

CITY OF COVINGTON, LOUISIANA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended December 31, 2017

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CITY OF COVINGTON, LOUISIANA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Year Ended December 31, 2017

Submitted by:

Department of Administration

Gina Hayes, Chief Administrative Director

Alisa Faciane, Director of Finance

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**CITY OF COVINGTON, LOUISIANA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 As of and for the Year Ended December 31, 2017**

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INTRODUCTORY SECTION



MIKE COOPER
Mayor

CITY OF COVINGTON

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

June 28, 2018

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

State law requires that all general-purpose local governments publish, within six (6) months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the Covington City Government (the "City") for the year ended December 31, 2017.

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, 2017. The independent auditors' report is located at the front of the financial section of this report.

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

PATRICK McMATH
Councilman-at-Large

R. S. "SAM" O'KEEFE
Councilman-at-Large

JOHN CALLAHAN
Councilman, District "A"

JERRY CONER
Councilman, District "B"

JOEY ROBERTS
Councilman, District "C"

LARRY ROLLING
Councilman, District "D"

RICK SMITH
Councilman, District "E"

Profile of the Government

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

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

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

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

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

Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented on pages 70-77.

Factors Affecting Financial Condition

Local Economy

Although Covington has a residential population of approximately 8,765 people, the population swells to approximately 20,000 during the day due to the Courthouse and St. Tammany Parish Hospital. In 2012, 2013, and 2014 the City experienced an increase of approximately 2.8 %, 11.9% and 4% respectively. In 2015, the City experienced a decrease in sales tax of less than 1%. In 2016 the city experienced an increase in sales tax of 6% and in 2017 an increase of 5.7%. The City is optimistic that sales tax will continue to increase in 2018.

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
- Miscellaneous 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
- Miscellaneous improvements to our municipal water wells, including the addition of a booster pump in the Claiborne Hill area
- Drainage and street repairs in River Forest Subdivision
- 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
- Improvement to drainage features within the City
- Improvement of designated ox lots to provide additional parking in our downtown
- Improvements to existing W. 15th Ave Trail from River Forest to Gallagher Park
- Construction of a shared use trail along N. Jefferson Ave connecting the Tammany Trace to the new roundabout at 21st Ave
- Addition of two full-length vehicle bays at the Ernest J Cooper Memorial Fire Station on N. Jefferson Ave
- New ADA bathroom facility at Rev Peter Atkins Park
- Construction of a new Public Works Office Facility replacing the outdated, outgrown building
- Improvements and enhancements to the Covington Recreation Complex

Acknowledgments

The 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, 2016. This was the 6th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

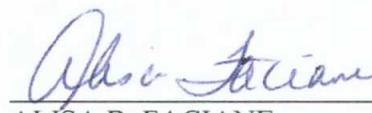
We would like to thank the City Council, especially Council President, R.S. "Sam" O'Keefe, for their unfailing support for elevating and maintaining the highest standards of professionalism in the management of the City's finances.

Finally, and most importantly, we would like to thank Mayor Michael B. "Mike" Cooper for his continued leadership and confidence in us. We look forward to continuing to assist him in accomplishing all of his goals as Mayor of his hometown.

Respectfully submitted,



GINA T. HAYES
Chief Administrative Officer



ALISA B. FACIANE
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Covington
Louisiana**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO

**CITY OF COVINGTON
PRINCIPAL ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2017**

MAYOR

Mike Cooper - Mayor

COUNCIL MEMBERS

R.S. "Sam" O'Keefe – Councilman at Large

Patrick McMath – Councilman at Large

John Callahan – Councilman District A

Jerry Coner – Councilman District B

Diane Weiss – Councilman District C

Larry Rolling – Councilman District D

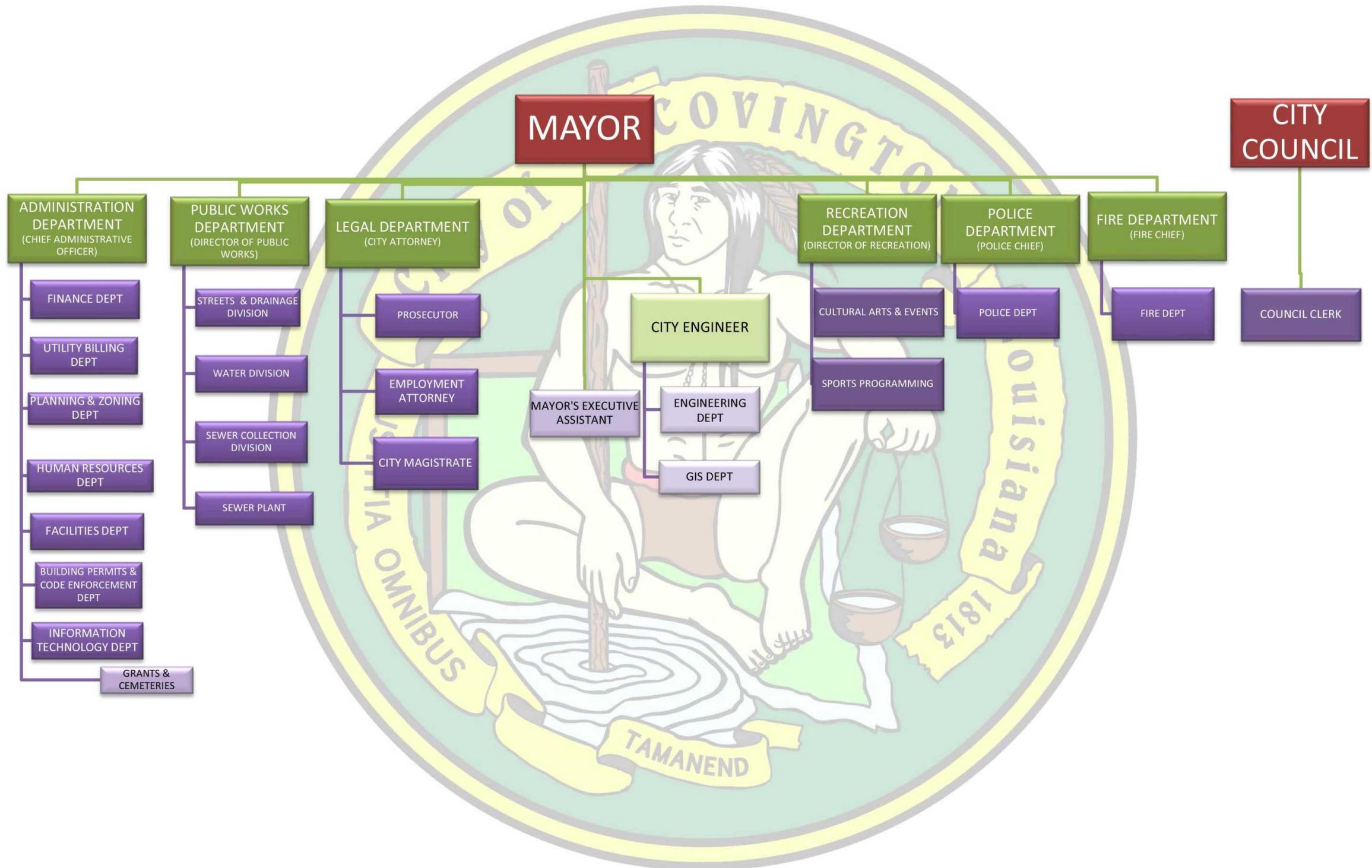
Rick Smith – Councilman District E

CHIEF OF POLICE

Timothy Lentz - Police Chief

FIRE CHIEF

Richard Badon – Fire Chief



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, 2017, 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, 2017, 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, Schedule of Funding Progress – Other Post-Employment Benefits, budgetary comparison information, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Employer Contributions to the Pension Funds on pages 4-13 and 69-79, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements and schedules, the budgetary comparison information for the 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 nonmajor fund statements and schedules, Schedule of Council Compensation, and Schedule of Compensation, Benefits, and Other Payments to Agency Head are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018, 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.

Carly Riggs & Ingram, L.L.C.

June 28, 2018

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COVINGTON, LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

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 ending December 31, 2017. Please review in conjunction with the Transmittal Letter on page iv and the City's Basic Financial Statements, which begin on page 14.

Reviewing the Annual Report

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

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

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 4. One of the most important questions asked about the City’s finances is, “Is the City as a whole better off or worse off as a result of the year’s financial activities?” The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. As such, all of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2017

- 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 system are reported here.

Fund Financial Statements

Our analysis of the City's major funds begins on page 5. The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City establishes other funds to help it control and manage money for particular purposes or to account for it to meet legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 23 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning budgetary basis reporting for the General Fund. Required supplementary information can be found on pages 69 to 80 of this report.

CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2017

The combining statements of non-major governmental funds are presented immediately following the Required Supplementary Information. Combining statements and schedules can be found on pages 82 to 83 of this report.

Financial Highlights

After this year's operations, the City's ending net position is as follows: Net position of business-type activities was \$25,943,496 and net position of governmental activities was \$24,709,670.

- The current year's expense total was \$15,421,236 as compared to the \$17,116,576 generated in fees and charges, grants, general revenues, and taxes for governmental programs (before special items). In the previous year, expenses were \$16,043,521 as compared to the \$16,981,650 generated in tax and other revenues for governmental programs (before special items).
- For business-type activities. City revenues (before special items) were \$5,791,070. Expenses were \$4,801,882.
- The annual cost of all City programs was \$20,223,118. The previous year's cost was \$20,577,692.

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	\$ 18,433	\$ 17,820	\$ 5,331	\$ 4,214	\$ 23,764	\$ 22,034
Capital Assets, net	28,384	27,520	22,690	22,870	51,074	50,390
Total Assets	46,817	45,340	28,021	27,084	74,838	72,424
Deferred loss on refunding	132	152	-	-	132	152
Deferred outflows – pension	3,096	3,909	587	609	3,683	4,518
Total Deferred Outflows	3,228	4,061	587	609	3,815	4,670
Current liabilities	2,970	3,383	600	720	3,570	4,103
Long-term liabilities	21,762	22,294	1,990	1,926	23,752	24,220
Total Liabilities	24,732	25,677	2,590	2,646	27,322	28,323
Advance Collections	12	280	-	-	12	28
Deferred inflows – pension	591	681	75	94	666	775
Total Deferred Inflows	603	709	75	94	678	803
Net Position						
Net investment in capital assets	23,052	21,363	22,690	22,871	45,742	44,234
Restricted	1,595	1,266	-	-	1,595	1,266
Unrestricted	63	386	3,253	2,084	3,316	2,470
Total Net Position	\$ 24,710	\$ 23,015	\$ 25,943	\$ 24,955	\$ 50,653	\$ 49,970

CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2017

Government-Wide Financial Analysis

The City's combined net position from the previous year was \$47,968,638 as compared to \$50,653,166 this year. However, net position and expenses from governmental and business-type activities must be reviewed separately. Table 1 focuses on the net position and Table 2 focuses on changes in the net position of the City's governmental and business-type activities.

The City's net position for governmental activities was \$24,709,670 this year as compared to \$23,014,330 last year. Unrestricted net position for governmental activities was \$62,767 this year as compared to \$204,780 last year. Unrestricted net position is those that can be used to finance everyday operations without restrictions set by legislation, debt covenants, or other legal regulations. Unrestricted net position decreased primarily due the increase net investment in capital assets.

The net position of the City's business-type activities was \$25,943,496 this year as compared to \$24,954,308 last year.

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

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

City revenues (excluding special items) for the current year were \$22,907,646 as compared to \$21,427,406 in the previous year. The total yearly cost of all programs and services was \$20,223,118 as compared to \$20,577,692 in the previous year.

CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2017

Table 2
Changes in Net Position
(in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenues						
Program Revenues						
Charges for Services	\$ 1,651	\$ 1,710	\$ 4,093	\$ 3,963	\$ 5,744	\$ 5,673
Restricted Operating Grants	54	250	-	-	54	250
Restricted Capital Grants	592	276	-	-	592	276
General Revenues:						
Property Taxes	2,852	2,774	-	-	2,852	2,774
Sales Taxes	11,973	10,875	-	-	11,973	10,875
Other Taxes	763	774	-	-	763	774
Interest and Investment Income	88	57	-	-	88	57
Other General Revenues	812	944	29	28	841	972
Total Revenues	18,786	17,660	4,122	3,991	22,908	21,651
Program Expenses						
General Government	4,038	4,769	-	-	4,038	4,769
Public Safety	6,869	7,533	-	-	6,869	7,533
Public Works	3,296	3,082	-	-	3,296	3,082
Culture and Recreation	1,095	542	-	-	1,095	542
Interest on Long-Term Debt	124	117	-	-	124	117
Water and Sewer	-	-	4,012	3,767	4,012	3,767
Other Utilities	-	-	790	767	790	767
Total Expenses	15,422	16,043	4,802	4,534	20,224	20,577
Excess (Deficit) Before Special Items and Transfers	3,364	1,617	(680)	(543)	2,684	1,074
Transfers	(1,669)	(1,206)	1,669	1,206	-	-
Change in Net Position	1,695	411	989	663	2,684	1,074
Net Position – Beginning	23,015	22,604	24,954	24,291	47,969	46,895
Net Position – Ending	\$ 24,710	\$ 23,015	\$ 25,943	\$ 24,954	\$ 50,653	\$ 47,969

Governmental Activities

This year's governmental activities revenues were \$18,785,596 as compared to \$17,659,157 last year. Total revenues increased by \$1,126,439 or 6.4%. This is primarily due to the increase in sales tax.

This year's governmental activities cost was \$15,421,236 as compared to \$16,043,521 in the previous year. Total expenses decreased by \$622,285 or 3.9%. This is primarily due to additional expenses incurred in prior year related to flooding, pay increases, and pension expense.

CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2017

Business-Type Activities

This year's business-type activities revenues were \$4,122,050 as compared to \$3,991,616 last year. Total revenues increased by \$130,434 or 3.3%. This increase is primarily due to growth of the community.

This year's expenses were \$4,801,882 as compared to \$4,534,171 in the previous year. Total expenses increased by \$267,711 or 5.9%. The increase is primarily to equipment purchases and depreciation expense.

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

Table 3
 Governmental Activities
 (in Thousands)

	Total Cost of Services		Net Cost of Services	
	Current Year	Previous Year	Current Year	Previous Year
Police Department	\$ 4,563	\$ 5,007	\$ 4,459	\$ 4,814
Fire Department	2,306	2,527	2,303	2,444
Public Works	3,296	3,082	2,665	2,808
Culture and Recreation	1,095	542	860	454
All Others	4,161	4,887	2,837	3,289
Totals	\$ 15,421	\$ 16,045	\$ 13,124	\$ 13,809

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,649,493, an increase of \$1,149,893 in comparison with the prior year.

Approximately 37% of the ending fund balance, \$6,087,069, 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 38% is assigned, 16% is committed, 9% is restricted and less than 1% is nonspendable.

CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2017

The fund balance of the general fund increased by \$2,355,905 in the current year, and increased by \$216,148 in the prior year. The increase is primarily due to the rededication of the 1982 Sales Tax.

Total revenue in the general fund decreased by \$426,667 or 8%. This decrease is primarily due to funds received from the St. Tammany Financing Authority in the prior year.

Expenditures in the general fund increased \$917,285 or 8%. Expenses in general government decreased by \$344,104 or 10%, primarily due the elimination of the economic development department and Cultural Arts and Events expenses were moved to the culture and recreational department. Public safety expenses decreased by \$36,322 or 1%. Public Works had an increase in expenses of \$195,800 or 11%. There was an increase in culture and recreation expenses of \$550,789 or 183% due the Cultural Arts and Events expenses moved from the general government. There was an increase of \$551,124 or 88% in capital outlay expenses in the current year as in comparison with prior year with an increase in the amount of capital projects. 17 projects are in progress as of December 31, 2017 in comparison to the 14 projects are in progress as of December 31, 2016.

Transfers between funds consist primarily of sales tax revenues transferred out of the 1957 and 1982 Sales Tax Funds to the particular funds for which the sales tax revenue was used. Most of the monies are deposited into the general fund.

The fund balance of the 1957 sales tax remained consistent with prior year. The fund balance of the 1982 Sales Tax Funds have decreased by \$2,589,843 or 69%. This is primarily due to more transfers out to the general fund from the rededication of the 1982 Sales Tax Funds.

Total revenues in the 1957 sales tax fund and 1982 sales tax fund increased by \$1,017,993 or 25%. There was an increase of \$500,445 or 12% in the 1957 sales tax fund and the 1982 sales tax fund increased by \$517,548 or 13%.

The A3 Sales Tax Fund accounts for the special annexation sales tax. Total revenues increased \$80,535 or 3% due to an increase in sales tax collections in the growth management areas for the current year.

General Fund Budgetary Statements

The City Council revised the 2017 original adopted budget numerous times throughout the year as revenues and expenditures changed. The original budget was voted and approved on November 15, 2016 and the amended budgets were voted and approved on April 4, 2017, July 8, 2017, September 19, 2017, and December 12, 2017.

By budgetary policy, revenue estimates are prepared with a conservative bias. Overall, general fund revenue in 2017 experienced a positive variance of \$178,051 (4%) from the amount in the final adopted budget.

CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2017

The final budget for general fund expenditures increased \$831,728 or 5% from the original budget for 2017 primarily due to approved capital outlay projects. Actual expenditures were \$3,005,318 less than the original adopted budget and \$3,837,046 less than the final adopted budget. The decrease in expenditures between the final adopted budget and actual expenditures is mainly due to the progress of Public Works projects.

Capital Assets

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

	Governmental Activities		Business-Type Activities		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Land	\$ 782	\$ 782	\$ -	\$ -	\$ 782	\$ 782
Building and Improvements	9,584	9,295	-	-	9,584	9,295
Equipment	1,739	1,744	4,667	4,743	6,406	6,487
Infrastructure	14,423	12,513	17,026	16,020	31,449	28,533
Construction in Progress	1,856	3,185	997	2,108	2,853	5,293
Total	\$ 28,384	\$ 27,519	\$ 22,690	\$ 22,871	\$ 51,074	\$ 50,390

At the close of the year, the City had invested \$51,073,532 (see Table 4). \$50,390,082 was invested in similar assets last year.

The current year's significant capital asset additions included:

- Governmental Activities: Capital asset additions included the W 15th Avenue Washout Repair, W 15th Avenue Bridge at Mile Branch, River Forest Paving and Drainage, S Jackson and Van Buren Drainage, HVAC systems, Ranger Cabin at Bogue Falaya Park.
- Business-Type Activities: Capital asset additions included the Ozone and River Forest Pipelining, WWTP #2 Digester, Colleen Drive and Samantha Drive Waterline, Beech Drive Fire Protection, and Covington Point Lift Station Improvements.

More detailed information about the City's capital assets is presented in Note 13 to the financial statements.

Debt Management

At the close of the year, the City had \$5,464,000 in outstanding bonds and notes as compared to \$6,157,000 in the previous year (see Table 5). This decrease in debt of \$693,000 is due to regularly scheduled principal payments along with the defeasance of General Obligation Bonds.

CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2017

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

	Governmental Activities		Business-Type Activities		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
General Obligation Bonds (Backed by the City)	\$ 4,229	\$ 4,637	\$ -	\$ -	\$ 4,229	\$ 4,637
Revenue Bonds and Notes (Backed by Specific Tax and Fee Revenues)	1,235	1,520	-	-	1,235	1,520
Total	\$ 5,464	\$ 6,157	\$ -	\$ -	\$ 5,464	\$ 6,157

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

Economic Issues/Upcoming Yearly Budgets

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

In 2018 we anticipate over 56% of the City's general fund revenues will be derived from sales taxes. We budgeted \$11,985,832 in net sales tax collections for 2018, which represents approximately 4.6% of an increase from 2017 budgeted.

Approximately \$8,815,969 from the 1957 and 1982 Sales Tax Fund will be transferred to the General Fund for the purpose of providing public safety, public works improvements, the maintenance thereof, and for the administration of all municipal services. Also from 1982 Sales Tax \$314,601 will go to the Sales Tax Bond Sinking Fund for bond payments.

Another \$1,483,463 will be transferred from the Growth Management Area (GMA) 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 \$1,371,799 of revenue in the GMA Sales Tax is dedicated to the construction and maintenance of roads, bridges and drainage projects in St. Tammany Parish Sales Tax District 3.

Ad Valorem Tax is anticipated to generate just over \$2,298,309 in revenue for the General Fund. This represents about a 3.5% increase from 2017 budgeted and is based upon an assessed valuation of \$138,066,625. It should be noted that property taxes represent 13% of the 2018 General Fund Budget. The City of Covington currently has the following ad valorem tax assessments: 21.24 millage comprised of 4.0 millage for retiring general obligation bonds, 7.39 millage to general fund revenues, and 9.85 millage for operation and maintenance of the Fire Department. It is important to note that the Fire Department millage for operation and maintenance of the Fire Department was renewed by the voters in 2014.

CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2017

The administration recognizes that the amount of revenues generated does not cover the amount of expenses proposed in the general fund budget. In order to subsidize this difference, funds are taken from the General Fund Balance. The projected difference between revenues and expenditures in the 2018 budget is \$2,352,604. This includes \$3,952,910 in one-time capital expenditures. This budget, while balanced, provides for an estimated \$2,652,142 unassigned General Fund Balance at the end of 2018. An additional \$2,217,323 is in Assigned Fund Balance for the GFOA recommended 2 months of operating expenditures or revenue range to cover emergencies and unexpected expenditures. An additional \$697,500, the British Petroleum Settlement Proceeds, is assigned for investments in projects which fuel economic development, protection of our environment, enhancement of active and passive recreational opportunities, traffic, transportation, public works, historic preservation and other priorities which are determined to be of positive benefit to the citizens and our community. Finally, \$1,050,000 is in the Other Post-Employment Benefits (OPEB) assigned fund balance, which has been set aside to establish a trust fund to begin funding our currently unfunded OPEB liability.

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:

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

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BASIC FINANCIAL STATEMENTS

CITY OF COVINGTON, LOUISIANA
STATEMENT OF NET POSITION
December 31, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and cash equivalents	\$ 14,359,682	\$ 400	\$ 14,360,082
Cash equivalent - LAMP	4,065,199	-	4,065,199
Certificates of deposit	302,455	-	302,455
Receivables, net	4,447,021	502,868	4,949,889
Internal balances	(4,820,491)	4,820,491	-
Prepaid expense	79,509	7,635	87,144
Capital assets not being depreciated	2,637,931	996,304	3,634,235
Capital assets being depreciated, net of accumulated depreciation	25,745,781	21,693,516	47,439,297
TOTAL ASSETS	<u>46,817,087</u>	<u>28,021,214</u>	<u>74,838,301</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding	132,021	-	132,021
Deferred outflows - pension liability	3,096,175	587,303	3,683,478
TOTAL DEFERRED OUTFLOWS	<u>3,228,196</u>	<u>587,303</u>	<u>3,815,499</u>
LIABILITIES			
Accounts payable	1,185,449	163,882	1,349,331
Accrued payroll expenses	574,408	47,867	622,275
Customer deposits	-	387,497	387,497
Accrued interest	30,782	-	30,782
Unearned revenue	-	607	607
Compensated absences			
Due within one year	427,084	-	427,084
Due in more than one year	244,218	-	244,218
Claims and judgements:			
Due within one year	30,000	-	30,000
Revenue bonds payable:			
Due within one year	290,000	-	290,000
Due in more than one year	945,000	-	945,000
General obligations bond payable:			
Due within one year	432,000	-	432,000
Due in more than one year	3,797,000	-	3,797,000
Net pension liability	12,552,709	1,990,584	14,543,293
Net other post-employment benefit obligation	4,222,927	-	4,222,927
TOTAL LIABILITIES	<u>24,731,577</u>	<u>2,590,437</u>	<u>27,322,014</u>
DEFERRED INFLOWS OF RESOURCES			
Advanced Collections	12,402	-	12,402
Deferred inflows - pension liability	591,634	74,584	666,218
TOTAL DEFERRED INFLOWS	<u>604,036</u>	<u>74,584</u>	<u>678,620</u>
NET POSITION			
Net investment in capital assets	23,051,733	22,689,820	45,741,553
Restricted for:			
Expendable:			
Debt service	1,009,839	-	1,009,839
Perpetual care	34,696	-	34,696
FHA loan program	250,062	-	250,062
Fire department	3,878	-	3,878
Drug forfeiture	25,785	-	25,785
Tree mitigation	14,602	-	14,602
Capital outlay	151,844	-	151,844
Nonexpendable:			
Permanent Fund	104,464	-	104,464
Unrestricted	62,767	3,253,676	3,316,443
TOTAL NET POSITION	<u>\$ 24,709,670</u>	<u>\$ 25,943,496</u>	<u>\$ 50,653,166</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 4,038,234	\$ 1,320,913	\$ 4,711	\$ -	\$ (2,712,610)	\$ -	\$ (2,712,610)
Public safety - Police	4,563,093	78,493	25,135	-	(4,459,465)	-	(4,459,465)
Public safety - Fire	2,305,524	-	-	2,130	(2,303,394)	-	(2,303,394)
Public works	3,295,665	21,907	18,410	590,078	(2,665,270)	-	(2,665,270)
Culture and recreation	1,095,418	229,464	5,750	-	(860,204)	-	(860,204)
Interest on long-term debt	123,302	-	-	-	(123,302)	-	(123,302)
Total Governmental Activities	15,421,236	1,650,777	54,006	592,208	(13,124,245)	-	(13,124,245)
Business-Type Activities							
Water	1,612,340	1,462,483	-	-	-	(149,857)	(149,857)
Sewer	2,399,537	1,793,771	-	-	-	(605,766)	(605,766)
Garbage	790,005	836,508	-	-	-	46,503	46,503
Total Business-Type Activities	4,801,882	4,092,762	-	-	-	(709,120)	(709,120)
Total	\$ 20,223,118	\$ 5,743,539	\$ 54,006	\$ 592,208	(13,124,245)	(709,120)	(13,833,365)
General Revenues							
Taxes:							
					11,973,167	-	11,973,167
					2,852,243	-	2,852,243
					763,357	-	763,357
					518,983	-	518,983
Other Revenues							
					88,099	-	88,099
					292,756	29,288	322,044
					(1,669,020)	1,669,020	-
					14,819,585	1,698,308	16,517,893
Total General Revenues and Other Revenues							
					14,819,585	1,698,308	16,517,893
					1,695,340	989,188	2,684,528
					23,014,330	24,954,308	47,968,638
					\$ 24,709,670	\$ 25,943,496	\$ 50,653,166

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	General Fund	1982 Sales Tax Fund	1957 Sales Tax Fund	A3 Sales Tax Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 14,062,160	\$ -	\$ -	\$ -	\$ 297,522	\$ 14,359,682
Equity in pooled cash	-	1,060,801	-	2,484,164	191,397	3,736,362
Cash and cash equivalents - LAMP	4,065,199	-	-	-	-	4,065,199
Certificates of deposits	-	-	-	-	302,455	302,455
Receivables:						
Property taxes	2,039,887	-	-	-	469,121	2,509,008
Sales tax	-	485,388	485,388	320,349	-	1,291,125
Notes receivable	26,614	-	-	-	-	26,614
Grant receivable	11,323	-	-	-	585,647	596,970
Accrued interest	-	-	-	-	217	217
Other	22,253	-	-	-	834	23,087
Prepaid expenditures	79,509	-	-	-	-	79,509
Due from other funds	19,279	-	-	-	49,090	68,369
TOTAL ASSETS	<u>\$ 20,326,224</u>	<u>\$ 1,546,189</u>	<u>\$ 485,388</u>	<u>\$ 2,804,513</u>	<u>\$ 1,896,283</u>	<u>\$ 27,058,597</u>
LIABILITIES						
Accounts payable	\$ 250,801	\$ 378,246	\$ 308,545	\$ 182,056	\$ 65,801	\$ 1,185,449
Equity in pooled cash	7,879,377	-	176,843	-	430,322	8,486,542
Accrued payroll expenditures	574,408	-	-	-	-	574,408
Due to other funds	85,538	-	-	2,652	50,490	138,680
TOTAL LIABILITIES	<u>8,790,124</u>	<u>378,246</u>	<u>485,388</u>	<u>184,708</u>	<u>546,613</u>	<u>10,385,079</u>
DEFERRED INFLOWS OF RESOURCES						
Advanced collections	12,402	-	-	-	-	12,402
Unavailable revenues	-	-	-	-	11,623	11,623
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>12,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,623</u>	<u>24,025</u>
FUND BALANCE						
Nonspendable:						
Permanent fund	79,509	-	-	-	24,955	104,464
Restricted:						
Perpetual care	-	-	-	-	34,696	34,696
Capital outlay	-	-	-	-	151,844	151,844
Debt service	1,575	-	-	-	1,008,264	1,009,839
FHA loan program	250,062	-	-	-	-	250,062
Fire department (dedication)	3,878	-	-	-	-	3,878
Drug forfeiture	-	-	-	-	25,785	25,785
Tree mitigation	-	-	-	-	14,602	14,602
Committed:						
Capital outlay	-	-	-	2,619,805	-	2,619,805
Assigned:						
2018 operating budget	2,352,604	-	-	-	-	2,352,604
Contingency	3,994,845	-	-	-	-	3,994,845
Unassigned	4,841,225	1,167,943	-	-	77,901	6,087,069
TOTAL FUND BALANCE	<u>11,523,698</u>	<u>1,167,943</u>	<u>-</u>	<u>2,619,805</u>	<u>1,338,047</u>	<u>16,649,493</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 20,326,224</u>	<u>\$ 1,546,189</u>	<u>\$ 485,388</u>	<u>\$ 2,804,513</u>	<u>\$ 1,896,283</u>	<u>\$ 27,058,597</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2017

Fund Balances - Total Governmental Funds	\$	16,649,493
 <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Governmental capital assets		45,246,558
Less: accumulated depreciation		(16,862,846)
Deferred outflows of resources related to the net pension liability		3,096,175
Deferred inflows of resources related to the net pension liability		(591,634)
 Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Accrued interest on bonds		(30,782)
Compensated absences		(671,302)
Claims and judgments		(30,000)
Revenue bonds, net		(1,235,000)
General obligations bonds, net		(4,229,000)
Net pension liability		(12,552,709)
Net other post-employment benefit obligation		(4,222,927)
Unavailable revenues		11,623
Deferred loss on refunding		132,021
Net Position of Governmental Activities	\$	<u><u>24,709,670</u></u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	General Fund	1982 Sales Tax Fund	1957 Sales Tax Fund	A3 Sales Tax Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
Taxes						
Sales taxes	\$ -	\$ 4,555,044	\$ 4,537,626	\$ 2,880,497	\$ -	\$ 11,973,167
Property taxes	2,318,422	-	-	-	533,821	2,852,243
Franchise taxes	763,357	-	-	-	-	763,357
Licenses and permits	1,320,913	-	-	-	-	1,320,913
Other revenues	251,211	-	-	-	-	251,211
Fines and forfeitures	55,406	-	-	-	23,087	78,493
Charges for services	108,512	-	-	-	142,859	251,371
Intergovernmental revenues	243,152	-	-	-	-	243,152
Interest and penalties	85,272	-	-	-	2,827	88,099
State and federal grants	-	-	-	-	722,116	722,116
Total Revenues	<u>5,146,245</u>	<u>4,555,044</u>	<u>4,537,626</u>	<u>2,880,497</u>	<u>1,424,710</u>	<u>18,544,122</u>
EXPENDITURES						
Current						
General government	3,050,541	-	-	-	5,111	3,055,652
Public safety - Police	3,948,298	-	-	-	30,889	3,979,187
Public safety - Fire	1,993,993	-	-	-	-	1,993,993
Public works	2,034,887	-	-	-	-	2,034,887
Culture and recreation	852,532	-	-	-	7,971	860,503
Sewer department	-	-	-	-	18,785	18,785
Capital outlay	1,176,614	769,503	-	470,901	550,027	2,967,045
Debt service						
Principal	-	-	-	-	693,000	693,000
Interest	-	-	-	-	116,777	116,777
Payments on claims and judgements	30,000	-	-	-	-	30,000
Total Expenditures	<u>13,086,865</u>	<u>769,503</u>	<u>-</u>	<u>470,901</u>	<u>1,422,560</u>	<u>15,749,829</u>
Excess (Deficiency) of Revenues						
Over Expenditures	<u>(7,940,620)</u>	<u>3,785,541</u>	<u>4,537,626</u>	<u>2,409,596</u>	<u>2,150</u>	<u>2,794,293</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of equipment	24,620	-	-	-	-	24,620
Transfers in	11,696,505	-	-	-	363,628	12,060,133
Transfers out	(1,424,600)	(6,375,384)	(4,537,626)	(1,326,344)	(65,199)	(13,729,153)
Total Other Financing Sources (Uses)	<u>10,296,525</u>	<u>(6,375,384)</u>	<u>(4,537,626)</u>	<u>(1,326,344)</u>	<u>298,429</u>	<u>(1,644,400)</u>
Changes in Fund Balance	2,355,905	(2,589,843)	-	1,083,252	300,579	1,149,893
Fund Balance, Beginning of Year	9,167,793	3,757,786	-	1,536,553	1,037,468	15,499,600
Fund Balance, End of Year	<u>\$ 11,523,698</u>	<u>\$ 1,167,943</u>	<u>\$ -</u>	<u>\$ 2,619,805</u>	<u>\$ 1,338,047</u>	<u>\$ 16,649,493</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Changes in Fund Balances - Total Governmental Funds	\$ 1,149,893
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives through depreciation expense.	
Capital outlay	2,967,045
Depreciation expense	(2,103,797)
Change in deferred outflows of resources related to pension	813,236
Change in deferred inflows of resources related to pension	(89,810)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position.	
Change in compensated absences	(25,265)
Claims & judgements paid	30,000
Debt principal payments	693,000
Deferred revenue	75,902
Increase in net pension expense	(1,433,372)
Change in net other post-employment benefit obligation	(388,017)
Amortization of loss on refunding	(9,504)
Difference in interest cost on the modified accrual basis as reported in the fund statements versus interest expense on the full accrual basis.	16,029
Changes in Net Position of Governmental Activities	\$ 1,695,340

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2017

ASSETS

Current assets	
Cash and cash equivalents	\$ 400
Equity in pooled cash	4,750,180
Receivables	
Accounts receivable, net of uncollectible \$20,926	502,868
Prepaid expenses	7,635
Due from other funds	70,311
TOTAL CURRENT ASSETS	<u>5,331,394</u>
Capital assets, net of accumulated depreciation	<u>22,689,820</u>
 TOTAL ASSETS	 <u>28,021,214</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension liability	<u>587,303</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>587,303</u>

LIABILITIES

Current liabilities	
Accounts payable	163,882
Accrued payroll expense	47,867
Customer deposits	387,497
Unearned revenues	607
TOTAL CURRENT LIABILITIES	<u>599,853</u>
Net pension liability	<u>1,990,584</u>
 TOTAL LIABILITIES	 <u>2,590,437</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension liability	<u>74,584</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>74,584</u>

NET POSITION

Net investment in capital assets	22,689,820
Unrestricted net position	<u>3,253,676</u>
TOTAL NET POSITION	<u>\$ 25,943,496</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended December 31, 2017

OPERATING REVENUES

Sewer maintenance fees	1,723,066
Water revenues	1,304,259
Garbage collection fees	836,508
Miscellaneous	25,282
Connection fees	54,234
Water installations	78,708
DHH fee	63,510
Non-employer contribution revenue	29,288
Sewer installations	7,195
Total Operating Revenues	<u>4,122,050</u>

OPERATING EXPENSES

Sewer department expenses	1,410,814
Water department expenses	1,256,111
Garbage department expenses	790,005
Depreciation	1,344,952
Total Operating Expenses	<u>4,801,882</u>

Operating Loss	<u>(679,832)</u>
----------------	------------------

Loss Before Transfers and Contributions	(679,832)
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Transfers and Contributions	1,669,020
Total Transfers and Contributions	<u>1,669,020</u>

Changes in Net Position	989,188
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Net Position, Beginning of Year	<u>24,954,308</u>
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Net Position, End of Year	<u>\$ 25,943,496</u>
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The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2017

	2017
Cash Flows from Operating Activities	
Receipts from customers and users	\$ 4,092,762
Other receipts	25,282
Payments to suppliers	(2,564,593)
Payments to employees	(950,065)
	603,386
Cash Flows from Non-Capital Financing Activities	
Net interfund borrowings to other funds	(2,542)
	(2,542)
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(1,164,106)
Transfer in	1,669,020
	504,914
Net increase in cash and cash equivalents	1,105,758
Cash and cash equivalents, beginning of year	3,644,822
	3,644,822
Cash and cash equivalents, end of year	\$ 4,750,580
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities	
Operating loss	\$ (679,832)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	1,344,952
Changes in assets and liabilities	
Increase in:	
Accounts receivable	(9,107)
Customer deposits	22,410
Net pension liability	64,042
Decrease in:	
Accounts payable	(136,700)
Deferred inflows and outflows - pension plans	2,973
Accrued payroll expenses	(2,392)
Unearned revenues	(2,960)
	603,386
Net Provided by Operating Activities	\$ 603,386

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

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

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The City reports the following major governmental funds:

- *General Fund* - The General Fund is the general operating fund of the City. It is used to account for and report all financial resources not accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal grants, licenses, permits, charges for service, and interest income. At December 31, 2017, there was a minimum fund balance of \$2,208,121 which consists of approximately two months of expenditures.
- *1982 Sales Tax Fund* - The 1982 Sales Tax Fund is used to account for the proceeds of the 1982 sales tax. The 1% 1982 sales tax was used to retire the 2011 Public Imp. Refunding Bonds. Pursuant to the authority of special election held in the City on November 21, 2015, the tax was extended for an additional 18 years from its current termination until October 31, 2045. The City Council passed a resolution declaring the result of the special election held and to authorize the rededication on March 1, 2016. Proceeds from the 1982 Sales Tax Fund shall be used for any lawful corporate purpose of the City including constructing, improving, extending and maintaining and/or operating: playgrounds and recreational facilities, public roads, streets, bridges and crossings, sewer, garbage disposal, waterworks, public safety operations and facilities and other public improvement and facilities in the City, title to which shall be in the public's name.
- *1957 Sales Tax Fund* - The 1957 Sales Tax Fund was used to account for the receipt and use of proceeds of the City's 1957 1% sales and use tax. This tax was rededicated by the voters on November 6, 2012 for the purpose of any lawful corporate purpose of the City, including, but not limited to, funding into bonds as authorized at the election held on July 21, 2001, constructing, improving, extending and maintaining and/or operating: playgrounds and recreational facilities, public roads, streets, bridges and

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

crossings, sewer, garbage disposal, waterworks, public safety operations and facilities and other public improvement and facilities in the City, title to which shall be in the public's name. The City Council passed a resolution declaring the result of the special election held and to authorize the rededication on December 4, 2012.

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

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

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

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

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

D. BUDGETARY ACCOUNTING

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

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Prior to the last meeting of the current fiscal year, the budget is legally enacted through passage of an ordinance.
4. The Mayor may transfer part or all of any unencumbered appropriation balance among programs within a department, office or agency. Any unencumbered appropriation balance may be transferred from one department, office, or agency to another only upon action of the City Council by ordinance.
5. Formal budgetary integration is employed as a measurement control device during the year for the General Fund, Special Revenue Funds, Enterprise Fund, and the Debt Service Funds.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Debt Service Funds, the Capital Project Funds, and the Permanent Fund. Budgeted amounts are as originally adopted, or as amended by the City Council.
7. Budgets are amended as necessary throughout the year.
8. All unencumbered appropriations, except capital outlay, lapse at year end.

E. ENCUMBRANCES

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

Major Funds	Amount
General Fund	\$ 771,892
1982 Sales Tax Fund	449,416
A3 Sales Tax Fund	730,240
State and Federal Grants Fund	21,441
Total	\$ 1,972,989

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. CASH AND CASH EQUIVALENTS

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

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

G. INVESTMENTS

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

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

H. INTERFUND TRANSACTIONS

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

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. ACCOUNTS RECEIVABLE

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available that would indicate the uncollectibility of the particular receivable. The allowance for doubtful accounts is \$20,926 at December 31, 2017.

At December 31, 2017, the aging of utility receivables is as follows:

Under 30 days	\$ 495,542
Over 31 under 60 days	1,926
Over 61 under 90 days	885
Over 91 days	25,471
Less Allowance	(20,926)
<u>Total</u>	<u>\$ 502,868</u>

J. CAPITAL ASSETS

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

Capital outlays are recorded as expenditures of the General and Capital Projects Funds and as assets in the government-wide and proprietary fund financial statements, to the extent that the City's capitalization threshold is met. In accordance with GASB Codification, the City has elected to not capitalize infrastructure retroactively. Interest incurred during construction will be capitalized on a government-wide basis. Interest attributable to capitalized assets as of December 31, 2017 was immaterial to the financial statements. Depreciation is recorded on capital assets on a government-wide basis. Capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

K. COMPENSATED ABSENCES

City employees are not allowed to carry over vacation time but are allowed to carry over sick time up to a maximum of 720 hours. Civil service employees of the City are allowed to accrue vacation up to a maximum of 500 hours. Sick time accrual is unlimited; however, only 500 hours of sick time is paid out to civil service employees if they retire or pass away while still employed. At termination, employees are paid for any accumulated annual leave. The amount of accumulated annual leave payable in the government-wide financial statements at December 31, 2017 is \$671,597.

L. LONG-TERM DEBT

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

M. AD VALOREM TAXES

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Total property tax revenue for the year ended December 31, 2017, was \$2,852,243 and is recorded in the funds as follows:

General Fund	\$ 2,318,442
Debt Service Fund	533,821
<hr/>	
Total	\$ 2,852,243
<hr/>	

N. NET POSITION CLASSIFICATIONS

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

- a. Net investment in capital assets - The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflow of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
- b. Restricted net position - consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation. Restricted for other purposes on the Statement of Net Position consist of grant related cash and workers compensation investments.
- c. Unrestricted net position - all other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. FUND BALANCE

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

1. Nonspendable - This component includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
2. Restricted – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
3. Committed - This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority which include the ordinances of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action ordinance it employed previously to commit those amounts.
4. Assigned - This component consists of amounts that are constrained by the City Council’s intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Mayor or the Council’s designee established in the City’s Fund Balance Policy.
5. Unassigned – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. When both restricted and unrestricted resources are available for use, it is the City Council’s policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City Council’s policy to use committed resources first, then assigned, and then unassigned as they are needed.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. ACCOUNTING ESTIMATES

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

Q. NEW FINANCIAL ACCOUNTING STANDARDS

The following Accounting Standards Updates (ASUs) recently issued and adopted by the GASB impacted the City's financial statements:

Future GASB Pronouncement Implementations

The Governmental Accounting Standards Board (GASB) has issued statements that will become effective in 2018. The statements address the following:

- Leases;
- OPEB accounting and financial reporting by employers;
- Various practice issues (Omnibus); and
- Certain debt extinguishment issues.

The Board is currently evaluating the effects that these statements will have on its fiscal year 2018 financial statements.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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

S. PENSIONS

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

NOTE 2– STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deposits and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The City was in compliance with the deposit and investment laws and regulations as of December 31, 2017.

Compliance with Debt Covenants

As of December 31, 2017, the City was in compliance with all debt covenants.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 3 - CASH AND CASH EQUIVALENTS

The City's deposits are categorized as follows at December 31, 2017:

	Carrying Amount	Bank Balance
Demand deposits	\$14,359,682	\$14,444,995
Certificates of deposit	302,455	302,455
	\$14,662,137	\$14,747,450

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. As of December 31, 2017, the City's bank balance was not exposed to custodial credit risk. \$559,721 of deposits were secured by federal deposit insurance coverage, while the remaining \$14,187,729 of deposits were secured by the pledge of securities owned by the fiscal agent bank.

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

NOTE 4 – CASH EQUIVALENTS - LAMP

Cash equivalents – LAMP of \$4,065,199, which are stated at fair value using published market quotes for those securities (Level 1 inputs) at December 31, 2017, 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.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 4 – INVESTMENTS (CONTINUED)

- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate 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. The WAM for LAMP's total investments is 1.23% as of December 31, 2017.
- Foreign currency risk: Not applicable to local government pools.

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

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

NOTE 5 – RETIREMENT PLANS

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 5 – 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 (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. Plan B members may retire 1) at any age with 30 years of creditable service, or 2) at age 60 with at least 10 years of creditable service. For Plan A and B members hired after January 1, 2013, the employee may retire 1) at age 67 with at least 7 years of creditable service, 2) at age 62 with at least 10 years of creditable service, 3) at age 55 with 30 or more years of creditable services, or 4) at any age with 25 years of creditable service, exclusive of military service and unused sick leave. Both plans also have criteria for disability and survivor benefits.

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 5 – RETIREMENT PLANS (CONTINUED)

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

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

The Firefighters' System

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

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

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 5 – RETIREMENT PLANS (CONTINUED)

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

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

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.

Disability Benefits (Continued)

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 5 – RETIREMENT PLANS (CONTINUED)

Survivor Benefits

The Municipal System

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

The Police System

Upon the death of the active contributing member, or disability retiree, the plan provides for benefits for the surviving spouse and minor children. Prior to January 1, 2013, under certain conditions outlined in the 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.

Deferred Retirement Option Plan benefits (DROP)

The Municipal System

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 5 – RETIREMENT PLANS (CONTINUED)

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.

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 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.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 5 – RETIREMENT PLANS (CONTINUED)

The Police System

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

Cost of Living Adjustments

The Municipal System

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

The Police System

The board of trustees is authorized to provide annual cost-of-living adjustments (COLA) computed on the amount of the current regular retirement, disability, beneficiary, or survivor's benefit, not to 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, 2017. The contributions are deducted from the member's salary and remitted by the Parish.

According to state statute, employer contributions are actuarially determined each year. For the years ending/ended June 30, 2018 and 2017, the actuarially determined contribution rates were 25.88% and 24.64%, respectively, of member's compensation for Plan A and 14.00% and 13.06%, respectively, of member's compensation for Plan B. However, for the year ended June 30, 2017, employer contributions were 22.75% for Plan A and 11.00% for Plan B of covered payroll. The actual rates differ from the actuarially required rate due to state statutes that require the contribution

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 5 – RETIREMENT PLANS (CONTINUED)

rate be calculated and set two years prior to the year effective. Contributions to the pension plan from the City were \$717,787 for the year ended December 31, 2017.

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, 2017.

The Police System

Contributions for all members are actuarially determined as required by state statutes but cannot be less than 9.0% of the employee's earnable compensation excluding overtime but including state supplemental pay for the year ended June 30, 2017. The contributions are deducted from the member's salary and remitted by the City.

According to state statute, employer contributions are actuarially determined each year. For the years ending/ended June 30, 2018 and 2017, the actuarially determined contribution rates were 32.22% and 31.14%, respectively, of member's compensation. However, for the year ended June 30, 2017, the total actual employer and employee contribution rate was 41.75%. For employees hired prior to January 1, 2013 and for Hazardous Duty members hired after January 1, 2013, the rates were 31.75% for the employer and 10.00% for the employee. For all Non-Hazardous Duty members hired subsequent to January 1, 2013, the rates were 33.75% for the employer and 8.0% for the employee. The employer and employee contribution rates for all members whose earnable compensation is less than or equal to the poverty guidelines issued by the United States Department of Health and Human Services were 32.0% and 7.5%, respectively, for the year ended June 30, 2017. 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 \$526,234 for the year ended December 31, 2017.

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, 2017, and were excluded from pension expense.

The Firefighters' System

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 5 – RETIREMENT PLANS (CONTINUED)

According to state statute, employer contributions are actuarially determined each year. For the years ending/ended June 30, 2018 and 2017, the actuarially determined contribution rates were 28.67% and 27.09%, respectively, of member’s compensation. However, for the years ending/ended June 30, 2018 and 2017, employer contributions were 26.50% and 25.25%, respectively, of covered payroll above poverty and 28.50% and 27.25%, respectively, of covered payroll below poverty, respectively. The actual rates differ from the actuarially required rate due to state statutes that require the contribution rate be calculated and set two years prior to the year effective. Contributions to the pension plan from the City were \$270,250 for the year ended December 31, 2017.

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, 2017, and were excluded from pension expense.

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

At December 31, 2017, the City reported a combined liability of \$14,543,293 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 \$7,049,195, \$5,050,978 and \$2,443,120, respectively. The NPL for each system was measured as of June 30, 2017, 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, 2017, 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	1.68503%	0.57855%	0.42624%
Increase (decrease) from prior year	0.08258%	0.01793%	(0.00699%)

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 5 – RETIREMENT PLANS (CONTINUED)

For the year ended December 31, 2017, the City recognized a total pension expense of \$960,950, with \$555,720 related to the Municipal System, \$258,731 related to the Police System, and \$146,499 related to the Firefighter System. These amounts are made up of the following:

Components of Pension Expense (Benefit)	The Municipal System	The Police System	The Firefighters' System
City's pension expenses per the pension plan	\$ 1,252,688	\$ 795,280	\$ 410,700
City's amortization of actual contributions over its proportionate share of contributions.	(696,968)	(536,549)	(264,201)
Total Pension Expense (Benefit) Recognized by City	\$ 555,720	\$ 258,731	\$ 146,499

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	\$ -	\$ 214,689
Net difference between projected and actual earnings on pension plan investments	1,421,483	-
Changes in assumptions	117,869	-
Differences between the City's contributions and its proportionate share of contributions	173,024	49,434
The City's contributions subsequent to the measurement date	367,423	-
Total	\$ 2,079,799	\$ 264,123
The Police System		
Differences between expected and actual experience	\$ 33,074	\$ 38,823
Net difference between projected and actual earnings on pension plan investments	221,113	-
Changes in assumptions	359,405	-
Differences between the City's contributions and its proportionate share of contributions	177,530	29,350
The City's contributions subsequent to the measurement date	253,695	-
Total	\$ 1,044,817	\$ 68,173

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 5 – RETIREMENT PLANS (CONTINUED)

The Firefighters’ System

Differences between expected and actual experience	\$	-	\$	136,246
Net difference between projected and actual earnings on pension plan investments		210,179		-
Changes in assumptions		102,184		583
Differences between the City’s contributions and its proportionate share of contributions		103,172		197,094
The City’s contributions subsequent to the measurement date		143,327		-
Total	\$	558,862	\$	333,922
Total for all Retirement Systems	\$	3,683,478	\$	666,218

Deferred outflows of resources related to pensions resulting from the City’s contributions subsequent to the measurement date (June 30, 2017) totaled \$764,445 (\$367,423 for the Municipal System, \$253,695 for the Police System, and \$143,327 for the Firefighters’ System). These amounts will be recognized as a reduction of the NPL in the year ending December 31, 2018.

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 Year Ending December 31,	Amount of Amortization		
	The Municipal System	The Police System	The Firefighters’ System
2018	\$ 428,679	\$ 307,753	\$ 75,145
2019	647,405	319,312	117,232
2020	308,422	214,397	23,982
2021	63,747	(118,513)	(117,005)
2022	-	-	(20,327)
2023	-	-	2,586

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 5 – RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

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

The Municipal System

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal cost
Expected remaining service lives	3 years
Investment rate of return	7.4% net of investment expense
Inflation rate	2.775% per annum
Salary increases	5.0% per annum
Cost of Living adjustments	Only those previously granted

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5% an adjustment for the effect of rebalancing/diversification. The resulting expected long term rate of return was 7.2% as of June 30, 2017.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 5 – RETIREMENT PLANS (CONTINUED)

Best estimates of real rates of return for each major asset class included in the Municipal System's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Public equity	50%	2.3%
Public fixed income	35%	1.6%
Alternatives	15%	0.7%
Totals	100%	4.6%
Inflation		2.6%
Expected Arithmetic Nominal Return		7.2%

The Police System

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal cost
Expected remaining service lives	4 years
Investment rate of return	7.325% net of investment expense
Inflation rate	2.70% 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 (CONTINUED)
December 31, 2017

NOTE 5 – RETIREMENT PLANS (CONTINUED)

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long term expected nominal rate of return was 8.19% as of June 30, 2017.

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, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	53%	3.66%
Fixed income	21%	0.52%
Alternatives	20%	1.10%
Other	6%	0.16%
Totals	100%	5.44%
Inflation		2.75%
Expected Arithmetic Nominal Return		8.19%

The Firefighter's System

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal cost
Expected remaining service lives	7 years
Investment rate of return	7.40% net of investment expense
Inflation rate	2.775% per annum
Salary increases	Vary from 15.0% in the first two years of service to 4.75% after 25 years
Cost of Living adjustments	Only those previously granted

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 5 – RETIREMENT PLANS (CONTINUED)

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

The estimated long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long term expected nominal rate of return was 7.82% as of June 30, 2017.

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, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed income	23%	2.04%
Equity	57%	6.82%
Alternatives	10%	6.68%
Other	10%	4.60%
Totals	100%	5.04%
Inflation		2.78%
Expected Arithmetic Nominal Return		7.82%

Discount Rate

The discount rate used to measure the total pension liability for the Firefighters' System and Municipal System was 7.4% and the Policy System was 7.325%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of each of the system's actuary. Based on those assumptions, each of the system's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 5 – RETIREMENT PLANS (CONTINUED)

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

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

	1.0% Decrease	Current Discount Rate	1.0% Increase
<u>The Municipal System</u>			
Discount rate	6.4%	7.4%	8.4%
City’s proportionate share of the net pension liability	\$ 8,983,018	\$ 7,049,195	\$ 5,399,697
<u>The Police System</u>			
Discount rate	6.325%	7.325%	8.325%
City’s proportionate share of the net pension liability	\$ 6,978,412	\$ 5,050,978	\$ 3,433,998
<u>The Firefighters’ System</u>			
Discount rate	6.4%	7.4%	8.4%
City’s proportionate share of the net pension liability	\$ 3,510,670	\$ 2,443,120	\$ 1,545,692

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, 2017, the City recognized revenue as a result of support received from non-employer contributing entities of \$322,044. The Municipal System, Police System, and Firefighters’ System received \$103,715, \$110,446, and \$107,883, respectively, for their participation in the City’s Pension and Relief Fund.

Pension Plan Fiduciary Net Position

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 5 – RETIREMENT PLANS (CONTINUED)

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

Payables to the Pension Plan

At December 31, 2017, the City did not have any payables to the pension plans.

NOTE 6 – RESTRICTED ASSETS

General Obligation Bond Restricted Assets (Debt Service)

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

Garden of Pines (Perpetual Care)

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 7 – INTERFUND TRANSFERS

Transfers between funds consist primarily of sales tax revenues transferred out of the 1957 and 1982 Sales Tax Funds to the particular funds for which, the sales tax revenue is to be used and transfers between the governmental funds and business type activities for capital outlay expenditures:

	Transfers In	Transfers Out
Governmental Activities:		
General Fund	\$ 11,696,505	\$ 1,424,600
1957 Sales Tax Fund	-	4,537,626
A3 Sales Tax Fund	-	1,326,344
1982 Sales Tax Fund	-	6,375,384
State and Federal Grants Fund	30,369	65,199
Special Revenue Fund:		
Drug Forfeiture	17,250	-
Debt Service Fund:		
Sales Tax Bond Debt Service Fund	316,009	-
	<u>12,060,133</u>	<u>13,729,153</u>
Business-Type Activities:		
Utility Fund	1,669,020	-
	<u>\$ 13,729,153</u>	<u>\$ 13,729,153</u>

NOTE 8 – DUE TO/FROM OTHER FUNDS

Due to/from other funds

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

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

Individual fund balances due from/to other funds at December 31, 2017, are as follows:

	Interfund Receivables	Interfund Payables
Governmental Activities		
General Fund	\$ 19,279	\$ 85,538
State and Federal Grants	49,090	49,090
A3 Sales Tax Fund	-	2,652
Debt Service Fund:		
General Obligation Debt Service Fund	-	1,400
	68,369	138,680
Business-Type Activities		
Utility Fund	70,311	-
Total	\$ 138,680	\$ 138,680

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

NOTE 9 – EQUITY IN POOLED CASH

To the extent possible, cash is pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose funds are deposited in the pooled cash accounts has equity therein. Pooled cash at December 31, 2017 is as follows:

	Equity in Pooled Cash
Governmental Activities	
General Fund	\$ (7,879,377)
A3 Sales Tax	2,484,164
1957 Sales Tax	(176,843)
1982 sales Tax	1,060,801
Capital Projects:	
Water Capacity	25,122
Waste Water Capacity	126,722
State and Federal Grants	(430,322)
Drug Forfeiture	24,951
Tree Mitigation Fund	14,602
	(4,750,180)
Business-Type Activities	
Utility Fund	4,750,180
Total	\$ -

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 10 – INTERNAL BALANCES

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

	2017
Governmental Activities	
Due from other funds	\$ 68,369
Due to other funds	(138,680)
Deficit in pooled cash	(4,750,180)
	(4,820,491)
Business-Type Activities	
Due from other funds	70,311
Equity in pooled cash	4,750,180
	4,820,491
Total	\$ -

NOTE 11 – DEFERRED INFLOWS OF RESOURCES

At December 31, 2017, the City has unearned revenues as follows:

Governmental Activities	
Business licenses and other unearned revenues	\$ 12,402
Federal grant	11,623
Total Governmental Funds	24,025
Disaster Grant recognized as revenue on the government-wide in 2012	(11,623)
Total Government-Wide	\$ 12,402

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 12 - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2017:

Governmental Activities	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017
Capital Assets Not Depreciated:				
Land	\$ 782,452	\$ -	\$ -	\$ 782,452
Construction in Progress	3,185,227	1,543,400	(2,873,148)	1,855,479
Total Capital Assets Not Depreciated	3,967,679	1,543,400	(2,873,148)	2,637,931
Capital Assets Being Depreciated:				
Building	8,846,564	138,050	-	8,984,614
Improvements	5,719,789	559,918	-	6,279,707
Vehicles	3,532,579	397,624	(161,882)	3,768,321
Tools and Equipment	3,662,664	112,906	(14,999)	3,720,571
Infrastructure	16,769,772	3,805,692	-	19,855,414
Total Capital Assets Being Depreciated	38,491,318	4,294,190	(176,881)	42,608,627
Less Accumulated Depreciation:				
Building	(2,776,522)	(174,893)	-	(2,951,415)
Improvements	(2,495,200)	(233,898)	-	(2,729,098)
Vehicles	(2,666,832)	(292,538)	161,882	(2,797,488)
Tools and Equipment	(2,743,995)	(223,154)	14,999	(2,952,150)
Infrastructure	(4,257,030)	(1,175,665)	-	(5,432,695)
Total Accumulated Depreciation	(14,939,579)	(2,100,148)	176,881	(16,862,846)
Total Capital Assets being Depreciated, Net	23,551,739	2,194,042	-	25,745,781
Total Capital Assets	\$ 27,519,418	\$ 3,737,442	\$ (2,873,148)	\$ 28,383,712

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 12 - CAPITAL ASSETS (CONTINUED)

As of December 31, 2017, Construction in Progress consists of the following:

Governmental Activities			
Project	Expended as of 12/31/2017	Amount Authorized	Committed Financing
Public Works Maintenance Barn	\$ 4,810	\$ 4,810	\$ -
Bulkhead BF Park Shoreline Protection	39,812	500,000	460,188
Old Theard Fire Station Renovation	39,373	57,000	17,627
Bogue Falaya Park Generator	3,248	4,173	925
Covington Community Trail	82,632	119,751	37,119
River Forest Paving & Drainage- Lurline	217,533	419,795	202,262
Willow Dr. River Forest-Phase I	46,180	75,000	28,820
Downtown Striping & Signage	68,204	77,813	9,608
2016 Roadway Improvements	1,188,189	1,240,800	52,611
W. 29th Ave. Bridge	23,250	302,000	278,750
W. 15th Bridge-Simpson Creek	21,425	35,000	13,575
River Forest-Willow Drive Phase II	1,950	147,000	145,050
Cleveland St. Bridge	46,845	418,200	371,355
Seeling Drive Improvements	3,950	46,000	42,050
City Drainage Study	5,250	30,000	24,750
Rutland Street Drainage	20,855	48,556	27,701
2016 Sidewalks	41,972	250,000	208,028
Total Construction in Progress	\$ 1,855,479	\$ 3,775,898	\$ 1,920,418

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 12 - CAPITAL ASSETS (CONTINUED)

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended December 31, 2017:

Business Activities	Balance 12/31/2016	Increases	Decreases	Balance 12/31/2017
Capital Assets Not Depreciated				
Construction in Progress	\$ 2,108,302	\$ 740,382	\$ (1,852,380)	\$ 996,304
Capital Assets Being Depreciated				
Sewer Plant and Lines	27,540,450	1,995,565	-	29,536,015
Water Wells, Tanks, and Lines	9,458,385	280,541	-	9,738,926
Total Capital Assets Being Depreciated	36,998,835	1,995,565	-	39,274,941
Less Accumulated Depreciation:				
Sewer Plant and Lines	(11,520,883)	(988,723)	-	(12,50,606)
Water Wells, Tanks, and Lines	(4,715,590)	(356,229)	-	(5,071,819)
Total Accumulated Depreciation	(16,236,473)	(1,344,952)	-	(17,581,425)
Total Capital Assets Being Depreciated, Net	20,762,362	650,153	-	21,693,516
Total Capital Assets	\$ 22,870,664	\$ 1,390,535	\$ (1,852,380)	\$ 22,689,820

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 12 - CAPITAL ASSETS (CONTINUED)

As of December 31, 2017, Construction in Progress consists of the following:

Business-Type Activities			
Project	Expended As of 12/31/2017	Amount Authorized	Committed Financing
E. 1st Ave. L/S Improvements	\$ 283,028	\$ 300,000	\$ 16,972
WWTP Capital Plan Task 1 & Task 2	156,739	159,114	2,375
E. 9th Avenue L/S Improvements	47,095	404,600	357,505
Water Distribution System			
Improvements	40,000	40,000	-
WWTP Improvements	100,894	128,500	27,606
Sewer System Improvements	146,377	150,000	3,623
St. Paul'S Well Rehabilitation	1,725	175,000	173,275
Covington High L/S #18	21,420	28,000	6,580
River Forest & 16th Ave. Water Well	8,417	225,000	216,584
Sanitary Sewer System Evaluation	97,495	111,313	13,818
Waste Water Treatment Rehabilitation	28,584	103,000	74,416
Claiborne Hill Booster Pump Station	11,350	95,000	83,650
Old Landing L/S	53,180	53,180	-
Total Construction in Progress	\$ 996,304	\$ 1,972,707	\$ 976,403

For the year ended December 31, 2017, depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities	
General Government	\$ 307,159
Public Safety – Police	205,001
Public Safety – Fire	114,729
Public Works	1,239,391
Culture and Recreation	234,915
Total – governmental activities:	\$ 2,100,148
Business-type activities	
Sewer department	\$ 988,723
Water department	356,229
Total – business-type activities:	\$ 1,344,952

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 13 – CLAIMS AND JUDGEMENTS

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

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

The schedule of payments is as follows:

	Payment Dates	Annual Principal Payments
Liability as a result of settlement of the lawsuit Brown vs. City of Covington payable in annual installments of \$30,000 for ten years beginning on February 26, 2009	2/26/2018	\$ 30,000
Total Liability		\$ 30,000

NOTE 14 – LONG TERM LIABILITIES

The following is a summary of long-term liability transactions and total long-term liabilities of the City for the year ended December 31, 2017:

	Balance at 12/31/2016	Additions	Retirements	Balance at 12/31/2017	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 4,637,000	\$ -	\$ (408,000)	\$ 4,229,000	\$ 432,000
Sales tax revenue bonds	1,520,000	-	(285,000)	1,235,000	290,000
Net OPEB obligation	3,834,910	387,722	-	4,222,632	-
Net pension liability	12,343,200	209,509	-	12,552,709	-
Compensated absences	646,333	25,264	-	671,597	427,084
Litigation settlements	60,000	-	(30,000)	30,000	30,000
Total governmental	23,041,443	622,495	(723,000)	22,940,938	1,179,084
Business-Type Activities:					
Net pension liability	2,313,091	-	(322,507)	1,990,584	-
Total business-type	2,313,091	-	(322,507)	1,990,584	-
Total long term liabilities	\$ 23,354,534	\$ 622,495	\$ (1,045,507)	\$ 24,931,522	\$ 1,179,084

Long-term liabilities other than debt are normally liquidated by all governmental funds.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 14 – LONG TERM LIABILITIES (CONTINUED)

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

Governmental Activities:	Date of Issuance	Authorized & Issued	Interest Rate %	Maturity Date	Principal Outstanding
General obligation bonds					
Series 2011 – Refunding	9/20/2011	\$ 777,000	2.09	9/1/2021	\$ 379,000
Series 2016 – Refunding	8/2/2016	3,890,000	1.69	3/1/2027	3,850,000
Series 2011 – Sales tax refunding	11/2/2011	2,775,000	2.09	11/1/2021	1,235,000
Total					\$ 5,464,000

Total future principal payments are as follows:

Maturity	General Obligation Bonds	Sales Tax Revenue Bonds	Total
2018	\$ 432,000	\$ 290,000	\$ 722,000
2019	441,000	305,000	746,000
2020	459,000	315,000	774,000
2021	472,000	325,000	797,000
2022	380,000	-	380,000
Thereafter	2,042,000	-	2,045,000
	\$ 4,229,000	\$ 1,235,000	\$ 5,464,000

Plus amounts representing interest:

2018	\$ 69,162	\$ 25,811	\$ 94,973
2019	61,429	19,751	81,180
2020	53,444	13,376	66,820
2021	45,175	6,793	51,968
2022	37,772	-	37,772
Thereafter	88,260	-	88,260
	355,241	65,730	420,971
	\$ 4,584,241	\$ 1,300,730	\$ 5,884,971

As of December 31, 2017, there is 1,009,839 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, 2017, the City had not exceeded this statutory limit.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 14 – LONG TERM LIABILITIES (CONTINUED)

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

Defeasance of Debts

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

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

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

At December 31, 2017, the outstanding balances of \$380,000 and \$3,755,000 of the General Obligation Refunding Bonds, Series 2011 and the General Obligation Refunding Bonds, Series 2016, respectively, in the general fund are considered defeased.

NOTE 15 – FHA REVOLVING LOAN FUND

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 15 – FHA REVOLVING LOAN FUND (CONTINUED)

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

Cash Balance – December 31, 2016	\$ 214,303
Deletions	
New loans issued	-
Additions	
Principal Payments on Notes	7,515
Interest Payments on Notes	1,520
Interest on Cash Account	111
<hr/> Cash Balance – December 31, 2017	<hr/> \$ 223,449 <hr/>
 Notes Receivable Balance – December 31, 2017	 \$ 26,613 <hr/>

NOTE 16 - OPERATING LEASE

The City leases copier equipment for a period of 36 to 60 months. The City also leases a storage facility for the Police Department and leases a right of way from Cleco. Future minimum lease payments due under these leases are as follows:

Year ending December 31,	Amount
2018	\$ 14,021
2019	12,600
2020	6,825
	<hr/> \$ 33,446 <hr/>

Total payments charged to copier lease expense for the year ended December 31, 2017 were \$11,634.

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

NOTE 17 - RISK MANAGEMENT

The City has contracted with a commercial insurance company to provide liability coverage for general acts, law enforcement, and public officials' errors and omissions. The policy requires the City to pay for claims and costs up to \$25,000 with maximum aggregate payments limited to \$200,000. At December 31, 2017, other than those disclosed in Note 13, no significant claims were owed and no liability has been recorded.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 18- OTHER POST-EMPLOYMENT BENEFITS

Post-employment benefits

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

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.

Contribution Rates – Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

Fund Policy – Until 2009, the City of Covington recognized the cost of providing post-employment medical benefits (the City of Covington’s portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2017, 2016, and 2015, the City of Covington’s portion of health care funding cost for retired employees totaled \$146,624, \$164,953, and \$152,734, respectively.

Annual Required Contribution – The City of Covington’s Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB Codification Section P50. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB Codification Section P50) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Normal cost	\$ 296,895	\$ 301,034	\$ 289,459
30-year UAL amortization amount	306,123	314,128	302,046
Annual required contribution (ARC)	<u>\$ 603,018</u>	<u>\$ 615,162</u>	<u>\$ 591,502</u>

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 18- OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Net Post-employment Benefit Obligation (Asset) – The table below shows the City of Covington’s Net Other Post-employment Benefit (OPEB) Obligation for fiscal years ending December 31:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Beginning Net OPEB Obligation	\$ 3,834,910	\$ 3,446,146	\$ 3,061,973
Annual required contribution	603,018	615,162	591,502
Interest on Net OPEB Obligation	153,396	137,846	122,479
ARC Adjustment	<u>(221,773)</u>	<u>(199,291)</u>	<u>(177,074)</u>
OPEB Cost	534,641	553,717	536,907
Contribution to Irrevocable Trust	-	-	-
Current year retiree premium	<u>(146,624)</u>	<u>(164,953)</u>	<u>(152,734)</u>
Change in Net OPEB Obligation	<u>388,017</u>	<u>388,764</u>	<u>384,173</u>
Ending Net OPEB Obligation	<u>\$ 4,222,927</u>	<u>\$ 3,834,910</u>	<u>\$ 3,446,146</u>

The following table shows the City of Covington’s annual other post employment benefits (OPEB) cost, percentage of the cost contributed, and the net other post employment benefits (OPEB) liability:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net OPEB Liability (Asset)</u>
December 31, 2017	\$ 534,641	27.42%	\$ 4,222,927
December 31, 2016	\$ 553,717	29.79%	\$ 3,834,910
December 31, 2015	\$536,907	28.4%	\$ 3,446,146

Funded Status and Funding Progress – In 2017, 2016, and 2015, the City of Covington made no contributions to its post employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2017 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year December 31, 2017 was \$5,505,218 which is defined as that portion, as determined by a particular actuarial cost method (the City of Covington uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial Accrued Liability (AAL)	\$ 5,505,218	\$ 5,649,102	\$ 5,431,933
Actuarial Value of Plan Assets (AVP)	-	-	-
Unfunded Act. Accrued Liability (UAAL)	<u>\$ 5,505,218</u>	<u>\$ 5,649,102</u>	<u>\$ 5,431,933</u>
Funded Ratio (AVP/AAL)	0.00%	0.00%	0.00%
Covered Payroll (active plan members)	\$ 5,620,942	\$ 6,472,102	\$5,688,893
UAAL as a percentage of covered payroll	97.94%	87.28%	95.48%

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 18- OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions – Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City of Covington and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City of Covington and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City of Covington and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

Actuarial Cost Method – The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover.

Actuarial Value of Plan Assets – There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Codification Section P50.

Turnover Rate – An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 10.3%.

Post employment Benefit Plan Eligibility Requirements – Based on past experience, it has been assumed that entitlement to benefits will commence six years after retirement eligibility (D.R.O.P. entry), as described above under "Plan Description". The six years represents a three year delay plus the three years in D.R.O.P. Medical benefits are provided to employees upon actual retirement.

Investment Return Assumption (Discount Rate) – GASB Codification Section P50 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

Health Care Cost Trend Rate – The expected rate of increase in medical cost is based on a flat schedule of 5.5% annually.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 18- OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Mortality Rate - The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is a recently published mortality table which has been used in determining the value of accrued benefits in defined benefit pension plans. Projected future mortality improvement has not been used since it is our opinion that this table contains sufficiently conservative margin for the population involved in this valuation.

Method of Determining Value of Benefits - The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The rates provided which are effective before Medicare eligibility are "blended" rates. Since GASB 45 mandates that "unblended" rates be used, we have estimated the total "unblended" rates for retired before Medicare eligibility to be 130% of the blended rate. The rates after Medicare eligibility were unblended and used as is. The employer pays 75% of the blended single rate (not for dependents) after retirement and before Medicare eligibility and the retiree pays the difference between the total blended rate and the employer contribution. Thus, the unblended employer rate used in the valuation is the difference between the foregoing estimated "unblended" rate and the retiree contribution.

Inflation Rate - Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

Projected Salary Increases - This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

Post-retirement Benefit Increases - The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 18- OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Below is a summary of OPEB cost and contributions for the last three fiscal calendar years.

OPEB Costs and Contributions			
	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
OPEB Cost	\$ 534,641	553,717	\$ 536,907
Contribution	0	0	0
Retiree premium	146,624	164,953	152,734
Total contribution and premium	<u>146,624</u>	<u>164,953</u>	<u>152,734</u>
Change in net OPEB obligation	\$ <u>388,017</u>	<u>388,764</u>	\$ <u>384,173</u>
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	27.42%	29.79%	28.45%

NOTE 19 – TAX ABATEMENT

St. Tammany Parish (the Parish) negotiates property tax abatement agreements on the City’s behalf on an individual basis. Each agreement was negotiated for a variety of economic development purposes, including business relocation, retention, and expansion. The City has tax abatement agreements with two entities as of December 31, 2017:

- A manufacturing company, through an agreement negotiated with the Industrial Tax Exemption program, has property assessed at \$687,672 with exempt taxes of \$6,672. The Industrial Tax Exemption program may be granted to manufacturers located within the Parish. The Industrial Tax Exemption 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.

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 (CONTINUED)
December 31, 2017

NOTE 19 – TAX ABATEMENT (CONTINUED)

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

NOTE 20 – SUBSEQUENT EVENTS

Subsequent events and transactions have been evaluated for potential recognition or disclosure through June 28, 2018, the date the financial statements were available to be issued, and determined that no events occurred that required disclosure.

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**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2017	\$ -	\$ 5,505,218	\$ 5,505,218	0%	\$ 5,620,942	98%
1/1/2014	-	5,431,933	5,431,933	0%	6,115,807	89%
1/1/2011	-	5,114,676	5,114,676	0%	5,469,476	94%

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES				
TAXES				
Property taxes	\$ 2,233,694	\$ 2,233,694	\$ 2,318,422	\$ 84,728
Franchise taxes	768,000	768,000	763,357	(4,643)
Total Taxes	<u>3,001,694</u>	<u>3,001,694</u>	<u>3,081,779</u>	<u>80,085</u>
LICENSES AND PERMITS				
Insurance	660,000	660,000	637,911	(22,089)
Occupational	430,000	430,000	447,639	17,639
Building	150,000	150,000	214,183	64,183
Liquor and beer	17,000	17,000	21,180	4,180
Filming	2,500	2,500	-	(2,500)
Total Licenses and Permits	<u>1,259,500</u>	<u>1,259,500</u>	<u>1,320,913</u>	<u>61,413</u>
OTHER REVENUES				
Other revenues	5,000	5,000	33,982	28,982
LWCC	100,000	100,000	138,963	38,963
Donations	16,000	16,000	16,775	775
Accident reports	6,000	6,000	6,906	906
Rent income	38,600	38,600	16,213	(22,387)
Cemetery plot sale	2,000	2,000	1,150	(850)
Event Ticket Sales	25,000	25,000	25,177	177
Code Enforcement Liens	5,000	5,000	12,045	7,045
Total Other Revenues	<u>197,600</u>	<u>197,600</u>	<u>251,211</u>	<u>53,611</u>
FINES AND FORFEITURES				
Court fines	72,000	72,000	44,348	(27,652)
DWI fines	1,000	1,000	350	(650)
City court fee	14,000	14,000	10,458	(3,542)
Code enforcement fines	-	-	250	250
Total Fines and Forfeitures	<u>87,000</u>	<u>87,000</u>	<u>55,406</u>	<u>(31,594)</u>
CHARGES FOR SERVICES				
Greater Covington center rentals	75,000	75,000	72,540	(2,460)
Greater Covington center leases	5,000	5,000	4,800	(200)
Basketball registration	2,500	2,500	2,000	(500)
Baseball registration	3,500	3,500	4,515	1,015
Football registration	4,000	4,000	2,650	(1,350)
Zoning revenue	15,000	15,000	12,457	(2,543)
Park rental	6,000	6,000	9,550	3,550
Total Charges for Services	<u>111,000</u>	<u>111,000</u>	<u>108,512</u>	<u>(2,488)</u>

(Continued)

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
INTERGOVERNMENTAL REVENUES				
911 revenue	\$ 40,300	\$ 40,300	\$ 40,245	\$ (55)
Task Force	7,000	7,000	-	(7,000)
Fire insurance premium tax	38,000	38,000	41,060	3,060
School resource officer	91,100	91,100	91,084	(16)
District court witness fees	3,000	3,000	1,550	(1,450)
Beer tax	35,000	35,000	35,264	264
District 12 dispatch	25,000	25,000	21,720	(3,280)
Crossing guard	18,000	18,000	12,229	(5,771)
Total Intergovernmental Revenues	<u>257,400</u>	<u>257,400</u>	<u>243,152</u>	<u>(14,248)</u>
INTEREST AND PENALTIES				
Interest on CDs	12,000	12,000	19,792	7,792
Interest on LAMP	18,000	18,000	39,104	21,104
Interest on ad valorem taxes	13,500	13,500	8,067	(5,433)
Penalties	9,000	9,000	16,789	7,789
Interest on FHA loans	1,500	1,500	1,520	20
Total Interest and Penalties	<u>54,000</u>	<u>54,000</u>	<u>85,272</u>	<u>31,272</u>
TOTAL REVENUES	<u>4,968,194</u>	<u>4,968,194</u>	<u>5,146,245</u>	<u>178,051</u>
EXPENDITURES				
GENERAL GOVERNMENT				
ADMINISTRATION - COUNCIL				
Salaries	115,300	115,300	114,544	756
Payroll related benefits and taxes	73,055	73,055	70,116	2,939
Advertising	10,000	10,000	10,765	(765)
Contract services	16,000	16,000	9,910	6,090
Dues and subscription	1,000	1,000	984	16
Meetings, trainings and conventions	13,000	13,000	6,348	6,652
Office supplies general & uniforms	11,300	8,500	1,803	6,697
Small office furnishings & equipment	1,500	1,500	353	1,147
Repairs and maintenance	-	800	302	498
Operating lease	-	2,000	1,534	466
Total Administration Council	<u>241,155</u>	<u>241,155</u>	<u>216,659</u>	<u>24,496</u>

(Continued)

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
GENERAL GOVERNMENT				
ADMINISTRATION - MAYOR				
Salaries	\$ 87,150	\$ 87,150	\$ 87,234	\$ (84)
Payroll related benefits and taxes	19,726	19,726	20,224	(498)
Meetings and conventions	3,600	6,100	4,912	1,188
Vehicle allowance	9,000	9,000	9,000	-
Small office furnishings and equipment	1,000	2,711	2,711	-
Office supplies	16,000	16,000	3,765	12,235
Cell phone	1,100	1,100	1,056	44
Total Administration Mayor	<u>137,576</u>	<u>141,787</u>	<u>128,902</u>	<u>12,885</u>
GENERAL GOVERNMENT				
ADMINISTRATION - LEGAL				
Professional services	139,300	139,300	122,429	16,871
Total Legal	<u>139,300</u>	<u>139,300</u>	<u>122,429</u>	<u>16,871</u>
GENERAL GOVERNMENT				
ADMINISTRATION				
Salaries	634,500	638,600	618,915	19,685
Professional services	71,260	71,552	54,972	16,580
Payroll related benefits and taxes	253,300	253,620	252,368	1,252
Repairs and maintenance	108,800	104,439	76,344	28,095
Insurance	85,500	77,580	47,329	30,251
Office supplies	63,300	63,211	36,115	27,096
Contract services	108,100	108,100	92,451	15,649
Service charges and fees	59,000	59,000	60,542	(1,542)
Utilities	17,500	17,500	17,172	328
Advertising	3,000	5,500	5,596	(96)
Training and education	15,000	11,500	10,528	972
Dues and subscriptions	4,000	6,200	5,220	980
Small office furnishings and equipment	4,900	7,900	4,331	3,569
Computer equipment	21,000	15,500	11,893	3,607
Election expense	-	22,000	21,462	538
Gasoline	700	700	240	460
Rent	8,326	8,326	8,326	-
Operating leases	7,200	7,200	4,713	2,487
Total Administration	<u>1,465,386</u>	<u>1,478,428</u>	<u>1,328,517</u>	<u>149,911</u>

(Continued)

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
GENERAL GOVERNMENT				
ENGINEERING				
Salary	\$ 156,800	\$ 156,800	\$ 141,444	\$ 15,356
Payroll related benefits and taxes	60,920	60,920	61,344	(424)
Contract services	12,000	36,894	-	36,894
Professional services	-	5,500	5,500	-
Office supplies	4,900	5,778	1,305	4,473
Training and education	2,000	2,000	1,224	776
Dues and subscriptions	525	525	275	250
Insurance	700	700	600	100
Utilities	2,200	1,200	-	1,200
Repairs and maintenance	550	1,450	914	536
Gasoline	2,000	2,000	1,714	286
Total Engineering	<u>242,595</u>	<u>273,767</u>	<u>214,320</u>	<u>59,447</u>
GENERAL GOVERNMENT				
PLANNING AND ZONING				
Salaries	107,000	107,000	102,473	4,527
Payroll related benefits and taxes	45,515	45,515	44,847	668
Professional services	3,000	3,000	500	2,500
Office supplies	10,500	3,395	2,393	1,002
Contract services	36,000	36,000	11,460	24,540
Service charges and fees	2,000	2,000	1,496	504
Advertising	5,000	5,000	4,547	453
Training and education	4,400	4,400	2,382	2,018
Façade grants	4,000	4,000	1,000	3,000
Repairs and maintenance	-	5,160	821	4,339
Operating lease	-	2,500	2,468	32
Dues and subscriptions	1,550	1,550	1,142	408
Total Planning and Zoning	<u>218,965</u>	<u>219,520</u>	<u>175,529</u>	<u>43,991</u>

(Continued)

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
GENERAL GOVERNMENT				
CODE ENFORCEMENT				
Salaries	\$ 59,300	\$ 59,300	\$ 32,227	\$ 27,073
Payroll related benefits and taxes	23,970	23,970	14,162	9,808
Training and education	750	750	166	584
Contract services	30,000	30,000	1,500	28,500
Gasoline	1,000	1,000	681	319
Service charges and fees	1,500	1,500	135	1,365
Insurance	700	700	600	100
Utilities	400	400	572	(172)
Office supplies	500	500	150	350
Repairs and maintenance	2,000	2,000	147	1,853
Materials and supplies	500	500	-	500
Total Code Enforcement	<u>120,620</u>	<u>120,620</u>	<u>50,340</u>	<u>70,280</u>
GENERAL GOVERNMENT				
BUILDING PERMITS				
Salaries	102,100	102,100	98,816	3,284
Payroll related benefits and taxes	49,260	49,260	49,968	(708)
Professional services	78,900	78,900	70,860	8,040
Repairs and maintenance	4,600	4,600	1,131	3,469
Insurance	700	700	13,195	(12,495)
Office supplies	6,000	5,817	3,021	2,796
Operating leases	-	1,330	1,109	221
Utilities	900	900	840	60
Small office furnishings & equipment	3,500	4,537	1,707	2,830
Training and education	4,000	4,000	1,462	2,538
Dues and subscriptions	850	850	285	565
Gasoline	1,200	1,200	988	212
Computer equipment	10,000	8,670	1,855	6,815
Total Building Permits	<u>262,010</u>	<u>262,864</u>	<u>245,237</u>	<u>17,627</u>
GENERAL GOVERNMENT				
TRAILHEAD				
Salaries	46,500	46,500	51,406	(4,906)
Payroll related benefits and taxes	30,845	30,845	32,413	(1,568)
Contract labor	15,000	6,400	10,007	(3,607)
Contract services	2,500	2,500	1,434	1,066
Gasoline	300	300	309	(9)

(Continued)

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
GENERAL GOVERNMENT				
TRAILHEAD (CONTINUED)				
Insurance	9,200	9,200	5,207	3,993
Office supplies	5,000	3,600	3,320	280
Repairs and maintenance	9,500	16,023	14,588	1,435
Utilities	9,500	9,500	8,774	726
Small tools and equipment	500	-	-	-
Total Trailhead	<u>128,845</u>	<u>124,868</u>	<u>127,458</u>	<u>(2,590)</u>
GENERAL GOVERNMENT				
BOGUE FALAYA PARK				
Salaries	\$ 31,500	\$ 30,900	\$ 32,419	\$ (1,519)
Payroll related benefits and taxes	18,370	18,370	17,274	1,096
Gasoline	1,600	1,600	782	818
Insurance	2,200	2,200	3,102	(902)
Office supplies	2,200	4,600	3,502	1,098
Utilities	2,400	3,000	2,438	562
Repairs and maintenance	9,500	10,100	5,405	4,695
Rent	-	-	4,125	(4,125)
Small tools and equipment	2,000	2,000	1,546	454
Garbage collection	2,600	2,600	2,600	-
Materials and supplies	2,000	2,000	1,657	343
Contract services	1,000	1,000	-	1,000
Equipment	-	10,400	-	10,400
Total Bogue Falaya Park	<u>75,370</u>	<u>88,770</u>	<u>74,850</u>	<u>13,920</u>
GENERAL GOVERNMENT				
GREATER COVINGTON CENTER				
Salaries	115,600	127,600	122,465	5,135
Payroll related benefits and taxes	57,230	57,230	59,563	(2,333)
Contract labor	32,000	32,000	30,311	1,689
Contract services	26,000	11,300	10,567	733
Advertising	200	200	100	100
Garbage collection	1,700	1,700	1,667	33
Gasoline	800	800	903	(103)
Insurance	47,500	44,500	26,354	18,146
Office supplies	9,500	8,830	7,673	1,157
Repairs and maintenance	31,500	47,304	47,072	232

(Continued)

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
GENERAL GOVERNMENT				
GREATER COVINGTON CENTER				
(CONTINUED)				
Small tools and equipment	1,000	4,670	4,442	228
Training and education	1,600	1,300	1,226	74
Utilities	56,500	56,500	53,957	25,091
Dues and subscriptions	250	250	-	45,047
Total Greater Covington Center	<u>381,380</u>	<u>394,184</u>	<u>366,300</u>	<u>95,229</u>
Total General Government	<u>3,413,202</u>	<u>3,485,263</u>	<u>3,050,541</u>	<u>502,067</u>
PUBLIC SAFETY - POLICE				
Salaries	2,140,900	2,085,900	1,989,456	96,444
Payroll related taxes and benefits	1,444,382	1,444,382	1,309,276	135,106
Materials and supplies	25,500	25,500	12,905	12,595
Gasoline	80,000	75,000	60,110	14,890
Insurance	131,800	131,800	104,608	27,192
Repairs and maintenance	98,000	86,500	60,760	25,740
Utilities	72,600	72,600	70,349	2,251
Office supplies	52,100	64,185	50,495	13,690
Training and education	90,000	85,000	81,509	3,491
Small tools and equipment	\$ 72,900	\$ 76,316	\$ 58,924	\$ 17,392
Professional services	52,100	55,100	53,329	1,771
Garbage collection	1,500	1,500	1,400	100
Rent	21,000	21,000	24,440	(3,440)
Contract services	58,338	62,838	55,092	7,746
Dues and subscriptions	6,000	9,000	8,445	555
Vehicles	7,200	7,200	7,200	-
Total Public Safety - Police	<u>4,354,320</u>	<u>4,303,821</u>	<u>3,948,298</u>	<u>355,523</u>
PUBLIC SAFETY - FIRE				
Salaries	1,105,500	1,129,500	1,133,499	(3,999)
Payroll related taxes and benefits	641,400	669,400	659,502	9,898
Utilities	32,850	32,850	27,947	4,903
Small tools and equipment	75,570	75,704	43,642	32,062
Insurance	41,900	41,900	39,688	2,212
Repairs and maintenance	48,950	49,693	31,596	18,097
Gasoline	20,000	20,000	15,497	4,503
Office supplies	15,500	17,000	11,280	5,720

(Continued)

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
PUBLIC SAFETY - FIRE				
(CONTINUED)				
Materials and supplies	17,000	16,430	8,895	7,535
Garbage collection	1,500	1,500	1,400	100
Contract services	3,600	3,600	1,100	-
Training and education	15,000	15,000	10,681	4,319
Dues and subscriptions	5,500	5,500	3,177	2,323
Professional services	29,000	29,000	6,089	22,911
Total Public Safety - Fire	<u>2,053,270</u>	<u>2,107,077</u>	<u>1,993,993</u>	<u>110,584</u>
PUBLIC WORKS				
Salaries	883,200	883,200	797,426	85,774
Payroll related taxes and benefits	514,500	514,500	482,772	31,728
Professional services	77,200	84,797	82,288	2,509
Contract labor	85,000	85,000	65,745	19,255
Utilities	239,500	239,500	257,238	(17,738)
Repairs and maintenance	117,500	123,982	69,640	54,342
Materials and supplies	155,000	152,915	131,594	21,321
Gasoline	75,000	75,000	53,473	21,527
Insurance	45,000	45,000	32,962	12,038
Office supplies	43,550	44,707	29,905	14,802
Contract services	8,000	8,000	15,372	(7,372)
Small tools and equipment	14,200	14,200	6,234	7,966
Garbage collection	7,000	7,000	9,251	(2,251)
Dues and subscriptions	800	800	618	182
Training and education	1,200	1,629	369	1,260
Computer equipment	15,000	15,000	-	15,000
Total Public Works	<u>2,281,650</u>	<u>2,295,230</u>	<u>2,034,887</u>	<u>260,343</u>

(Continued)

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
CULTURE AND RECREATION				
Salaries	\$ 318,110	\$ 318,110	\$ 289,255	\$ 28,855
Payroll related taxes and benefits	93,670	93,670	99,190	(5,520)
Materials and supplies	85,300	117,050	103,924	13,126
Utilities	33,360	33,360	34,587	(1,227)
Contract labor	17,000	17,000	13,680	3,320
Professional services	-	-	215	(215)
Repairs and maintenance	23,600	27,168	19,854	7,314
Insurance	7,300	7,300	10,325	(3,025)
Office supplies	19,400	26,097	13,230	12,867
Contract services	142,200	189,798	166,292	23,506
Service charges and fees	4,000	3,350	350	3,000
Garbage collection	2,000	2,000	1,546	454
Pool operations	10,000	10,000	6,477	3,523
Small tools and equipment	32,400	31,375	23,139	8,236
Meetings and conventions	7,400	7,400	5,905	1,495
Advertising	52,100	53,146	46,629	6,517
Dues and subscriptions	1,550	1,700	1,224	476
Gasoline	1,750	1,750	1,876	(126)
Operating leases	5,000	5,000	4,873	127
Farmer's market	10,000	10,000	9,960	40
Total Culture and Recreation	<u>866,140</u>	<u>955,274</u>	<u>852,531</u>	<u>102,743</u>
CAPITAL OUTLAY				
Capital outlay	<u>3,093,600</u>	<u>3,747,245</u>	<u>1,176,614</u>	<u>2,570,631</u>
Total Capital Outlay	<u>3,093,600</u>	<u>3,747,245</u>	<u>1,176,614</u>	<u>2,570,631</u>
PAYMENTS ON CLAIMS AND JUDGEMENTS				
Payments on claims and judgments	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total Payments on Claims and Judgments	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
 Total Expenditures	 <u>16,092,182</u>	 <u>16,923,910</u>	 <u>13,086,864</u>	 <u>3,837,046</u>
 Excess (Deficiency) of Revenues Over Expenditures	 (11,123,988)	 (11,955,716)	 (7,940,619)	 4,015,097

(Continued)

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
For the Year Ended December 31, 2017

OTHER FINANCING SOURCES (USES)

Proceeds from sale of equipment	10,000	10,000	24,620	14,620
Transfers in	11,269,195	11,259,195	11,696,505	437,310
Transfers out	<u>(1,706,345)</u>	<u>(1,670,304)</u>	<u>(1,424,600)</u>	<u>245,704</u>
Total Other Financing Sources	<u>9,572,850</u>	<u>9,598,891</u>	<u>10,296,525</u>	<u>697,634</u>
Changes in Fund Balance	(1,551,138)	(2,356,825)	2,355,906	4,712,731
Fund Balance, Beginning of Year	<u>9,167,793</u>	<u>9,167,793</u>	<u>9,167,793</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 7,616,655</u></u>	<u><u>\$ 6,810,968</u></u>	<u><u>\$ 11,523,699</u></u>	<u><u>\$ 4,712,731</u></u>

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

	2017	2016	2015	2014
The Municipal System				
City of Covington's proportion of the net pension liability (%)	1.685030%	1.602460%	1.643521%	1.668320%
City of Covington's proportion of the net pension liability (\$)	7,049,195	6,568,003	5,870,914	4,281,651
City of Covington's covered payroll (\$)	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	232.62%	229.45%	209.29%	159.20%
Plan fiduciary net position as a percentage of the total pension liability	62.50%	62.11%	66.18%	76.94%
The Police System				
City of Covington's proportion of the net pension liability (%)	0.578550%	0.560620%	0.568431%	0.536795%
City of Covington's proportion of the net pension liability (\$)	5,050,978	5,254,579	4,453,063	3,358,234
City of Covington's covered payroll (\$)	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	310.48%	349.49%	330.48%	259.74%
Plan fiduciary net position as a percentage of the total pension liability	70.10%	66.04%	70.73%	75.10%
The Firefighters' System				
City of Covington's proportion of the net pension liability (%)	0.426240%	0.433230%	0.459625%	0.484880%
City of Covington's proportion of the net pension liability (\$)	2,443,120	2,833,709	2,480,648	2,157,674
City of Covington's covered payroll (\$)	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	245.49%	290.09%	253.96%	227.65%
Plan fiduciary net position as a percentage of the total pension liability	73.50%	68.16%	62.70%	65.00%

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

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

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

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

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

CITY OF COVINGTON, LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

NOTE A – BUDGETARY BASIS OF ACCOUNTING

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

NOTE B – PENSION SCHEDULES

Changes to Benefit Terms

There were no changes to benefit terms for the four years ended June 30, 2017.

Changes of Assumptions

For Municipal Employees' Retirement System 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, 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, 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%.

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OTHER SUPPLEMENTARY INFORMATION

**CITY OF COVINGTON, LOUISIANA
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017**

DEBT SERVICE FUNDS

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

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

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

PERMANENT FUND

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

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

SPECIAL REVENUE FUNDS

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

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

CAPITAL PROJECTS FUNDS

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

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

OTHER 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.

CITY OF COVINGTON
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 December 31, 2017

	<u>Debt Service</u>		<u>Permanent</u>	<u>Special Revenue Funds</u>			<u>Capital Project Funds</u>		<u>Total Non-Major Governmental</u>
	<u>General Obligation Debt Service Fund</u>	<u>Sales Tax Bond Debt Service Fund</u>	<u>Garden of Pines Permanent</u>	<u>State and Federal Grants</u>	<u>Drug Forfeiture</u>	<u>Tree Mitigation Fund</u>	<u>Water Capacity Treatment Fund</u>	<u>Waste-Water Capacity Treatment Fund</u>	
ASSETS									
Cash and cash equivalents	\$ 208,829	\$ 53,997	\$ 34,696	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 297,522
Equity in pooled cash	-	-	-	-	24,951	14,602	25,122	126,722	191,397
Certificates of deposits	-	277,500	24,955	-	-	-	-	-	302,455
Receivables									
Property taxes	469,121	-	-	-	-	-	-	-	469,121
Grants	-	-	-	585,647	-	-	-	-	585,647
Other	-	-	-	-	834	-	-	-	834
Accrued interest	-	217	-	-	-	-	-	-	217
Due from other funds	-	-	-	49,090	-	-	-	-	49,090
TOTAL ASSETS	\$ 677,950	\$ 331,714	\$ 59,651	\$ 634,737	\$ 25,785	\$ 14,602	\$ 25,122	\$ 126,722	\$ 1,896,283
LIABILITIES AND FUND BALANCES									
Accounts payable	\$ -	\$ -	\$ -	\$ 65,801	\$ -	\$ -	\$ -	\$ -	\$ 65,801
Equity in pooled cash	-	-	-	430,322	-	-	-	-	430,322
Due to other funds	1,400	-	-	49,090	-	-	-	-	50,490
TOTAL LIABILITIES	1,400	-	-	545,213	-	-	-	-	546,613
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenues	-	-	-	11,623	-	-	-	-	11,623
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	11,623	-	-	-	-	11,623
FUND BALANCE									
Nonspendable:									
Permanent fund	-	-	24,955	-	-	-	-	-	24,955
Restricted:									
Perpetual care	-	-	34,696	-	-	-	-	-	34,696
Debt services	676,550	331,714	-	-	-	-	-	-	1,008,264
Drug forfeiture	-	-	-	-	25,785	-	-	-	25,785
Tree mitigation	-	-	-	-	-	14,602	-	-	14,602
Committed:									
Capital outlay	-	-	-	-	-	-	25,122	126,722	151,844
Unassigned	-	-	-	77,901	-	-	-	-	77,901
TOTAL FUND BALANCE	676,550	331,714	59,651	77,901	25,785	14,602	25,122	126,722	1,338,047
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 677,950	\$ 331,714	\$ 59,651	\$ 634,737	\$ 25,785	\$ 14,602	\$ 25,122	\$ 126,722	\$ 1,896,283

CITY OF COVINGTON
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2017

	Debt Service		Permanent	Capital Project Funds					Total Non-Major Governmental
	General Obligation Debt Service Fund	Sales Tax Bond Debt Service Fund	Garden of Pines Permanent	State and Federal Grants	Drug Forfeiture	Tree Mitigation Fund	Water Capacity Treatment Fund	Waste- Water Capacity Treatment Fund	
REVENUES									
Taxes									
Property taxes	\$ 533,821	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 533,821
State and federal grants	-	-	-	722,116	-	-	-	-	722,116
Charges for services	-	-	-	-	-	-	23,384	119,475	142,859
Fines and forfeitures	-	-	-	-	8,487	14,600	-	-	23,087
Interest and penalties	41	1,975	313	-	48	2	98	350	2,827
Total Revenues	533,862	1,975	313	722,116	8,535	14,602	23,482	119,825	1,424,710
EXPENDITURES									
Current									
General government	1,400	-	-	3,711	-	-	-	-	5,111
Public safety - Police	-	-	-	30,889	-	-	-	-	30,889
Culture and recreation	-	-	-	7,971	-	-	-	-	7,971
Sewer department	-	-	-	18,785	-	-	-	-	18,785
Capital outlay	-	-	-	550,027	-	-	-	-	550,027
Debt service									
Principal	408,000	285,000	-	-	-	-	-	-	693,000
Interest	85,009	31,768	-	-	-	-	-	-	116,777
Total Expenditures	494,409	316,768	-	611,383	-	-	-	-	1,422,560
Excess (Deficiency) of Revenues Over Expenditures	39,453	(314,793)	313	110,733	8,535	14,602	23,482	119,825	2,150
OTHER FINANCING SOURCES (USES)									
Transfers in	-	316,009	-	30,369	17,250	-	-	-	363,628
Transfers out	-	-	-	(65,199)	-	-	-	-	(65,199)
Total Other Financing Sources (Uses)	-	316,009	-	(34,830)	17,250	-	-	-	298,429
Changes in Fund Balance	39,453	1,216	313	75,903	25,785	14,602	23,482	119,825	300,579
Fund Balance, Beginning of Year	637,097	330,498	59,338	1,998	-	-	1,640	6,897	1,037,468
Fund Balance, End of Year	\$ 676,550	\$ 331,714	\$ 59,651	\$ 77,901	\$ 25,785	\$ 14,602	\$ 25,122	\$ 126,722	\$ 1,338,047

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF COUNCIL COMPENSATION
For the Year Ended December 31, 2017

<u>Council Members</u>	<u>Term of Office</u>	<u>2017 Compensation</u>
R.S. "Sam" O'Keefe	Jul 2015 - Jul 2019	\$ 9,000
Edward Fielding	Nov 2016 - Apr 2017	2,525
Patrick McMath	April 2017 - Jul 2019	6,475
John Callahan	Jul 2015 - Jul 2019	9,000
Jerry Coner	Jul 2015 - Jul 2019	9,000
Mark Wright	Jul 2015 - Nov 2017	8,250
Larry Rolling	Jul 2015 - Jul 2019	9,000
Rick Smith	Jul 2015 - Jul 2019	9,000
		<u>\$ 62,250</u>

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD
For the Year Ended December 31, 2017

Agency Head Name: Michael Cooper, Mayor

PURPOSE	AMOUNT
Salary	\$ 87,234
Benefits-Health Insurance	9,939
Benefits-retirement	0
Benefits - Workers Comp	254
Benefits-Life Insurance	334
Benefits-Long Term Disability	2,555
Benefits-Fica & Medicare	7,142
Car allowance	9,000
Cell phone	1,056
Meetings & conventions	4,912
Other	0
	<u>\$ 122,426</u>

STATISTICAL SECTION

STATISTICAL SECTION

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

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

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

TABLE 1

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net investment in capital assets	\$ 621,414	\$ 7,999,710	\$ 9,003,688	\$ 8,540,837	\$ 10,963,044	\$ 14,051,675	\$ 17,029,735	\$ 18,519,019	\$ 21,362,467	\$ 23,051,733
Restricted	6,991,802	4,082,723	4,407,344	6,335,844	5,878,390	5,492,166	5,121,612	5,218,131	1,266,366	1,595,170
Unrestricted	6,986,129	4,242,371	2,653,185	1,088,416	2,955,180	4,984,304	4,953,099	(1,132,977)	385,497	62,767
Total Governmental Activities Net Position	\$ 14,599,345	\$ 16,324,804	\$ 16,064,217	\$ 15,965,097	\$ 19,796,614	\$ 24,528,145	\$ 27,104,446	\$ 22,604,173	\$ 23,014,330	\$ 24,709,670
Business-Type Activities										
Net investment in capital assets	\$ 22,807,610	\$ 22,558,143	\$ 22,965,009	\$ 23,281,856	\$ 22,599,871	\$ 22,033,851	\$ 22,109,454	\$ 22,311,124	\$ 22,870,664	\$ 22,689,820
Restricted	312,422	-	-	-	-	-	-	-	-	-
Unrestricted	231,856	539,374	586,803	824,855	1,189,702	1,793,519	2,429,351	1,980,260	2,083,644	3,253,676
Total Business Type Activities Net Position	\$ 23,351,888	\$ 23,097,517	\$ 23,551,812	\$ 24,106,711	\$ 23,789,573	\$ 23,827,370	\$ 24,538,805	\$ 24,291,384	\$ 24,954,308	\$ 25,943,496
Primary Government										
Net investment in capital assets	\$ 23,429,024	\$ 30,557,853	\$ 31,968,697	\$ 31,822,693	\$ 33,562,915	\$ 36,085,526	\$ 39,139,189	\$ 40,830,143	\$ 44,233,131	\$ 45,741,553
Restricted	7,304,224	4,082,723	4,407,344	6,335,844	5,878,390	5,492,166	5,121,612	5,218,131	1,266,366	1,595,170
Unrestricted	7,217,985	4,781,745	3,239,988	1,913,271	4,144,882	6,777,823	7,382,450	847,283	2,469,141	3,316,443
Total Primary Government Net Position	\$ 37,951,233	\$ 39,422,321	\$ 39,616,029	\$ 40,071,808	\$ 43,586,187	\$ 48,355,515	\$ 51,643,251	\$ 46,895,557	\$ 47,968,638	\$ 50,653,166

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

Expenses	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
General government	\$ 3,037,128	\$ 3,543,490	\$ 3,994,184	\$ 4,108,782	\$ 4,000,021	\$ 3,794,356	\$ 3,486,965	\$ 4,668,943	\$ 4,769,296	\$ 4,038,234
Public safety - Police	3,561,038	4,070,684	4,181,956	4,101,809	3,946,313	3,886,455	4,040,778	3,882,644	5,006,714	4,563,093
Public safety - Fire	1,406,254	1,461,511	1,603,010	1,742,454	1,770,518	1,747,521	1,889,585	1,879,036	2,526,229	2,305,524
Public works	2,597,475	1,906,012	1,730,586	1,869,449	2,180,001	2,312,901	2,512,339	2,539,709	3,082,316	3,295,665
Culture and recreation	829,015	996,333	829,061	902,326	803,635	757,640	547,055	458,504	541,513	1,095,418
Interest on long-term debt	493,613	559,762	469,112	475,019	319,774	442,827	246,632	229,043	117,453	123,302
Total Governmental Activities Expenses	11,924,523	12,537,792	12,807,909	13,199,839	13,020,262	12,941,700	12,723,354	13,657,879	16,043,521	15,421,236
Business-Type Activities:										
Water	1,248,381	1,231,623	1,217,823	1,776,889	1,823,929	1,857,583	1,921,567	1,932,925	1,486,619	1,612,340
Sewer	2,262,346	1,818,321	1,958,438	1,803,094	1,719,964	1,690,685	1,582,093	1,565,892	2,280,164	2,399,537
Garbage	729,880	747,879	754,995	718,460	727,783	659,800	649,894	684,886	767,388	790,005
Interest on long-term debt	4,370	2,243	-	-	-	-	-	-	-	-
Total Business-Type Activities Expenses	4,244,977	3,800,066	3,931,256	4,298,443	4,271,676	4,208,068	4,153,554	4,183,703	4,534,171	4,801,882
Total Primary Government Expenses	\$ 16,169,500	\$ 16,337,858	\$ 16,739,165	\$ 17,498,282	\$ 17,291,938	\$ 17,149,768	\$ 16,876,908	\$ 17,841,582	\$ 20,577,692	\$ 20,223,118
Program Revenues										
Governmental Activities										
Charges for Services:										
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,501,344	\$ 1,320,913
Public safety - Police	-	-	-	-	-	-	-	-	103,222	78,493
Public works	22,685	6,700	10,909	19,785	172,124	17,402	27,349	26,468	19,329	21,907
Culture and recreation	197,564	159,153	163,132	151,813	-	86,529	104,647	105,114	85,431	229,464
Operating Grants and Contribution										
General government	294,880	144,960	215,333	210,263	204,253	2,293,734	-	13,724	21,128	4,711
Public safety - Police	32,716	34,352	36,067	96,332	168,375	146,840	46,059	28,221	44,875	25,135
Public safety - Fire	52,156	47,718	49,371	40,965	63,850	51,854	4,324	-	10,424	-
Public works	-	-	42,376	-	-	-	-	-	173,124	18,410
Culture and recreation	-	-	-	25,000	2,753	-	-	-	-	5,750
Capital Grants and Contributions										
General government	-	811,125	111,516	139,152	20,048	1,364	142,207	25,000	75,005	-
Public safety - Police	-	-	-	17,761	1,070	29,877	-	-	44,795	-
Public safety - Fire	-	-	-	-	285,532	-	-	-	71,979	2,130
Public works	-	-	-	436,947	7,795	239,070	50,853	472,944	81,883	590,078
Culture and recreation	-	-	-	-	-	-	15,209	139,791	2,436	-
Total Governmental Activities Program Revenues	600,001	1,204,008	628,704	1,138,018	925,800	2,866,670	390,648	811,262	2,234,975	2,296,991
Business-Type Activities:										
Charges for Services:										
Water	1,090,177	1,203,705	1,278,548	1,287,180	1,262,419	1,328,553	1,329,090	1,406,118	1,438,457	1,462,483
Sewer	1,064,385	1,077,679	1,148,835	1,281,408	1,375,189	1,591,966	1,611,462	1,706,001	1,725,651	1,793,771
Garbage	718,143	734,338	762,522	729,122	683,106	736,864	734,984	774,651	799,028	836,508
Total Business-Type Activities Program Revenues	2,872,705	3,015,722	3,189,905	3,297,710	3,320,714	3,657,383	3,675,536	3,886,770	3,963,136	4,092,762
Total Primary Government Program Revenues	\$ 3,472,706	\$ 4,219,730	\$ 3,818,609	\$ 4,435,728	\$ 4,246,514	\$ 6,524,053	\$ 4,066,184	\$ 4,698,032	\$ 6,198,111	\$ 6,389,753

(continued)

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

	Fiscal Year									
	2008	2010	2011	2012	2013	2014	2015	2016	2017	2017
Net (Expense)/Revenue										
Governmental activities	\$ (11,324,522)	\$ (11,333,784)	\$ (12,179,205)	\$ (12,061,821)	\$ (12,094,462)	\$ (10,075,030)	\$ (12,332,706)	\$ (12,846,617)	\$ (13,808,546)	\$ (13,124,245)
Business-type activities	(1,372,272)	(784,344)	(741,351)	(1,000,733)	(950,962)	(550,685)	(478,018)	(296,933)	(571,035)	(709,120)
Total Primary Government Net Expense	\$ (12,696,794)	\$ (12,118,128)	\$ (12,920,556)	\$ (13,062,554)	\$ (13,045,424)	\$ (10,625,715)	\$ (12,810,724)	\$ (13,143,550)	\$ (14,379,581)	\$ (13,833,365)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property	\$ 2,289,053	\$ 2,466,358	\$ 2,337,157	\$ 2,320,671	\$ 2,433,574	\$ 2,496,702	\$ 2,619,670	\$ 2,638,760	\$ 2,774,300	\$ 2,852,243
Sales	9,462,653	8,523,983	8,329,496	8,896,937	10,277,805	10,356,610	10,796,315	10,750,947	10,874,639	11,973,167
Franchise	753,137	644,819	663,240	690,328	655,994	748,346	775,089	786,218	774,406	763,357
Licenses and permits	1,103,856	1,206,703	1,177,394	1,265,372	1,248,790	1,451,406	1,311,592	1,433,599	-	-
Fines and forfeitures	231,297	270,616	260,855	141,773	105,856	90,881	481,808	86,020	-	-
Investment	304,195	104,932	70,946	43,704	44,530	38,408	82,585	32,197	57,007	88,099
Other general revenues	439,755	374,857	235,349	156,450	269,047	212,690	31,401	475,066	805,950	518,983
Special item - loss/gain on disposed assets	-	(3,370)	39,827	-	24,207	-	-	-	(142,591)	-
Special item - repayment of taxes to parish	(600,000)	-	-	-	-	-	-	-	-	-
Special item - lawsuit settlement	(300,000)	-	-	-	-	-	-	1,469,800	-	-
Non-employer contribution revenue	-	-	-	-	-	-	-	278,908	280,471	292,756
Transfers	(698,240)	(442,184)	-	-	(633,824)	(588,482)	(1,189,453)	(1,275,484)	(1,205,479)	(1,669,020)
Capital contributions	(2,939,880)	(87,471)	(1,195,646)	(1,523,217)	1,500,000	-	-	-	-	-
Total Governmental Activities	10,045,826	13,059,243	11,918,618	11,992,018	15,925,979	14,806,561	14,909,007	16,676,031	14,218,703	14,819,585
Business-Type Activities:										
Investment	993	318	-	-	-	-	-	-	-	-
Other general revenues	-	-	-	32,415	-	-	-	-	-	-
Transfers	698,240	442,184	-	-	633,824	588,482	1,189,453	1,275,484	1,205,479	1,669,020
Non-employer contribution revenue	-	-	-	-	-	-	-	29,276	28,480	29,288
Capital contributions	2,939,880	87,471	1,195,646	1,523,217	-	-	-	-	-	-
Total Business-Type Activities	3,639,113	529,973	1,195,646	1,555,632	633,824	588,482	1,189,453	1,304,760	1,233,959	1,698,308
Total Primary Government	\$ 13,684,939	\$ 13,589,216	\$ 13,114,264	\$ 13,547,650	\$ 16,559,803	\$ 15,395,043	\$ 16,098,460	\$ 17,980,791	\$ 15,452,662	\$ 16,517,893
Changes in Net Position										
Governmental activities	\$ (1,278,696)	\$ 1,725,459	\$ (260,587)	\$ (69,803)	\$ 3,831,517	\$ 4,731,531	\$ 2,576,301	\$ 3,829,414	\$ 410,157	\$ 1,695,340
Business-type activities	2,266,841	(254,371)	454,295	554,899	(317,138)	37,797	711,435	1,007,827	662,924	989,188
Total Primary Government	\$ 988,145	\$ 1,471,088	\$ 193,708	\$ 485,096	\$ 3,514,379	\$ 4,769,328	\$ 3,287,736	\$ 4,837,241	\$ 1,073,081	\$ 2,684,528

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
2008	\$ 9,462,653	\$ 2,289,053	\$ 11,751,706
2009	8,523,983	2,466,358	10,990,341
2010	8,329,496	2,338,157	10,667,653
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

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 365	\$ -	\$ -	\$ -	\$ -	\$ 79,509
Restricted	-	-	-	246,776	250,540	253,219	521,987	287,655	253,853	255,515
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
Unassigned	-	-	-	979,860	1,125,879	3,695,549	4,379,657	5,351,571	3,319,642	4,841,225
Reserved (1)	4,637,884	2,322,755	-	-	-	-	-	-	-	-
Unreserved (1)	5,565,225	6,872,983	5,442,428	-	-	-	-	-	-	-
Total general fund	\$ 10,203,109	\$ 9,195,738	\$ 5,442,428	\$ 2,939,459	\$ 5,472,371	\$ 6,362,400	\$ 7,114,592	\$ 8,951,645	\$ 9,167,793	\$ 11,523,698
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ 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
Committed	-	-	-	1,255,102	1,302,560	2,496,138	1,751,713	2,332,731	1,536,553	2,619,805
Reserved (1)	2,353,918	2,222,288	4,407,344	-	-	-	-	-	-	-
Unreserved, reported in:										
Special Revenue (1)	359,441	1,388,289	1,617,735	-	-	-	-	-	3,757,786	-
Capital Projects (1)	-	-	-	-	-	-	-	-	-	-
Debt Service (1)	-	-	-	-	-	-	-	-	-	-
Permanent (1)	-	31,871	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	1,245,844
Total all other governmental funds	\$ 2,713,359	\$ 3,642,448	\$ 6,025,079	\$ 7,369,125	\$ 6,955,365	\$ 7,760,040	\$ 6,622,321	\$ 7,288,162	\$ 6,331,807	\$ 5,125,795

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.

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Property taxes	\$ 2,289,053	\$ 2,466,358	\$ 2,337,157	\$ 2,320,671	\$ 2,433,574	\$ 2,496,702	\$ 2,619,670	\$ 2,638,760	\$ 2,774,300	\$ 2,852,243
Sales tax	9,462,653	8,523,983	8,329,496	8,896,937	9,211,667	10,356,610	10,796,315	10,750,947	10,874,639	11,973,167
Franchise tax	753,137	644,819	663,240	690,328	655,994	748,346	775,089	786,218	774,406	763,357
Licenses and permits	1,103,856	1,206,703	1,177,394	1,265,372	1,248,790	1,451,406	1,311,592	1,433,599	1,501,344	1,320,913
Intergovernmental revenue	114,217	112,959	160,538	177,735	184,718	175,782	192,061	216,097	247,058	243,152
Charges for service	220,249	165,853	174,041	171,598	172,124	103,931	131,996	131,582	104,760	251,371
Fines and forfeitures	231,297	270,616	260,855	141,773	105,856	90,881	82,585	86,020	103,222	78,493
Interest & penalties	304,195	104,932	70,946	43,704	44,530	38,408	31,401	32,197	57,007	88,099
Assessments	-	-	-	16,812	10,099	1,992	1,420	-	-	-
State and federal grants	265,535	925,196	294,125	788,685	480,663	339,298	117,652	654,680	525,649	722,116
Capital contributions	-	-	-	-	1,500,000	-	141,000	25,000	-	-
Refunding bonds issued	-	-	-	-	-	-	-	-	3,890,000	-
Other	439,755	374,857	235,349	139,638	260,018	210,698	288,327	258,747	544,009	251,211
Total revenues	15,183,947	14,796,276	13,703,141	14,653,253	16,308,033	16,014,054	16,489,108	17,013,847	21,396,394	18,544,122
Expenditures										
Current:										
General government	4,716,375	3,379,749	3,348,206	3,332,248	2,864,072	3,029,758	3,154,400	3,687,722	3,539,055	3,055,652
Public safety - Police	3,578,732	3,934,725	4,280,914	3,811,893	3,691,879	3,663,528	3,833,969	3,708,863	4,129,928	3,979,187
Public safety - Fire	1,533,908	1,322,598	1,753,287	1,642,082	1,675,284	1,653,723	1,791,226	1,810,928	1,916,090	1,993,993
Public works	2,910,866	3,347,555	2,757,181	1,511,567	1,756,179	1,713,165	1,872,988	1,819,738	1,849,987	2,034,887
Culture and recreation	1,446,689	946,927	644,444	686,338	583,569	536,379	329,695	361,491	301,743	860,503
Sewer department	-	-	-	-	-	-	-	-	17,245	18,785
Water department	-	-	-	-	-	-	-	-	1,463	-
Garbage department	-	-	-	-	-	-	-	-	178,958	-
Debt service:										
Principal	860,000	750,000	515,000	500,000	525,000	551,000	575,000	600,000	693,673	693,000
Interest	501,850	463,565	422,507	397,210	282,220	266,781	249,103	231,739	139,109	116,777
Refunding bond issuance costs	-	-	-	69,755	-	-	-	-	-	-
Payments on claims and judgements	-	230,000	200,000	230,000	137,410	137,410	137,410	30,000	30,000	30,000
Payment to escrow account	-	-	-	-	-	-	-	-	3,825,382	-
Capital outlay	-	-	-	2,093,742	3,129,789	2,206,866	3,829,821	2,486,317	4,323,372	2,967,045
Capital outlay - utility	2,939,880	87,471	1,195,646	1,523,217	-	-	-	-	-	-
Total expenditures	18,488,300	14,462,590	15,117,185	15,798,052	14,645,402	13,758,610	15,773,612	14,736,798	20,946,005	15,749,829
Excess of revenues over (under) expenditures	(3,304,353)	333,686	(1,414,044)	(1,144,799)	1,662,631	2,255,444	715,496	2,277,049	450,389	2,794,293
Other financing sources (uses)										
Transfers in	9,921,701	7,286,972	4,942,379	8,689,874	9,068,749	6,945,422	7,022,566	7,101,607	7,269,605	12,060,133
Transfers out	(10,619,941)	(7,729,156)	(4,942,379)	(8,689,874)	(9,702,573)	(7,533,904)	(8,212,019)	(8,377,091)	(8,475,084)	(13,729,153)
Proceeds from the sale of capital assets	-	30,217	43,364	-	24,207	27,742	88,430	31,529	14,883	24,620
Proceeds on debt issuance	-	-	-	3,552,000	-	-	-	-	-	-
Debt service - principal	-	-	-	(2,775,000)	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(761,807)	-	-	-	-	-	-
Premium on debt issuance	-	-	-	-	-	-	-	-	-	-
Lawsuit Settlement	-	-	-	-	-	-	-	1,469,800	-	-
Total other financing sources (uses)	(698,240)	(411,967)	43,364	15,193	(609,617)	(560,740)	(1,101,023)	225,845	(1,190,596)	(1,644,400)
Net change in fund balances	\$ (4,002,593)	\$ (78,281)	\$ (1,370,680)	\$ (1,129,606)	\$ 1,053,014	\$ 1,694,704	\$ (385,527)	\$ 2,502,894	\$ (740,207)	\$ 1,149,893
Debt service as a percentage of noncapital expenditures*	8.76%	8.44%	6.73%	7.37%	7.01%	7.08%	6.90%	6.79%	5.01%	6.33%

* Ratio excludes capital outlay expenditures

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
2008	\$ 83,014,814	\$ 5,024,170	\$ 88,038,984	23.04
2009	81,830,758	25,143,730	106,974,488	23.04
2010	84,827,413	20,233,515	105,060,928	23.04
2011	88,352,206	19,206,944	107,559,150	22.04
2012	93,846,399	20,591,617	114,438,016	22.00
2013	95,946,008	22,123,667	118,069,675	21.80
2014	100,278,064	23,606,777	123,884,841	21.80
2015	103,511,814	23,143,457	126,655,271	21.50
2016	110,701,663	23,954,850	134,656,513	21.24
2017	114,948,380	23,491,262	138,439,642	21.24

Source: Information obtained from St. Tammany Parish Assessors Office

TABLE 7

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

Fiscal Year	City of Covington			Parish		Overlapping Rates			Special Districts	Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Total Parish Millage	School District				
						Operating Millage	Debt Service Millage	Total School Millage		
2008	17.54	5.50	23.04	35.98	35.98	55.94	21.90	77.84	1.51	138.37
2009	17.54	5.50	23.04	35.98	35.98	47.55	21.90	69.45	1.51	129.98
2010	17.54	5.50	23.04	32.47	32.47	47.55	20.90	68.45	1.51	125.47
2011	17.54	4.50	22.04	34.00	34	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

Source: St. Tammany Parish Council

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

TABLE 8

Taxpayer	2017			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Central LA Electric Co.	\$ 3,588,060	1	28.14%	\$ 2,660,430	2	20.20%
AT&T Southeast Tax Department	2,259,185	2	17.72%			
Delta Supply Chain Operation	1,282,660	3	10.06%	717,720	5	5.45%
Atmos Energy	945,647	4	7.42%			
Testiga Properties LLC	844,912	5	6.63%			
Capital One	844,250	6	6.62%	1,099,080	4	8.34%
Medstate LLC	786,998	7	6.17%			
Whitney National Bank	750,520	8	5.89%	600,560	10	4.56%
Blueline Rental LLC	733,700	9	5.75%			
WHS LLC	716,059	10	5.62%			
Bellsouth Telecommunications				3,754,561	1	28.50%
Parish National Bank				1,844,710	3	14.00%
Citizens Bank & Trust				648,940	6	4.93%
Forest Manor Corp				625,840	7	4.75%
Resource Bank				618,920	8	4.70%
Dependable Glass Wks Inc				602,437	9	4.57%
TOTALS	\$ 12,751,991		100.00%	\$ 13,173,198		100.00%

Source: Information obtained from St. Tammany Parish Assessors Office

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)
2008	\$ 2,462,968	\$ 2,289,053	93%	*	\$ 2,289,053	93%
2009	2,418,998	2,398,998	99%	\$ 67,360	2,466,358	102%
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%

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

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

TABLE 10

Taxpayer	2017			2007		
	Sales Tax Collections	Rank	Percentage of Total Sales Tax Collections	Sales Tax Collections	Rank	Percentage of Total Sales Tax Collections
Motor Vehicles	\$ 481,091	1	4.01%	*	*	*
Grocery/Discount Retailer	452,297	2	3.77%	*	*	*
Grocery/Discount Retailer	436,701	3	3.64%	*	*	*
Grocery/Discount Retailer	382,713	4	3.19%	*	*	*
Pharmaceutical Sales	343,122	5	2.86%	*	*	*
Grocery/Discount Retailer	329,925	6	2.75%	*	*	*
Grocery/Discount Retailer	277,137	7	2.31%	*	*	*
Retail Pharmacies and Drug Stores	263,940	8	2.20%	*	*	*
Grocery/Discount Retailer	190,757	9	1.59%	*	*	*
Full Service Restaurant	165,562	10	1.38%	*	*	*
TOTALS	\$ 3,323,245		27.70%	\$ -		0.00%

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

Note: The sales tax rate is calculated at 9.75%

* Information not available

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			
2008	\$ 6,880,000	\$ 3,789,000	\$ 1,800,900	\$ 12,469,900	0.13%	\$ 54
2009	6,675,000	3,205,000	1,800,900	11,680,900	0.11%	50.46
2010	6,360,000	3,005,000	1,800,900	11,165,900	0.10%	47.77
2011	6,111,898	2,716,510	1,800,900	10,629,308	0.10%	44.89
2012	5,817,925	2,492,458	1,800,900	10,111,283	0.09%	42.40
2013	5,521,000	2,278,106	-	7,799,106	*	32.57
2014	5,196,000	2,050,000	-	7,246,000	*	29.90
2015	4,856,000	1,790,000	-	6,646,000	*	27.04
2016	4,637,000	1,520,000	-	6,157,000	*	24.30
2017	4,229,000	1,235,000	-	5,464,000	*	21.47

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 (4)
2008	\$ 6,880,000	\$ 867,229	\$ 6,012,771	6.83%	\$ 701
2009	6,675,000	781,738	5,893,262	5.51%	707.13
2010	6,360,000	870,128	5,489,872	5.23%	626.34
2011	6,111,898	758,401	5,353,497	4.98%	613.02
2012	5,817,925	698,510	5,119,415	4.47%	619.33
2013	5,521,000	664,689	4,856,311	4.11%	554.06
2014	5,196,000	646,607	4,549,393	3.67%	511.40
2015	4,856,000	632,874	4,223,126	3.33%	443.93
2016	4,637,000	637,097	3,999,903	2.97%	404.15
2017	4,229,000	677,950	3,551,050	2.57%	351.94

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property, Table 6, for property value data.

(2) Amount does not include special assessment, sales tax or revenue bonds.

(3) Amount available for repayment of general obligation bonds.

(4) 2006-2008 population is based on research Division, College of Administration and Business, Louisiana Tech University.

2009 information is based on estimates of U.S. Census Bureau.

* Information not available.

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

TABLE 13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
St. Tammany Parish	\$ 7,750,000	5%	\$ 387,500
St. Tammany Parish School Board	228,115,000	5%	<u>11,405,750</u>
Subtotal, overlapping debt			11,793,250
City of Covington direct debt		100%	<u>5,464,000</u>
Total direct and overlapping debt			<u><u>\$ 17,257,250</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 repaying the debt of each overlapping government.

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

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

TABLE 14

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 30,813,644	\$ 37,441,071	\$ 36,771,325	\$ 37,645,703	\$ 40,053,306	\$ 41,324,386	\$ 43,359,694	\$ 44,329,345	\$ 47,129,780	\$ 48,453,875
Total net debt applicable to limit	(6,012,771)	(5,893,262)	(5,489,872)	(5,353,497)	(5,119,415)	(4,856,311)	(4,549,393)	(4,223,126)	(3,999,903)	(3,551,050)
Legal debt margin	<u>\$ 24,800,873</u>	<u>\$ 31,547,809</u>	<u>\$ 31,281,453</u>	<u>\$ 32,292,206</u>	<u>\$ 34,933,891</u>	<u>\$ 36,468,075</u>	<u>\$ 38,810,301</u>	<u>\$ 40,106,219</u>	<u>\$ 43,129,877</u>	<u>\$ 44,902,825</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>19.51%</u>	<u>15.74%</u>	<u>14.93%</u>	<u>14.22%</u>	<u>12.78%</u>	<u>11.75%</u>	<u>10.49%</u>	<u>9.53%</u>	<u>8.49%</u>	<u>7.33%</u>

Legal debt margin calculation for fiscal year 2017

	Assessed value	<u>\$ 138,439,642</u>
Debt Limit - 35% of	\$ 138,439,642 (1)	\$ 48,453,875
Debt applicable to the limit:		
	General obligation bonds	\$ 4,229,000
Less: Amount set aside for repayment of general obligation debt		<u>(677,950)</u>
	Total net debt applicable to limit	<u>3,551,050</u>
	Legal debt margin	<u>\$ 44,902,825</u>

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

**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			
2008	\$ 9,462,653	\$ 520,000	\$ 196,051	\$ 716,051	13.22	
2009	8,523,983	545,000	172,481	717,481	11.88	
2010	8,329,496	200,000	147,423	347,423	23.98	
2011	8,896,937	210,000	138,423	348,423	25.53	
2012	10,277,805	230,000	57,836	287,836	35.71	
2013	10,356,610	245,000	53,191	298,191	34.73	
2014	10,796,315	250,000	48,070	298,070	36.22	
2015	10,750,947	260,000	42,845	302,845	35.50	
2016	10,874,639	270,000	37,412	307,412	35.37	
2017	11,973,167	285,000	31,768	316,768	37.80	

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

**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)
2008	8,580	229,384	\$ 368,837,437	\$ 42,988	2.9%	35,534	37
2009	8,334	231,495	374,606,667	44,949	3.5%	35,878	37
2010	8,765	233,740	400,806,305	45,728	5.3%	36,441	37
2011	8,733	236,785	394,206,154	45,140	5.8%	37,112	37
2012	8,266	238,478	389,878,608	47,167	5.2%	37,508	*
2013	8,765	239,453	436,911,785	49,847	5.2%	37,926	*
2014	8,896	242,333	489,120,092	54,982	5.1%	38,044	*
2015	9,513	245,829	539,053,515	56,665	5.7%	38,193	*
2016	9,897	253,364	516,207,511	52,158	5.1%	38,681	*
2017	10,090	254,508	*	*	4.3%	39,000	*

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

* Information not available / no current information

Sources:

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

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

TABLE 17

Employer	Location	2017			2007		
		Employees	Rank	% of Total St. Tammany Parish Employment	Employees	Rank	% of Total St. Tammany Parish Employment
St. Tammany Parish Public Schools	Parish Wide	5,620	1	5.08%	5,221	1	6.31%
St. Tammany Parish Hospital	Covington	2,036	2	1.84%	1,688	2	2.04%
Ochsner Medical Center	Slidell	1,352	3	1.22%	302	10	0.37%
Slidell Memorial Hospital	Slidell	1,325	4	1.20%	1,158	3	1.40%
St. Tammany Parish Government	Parish wide	807	5	0.73%	513	7	0.52%
St. Tammany Parish Sheriff's Office	Parish wide	775	6	0.70%	664	5	0.80%
Lakeview Regional Medical Center	Covington	745	7	0.67%	721	4	0.87%
Textron Systems Marine & Land	Slidell	427	8	0.39%	*	*	*
City of Slidell	Slidell	389	9	0.35%	383	8	0.46%
Cross Gates Family Fitness	Slidell	350	10	0.32%	*	*	*
Southeast Louisiana Hospital	Mandeville	*	*	*	517	6	0.62%
Northshore Regional Medical Center	Covington	*	*	*	427	*	*
Gilsbar Inc	Covington	*	*	*	309	9	0.37%
TOTAL		13,826		12.50%	11,903		13.76%

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

* Not applicable for reporting year

Sources:

2016 information: North Shore Report Book of Lists

2007 information: Book of Lists 2007, New Orleans City Business

CITY OF COVINGTON, LOUISIANA **TABLE 18**
FULL - TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS
(UNAUDITED)

Function	December 31,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Council	8	8	8	8	8	8	8	8	8	8
Administrative (1)	11	11	11	11	9	9	10	11	11	12
Facilities	*	*	*	*	*	*	*	*	*	4
Permits	2	2	2	2	2	2	2	2	2	2
Planning	2	2	2	2	2	2	2	2	2	2
Economic Development	7	8	8	8	7	7	8	9	7	0
Engineer	*	*	*	*	1	1	2	2	2	2
Code Enforcement	*	*	*	*	1	1	1	1	1	1
Public Safety - Police										
Police Employees	51	52	53	53	49	49	45	44	46	46
Public Safety - Fire										
Firefighters	10	16	16	16	16	16	16	16	16	16
Dispatchers	4	4	4	4	4	4	4	5	5	5
Public Works										
Public Operations (2)	19	20	20	17	20	22	22	22	24	24
Public Utility (3)	27	26	26	26	27	26	26	26	26	26
Recreation and Culture	7	7	7	7	4	4	2	1	1	4
Total	148	156	157	154	150	151	148	149	151	152

Source: Adopted 2007 - 2016 Budgets City of Covington

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

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

(2) Streets, Bridges, Drainage, General Maintenance

(3) Includes Public Utility Administration, Wastewater Treatment Plant, Wastewater Collection & Water maintenance.

* Information not available

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

TABLE 19

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety - Police										
Total arrests	1,670	1,470	833	612	682	552	537	577	647	492
Parking tickets	1,953	2,363	1,864	803	103	218	194	108	83	91
Traffic violations (1)	356	551	274	58	797	1,199	851	860	569	409
Public Safety - Fire										
Number of calls	1,237	1,163	1,350	1,534	1,444	1,355	1,528	1,703	1,639	1,758
Average Response times	3:14	3:10	3:14	3:18	3:36	3:31	3:27	3:05	3:21	3:32
Public Works										
Potholes repaired	*	*	376	409	300	107	134	83	88	68
Trees cut	*	145	75	141	125	63	77	75	75	69
Public Utility										
Water & Sewer										
Number of billed accounts	4,278	4,368	4,471	4,572	4,648	4,719	4,940	5,076	5,175	5,278
New meter connections	246	27	86	97	111	143	152	134	114	112
Building Permits										
New residential	27	19	81	80	122	156	111	142	128	76
Residential additions	15	6	15	13	7	11	6	11	31	31
Residential renovations	17	15	11	21	21	17	14	32	160	47
New commercial	14	16	9	11	7	13	6	12	26	11
Commercial additions	2	1	3	2	1	-	4	2	4	2
Commercial renovations	11	14	15	10	18	18	23	26	32	22
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
Number of teams in basketball league	*	*	26	29	14	20	14	16	15	12
Number of teams in football league	*	*	9	7	5	4	4	4	4	3

Note: Indicators are not available for the general government function

* Information not available

(1) Traffic violations include parking tickets for 2007

Source: Various City of Covington departments

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

TABLE 20

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Vehicles	4	5	6	6	6	6	7	8	10	12
Office Furniture & Equipment	18	21	28	28	30	30	36	47	43	45
Tools & Equipment	2	9	9	9	14	18	18	16	18	19
Cemetery	1	1	1	1	1	1	1	2	2	2
Public Safety - Police										
Vehicles	47	52	51	56	51	48	45	48	47	49
Office Furniture & Equipment	14	18	22	24	25	28	30	27	26	26
Tools & Equipment	15	25	29	33	35	36	47	48	49	48
Stations	1	1	1	1	1	1	1	1	1	1
Public Safety - Fire										
Vehicles	12	12	12	12	12	12	12	12	14	15
Office Furniture & Equipment	1	1	1	1	1	1	1	2	2	2
Tools & Equipment	20	24	25	25	30	33	33	35	38	38
Fire houses	2	2	2	2	2	2	2	2	2	2
Public Works										
Vehicles	29	26	26	30	30	32	36	33	36	38
Office Furniture & Equipment	2	3	2	2	2	2	2	2	2	3
Tools & Equipment	38	41	44	51	52	53	55	62	66	73
Public Utility										
Water										
Vehicles	6	6	6	7	13	16	15	14	13	14
Machinery, Equipment & Improvements	62	74	75	81	96	112	124	133	140	150
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	6	8	9	9	7	17	17	16	16	16
Machinery, Equipment & Improvements	115	128	128	131	152	163	163	187	200	213
Recreation and Cultural Arts										
Vehicles	2	4	4	4	4	4	2	3	-	-
Office Furniture & Equipment	3	3	3	2	-	-	-	-	-	-
Tools & Equipment	11	24	25	25	21	21	19	21	16	19
Number of parks	10	10	10	10	10	10	10	10	10	10

Source: Various city departments.

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as item 2017-001.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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.

Carly Riggs & Ingram, L.L.C.

June 28, 2018

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

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

SECTION 2 - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

2017-01 – Significant Deficiency – Controls over Capital Assets

Criteria: GASB Codification Section 1400 *Reporting Capital Assets* requires that the capitalization period should end when the asset is substantially complete and ready for its intended use. It also stated that Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible, are intangible assets with indefinite useful lives, or are infrastructure assets using the modified approach as set forth in this section.

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

Effect: Capital assets, accumulated depreciation, and depreciation expense for the year ended December 31, 2017 were understated. Construction-in-progress for the year ended December 31, 2017 was overstated.

Cause: Internal controls have not been designed and implemented to ensure proper reclassification of completed construction-in-progress projects and record necessary depreciation on completed projects.

Auditors' recommendation: We recommend that the City design and implement internal controls necessary to ensure proper reclassification of completed construction-in-progress projects and record necessary depreciation on completed projects.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

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

**SECTION 3 - FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR
FEDERAL AWARD PROGRAMS**

Not Applicable

SECTION 4 – OTHER MATTTTERS

Not Applicable

**CITY OF COVINGTON, LOUISIANA
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2017**

SECTION 2 - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

None Noted

**SECTION 3 - FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR
FEDERAL AWARD PROGRAMS**

Not Applicable

SECTION IV - OTHER MATTERS

Not Applicable

City of Covington
AGREED-UPON PROCEDURES REPORT
For the Year Ended December 31, 2017



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor and
Members of the City 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 procedures for the fiscal period January 1, 2017 through December 31, 2017

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.

Our procedures and findings are as follows:

Credit Cards/Debit Cards/Fuel Cards/P-Cards

- a) Obtained the entity's written policies and procedures over credit cards, bank debit cards, fuel cards, and P-cards (cards) and observed that those written policies and procedures address how cards are to be controlled, including procedures for removal of signatory authorization upon employment termination, and approval required to open an account;

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

Non-Utility Collections

- 1. Obtained the entity's written policies and procedures over non-utility collections and observed that those written policies and procedures address receipts, including receiving, recording, and preparing deposits.

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

2. Obtained a listing of cash/check/money order (cash) collection locations (non-utility collection locations only, unless collection locations overlap) and management's representation that the listing is complete.

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

3. Using the listing provided by management, we selected one-third of the entity's non-utility cash collection locations. For each cash collection location selected:

- a) Obtained existing written documentation (e.g. insurance policy, policy manual, job description) and observed that each person responsible for collecting cash is (1) bonded or insured, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account and (3) not required to share the same cash register or drawer with another employee.

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

- b) Obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and observed that the entity has a formal process to reconcile cash collections to the general ledger, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

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

- c) For each cash collection location selected, we randomly selected one day of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, bank statements, traced daily collections to the deposit rate on the corresponding bank statement and observed that the deposits were made within one day of collection.
- Using sequentially numbered receipts, system reports, or other related collection documentation, we verified that daily cash collections are completely supported by documentation.

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

4. Obtained existing written documentation (e.g. policy manual, written procedure) and observed that the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund by a person who is not responsible for collections.

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

Payroll and Personnel

1. Obtained the entity's written policies and procedures over payroll/personnel and observed that those written policies and procedures address (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

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

2. Obtained a listing of employees within the police department with their related salaries, and obtained management's representation that the listing is complete. Randomly selected five police department employees, obtained their personnel files, and:

- a. Inspected compensation paid to each employee during the fiscal period and observed that payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

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

- b. Inspected changes made to hourly pay rates/salaries during the fiscal period and observed that those changes were approved in writing and in accordance with written policy.

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

3. Obtained attendance and leave records and randomly selected one pay period in which leave has been taken by at least one police department employee and overtime has been paid to at least one police department employee. Within that pay period, randomly selected 10 police department employees, and:

- a. Observed that all selected employees documented their daily attendance and leave (e.g., vacation, sick, compensatory). Observed that there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees.

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

- b. Observed that there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees that earn leave.

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

- c. Observed that there is written documentation that supervisors approved, electronically or in writing, overtime worked prior to payment of said overtime.

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

4. Obtained from management a list of those police department employees that terminated during the fiscal period and management's representation that the list is complete. We selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two police department employees. Observed that the termination payments were made in strict accordance with policy and/or contract and approved by management.

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

5. Obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Observed that the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

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

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 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 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.

Carly Riggs & Ingram, L.L.C.

June 28, 2018