24,955	$ 24,955	$ 24,955	$ 24,955
Restricted	-	-	6,089,068	5,627,850	5,238,947	4,845,653	4,930,476	1,012,513	1,235,191	1,423,750
Committed	-	-	1,255,102	1,302,560	2,496,138	1,751,713	2,332,731	1,536,553	2,619,805	3,149,972
Reserved (1)	2,222,288	4,407,344	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special Revenue (1)	1,388,289	1,617,735	-	-	-	-	-	3,757,786	-	-
Capital Projects (1)	-	-	-	-	-	-	-	-		
Debt Service (1)	-	-	-	-	-					
Permanent (1)	31,871	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	1,245,844	-
Total all other governmental funds	$ 3,642,448	$ 6,025,079	$ 7,369,125	$ 6,955,365	$ 7,760,040	$ 6,622,321	$ 7,288,162	$ 6,331,807	$ 5,125,795	$ 4,598,677

Note (1): In 2011, the City implemented GASB Statement No. 54 which changed the classification of fund balances. Amounts prior to 2011 have not been restated to reflect the new classifications.

See independent auditor's report.

CITY OF COVINGTON, LOUISIANA
CHANGES IN FUNDS BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Property taxes	$ 2,466,358	$ 2,337,157	$ 2,320,671	$ 2,433,574	$ 2,496,702	$ 2,619,670	$ 2,638,760	$ 2,774,300	$ 2,852,243	$ 2,866,280
Sales tax	8,523,983	8,329,496	8,896,937	9,211,667	10,356,610	10,796,315	10,750,947	10,874,639	11,973,167	12,429,707
Franchise tax	644,819	663,240	690,328	655,994	748,346	775,089	786,218	774,406	763,357	825,019
Licenses and permits	1,206,703	1,177,394	1,265,372	1,248,790	1,451,406	1,311,592	1,433,599	1,501,344	1,320,913	1,658,114
Intergovernmental revenue	112,959	160,538	177,735	184,718	175,782	192,061	216,097	247,058	243,152	250,160
Charges for service	165,853	174,041	171,598	172,124	103,931	131,996	131,582	104,760	251,371	272,055
Fines and forfeitures	270,616	260,855	141,773	105,856	90,881	82,585	86,020	103,222	78,493	61,740
Interest & penalties	104,932	70,946	43,704	44,530	38,408	31,401	32,197	57,007	88,099	197,327
Assessments	-	-	16,812	10,099	1,992	1,420	-	-	-	-
State and federal grants	925,196	294,125	788,685	480,663	339,298	117,652	654,680	525,649	722,116	142,007
Capital contributions	-	-	-	1,500,000	-	141,000	25,000	-	-	-
Refunding bonds issued	-	-	-	-	-	-	-	3,890,000	-	-
Other	374,857	235,349	139,638	260,018	210,698	288,327	258,747	544,009	251,211	459,132
Total revenues	14,796,276	13,703,141	14,653,253	16,308,033	16,014,054	16,489,108	17,013,847	21,396,394	18,544,122	19,161,541
Expenditures										
Current:										
General government	3,379,749	3,348,206	3,332,248	2,864,072	3,029,758	3,154,400	3,687,722	3,539,055	3,055,652	3,303,834
Public safety - Police	3,934,725	4,280,914	3,811,893	3,691,879	3,663,528	3,833,969	3,708,863	4,129,928	3,979,187	4,221,709
Public safety - Fire	1,322,598	1,753,287	1,642,082	1,675,284	1,653,723	1,791,226	1,810,928	1,916,090	1,993,993	1,988,244
Public works	3,347,555	2,757,181	1,511,567	1,756,179	1,713,165	1,872,988	1,819,738	1,849,987	2,034,887	2,006,127
Culture and recreation	946,927	644,444	686,338	583,569	536,379	329,695	361,491	301,743	860,503	751,614
Sewer department	-	-	-	-	-	-	-	17,245	18,785	44,327
Water department	-	-	-	-	-	-	-	1,463	-	18,100
Garbage department	-	-	-	-	-	-	-	178,958	-	-
Debt service:										
Principal	750,000	515,000	500,000	525,000	551,000	575,000	600,000	693,673	693,000	722,000
Interest	463,565	422,507	397,210	282,220	266,781	249,103	231,739	139,109	116,777	94,974
Refunding bond issuance costs	-	-	69,755	-	-	-	-	-	-	-
Payments on claims and judgements	230,000	200,000	230,000	137,410	137,410	137,410	30,000	30,000	30,000	30,000
Payment to escrow account	-	-	-	-	-	-	-	3,825,382	-	-
Capital outlay	-	-	2,093,742	3,129,789	2,206,866	3,829,821	2,486,317	4,323,372	2,967,045	3,911,767
Capital outlay - utility	87,471	1,195,646	1,523,217	-	-	-	-	-	-	-
Total expenditures	14,462,590	15,117,185	15,798,052	14,645,402	13,758,610	15,773,612	14,736,798	20,946,005	15,749,829	17,092,696
Excess of revenues over (under) expenditures	333,686	(1,414,044)	(1,144,799)	1,662,631	2,255,444	715,496	2,277,049	450,389	2,794,293	2,068,845
Other financing sources (uses)										
Transfers in	7,286,972	4,942,379	8,689,874	9,068,749	6,945,422	7,022,566	7,101,607	7,269,605	12,060,133	11,552,430
Transfers out	(7,729,156)	(4,942,379)	(8,689,874)	(9,702,573)	(7,533,904)	(8,212,019)	(8,377,091)	(8,475,084)	(13,729,153)	(13,903,266)
Proceeds from the sale of capital assets	30,217	43,364	-	24,207	27,742	88,430	31,529	14,883	24,620	52,368
Proceeds on debt issuance	-	-	3,552,000	-	-	-	-	-	-	-
Debt service - principal	-	-	(2,775,000)	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	(761,807)	-	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-	-	-	-
Lawsuit Settlement	-	-	-	-	-	-	1,469,800	-	-	-
Total other financing sources (uses)	(411,967)	43,364	15,193	(609,617)	(560,740)	(1,101,023)	225,845	(1,190,596)	(1,644,400)	(2,298,468)
Net change in fund balances	$ (78,281)	$ (1,370,680)	$ (1,129,606)	$ 1,053,014	$ 1,694,704	$ (385,527)	$ 2,502,894	$ (740,207)	$ 1,149,893	$ (229,623)
Debt service as a percentage of noncapital expenditures*	8.44%	6.73%	7.37%	7.01%	7.08%	6.90%	6.79%	5.01%	6.33%	6.20%

* Ratio excludes capital outlay expenditures

See independent auditor's report.

TABLE 6

CITY OF COVINGTON, LOUISIANA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Real Property Assessed Value	Other Property Assessed Value	Total Taxable Assessed Value	Total Direct Tax Rate
2009	$ 81,830,758	$ 25,143,730	$ 106,974,488	23.04
2010	84,827,413	20,233,515	105,060,928	23.04
2011	88,352,206	19,206,944	107,559,150	22.04
2012	93,846,399	20,591,617	114,438,016	22.00
2013	95,946,008	22,123,667	118,069,675	21.80
2014	100,278,064	23,606,777	123,884,841	21.80
2015	103,511,814	23,143,457	126,655,271	21.50
2016	110,701,663	23,954,850	134,656,513	21.24
2017	114,948,380	23,491,262	138,439,642	21.24
2018	118,824,868	22,972,415	141,797,283	21.00

Source: Information obtained from St. Tammany Parish Assessors Office

See independent auditor's report.

TABLE 7

CITY OF COVINGTON, LOUISIANA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(UNAUDITED)

				Overlapping Rates						
	City of Covington			Parish		School District				Total
Fiscal Year	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Total Parish Millage	Operating Millage	Debt Service Millage	Total School Millage	Special Districts	Direct & Overlapping Rates
2009	17.54	5.50	23.04	35.98	35.98	47.55	21.90	69.45	1.51	129.98
2010	17.54	5.50	23.04	32.47	32.47	47.55	20.90	68.45	1.51	125.47
2011	17.54	4.50	22.04	34.00	34.00	47.55	20.90	68.45	1.51	126.00
2012	17.50	4.50	22.00	34.87	34.87	47.28	20.90	68.18	1.50	126.55
2013	17.50	4.30	21.80	34.87	34.87	47.28	20.90	68.18	1.50	126.35
2014	17.50	4.30	21.80	35.91	35.91	47.28	20.90	68.18	1.50	127.39
2015	17.50	4.00	21.50	37.47	37.47	47.28	20.90	68.18	1.50	128.65
2016	17.24	4.00	21.24	36.26	36.26	45.62	20.79	66.41	1.44	125.35
2017	17.24	4.00	21.24	36.67	36.67	45.62	19.79	65.41	1.44	124.76
2018	17.50	3.50	21.00	36.69	36.69	45.62	18.79	64.41	0.00	122.10

Source: St. Tammany Parish Council

See independent auditor's report.

TABLE 8

CITY OF COVINGTON, LOUISIANA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)

	2018			2009		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Central LA Electric Co.	$ 3,503,430	1	26.33%			
Bell South Communications	1,836,288	2	13.80%			
Reagan Crossing LLC	1,450,356	3	10.90%			
Delta Supply Chain Operation	1,241,020	4	9.33%	806,990	4	6.52%
Atmos Energy Corporation	1,043,119	5	7.84%	602,934	8	4.87%
Hancock Whitney Bank #1116	977,730	6	7.35%			
Capital One N.A.	917,610	7	6.89%	727,470	5	5.88%
Testige Properties LLC	853,762	8	6.42%			
Medstate LLC	768,998	9	5.78%			
WHS LLC	716,059	10	5.38%			
AT&T Southeast Tax Dept				3,436,971	1	27.77%
Central LA Elec Co				2,835,900	2	22.91%
Whitney National Bank				1,525,070	3	12.32%
Dependable Glass Wks Inc				662,680	6	5.35%
Statewide Bank				630,008	7	5.09%
Forest Manor Corp				593,170	9	4.79%
Rouse Land Co				554,605	10	4.48%
TOTALS	$ 13,308,372		100.00%	$ 12,375,798		100.00%

Source: Information obtained from St. Tammany Parish Assessors Office

See independent auditor's report.

TABLE 9

CITY OF COVINGTON, LOUISIANA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections for Previous Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy (1)
2009	$ 2,418,998	$ 2,398,998	99%	$ 67,360	$ 2,398,998	99%
2010	2,369,066	2,329,683	98%	7,474	2,337,157	99%
2011	2,397,632	2,313,421	96%	7,250	2,320,671	97%
2012	2,508,839	2,428,858	97%	4,716	2,433,574	97%
2013	2,573,920	2,488,725	97%	7,977	2,496,702	97%
2014	2,700,691	2,612,608	97%	7,062	2,619,670	97%
2015	2,720,372	2,631,109	97%	7,651	2,638,760	97%
2016	2,860,103	2,766,649	97%	7,651	2,774,300	97%
2017	2,940,457	2,850,044	97%	2,199	2,852,243	97%
2018	2,977,749	2,863,883	96%	2,397	2,866,280	96%

(1) Total collections include redemptions.
* Information not available.

See independent auditor's report.

TABLE 10

CITY OF COVINGTON, LOUISIANA
PRINCIPAL SALES TAX PAYERS
CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)

	2018			2009		
Taxpayer	Sales Tax Collections	Rank	Percentage of Total Sales Tax Collections	Sales Tax Collections	Rank	Percentage of Total Sales Tax Collections
Motor Vehicles	$ 529,866	1	4.29%	*	*	*
Grocery/Discount Retailer	458,229	2	3.71%	*	*	*
Grocery/Discount Retailer	448,348	3	3.63%	*	*	*
Grocery/Discount Retailer	402,649	4	3.26%	*	*	*
Grocery/Discount Retailer	356,949	5	2.89%	*	*	*
Grocery/Discount Retailer	321,131	6	2.60%	*	*	*
Retail Pharmacies and Drug Stores	265,550	7	2.15%	*	*	*
Grocery/Discount Retailer	218,616	8	1.77%	*	*	*
Healthcare	167,976	9	1.36%	*	*	*
Full Service Restaurant	160,565	10	1.30%	*	*	*
TOTALS	$ 3,329,879		26.96%	$ -		0.00%

Source: Based on Sales Tax Collections, compiled by St. Tammany Parish Sherriff's Office.

Note: The sales tax rate is calculated at 9.75%

* Information not available

See independent auditor's report.

TABLE 11

CITY OF COVINGTON, LOUISIANA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Governmental Activities: General Obligation Bonds	Governmental Activities: Sales Tax Revenue Bonds	Governmental Activities: Community Disaster Loan	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2009	$ 6,675,000	$ 3,205,000	$ 1,800,900	$ 11,680,900	0.11%	50.46
2010	6,360,000	3,005,000	1,800,900	11,165,900	0.10%	47.77
2011	6,111,898	2,716,510	1,800,900	10,629,308	0.10%	44.89
2012	5,817,925	2,492,458	1,800,900	10,111,283	0.09%	42.40
2013	5,521,000	2,278,106	-	7,799,106	*	32.57
2014	5,196,000	2,050,000	-	7,246,000	*	29.90
2015	4,856,000	1,790,000	-	6,646,000	*	27.04
2016	4,637,000	1,520,000	-	6,157,000	*	24.30
2017	4,229,000	1,235,000	-	5,464,000	*	21.47
2018	3,797,000	945,000	-	4,742,000	*	18.28

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics, Table 16, for personal income and population data.

* Information not available.

See independent auditor's report.

TABLE 12

CITY OF COVINGTON, LOUISIANA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	General Obligation Bonds (2)	Less: Amounts Available in Debt Service Fund (3)	Total	Percentage of Estimated Actual Taxable (1) Value of Property	Per Capita (4)
2009	$ 6,675,000	$ 781,738	$ 5,893,262	5.51%	$ 707.13
2010	6,360,000	870,128	5,489,872	5.23%	626.34
2011	6,111,898	758,401	5,353,497	4.98%	613.02
2012	5,817,925	698,510	5,119,415	4.47%	619.33
2013	5,521,000	664,689	4,856,311	4.11%	554.06
2014	5,196,000	646,607	4,549,393	3.67%	511.40
2015	4,856,000	632,874	4,223,126	3.33%	443.93
2016	4,637,000	637,097	3,999,903	2.97%	404.15
2017	4,229,000	677,950	3,551,050	2.57%	351.94
2018	3,797,000	715,560	3,081,440	2.17%	292.25

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property, Table 6, for property value data.
(2) Amount does not include special assessment, sales tax or revenue bonds.
(3) Amount available for repayment of general obligation bonds.
(4) 2006-2008 population is based on research Division, College of Administration and Business, Louisiana Tech University.
2009 information is based on estimates of U.S. Census Bureau.
* Information not available.

See independent auditor's report.

TABLE 13

CITY OF COVINGTON, LOUISIANA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2017
(UNAUDITED)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
St. Tammany Parish	$ 6,950,000	5%	$ 347,500
St. Tammany Parish School Board	254,010,000	5%	12,700,500
Subtotal, overlapping debt			13,048,000
City of Covington direct debt		100%	4,742,000
Total direct and overlapping debt			$ 17,790,000

Source: St. Tammany Parish School Board officials and St. Tammany Parish Comprehensive Financial Annual Report.

NOTE: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Covington. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and, therefore, is responsible for repaying the debt of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Parish's taxable assessed value that is within the City's boundaries and dividing it by the Parish's total taxable assessed value.

See independent auditor's report.

TABLE 14

CITY OF COVINGTON, LOUISIANA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	$ 37,441,071	$ 36,771,325	$ 37,645,703	$ 40,053,306	$ 41,324,386	$ 43,359,694	$ 44,329,345	$ 47,129,780	$ 48,453,875	$ 49,629,049
Total net debt applicable to limit	(5,893,262)	(5,489,872)	(5,353,497)	(5,119,415)	(4,856,311)	(4,549,393)	(4,223,126)	(3,999,903)	(3,551,050)	(3,081,440)
Legal debt margin	$ 31,547,809	$ 31,281,453	$ 32,292,206	$ 34,933,891	$ 36,468,075	$ 38,810,301	$ 40,106,219	$ 43,129,877	$ 44,902,825	$ 46,547,609
Total net debt applicable to the limit as a percentage of debt limit	15.74%	14.93%	14.22%	12.78%	11.75%	10.49%	9.53%	8.49%	7.33%	6.21%

Legal debt margin calculation for fiscal year 2018		
Assessed value		$ 141,797,283
Debt Limit - 35% of $ 141,797,283 (1)		$ 49,629,049
Debt applicable to the limit:		
General obligation bonds	$ 3,797,000	
Less: Amount set aside for repayment of general obligation debt	(715,560)	
Total net debt applicable to limit		3,081,440
Legal debt margin		$ 46,547,609

(1) State law allows a maximum of 35% of assessed valuation for total bonded general obligation debt.

See independent auditor's report.

TABLE 15

CITY OF COVINGTON, LOUISIANA
PLEDGED - REVENUE COVERAGE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Sales Tax Bonds				
	Sales Tax Revenue	Debt Service		TOTAL	Coverage
		Principal	Interest		
2009	$ 8,523,983	$ 545,000	$ 172,481	$ 717,481	11.88
2010	8,329,496	200,000	147,423	347,423	23.98
2011	8,896,937	210,000	138,423	348,423	25.53
2012	10,277,805	230,000	57,836	287,836	35.71
2013	10,356,610	245,000	53,191	298,191	34.73
2014	10,796,315	250,000	48,070	298,070	36.22
2015	10,750,947	260,000	42,845	302,845	35.50
2016	10,874,639	270,000	37,412	307,412	35.37
2017	11,973,167	285,000	31,768	316,768	37.80
2018	12,429,707	290,000	25,812	315,812	39.36

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See independent auditor's report.

TABLE 16

CITY OF COVINGTON, LOUISIANA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	City of Covington Population (1)	St. Tammany Parish Population (1)	City of Covington Total Personal Income (1)	City of Covington Per Capita Personal Income (1)	Unemployment Rate (3)	St. Tammany Parish School Enrollment (4)	Median Age (2)
2009	8,334	231,495	374,606,667	44,949	3.5%	35,878	37
2010	8,765	233,740	400,806,305	45,728	5.3%	36,441	37
2011	8,733	236,785	394,206,154	45,140	5.8%	37,112	37
2012	8,266	238,478	389,878,608	47,167	5.2%	37,508	*
2013	8,765	239,453	436,911,785	49,847	5.2%	37,926	*
2014	8,896	242,333	489,120,092	54,982	5.1%	38,044	*
2015	9,513	245,829	539,053,515	56,665	5.7%	38,193	*
2016	9,897	253,364	516,207,511	52,158	5.1%	38,681	*
2017	10,090	254,508	*	*	4.3%	39,000	*
2018	10,544	259,414	*	*	4.9%	39,000	*

NOTE: The City of Covington is located within St. Tammany Parish.

* Information not available / no current information

Sources:
(1) St. Tammany Parish Economic Development Foundation
(2) Estimates - Lousiana Tech University for the U.S. Bureau of Census
(3) Louisiana Department of Labor
(4) St. Tammany Parish School Board - October 1 enrollment

See independent auditor's report.

TABLE 17

CITY OF COVINGTON, LOUISIANA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)

		2018			2009		
Employer	Location	Employees	Rank	% of Total St. Tammany Parish Employment	Employees	Rank	% of Total St. Tammany Parish Employment
St. Tammany Parish Public Schools	Parish Wide	5,839	1	5.20%	5,410	1	4.65%
St. Tammany Parish Hospital	Covington	2,176	2	1.94%	1,714	2	1.47%
Slidell Memorial Hospital	Slidell	1,469	3	1.31%			
Lakeview Regional Medical Center	Mandeville	950	4	0.85%	745	3	0.64%
Ochsner Health System	Parish wide	942	5	0.84%			
Hornbeck Offshore Services Inc	Covington	756	6	0.67%			
St Tammany Parish Government	Parish Wide	699	7	0.62%	620	6	0.53%
St Tammany Parish Sheriff's Office	Parish Wide	682	8	0.61%	704	4	0.60%
Textron Systems Marine & Land	Slidell	390	9	0.35%			
City of Slidell	Slidell	356	10	0.32%			
Northshore Regional Medical Center	Covington				660	5	0.57%
Gilsbar Inc	Covingtion				213	7	0.18%
Poolcorp	Covington				210	8	0.18%
Express Employment Professionals	Covington				196	9	0.17%
Parish National Bank	Parish Wide				143	10	0.12%
		14,259		12.71%	10,615		9.11%

NOTE: Information is only available for St. Tammany Parish, in which the City of Covington is located.

Sources:
St. Tammany Parish School Board CAFR

See independent auditor's report.

TABLE 18

CITY OF COVINGTON, LOUISIANA
FULL - TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)

	December 31,									
Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Council	8	8	8	8	8	8	8	8	8	8
Administrative (1)	11	11	11	9	9	10	11	11	12	13
Facilities	*	*	*	*	*	*	*	*	4	5
Permits	2	2	2	2	2	2	2	2	2	2
Planning	2	2	2	2	2	2	2	2	2	2
Economic Development	8	8	8	7	7	8	9	7	0	0
Engineer	*	*	*	1	1	2	2	2	2	2
Code Enforcement	*	*	*	1	1	1	1	1	1	1
Public Safety - Police										
Police Employees	52	53	53	49	49	45	44	46	46	46
Public Safety - Fire										
Firefighters	16	16	16	16	16	16	16	16	16	16
Dispatchers	4	4	4	4	4	4	5	5	5	5
Public Works										
Public Operations (2)	20	20	17	20	22	22	22	24	24	24
Public Utility (3)	26	26	26	27	26	26	26	26	26	26
Recreation and Culture	7	7	7	4	4	2	1	1	4	4
Total	156	157	154	150	151	148	149	151	152	154

Source: Adopted 2009 - 2018 Budgets City of Covington

Note: Includes Elected, Unclassified, and Classified full time employees.

(1) Includes Mayor, Finance Administration, Accounts Payable, Purchasing, and Payroll
(2) Streets, Bridges, Drainage, General Maintenance
(3) Includes Public Utility Administration, Wastewater Treatment Plant, Wastewater Collection & Water maintenance.
* Information not available

See independent auditor's report.

TABLE 19

CITY OF COVINGTON, LOUISIANA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)

Function	Fiscal Year 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety - Police										
Total arrests	1,470	833	612	682	552	537	577	647	492	557
Parking tickets	2,363	1,864	803	103	218	194	108	83	91	102
Traffic violations (1)	551	274	58	797	1,199	851	860	569	409	383
Public Safety - Fire										
Number of calls	1,163	1,350	1,534	1,444	1,355	1,528	1,703	1,639	1,758	1,746
Average Response times	3:10	3:14	3:18	3:36	3:31	3:27	3:05	3:21	3:32	3:48
Public Works										
Potholes repaired	*	376	409	300	107	134	83	88	68	71
Trees cut	145	75	141	125	63	77	75	75	69	76
Public Utility										
Water & Sewer										
Number of billed accounts	4,368	4,471	4,572	4,648	4,719	4,940	5,076	5,175	5,278	5,329
New meter connections	27	86	97	111	143	152	134	114	112	32
Building Permits										
New residential	19	81	80	122	156	111	142	128	76	42
Residential additions	6	15	13	7	11	6	11	31	31	23
Residential renovations	15	11	21	21	17	14	32	160	47	41
New commercial	16	9	11	7	13	6	12	26	11	13
Commercial additions	1	3	2	1	-	4	2	4	2	5
Commercial renovations	14	15	10	18	18	23	26	32	22	32
Recreation and Culture										
Number of teams in softball league	*	6	7	5	4	2	2	-	-	-
Number of teams in baseball league	*	13	14	13	13	14	12	9	12	8
Number of teams in basketball league	*	26	29	14	20	14	16	15	12	8
Number of teams in football league	*	9	7	5	4	4	4	4	3	3

Note: Indicators are not available for the general government function

* Information not available

Source: Various City of Covington departments

See independent auditor's report.

TABLE 20

CITY OF COVINGTON, LOUISIANA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)

Function	Fiscal Year 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Vehicles	5	6	6	6	6	7	8	10	12	12
Office Furniture & Equipment	21	28	28	30	30	36	47	43	45	37
Tools & Equipment	9	9	9	14	18	18	16	18	19	20
Cemetery	1	1	1	1	1	1	2	2	2	2
Public Safety - Police										
Vehicles	52	51	56	51	48	45	48	47	49	41
Office Furniture & Equipment	18	22	24	25	28	30	27	26	26	26
Tools & Equipment	25	29	33	35	36	47	48	49	48	51
Stations	1	1	1	1	1	1	1	1	1	1
Public Safety - Fire										
Vehicles	12	12	12	12	12	12	12	14	15	14
Office Furniture & Equipment	1	1	1	1	1	1	2	2	2	2
Tools & Equipment	24	25	25	30	33	33	35	38	38	34
Fire houses	2	2	2	2	2	2	2	2	2	2
Public Works										
Vehicles	26	26	30	30	32	36	33	36	38	39
Office Furniture & Equipment	3	2	2	2	2	2	2	2	3	2
Tools & Equipment	41	44	51	52	53	55	62	66	73	68
Public Utility										
Water										
Vehicles	6	6	7	13	16	15	14	13	14	13
Machinery, Equipment & Improvements	74	75	81	96	112	124	133	140	150	153
Water tower	1	1	1	1	1	1	1	1	1	1
Pumping stations	10	10	10	10	10	10	10	10	10	10
Sewer										
Vehicles	8	9	9	7	17	17	16	16	16	12
Machinery, Equipment & Improvements	128	128	131	152	163	163	187	200	213	228
Recreation and Cultural Arts										
Vehicles	4	4	4	4	4	2	3	-	-	-
Office Furniture & Equipment	3	3	2	-	-	-	-	-	-	-
Tools & Equipment	24	25	25	21	21	19	21	16	19	25
Number of parks	10	10	10	10	10	10	10	10	10	10

Source: Various city departments.

See independent auditor's report.

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members of the City Council
City of Covington, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Covington, Louisiana, (the "City"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-01 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

June 13, 2019

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

1.	Type of auditors' report issued	Unmodified
2.	Internal control over financial reporting	
	a. Material weakness identified	No
	b. Significant deficiencies identified not considered to be material weaknesses	No
	c. Noncompliance material to the financial statements noted	No

SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

2018-01 – Material Weakness – Fund Classification

Criteria: Government Accounting Standards Board Codification Section 1300.105 *Fund Accounting* establishes that a special revenue fund is used to account for proceeds of specific revenue sources that are restricted or committed to expenditures for a specified purpose. Governments should discontinue reporting a special revenue fund if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources and instead report the funds remaining resources in the general fund.

Condition: During the years ended December 31, 2012 and December 31, 2016, the 1957 Sales Tax Fund and the 1982 Sales Tax Fund, respectively, became undedicated and no longer received revenue that was restricted or committed to expenditures for a specified purpose. Thus, these funds should have been reported as part of the general fund, but were reported as separate funds in the basic financial statements for the City of Covington.

Effect: General fund assets, liabilities, fund balance, revenues and expenditures were understated for both of these periods, and the 1957 Sales Tax Fund and 1982 Sales Tax Fund assets, liabilities, fund balances, revenues, and expenditures were overstated for the same two periods.

Cause: Controls have not been designed and implemented to ensure the appropriate reporting of undedicated funds.

Auditors' recommendation: We recommend the City report the 1957 Sales Tax Fund and 1982 Sales Tax Fund transactions within the General Fund. We also recommend that management design and implement controls to ensure appropriate reporting of undedicated funds.

Management's response: See corrective action plan on page 120.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2018

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

Not Applicable.

SECTION IV – OTHER MATTTERS

A management letter was issued for the year ended December 31, 2018.

CITY OF COVINGTON, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2018

SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

2017-01 – Significant Deficiency – Controls over Capital Assets

Finding: During the year ended December 31, 2017, there were $1,346,434 and $944,714 for government and business-type projects, respectively, in construction-in-progress that were completed, but not reclassified to capital assets. Also, depreciation was not calculated for the portion of the period that these capital assets had been placed in service. These projects were not inexhaustible, intangible assets, or infrastructure assets using the modified approach.

Management response: The City has internal controls in place necessary to ensure proper reclassification on completed projects. One of the controls in place includes a verbal review by the city engineer to determine which assets are completed and which assets are construction in progress. In this case, it appears that the control to have the City engineer make the determination of completed projects and construction in progress was not obtained. The determination of completed projects was instead done by a member of the accounting personnel which resulted in inaccurate records. The City will implement the policy of a written determination by the city engineer of assets that are completed and assets that are still construction in progress. This written determination will then be provided to the Director of Finance for further review.

Status: Resolved.

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

Not Applicable.

SECTION IV - OTHER MATTERS

Not Applicable.

MIKE COOPER
Mayor

CITY OF COVINGTON
317 North Jefferson Avenue
Post Office Box 778
Covington, Louisiana 70434
phone 985.892.1811
fax 985.898.4723
www.covla.com

Corrective Action Plan
June 13, 2019

City of Covington respectfully submits the following corrective action plan for the year ended December 31, 2018.

Name and address of independent public accounting firm:
Carr, Riggs & Ingram, LLC
111 Veterans Blvd
Suite350
Metairie, LA 70005

Audit Period:
Fiscal Year January 1, 2018 through December 31, 2018

The finding from the Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the Schedule of Findings and Questioned Costs.

2018-01–MaterialWeakness–FundClassification

Auditors' recommendation: We recommend the City report the 1957 Sales Tax Fund and 1982 Sales Tax Fund transactions within the General Fund. We also recommend that management design and implement controls to ensure appropriate reporting of undedicated funds.

Management response: The City will begin reporting the 1957 Sales Tax Fund and the 1982 Sales Tax Fund transactions within the General Fund. The City will also design and implement controls to ensure appropriate reporting of undedicated funds.

Responsible Party: Alisa Faciane

Estimated Completion Date: June 30, 2019

Sincerely,

Gina Hayes
Chief Administrative Officer

PATRICK MCMATH
Councilman-at-Large
R. S. "SAM" O'KEEFE
Councilman-at-Large
JOHN CALLAHAN
Councilman, District "A"
JERRY CONER
Councilman, District "B"
JOEY ROBERTS
Councilman, District "C"
LARRY ROLLING
Councilman, District "D"
RICK SMITH
Councilman, District "E"

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
111 Veterans Boulevard
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Metairie, Louisiana 70005

(504) 833-2436
(504) 484-0807(fax)
www.CRIcpa.com

June 13, 2019

Honorable Mayor and Members of the City Council
City of Covington, Louisiana

In planning and performing our audit of the financial statements of the City of Covington (the "City") as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate letter dated June 13, 2019, contains our communication of a material weakness in the City's internal control. This letter does not affect our report dated June 13, 2019, on the financial statements of the City of Covington.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the City Council, and others within the City, and is not intended to be, and should not be, used by anyone other than those specified parties.

Sincerely,

Carr, Riggs & Ingram, L.L.C.

CURRENT YEAR COMMENTS

2018-01 – Internal Controls over Inventory of Capital Assets

Criteria: Louisiana R.S. 39:324 requires each property manager to make a complete physical inventory of the property once each fiscal year. It also states the property manager shall keep the property master file updated by submitting to administration monthly all property transactions.

Condition: During the year ended December 31, 2018, there was $277,411 of capital assets with a net book value of $4,384 for government-wide projects and $110,806 of capital assets with a net book value of $4,329 for business-type projects, which had been disposed of, but not removed from the financial records timely.

Effect: Capital assets disposed of were not recorded in the appropriate period.

Cause: Internal controls have not been designed and implemented to ensure proper yearly inventory counts and recording of all capital assets disposed of.

Auditors' recommendation: We recommend that the City ensure all capital asset listings are updated and adjustments are made as necessary. We also recommend that the City design and implement internal controls for inventorying capital assets annually to ensure proper recording of all assets disposed of.

Management response: See corrective action plan.

PRIOR YEAR COMMENTS

No comments noted for the year ended December 31, 2017.

MIKE COOPER
Mayor

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Fiscal Year January 1, 2018 through December 31, 2018

The finding from the June 13, 2019 Management Letter is discussed below. The finding is numbered consistently with the number assigned in the Management Letter.

2018-01–InternalControlsoverInventoryofCapitalAssets

Auditors' recommendation: We recommend that the City ensure all capital asset listings are updated and adjustments are made as necessary. We also recommend that the City design and implement internal controls for inventorying capital assets annually to ensure proper recording of all assets disposed of.

Management response: Management has reviewed the City's policies regarding capital assets with all appropriate personnel. Personnel changes have also been made to ensure that internal controls for inventorying capital assets annually to ensure proper recording of all assets disposed of is adhered to.

Responsible Party: Alisa Faciane

Estimated Completion Date: March 28, 2019

Sincerely,

Gina Hayes
Chief Administrative Officer

PATRICK MCMATH
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