

City of Covington, Louisiana

COMPREHENSIVE ANNUAL FINANCIAL REPORT

December 31, 2019



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City of Covington, Louisiana

COMPREHENSIVE ANNUAL FINANCIAL REPORT

December 31, 2019

Submitted by:

Department of Administration

Erin Bivona, Chief Administrative Officer

Stephen Sanders, Director of Finance

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Introductory Section

City of Covington, Louisiana
Table of Contents
December 31, 2019

INTRODUCTORY SECTION

Table of Contents.....	i
Letter of Transmittal.....	iv
Government Finance Officers Association Certificate of Excellence in Financial Reporting	viii
Principal Elected and Appointed Officials	ix
Organizational Chart.....	x

FINANCIAL SECTION

Independent Auditors’ Report.....	1
-----------------------------------	---

Required Supplementary Information

Management’s Discussion and Analysis	4
--	---

Basic Financial Statements

Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities.....	16
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	17
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	20
Statement of Net Position – Proprietary Fund	21
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	22
Statement of Cash Flows – Proprietary Fund	23
Statement of Fiduciary Net Position – Fiduciary Fund	24
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	25
Notes to the financial statements	26

City of Covington, Louisiana
Table of Contents
December 31, 2019

Required Supplementary Information Other than Management’s Discussion and Analysis

Schedule of Proportionate Share of Net Pension Liability	81
Schedule of Employer Contributions to Pension Funds	82
Schedule of Changes in Net OPEB Liability and Related Ratios.....	83
Schedule of Employer Contributions.....	84
Schedule of Investment Returns	85
Budgetary Comparison Schedule – General Fund.....	86
Budgetary Comparison Schedule – A3 Sales Tax Fund.....	95
Notes to Required Supplementary Information.....	96

Other Supplementary Information

Combining Financial Statements	
Combining Balance Sheet – Non-Major Governmental Funds.....	98
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	99
Notes to Non-Major Governmental Funds.....	100
Schedule of Council Compensation.....	101
Schedule of Compensation, Benefits and Other Payments to Agency Head.....	102

STATISTICAL SECTION – UNAUDITED

Table of Contents.....	103
Table 1 – Net Position by Component.....	104
Table 2 – Changes in Net Position	105
Table 3 – General Governmental Tax Revenues by Source.....	107
Table 4 – Fund Balances of Governmental Funds	108
Table 5 – Changes in Fund Balances of Governmental Funds.....	109
Table 6 – Assessed Value and Estimated Actual Value of Taxable Property.....	111
Table 7 – Property Tax Rates Direct and Overlapping Governments.....	112
Table 8 – Principal Property Taxpayers	113
Table 9 – Property Tax Levies and Collections	114
Table 10 – Principal Sales Taxpayers	115
Table 11 – Ratios of Outstanding Debt by Type	116
Table 12 – Ratios of General Bonded Debt Outstanding	117
Table 13 – Direct and Overlapping Governmental Activities Debt	118
Table 14 – Legal Debt Margin Information.....	119
Table 15 – Pledged-Revenue Coverage	120
Table 16 – Demographic and Economic Statistics	121
Table 17 – Principal Employers.....	122
Table 18 – Full-time Equivalent City Government Employees by Function	123
Table 19 – Operating Indicators by Function	124
Table 20 – Capital Assets Statistics by Function	125



City of Covington, Louisiana
Table of Contents
December 31, 2019

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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 <i>Government Auditing Standards</i>	126
Schedule of Findings and Responses	128
Summary Schedule of Prior Audit Findings	130
Corrective Action Plan	131



MARK R. JOHNSON
Mayor

CITY OF COVINGTON

PATRICK McMATH | *Councilman-at-Large*
LARRY ROLLING | *Councilman-at-Large*
PETER LEWIS SR. | *Councilman, District A*
JOHN BOTSFORD | *Councilman, District B*
JOEY ROBERTS | *Councilman, District C*
CODY LUDWIG | *Councilwoman, District D*
MARK W. VERRET | *Councilman, District E*

November 2, 2020

To the Honorable Mayor Mark R. Johnson, 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. In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the City. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Covington, Louisiana (the City) for the year ended December 31, 2019.

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, 2019. 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.

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 86-94. For the A3 Sales tax fund, this comparison is presented on page 95.

Factors Affecting Financial Condition

Local Economy

Although Covington has a residential population of approximately 10,464 people, the population swells to approximately 20,000 during the day due to the Courthouse and St. Tammany Parish Hospital. In 2019, 2018, and 2017, the City experienced a sales tax rate of 3.5%, 3.8%, and 3.4%, respectively. The City anticipates a decline in sales tax in 2020 due to the pandemic.

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
- Investment in conversion to new Water Meter System

Among the Capital Infrastructure Projects funded in the **2019 Budget** which are in varying stages of design, engineering, permitting, and/or construction are the following which are scheduled for completion in 2020:

- 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

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, 2018. This was the 8th 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 for their unfailing support for elevating and maintaining the highest standards of professionalism in the management of the City's finances.

Finally, we would like to thank Mayor Mark Johnson for his leadership and the confidence he has shown in us. We look forward to assisting him in accomplishing all of his goals as Mayor of his hometown.

Respectfully submitted,



Erin Bivona
Chief Administrative Officer



Stephen Sanders
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, 2018

Christopher P. Morrill

Executive Director/CEO

**City of Covington, Louisiana
Principal Elected and Appointed Officials
December 31, 2019**

MAYOR

Mark Johnson - Mayor

COUNCIL MEMBERS

Larry Rolling – Councilman at Large

Rick Smith – Councilman at Large

Peter Lewis Sr. – Councilman District A

John Botsford – Councilman District B

Joey Roberts – Councilman District C

Cody Ludwig – Councilwoman District D

Mark Verret – Councilman District E

CHIEF OF POLICE

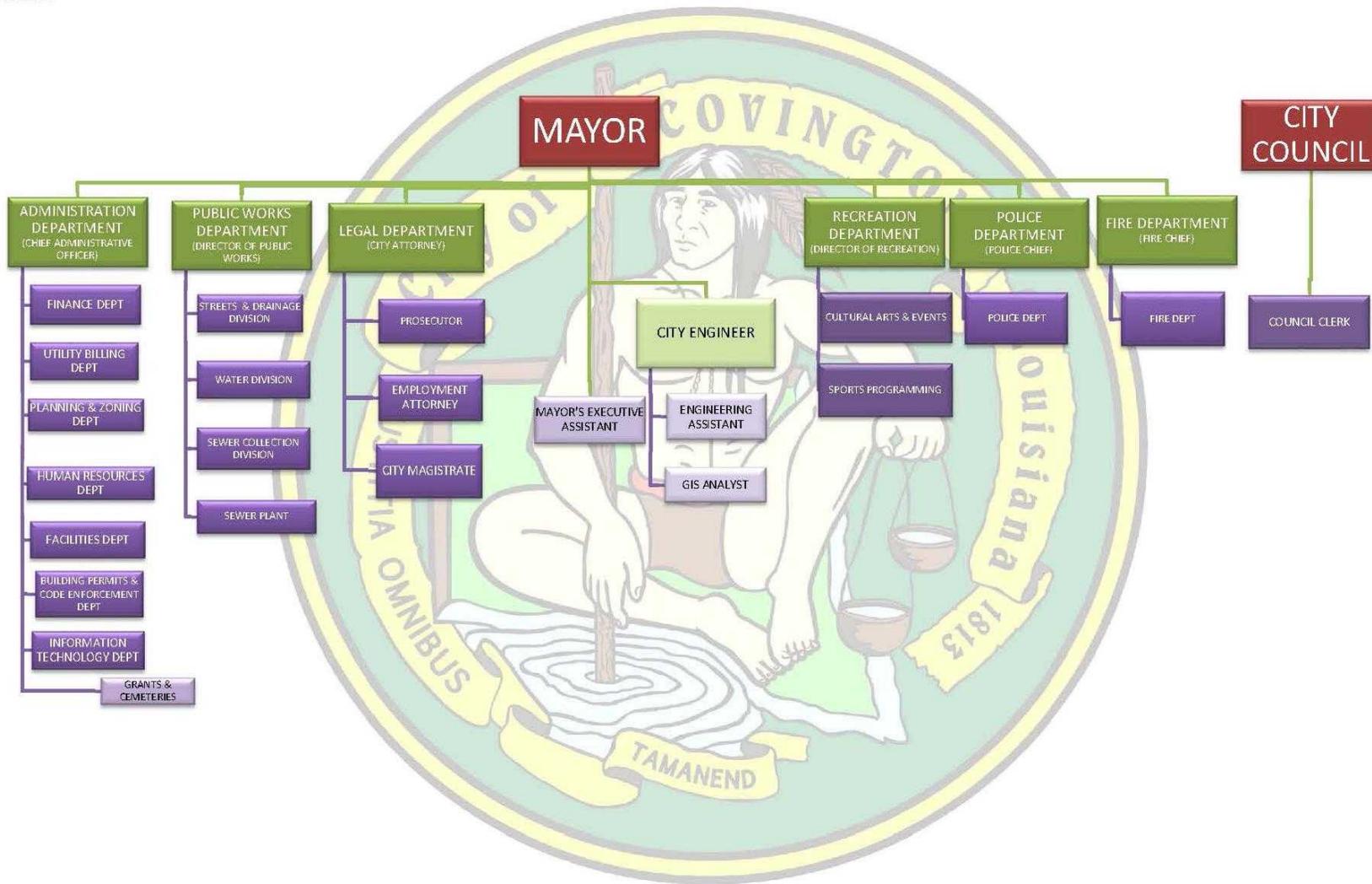
Stephen Culotta – Chief of Police

FIRE CHIEF

Gary S. Blocker Jr. – Fire Chief

**City of Covington, Louisiana
Organizational Chart
December 31, 2019**

December, 2019





Financial Section



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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, 2019, 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, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and pension and other post-employment benefit schedules on pages 4-14 and 81-96, 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 and individual non-major fund statements, 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 non-major fund financial statements and 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 and individual non-major fund statements, 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 November 2, 2020 on 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.

Carri Riggs & Ingram, L.L.C.

Metairie, Louisiana
November 2, 2020



**Required Supplementary
Information**

City of Covington, Louisiana Management's Discussion and Analysis For the Year Ended December 31, 2019

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, 2019. Please review in conjunction with the Letter of Transmittal on page iv and the City's Basic Financial Statements, which begin on page 15.

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 15 and 16) 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 17. 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 expenditures 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.

City of Covington, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2019

- 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 10. The fund financial statements 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 18 and 20 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 26.

City of Covington, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2019

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 and A3 Sales Tax 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 81 to 96 of this report.

The combining and individual statements of non-major governmental funds are presented immediately following the Required Supplementary Information. Combining statements can be found on pages 98 to 99 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 \$27,675,423 and the net position of business-type activities was \$27,284,404.

- The current year's expense total was \$15,763,586 as compared to the \$18,663,293 generated in fees and charges, grants, general revenues, and taxes for governmental programs (before special items). In the previous year, expenditures were \$14,639,944 as compared to the \$17,309,437 generated in tax and other revenues for governmental programs (before special items).
- For business-type activities, City revenues (before special items) were \$6,192,364. Expenses were \$4,962,116.
- The annual cost of all City programs was \$20,725,702. The previous year's cost was \$19,600,189.

City of Covington, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2019

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	\$18,774	\$18,172	\$ 6,721	\$ 6,407	\$25,495	\$24,579
Capital assets, net	32,976	30,104	24,405	22,917	57,381	53,021
Total Assets	51,750	48,276	31,126	29,324	82,876	77,600
Deferred loss on refunding	100	116	-	-	100	116
Deferred outflows - pension	2,366	2,746	380	505	2,746	3,251
Deferred outflows - other post-employment benefit	2,047	12	147	2	2,194	14
Total Deferred Outflows	4,513	2,874	527	507	5,040	3,381
Current liabilities	2,902	2,940	1,254	1,157	4,156	4,097
Long-term liabilities	23,663	21,818	2,519	2,391	26,182	24,209
Total Liabilities	26,525	24,758	3,773	3,548	30,338	28,306
Unavailable revenues	-	-	448	-	448	-
Deferred inflows - pension	1,363	869	105	104	1,468	973
Deferred inflows - other post-employment benefit	660	747	43	125	703	872
Total Deferred Inflows	2,023	1,616	596	229	2,619	1,845
Net Position						
Net investment in capital assets	28,310	25,478	24,405	22,918	52,715	48,396
Restricted	1,450	1,804	-	-	1,450	1,804
Unrestricted	(2,084)	(2,506)	2,879	3,136	794	630
Total Net Position	\$27,675	\$24,776	\$27,284	\$26,054	\$54,959	\$50,830

Government-Wide Financial Analysis

The City's combined net position from the previous year was \$50,829,872 as compared to \$54,959,827 this year. However, net position and expenditures 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 \$27,675,423 this year as compared to \$24,775,716 last year. Unrestricted net position for governmental activities was (\$2,084,725) this year as compared to (\$2,506,238) last year. Unrestricted net position are those funds that can be used to finance everyday operations without restrictions set by legislation, debt covenants, or other legal regulations.

The net position of the City's business-type activities was \$27,284,404 this year as compared to \$26,054,156 last year.

City of Covington, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2019

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 \$24,855,657 as compared to \$24,062,748 in the previous year. The total yearly cost of all programs and services was \$20,725,702 as compared to \$19,600,189 in the previous year.

City of Covington, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2019

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
Program Revenues						
Charges for services	\$ 1,597	\$ 1,992	\$ 4,650	\$ 4,356	\$ 6,247	\$ 6,348
Restricted operating grants	22	138	-	-	22	138
Restricted capital grants	688	3	-	-	688	3
General Revenues						
Property taxes	2,980	2,866	-	-	2,980	2,866
Sales taxes	12,863	12,430	-	-	12,863	12,430
Other taxes	789	825	-	-	789	825
Interest and investment income	369	197	-	-	369	197
Other general revenues	869	1,209	28	47	897	1,256
Total Revenues	20,177	19,660	4,678	4,403	24,855	24,063
Program Expenditures						
General government	4,034	3,353	-	-	4,034	3,353
Public safety	7,142	6,811	-	-	7,142	6,811
Public works	3,619	3,469	-	-	3,619	3,469
Culture and recreation	845	900	-	-	845	900
Interest on long-term debt	124	107	-	-	124	107
Water and sewer	-	-	4,020	4,138	4,020	4,138
Other utilities	-	-	942	823	942	823
Total Expenditures	15,764	14,640	4,962	4,961	20,726	19,601
Excess (deficit) before special items and transfers	4,413	5,020	(284)	(558)	4,129	4,462
Transfers	(1,514)	(2,350)	1,514	1,301	-	(1,049)
Change in net position	2,899	2,670	1,230	743	4,129	3,413
Net position - beginning of year	24,776	22,106	26,054	25,311	50,830	47,417
Net position - ending of year	\$27,675	\$24,776	\$27,284	\$26,054	\$54,959	\$50,830

Governmental Activities

This year's governmental activities revenues were \$20,177,143 as compared to \$19,660,274 last year. Total revenues increased by \$516,869 or 2.6%. This is primarily due to the increase in sales tax.

This year's governmental activities cost was \$15,763,586 as compared to \$14,639,944 in the previous year. Total expenditures increased by \$1,123,642 or 7.7%. This is primarily due to additional capital outlay projects and a fire truck lease.

City of Covington, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2019

Business-Type Activities

This year's business-type activities revenues were \$4,678,514 as compared to \$4,402,474 last year. Total revenues increased by \$276,040 or 6.3%. This increase is primarily due to growth of the community.

This year's expenses were \$4,962,116 as compared to \$4,960,245 in the previous year. Total expenses increased by \$1,871 or 0.0%.

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	\$ 4,774	\$ 4,663	\$ (4,709)	\$ (4,577)
Fire Department	2,368	2,148	(2,170)	(2,142)
Public Works	3,619	3,469	(3,495)	(3,409)
Culture and Recreation	845	900	(487)	(627)
All Others	4,158	3,460	(2,596)	(1,752)
Total	\$ 15,764	\$ 14,640	\$ (13,457)	\$ (12,507)

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 \$17,135,138, a decrease of \$715,268 in comparison with the prior year.

Approximately 34% of the ending fund balance, or \$5,782,918, 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 27% is assigned, 31% is committed, 8% is restricted and 1% is non-spendable.

City of Covington, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2019

The fund balance of the general fund decreased by \$1,047,070 in the current year, and decreased by \$870,448 in the prior year. The decrease is primarily due to the increase in capital projects.

Total revenue in the general fund decreased by \$5,138 or -0.03%.

Expenditures in the general fund increased \$1,649,992 or 11.1% due to additional capital outlay projects. Expenditures in general government increased by \$86,989 or 2.7%. Public safety expenditures decreased by \$25,280 or -0.4%. Public Works expenditures increased by \$107,446 or 5.4%. Culture and recreation expenditures decreased \$64,734 or -8.6%. Capital outlay expenditures increased \$1,367,416 or 52.1% due to additional capital projects. At December 31, 2018, there were 21 construction in progress projects. 13 of these projects were completed during fiscal 2019.

The A3 Sales Tax Fund accounts for the special annexation sales tax. Total revenues increased \$272,178 or 8.8% due to an increase in sales tax collections for the current year.

Budgetary Statements

The City Council revised the 2019 original adopted budgets for the General Fund and the A3 Sales Tax Fund numerous times throughout the year as revenues and expenditures changed. The original budgets were voted and approved on November 20, 2018 and the amended budgets were voted and approved on March 19, 2019, May 7, 2019, and June 4, 2019.

By budgetary policy, revenue estimates are prepared with a conservative bias. Overall, general fund revenue in 2019 experienced a positive variance of \$350,904 or 2.4% from the amount in the final adopted budget. A3 Sales tax fund revenue in 2019 experienced a positive variance of \$283,454 or 9.2% from the amount in the final adopted budget.

The final budget for general fund expenditures increased \$1,178,584 or 7.5% from the original budget for 2019 primarily due to additional capital outlay projects. Actual expenditures for the general fund were \$677,398 more than the original adopted budget and \$501,186 less than the final adopted budget. The final budget for A3 Sales tax fund expenditures increased \$825,007 or 56.1% from the original budget for 2019 primarily due to additional capital outlay projects. Actual expenditures for the A3 Sales tax fund were \$1,112,402 less than the original adopted budget and \$1,947,409 less than the final adopted budget.

City of Covington, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2019

Capital Assets

Table 4
Capital Assets, Net of Depreciation (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Land	\$ 807	\$ 807	\$ -	\$ -	\$ 807	\$ 807
Building and improvements	11,425	9,390	-	-	11,425	9,390
Equipment	2,755	1,764	4,410	4,525	7,165	6,289
Infrastructure	16,579	16,329	17,961	16,799	34,540	33,128
Construction in progress	1,410	1,813	2,034	1,594	3,444	3,407
Capital Assets, net	\$ 32,976	\$30,103	\$ 24,405	\$ 22,918	\$ 57,381	\$ 53,021

The current year's significant capital asset additions included:

- Governmental Activities: Fire truck purchased through capital lease, Bulkhead BF Park Shoreline Protection, Rutland Street drainage, Fire station renovations and additions, Cleveland Street Bridge, Peter Atkins restroom, Safe Routes to School, W 15th Avenue trail, W 8th Avenue safety improvements, 2017 sidewalk improvements, and freight liner and dump body cab.
- Business-Type Activities: SSES sewer repairs, Regina Coeli Watt water extension, Covington High L/S.

More detailed information about the City's capital assets is presented in Note 2 to the financial statements.

Debt Management

At the close of the year, the City had \$3,996,000 in outstanding bonds and notes as compared to \$4,742,000 in the previous year (see Table 5). This decrease in debt of \$746,000 is due to regularly scheduled principal payments along with the defeasance of General Obligation Bonds. The increase in capital leases of \$769,586 is due leasing a fire truck.

City of Covington, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2019

Table 5
Outstanding Debt (in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
General obligation bonds (backed by the City)	\$ 3,356	\$ 3,797	\$ -	\$ -	\$ 3,356	\$ 3,797
Revenue bonds and notes (backed by specific tax and fee revenues)	640	945	-	-	640	945
Capital lease	770	-	-	-	770	-
Total	\$ 4,766	\$ 4,742	\$ -	\$ -	\$ 4,766	\$ 4,742

More detailed information about the City's long-term liabilities is presented in Note 2 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 2020 we anticipate over 59% of the City's general fund revenues will be derived from sales taxes. We budgeted \$13,192,384 in net sales tax collections for 2020, which represents approximately 6.3% of an increase from 2019 budgeted.

From the general fund sales tax revenues, \$325,795 will go to the Sales Tax Bond Sinking Fund for bond payments. Another \$1,605,598 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 \$1,528,607 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 approximately \$2,472,000 in revenue for the General Fund. This represents about a 3.9% increase over 2019 projected amounts and is based upon an assessed valuation of \$132,020,177. It should be noted that property taxes represent 13% of the 2020 General Fund Budget. The City of Covington currently has the following ad valorem tax assessments: 20.01 millage comprised of 3.5 millage for retiring general obligation bonds, 7.08 millage to general fund revenues, and 9.43 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 expenditures 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 2020 budget is \$2,288,744. This includes \$2,801,310 in one-time capital expenditures and

City of Covington, Louisiana
Management's Discussion and Analysis (Continued)
For the Year Ended December 31, 2019

\$2,000,000 transfer out to the Utility Fund. This budget, while balanced, provides for an estimated \$3,042,190 unassigned General Fund Balance at the end of 2020. An additional \$2,299,580 is in Assigned Fund Balance for the GFOA recommended 2 months of operating expenditures or revenue range to cover emergencies and unexpected expenditures.

COVID-19

On January 31, 2020 the U.S. Department of Health and Human Services declared a Public Health Emergency due to the COVID-19 Pandemic. On March 11, 2020 Governor John Bel Edwards of Louisiana declared the pandemic a Public Health Emergency in Louisiana.

The COVID-19 Pandemic is expected to impact the City of Covington's 2020 collection of tax revenue in terms of timing and projected tax revenue. The City anticipates overall taxes collected in fiscal year 2020 will be lower than originally forecasted due to the overall economic effects of the Pandemic.

For the fiscal year 2021 proposed budget, the City has reduced operating and capital expenditures as much as feasible in an effort to present a balanced budget. The City expects the effects of the Pandemic to last into fiscal year 2021. The City will closely monitor revenues throughout 2020 and 2021 to ensure there is adequate revenue to maintain operations and capital spending per the adopted budgets. The City will be prepared to scale down expenditures as necessary to maintain a balanced budget.

Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) act in March of 2020. The City has applied for CARES act funding to help mitigate the economic impact of the COVID-19 pandemic on the City's finances. The City expects to receive funding from the CARES act in late 2020 or early 2021.

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:

Erin Bivona
Chief Administrative Officer
317 N. Jefferson Ave.
Covington, LA 70433
Phone: 985-898-4714
Fax: 985-898-4723
ebinova@covla.com



Basic Financial Statements

City of Covington, Louisiana
Statement of Net Position

<i>December 31, 2019</i>	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 16,057,555	\$ 400	\$ 16,057,955
Investments - LAMP	4,237,584	-	4,237,584
Restricted cash and cash equivalents	239,835	-	239,835
Certificates of deposit	302,455	-	302,455
Receivables, net	4,038,363	524,207	4,562,570
Internal balances	(6,188,595)	6,188,595	-
Prepaid expense	87,549	7,745	95,294
Capital assets not being depreciated	2,217,503	2,034,460	4,251,963
Capital assets being depreciated, net of accumulated depreciation	30,758,283	22,370,976	53,129,259
Total assets	51,750,532	31,126,383	82,876,915
Deferred Outflows of Resources			
Deferred loss on refunding	99,963	-	99,963
Deferred outflows - pension plans	2,366,080	379,852	2,745,932
Deferred outflows - other post-employment benefits	2,046,926	147,394	2,194,320
Total deferred outflows of resources	4,512,969	527,246	5,040,215
Liabilities			
Accounts payable	1,291,007	836,817	2,127,824
Accrued payroll expenses	337,198	18,544	355,742
Customer deposits	-	398,799	398,799
Accrued interest	22,517	-	22,517
Compensated absences			
Due within one year	269,540	-	269,540
Due in more than one year	259,058	-	259,058
Revenue bonds payable			
Due within one year	315,000	-	315,000
Due in more than one year	325,000	-	325,000
Capital lease payable			
Due within one year	208,155	-	208,155
Due in more than one year	561,431	-	561,431
General obligations bond payable			
Due within one year	459,000	-	459,000
Due in more than one year	2,897,000	-	2,897,000
Net pension liability			
Due in more than one year	11,649,527	1,918,466	13,567,993
Net other post-employment benefit liability			
Due in more than one year	7,970,503	600,407	8,570,910
Total liabilities	26,564,936	3,773,033	30,337,969
Deferred Inflows of Resources			
Unavailable revenues	300	448,307	448,607
Deferred inflows - pension plans	1,362,750	104,959	1,467,709
Deferred inflows - other post-employment benefits	660,092	42,926	703,018
Total deferred inflows of resources	2,023,142	596,192	2,619,334
Net Position			
Net investment in capital assets	28,310,163	24,405,436	52,715,599
Restricted for			
Expendable			
Debt service	1,039,210	-	1,039,210
Perpetual care	5,552	-	5,552
FHA loan program	251,564	-	251,564
Fire department	1,984	-	1,984
Drug forfeiture	32,010	-	32,010
Tree mitigation	7,161	-	7,161
Nonexpendable			
Prepaid expenditures	87,549	-	87,549
Permanent fund	24,955	-	24,955
Unrestricted	(2,084,725)	2,878,968	794,243
Total net position	\$ 27,675,423	\$ 27,284,404	\$ 54,959,827

The accompanying notes are an integral part of this statement.

City of Covington, Louisiana
Statement of Activities

<i>For the year ended December 31, 2019</i>		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 4,034,415	\$ 1,331,387	\$ 33	\$ 230,992	\$ (2,472,003)	\$ -	\$ (2,472,003)
Public safety - Police	4,773,793	60,838	4,003	-	(4,708,952)	-	(4,708,952)
Public safety - Fire	2,367,913	-	-	198,096	(2,169,817)	-	(2,169,817)
Public works	3,619,009	101,817	13,455	8,541	(3,495,196)	-	(3,495,196)
Culture and recreation	844,901	103,255	5,000	250,000	(486,646)	-	(486,646)
Interest on long-term debt	123,555	-	-	-	(123,555)	-	(123,555)
Total Governmental Activities	15,763,586	1,597,297	22,491	687,629	(13,456,169)	-	(13,456,169)
Business-Type Activities							
Water	1,560,160	1,751,694	-	-	-	191,534	191,534
Sewer	2,459,697	1,945,078	-	-	-	(514,619)	(514,619)
Garbage	942,259	953,630	-	-	-	11,371	11,371
Total Business-Type Activities	4,962,116	4,650,402	-	-	-	(311,714)	(311,714)
Total	\$ 20,725,702	\$ 6,247,699	\$ 22,491	\$ 687,629	(13,456,169)	(311,714)	(13,767,883)
General Revenues							
Taxes							
Sales taxes					12,862,905	-	12,862,905
Property taxes					2,979,826	-	2,979,826
Franchise taxes					788,684	-	788,684
Other general revenues					581,834	-	581,834
Gain (loss) on disposal of equipment					8,531	-	8,531
Other Revenues							
Interest and penalties					368,914	-	368,914
Non-employer contribution revenue					279,032	28,112	307,144
Transfers					(1,513,850)	1,513,850	-
Total general revenues, other revenues, and transfers					16,355,876	1,541,962	17,897,838
Change in net position					2,899,707	1,230,248	4,129,955
Net position, beginning of year					24,775,716	26,054,156	50,829,872
Net position, end of year					\$ 27,675,423	\$ 27,284,404	\$ 54,959,827

The accompanying notes are an integral part of this statement.

City of Covington, Louisiana
Balance Sheet - Governmental Funds

<i>December 31, 2019</i>	General Fund	A3 Sales Tax Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 15,746,647	\$ -	\$ 310,908	\$ 16,057,555
Equity in pooled cash	-	4,714,009	476,255	5,190,264
Investments - LAMP	4,237,584	-	-	4,237,584
Restricted cash and cash equivalents	239,835	-	-	239,835
Certificates of deposits	-	-	302,455	302,455
Receivables				
Property tax	1,909,017	-	487,740	2,396,757
Sales tax	1,071,134	320,475	-	1,391,609
Franchise tax	193,480	-	-	193,480
Notes receivable	11,729	-	-	11,729
Grants receivable	-	-	6,052	6,052
Other	38,736	-	-	38,736
Prepaid expenditures	87,549	-	-	87,549
Due from other funds	32,787	-	-	32,787
Total assets	\$ 23,568,498	\$ 5,034,484	\$ 1,583,410	\$ 30,186,392
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 1,059,924	\$ 214,140	\$ 16,943	\$ 1,291,007
Deficit in pooled cash	11,365,516	-	-	11,365,516
Accrued payroll expenditures	337,198	-	-	337,198
Due to other funds	20,634	2,652	22,844	46,130
Total liabilities	12,783,272	216,792	39,787	13,039,851
Deferred inflows of resources				
Unavailable revenues	11,103	-	300	11,403
Fund balances				
Nonspendable				
Prepaid expenditures	87,549	-	-	87,549
Permanent fund	-	-	24,955	24,955
Restricted for				
Perpetual care	-	-	5,552	5,552
Debt service	695	-	1,038,515	1,039,210
FHA loan program	251,564	-	-	251,564
Fire department (dedication)	1,984	-	-	1,984
Drug forfeiture	-	-	32,010	32,010
Tree mitigation	-	-	7,161	7,161
Committed				
Capital outlay	-	4,817,692	435,130	5,252,822
Assigned				
2020 operating budget	2,299,747	-	-	2,299,747
Contingency	2,349,666	-	-	2,349,666
Unassigned	5,782,918	-	-	5,782,918
Total fund balances	10,774,123	4,817,692	1,543,323	17,135,138
Total liabilities, deferred inflows of resources, and fund balances	\$ 23,568,498	\$ 5,034,484	\$ 1,583,410	\$ 30,186,392

The accompanying notes are an integral part of this financial statement.

City of Covington, Louisiana
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

<u>December 31,</u>	<u>2019</u>
Total fund balances - governmental funds	\$ 17,135,138
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 funds.	
Governmental capital assets	53,158,264
Less accumulated depreciation	<u>(20,182,478)</u>
	32,975,786
Deferred outflow of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	
	2,366,080
Deferred inflow of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	
	(1,362,750)
Deferred outflow of resources related to OPEB earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	
	2,046,926
Deferred inflow of resources related to OPEB earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	
	(660,092)
Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds balance sheet.	
	11,103
Deferred outflows of resources related to debt refunding are currently expended in the governmental funds, whereas they are capitalized and amortized over the life of the respective debt in the statement of net position.	
	99,963
Long-term liabilities, including bonds payable, net OPEB liability, net pension liability, compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest on bonds	(22,517)
Compensated absences	(528,598)
Revenue bonds	(640,000)
Capital lease obligation	(769,586)
General obligations bonds	(3,356,000)
Net pension liability	(11,649,527)
Net other post-employment benefit liability	<u>(7,970,503)</u>
	(24,936,731)
<u>Net position of governmental activities</u>	<u>\$ 27,675,423</u>

The accompanying notes are an integral part of this financial statement.

City of Covington, Louisiana
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds

<i>For the year ended December 31, 2019</i>	General Fund	A3 Sales Tax Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Sales taxes	\$ 9,602,746	\$ 3,260,159	\$ -	\$ 12,862,905
Property taxes	2,485,888	-	493,938	2,979,826
Franchise taxes	788,684	-	-	788,684
Licenses and permits	1,315,026	-	-	1,315,026
Other revenues	398,378	-	-	398,378
Fines and forfeitures	58,858	-	1,980	60,838
Charges for services	119,616	-	101,817	221,433
Intergovernmental revenues	183,456	-	-	183,456
Interest and penalties	237,065	116,378	15,471	368,914
State and federal grants	-	-	479,128	479,128
Total revenues	15,189,717	3,376,537	1,092,334	19,658,588
Expenditures				
Current				
General government	3,329,541	-	814	3,330,355
Public safety - Police	4,141,244	-	6,631	4,147,875
Public safety - Fire	2,015,949	-	46,908	2,062,857
Public works	2,094,295	-	10,603	2,104,898
Culture and recreation	686,880	-	11,454	698,334
Capital outlay	3,991,097	347,598	676,471	5,015,166
Capital lease				
Principal	177,608	-	-	177,608
Interest	30,547	-	-	30,547
Debt service				
Principal	-	-	746,000	746,000
Interest	-	-	81,180	81,180
Total expenditures	16,467,161	347,598	1,580,061	18,394,820
Excess (deficiency) of revenues over (under) expenditures	(1,277,444)	3,028,939	(487,727)	1,263,768
Other Financing Sources (Uses)				
Proceeds from capital lease	947,194	-	-	947,194
Proceeds from sale of equipment	18,156	-	-	18,156
Transfers in	1,361,219	-	595,445	1,956,664
Transfers out	(2,096,195)	(1,361,219)	(13,100)	(3,470,514)
Net other financing sources (uses)	230,374	(1,361,219)	582,345	(548,500)
Net change in fund balances	(1,047,070)	1,667,720	94,618	715,268
Fund balance, beginning of year	11,821,193	3,149,972	1,448,705	16,419,870
Fund balance, end of year	\$ 10,774,123	\$ 4,817,692	\$ 1,543,323	\$ 17,135,138

The accompanying notes are an integral part of this financial statement.

City of Covington, Louisiana

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds to the Statement of Activities**

<i>For the year ended December 31,</i>	2019
Net change in fund balances - total governmental funds	\$ 715,268
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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.	2,881,855
In the statement of activities, the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, disposals are not reported. Thus, the change in net position differs from the change in fund balance by the net book value of the disposed capital assets.	(9,625)
Repayment of revenue bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	305,000
Governmental funds report proceeds from capital leases as other financing sources. However, in the Statement of Net Position these proceeds are reflected as debt obligations.	(947,194)
Repayment of capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.	177,608
Repayment of general obligation bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	441,000
Compensated absences are reported in the statement of activities when earned. As they do not require the use of current financial resources, they are not reported as expenditures on governmental funds until they have matured. This is the amount of compensated absences reported in the statement of activities in the prior year that has matured in the current year.	(21,014)
Other postemployment benefit obligation reported in the statement of activities does not require the use of current financial resources; therefore, is not reported as an expenditure in governmental funds.	(301,174)
Cash pensions contributions reported in the funds were less than the calculated pension expense on the statement of activities and therefore decrease net position.	(330,188)
Amortization of loss on refunding	(16,029)
Difference in interest cost on the modified accrual basis as reported in the fund statements versus interest expense on the full accrual basis.	4,200
Change in net position of governmental activities	\$ 2,899,707

The accompanying notes are an integral part of this financial statement.

City of Covington, Louisiana
Statement of Net Position - Proprietary Fund

<i>December 31,</i>	2019
Assets	
Current assets	
Cash and cash equivalents	\$ 400
Equity in pooled cash	6,175,252
Accounts receivable, net of uncollectible \$40,346	524,207
Prepaid expenses	7,745
Due from other funds	22,000
Total current assets	6,729,604
Capital assets, net of accumulated depreciation	24,405,436
Total assets	31,135,040
Deferred Outflows of Resources	
Deferred outflows - pension plans	379,852
Deferred outflows - other post-employment benefits	147,394
Total deferred outflows of resources	527,246
Liabilities	
Current liabilities	
Accounts payable	836,817
Accrued payroll expense	18,544
Customer deposits	398,799
Due to other funds	8,657
Total current liabilities	1,262,817
Noncurrent liabilities	
Unavailable revenues	448,307
Net pension liability	1,918,466
Net other post-employment benefit liability	600,407
Total noncurrent liabilities	2,967,180
Total liabilities	4,229,997
Deferred Inflows of Resources	
Deferred inflows - pension plans	104,959
Deferred Inflows - other post-employment benefits	42,926
Total deferred inflows of resources	147,885
Net Position	
Net investment in capital assets	24,405,436
Unrestricted net position	2,878,968
Total net position	\$ 27,284,404

The accompanying notes are an integral part of this financial statement.

City of Covington, Louisiana
Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Fund

<i>For the year ended December 31,</i>	2019
Operating Revenues	
Sewer maintenance fees	\$ 1,861,477
Water revenues	1,421,244
Garbage collection fees	953,630
Miscellaneous	220,310
Connection fees	65,622
Water installations	44,518
DHH fee	64,401
Non-employer contribution revenue	28,112
Sewer installations	19,200
Total operating revenues	4,678,514
Operating Expenses	
Sewer department expenses	1,295,083
Water department expenses	1,216,250
Garbage department expenses	942,259
Depreciation	1,508,524
Total operating expenses	4,962,116
Operating income (loss)	(283,602)
Transfers	1,513,850
Change in net position	1,230,248
Net position, beginning of year	26,054,156
Net position, end of year	\$ 27,284,404

The accompanying notes are an integral part of this financial statement.

City of Covington, Louisiana
Statement of Cash Flows - Proprietary Fund

<i>For the year ended December 31,</i>	2019
<hr/>	
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 4,430,092
Other receipts	220,310
Payments to suppliers	(1,894,362)
Payments to employees	(967,605)
<hr/>	
Net cash provided by (used in) operating activities	1,788,435
 Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(2,996,207)
Transfer in	1,513,850
<hr/>	
Net cash provided by (used in) capital and related financing activities	(1,482,357)
<hr/>	
Net increase (decrease) in cash and cash equivalents	306,078
Cash and cash equivalents, beginning of year	5,869,574
<hr/>	
Cash and cash equivalents, end of year	\$ 6,175,652
<hr/>	
Reconciliation of Operating Loss to Net Cash	
Provided by Operating Activities	
Operating income (loss)	\$ (283,602)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Depreciation	1,508,524
Changes in assets, deferred inflows, liabilities, and deferred inflows	
(Increase) decrease in assets and deferred outflows	
Accounts receivable	(8,311)
Deferred outflows - other post-employment benefit	(145,317)
Deferred outflow - pension plans	124,996
Deferred outflows - other post-employment benefit	(82,363)
Increase (decrease) in liabilities and deferred inflows	
Accounts payable	85,663
Customer deposits	6,687
Net other post-employment benefit liability	182,452
Deferred inflows - pension plans	1,115
Accrued payroll expenses	4,049
Net pension liability	(53,765)
Unearned revenues	448,307
<hr/>	
Total adjustments	2,072,037
<hr/>	
Net cash provided by (used in) operating activities	\$ 1,788,435
<hr/>	

The accompanying notes are an integral part of this financial statement.

City of Covington, Louisiana
Statement of Fiduciary Net Position - Fiduciary Fund

<i>December 31,</i>	2019
<hr/>	
Assets	
Cash and cash equivalents	\$ 714,816
Accrued interest	1,051
Investments	349,630
<hr/>	
Total assets	\$ 1,065,497
<hr/> <hr/>	
Net Position	
Restricted for other post-employment benefits	\$ 1,065,497
<hr/> <hr/>	

The accompanying notes are an integral part of this financial statement.

City of Covington, Louisiana
Statement of Changes in Fiduciary Net Position - Fiduciary Fund

<i>For the year ended December 31,</i>	2019
<hr/>	
Revenues	
Interest income	\$ 15,430
Unrealized gain	88
Total revenues	<hr/> 15,518
Expenses	
Investment expense	21
Total expenses	<hr/> 21
Change in net position	15,497
Net position, beginning of year	<hr/> 1,050,000
Net position, end of year	<hr/> <hr/> \$ 1,065,497

The accompanying notes are an integral part of this financial statement.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Covington, Louisiana (the City), was incorporated in 1813. The current City Code, as adopted in 2002, authorizes the following services: public safety – fire, public safety – police, public works, recreation, and general administrative services. Education, health, and welfare are administered by other governmental entities.

Reporting Entity

The City is a municipal corporation governed by an elected mayor and seven-member governing council (the Council). The accompanying financial statements present the City as the primary government. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the City are described below.

In evaluating the City as a reporting entity, management has considered all potential component units in accordance with *Section 2100: Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification. As such, the City has no component units.

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. Three of the council members were elected for an additional term in 2019. The council members are elected by majority vote. The City covers an approximately eight square mile area and has approximately 10,464 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.

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 non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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 government 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, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary fund and other postemployment benefit trust are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the inter-fund services provided and other charges between the City's wastewater and sanitation services functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary fund. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund. Revenues are derived primarily from property and sales taxes, licenses and permits, interest and penalties, and other revenues. At December 31, 2019, there was a minimum fund balance of \$2,299,747 which consists of approximately two months of expenditures.

The *A3 Sales Tax Fund* is used to account for tax revenues derived from sales tax received within the geographic boundaries of the annexation area to finance development within that area. The A3 sales tax fund revenues are committed to fund capital outlay projects of the City.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than capital projects.

The *debt service funds* are used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Capital projects funds account for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

The *Perpetual Care Permanent Fund* is used to account for resources legally held in trust to finance maintenance for the City's municipal cemeteries. The revenues designated for perpetual care are placed in trust and the interest earned is transferred to the General Fund.

The *proprietary fund* accounts for the water, sewer, and garbage services it provides to the residents and businesses of the City.

The *pension trust fund* accounts for the activities of the General Employees', Police Employees' and Fire Employees' Pension Plans, which accumulate resources for pension benefit payments to qualified public safety employees.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, A3 Sales tax fund, debt service funds, special revenue funds, and capital project funds. The capital projects funds are appropriated on a project-length basis. Certain special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - LAMP

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in the State Treasurer's Investment Pool (Pool). The State Treasurer's Investment Pool meets all of the specified criteria in *Section 150: Investments to qualify* to elect to measure their investments at amortized cost. Accordingly, the fair value of the City's position in the pool is equal to the value of the pooled shares.

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.

Restricted Cash and Cash Equivalents

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Restricted cash and cash equivalents are for funds generated from the FHA loans for the purpose of making loans to area businesses at low interest rates to promote economic development.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Receivables

Unbilled receivables – An amount for unbilled revenue is recorded in the Utility fund for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in December.

Allowance for doubtful accounts – Accounts receivable have been reported net of the allowance for doubtful accounts. Accounts receivable in excess of 90 days are subject to being considered as uncollectible.

Unavailable revenue – Unavailable revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

Inter-fund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” within the fund financial statements. Long-term borrowings between funds are classified as “advances to other funds” or “advances from other funds” in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Inter-fund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when a fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers. Transfers between governmental or business-type funds are netted as part of the reconciliation to the government-wide presentation.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

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 column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years.

In accordance with GASB Codification, the City has elected to not capitalize infrastructure retroactively. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. Interest attributable to capitalized assets as of December 31, 2019 was immaterial to the financial statements.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Asset Description	Asset Life in Years
Building	10 to 40
Improvements	5 to 40
Vehicles	5 to 10
Tools and equipment	5 to 25
Infrastructure	10 to 40
Sewer plant and lines	5 to 40
Water wells, tanks, and lines	5 to 40

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Deferred Outflows/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(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

The City has three (3) items that qualify for reporting as deferred outflows of resources – pension deferrals, OPEB deferrals, and deferred loss on refunding – which are reported in the government-wide and proprietary fund statements of net position. The deferred amount on refunding results from debt refinancing, whereby the reacquisition price of the funding debt instruments exceed their net carrying amount. The deferred amount on refunding is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pension and OPEB deferrals will be recognized as an expense in future reporting years.

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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three (3) items that qualify for reporting as deferred inflows of resources – pension deferrals, OPEB deferrals, and unavailable revenues. The deferred inflows related to pension and OPEB deferrals will be recognized as a reduction to expense in future reporting years.

Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues related to grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

City employees earn vacation and sick benefits on an escalating scale based on years of service at the beginning of each fiscal year. City employees are not allowed to carry over vacation benefits but are allowed to carry over sick benefits up to a maximum of 720 hours. At the time of termination, city employees are paid for any accumulated unused vacation benefits; however, sick benefits are not paid at termination.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Compensated Absences (Continued)

Civil service employees earn vacation benefits on an escalating scale based on years of service at the beginning of each fiscal year and are allowed to carry up to 500 hours. Police employees earn sick benefits on a monthly basis, while fire employees must adhere to LS 33:1995, which allows up to 52 weeks of sick benefits. All civil service employees are allowed to roll over unlimited sick benefits; however, at termination, only accumulated unused sick benefits up to 500 hours are paid.

The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. As a result, the amount of accumulated annual leave payable in the government-wide financial statements at December 31, 2019 is \$528,598.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as adjustments to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification *Section 130: Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

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)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

Categories and Classification of Net Position

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

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.

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.

Unrestricted net position – all other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Categories and Classification of Fund Equity

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Non-spendable fund balance – Non-spendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed 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.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council (Council) is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Council has by resolution authorized the Mayor or the Council's designee established in the City's Fund Balance Policy to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund. The General Fund is the only fund which may report a positive unassigned fund balance.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)

Categories and Classification of Fund Equity (Continued)

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Fund balance flow assumptions – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes – Property taxes are due on December 31st and become 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, 2019, was \$2,979,826 and is recorded in the funds as follows:

General Fund	\$ 2,485,888
General Obligation Debt Service Fund	493,938
<hr/>	
Total	\$ 2,979,826
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City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses (Continued)

Proprietary fund operating and non-operating revenues and expenses – The proprietary fund distinguishes 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 enterprise funds and internal service funds 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 is 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.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded as reservations of budget, is employed as an extension of the statutory required budgetary process. At year-end, outstanding encumbrances represent material purchase commitments for goods and services which were ordered, budgeted, and appropriated, but had not been received or completed as of that date. Although encumbrances lapse at year-end, it is the intention to substantially honor these encumbrances under authority provided in the subsequent year’s budget. Total encumbrances as of December 31, 2019 were as follows:

	Amount
General Fund	\$ 870,964
Special Revenue Fund	
A3 Sales Tax Fund	1,824,813
Total	\$ 2,965,777

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 2, 2020. See Note 16 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Recently Issued Accounting Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements. The implementation of this statement will not result in any change in the City's financial statements. GASB Statement No. 88 requires that additional essential information related to debt be disclosed in the notes to the 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 the financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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 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 receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

The City is evaluating the requirements of the above statements and the impact on reporting.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

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.

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.

The City's deposits are stated at cost, which approximates fair value. The deposits are categorized as follows at December 31, 2019:

	Carrying Amount	Bank Balance
Demand deposits	\$ 16,297,790	\$ 16,340,088
Certificates of deposit	302,455	302,455
	<u>\$ 16,600,245</u>	<u>\$ 16,642,543</u>

Custodial credit risk – 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, 2019, the City's bank balance was not exposed to custodial credit risk. As of December 31, 2019, \$560,388 of the City's bank balances is covered by federal depository insurance (FDIC), while the remaining \$16,082,155 of deposits were secured by the pledge of securities owned by the fiscal agent bank.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

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, 2019.

Deposits available within various funds, except pension trust funds, were consolidated for investment purposes. Interest earned was allocated to the various funds based on their average cash and investment balances. The pension trust funds are authorized to invest in corporate bonds and stocks, money markets funds, and mortgages and notes.

As of December 31, 2019, the City's OPEB investments are held in the form of U.S. government bonds through a financial brokerage firm.

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The City's investment policy limits interest rate risk by requiring that an attempt be made to match investment maturities with known cash needs and anticipated cash flow requirements.

Credit risk – Section 150: *Investments of the GASB Codification* requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The City's investment policy and the investment policy for the City's OPEB Trust limits investments to securities with specific ranking criteria.

Concentration risk – Section 150: *Investments of the GASB Codification* requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds, external investments pools and other pooled investments. The City's investment policy does not address concentration risk. The OPEB Trust restricts the percentage of assets that may be held in the stock of any one company and the bonds issued by any one issuer.

Fair Value – GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 (L2): Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value as of December 31, 2019:

Fiduciary Fund	Fair Value	Maturities (in years)			Level
		Less than 1	1-5	More than 5	
Money market mutual funds	\$ 714,816	\$ 714,816	\$ -	\$ -	L1
Debt securities – US government obligations	50,000	-	50,000	-	L1
Debt securities – US government obligations	299,630	49,893	249,737	-	L2
Total investments	\$ 1,064,446	\$ 764,709	\$ 299,737	\$ -	

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

Debt and equity securities – Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique based on the price or yield of similar debt securities.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Mutual funds – Mutual funds classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Accounts Receivable

For the Utility Fund, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to December 31, 2019 (unbilled receivable), is estimated and accrued at year end. The allowance for uncollectible accounts at December 31, 2019 was \$40,346. If payments are not received from customers, services are shut off and deposits are applied against negative balances.

All account receivables are shown net of allowances for uncollectible accounts for governmental funds. Property taxes are considered fully collected (97% of the levy) during and prior to the end of the fiscal year. Therefore, no material amounts of property taxes are uncollectible as of December 31, 2019. There are no other reserves for receivables recorded by the City as of December 31, 2019.

The accounts receivable and allowance for uncollectible accounts at December 31, 2019, were as follows:

Accounts Receivable	
Governmental Funds	
Property tax	\$ 2,396,757
Sales tax	1,391,609
Franchise tax	193,480
Notes receivable	11,729
Grants receivable	6,052
Other receivables	38,736
Total governmental funds	4,038,363

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable (Continued)

Proprietary Fund	
Under 30 days	283,756
Over 31 under 60 days	2,169
Over 61 under 90 days	1,441
Over 91 days	47,608
Less Allowance	(40,346)
	294,628
Unbilled receivables	229,579
Total proprietary fund	524,207
Total accounts receivable, net	\$ 4,562,570

Investments – LAMP

Investment – LAMP of \$4,237,584, which are stated at fair value using published market quotes for those securities at December 31, 2019, 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.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Investments - LAMP (Continued)

- 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, 2019.
- 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.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2019:

Governmental Activities	Balance at 12/31/18	Increases	Decreases	Balance at 12/31/19
Capital assets not depreciated				
Land	\$ 807,452	\$ -	\$ -	\$ 807,452
Construction in progress	1,813,387	3,233,093	(3,636,429)	1,410,051
Total capital assets not depreciated	2,620,839	3,233,093	(3,636,429)	2,217,503
Capital assets being depreciated				
Building	8,845,699	264,600	(5,000)	9,105,299
Improvements	6,358,639	2,260,880	(54,170)	8,565,349
Vehicles	3,552,424	1,259,366	(50,235)	4,761,555
Tools and equipment	3,761,185	263,470	(93,840)	3,930,815
Infrastructure	22,976,565	1,601,178	-	24,577,743
Total capital assets being depreciated	45,494,512	5,649,494	(203,245)	50,940,761
Less accumulated depreciation				
Building	(2,988,201)	(175,387)	3,875	(3,159,713)
Improvements	(2,826,424)	(305,773)	46,202	(3,085,995)
Vehicles	(2,566,900)	(319,163)	50,235	(2,835,828)
Tools and equipment	(2,982,964)	(212,322)	93,308	(3,101,978)
Infrastructure	(6,647,306)	(1,351,658)	-	(7,998,964)
Total accumulated depreciation	(18,011,795)	(2,364,303)	193,620	(20,182,478)
Total capital assets being depreciated, net	27,482,717	3,285,191	(9,625)	30,758,283
Total capital assets	\$ 30,103,556	\$ 6,518,284	\$(3,646,054)	\$ 32,975,786

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

As of December 31, 2019, construction in progress consisted of the following:

Governmental Activities				
Project	Expended as of 12/31/19	Amount Authorized	Committed Financing	
Public Works Maintenance Barn	\$ 552,256	\$ 580,556	\$ 28,300	
W. 15th Bridge-Simpson Creek	192,276	432,835	240,559	
W. 11th Ave. Bridge Replacement	132,435	1,083,675	951,240	
2019 Storm Drainage Clean and Inspect	116,742	150,000	33,258	
Blue Swamp Creek Drainage	105,396	323,157	217,761	
Mile Branch Drainage	69,969	219,518	149,549	
Jefferson Ave. Shared Path	64,730	228,560	163,830	
River Forest Drainage-Patricia Dr.	56,252	75,000	18,748	
River Forest-Willow Drive Phase II	46,375	612,000	565,625	
Embankment Stabilization	25,150	365,000	339,850	
Jefferson Ave. Traffic Circle	16,000	155,000	139,000	
Lake Pontchartrain Restoration Pro	15,000	29,000	14,000	
2019 Road Overlay Program	5,743	590,000	584,257	
Bogue Fayala Park	3,991	95,000	91,009	
Seeling Drive Improvements	3,950	40,000	36,050	
City Hall Bathroom Renovations	3,420	80,000	76,580	
Covington Community Train	366	196,074	195,708	
Total construction in progress	\$ 1,410,051	\$ 5,255,375	\$ 3,845,324	

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended December 31, 2019:

Business-Type Activities	Balance at 12/31/18	Increases	Decreases	Balance at 12/31/19
Capital assets not depreciated				
Construction in progress	\$ 1,594,051	2,788,678	\$(2,348,269)	\$ 2,034,460
Total capital assets not depreciated	1,594,051	2,788,678	(2,348,269)	2,034,460
Capital assets being depreciated				
Sewer plant and lines	30,324,839	2,323,590	-	32,648,429
Water wells, tanks, and lines	9,776,618	232,208	(30,849)	9,977,977
Total capital assets being depreciated	40,101,457	2,555,798	(30,849)	42,626,406
Less accumulated depreciation				
Sewer plant and lines	(13,525,904)	(1,164,614)	-	(14,690,518)
Water wells, tanks, and lines	(5,251,851)	(343,910)	30,849	(5,564,912)
Total accumulated depreciation	(18,777,755)	(1,508,524)	30,849	(20,255,430)
Total capital assets being depreciated, net	21,323,702	1,047,274	-	22,370,976
Total capital assets	\$ 22,917,753	3,835,952	\$(2,348,269)	\$ 24,405,436

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

As of December 31, 2019, construction in progress consisted of the following:

Business-Type Activities			
Project	Expended as of 12/31/19	Amount Authorized	Committed Financing
Public Works Maintenance Barn	\$ 937,214	\$ 946,000	\$ 8,786
Water Meters	670,910	693,450	22,540
W 16th Ave. Water Production	69,000	101,300	32,300
Gravity Sewer Repairs	59,475	780,000	720,525
Old Landing Lift Station	53,181	53,181	-
Harrison St. Water Line	51,779	500,000	448,221
2019 Sewer Point Repair	48,400	48,400	-
Claiborne Hill Booster Pump Station	46,573	278,790	232,217
Patricia Drive Sewer Lift Station Study	31,753	61,385	29,632
Water Distribution	22,175	40,415	18,240
2019 SSES Program	18,500	180,000	161,500
WWTP Improvement, Phase 2	14,000	90,000	76,000
St. Paul's Well Rehabilitation	11,500	165,650	154,150
Total Construction in Progress	\$ 2,034,460	\$ 3,938,571	\$ 1,904,111

For the year ended December 31, 2019, depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities	
General Government	\$ 311,790
Public Safety – Police	266,655
Public Safety – Fire	125,180
Public Works	1,514,111
Culture and Recreation	146,567
Total depreciation expense – governmental activities	\$ 2,364,303

Business-type activities	
Sewer department	\$ 1,164,614
Water department	343,910
Total depreciation expense – business-type activities	\$ 1,508,524

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities

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

General Obligation Bonds and sales tax bonds are comprised of the following individual issues:

Governmental Activities	Date of Issuance	Authorized and Issued	Interest Rate %	Maturity Date	Principal Outstanding
General obligation bonds					
Series 2011 – Refunding	9/20/2011	\$ 777,000	2.09	9/1/2021	\$ 201,000
Series 2016 – Refunding	8/2/2016	3,890,000	1.69	3/1/2027	3,155,000
Sales tax revenue bond					
Series 2011 – Sales Tax Refunding	11/2/2011	2,775,000	2.09	11/1/2021	640,000
Total bonds					\$ 3,996,000

Total future principal payments are as follows:

Maturity	General Obligation Bonds	Sales Tax Revenue Bond	Total
2020	\$ 459,000	\$ 315,000	\$ 774,000
2021	472,000	325,000	797,000
2022	380,000	-	380,000
2023	385,000	-	385,000
2024	400,000	-	400,000
Thereafter	1,260,000	-	1,260,000
Total principal	\$ 3,356,000	\$ 640,000	\$ 3,996,000

Plus amounts representing interest:

Maturity	General Obligation Bonds	Sales Tax Revenue Bond	Total
2020	\$ 53,444	\$ 13,376	\$ 66,820
2021	45,175	6,793	51,968
2022	37,772	-	37,772
2023	31,307	-	31,307
2024	24,674	-	24,674
Thereafter	32,279	-	32,279
Total interest	224,651	20,169	244,820
Total payments	\$ 3,580,651	\$ 660,169	\$ 4,240,820

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

As of December 31, 2019, there is \$1,039,210 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, 2019, the City had not exceeded this statutory limit.

At December 31, 2019, the outstanding balances of \$201,000 and \$3,155,000 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.

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 account assets and the liabilities for the defeased bonds are not included in the City's financial statements.

Capital Leases

During March 2019, the City entered into a five year lease agreement as lessee for financing a fire truck. The lease agreement qualifies as a capital lease and has been recorded at the present value of the future minimum lease payments as of the date of inception.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (Continued)

Capital Leases (Continued)

The following is an analysis of the fire truck under capital lease as of December 31, 2019:

Vehicles	\$	947,195
Less accumulated depreciation		(5,262)
Net capital asset under capital lease	\$	941,932

For the year ended December 31, 2019, amortization expense related to the leased fire truck totaled \$5,262.

The following is a schedule of future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at December 31, 2019:

2020	\$	208,155
2021		208,155
2022		208,155
2023		208,155
Total minimum lease payments		832,620
Less amount representing interest		(63,034)
Present value of future minimum lease payments	\$	769,586

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Changes in 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, 2019:

Governmental Activities	Balance at 12/31/18	Additions	Balance at Retirements	Balance at 12/31/19	Due Within One Year
General obligation bonds	\$ 3,797,000	\$ -	(441,000)	\$ 3,356,000	\$ 459,000
Sales tax revenue bonds	945,000	-	(305,000)	640,000	315,000
Capital lease	-	947,194	(177,608)	769,586	208,155
Compensated absences	507,584	281,018	(260,004)	528,598	269,540
Total governmental	5,249,584	1,228,212	(1,183,612)	5,294,184	1,251,695
Total long-term liabilities	\$ 5,249,584	\$ 1,228,212	(1,183,612)	\$ 5,294,184	\$ 1,251,695

Net Investment in Capital Assets

The elements of net investment in capital assets are as follows:

	Governmental Activities	Business-Type Activities	Total
Capital assets, net	\$ 32,975,786	\$ 24,405,436	\$ 57,381,222
Outstanding debt related to capital assets	(4,665,623)	-	(4,665,623)
Net investment in capital assets	\$ 28,310,163	\$ 24,405,436	\$ 52,715,599

Note 3: 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.

Note 3: RETIREMENT PLANS (Continued)

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 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.

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.

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.

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

Note 3: RETIREMENT PLANS (Continued)

retirement at any age with at least 20 years of creditable service, with an actuarially reduced benefit from age 55.

For members hired prior to January 1, 2013, the benefit rates are $3\frac{1}{3}$ 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 $2\frac{1}{2}$ 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 R.S. 11:2252 on and after January 1, 1980, shall become a member as a condition of employment. Members in the System consist of fulltime firefighters, eligible employees of the retirement system, or any person in a position as defined in the municipal fire and police civil service system that earns at least \$375 per month, excluding state supplemental pay, and is employed by a fire department of any municipality, parish, or fire district of the state of Louisiana, except for Orleans Parish and the City of Baton Rouge.

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.

Note 3: RETIREMENT PLANS (Continued)

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.

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.

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. For any member of Plan A 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 statutes, 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 deceased member had less than 10 years of service, the beneficiary will receive a refund of employee contributions only.

Note 3: RETIREMENT PLANS (Continued)

The Firefighters' System

Benefits shall be payable to the surviving eligible spouse or designated beneficiary of a deceased member as specified in R.S. 11:2256(B) & (C).

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 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 January 1, 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.

Note 3: RETIREMENT PLANS (Continued)

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.

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 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.

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.

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.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 3: RETIREMENT PLANS (Continued)

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 exceed 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.

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, 2019. 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 ended June 30, 2020 and 2019, the actuarially determined contribution rates were 29.28% and 27.53%, respectively, of member's compensation for Plan A. However, for the year ended June 30, 2019, employer contributions were 27.75% for Plan A 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 \$835,171 for the year ended December 31, 2019.

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, 2019.

The Police System

Contributions for all members are actuarially determined as required by state statutes but cannot be less than 10.0% of the employee's earnable compensation excluding overtime but including state supplemental pay for the year ended June 30, 2019. The contributions are deducted from the member's salary and remitted by the City.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 3: RETIREMENT PLANS (Continued)

According to state statute, employer contributions are actuarially determined each year. For the years ended June 30, 2020 and 2019, the actuarially determined contribution rates were 33.69% and 32.55%, respectively, of member's compensation. However, for the year ended June 30, 2019, the total actual employer and employee contribution rate was 42.25%. 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 32.25% 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 34.25% and 7.5%, respectively, for the year ended June 30, 2019. 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 \$501,345 for the year ended December 31, 2019.

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, 2019, 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 ended June 30, 2020 and 2019. 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 ended June 30, 2020 and 2019, the actuarially determined contribution rates were 31.78% and 28.32%, respectively, of member's compensation. However, for the years ended June 30, 2020 and 2019, employer contributions were 27.75% and 28.50%, respectively, of covered payroll above poverty and 29.75% and 26.50%, 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 \$250,782 for the year ended December 31, 2019.

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, 2019, and were excluded from pension expense.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 3: RETIREMENT PLANS (Continued)

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

At December 31, 2019, the City reported a combined liability of \$13,567,993 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 \$6,590,263, \$4,606,489 and \$2,371,241, respectively. The NPL for each system was measured as of June 30, 2019, 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.

As of June 30, 2019, 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	1.577123%	0.507229%	0.378677%
Increase (decrease) from prior year	-0.061214%	-0.070456%	-0.055586%

For the year ended December 31, 2019, the City recognized a total pension expense of \$749,219. 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	\$ 1,200,460	\$ 673,767	\$ 412,695
City's amortization of actual contributions over its proportionate share of contributions.	(784,831)	(511,108)	(241,764)
Total Pension Expense Recognized	\$ 415,629	\$ 162,659	\$ 170,931

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 3: RETIREMENT PLANS (Continued)

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	\$ -	\$ 160,796
Net difference between projected and actual earnings on pension plan investments	653,611	-
Changes in assumptions	166,543	-
Differences between the City's contributions and its proportionate share of contributions	6,179	200,409
The City's contributions subsequent to the measurement date	460,168	-
Total	\$ 1,286,501	\$ 361,205
The Police System		
Differences between expected and actual experience	\$ 9,665	\$ 141,721
Net difference between projected and actual earnings on pension plan investments	299,276	-
Changes in assumptions	258,139	-
Differences between the City's contributions and its proportionate share of contributions	34,177	421,120
The City's contributions subsequent to the measurement date	272,937	-
Total	\$ 874,194	\$ 562,841
The Firefighters' System		
Differences between expected and actual experience	\$ -	\$ 171,048
Net difference between projected and actual earnings on pension plan investments	159,459	-
Changes in assumptions	215,725	173
Differences between the City's contributions and its proportionate share of contributions	73,413	372,442
The City's contributions subsequent to the measurement date	136,640	-
Total	\$ 585,237	\$ 543,663
Total for all retirement systems	\$ 2,745,932	\$ 1,467,709

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 3: RETIREMENT PLANS (Continued)

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date (June 30, 2019) totaled \$869,745 (\$460,168 for the Municipal System, \$272,937 for the Police System, and \$136,640 for the Firefighters' System). These amounts will be recognized as a reduction of the NPL in the year ending December 31, 2020.

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

Fiscal Years Ending December 31,	Amount of Amortization		
	The Municipal System	The Police System	The Firefighters' System
2020	\$ 243,745	\$ 143,668	\$ 38,657
2021	80,394	(152,497)	(89,979)
2022	83,469	(26,631)	(2,092)
2023	54,869	74,718	9,987
2024	-	-	(27,907)
2025	-	-	(34,920)
Total	462,477	39,258	(106,554)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of June 30, 2019 are as follows:

The Municipal System

Valuation date	June 30, 2019
Actuarial cost method	Entry age normal cost
Expected remaining service lives	3 years
Investment rate of return	7.0% net of investment expense
Inflation rate	2.5% per annum
Salary increases	1 to 4 years of service – 6.4% Plan A More than 4 years of service – 4.5% Plan A
Cost of Living adjustments	Only those previously granted

Note 3: RETIREMENT PLANS (Continued)

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, 2019.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 3: 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, 2019 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	50%	2.15%
Public fixed income	35%	1.51%
Alternatives	15%	0.64%
Totals	100%	4.30%
Inflation		2.70%
Expected Arithmetic Nominal Return		7.00%

The Police System

Valuation date	June 30, 2019
Actuarial cost method	Entry age normal cost
Expected remaining service lives	4 years
Investment rate of return	7.125% net of investment expense
Inflation rate	2.50% 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.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 3: 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 7.89% as of June 30, 2019.

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, 2019 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	48.50%	3.28%
Fixed income	33.50%	0.80%
Alternatives	18.00%	1.06%
Other	0.00%	0.00%
Totals	100%	5.14%
Inflation		2.75%
Expected Arithmetic Nominal Return		7.89%

The Firefighter's System

Valuation date	June 30, 2019
Actuarial cost method	Entry age normal cost
Expected remaining service lives	7 years
Investment rate of return	7.15% net of investment expense
Inflation rate	2.50% per annum
Salary increases	Vary from 14.75% in the first two years of service to 4.50% after 25 years
Cost of Living adjustments	Only those previously granted

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 3: 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 7.94% as of June 30, 2019.

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, 2019 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed income	31%	2.27%
Equity	49%	0.25%
Alternatives	10%	1.66%
Other	10%	1.02%
Totals	100%	5.19%
Inflation		2.75%
Expected Arithmetic Nominal Return		7.94%

Discount Rate

The discount rate used to measure the total pension liability for the Municipal System was 7.0%, the Police System was 7.125%, and Firefighters' System was 7.15%. 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 systems' actuary. Based on those assumptions, each of the systems' 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.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 3: 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
<u>The Municipal System</u>			
Discount rate	6.0%	7.0%	8.0%
City's proportionate share of the net pension liability	\$ 8,592,524	\$ 6,590,263	\$ 4,897,414
<u>The Police System</u>			
Discount rate	6.125%	7.125%	8.125%
City's proportionate share of the net pension liability	\$ 6,418,357	\$ 4,606,489	\$ 3,086,513
<u>The Firefighters' System</u>			
Discount rate	6.15%	7.15%	8.15%
City's proportionate share of the net pension liability	\$ 3,433,718	\$ 2,371,241	\$ 1,479,479

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, 2019, the City recognized revenue as a result of support received from non-employer contributing entities of \$307,144. The Municipal System, Police System, and Firefighters' System received \$101,206, \$104,424, and \$101,514, 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.lia.la.gov and searching under the Reports section. The

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 3: 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, 2019, the City had payables of \$205,383 to the pension plans.

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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, 2019, the Plan's membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	23
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	131
	<hr/>
	154

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.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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.

Investments

Investment policy – The OPEB Trust was funded on December 7, 2018. The Board selected Reliant Investment Management, LLC as the investment advisor for the OPEB Trust. An investment allocation policy was established during July 2019:

Asset Class	Target Allocation
Equity	55%
Bonds	45%

Concentrations – The Trust has over 5% invested in the following funds; FHLMC, 19%, FHLB, 9%, and FFCB, 5%.

Rate of Return – For the year ended December 31, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 0.61%. 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, 2019, were as follows:

Total OPEB liability	\$ 9,635,356
Plan fiduciary net position	1,064,446
<hr/>	
City of Covington’s net OPEB liability	\$ 8,570,910

Plan fiduciary net position as a percentage of the total OPEB liability	11.05%
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Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of January 1, 2019, 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	2.74% annually (As of End of Year Measurement Date)
Healthcare cost trend rates	Flat 5.5% annually

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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.

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of ongoing evaluations of the assumptions from October 1, 2006 to December 31, 2019 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, 2019 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 2.74%. 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.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (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, 2018	\$ 7,016,373	\$ 1,050,000	\$ 5,966,373
Service cost	211,866	-	211,866
Interest cost at 3.44%	283,358	-	283,358
Difference between expected and actual experience	284,397	-	284,397
Employer contributions trust	-	-	-
Net investment income	-	14,467	(14,467)
Changes of assumptions	2,049,743	-	2,049,743
Benefit payments			
(a) From trust	-	-	-
(b) Direct	(210,381)	-	(210,381)
Administrative expense			
(a) From trust	-	(21)	21
(b) Direct	-	-	-
Net Change	2,618,983	14,446	2,604,537
Balances at December 31, 2019	\$ 9,635,356	\$ 1,064,446	\$ 8,570,910

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 (1.74%) or 1-percentage-point higher (3.74%) than the current discount rate:

	1.0% Decrease (1.74%)	Current Discount Rate (2.74%)	1.0% Increase (3.74%)
Net OPEB liability	\$ 10,614,394	\$ 8,570,910	\$ 6,998,161

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%)	Ultimate Trend (5.5%)	1.0% Increase (6.5%)
Net OPEB liability	\$ 6,958,931	\$ 8,570,910	\$ 10,639,466

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

For the year ended December 31, 2019, the City recognized OPEB expense of \$627,307. At December 31, 2019, 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	\$ 264,083	\$ -
Net difference between projected and actual earnings on OPEB plan investments	26,904	-
Changes in assumptions/inputs	1,903,333	-
Total	\$ 2,194,320	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan for the year ended December 31, 2019 will be recognized in the expense as follows:

2020	\$ 172,441
2021	172,441
2022	172,441
2023	172,441
2024	166,724
Thereafter	1,337,832
Total	\$ 2,194,320

Note 5: 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, 2019, no significant claims were owed and no liability has been recorded.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 6: 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.

Note 7: 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 four entities as of December 31, 2019:

- 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.

The City is not subject to any tax abatement agreements entered into by other governmental entities other than the Parish. The Parish has not made any commitments as part of the agreements other than to reduce taxes.

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 8: 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)

An 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 9: UNAVAILABLE REVENUES

At December 31, 2019, the City has unavailable revenues as follows:

Governmental Activities	
Federal grant	\$ 11,403
Disaster Grant recognized as revenue on the government-wide in 2012	(11,103)
Total	\$ 300
Business-Type Activities	
Grant	448,307
Total	\$ 448,307

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 10: 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	\$ 1,361,219	\$ 2,096,195
Special Revenue Funds		
A3 Sales Tax Fund	-	1,361,219
State and Federal Grants Fund	275,790	13,100
Debt Service Funds		
Sales Tax Bond Debt Service Fund	319,655	-
	1,956,664	3,470,514
Business-Type Activities		
Utility Fund	1,513,850	-
	\$ 3,470,514	\$ 3,470,514

Note 11: 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, 2019 is as follows:

Governmental Activities	
General Fund	\$ (11,365,516)
Special Revenue Funds	
A3 Sales Tax	4,714,009
State and Federal Grants	1,954
Drug Forfeiture	32,010
Tree Mitigation Fund	7,161
Capital Projects	
Water Capacity	79,203
Waste Water Capacity	355,927
	(6,175,252)
Business-Type Activities	
Utility Fund	6,175,252
Total	\$ -

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 12: DUE TO/FROM OTHER FUNDS

The primary purpose of inter-fund receivables/payables is to loan funds from the General Fund to individual funds to cover current expenditures. The due to/from other funds are short-term receivables or payables resulting from the normal course of the City's operations.

Individual fund balances due from/to other funds at December 31, 2019, are as follows:

	Inter-fund Receivables	Inter-fund Payables
Governmental Activities		
General Fund	\$ 32,787	\$ 20,634
Special Revenue Fund		
A3 Sales Tax Fund	-	2,652
State and Federal Grants	-	1,366
Debt Service Fund		
General Obligation Debt Service Fund	-	2,200
Permanent Fund		
Garden of Pines Permanent	-	19,278
	32,787	46,130
Business-Type Activities		
Utility Fund	22,000	8,657
Total	\$ 54,787	\$ 54,787

Note 13: INTERNAL BALANCES

In the Government-Wide Statement of Net Position, the balances of the due to/from other funds (Note 12) and the equity in pooled cash (Note 11) 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 at December 31, 2019:

Governmental Activities		
Due from other funds	\$	32,787
Due to other funds		(46,130)
Deficit in pooled cash		(6,175,252)
		(6,188,595)
Business-Type Activities		
Due from other funds		22,000
Due to other funds		(8,657)
Equity in pooled cash		6,175,252
		6,188,595
Total	\$	-

City of Covington, Louisiana
Notes to the Financial Statements
December 31, 2019

Note 14: 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.

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

Restricted cash and cash equivalents – December 31, 2018	\$ 231,304
Deletions	
New loans issued	-
Additions	
Principal payments on notes	7,611
Interest payments on notes	730
Interest on cash account	190
Restricted cash and cash equivalents – December 31, 2019	\$ 239,835
Notes receivable – December 31, 2019	\$ 11,729

Note 15: OPERATING LEASES

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

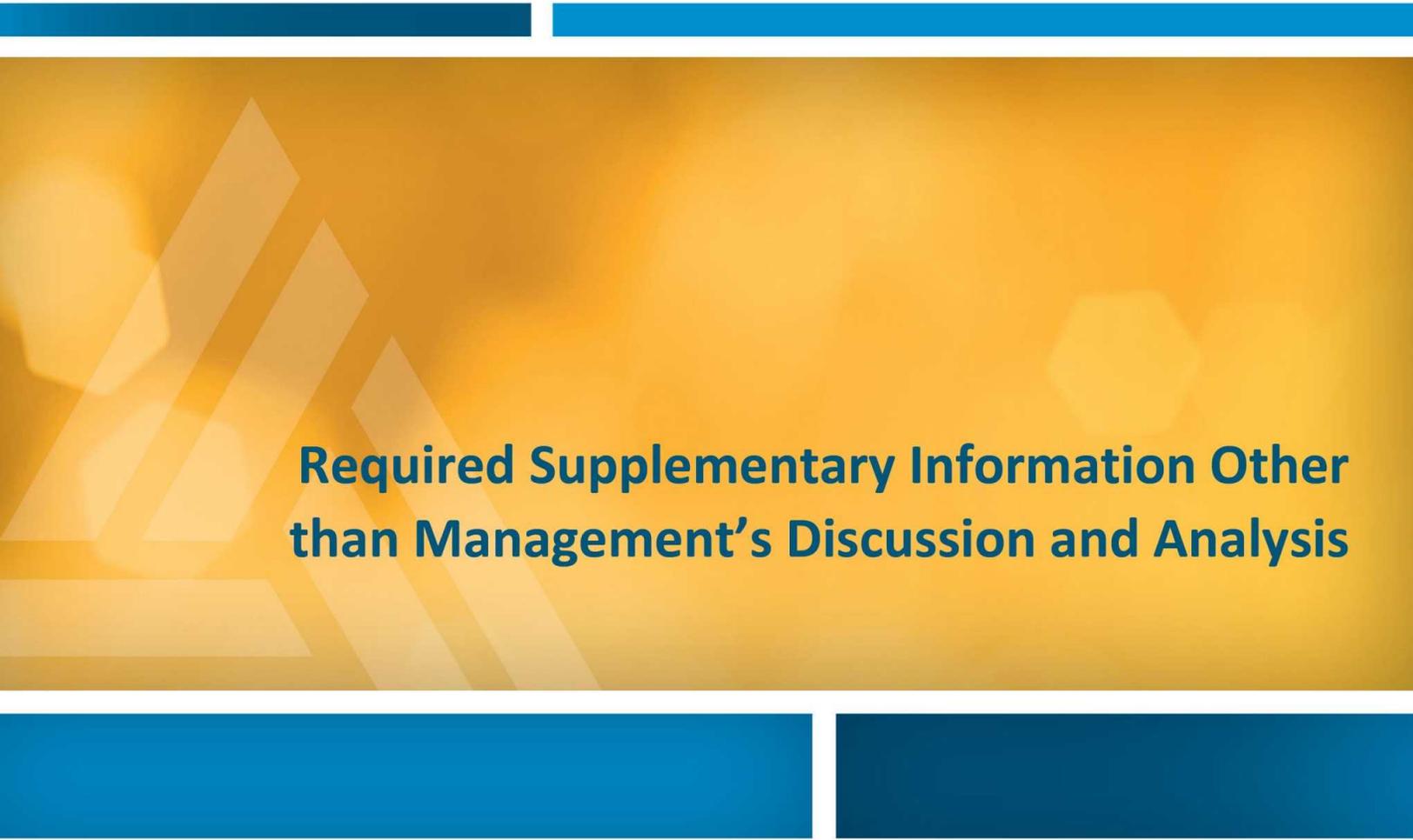
Year ending December 31,	Amount
2020	\$ 231,567
2021	101,041
2022	18,352
Total	\$ 350,960

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 16: SUBSEQUENT EVENTS

Pandemic

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant impact on the operating activities and results of the City, such as sales tax revenue, recreation fees, license and permit fees, and other revenue sources. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.



**Required Supplementary Information Other
than Management's Discussion and Analysis**

City of Covington, Louisiana Schedules of Defined Benefit Pension Plans

Schedule of Proportionate Share of Net Position Liability Last Six Fiscal Years

For the years ended December 31,

	2019	2018	2017	2016	2015	2014
The Municipal System						
City of Covington's proportion of the net pension liability (%)	1.577123%	1.638340%	1.685030%	1.602460%	1.643521%	1.668320%
City of Covington's proportion of the net pension liability (\$)	\$ 6,590,263	\$ 6,783,826	\$ 7,049,195	\$ 6,568,003	\$ 5,870,914	\$ 4,281,651
City of Covington's covered payroll (\$)	\$ 2,913,696	\$ 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	226.18%	229.09%	232.62%	229.45%	209.29%	159.20%
Plan fiduciary net position as a percentage of the total pension liability	64.68%	63.90%	62.50%	62.11%	66.18%	76.94%
The Police System						
City of Covington's proportion of the net pension liability (%)	0.507229%	0.577690%	0.578550%	0.560620%	0.568431%	0.536795%
City of Covington's proportion of the net pension liability (\$)	\$ 4,606,489	\$ 4,883,784	\$ 5,050,978	\$ 5,254,579	\$ 4,453,063	\$ 3,358,234
City of Covington's covered payroll (\$)	\$ 1,584,018	\$ 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	290.81%	286.47%	310.48%	349.49%	330.48%	259.74%
Plan fiduciary net position as a percentage of the total pension liability	71.00%	70.10%	70.10%	66.04%	70.73%	75.10%
The Firefighters' System						
City of Covington's proportion of the net pension liability (%)	0.378677%	0.434260%	0.426240%	0.433230%	0.459625%	0.484880%
City of Covington's proportion of the net pension liability (\$)	\$ 2,371,241	\$ 2,497,915	\$ 2,443,120	\$ 2,833,709	\$ 2,480,648	\$ 2,157,674
City of Covington's covered payroll (\$)	\$ 913,291	\$ 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	259.64%	238.12%	245.49%	290.09%	253.96%	227.65%
Plan fiduciary net position as a percentage of the total pension liability	74.00%	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.

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

See Independent Auditors' Report and notes to Required Supplementary Information.

City of Covington, Louisiana Schedules of Defined Benefit Pension Plans

Schedule of Employer Contributions to Pensions Funds Last Six Fiscal Years

<i>For the years ended December 31,</i>	2019	2018	2017	2016	2015	2014
The Municipal System						
Contractually required contribution	\$ 835,171	\$ 771,786	\$ 717,787	\$ 625,486	\$ 557,105	\$ 539,797
Contributions in relation to the contractually required contribution	835,171	771,786	717,787	625,486	557,105	539,797
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,009,624	\$ 3,039,066	\$ 3,024,599	\$ 2,940,646	\$ 2,820,787	\$ 2,804,436
Contributions as a percentage of covered payroll	27.75%	25.40%	23.73%	21.27%	19.75%	19.25%
The Police System						
Contractually required contribution	\$ 501,345	\$ 552,967	\$ 526,234	\$ 540,210	\$ 490,167	\$ 445,036
Contributions in relation to the contractually required contribution	501,345	552,967	526,234	540,210	490,167	445,036
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,548,049	\$ 1,755,544	\$ 1,681,942	\$ 1,561,694	\$ 1,419,730	\$ 1,275,014
Contributions as a percentage of covered payroll	32.39%	31.50%	31.29%	34.59%	34.53%	34.90%
The Firefighters' System						
Contractually required contribution	\$ 250,782	\$ 262,537	\$ 251,289	\$ 258,903	\$ 272,059	\$ 280,598
Contributions in relation to the contractually required contribution	250,782	262,537	251,289	258,903	272,059	280,598
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 923,122	\$ 990,706	\$ 1,042,519	\$ 986,254	\$ 963,150	\$ 975,685
Contributions as a percentage of covered payroll	27.17%	26.50%	24.10%	26.25%	28.25%	28.76%

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

See Independent Auditors' Report and notes to Required Supplementary Information.

City of Covington, Louisiana

Required Other Postemployment Benefits Supplementary Information

Schedule of Changes in Net OPEB Liability and Related Ratios
Last Two Fiscal Years

<i>For the years ended December 31,</i>	2019	2018
Total OPEB Liability		
Service cost	\$ 211,866	\$ 239,287
Interest	283,358	254,560
Differences between expected and actual experience	284,397	(14,113)
Changes of assumptions	2,049,743	(804,905)
Benefit payments	(210,381)	(116,941)
Net change in total OPEB liability	2,618,983	(442,112)
Total OPEB liability, beginning	7,016,373	7,458,485
Total OPEB liability, ending (a)	9,635,356	7,016,373
Plan Fiduciary Net Position		
Contributions - employer	-	1,050,000
Net investment income	14,467	-
Administrative expense	(21)	-
Net change in plan fiduciary net position	14,446	1,050,000
Plan fiduciary net position - beginning	1,050,000	-
Plan fiduciary net position - ending (b)	1,064,446	1,050,000
Total OPEB liability - ending (a) - (b)	\$ 8,570,910	\$ 5,966,373
Plan fiduciary net position as a percentage of the total OPEB liability	11.05%	14.96%
Covered employee payroll	\$ 5,258,110	\$ 5,376,452
Total OPEB liability as a percentage of covered employee payroll	163.00%	110.97%

Notes to Schedule:

Benefit Changes. There were no changes of benefit terms for the years ended December 31, 2019 and 2018.

Changes of Assumptions. The following discount rate was used in each period:

12/31/2018 - 4.10%

12/31/2019 - 2.74%

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

See independent auditors' report and notes to Required Supplementary Information.

City of Covington, Louisiana
Required Other Postemployment Benefits Supplementary Information

Schedule of Employer Contributions
Last Two Fiscal Years

<i>For the year ended December 31,</i>	2019	2018
Actuarially determined contribution	\$ 561,104	\$ 641,772
Contributions in relation to the actuarially determined contribution		
Employer contributions to trust	-	1,050,000
Employer-paid retiree premiums	210,381	116,941
Total contributions	210,381	1,166,941
Contribution deficiency (excess)	\$ 350,723	\$ (525,169)
 Covered employee payroll	 \$ 5,258,110	 \$ 5,376,452
 Contributions as a percentage of covered employee payroll	 4.00%	 21.70%

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

City of Covington, Louisiana
Required Other Postemployment Benefits Supplementary Information

Schedule of Investment Returns
Last Two Fiscal Years

<i>For the year ended December 31,</i>	2019	2018
Annual money weighted rate of return, net of investment expense	0.61%	0.00%

Source: Regions Wealth Platform (RWP)

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

City of Covington, Louisiana
Budgetary Comparison Schedule - General Fund

<i>For the year ended December 31, 2019</i>	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Sales taxes	\$ 9,312,590	\$ 9,312,590	\$ 9,602,746	\$ 290,156
Property taxes	2,409,223	2,409,223	2,485,888	76,665
Franchise taxes	802,000	802,000	788,684	(13,316)
Total taxes	12,523,813	12,523,813	12,877,318	353,505
Licenses and permits				
Insurance	680,000	680,000	682,124	2,124
Occupational	430,000	430,000	451,011	21,011
Building	425,000	425,000	155,971	(269,029)
Liquor and beer	21,000	21,000	20,620	(380)
Filming	-	-	5,300	5,300
Total licenses and permits	1,556,000	1,556,000	1,315,026	(240,974)
Other revenues				
Other revenues	20,000	35,000	31,916	(3,084)
Insurance claim revenue	-	-	2,243	2,243
LWCC	122,000	122,000	275,562	153,562
Donations	16,000	16,000	16,000	-
Accident reports	6,000	6,000	11,002	5,002
Rent income	22,400	22,400	22,839	439
Cemetery plot sale	1,500	1,500	1,350	(150)
Event Ticket Sales	20,000	20,000	25,845	5,845
Code Enforcement Liens	-	-	11,621	11,621
Total other revenues	207,900	222,900	398,378	175,478
Fines and forfeitures				
Court fines	1,000	1,000	1,125	125
DWI fines	41,000	41,000	45,370	4,370
City court fee	10,000	10,000	12,363	2,363
Total fines and forfeitures	52,000	52,000	58,858	6,858
Charges for services				
Greater Covington center rentals	80,000	80,000	68,600	(11,400)
Greater Covington center leases	5,000	5,000	4,800	(200)
Basketball registration	2,000	2,000	1,810	(190)
Baseball registration	3,000	3,000	2,125	(875)
Football registration	3,000	3,000	2,145	(855)
Zoning revenue	15,000	15,000	16,361	1,361
Park rental	8,000	8,000	9,800	1,800
Old firehouse rent	-	-	13,975	13,975
Total charges for services	116,000	116,000	119,616	3,616

(Continued)

See independent auditors' report and notes to Required Supplementary Information.

City of Covington, Louisiana
Budgetary Comparison Schedule - General Fund (Continued)

<i>For the year ended December 31, 2019</i>	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Intergovernmental revenues				
Fire insurance premium tax	40,000	40,000	38,505	(1,495)
School resource officer	91,100	91,100	87,059	(4,041)
District court witness fees	3,000	3,000	1,000	(2,000)
Beer tax	40,000	40,000	52,951	12,951
Crossing guard	18,000	18,000	3,941	(14,059)
Total intergovernmental revenues	192,100	192,100	183,456	(8,644)
Interest and penalties				
Interest on CDs	76,000	76,000	134,288	58,288
Interest on LAMP	90,000	90,000	93,948	3,948
Penalties	10,000	10,000	8,829	(1,171)
Total interest and penalties	176,000	176,000	237,065	61,065
Total revenues	14,823,813	14,838,813	15,189,717	350,904
Expenditures				
General government administration - Council				
Salaries	126,500	126,500	126,977	(477)
Payroll related benefits and taxes	87,475	87,475	75,944	11,531
Advertising	10,000	10,000	8,227	1,773
Contract services	16,000	16,000	7,165	8,835
Dues and subscription	500	500	175	325
Meetings, trainings and conventions	13,000	13,000	6,878	6,122
Office supplies general and uniforms	3,300	3,300	2,964	336
Small office furnishings and equipment	500	1,000	-	1,000
Repairs and maintenance	4,000	4,000	452	3,548
Operating lease	2,300	2,300	2,301	(1)
Service charge and fees	500	500	180	320
Small computer equipment	1,000	1,000	385	615
Total administration council	265,075	265,575	231,648	33,927
General government administration - Mayor				
Salaries	90,700	90,700	91,038	(338)
Payroll related benefits and taxes	21,900	21,900	30,962	(9,062)
Meetings and conventions	6,000	6,000	5,468	532
Vehicle allowance	9,000	9,000	9,000	-
Small office furnishings and equipment	500	-	-	-
Office supplies	2,500	2,500	319	2,181
Cell phone	1,400	1,400	892	508
Total administration mayor	132,000	131,500	137,679	(6,179)

(Continued)

See independent auditors' report and notes to Required Supplementary Information.

City of Covington, Louisiana
Budgetary Comparison Schedule - General Fund (Continued)

<i>For the year ended December 31, 2019</i>	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
General government administration - Legal				
Professional services	128,000	128,000	84,951	43,049
General government - Administration				
Salaries	653,700	653,700	649,685	4,015
Payroll related benefits and taxes	300,450	300,450	254,242	46,208
Professional services	90,100	90,100	78,023	12,077
Repairs and maintenance	133,600	133,600	111,132	22,468
Insurance	80,850	77,850	60,391	17,459
Office supplies	47,000	47,280	40,411	6,869
Contract services	125,600	125,600	90,969	34,631
Service charges and fees	65,500	65,500	63,987	1,513
Advertising	8,000	8,000	3,774	4,226
Dues and subscriptions	6,000	6,000	4,788	1,212
Small office furnishings and equipment	2,900	2,900	2,879	21
Computer equipment	28,000	25,440	-	25,440
Election expense	35,000	35,000	24,499	10,501
Gasoline	500	500	139	361
Rent	8,400	8,400	8,926	(526)
Operating leases	14,200	14,200	14,502	(302)
Small computer equipment	11,000	16,280	14,491	1,789
Meetings and conventions	20,000	20,000	18,627	1,373
Telephone	16,600	16,600	17,039	(439)
Bank charges	-	-	17	(17)
Office furnishings and equipment	5,000	5,000	-	5,000
Total administration	1,652,400	1,652,400	1,458,521	193,879
General government - Engineering				
Salary	159,450	159,450	142,605	16,845
Payroll related benefits and taxes	71,100	71,100	64,479	6,621
Professional services	5,500	5,500	6,900	(1,400)
Office supplies	4,250	3,250	1,691	1,559
Meetings, trainings, and conventions	1,500	1,500	560	940
Dues and subscriptions	475	475	280	195
Insurance	1,450	1,450	1,659	(209)
Repairs and maintenance	1,000	1,000	114	886
Small computer equipment	-	1,000	986	14
Gasoline	2,000	2,000	1,472	528
Total engineering	246,725	246,725	220,746	25,979

(Continued)

See independent auditors' report and notes to Required Supplementary Information.

City of Covington, Louisiana
Budgetary Comparison Schedule - General Fund (Continued)

<i>For the year ended December 31, 2019</i>	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
General government - Planning and zoning				
Salaries	114,700	114,700	114,983	(283)
Payroll related benefits and taxes	54,850	54,850	55,120	(270)
Professional services	8,000	8,000	3,780	4,220
Office supplies	6,500	7,065	5,458	1,607
Contract services	187,000	187,000	52,134	134,866
Service charges and fees	2,000	2,000	1,110	890
Advertising	10,000	10,000	4,602	5,398
Training and education	5,000	5,000	1,411	3,589
Façade grants	1,000	1,000	-	1,000
Repairs and maintenance	1,200	1,200	717	483
Operating lease	2,700	2,700	2,692	8
Small office furnishings and equipment	1,200	635	634	1
Small computer equipment	1,000	1,000	970	30
Telephone	1,000	1,000	203	797
Dues and subscriptions	2,000	2,000	1,409	591
Total planning and zoning	398,150	398,150	245,223	152,927
General government - Code enforcement				
Salaries	46,640	46,640	43,368	3,272
Payroll related benefits and taxes	20,120	20,120	11,544	8,576
Professional services	900	900	876	24
Meetings, trainings and conventions	750	750	-	750
Contract services	20,000	18,300	12,075	6,225
Gasoline	1,000	1,000	889	111
Service charges and fees	1,500	1,500	460	1,040
Insurance	730	730	830	(100)
Telephone	840	840	873	(33)
Office supplies	500	700	566	134
Repairs and maintenance	1,000	1,000	410	590
Small computer and equipment	500	2,000	1,935	65
Materials and supplies	300	300	156	144
Total Code enforcement	94,780	94,780	73,982	20,798
General government - Building permits				
Salaries	103,000	103,000	102,271	729
Payroll related benefits and taxes	58,010	58,010	58,071	(61)
Professional services	93,900	93,900	54,955	38,945
Repairs and maintenance	2,250	2,250	1,368	882
Insurance	730	730	5,361	(4,631)
Office supplies	6,800	6,800	5,639	1,161

(Continued)

See independent auditors' report and notes to Required Supplementary Information.

City of Covington, Louisiana
Budgetary Comparison Schedule - General Fund (Continued)

<i>For the year ended December 31, 2019</i>	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
General government - Building permits (Continued)				
Operating leases	2,700	2,700	2,653	47
Telephone	900	900	840	60
Small office furnishings and equipment	1,500	1,500	604	896
Small computer equipment	3,400	3,400	3,162	238
Meetings, trainings, and conventions	1,900	1,900	837	1,063
Dues and subscriptions	500	500	285	215
Gasoline	1,200	1,200	667	533
Total building permits	276,790	276,790	236,713	40,077
General government - Trailhead				
Salaries	51,900	51,900	55,360	(3,460)
Payroll related benefits and taxes	29,500	29,500	29,810	(310)
Contract services	1,500	1,500	450	1,050
Gasoline	200	200	104	96
Insurance	11,110	11,110	11,251	(141)
Office supplies	4,000	2,600	2,626	(26)
Repairs and maintenance	12,000	10,950	8,477	2,473
Utilities	9,000	9,000	8,954	46
Small office furnishings and equipment	500	1,900	414	1,486
Small tools and equipment	500	1,550	336	1,214
Total Trailhead	120,210	120,210	117,782	2,428
General government - Bogue Falaya Park				
Salaries	32,250	32,250	32,649	(399)
Payroll related benefits and taxes	21,030	21,030	21,154	(124)
Gasoline	1,600	1,600	805	795
Insurance	4,000	4,000	3,863	137
Office supplies	2,500	2,500	2,707	(207)
Utilities	2,500	2,500	3,041	(541)
Repairs and maintenance	12,500	15,600	14,472	1,128
Telephone	1,200	1,200	1,114	86
Small tools and equipment	12,000	9,400	8,808	592
Garbage collection	2,600	1,500	-	1,500
Materials and supplies	7,000	3,600	6,620	(3,020)
Contract services	200	1,200	1,160	40
Total Bogue Falaya Park	99,380	96,380	96,393	(13)
General government - Firehouse event center				
Insurance	7,000	7,000	6,997	3
Office supplies	2,000	1,000	998	2

(Continued)

See independent auditors' report and notes to Required Supplementary Information.

City of Covington, Louisiana
Budgetary Comparison Schedule - General Fund (Continued)

<i>For the year ended December 31, 2019</i>	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
General government - Firehouse event center (Continued)				
Utilities	3,000	3,000	1,287	1,713
Repairs and maintenance	-	4,500	3,222	1,278
Small office furnishings and equipment	10,150	10,150	10,819	(669)
Contract services	-	-	2,443	(2,443)
Materials and supplies	3,000	3,000	2,999	1
Total Firehouse event center	25,150	28,650	28,765	(115)
General Government - Greater Covington Center				
Salaries	145,600	145,600	118,984	26,616
Payroll related benefits and taxes	80,650	80,650	68,973	11,677
Contract labor	32,000	32,000	23,955	8,045
Contract services	7,000	6,200	5,038	1,162
Insurance	46,750	46,750	46,692	58
Office supplies	9,300	10,800	10,644	156
Office furnishings and equipment	10,000	36	-	36
Gasoline	1,000	1,000	473	527
Advertising	800	1,600	1,351	249
Repairs and maintenance	36,500	46,300	44,691	1,609
Small tools and equipment	1,000	3,000	2,953	47
Telephone	1,400	1,400	1,355	45
Small computer equipment	2,000	2,000	1,859	141
Small office furnishings and equipment	10,000	18,964	18,655	309
Meetings, trainings and conventions	1,600	1,600	1,223	377
Utilities	55,900	55,900	50,292	5,608
Dues and subscriptions	250	250	-	250
Total Greater Covington Center	441,750	454,050	397,138	56,912
Total General Government	3,880,410	3,893,210	3,329,541	563,669
Public safety - Police				
Salaries	2,036,900	2,036,900	1,841,930	194,970
Payroll related taxes and benefits	1,475,780	1,475,780	1,271,562	204,218
Materials and supplies	21,000	16,000	(11,368)	27,368
Gasoline	75,000	74,700	71,381	3,319
Insurance	146,000	146,000	151,086	(5,086)
Repairs and maintenance	74,000	84,095	81,621	2,474
Utilities	31,800	31,800	29,809	1,991
Office supplies	61,600	62,143	50,004	12,139
Meetings, trainings and conventions	90,000	69,300	60,898	8,402
Small office furnishings and equipment	3,000	3,000	2,423	577
Small computer equipment	30,000	33,200	34,168	(968)

(Continued)

See independent auditors' report and notes to Required Supplementary Information.

City of Covington, Louisiana
Budgetary Comparison Schedule - General Fund (Continued)

<i>For the year ended December 31, 2019</i>	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Public safety - Police (Continued)				
Professional services	53,000	53,000	53,638	(638)
Small tools and equipment	65,000	186,225	146,744	39,481
Garbage collection	1,500	1,500	-	1,500
Rent	25,200	25,200	25,200	-
Contract services	256,114	243,614	272,523	(28,909)
Dues and subscriptions	8,000	8,000	5,071	2,929
Advertising	-	-	199	(199)
Computer equipment	95,000	95,000	-	95,000
Operating leases	-	-	5,249	(5,249)
Vehicle allowance	7,200	7,200	4,200	3,000
Telephone	45,000	45,000	44,906	94
Vehicles	215,600	158,813	-	158,813
Total public safety - police	4,816,694	4,856,470	4,141,244	715,226
Public safety - Fire				
Salaries	988,900	963,900	964,525	(625)
Payroll related taxes and benefits	665,600	665,600	646,918	18,682
Utilities	18,800	18,800	15,568	3,232
Small tools and equipment	33,600	46,375	43,638	2,737
Small computer equipment	3,700	5,700	2,113	3,587
Small office furnishings and equipment	14,000	15,025	15,022	3
Insurance	58,500	58,500	58,669	(169)
Repairs and maintenance	76,100	87,360	70,212	17,148
Gasoline	30,000	24,000	16,414	7,586
Office supplies	22,000	20,300	16,751	3,549
Operating leases	1,500	1,500	1,412	88
Materials and supplies	10,000	9,411	9,867	(456)
Garbage collection	2,000	485	310	175
Vehicles	40,000	48,100	-	48,100
Telephone	12,500	12,500	11,902	598
Contract services	84,204	84,204	81,320	2,884
Meetings, trainings and conventions	33,500	32,014	31,939	75
Radios and pagers	-	-	808	(808)
Computer equipment	15,000	13,524	-	13,524
Dues and subscriptions	5,600	5,576	5,499	77
Professional services	24,000	25,000	23,062	1,938
Total public safety - fire	2,139,504	2,137,874	2,015,949	121,925

(Continued)

See independent auditors' report and notes to Required Supplementary Information.

City of Covington, Louisiana
Budgetary Comparison Schedule - General Fund (Continued)

<i>For the year ended December 31, 2019</i>	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Public works				
Salaries	931,800	931,800	797,746	134,054
Payroll related taxes and benefits	612,400	612,400	518,984	93,416
Professional services	77,200	94,200	96,577	(2,377)
Telephone	20,000	20,000	20,479	(479)
Utilities	244,500	244,500	259,427	(14,927)
Repairs and maintenance	99,500	100,300	83,903	16,397
Materials and supplies	150,000	137,400	103,356	34,044
Rent	1,500	1,500	-	1,500
Gasoline	70,000	68,000	54,590	13,410
Small office furnishings and equipment	14,000	14,000	14,000	-
Small computer equipment	-	10,934	10,184	750
Insurance	35,000	35,000	38,920	(3,920)
Office supplies	51,200	43,266	32,382	10,884
Contract services	8,000	8,000	5,901	2,099
Small tools and equipment	11,500	11,500	3,353	8,147
Contract labor	52,800	52,800	48,175	4,625
Garbage collection	8,000	-	-	-
Dues and subscriptions	900	1,700	1,353	347
Meetings, trainings and conventions	1,500	1,500	1,502	(2)
Operating leases	2,500	3,500	3,463	37
Computer equipment	5,000	5,000	-	5,000
Total public works	2,397,300	2,397,300	2,094,295	303,005
Culture and recreation				
Salaries	328,900	323,900	257,998	65,902
Payroll related taxes and benefits	122,415	122,415	87,871	34,544
Materials and supplies	86,500	88,500	42,214	46,286
Utilities	37,100	37,100	33,590	3,510
Contract labor	23,000	23,000	9,954	13,046
Professional services	3,800	3,800	10,095	(6,295)
Repairs and maintenance	44,675	49,675	21,539	28,136
Insurance	10,750	10,750	13,766	(3,016)
Office supplies	18,500	19,500	12,468	7,032
Contract services	123,800	122,800	99,979	22,821
Service charges and fees	3,000	3,000	50	2,950
Pool operations	10,480	10,480	6,230	4,250
Small tools and equipment	28,300	37,041	12,262	24,779
Small computer equipment	11,500	12,400	3,854	8,546
Telephone	5,660	5,660	5,119	541
Meetings, trainings and conventions	6,500	6,500	5,159	1,341

(Continued)

See independent auditors' report and notes to Required Supplementary Information.

City of Covington, Louisiana
Budgetary Comparison Schedule - General Fund (Continued)

<i>For the year ended December 31, 2019</i>	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Culture and recreation (Continued)				
Advertising	50,070	47,570	44,996	2,574
Dues and subscriptions	2,000	2,000	1,138	862
Small office furnishings and equipment	500	500	403	97
Gasoline	850	850	1,421	(571)
Operating leases	5,000	5,000	6,528	(1,528)
Farmer's market	10,000	10,000	9,960	40
Rent	1,500	1,500	286	1,214
Total culture and recreation	934,800	943,941	686,880	257,061
Capital outlay				
Capital outlay	1,412,900	2,531,397	3,991,097	(1,459,700)
Capital lease				
Payment	208,155	208,155	177,608	30,547
Interest	-	-	30,547	(30,547)
Total capital lease	208,155	208,155	208,155	-
Total expenditures	15,789,763	16,968,347	16,467,161	501,186
Excess (deficiency) of revenues over (under) expenditures	(965,950)	(2,129,534)	(1,277,444)	(150,282)
Other Financing Sources (Uses)				
Proceeds from capital lease	-	-	947,194	947,194
Proceeds from sale of equipment	30,000	30,000	18,156	(11,844)
Transfers in	1,541,865	1,541,865	1,361,219	(180,646)
Transfers out	(1,868,261)	(2,360,917)	(2,096,195)	264,722
Net other financing sources (uses)	(296,396)	(789,052)	230,374	1,019,426
Net change in fund balances	(1,262,346)	(2,918,586)	(1,047,070)	869,144
Fund balance, beginning of year	11,821,193	11,821,193	11,821,193	-
Fund balance, end of year	\$ 10,558,847	\$ 8,902,607	\$ 10,774,123	869,144

See independent auditors' report and notes to Required Supplementary Information.

City of Covington, Louisiana
Budgetary Comparison Schedule - Annexation Area (A3) Sales Tax Fund

<i>For the year ended December 31, 2019</i>	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Taxes				
Sales taxes	\$ 3,063,083	\$ 3,063,083	\$ 3,260,159	\$ 197,076
Interest and penalties	30,000	30,000	116,378	86,378
Total revenues	3,093,083	3,093,083	3,376,537	283,454
Expenditures				
Capital outlay	1,470,000	2,295,007	347,598	1,947,409
Excess (Deficiency) of Revenues Over Expenditures				
	1,623,083	798,076	3,028,939	(1,663,955)
Other Financing Sources (Uses)				
Transfers out	(1,541,865)	(1,541,865)	(1,361,219)	(180,646)
Net changes in fund balances				
	81,218	(743,789)	1,667,720	(1,844,601)
Fund balance, beginning of year				
	3,149,972	3,149,972	3,149,972	-
Fund balance, end of year				
	\$ 3,231,190	\$ 2,406,183	\$ 4,817,692	\$ (1,844,601)

See independent auditors' report and notes to Required Supplementary Information.

City of Covington, Louisiana
Notes to Required Supplementary Information
December 31, 2019

Note 1: BUDGETARY INFORMATION

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- a) Prior to September of each year, the City prepares a proposed budget for the next succeeding fiscal year and submits it to the Council. The recommended budget includes proposed expenditures and the sources of receipts to finance them.
- b) Public hearings are conducted at City Hall.
- c) Prior to the last meeting of the current fiscal year, the budget is enacted through passage of an ordinance and becomes the basis for the millage levied by the Council.
- d) The Mayor is authorized to transfer budgeted amounts between line items within a department; however, any revisions that alter the total expenditures of any department must be approved by the Council. Expenditures may not exceed legal appropriations at the department level. All appropriations lapse at year end.
- e) Formal budgetary integration is employed as a management control device during the year for the General Fund, the Special Revenue Funds, Debt Service Funds, and Capital Outlay Funds. Formal budgetary integration is not employed for the Garden of Pines Permanent Fund and the Tree Mitigation Fund because projects are approved individually.
- f) Budgets are legally adopted on a basis consistent with GAAP except for transfers and debt service.
- g) The budgetary comparison schedule shown in the accompanying required supplementary information presents comparisons of the legally adopted budget, as amended, with actual results. The originally adopted budget is presented for purposes of comparison to the final, amended budget.

Note 2: PENSION SCHEDULES

Plan Changes in Benefit Terms

There have been no changes in benefits since the prior valuation of all three pension plans.

See Independent Auditors' Report.

City of Covington, Louisiana
Notes to Required Supplementary Information
December 31, 2019

Note 2: PENSION SCHEDULES (Continued)

Changes of Assumptions

For Municipal Employees' Retirement System for the valuation year ended June 30, 2019, the investment rate of return decreased from 7.275% to 7% and the rate of inflation decreased from 2.6% to 2.5%. 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, 2019, the investment rate of return decreased from 7.2% to 7.125% and the inflation rate decreased from 2.6% to 2.5%. 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, 2019, the investment rate of return decreased from 7.3% to 7.15% and the inflation rate decreased from 2.7% to 2.5%. 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**

City of Covington, Louisiana
Combining Balance Sheet
Non-Major Governmental Funds

	Debt Service		Permanent	Special Revenue Funds			Capital Project Funds		Total Non-Major Governmental
	General Obligation Debt Service Fund	Sales Tax Bond Debt Service Fund	Garden of Pines Permanent Fund	State and Federal Grants Fund	Drug Forfeiture Fund	Tree Mitigation Fund	Water Capacity Treatment Fund	Waste-Water Capacity Treatment Fund	
<i>December 31, 2019</i>									
Assets									
Cash and cash equivalents	\$ 219,382	\$ 56,093	\$ 35,433	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 310,908
Equity in pooled cash	-	-	-	1,954	32,010	7,161	79,203	355,927	476,255
Certificates of deposits	-	277,500	24,955	-	-	-	-	-	302,455
Receivables									
Property taxes	487,740	-	-	-	-	-	-	-	487,740
Grants	-	-	-	6,052	-	-	-	-	6,052
Total assets	\$ 707,122	\$ 333,593	\$ 60,388	\$ 8,006	\$ 32,010	\$ 7,161	\$ 79,203	\$ 355,927	\$ 1,583,410
Liabilities, Deferred Inflows of Resources, and Fund Balances									
Liabilities									
Accounts payable	\$ -	\$ -	\$ 10,603	\$ 6,340	\$ -	\$ -	\$ -	\$ -	\$ 16,943
Due to other funds	2,200	-	19,278	1,366	-	-	-	-	22,844
Total liabilities	2,200	-	29,881	7,706	-	-	-	-	39,787
Deferred inflows of resources									
Unavailable revenues	-	-	-	300	-	-	-	-	300
Fund balances									
Nonspendable									
Permanent fund	-	-	24,955	-	-	-	-	-	24,955
Restricted									
Perpetual care	-	-	5,552	-	-	-	-	-	5,552
Debt services	704,922	333,593	-	-	-	-	-	-	1,038,515
Drug forfeiture	-	-	-	-	32,010	-	-	-	32,010
Tree mitigation	-	-	-	-	-	7,161	-	-	7,161
Committed									
Capital outlay	-	-	-	-	-	-	79,203	355,927	435,130
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	704,922	333,593	30,507	-	32,010	7,161	79,203	355,927	1,543,323
Total liabilities, deferred inflows of resources, and fund balances	\$ 707,122	\$ 333,593	\$ 60,388	\$ 8,006	\$ 32,010	\$ 7,161	\$ 79,203	\$ 355,927	\$ 1,583,410

See independent auditors' report.

City of Covington, Louisiana
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds

	Debt Service		Permanent	Special Revenue Funds			Capital Project Funds		Total Non-Major Governmental
	General Obligation Debt Service Fund	Sales Tax Bond Debt Service Fund	Garden of Pines Permanent Fund	State and Federal Grants Fund	Drug Forfeiture Fund	Tree Mitigation Fund	Water Capacity Treatment Fund	Waste-Water Capacity Treatment Fund	
<i>For the year ended December 31, 2019</i>									
Revenues									
Property taxes	\$ 493,938	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 493,938
State and federal grants	-	-	-	479,128	-	-	-	-	479,128
Charges for services	-	-	-	-	-	-	16,818	84,999	101,817
Fines and forfeitures	-	-	-	-	-	1,980	-	-	1,980
Interest and penalties	93	3,456	393	-	868	191	1,796	8,674	15,471
Total revenues	494,031	3,456	393	479,128	868	2,171	18,614	93,673	1,092,334
Expenditures									
Current									
General government	440	20	-	354	-	-	-	-	814
Public safety - Police	-	-	-	6,631	-	-	-	-	6,631
Public safety - Fire	-	-	-	46,908	-	-	-	-	46,908
Public works	-	-	10,603	-	-	-	-	-	10,603
Culture and recreation	-	-	-	11,454	-	-	-	-	11,454
Capital outlay	-	-	-	676,471	-	-	-	-	676,471
Debt service									
Principal	441,000	305,000	-	-	-	-	-	-	746,000
Interest	61,429	19,751	-	-	-	-	-	-	81,180
Total expenditures	502,869	324,771	10,603	741,818	-	-	-	-	1,580,061
Excess (deficiency) of revenues over (under) expenditures	(8,838)	(321,315)	(10,210)	(262,690)	868	2,171	18,614	93,673	(487,727)
Other Financing Sources (Uses)									
Transfers in	-	319,655	-	275,790	-	-	-	-	595,445
Transfers out	-	-	-	(13,100)	-	-	-	-	(13,100)
Net other financing sources (uses)	-	319,655	-	262,690	-	-	-	-	582,345
Net changes in fund balances	(8,838)	(1,660)	(10,210)	-	868	2,171	18,614	93,673	94,618
Fund balance, beginning of year	713,760	335,253	40,717	-	31,142	4,990	60,589	262,254	1,448,705
Fund balance, end of year	\$ 704,922	\$ 333,593	\$ 30,507	\$ -	\$ 32,010	\$ 7,161	\$ 79,203	\$ 355,927	\$ 1,543,323

See independent auditors' report.

City of Covington, Louisiana
Notes to Non-Major Governmental Funds
December 31, 2019

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

See Independent Auditors' Report.

City of Covington, Louisiana
Schedule of Council Compensation
For the Year Ended December 31, 2019

Council Members	Term of Office	Compensation	
R.S. "Sam" O'Keefe	July 2015 - July 2019	\$	4,500
Joey Roberts	May 2018 - current		9,900
Patrick McMath	April 2017 - Nov 2019		9,000
John Callahan	July 2015 - July 2019		4,500
Jerry Coner	July 2015 - July 2019		4,500
Larry Rolling	July 2015 - current		9,900
Cody Ludwig	July 2019 - current		5,400
Peter Lewis	July 2019 - current		5,400
Mark Verret	July 2019 - current		5,400
John Botsford	July 2019 - current		5,400
Rick Smith	July 2015 - current		4,500
Total Council compensation		\$	68,400

See independent auditors' report.

City of Covington, Louisiana
Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended December 31, 2019

Agency Head Name: Michael Cooper, Mayor (January 1, 2019 - June 30, 2019)

Purpose	Amount
Salary	\$ 46,381
Benefits - health insurance	5,621
Benefits - retirement	-
Benefits - workers compensation	120
Benefits - life insurance	155
Benefits - long term disability	1,179
Benefits - FICA and medicare	3,774
Car allowance	4,500
Cell phone	300
Meetings and conventions	872
Other	-
Total payments	\$ 62,903

Agency Head Name: Mark R. Johson, Mayor (July 1, 2019 - December 31, 2019)

Purpose	Amount
Salary	\$ 44,288
Benefits - health insurance	5,621
Benefits - retirement	12,290
Benefits - workers compensation	135
Benefits - life insurance	174
Benefits - long term disability	848
Benefits - FICA and medicare	690
Car allowance	4,500
Cell phone	300
Meetings and conventions	4,596
Other	-
Total payments	\$ 73,443

See independent auditors' report.



**Statistical Section
(Unaudited)**

City of Covington, Louisiana
Statistical Section
Table of Contents

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.

<u>Contents</u>	<u>Tables</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1 - 5
Revenue Capacity These schedules contain information to help the reader assess the City's property tax.	6 - 10
Debt Capacity 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.	11 - 15
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	16 - 17
Operating Information 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.	18 - 20

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

City of Covington, Louisiana
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

Table 1

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net investment in capital assets	\$ 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	\$ 28,310,163
Restricted	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	1,449,985
Unrestricted	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)	(2,084,725)
Total Governmental Activities Net Position	\$ 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	\$ 27,675,423
Business-Type Activities										
Net investment in capital assets	\$ 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	\$ 24,405,436
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	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	2,878,968
Total Business Type Activities Net Position	\$ 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	\$ 27,284,404
Primary Government										
Net investment in capital assets	\$ 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	\$ 52,715,599
Restricted	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	1,449,985
Unrestricted	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	794,243
Total Primary Government Net Position	\$ 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	\$ 54,959,827

See independent auditors' report.

City of Covington, Louisiana
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

Table 2

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities										
General government	\$ 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	\$ 4,034,415
Public safety - Police	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	4,773,793
Public safety - Fire	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	2,367,913
Public works	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	3,619,009
Culture and recreation	829,061	902,326	803,635	757,640	547,055	458,504	541,513	1,095,418	900,389	844,901
Interest on long-term debt	469,112	475,019	319,774	442,827	246,632	229,043	117,453	123,302	106,937	123,555
Total Governmental Activities Expenses	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	15,763,586
Business-Type Activities										
Water	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	1,560,160
Sewer	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	2,459,697
Garbage	754,995	718,460	727,783	659,800	649,894	684,886	767,388	790,005	822,539	942,259
Total Business-Type Activities Expenses	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	4,962,116
Total Primary Government Expenses	\$ 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	\$ 20,725,702
Program Revenues										
Governmental Activities										
Charges for Services										
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,501,344	\$ 1,320,913	\$ 1,658,114	\$ 1,331,387
Public safety - Police	-	-	-	-	-	-	103,222	78,493	61,740	60,838
Public works	10,909	19,785	172,124	17,402	27,349	26,468	19,329	21,907	-	101,817
Culture and recreation	163,132	151,813	-	86,529	104,647	105,114	85,431	229,464	272,055	103,255
Operating Grants and Contribution										
General government	215,333	210,263	204,253	2,293,734	-	13,724	21,128	4,711	51,414	33
Public safety - Police	36,067	96,332	168,375	146,840	46,059	28,221	44,875	25,135	24,263	4,003
Public safety - Fire	49,371	40,965	63,850	51,854	4,324	-	10,424	-	5,262	-
Public works	42,376	-	-	-	-	-	173,124	18,410	56,451	13,455
Culture and recreation	-	25,000	2,753	-	-	-	-	5,750	1,000	5,000
Capital Grants and Contributions:										
General government	111,516	139,152	20,048	1,364	142,207	25,000	75,005	-	-	230,992
Public safety - Police	-	17,761	1,070	29,877	-	-	44,795	-	-	-
Public safety - Fire	-	-	285,532	-	-	-	71,979	2,130	-	198,096
Public works	-	436,947	7,795	239,070	50,853	472,944	81,883	590,078	3,097	8,541
Culture and recreation	-	-	-	-	15,209	139,791	2,436	-	-	250,000
Total Governmental Activities Program Revenues	628,704	1,138,018	925,800	2,866,670	390,648	811,262	2,234,975	2,296,991	2,133,396	2,307,417
Business-Type Activities										
Charges for Services										
Water	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	1,751,694
Sewer	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	1,945,078
Garbage	762,522	729,122	683,106	736,864	734,984	774,651	799,028	836,508	884,599	953,630
Total Business-Type Activities Program Revenues	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	4,650,402
Total Primary Government Program Revenues	\$ 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	\$ 6,957,819

See independent auditors' report.

City of Covington, Louisiana
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

Table 2

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (13,456,169)
Business-type activities	(741,351)	(1,000,733)	(950,962)	(550,685)	(478,018)	(296,933)	(571,035)	(709,120)	(604,289)	(311,714)
Total Primary Government Net Expense	\$ (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)	\$ (13,767,883)
General Revenues and Other Changes in Net Position										
Governmental Activities										
Taxes										
Sales taxes	\$ 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	\$ 12,862,905
Property taxes	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	2,979,826
Franchise taxes	663,240	690,328	655,994	748,346	775,089	786,218	774,406	763,357	825,019	788,684
Licenses and permits	1,177,394	1,265,372	1,248,790	1,451,406	1,311,592	1,433,599	-	-	-	-
Fines and forfeitures	260,855	141,773	105,856	90,881	481,808	86,020	-	-	-	-
Interest	70,946	43,704	44,530	38,408	82,585	32,197	57,007	88,099	197,327	368,914
Other general revenues	235,349	156,450	269,047	212,690	31,401	475,066	805,950	518,983	761,177	581,834
Special item - loss/gain on disposed assets	39,827	-	24,207	-	-	-	(142,591)	-	48,042	8,531
Special item - lawsuit settlement	-	-	-	-	-	1,469,800	-	-	-	-
Non-employer contribution revenue	-	-	-	-	-	278,908	280,471	292,756	299,191	279,032
Benefit payments	-	-	-	-	-	-	-	-	100,135	-
Transfers	-	-	(633,824)	(588,482)	(1,189,453)	(1,275,484)	(1,205,479)	(1,669,020)	(2,350,837)	(1,513,850)
Capital contributions	(1,195,646)	(1,523,217)	1,500,000	-	-	-	-	-	-	-
Total Governmental Activities	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	16,355,876
Business-Type Activities										
Other general revenues	-	32,415	-	-	-	-	-	-	-	-
Transfers	-	-	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	28,112
Benefit payments	-	-	-	-	-	-	-	-	16,807	-
Capital contributions	1,195,646	1,523,217	-	-	-	-	-	-	1,300,837	1,513,850
Total Business-Type Activities	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	1,541,962
Total Primary Government	\$ 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	\$ 17,897,838
Changes in Net Position										
Governmental activities	\$ (260,587)	\$ (69,803)	\$ 3,831,517	\$ 4,731,531	\$ 2,576,301	\$ 3,829,414	\$ 410,157	\$ 1,695,340	\$ 2,669,503	\$ 2,899,707
Business-type activities	454,295	554,899	(317,138)	37,797	711,435	1,007,827	662,924	989,188	743,066	1,230,248
Total Primary Government	\$ 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	\$ 4,129,955

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City of Covington, Louisiana
General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

Table 3

Fiscal Year	Sales Tax	Property Tax	Total
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
2019	12,862,905	2,979,826	15,842,731

See independent auditors' report.

City of Covington, Louisiana
Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

Table 4

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General fund										
Nonspendable	\$ -	\$ -	\$ 365	\$ -	\$ -	\$ -	\$ -	\$ 79,509	\$ 102,447	\$ 87,549
Restricted	-	246,776	250,540	253,219	521,987	287,655	253,853	255,515	253,254	254,243
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	4,649,413
Unassigned	-	979,860	1,125,879	3,695,549	4,379,657	5,351,571	3,319,642	4,841,225	7,874,558	5,782,918
Reserved (1)	-	-	-	-	-	-	-	-	-	-
Unreserved (1)	5,442,428	-	-	-	-	-	-	-	-	-
Total general fund	\$ 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	\$ 10,774,123
All other governmental funds										
Nonspendable	\$ -	\$ 24,955	\$ 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	1,083,238
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	5,252,822
Reserved (1)	4,407,344	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special Revenue (1)	1,617,735	-	-	-	-	-	3,757,786	-	-	-
Other	-	-	-	-	-	-	-	1,245,844	-	-
Total all other governmental funds	\$ 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	\$ 6,361,015

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 auditors' report.

City of Covington, Louisiana
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

Table 5

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Sales tax	\$ 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	\$ 12,862,905
Property taxes	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	2,979,826
Franchise tax	663,240	690,328	655,994	748,346	775,089	786,218	774,406	763,357	825,019	788,684
Licenses and permits	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	1,315,026
Other revenues	235,349	139,638	260,018	210,698	288,327	258,747	544,009	251,211	459,132	398,369
Fines and forfeitures	260,855	141,773	105,856	90,881	82,585	86,020	103,222	78,493	61,740	60,838
Charges for service	174,041	171,598	172,124	103,931	131,996	131,582	104,760	251,371	272,055	221,433
Intergovernmental revenue	160,538	177,735	184,718	175,782	192,061	216,097	247,058	243,152	250,160	183,456
Interest and penalties	70,946	43,704	44,530	38,408	31,401	32,197	57,007	88,099	197,327	368,914
Assessments	-	16,812	10,099	1,992	1,420	-	-	-	-	-
State and federal grants	294,125	788,685	480,663	339,298	117,652	654,680	525,649	722,116	142,007	479,137
Capital contributions	-	-	1,500,000	-	141,000	25,000	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	3,890,000	-	-	-
Total revenues	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	19,658,588
Expenditures										
Current										
General government	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	3,330,355
Public safety - Police	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	4,147,875
Public safety - Fire	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	2,062,857
Public works	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	2,104,898
Culture and recreation	644,444	686,338	583,569	536,379	329,695	361,491	301,743	860,503	751,614	698,334
Sewer department	-	-	-	-	-	-	17,245	18,785	44,327	-
Water department	-	-	-	-	-	-	1,463	-	18,100	-
Garbage department	-	-	-	-	-	-	178,958	-	-	-
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	5,015,166
Capital outlay - utility	1,195,646	1,523,217	-	-	-	-	-	-	-	-
Capital lease										
Principal	-	-	-	-	-	-	-	-	-	177,608
Interest	-	-	-	-	-	-	-	-	-	30,547
Debt service										
Principal	515,000	500,000	525,000	551,000	575,000	600,000	693,673	693,000	722,000	746,000
Interest	422,507	397,210	282,220	266,781	249,103	231,739	139,109	116,777	94,974	81,180
Refunding bond issuance costs	-	69,755	-	-	-	-	-	-	-	-
Payments on claims and judgements	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	-	-	-
Total expenditures	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	18,394,820
Excess of revenues over (under) expenditures	\$ (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	\$ 1,263,768

See independent auditors' report.

City of Covington, Louisiana
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Unaudited)

Table 5

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Other Financing Sources (Uses)										
Transfers in	\$ 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	\$ 1,956,664
Transfers out	(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)	(3,470,514)
Proceeds from the sale of capital assets	43,364	-	24,207	27,742	88,430	31,529	14,883	24,620	52,368	18,156
Proceeds on debt issuance	-	3,552,000	-	-	-	-	-	-	-	-
Debt service - principal	-	(2,775,000)	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	(761,807)	-	-	-	-	-	-	-	-
Lawsuit Settlement	-	-	-	-	-	1,469,800	-	-	-	-
Proceeds from capital lease	-	-	-	-	-	-	-	-	-	947,194
Total other financing sources (uses)	43,364	15,193	(609,617)	(560,740)	(1,101,023)	225,845	(1,190,596)	(1,644,400)	(2,298,468)	(548,500)
Net change in fund balances	\$ (1,370,680)	\$ (1,129,606)	\$ 1,053,014	\$ 1,694,704	\$ (385,527)	\$ 2,502,894	\$ (740,207)	\$ 1,149,893	\$ (229,623)	\$ 715,268
Debt service as a percentage of noncapital expenditures*	6.73%	7.37%	7.01%	7.08%	6.90%	6.79%	5.01%	6.33%	6.20%	6.18%

* Ratio excludes capital outlay expenditures.

See independent auditors' report.

City of Covington, Louisiana **Table 6**
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
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
2019	121,388,186	25,103,346	146,491,532	21.00

Source: Information obtained from St. Tammany Parish Assessor's Office.

See independent auditors' report.

City of Covington, Louisiana
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
(Unaudited)

Table 7

Fiscal Year	Overlapping Rates									
	City of Covington			Parish		School District			Special Districts	Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Total Parish Millage	Operating Millage	Debt Service Millage	Total School Millage		
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
2019	17.50	3.50	21.00	37.72	37.72	45.62	16.79	62.41	0.00	121.13

Source: Information obtained from St. Tammany Parish Council.

See independent auditors' report.

**City of Covington, Louisiana
Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)**

Table 8

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Central LA Electric Co	\$ 3,411,240	1	25.00%	3,013,650	2	24.85%
Delta Supply Chain Operations	1,983,810	2	14.54%	803,600	5	6.63%
Bell South Communications	1,689,437	3	12.38%			
Atmos Energy Corporation	1,163,313	4	8.53%	604,856	7	4.99%
Capital One N.A.	1,115,840	5	8.18%	808,130	4	6.66%
Hancock Whitney Bank #1116	1,075,690	6	7.88%	1,155,210	3	9.53%
Reagan Crossing, LLC	931,505	7	6.83%			
Testiga Properties, LLC	832,954	8	6.11%			
Medstate, LLC	722,795	9	5.30%			
WHS, LLC	716,059	10	5.25%			
AT&T Southeast Tax Dept.				3,204,886	1	26.43%
Dependable Glass Wks Inc.				801,845	6	6.61%
Forest Manor Corp				593,170	8	4.89%
Resource Bank				586,440	9	4.84%
Rouses Land Co				554,605	10	4.57%
Total	\$13,642,643		100.00%	\$12,126,392		100.00%

Source: Information obtained from St. Tammany Parish Assessor's Office.

See independent auditors' report.

City of Covington, Louisiana
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Table 9

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)
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%
2019	3,075,275	2,978,602	97%	1,224	2,979,826	97%

(1) Total collections include redemptions.

See independent auditors' report.

**City of Covington, Louisiana
Principal Sales Tax Payers
Current Year and Nine Years Ago
(Unaudited)**

Table 10

Taxpayer	2019			2010		
	Sales Tax Collections	Rank	Percentage of Total Sales Tax Collections	Sales Tax Collections	Rank	Percentage of Total Sales Tax Collections
Motor Vehicles	\$ 521,379	1	15.26%	*	*	*
Grocery/Discount Retailer	502,068	2	14.70%	*	*	*
Grocery/Discount Retailer	447,999	3	13.11%	*	*	*
Grocery/Discount Retailer	408,091	4	11.95%	*	*	*
Grocery/Discount Retailer	357,885	5	10.48%	*	*	*
Grocery/Discount Retailer	296,092	6	8.67%	*	*	*
Retail Pharmacies and Drug Stores	278,069	7	8.14%	*	*	*
Healthcare	224,000	8	6.56%	*	*	*
Grocery/Discount Retailer	221,425	9	6.48%	*	*	*
Retail Pharmacies and Drug Stores	159,400	10	4.67%	*	*	*
Total	\$ 3,416,408		100.00%	\$ -		0.00%

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

Note: The sales tax rate is calculated at 8.70%.

*Information not available.

See independent auditors' report.

City of Covington, Louisiana
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Table 11

Fiscal Year	Governmental Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Sales Tax Revenue Bonds	Community Disaster Loan				
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	
2019	3,356,000	640,000	-	3,996,000	*	15.34	

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.

City of Covington, Louisiana
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

Table 12

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
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
2019	3,356,000	707,122	2,648,878	1.81%	253.14

(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.

*Information not available.

See independent auditors' report.

City of Covington, Louisiana
Direct and Overlapping Governmental Activities Debt
As of December 31, 2018 and June 30, 2019
(Unaudited)

Table 13

Governmental Unit	Debt Outstanding (2)	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
St. Tammany Parish	\$ 6,655,000	5%	\$ 332,750
St. Tammany Parish School Board	234,795,000	5%	11,739,750
Subtotal, overlapping debt			12,072,500
City of Covington direct debt		100%	<u>3,996,000</u>
Total direct and overlapping debt			<u><u>\$ 16,068,500</u></u>

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 repaving 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.

(2) Amounts available as of December 31, 2018 for St. Tammany Parish and June 30, 2019 for St. Tammany Parish School Board.

**City of Covington, Louisiana
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)**

Table 14

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 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	\$ 51,272,036
Total net debt applicable to limit	(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)	(2,648,878)
Legal debt margin	\$ 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	\$ 48,623,158
Total net debt applicable to the limit as a percentage of debt limit	14.93%	14.22%	12.78%	11.75%	10.49%	9.53%	8.49%	7.33%	6.21%	5.17%

Legal Debt Margin Calculation	
Assessed value	<u>\$141,797,283</u>
Debt Limit (1) = 35% of \$141,797,283	\$ 49,629,049
Debt applicable to the limit:	
General obligation bonds	\$ 3,356,000
Less: Amount set aside for repayment of general obligation debt	<u>(707,122)</u>
Total net debt applicable to limit	<u>2,648,878</u>
Legal debt margin	<u>\$ 46,980,171</u>

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

See independent auditors' report.

**City of Covington, Louisiana
Pledged - Revenue Coverage
Last Ten Fiscal Years
(Unaudited)**

Table 15

Fiscal Year	Sales Tax Bonds					Coverage
	Sales Tax Revenue	Debt Service		Total		
		Principal	Interest			
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	
2019	12,862,905	305,000	19,751	324,751	39.61	

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

See independent auditors' report.

City of Covington, Louisiana
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

Table 16

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)
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%	37,857	*
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%	38,439	*
2017	10,090	254,508	*	*	4.3%	38,681	*
2018	10,544	259,414	*	*	4.9%	38,549	*
2019	10,464	260,419	608,716	58,178	2.6%	38,542	*

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

*Information not available.

Sources:

- (1) St. Tammany Parish Economic Development Foundation
- (2) Estimates - Louisiana 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 auditors' report.

**City of Covington, Louisiana
Principal Employers
Current Year and Nine Years Ago
(Unaudited)**

Table 17

Employer	Location	2019			2010		
		Employees	Rank	% of Total St. Tammany Parish Employment	Employees	Rank	% of Total St. Tammany Parish Employment
St. Tammany Parish Public Schools	Parish Wide	5,549	1	4.92%	7,716	1	7.35%
St. Tammany Parish Hospital	Covington	2,347	2	2.08%	1,684	2	1.60%
Slidell Memorial Hospital	Slidell	959	3	0.85%	1,008	3	0.96%
Lakeview Regional Medical Center	Mandeville	912	4	0.81%	745	4	0.71%
St Tammany Parish Sheriff's Office	Parish Wide	701	5	0.62%	731	5	0.70%
St Tammany Parish Government	Parish Wide	675	6	0.60%	630	6	0.60%
Ochsner Medical Center Northshore	Parish Wide	464	7	0.41%			
Cross Gates Family Fitness	Slidell	437	8	0.39%			
City of Slidell	Slidell	355	9	0.31%			
STARC of Louisiana, Inc.	Slidell	344	10	0.31%	394	10	0.38%
Textron Marine & Land Systems	Parish Wide				621	7	0.59%
Southeast Louisiana Hospital	Covington				480	8	0.46%
Northshore Regional Hospital	Slidell				448	9	0.43%
Total		12,743		11.30%	14,457		13.77%

Source: 2018-2019 North Shore Book of Lists; 2018 Bureau of Labor Statistics; St. Tammany Parish Sheriff's Office; St. Tammany Parish Government and St. Tammany Parish School Board

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

See independent auditors' report.

City of Covington, Louisiana
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years
(Unaudited)

Table 18

Function	December 31,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Council	8	8	8	8	8	8	8	8	8	8
Administrative (1)	11	11	9	9	10	11	11	12	13	16
Facilities	*	*	*	*	*	*	*	4	5	1
Permits	2	2	2	2	2	2	2	2	2	1
Planning	2	2	2	2	2	2	2	2	2	1
Economic Development	8	8	7	7	8	9	7	0	0	0
Engineer	*	*	1	1	2	2	2	2	2	1
Code Enforcement	*	*	1	1	1	1	1	1	1	1
Public Safety - Police										
Police Employees	53	53	49	49	45	44	46	46	46	41
Public Safety - Fire										
Firefighters	16	16	16	16	16	16	16	16	16	28
Dispatchers	4	4	4	4	4	5	5	5	5	0
Public Works										
Public Operations (2)	20	17	20	22	22	22	24	24	24	24
Public Utility (3)										
	26	26	27	26	26	26	26	26	26	22
Recreation and Culture										
	7	7	4	4	2	1	1	4	4	4
Total	157	154	150	151	148	149	151	152	154	148

Source: Adopted 2010 - 2019 Budgets City of Covington

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

(1) Includes Mayor, Finance Administration, Accounts Payable, Purchasing, and Payroll.

(2) Includes Streets, Bridges, Drainage, General Maintenance.

(3) Includes Public Utility Administration, Wastewater Treatment Plant, Wastewater Collection and Water Maintenance.

*Information not available.

See independent auditors' report.

City of Covington, Louisiana
Operating Indicators by Function
Last Ten Fiscal Years
(Unaudited)

Table 19

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Public Safety - Police										
Total arrests	833	612	682	552	537	577	647	492	557	462
Parking tickets	1,864	803	103	218	194	108	83	91	102	77
Traffic violations (1)	274	58	797	1,199	851	860	569	409	383	603
Public Safety - Fire										
Number of calls	1,350	1,534	1,444	1,355	1,528	1,703	1,639	1,758	1,746	1,909
Average Response times	3:14	3:18	3:36	3:31	3:27	3:05	3:21	3:32	3:48	3:48
Public Works										
Potholes repaired	376	409	300	107	134	83	88	68	71	68
Trees cut	75	141	125	63	77	75	75	69	76	63
Public Utility										
Water & Sewer										
Number of billed accounts	4,471	4,572	4,648	4,719	4,940	5,076	5,175	5,278	5,329	5,347
New meter connections	86	97	111	143	152	134	114	112	32	44
Building Permits										
New residential	81	80	122	156	111	142	128	76	42	42
Residential additions	15	13	7	11	6	11	31	31	23	12
Residential renovations	11	21	21	17	14	32	160	47	41	25
New commercial	9	11	7	13	6	12	26	11	13	11
Commercial additions	3	2	1	-	4	2	4	2	5	2
Commercial renovations	15	10	18	18	23	26	32	22	32	25
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	5
Number of teams in basketball league	26	29	14	20	14	16	15	12	8	5
Number of teams in football league	9	7	5	4	4	4	4	3	3	3

Source: Various City of Covington departments.

Note: Indicators are not available for the general government function.

See independent auditors' report.

City of Covington, Louisiana
Capital Asset Statistics by Function
Last Ten Fiscal Years
(Unaudited)

Table 20

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Government										
Vehicles	6	6	6	6	7	8	10	12	12	14
Office Furniture & Equipment	28	28	30	30	36	47	43	45	37	60
Tools & Equipment	9	9	14	18	18	16	18	19	20	23
Cemetery	1	1	1	1	1	2	2	2	2	2
Public Safety - Police										
Vehicles	51	56	51	48	45	48	47	49	41	51
Office Furniture & Equipment	22	24	25	28	30	27	26	26	26	39
Tools & Equipment	29	33	35	36	47	48	49	48	51	88
Stations	1	1	1	1	1	1	1	1	1	1
Public Safety - Fire										
Vehicles	12	12	12	12	12	12	14	15	14	11
Office Furniture & Equipment	1	1	1	1	1	2	2	2	2	5
Tools & Equipment	25	25	30	33	33	35	38	38	34	78
Fire houses	2	2	2	2	2	2	2	2	2	2
Public Works										
Vehicles	26	30	30	32	36	33	36	38	39	34
Office Furniture & Equipment	2	2	2	2	2	2	2	3	2	2
Tools & Equipment	44	51	52	53	55	62	66	73	68	71
Public Utility										
Water										
Vehicles	6	7	13	16	15	14	13	14	13	13
Machinery, Equipment & Improvements	75	81	96	112	124	133	140	150	153	154
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	9	9	7	17	17	16	16	16	12	14
Machinery, Equipment & Improvements	128	131	152	163	163	187	200	213	228	239
Recreation and Cultural Arts										
Vehicles	4	4	4	4	2	3	-	-	-	2
Office Furniture & Equipment	3	2	-	-	-	-	-	-	-	-
Tools & Equipment	25	25	21	21	19	21	16	19	25	28
Number of parks	10	10	10	10	10	10	10	10	10	10

Source: Various city departments.

See independent auditors' report.



**Reports Required by
*Government Auditing Standards***

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 2, 2020.

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 preceding paragraph 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 a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-01 that we consider to be a material weakness.

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.

Carri Riggs & Ingram, L.L.C.

Metairie, Louisiana

November 2, 2020

City of Covington, Louisiana
Schedule of Findings and Responses
For the Year Ended December 31, 2019

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	Yes
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

2019-01 – Material Weakness – Financial Close and Reporting Process

Criteria: The City's management is responsible for designing, implementing, and maintaining proper internal control processes to ensure the accuracy and completeness of financial statements.

Condition: During the year ended December 31, 2019, multiple misstatements were identified which required adjustments to the financial statements.

Effect: As of December 31, 2019, government-wide capital assets were understated by \$947,194 (including \$1,304,825 of transfers from construction-in-process to capital assets being depreciated) and liabilities were understated by \$828,789. For the year ended December 31, 2019, government-wide other financing sources were understated by \$716,202 and capital outlay expenditures were understated by \$725,827. For the year ended December 31, 2019, governmental fund revenues were understated by \$953,693 and expenditures were understated by \$921,311. As of December 31, 2019, proprietary fund capital assets were understated by \$670,910 and unavailable revenues were understated by \$448,221. For the year ended December 31, 2019, proprietary fund revenues were overstated by \$444,928 and expenditures were overstated by \$657,810.

Cause: The City had a high turnover of management personnel at the end of the fiscal year, including the Director of Finance and Chief Administrative Officer. Internal controls have not been designed and implemented to ensure proper classification, recording, and review of all financial statement activity.

Auditors' recommendation: We recommend the City design and implement internal controls necessary to ensure proper classification, recording, and review of all financial statement activity.

City of Covington, Louisiana
Schedule of Findings and Responses
For the Year Ended December 31, 2019

Management's response: See corrective action plan on page 131.

Section III: FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

Not Applicable.

Section IV: OTHER MATTERS

A management letter was issued for the year ended December 31, 2019.

City of Covington, Louisiana
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2019

SECTION II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

2018-01 – Material Weakness – Fund Classification

Finding: 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.

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.

Status: Resolved.

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

Not Applicable.

SECTION IV – OTHER MATTERS

A management letter was issued for the year ended December 31, 2018. The issue was resolved during the year ended December 31, 2019.



MARK R. JOHNSON
Mayor

CITY OF COVINGTON

PATRICK McMATH | *Councilman-at-Large*
LARRY ROLLING | *Councilman-at-Large*
PETER LEWIS SR. | *Councilman, District A*
JOHN BOTSFORD | *Councilman, District B*
JOEY ROBERTS | *Councilman, District C*
CODY LUDWIG | *Councilwoman, District D*
MARK W. VERRET | *Councilman, District E*

Corrective Action Plan
November 2, 2020

City of Covington respectfully submits the following corrective action plan for the year ended December 31, 2019.

Name and address of independent public accounting firm:
Carr, Riggs & Ingram, LLC
111 Veterans Blvd
Suite 350
Metairie, LA 70005

Audit Period:
Fiscal Year January 1, 2019 through December 31, 2019

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.

2019-01 – Material Weakness – Financial Close and Reporting Process

Auditors' recommendation: We recommend the City design and implement internal controls necessary to ensure proper classification, recording, and review of all financial statement activity.

Management response: The City will design and implement internal controls necessary to ensure proper classification, recording, and review of all financial statement activity.

Responsible Party: Stephen Sanders, Director of Finance

Estimated Completion Date: June 30, 2021

Sincerely,

Erin Bivona
Chief Administrative Officer



Carr, Riggs & Ingram, LLC
111 Veterans Memorial Blvd.
Suite 350
Metairie, Louisiana 70005

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

November 2, 2020

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, 2019, 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 November 2, 2020, contains our communication of a material weakness in the City's internal control. This letter does not affect our report dated November 2, 2020, 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.

Metairie, Louisiana

CURRENT YEAR COMMENTS

2019-01 – Investment Allocation Policy

Criteria: During July 2019, a policy was established by the Board of Trustees of the OPEB Trust that allocated the OPEB Trust investments to a ratio of 55% equity investments and 45% bond investments.

Condition: At year-end, the allocations of the OPEB trust investments were 33% money market and 67% bond investments.

Effect: The assets were not timely allocated after the policy was established.

Cause: The allocation policy was not followed by the investment company.

Auditors' recommendation: We recommend that the City review the allocations on a monthly basis to ensure compliance with the policy.

Management response: See corrective action plan on page 3.

2019-02 – User Access: Terminations

Criteria: The City's management should ensure timely action relating to closing user accounts of terminated employees.

Condition: Users no longer with the City did not have access turned off at point of termination.

Effect: Access granted to users no longer with the City could result in inaccurate financial reporting.

Cause: The City could not provide documentation that the employees' profiles were disabled at a point in time.

Auditors' recommendation: We recommend the City design and implement internal controls necessary to ensure and document that user access is terminated as part of the termination process.

Management's response: See corrective action plan on page 3.



MARK R. JOHNSON
Mayor

CITY OF COVINGTON

PATRICK McMATH | *Councilman-at-Large*
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JOEY ROBERTS | *Councilman, District C*
CODY LUDWIG | *Councilwoman, District D*
MARK W. VERRET | *Councilman, District E*

Corrective Action Plan
November 2, 2020

City of Covington respectfully submits the following corrective action plan for the year ended December 31, 2019.

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, 2019 through December 31, 2019

The findings from the November 2, 2020 Management Letter are discussed below. The findings are numbered consistently with the number assigned in the Management Letter.

2019-01 – Investment Allocation Policy

Auditors' recommendation: We recommend that the City review the allocations on a monthly basis to ensure compliance with the policy.

Management response: The City will review the allocations on a monthly basis to ensure compliance with the policy

Responsible Party: Stephen Sanders, Director of Finance

Estimated Completion Date: June 30, 2021

2019-02 – User Access: Terminations

Auditors' recommendation: We recommend the City design and implement internal controls necessary to ensure and document that user access is terminated as part of the termination process.

Management response: The City will design and implement internal controls necessary to ensure and document that user access is terminated as part of the termination process.

Responsible Party: Quenton Belanger, Director of Information Technology

Estimated Completion Date: June 30, 2021

Sincerely,



Erin Bivona
Chief Administrative Office

City of Covington
AGREED-UPON PROCEDURES REPORT
December 31, 2019



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the City of Covington (the City) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Act 774 agreed-upon procedures for the fiscal period January 1, 2019 through December 31, 2019. The City's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

Ethics (follow-up)

1. Obtain and inspect the City's written policies and procedures over ethics and observe that they address each of the following:
 - a) Requirement that all employees/elected officials/board members, annually attest through signature verification that they have read the City's ethics policy.

Results: No exceptions were found as a result of applying the procedure.

2. Obtain a listing of employees/elected officials/board members employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials/board members, obtain ethics documentation from management, and:

Results: No exceptions were found as a result of applying the procedure.

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period; and

Results: No exceptions were found as a result of applying the procedure.

- b) Observe that the documentation demonstrates each employee/official/board member attested through signature verification that he or she has read the City's ethics policy during the fiscal period.

Results: No exceptions were found as a result of applying the procedure.

Payroll and Personnel

- 1. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: No exceptions were found as a result of applying the procedures.

- 2. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #1 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Results: No exceptions were found as a result of applying the procedure.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Results: Exception noted. One (1) out of five (5) employees/elected officials did not have approved leave of the selected employees/officials.

- c) Observe that any leave accrued or taken during the pay period is reflected in the City's cumulative leave records.

Results: No exceptions were found as a result of applying the procedure.

- 3. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulate leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Results: No exceptions were found as a result of applying the procedures.

4. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: No exceptions were found as a result of applying the procedure.

Information Technology Disaster Recovery/Business Continuity

1. Perform the following sub-procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
 - a) Obtain and inspect the City's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

Results: We performed the procedure and discussed the results with management. No exceptions were noted.

- b) Obtain and inspect the City's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

Results: We performed the procedure and discussed the results with management.

- c) Obtain a listing of the City's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have active antivirus software and that the antivirus, operating system, and accounting system software are the most recent versions available (i.e. up-to-date).

Results: We performed the procedure and discussed the results with management.

Sexual Harassment

1. Obtain and inspect the City's written sexual harassment policies and procedures and observe that they address all requirements of Louisiana Revised Statutes (R.S.) 42:342-344, including agency responsibilities and prohibitions; annual employee training; and annual reporting requirements.

Results: Exception noted. There is no written policy addressing the requirements of Louisiana Revised Statutes (R.S. 42:343-344) including annual employee training and annual reporting requirements.

2. Obtain a listing of employees/elected officials/board members employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/elected officials/board members, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/elected

official/board member completed at least one hour of sexual harassment training during the calendar year.

Results: Exception noted. Three (3) out of five (5) employees/elected officials/board members did not complete sexual harassment training during the calendar year.

3. Observe that the City has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the City's premises if the City does not have a website).

Results: No exceptions were found as a result of applying the procedure.

4. Obtain the City's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344.

Results: Exception noted. The City did not file the annual sexual harassment report for the current fiscal period.

We were not engaged to perform, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the Act 774 agreed-upon procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is solely to describe the scope of testing performed on those C/C areas identified in the Act 774 agreed-upon procedures, and the result of that testing, and not provide an opinion on control or compliance. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

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

Metairie, Louisiana
November 2, 2020



MARK R. JOHNSON
Mayor

CITY OF COVINGTON

PATRICK McMATH | *Councilman-at-Large*
LARRY ROLLING | *Councilman-at-Large*
PETER LEWIS SR. | *Councilman, District A*
JOHN BOTSFORD | *Councilman, District B*
JOEY ROBERTS | *Councilman, District C*
CODY LUDWIG | *Councilwoman, District D*
MARK W. VERRET | *Councilman, District E*

October 30, 2020

Louisiana Legislative Auditor
1600 North 3rd Street
P.O. Box 94397
Baton Rouge, LA 70804-9397

And

Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, LA 70005

RE: Management's Response to Act 774 Agreed-Upon Procedures
City of Covington

Dear Sirs:

The City of Covington will review its policies and procedures in regards to the comments for each function and make the appropriate changes that will improve operations and internal controls over financial reporting in each area that are cost effective and within our budget constraints.

Sincerely,

Erin Bivona
Chief Administrative Officer