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Report on
The Audit of
The Financial Statements of
CITY OF COVINGTON, LOUISIANA
December 31, 1998

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Release Date 7-28-99

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the City of Covington, Louisiana, and the combining, individual fund and account group financial statements of the City as of and for the year ended December 31, 1998, as listed in the table of contents. These financial statements are the responsibility of the City of Covington, Louisiana's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Covington, Louisiana, at December 31, 1998, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining, individual fund, and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City of Covington, Louisiana, as of December 31, 1998, and the results of operations of such funds and the cash flows of its proprietary fund for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining, individual fund and account group financial statements. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the City of Covington, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose, combining, individual fund and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

The Honorable Mayor and City Council
City of Covington
Covington, Louisiana

The City of Covington, Louisiana has not presented the disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the City of Covington, Louisiana is or will become year 2000 compliant, that the City of Covington Louisiana's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City of Covington, Louisiana does business are or will become year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued our report dated June 11, 1999 on our consideration of the City of Covington's internal control over financial reporting, and our tests of its compliance with contracts, grants, laws and regulations related to financial reporting, a report on its compliance with requirements applicable to each major program and on internal control over federal program.

Smith, Heval & Associates, L.L.C.

June 11, 1999

CITY OF COVINGTON, LOUISIANA
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1998

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups			Totals		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only) 1998	1997
ASSETS												
Cash	\$ 584,986	\$ 457,195	\$ 315,738	\$ 41,704	\$ 183,186	\$ 558,053	\$	\$	\$ 2,140,862	\$ 2,173,030		
Certificates of deposit	97,167		890,417	247,130		24,955			1,259,669	1,431,181		
Investments	1,225,684								1,225,684	1,107,872		
Receivables												
Utilities					71,625				71,625	61,668		
Taxes	584,899		168,676						753,575	779,239		
Notes receivable	126,518								126,518	-		
Grant receivable	131,930								131,930	-		
Accrued interest	17,694		13,916	1,570					33,180	45,955		
Other	95,706	211			66,215				162,132	385,684		
Prepays					28,986				28,986	28,350		
Due from other funds	690,507		139,911						830,418	945,831		
Due from others	129,585					86,603			216,188	3,694		
Restricted assets												
Cash					323,728				323,728	364,672		
Land									548,097	548,097		
Buildings									1,948,806	1,949,340		
Improvements other than buildings									764,316	809,432		
Equipment									1,810,367	2,085,650		
Transportation equipment									461,487	448,690		
Furniture and equipment									371,138	469,196		
Capital lease assets									229,191	232,106		
Utility plant and equipment - depreciation												
Net of accumulated depreciation					9,790,349				9,790,349	9,906,002		
Amount available in debt service funds									1,528,245	1,531,179		
Amount to be provided for retirement of general long-term debt									4,385,937	4,920,029		
Total assets	\$ 3,684,676	\$ 457,406	\$ 1,528,658	\$ 290,404	\$ 10,464,089	\$ 669,611	\$ 6,133,402	\$ 5,914,182	\$ 29,142,428	\$ 30,226,897		

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 December 31, 1998

	Governmental Fund Types				Fiduciary Fund Type	Account Groups			Totals			
	General	Special Revenue	Debt Service	Capital Projects		Proprietary Fund Type	Trust and Agency	General	Fixed Assets	General Long-Term Debt	(Memorandum Only) 1998	1997
LIABILITIES												
Accounts payable and accrued expenses	\$ 178,438	\$	\$	\$	\$ 130,821	\$	\$	\$	\$	\$ 309,259	\$	358,032
Payroll taxes, retirement, and accrued wages payable	139,032				21,619					21,619		165,015
Customer deposits	3,900				136,283					139,032		151,452
Due to other funds	31,728	364,824	413	80	2,502	430,871				140,183		945,831
Deferred revenues	262,637					83,143				830,418		275,646
Payable from restricted assets -										345,780		
Revenue bonds					80,256					80,256		76,517
Accrued interest					34,433					34,433		37,718
General obligation bonds								5,475,000		5,475,000		5,850,000
Water revenue bonds					773,387					773,387		853,671
Due to certificate holders						113,851				113,851		32,204
Due to others						413				413		1,271
Compensated absences								158,444		158,444		178,467
Obligations under capital lease agreements												
Notes payable					93,045					8,589		15,415
Due to Parish								61,803		154,848		122,398
Special assessment debt										-		39,524
Estimated liability for landfill postclosure care costs								210,346		210,346		245,404
Contract payable					26,912					26,912		26,912
Total liabilities	615,735	364,824	413	80	1,385,088	628,278		5,914,182		8,908,600		9,475,612
FUND EQUITY												
Contributed capital					7,730,768					7,730,768		7,890,885
Investment in General Fixed Assets								6,133,402		6,133,402		6,542,511
Retained earnings												
Reserved for revenue bonds					209,039					209,039		250,437
Unreserved and undesignated Fund balances					1,139,194					1,139,194		1,020,725
Reserved for Capital Outlay	945,684									945,684		846,978
Reserved for Debt Service												1,531,179
Reserved for Mausoleum						41,333				41,333		39,779
Unreserved	1,926,872	92,582								2,019,454		1,830,301
Designated for future expenditures	173,877			290,324						464,201		776,863
Designated for fire protection	22,508									22,508		21,627
Total fund equity	3,068,941	92,582	1,528,245	290,324	9,079,001	41,333		6,133,402		20,233,928		20,751,285
Total liabilities and fund equity	\$ 3,684,676	\$ 457,406	\$ 1,528,658	\$ 290,404	\$ 10,464,089	\$ 669,611		\$ 6,133,402	\$ 5,914,182	\$ 29,142,428	\$	\$ 30,226,897

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 For the Year Ended December 31, 1998

REVENUES	Governmental Fund Types			Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service		Capital Projects	1998
Taxes	\$ 1,181,274	\$ 3,669,807	\$ 253,270	\$	\$ 5,104,351	\$ 4,985,556
Licenses and permits	603,609				603,609	605,934
Intergovernmental	240,953				240,953	503,420
Charges for service	79,428				79,428	58,258
Fines and forfeits	110,137	8,277			118,414	102,755
Interest	163,241	19,477	83,810	12,917	281,087	205,499
Federal and state grants	1,241,341				1,241,341	-
Other	84,638				84,638	79,711
Total revenues	<u>3,704,621</u>	<u>3,697,561</u>	<u>337,080</u>	<u>12,917</u>	<u>7,753,821</u>	<u>6,541,133</u>
EXPENDITURES						
Current:						
General government	1,290,735	25,258			1,316,081	1,576,088
Public safety						
Police	1,906,392				1,906,392	1,558,130
Fire	515,164				515,164	667,692
Public works - streets	2,628,225				2,628,225	1,561,919
Culture and recreation	470,450				470,450	418,024
Debt service:						
Principal			375,000		375,000	310,000
Interest and fiscal charges			266,822		266,822	296,764
Capital projects				195	195	198
Total expenditures	<u>6,810,966</u>	<u>25,258</u>	<u>641,822</u>	<u>195</u>	<u>7,478,329</u>	<u>6,388,815</u>
Excess (deficiency) of revenues over expenditures	<u>(3,106,345)</u>	<u>3,672,303</u>	<u>(304,742)</u>	<u>12,722</u>	<u>275,492</u>	<u>152,318</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from loan					-	90,748
Proceeds from refunding bonds					-	3,333,090
Payment to escrow agent					-	(3,330,947)
Refunding bond issuance cost					-	(94,321)
Transfer to agency fund				(149,403)	(149,403)	(60,208)
Operating transfers in	3,446,167		301,808		3,747,975	3,368,754
Operating transfers out	(75,057)	(3,824,310)			(3,899,367)	(3,654,006)
Total other financing sources (uses)	<u>3,371,110</u>	<u>(3,824,310)</u>	<u>301,808</u>	<u>(149,403)</u>	<u>(300,795)</u>	<u>(346,890)</u>
Excess of revenues over (under) expenditures and other financing sources (uses)	<u>264,765</u>	<u>(152,007)</u>	<u>(2,934)</u>	<u>(136,681)</u>	<u>(25,303)</u>	<u>(194,572)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>2,804,176</u>	<u>244,589</u>	<u>1,531,179</u>	<u>427,005</u>	<u>5,046,728</u>	<u>5,241,300</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,068,941</u>	<u>\$ 92,582</u>	<u>\$ 1,528,245</u>	<u>\$ 290,324</u>	<u>\$ 5,021,425</u>	<u>\$ 5,046,728</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES

For the Year Ended December 31, 1998

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 1,069,980	\$ 1,181,274	\$ 111,294	\$ 3,715,200	\$ 3,669,807	\$ (45,393)
Licenses and permits	639,000	603,609	(35,391)			
Intergovernmental	92,000	240,953	148,953			
Charges for services	74,000	79,428	5,428			
Fines and forfeits	67,000	110,137	43,137			
Federal and state grants		1,241,341	1,241,341		8,277	8,277
Interest income	130,000	163,241	33,241		19,477	19,477
Other	51,700	84,638	32,938			
Total revenues	<u>2,123,680</u>	<u>3,704,621</u>	<u>1,580,941</u>	<u>3,715,200</u>	<u>3,697,561</u>	<u>(17,639)</u>
EXPENDITURES						
Current:						
General government	1,423,200	1,290,735	132,465	26,000	25,258	742
Public safety						
Police	1,762,600	1,906,392	(143,792)			
Fire	531,900	515,164	16,736			
Public works - streets	1,892,700	2,628,225	(735,525)			
Culture and recreation	480,300	470,450	9,850			
Total expenditures	<u>6,090,700</u>	<u>6,810,966</u>	<u>(720,266)</u>	<u>26,000</u>	<u>25,258</u>	<u>742</u>
Excess (deficiency) of revenues over expenditures	<u>(3,967,020)</u>	<u>(3,106,345)</u>	<u>860,675</u>	<u>3,689,200</u>	<u>3,672,303</u>	<u>(16,897)</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	3,643,838	3,446,167	(197,671)			
Operating transfers out	(954,100)	(75,057)	879,043	(3,933,789)	(3,824,310)	109,479
Total other financing sources (uses)	<u>2,689,738</u>	<u>3,371,110</u>	<u>681,372</u>	<u>(3,933,789)</u>	<u>(3,824,310)</u>	<u>109,479</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ (1,277,282)</u>	<u>264,765</u>	<u>\$ 1,542,047</u>	<u>(244,589)</u>	<u>(152,007)</u>	<u>\$ 92,582</u>
FUND BALANCES - BEGINNING OF YEAR		<u>2,804,176</u>			<u>244,589</u>	
FUND BALANCES - END OF YEAR		<u>\$ 3,068,941</u>			<u>\$ 92,582</u>	

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS
- PROPRIETARY FUND TYPE

For the Year Ended December 31, 1998

	<u>1998</u>	<u>1997</u>
OPERATING REVENUES		
Water revenues	\$ 597,391	\$ 583,086
Water installations	18,565	17,785
Sewer maintenance fees	485,115	450,840
Sewer installations	37,621	55,460
Cut-on fees	16,350	14,696
Garbage collection fees	485,450	418,010
Miscellaneous	<u>30,429</u>	<u>3,740</u>
Total operating revenues	<u>1,670,921</u>	<u>1,543,617</u>
OPERATING EXPENSES		
Water department	525,958	534,706
Sewer department	1,002,896	950,308
Sanitation department	<u>518,909</u>	<u>431,890</u>
Total operating expenses	<u>2,047,763</u>	<u>1,916,904</u>
Operating loss	(376,842)	(373,287)
NON-OPERATING REVENUES (EXPENSES)		
State reimbursement - Tornado	281,378	-
Tornado debris removal	-	(81,799)
Interest income	16,740	31,120
Contract services	(95,386)	-
Loss on disposal of vehicles	(12,192)	-
Interest expense	<u>(48,136)</u>	<u>(58,500)</u>
Total non-operating revenues (expenses)	<u>142,404</u>	<u>(109,179)</u>
Loss before operating transfers	(234,438)	(482,466)
OPERATING TRANSFERS		
Transfers in	<u>151,392</u>	<u>285,252</u>
Total operating transfers	<u>151,392</u>	<u>285,252</u>
Net income	(83,046)	(197,214)
Add depreciation on fixed assets acquired with contributed capital	<u>160,117</u>	<u>148,479</u>
Net increase (decrease) in retained earnings	77,071	(48,735)
Retained earnings - beginning	<u>1,271,162</u>	<u>1,319,897</u>
Retained earnings - ending	<u>\$ 1,348,233</u>	<u>\$ 1,271,162</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

COMBINED STATEMENT OF CASH FLOWS
- PROPRIETARY FUND TYPE

For the Year Ended December 31, 1998

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (376,842)	\$ (373,287)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities:		
Depreciation	301,793	322,114
Decrease (increase) in accounts receivable - net	(9,978)	10,197
Increase in other receivables	(16,962)	(26,967)
Decrease in LCDBG grant receivable	-	344,383
Increase in prepaid expenses	(636)	(28,350)
Decrease in accounts payable and accrued expenses	(28,591)	(287,831)
Increase (decrease) in payroll taxes and retirement payable	(3,388)	11,505
Increase in other liabilities	-	(268)
Tornado debris removal	-	(81,799)
State reimbursement - Tornado	281,378	-
Contract service	<u>(95,386)</u>	<u>-</u>
Total adjustments	<u>428,230</u>	<u>262,984</u>
Net cash provided (used) by operating activities	51,388	(110,303)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Payments from other funds, net	25,629	6,809
Decrease in customer deposits	<u>(12,219)</u>	<u>(406)</u>
Net cash provided by non-capital financing activities	13,410	6,403
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Sewer grant received	-	293,388
Proceeds from note payable	95,500	-
Principal payments on note payable	(2,455)	-
Payments on state contract	(14,305)	-
Transfers from other funds, net	151,392	285,252
Payments for capital acquisitions	(198,334)	(631,048)
Principal payments on bonds	(76,545)	(63,434)
Interest paid	(51,420)	(63,290)
Payments on capital lease	<u>-</u>	<u>(7,631)</u>
Net cash used by capital and related financing activities	(96,167)	(186,763)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest	<u>16,740</u>	<u>31,120</u>
Net cash provided by investing activities	<u>16,740</u>	<u>31,120</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,629)	(259,543)
Cash and cash equivalents, beginning of year	<u>521,543</u>	<u>781,086</u>
Cash and cash equivalents, end of year	<u>\$ 506,914</u>	<u>\$ 521,543</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 financial statements of the City of Covington, Louisiana conform to generally accepted accounting principles (GAAP) as applicable to governments except for the valuation of fixed assets as further discussed in this note. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body in establishing governmental accounting and financial reporting principles. The following is a summary of certain significant accounting policies:

1. REPORTING ENTITY

For financial reporting purposes, the City of Covington includes all funds, account groups, agencies, boards, commissions and authorities that are controlled by or depend on the City's executive or legislative branches. Control by or dependency on the City is determined on the basis of the budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of significant subsidies from the City.

2. FUND ACCOUNTING

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into six generic fund types and three broad fund categories as follows:

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. FUND ACCOUNTING (Continued)

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources other than expendable trusts or major capital projects that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related cost.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

PROPRIETARY FUND

Enterprise Fund - The Enterprise Fund is used to account for operations that (a) are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for other funds. These include Expendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve a measurement of results of operations.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. FIXED ASSETS AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and the Expendable Trust Fund are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance (net current assets). Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized by the City. No depreciation has been provided on general fixed assets.

Fixed asset values are based on historical cost (if available) or estimated historical cost if historical cost was not available.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are listed as liabilities in the General Long-Term Debt Account Group.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. FIXED ASSETS AND LONG-TERM LIABILITIES (Continued)

The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with its activity are included on its balance sheet. Its reported fund equity (net total assets) is segregated into contributed capital and retained earning components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations or against contributed capital for assets acquired with contributed funds. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight line method. Depreciation for December 31, 1998, is \$301,793. The estimated lives are as follows:

Water and Sewerage System	10 - 50 Years
Equipment	3 - 5 Years

4. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and the Expendable Trust Fund are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Sales and other taxes and fees are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time. Grants from other governments are recognized when qualifying expenditures are incurred. Trust authority and all other revenues are recognized when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unvested sick pay which is not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

CITY OF COVINGTON, LOUISIANA
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. BASIS OF ACCOUNTING (Continued)

All proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

5. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- A. Prior to October 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted at City Hall.
- C. Prior to the last meeting of the current fiscal year, the budget is legally enacted through passage of an ordinance.
- D. The Mayor may transfer part or all of any unencumbered appropriation balance among programs within a department, office or agency. An unencumbered appropriation balance may be transferred from one department, office, or agency to another only upon action of the City Council by ordinance.
- E. Formal budgetary integration is employed as a measurement control device during the year for the General Fund, Special Revenue Fund, Enterprise Fund, and the Debt Service Funds.
- F. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the City Council.
- G. All appropriations, except for capital outlay appropriations, lapse at year end.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the municipality may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at cost.

7. COMPENSATED ABSENCES

The City's non-current liability for accumulated unpaid vacation, overtime and vested sick pay for civil employees has been recorded in the general long-term debt group of accounts. That portion of compensated absence liability expected to be retired in the coming year is reported as a liability of the respective fund.

8. TOTAL COLUMNS ON COMBINED FINANCIAL STATEMENTS

Total columns on the Combined Financial Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

9. COMPARATIVE DATA - 1997 Actual

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Also, minor reclassifications of amounts previously reported in the financial statements for the year ended December 31, 1997, have been made in the accompanying financial statements to facilitate comparability.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. PROPERTY TAXES

Property taxes are due on January 1 and delinquent if not paid by February 1. Property taxes are recorded as revenues when levied. Tax liens are filed on all unpaid bills. The City bills and collects its own property taxes using the assessed values determined by the tax assessor of St. Tammany Parish. Total property tax revenue for the year ended December 31, 1998, was \$1,040,024 and is recorded in the funds as follows:

General Fund	\$ 786,754
Debt Service Fund	<u>253,270</u>
	<u>\$1,040,024</u>

11. SEWER EXTENSION SPECIAL ASSESSMENTS

Special assessments have been levied to provide for the financing of public improvements deemed to benefit the properties against which the assessments are levied. The City of Covington is in no manner obligated to repay the special assessment debt, except that portion to be paid from the sewer plant construction fund; therefore, the debt is not reported in the financial statements. The City functions as an agent for the property owners by collecting assessments, forwarding collections to special assessment certificate holders and, if appropriate, beginning foreclosures. The balance of special assessment debt at December 31, 1998, was \$510,345 of which \$300,000 will be paid from special assessment and parcel fee collections and \$210,345 will be paid from the Sewer Plant Construction Fund.

12. 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 which would indicate the uncollectibility of the particular receivable. The allowance is \$34,731 at December 31, 1998. An aging of receivables is as follows:

Current	\$ 32,898
30 days	11,950
60 days	15,398
90 & over	<u>46,110</u>
	<u>\$106,356</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE B - CHANGES IN FIXED ASSETS

The City established a detailed fixed asset listing using historical cost and estimated historical cost. In preparing this listing, the City decided not to capitalize infrastructure assets thereby excluding these assets. Presented below is a summary of changes in general fixed assets. It is the City's policy to capitalize only those additions greater than \$1,000. Also, some expenditures made out of the 60% capital outlay funds are operational in nature and are not capitalized below. The total capital outlay reflected in the accompanying financial statements for the General Fund totaled \$2,164,040.

	Balance December 31, <u>1997</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>1998</u>
Land	\$ 548,097	\$ -	\$ -	\$ 548,097
Buildings	1,949,341	-	535	1,948,806
Equipment	2,085,649	116,805	392,087	1,810,367
Improvements other than buildings	809,432	156,738	201,854	764,316
Transportation equipment	448,690	114,986	102,189	461,487
Office furniture and equipment	469,196	28,279	126,337	371,138
Capital leases	<u>232,106</u>	<u>-</u>	<u>2,915</u>	<u>229,191</u>
	<u>\$ 6,542,511</u>	<u>\$ 416,808</u>	<u>\$ 825,917</u>	<u>\$ 6,133,402</u>

A summary of proprietary fund type property, plant and equipment at December 31, 1998, follows:

Sewer equipment	\$ 9,867,649
Water equipment	1,931,978
Vehicles	197,857
Garbage equipment	<u>46,345</u>
Total	12,043,829
Less: Accumulated depreciation	<u>2,253,480</u>
	<u>\$ 9,790,349</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE C - RESTRICTED ASSETS

The ordinance authorizing the issuance of a \$1,200,000 Water Revenue Bond dated November 4, 1980, the ordinance authorizing the issuance of a \$450,000 Water Revenue Bond, dated July 2, 1985 and the ordinance authorizing the issuance of a \$368,000 Water Revenue Bond dated June 20, 1996 which was used to retire the outstanding balance on the 1985 bond, together provide for certain restrictions on the assets of the Enterprise Fund.

1. Revenue Bond Sinking Fund

The 1980 and 1985 ordinances called for the establishment and maintenance of a Revenue Bond Sinking Fund sufficient in amount to pay promptly and in full the principal and interest on the bonds authorized as they become due and payable. This requirement has been met as of December 31, 1998.

2. Revenue Bond Reserve Fund

The ordinances called for the establishment of a Revenue Bond Reserve Fund by depositing with the regularly designated fiscal agent bank of the City 5% of the amount to be deposited into the Sinking Fund until such time as there has been accumulated an amount equal to the highest combined debt service payable. The 1996 refunding ordinance calls for an initial deposit of \$20,976 which was paid from the 1980 reserve funds and thereafter, monthly payments of \$190 until an amount attributable to the 1996 issue of \$36,000 is on hand in the Revenue Bond Reserve Fund. The sole purpose of the fund is to pay the principal of and the interest on the bonds payable from the Revenue Bond Sinking Fund as to which these would otherwise be in default. This requirement has been met at December 31, 1998.

3. Capital Additions and Contingencies Fund

The ordinance called for the establishment and maintenance of a Capital Additions and Contingencies Fund to care for extensions, additions, improvements, renewals, and replacements necessary to properly operate the system. Monthly deposits of \$571 are to be made, provided such sum is available after certain other provisions. This requirement has been met at December 31, 1998.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE D - LONG-TERM DEBT

The following is a summary of bond transactions of the City for the year ended December 31, 1998.

	<u>General</u> Sales and Use Tax	<u>Obligation</u> Ad Valorem Tax	<u>Revenue</u> Bonds	<u>Total</u>
Bonds Payable at January 1, 1998	\$3,330,000	\$2,520,000	\$930,188	\$6,780,188
Bonds Issued	-	-	-	-
Bonds Retired	<u>215,000</u>	<u>160,000</u>	<u>76,545</u>	<u>451,545</u>
Bonds Payable at December 31, 1998	<u>\$3,115,000</u>	<u>\$2,360,000</u>	<u>\$853,643</u>	<u>\$6,328,643</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE E - COMBINED SCHEDULE OF BONDS PAYABLE

GENERAL OBLIGATION BONDS

1995 General Obligation Bonds
 Issued March 1, 1995 for \$600,000,
 Secured by Ad Valorem Taxes

<u>Payment Dates</u>	<u>Interest</u>		<u>Annual Principal Payments</u>	
	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>
March 1 and September 1	1999	8.55%	1999	30,000
	2000	5.25%	2000	30,000
	2001-02	5.30%	2001	35,000
	2003	5.40%	2002	35,000
	2004	5.50%	2003	40,000
	2005	5.60%	2004	40,000
	2006	5.65%	2005	45,000
	2007	5.70%	2006	45,000
	2008	5.75%	2007	50,000
	2009-10	5.85%	2008	55,000
			2009	55,000
		2010	<u>60,000</u>	
			<u>\$ 520,000</u>	

CITY OF COVINGTON, LOUISIANA
 NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE E - COMBINED SCHEDULE OF BONDS PAYABLE (Continued)

	Interest		Annual Principal Payments		
	Payment Dates	Year	Rate	Year	Amount
GENERAL OBLIGATION BONDS (Continued)					
1997 Sales Tax Refunding Bonds					
Bonds issued July 29, 1997 for \$3,330,000, secured by proceeds of 1% 1957 and 1% 1982 sales and use tax					
May 1 and November 1	1999		4.00%	1999	225,000
	2000		4.05%	2000	230,000
	2001		4.15%	2001	245,000
	2002		4.25%	2002	255,000
	2003		4.35%	2003	270,000
	2004		4.45%	2004	280,000
	2005		4.50%	2005	290,000
	2006		4.50%	2006	305,000
	2007		4.50%	2007	320,000
	2008		4.55%	2008	340,000
	2009		4.65%	2009	355,000
					<u>3,115,000</u>
1996 Sewer Refunding Bonds issued January 1, 1996 for \$1,930,000 Secured by ad valorem taxes					
March 1 and September 1	1999		4.00%	1999	140,000
	2000		4.05%	2000	145,000
	2001		4.15%	2001	155,000
	2002		4.25%	2002	165,000
	2003		4.35%	2003	175,000
	2004		4.40%	2004	185,000
	2005		4.45%	2005	195,000
	2006		4.55%	2006	215,000
	2007		4.75%	2007	225,000
	2008		5.00%	2008	240,000
					<u>\$1,840,000</u>
					<u>\$5,475,000</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE E - COMBINED SCHEDULE OF BONDS PAYABLE (Continued)

	Interest		Annual Principal Payments	
	Payment Dates	Year	Year	Amount
	Jan. 14	1999-2006	1999-2006	\$ 511,643
	Jan. 1	1999-2010	1999	19,000
			2000	21,000
			2001	22,000
			2002	23,000
			2003	25,000
			2004	27,000
			2005	28,000
			2006	31,000
			2007	34,000
			2008	36,000
			2009	37,000
			2010	39,000
				<u>342,000</u>
				<u>\$ 853,643</u>

REVENUE BONDS

1980 Water Revenue Bonds issued for \$1,200,000, secured by revenues of Water System, payments made annually for \$86,976 including interest and principal

1996 Water Revenue Refunding Bonds issued For \$ 368,000, secured by revenues of Water System

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE F - ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM DEBT

The following is a schedule of principal and interest debt service requirements to maturity:

<u>Year Ending December 31,</u>	<u>Revenue Bonds</u>	<u>General Obligation Bonds</u>	<u>Total</u>
1999	\$ 125,095	\$ 639,425	\$ 764,520
2000	125,945	632,619	758,564
2001	125,709	645,436	771,145
2002	125,415	646,691	772,106
2003	126,035	656,535	782,570
2004-2011	<u>543,011</u>	<u>3,822,633</u>	<u>4,365,644</u>
	<u>\$1,171,210</u>	<u>\$7,043,339</u>	<u>\$ 8,214,549</u>

As of December 31, 1998 there is \$1,528,245 available in the Debt Service Fund to service the general obligation bonds.

NOTE G - OTHER INDIVIDUAL FUND DISCLOSURES

Individual fund interfund receivable and payable balances are not eliminated in the accompanying financial statements. Such balances at December 31, 1998 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General Fund	\$ 690,507	\$ 31,728
1957 Sales Tax Fund	-	359,680
1982 Sales Tax Fund	-	5,143
General Obligation Bond Redemption Fund	139,911	-
1990 Sales Tax Bond Sinking Fund	-	414
Ad Valorem Tax Collection Fund	-	372,181
Enterprise Fund	-	2,502
Sewer Plant Capital Projects Fund	-	40
1993 Sewer Extension Capital Projects Fund	-	40
1993 Sewer Extension Agency Fund	-	53,197
1987 Street Paving Agency Fund	-	5,309
Garden of Pines Mausoleum Fund	-	184
	<u>\$ 830,418</u>	<u>\$ 830,418</u>

CITY OF COVINGTON, LOUISIANA
 NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE H - LEASES

The City is obligated under a certain lease accounted for as capital lease. The leased assets and related obligations are accounted for in the Utility Fund, General Fixed Assets Account Group and the General Long-Term Debt Account Group, respectively. The Utility Fund is responsible for servicing the lease payments related to leased assets within the Utility Fund and the General Fund is responsible for servicing the remaining lease payments. Assets under capital leases totaled \$229,191 at December 31, 1998. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of December 31, 1998:

	<u>General Long-Term Debt</u>
1999	\$ 7,688
2000	<u>1,281</u>
Total minimum lease payments	8,969
Less: Amount representing interest	<u>380</u>
Present value of minimum lease payments	<u>\$ 8,589</u>

The City is also obligated under a lease of a building accounted for as an operating lease. Total rent payments for the year ending December 31, 1998 was \$2,800. The future minimum lease payments are as follows:

1999	\$ 4,800
2000	4,800
2001	4,800
2002	4,800
2003	<u>2,000</u>
Total minimum lease payments	<u>\$21,200</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE I - NOTES PAYABLE

The City has entered into four installment agreements with a local bank to purchase several pieces of equipment. The four notes are payable in 36 monthly payments of \$2,185, \$1,538, \$2,136, and \$2,873 through June, 1999, July, 1999, June, 2000, and November, 2001, respectively. Interest on the notes is 6.40%, 6.40%, 6.25%, 5.25%, respectively. The City's obligations under these notes are accounted for in the General Long-Term Account Group and the Enterprise Fund. Notes are secured by the equipment purchased. Presented below are the required payments by year.

	General Long- Term Debt	
	<u>Account Group</u>	<u>Enterprise</u>
1999	\$ 53,229	\$ 34,475
2000	10,681	34,475
2001	<u>-</u>	<u>31,602</u>
	63,910	100,552
Less interest portion	<u>2,107</u>	<u>7,507</u>
Balance at December 31, 1998	<u>\$ 61,803</u>	<u>\$ 93,045</u>

NOTE J - PENSION PLAN

Substantially all employees of the City of Covington are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana and Municipal Police Employees Retirement System of Louisiana. These systems are cost-sharing multiple-employer, defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana (System)--The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 per cent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE J - PENSION PLAN - (CONTINUED)

benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.25 percent of their annual covered salary and the City of Covington is required to contribute at an actuarially determined rate. The current rate is 5.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except in Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City of Covington are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Covington required contributions to the System under Plan A for the years ending December 31, 1998, 1997, and 1996 were \$84,137 \$85,128 and \$72,528 respectively, equal to the required contributions for each year.

B. Municipal Police Employees Retirement System of Louisiana (System)--All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 per cent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (504) 929-7411.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE J - PENSION PLAN - (CONTINUED)

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the City of Covington is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the City of Covington are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Covington required contributions to the System for the years ending December 31, 1998, 1997, and 1996 were \$84,737, \$77,133 and \$71,990, respectively, equal to the required contributions for each year.

NOTE K - LITIGATION AND CLAIMS

The City is involved in litigation on a variety of claims arising from its operations. It is the opinion of the City's legal council that resolution of these lawsuits would not create a liability to the City in excess of insurance coverage.

NOTE L - FUND DEFICIT

The 1982 Sales Tax Fund has a deficit in unreserved fund balance of \$1,652 at December 31, 1998. The City intends to eliminate this deficit with future excesses of revenues over expenditures.

NOTE M - EXPENDITURES EXCEEDING APPROPRIATIONS

For the year ending December 31, 1998, the General Fund had actual expenditures of \$6,810,966 which exceeded budgeted appropriations of \$6,090,700 creating an unfavorable variance of \$720,266

NOTE N - CASH AND INVESTMENTS

The City's deposits, including restricted cash of \$ 323,727, are categorized as follows at December 31, 1998:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits	\$2,464,590	\$ 2,583,539
Certificate of deposit	<u>1,259,669</u>	<u>1,259,669</u>
	<u>\$ 3,724,259</u>	<u>\$ 3,843,208</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE N - CASH AND INVESTMENTS (CONTINUED)

At December 31, 1998, the City has \$3,843,258 in deposits (collected bank balances). These deposits are secured from risk by \$607,661 of federal deposit insurance and of \$3,235,597 pledged securities held by the fiscal agent banks (GASB Category 2):

The carrying amount does not include accrued interest of \$16,121 on certificates of deposit.

The City's investments consist of various governmental obligations which are stated at their fair value determined by market prices of \$1,225,684 at December 31, 1998. These investments are considered a category 2 investment risk, which includes investments for which the securities are held by the counterpart's trust department in the City's name. The City's investments do not include \$17,059 of accrued interest.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE O - INSURANCE

As of December 31, 1998, the City has the following insurance coverage:

<u>Insurer</u>	<u>Policy Expiration Date</u>	<u>Amount of Coverage</u>	<u>Type of Coverage</u>
CNA Insurance	05/99	\$4,280,816	Fire and Extended Coverage Buildings Contents EDP Equipment Contractor's equipment 2-way communication system
Fidelity & Deposit Co. of Maryland	04/99	\$ 375,000 375,000	Fidelity Bond coverage Mayor Director of Administration
Fidelity & Deposit Co. of Maryland	08/99	\$ 20,000 25,000 25,000 10,000 10,000	Fidelity Bond coverage Surety bond on administrator Employee Dishonesty Each employee Excess on Mayor Theft - police building Theft - City Hall
Coregis Insurance Org.	02/99	\$ 1,000,000 1,000,000 3,000,000 1,000,000 1,000,000	Auto liability General liability Law enforcement officers Comprehensive liability Public officials errors and Omissions liability Employee Benefits
CNA Insurance Co.	01/99	State Statute	Workers Compensation & Employers Liability
Audubon Indemnity Co.	05/99	\$ 375,000	Commercial auto physical damage
Audubon Indemnity Co..	09/99	\$175,000	Covering 1996 Dump Truck And 1993 Dodge Truck

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE P - LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

In accordance with GASB Statement 18, the City adjusted the 1994 beginning balance of retained earnings for the current and future estimated costs relating to the landfill closure and post closure care costs.

The City's engineers have estimated post closure care costs for the next three years and these costs are reflected on the City's enterprise fund balance sheet as a liability.

NOTE Q - STATE CONTRACT PAYABLE

The City of Covington owes \$85,830 to the State of Louisiana for utility line relocation. The contract is payable in annual installments of ten percent per year of the unpaid balance.

NOTE R - PRIOR YEARS' DEBT DEFEASANCE

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government securities that were placed in the trust funds. The investments and fixed earnings from those investments are sufficient to fully service the defeased debt until the debt is called or matured. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's General Long Term Debt Account Group. As of December 31, 1998, the amount of the defeased debt outstanding but removed from the General Long Term Debt Account Group amounted to \$5,126,000.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE 5 - CHANGES IN CONTRIBUTED CAPITAL

The following is a summary of changes in contributed capital in the enterprise fund:

	Other Funds	State Grant	Developer	Federal Grant	LCDBG Grant	'93 Sewer Extension	Total
Balance at January 1, 1998	\$ 5,318,571	\$ 218,046	\$ 3,763	\$ 537,000	\$ 922,729	\$ 890,777	\$ 7,890,886
Additions	-	-	-	-	-	-	-
Less current year depreciation on assets constructed from funds supplied by contributors in aid of construction	(108,389)	(4,927)	-	(9,854)	(18,486)	(18,462)	(160,118)
Balance at December 31, 1998	<u>\$ 5,210,182</u>	<u>\$ 213,119</u>	<u>\$ 3,763</u>	<u>\$ 527,146</u>	<u>\$ 904,243</u>	<u>\$ 872,315</u>	<u>\$ 7,730,768</u>

CITY OF COVINGTON, LOUISIANA
 NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1998

NOTE T - POST-RETIREMENT BENEFITS

The City provides certain continuing health care benefits for retired employees. Substantially all of the City's employees become eligible for these benefits if they reach normal retirement age while working for the City. The City recognizes the cost of providing these benefits as an expenditure when the monthly premiums are due. For the year ended December 31, 1998, the City expended \$295,187 for health care and life insurance benefits. Included in this total is \$4,771 of health care benefits paid for retirees. There are 7 retirees and 117 active employees as of December 31, 1998.

NOTE U - CHANGES IN AGENCY FUND BALANCES

A summary of changes in balances due to other funds and others follows:

	Ad Valorem Tax	1993 Sewer Extension Fund	1987 Street Paving	Covington Merchant Committee
Balance at January 1, 1998	\$ 368,670	\$ 32,205	\$ 5,213	\$ 36
Additions	1,076,111	199,376	192	
Deductions	<u>(1,072,600)</u>	<u>(64,120)</u>	<u>(96)</u>	<u>(36)</u>
Balance at December 31, 1998	<u>\$ 372,181</u>	<u>\$ 167,461</u>	<u>\$ 5,309</u>	<u>\$ -</u>

GENERAL FUND

NARRATIVE EXPLANATION

The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

CITY OF COVINGTON, LOUISIANA

GENERAL FUND

BALANCE SHEET

December 31, 1998

ASSETS	<u>1998</u>	<u>1997</u>
Cash	\$ 584,986	\$ 697,770
Certificates of deposits	97,167	92,096
Investments	1,225,684	1,107,872
Taxes receivable		
Ad valorem	498,150	512,916
Other taxes receivable	86,749	95,671
Notes receivable	126,518	126,958
Accrued interest receivable	17,694	19,106
Other receivable	91,106	34,824
Sewer extension receivable	4,600	4,600
Grant receivable	131,930	65,072
Due from other funds	690,507	701,311
Special assessment receivable	<u>129,585</u>	<u>97,910</u>
 Total assets	 <u>\$ 3,684,676</u>	 <u>\$ 3,556,106</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued expenses	\$ 178,438	\$ 198,142
Payroll taxes, retirement and accrued wages payable	139,032	140,008
Due to other funds	31,728	135,184
Deferred revenue	262,637	275,646
Customer deposits	<u>3,900</u>	<u>2,950</u>
Total liabilities	<u>615,735</u>	<u>751,930</u>
 FUND BALANCE		
Reserved for capital outlay	945,684	846,978
Designated for future expenditures	173,877	160,913
Designated for fire protection	22,508	21,627
Unreserved and undesignated	<u>1,926,872</u>	<u>1,774,658</u>
Total fund balance	<u>3,068,941</u>	<u>2,804,176</u>
 Total liabilities and fund balance	 <u>\$ 3,684,676</u>	 <u>\$ 3,556,106</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

For the Year Ended December 31, 1998

REVENUES	1998		Variance- Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
Taxes				
Ad valorem tax	\$ 700,980	\$ 786,754	\$ 85,774	\$ 801,129
Electric franchise	282,000	306,731	24,731	286,541
Cable television franchise	56,000	64,398	8,398	62,367
Gas franchise	<u>31,000</u>	<u>23,391</u>	<u>(7,609)</u>	<u>30,006</u>
Total taxes	<u>1,069,980</u>	<u>1,181,274</u>	<u>111,294</u>	<u>1,180,043</u>
Licenses and Permits				
Insurance	379,000	319,071	(59,929)	335,433
Occupational	214,000	234,805	20,805	223,506
Building	28,000	31,730	3,730	27,943
Liquor and beer	13,000	13,750	750	12,369
Chain store	<u>5,000</u>	<u>4,253</u>	<u>(747)</u>	<u>6,683</u>
Total licenses and permits	<u>639,000</u>	<u>603,609</u>	<u>(35,391)</u>	<u>605,934</u>
Intergovernmental				
District 12 dispatch	-	5,375	5,375	7,500
Video poker revenue	-	140,058	140,058	129,915
Tobacco tax	40,000	39,084	(916)	39,066
Beer tax	28,000	31,755	3,755	25,412
Fire insurance rebate	16,000	16,906	906	15,997
911 revenues	<u>8,000</u>	<u>7,775</u>	<u>(225)</u>	<u>7,775</u>
Total inter-governmental	<u>92,000</u>	<u>240,953</u>	<u>148,953</u>	<u>225,665</u>
Charges for services				
Recreation registration	43,000	38,912	(4,088)	34,615
Community Center rental	6,000	5,635	(365)	4,763
Highway maintenance - DOTD	9,000	13,803	4,803	9,202
Park rental	5,000	3,250	(1,750)	3,800
Rental income	-	6,805	6,805	6,521
Accident reports	-	5,012	5,012	5,071

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - Continued

For the Year Ended December 31, 1998

	1998		Variance- Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
REVENUES (Continued)				
Charges for services (Continued)				
Resubdivision revenue	\$ 5,000	\$ 1,275	\$ (3,725)	\$ 1,655
Tax research	2,000	-	(2,000)	-
Zoning revenue	<u>4,000</u>	<u>4,736</u>	<u>736</u>	<u>4,223</u>
Total charges for services	<u>74,000</u>	<u>79,428</u>	<u>5,428</u>	<u>69,850</u>
Fines and forfeits				
Court fines	57,000	92,956	35,956	90,249
Fines - DWI	6,000	7,323	1,323	4,570
Parking fines and other	4,000	5,154	1,154	5,055
Drug forfeitures	<u>-</u>	<u>4,704</u>	<u>4,704</u>	<u>2,881</u>
Total fines and forfeits	<u>67,000</u>	<u>110,137</u>	<u>43,137</u>	<u>102,755</u>
Federal grants				
Police grants	-	202,781	202,781	32,509
FEMA grants	-	581,840	581,840	130,837
Other	<u>-</u>	<u>29,359</u>	<u>29,359</u>	<u>51,500</u>
Total federal grants	<u>-</u>	<u>813,980</u>	<u>813,980</u>	<u>214,846</u>
State grants				
DARE grant	-	38,436	38,436	32,244
Tornado 11-21-97	-	373,316	373,316	-
Other	<u>-</u>	<u>15,609</u>	<u>15,609</u>	<u>30,665</u>
Total state grants	<u>-</u>	<u>427,361</u>	<u>427,361</u>	<u>62,909</u>
Interest income	<u>130,000</u>	<u>163,241</u>	<u>33,241</u>	<u>93,160</u>
Other revenues				
Attorney fee claim	-	-	-	(3,666)
Property tax service charge	-	-	-	14,244

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - Continued

For the Year Ended December 31, 1998

	1998		Variance- Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
REVENUES (continued)				
Paving assessment	\$ 17,400	\$ 46,309	\$ 28,909	\$ 33,574
Miscellaneous revenue	9,000	14,626	5,626	5,954
Sale of surplus property	2,000	2,850	850	17
Cemetery plot sale/open	3,000	5,558	2,558	5,255
Labyrinth contributions	-	1,446	1,446	-
Street/alley sales	6,015	8,714	2,699	-
Downtown development	<u>14,285</u>	<u>5,135</u>	<u>(9,150)</u>	<u>12,741</u>
Total other revenues	<u>51,700</u>	<u>84,638</u>	<u>32,938</u>	<u>68,119</u>
Total revenues	<u>2,123,680</u>	<u>3,704,621</u>	<u>1,580,941</u>	<u>2,623,281</u>
EXPENDITURES				
General government	1,423,200	1,290,735	132,465	1,504,070
Public safety				
Police	1,762,600	1,906,392	(143,792)	1,558,130
Fire	531,900	515,164	16,736	667,692
Public works				
Streets	1,892,700	2,628,225	(735,525)	1,561,919
Culture and Recreation	<u>480,300</u>	<u>470,450</u>	<u>9,850</u>	<u>418,024</u>
Total expenditures	<u>6,090,700</u>	<u>6,810,966</u>	<u>(720,266)</u>	<u>5,709,835</u>
Excess (deficiency) of revenue over expenditures	<u>(3,967,020)</u>	<u>(3,106,345)</u>	<u>860,675</u>	<u>(3,086,554)</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	-	90,747
Transfer to agency fund	-	-	-	(20,208)
Operating transfer in	3,643,838	3,446,167	(197,671)	3,011,389
Operating transfer out	<u>(954,100)</u>	<u>(75,057)</u>	<u>879,043</u>	<u>(200,973)</u>
Total other financing sources (uses)	<u>2,689,738</u>	<u>3,371,110</u>	<u>681,372</u>	<u>2,880,955</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL - Continued

For the Year Ended December 31, 1998

	<u>1998</u>		Variance- Favorable (Unfavorable)	<u>1997 Actual</u>
	<u>Budget</u>	<u>Actual</u>		
Excess (deficiency) of revenues and other sources (uses) over expenditures	<u>\$(1,277,282)</u>	264,765	<u>\$ 1,542,047</u>	(205,599)
FUND BALANCE - BEGINNING OF YEAR		<u>2,804,176</u>		<u>3,009,775</u>
FUND BALANCE - END OF YEAR		<u>\$3,068,941</u>		<u>\$2,804,176</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - (GAAP BASIS)

For the Year Ended December 31, 1998

	1998		Variance- Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
GENERAL GOVERNMENT				
Administration				
Salaries and benefits	\$ 422,500	\$ 410,220	\$ 12,280	\$ 382,300
Hospitalization	60,200	50,992	9,208	70,955
Retirement	26,100	22,490	3,610	21,574
Unemployment compensation	1,000	243	757	491
Workmen's compensation	13,700	5,444	8,256	4,365
Medicare expense	22,000	28,699	(6,699)	22,459
Payroll tax	12,000	8,310	3,690	8,325
Attorneys' fees	40,000	39,202	798	39,115
Engineering fees	30,000	35,609	(5,609)	41,978
Audit fees	23,000	26,340	(3,340)	24,030
Computer programming	8,000	9,268	(1,268)	27,305
Government fees	12,000	1,168	10,832	17,098
Publication and notices	34,000	22,968	11,032	27,611
Meetings & conventions	-	1,393	(1,393)	563
Meetings & conventions - council	7,000	5,419	1,581	6,701
Meetings & conventions - mayor	6,000	6,473	(473)	2,987
Humane Society	20,000	24,790	(4,790)	19,505
Drug testing	1,000	1,550	(550)	1,078
Utilities	4,300	5,576	(1,276)	4,754
Telephone	12,000	13,886	(1,886)	10,350
Dues and subscriptions	-	7,164	(7,164)	6,571
Insurance	30,000	11,254	18,746	23,427
Office supplies	36,000	37,436	(1,436)	35,858
Repairs and maintenance	21,000	21,394	(394)	12,155
Personnel improvements	16,000	10,709	5,291	8,764
Comprehensive plan	36,000	22,722	13,278	36,140
Video poker repayment	-	39,525	(39,525)	129,915
Contract services	19,400	12,645	6,755	14,863
Gasoline	1,300	815	485	1,209
Service charges and fees	13,000	7,421	5,579	6,513
Lease and note payments	13,400	12,791	609	19,772
Capital outlay	<u>45,200</u>	<u>26,196</u>	<u>19,004</u>	<u>91,655</u>
Total Administration	<u>986,100</u>	<u>930,112</u>	<u>55,988</u>	<u>1,120,386</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - (GAAP BASIS) Continued

For the Year Ended December 31, 1998

	1998		Variance- Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
GENERAL GOVERNMENT				
Downtown Development Program				
Salary and benefits	\$ 84,700	\$ 81,686	\$ 3,014	\$ 73,569
Retirement	4,300	3,669	631	4,035
Unemployment compensation	200	64	136	139
Hospitalization	10,300	10,599	(299)	10,538
Workmen's compensation	8,500	3,966	4,534	6,007
Contract services	22,700	31,272	(8,572)	14,390
Marketing and promotion	25,300	25,499	(199)	30,000
Facade grants	7,000	4,325	2,675	12,724
Parking lease	2,000	2,868	(868)	2,341
Utilities	4,500	4,849	(349)	7,072
Travel	1,350	1,201	149	1,125
Miscellaneous	-	-	-	3,182
Engineering fees	-	11,922	(11,922)	-
Planning	10,000	17,645	(7,645)	12,167
Insurance	5,000	6,075	(1,075)	4,535
Office	12,200	12,047	153	8,533
Training and education	900	851	49	851
Telephone	3,000	4,612	(1,612)	-
Dues and subscriptions	750	616	134	744
Repairs and maintenance	51,500	55,459	(3,959)	46,562
Materials and supplies	9,800	9,199	601	16,544
Garbage - Dumpster	1,800	1,560	240	3,185
Small Tools and Equipment	2,500	1,917	583	4,319
Fuel	-	1,463	(1,463)	-
Contract labor	7,300	-	7,300	10,850
Capital outlay	161,500	67,259	94,241	105,272
Business incubator	-	-	-	5,000
Total Downtown Development Program	<u>437,100</u>	<u>360,623</u>	<u>76,477</u>	<u>383,684</u>
TOTAL GENERAL GOVERNMENT	<u>1,423,200</u>	<u>1,290,735</u>	<u>132,465</u>	<u>1,504,070</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - (GAAP BASIS) Continued

For the Year Ended December 31, 1998

	<u>1998</u>		Variance- Favorable	1997
	<u>Budget</u>	<u>Actual</u>	(Unfavorable)	<u>Actual</u>
PUBLIC SAFETY - POLICE	\$ 966,200	\$ 1,086,429	\$ (120,229)	\$ 955,242
Salaries and benefits	85,300	84,737	563	87,042
Retirement	114,600	114,884	(284)	110,911
Hospitalization	2,100	963	1,137	1,955
Unemployment compensation	86,000	46,099	39,901	62,848
Workmen's compensation	20,500	19,915	585	12,559
School - training	78,600	77,925	675	71,254
Insurance	3,500	3,022	478	4,178
Printing	3,000	2,046	954	4,761
Medical	15,000	24,094	(9,094)	16,348
Telephone	10,000	11,089	(1,089)	9,466
Utilities	15,000	15,758	(758)	15,981
Office supplies	1,500	873	627	801
Contract services	54,500	54,933	(433)	47,363
Repair and maintenance	18,300	18,412	(112)	21,096
Supplies	2,000	2,577	(577)	1,569
Dues	28,000	27,992	8	29,271
Gasoline	10,000	9,799	201	5,915
Uniforms	-	2,535	(2,535)	905
Miscellaneous	23,000	22,494	506	-
Small equipment	-	3,800	(3,800)	-
Lease payments	225,500	276,016	(50,516)	98,665
Capital outlay	<u>1,762,600</u>	<u>1,906,392</u>	<u>(143,792)</u>	<u>1,558,130</u>
TOTAL PUBLIC SAFETY - POLICE				
 PUBLIC SAFETY - FIRE	 224,200	 233,827	 (9,627)	 210,266
Salaries and benefits	11,400	11,070	330	9,924
Retirement	29,700	27,291	2,409	25,558
Hospitalization	500	253	247	463
Unemployment compensation	17,000	16,053	947	11,088
Workmen's compensation	7,500	8,953	(1,453)	8,482
Telephone	8,000	9,175	(1,175)	8,916
Utilities	18,500	19,983	(1,483)	12,111
Supplies	31,900	24,600	7,300	25,776
Insurance	10,000	9,702	298	8,593
Meetings and conventions				

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - (GAAP BASIS) Continued

For the Year Ended December 31, 1998

	1998		Variance- Favorable (Unfavorable)	1997
	Budget	Actual		Actual
PUBLIC SAFETY - FIRE (Continued)				
Gasoline and diesel	\$ 5,000	\$ 4,444	\$ 556	\$ 4,216
Coroner fees	10,000	10,000	-	10,000
Small tools and equipment	22,000	21,670	330	29,570
Volunteers	10,000	10,000	-	9,167
Dues and subscriptions	3,000	2,359	641	4,856
Building repairs	-	-	-	4,595
Office supplies	10,000	10,002	(2)	8,657
Dumpster	1,000	905	95	515
Equipment repairs	27,000	46,004	(19,004)	29,457
Medical supplies	1,000	-	1,000	779
Capital outlay	<u>84,200</u>	<u>48,873</u>	<u>35,327</u>	<u>244,703</u>
TOTAL PUBLIC SAFETY - FIRE	<u>531,900</u>	<u>515,164</u>	<u>16,736</u>	<u>667,692</u>
PUBLIC WORKS - STREETS				
Salaries and benefits	350,000	353,615	(3,615)	347,781
Labor	-	-	-	157,653
Contract labor	8,000	14,514	(6,514)	10,926
Retirement	20,700	17,625	3,075	19,168
Hospitalization	44,500	44,066	434	47,741
Unemployment compensation	1,000	342	658	673
Workmen's compensation	65,800	37,741	28,059	52,800
Telephone	5,500	4,217	1,283	4,713
Utilities	47,500	47,288	212	47,026
Engineer	30,000	138,488	(108,488)	77,592
Tree and stump removal	38,000	37,363	637	17,708
Dumpster	5,800	8,898	(3,098)	11,603
Supplies and small tools	110,000	89,698	20,302	94,865
Repairs and maintenance	78,500	76,002	2,498	94,279
Insurance	27,500	28,940	(1,440)	25,105
Gasoline	25,000	22,114	2,886	28,489
Training and education	3,033	370	2,663	972
Office supplies	4,000	5,058	(1,058)	-

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - (GAAP BASIS) Continued

For the Year Ended December 31, 1998

	1998		Variance- Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
PUBLIC WORKS - STREET (Continued)				
Other	\$ -	\$ -	\$ -	\$ 623
Note payments	81,500	49,356	32,144	35,536
Capital outlay	946,367	1,652,530	(706,163)	479,605
Capital lease payments	-	-	-	7,061
TOTAL PUBLIC WORKS - STREET	<u>1,892,700</u>	<u>2,628,225</u>	<u>(735,525)</u>	<u>1,561,919</u>
CULTURE AND RECREATION				
Salaries and benefits	137,800	141,531	(3,731)	139,497
Retirement	6,300	5,659	641	4,819
Hospitalization	12,800	12,806	(6)	10,335
Unemployment compensation	-	123	(123)	272
Workmen's compensation	13,200	13,488	(288)	7,321
Telephone	6,000	5,221	779	6,236
Utilities	15,000	16,025	(1,025)	14,334
Supplies	53,200	56,426	(3,226)	51,039
Repairs and maintenance	10,500	12,075	(1,575)	11,480
Insurance	16,300	14,108	2,192	14,159
Gasoline	4,000	4,370	(370)	3,485
Engineer	2,000	23,330	(21,330)	17,619
Training and education	2,000	1,675	325	832
Travel	1,500	311	1,189	797
Swimming pool operation	10,000	9,410	590	9,580
Dumpster	2,000	2,880	(880)	2,201
Contract Labor	43,400	47,864	(4,464)	46,951
Capital outlay	128,700	93,166	35,534	61,532
Office Supplies	13,500	8,488	5,012	13,185
Franchise Fees	<u>2,100</u>	<u>1,494</u>	<u>606</u>	<u>2,350</u>
TOTAL CULTURE & RECREATION	<u>480,300</u>	<u>470,450</u>	<u>9,850</u>	<u>418,024</u>
TOTAL EXPENDITURES	<u>\$ 6,090,700</u>	<u>\$ 6,810,966</u>	<u>\$ 720,266</u>	<u>\$ 5,709,835</u>

The accompanying notes are an integral part of this statement.

SPECIAL REVENUE FUNDS

NARRATIVE EXPLANATION

SALES TAX FUND

The Sales Tax Fund is used to account for the collection and distribution of sales and use tax. The City, as authorized in its Code of Ordinances, imposes a 2% sales and use tax.

The one percent 1957 sales tax is dedicated for the purpose of constructing, improving, extending and maintaining playgrounds and recreational facilities, public roads, streets, bridges and crossings, sewerage, garbage disposal, and water works, and other works of permanent public improvement in the City, title to which shall be in the public's name.

The one percent 1982 sales tax is used to retire the 1996 Public Improvement Sales Tax Refunding Bonds issued. Any of these 1% proceeds remaining in the Sales Tax Fund on the last day of each month after satisfying all Sinking Fund and Reserve Fund requirements are then dedicated as follows:

Capital Improvements	60%
Recreation Facilities and Equipment	15%
Street and Drainage Maintenance	10%
Central Business District Municipal Services and Capital Improvements	10%
Police Facilities and Equipment	<u>5%</u>
Total	<u>100%</u>

CITY OF COVINGTON, LOUISIANA

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

December 31, 1998

	<u>Sales Tax</u>		<u>Totals</u>	
	<u>1957</u> <u>Tax</u>	<u>1982</u> <u>Tax</u>	<u>1998</u>	<u>1997</u>
ASSETS				
Cash	\$ 453,703	\$ 3,492	\$ 457,195	\$ 542,434
Receivables - other	211	-	211	203
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,764</u>
 Total assets	 <u>\$ 453,914</u>	 <u>\$ 3,492</u>	 <u>\$ 457,406</u>	 <u>\$ 679,401</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 478
Due to other funds	<u>359,680</u>	<u>5,144</u>	<u>364,824</u>	<u>434,334</u>
 Total liabilities	 359,680	 5,144	 364,824	 434,812
 FUND BALANCES				
Unreserved and undesignated	94,234	(1,652)	92,582	55,643
Designated for future expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,946</u>
 Total fund balances	 <u>94,234</u>	 <u>(1,652)</u>	 <u>92,582</u>	 <u>244,589</u>
 Total liabilities and fund balances	 <u>\$ 453,914</u>	 <u>\$ 3,492</u>	 <u>\$ 457,406</u>	 <u>\$ 679,401</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 1998

	<u>Sales Tax</u>		<u>Totals</u>	
	<u>1957</u>	<u>1982</u>	<u>1998</u>	<u>1997</u>
	<u>Tax</u>	<u>Tax</u>		
REVENUES				
Taxes-Sales and Use	\$ 1,834,903	\$ 1,834,904	\$ 3,669,807	\$ 3,539,623
Interest income	15,626	3,851	19,477	22,823
Penalties and interest	<u>4,139</u>	<u>4,138</u>	<u>8,277</u>	<u>12,160</u>
Total revenues	1,854,668	1,842,893	3,697,561	3,574,606
EXPENDITURES				
General government	<u>12,734</u>	<u>12,524</u>	<u>25,258</u>	<u>71,922</u>
Total expenditures	<u>12,734</u>	<u>12,524</u>	<u>25,258</u>	<u>71,922</u>
Excess of revenues over expenditures	1,841,934	1,830,369	3,672,303	3,502,684
OTHER FINANCING USES				
Operating transfers out				
Debt service	-	301,808	301,808	357,365
General fund	1,803,343	1,642,767	3,446,110	3,011,389
Utility fund	<u>-</u>	<u>76,392</u>	<u>76,392</u>	<u>84,279</u>
Total other financing uses	<u>1,803,343</u>	<u>2,020,967</u>	<u>3,824,310</u>	<u>3,453,033</u>
Excess (deficiency) of revenues over expenditures and other financing uses	38,591	(190,598)	(152,007)	49,651
FUND BALANCE - BEGINNING OF YEAR				
	<u>55,643</u>	<u>188,946</u>	<u>244,589</u>	<u>194,938</u>
FUND BALANCE - END OF YEAR				
	<u>\$ 94,234</u>	<u>\$ (1,652)</u>	<u>\$ 92,582</u>	<u>\$ 244,589</u>

The accompanying notes are an integral part of this statement.

DEBT SERVICE FUNDS

NARRATIVE EXPLANATION

GENERAL OBLIGATION BOND REDEMPTION FUND

The General Obligation Bond Redemption Fund is used to accumulate monies for the payment of the principal and interest of the 1988 General Obligation Sewer Bonds, the 1995 General Obligation Fire Department Bonds, and the 1996 Refunding Bonds which refunded the 1999 - 2008 maturities of the 1988 Sewer Bonds. Financing is to be provided by ad valorem taxes.

SALES TAX BOND FUND

The Sales Tax Bond Fund is used to accumulate monies for payment of the principal and interest of the 1997 Public Improvement Sales Tax Refunding Bonds which were issued to refund the remaining maturities of the 1990 Public Improvement Bonds.

CITY OF COVINGTON, LOUISIANA

DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

December 31, 1998

	Sales Tax Bond Fund	General Obligation Bond Redemption Fund	Totals	
	1998	1997	1998	1997
ASSETS				
Cash	\$ 62,533	\$ 253,205	\$ 315,738	\$ 330,465
Certificates of deposit	372,016	518,401	890,417	931,584
Receivables				
Taxes		168,676	168,676	170,652
Interest	10,475	3,441	13,916	22,405
Due from other funds		139,911	139,911	76,388
Total assets	\$ 445,024	\$ 1,083,634	\$ 1,528,658	\$ 1,531,494

LIABILITIES AND FUND BALANCES

LIABILITIES				
Due to other funds	\$ 413	-	\$ 413	\$ 315
Total liabilities	413	-	413	315
FUND BALANCES				
Reserved for Debt Service	444,611	1,083,634	1,528,245	1,531,179
Total liabilities and fund balances	\$ 445,024	\$ 1,083,634	\$ 1,528,658	\$ 1,531,494

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 1998

	1990 Sales Tax	General Obligation Bond Redemption Fund	Totals	1997
			1998	
REVENUES				
Taxes - ad valorem	\$	\$ 253,270	\$ 253,270	\$ 253,730
Interest	26,340	57,470	83,810	67,662
Total revenues	26,340	310,740	337,080	321,392
EXPENDITURES				
Debt service:				
Principal	215,000	160,000	375,000	310,000
Interest and fiscal charges	145,899	120,923	266,822	296,764
Total expenditures	360,899	280,923	641,822	606,764
Excess (deficiency) of revenue over expenditures	(334,559)	29,817	(304,742)	(285,372)
OTHER FINANCING SOURCES (USES)				
Proceeds of refunding debt	-	-	-	3,333,090
Payment to escrow agent	-	-	-	(3,330,947)
Refunding bond issuance cost	-	-	-	(94,321)
Operating transfers in	301,808	-	301,808	357,365
Total other financing sources (uses)	301,808	-	301,808	265,187
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	(32,751)	29,817	(2,934)	(20,185)
FUND BALANCES - BEGINNING OF YEAR	477,362	1,053,817	1,531,179	1,551,364
FUND BALANCES - END OF YEAR	\$ 444,611	\$ 1,083,634	\$ 1,528,245	\$ 1,531,179

The accompanying notes are an integral part of this statement.

CAPITAL PROJECTS FUND

NARRATIVE EXPLANATION

1993 SEWER EXTENSION CONSTRUCTION FUND

The 1993 Sewer Extension Construction Fund is used to account for the cost of the 1993 Sewer Extension Construction Fund. Financing was provided by the issuance of Sewer Certificates, which are payable solely with monies provided by payments on the assessments. All monies remaining in this fund upon completion of the construction phase are to be used only for the purpose of maintaining the sewers improved under this program.

SEWER PLANT CONSTRUCTION FUND

The Sewer Plant Construction Fund is used to account for the cost of purchasing or constructing sewers and sewerage disposal works and the necessary equipment, furnishings and sites. Financing was provided by the issuance of \$2,560,000 of General Obligation Sewer Bonds which are secured solely from a pledge of revenues to be derived from ad valorem taxes. Funds of \$2,554,883 were also received from the issuance of 1990 Public Improvement Sales Tax Bonds which are secured solely by sales tax revenues.

CITY OF COVINGTON, LOUISIANA
 CAPITAL PROJECT FUNDS
 COMBINING BALANCE SHEET

December 31, 1998

	1993 Sewer Extension Fund	Sewer Plant Construction Fund	Totals	
			1998	1997
ASSETS				
Cash	\$ 35,250	\$ 6,454	\$ 41,704	\$ 40,212
Certificates of deposit		247,130	247,130	382,546
Accrued interest receivable		1,570	1,570	4,444
Total assets	\$ 35,250	\$ 255,154	\$ 290,404	\$ 427,202
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Due to other funds	\$ 40	40	80	197
Total liabilities	40	40	80	197
FUND BALANCE				
Designated for future expenditures	35,210	255,114	290,324	427,005
Total fund balance	35,210	255,114	290,324	427,005
Total liabilities and fund balance	\$ 35,250	\$ 255,154	\$ 290,404	\$ 427,202

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

CAPITAL PROJECT FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 1998

	1993 Sewer Extension Fund	Sewer Plant Construction Fund	Totals
			1998
			1997
REVENUES			
Interest	\$ 1,522	\$ 11,395	\$ 12,917
Total revenues	1,522	11,395	12,917
EXPENDITURES			
Capital projects	99	96	195
Other cost	99	96	195
Total expenditures	1,423	11,299	12,722
Excess of revenues over expenditures	-	(149,403)	(149,403)
OTHER FINANCING SOURCES (USES)			
Transfer to Agency Fund	-	(149,403)	(149,403)
Total other financing sources (uses)	-	(149,403)	(149,403)
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	1,423	(138,104)	(136,681)
FUND BALANCES - BEGINNING OF YEAR	33,787	393,218	427,005
FUND BALANCES - END OF YEAR	\$ 35,210	\$ 255,114	\$ 290,324
			\$ 427,005

The accompanying notes are an integral part of this statement.

ENTERPRISE FUND

NARRATIVE EXPLANATION

The Enterprise Fund is used to account for the provision of water, sewer and sanitation services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

CITY OF COVINGTON, LOUISIANA

ENTERPRISE FUND

BALANCE SHEET

December 31, 1998

	<u>1998</u>	<u>1997</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 183,186	\$ 156,871
Receivables:		
Accounts receivable net of uncollectible of \$34,731 for 1998 (\$21,960 for 1997)	71,625	61,647
Other receivables	66,215	49,252
Prepaid expenses	28,986	28,350
Due from other funds	<u>-</u>	<u>26,048</u>
Total current assets	<u>350,012</u>	<u>322,168</u>
RESTRICTED ASSETS		
Cash	<u>323,728</u>	<u>364,672</u>
PROPERTY, PLANT AND EQUIPMENT		
Vehicles	197,857	-
Sewer equipment	9,867,649	9,984,468
Water equipment	1,931,978	1,868,707
Garbage equipment	<u>46,345</u>	<u>63,882</u>
Total plant and equipment	12,043,829	11,917,057
Less: Accumulated depreciation	<u>2,253,480</u>	<u>2,011,055</u>
Net property, plant and equipment	<u>9,790,349</u>	<u>9,906,002</u>
	<u>\$10,464,089</u>	<u>\$10,592,842</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

ENTERPRISE FUND
BALANCE SHEET

December 31, 1998

LIABILITIES AND FUND EQUITY

	<u>1998</u>	<u>1997</u>
CURRENT LIABILITIES		
(Payable from current assets)		
Accounts payable	\$ 130,821	\$ 159,412
Payroll taxes and retirement payable	21,619	25,007
Customer deposits	136,283	148,502
Due to other funds	2,502	2,921
Estimated liability for landfill		
Post closure care costs	26,912	26,912
Contract payable - current	14,305	28,610
Notes payable - current	<u>30,313</u>	<u>-</u>
Total current liabilities		
(Payable from current assets)	<u>362,755</u>	<u>391,364</u>
CURRENT LIABILITIES		
(Payable from restricted assets)		
Revenue bonds	80,256	76,517
Accrued interest	<u>34,433</u>	<u>37,718</u>
Total current liabilities		
(Payable from restricted assets)	<u>114,689</u>	<u>114,235</u>
LONG-TERM LIABILITIES		
Notes payable, net of current maturities	62,732	-
Revenue bonds	773,387	853,671
Contract payable	<u>71,525</u>	<u>71,525</u>
Total long-term liabilities	<u>907,644</u>	<u>925,196</u>
Total liabilities	<u>1,385,088</u>	<u>1,430,795</u>
FUND EQUITY		
Contributed capital		
Other funds	5,210,182	5,318,571
State grant	213,119	218,046
Developer	3,763	3,763
Federal grant	527,146	537,000
LCDBG grant	855,352	922,728
93 Sewer extension	872,315	890,777
Rural development grant	<u>48,891</u>	<u>-</u>
Total contributed capital	<u>7,730,768</u>	<u>7,890,885</u>
Retained earnings		
Reserved for revenue bond retirement	209,039	250,437
Unreserved	<u>1,139,194</u>	<u>1,020,725</u>
Total retained earnings	<u>1,348,233</u>	<u>1,271,162</u>
Total fund equity	<u>9,079,001</u>	<u>9,162,047</u>
	<u>\$ 10,464,089</u>	<u>\$10,592,842</u>

The accompanying notes are an integral part of this statement.

ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

For the Year Ended December 31, 1998

	Water	Sewer	Sanitation	Total	
				1998	1997
OPERATING REVENUES					
Service revenues	\$ 597,391	\$ 485,450	\$ 485,115	\$ 1,567,956	\$ 1,451,936
Installation revenues	18,565	37,621		56,186	73,245
Cut-on fees	16,350			16,350	14,696
Miscellaneous	30,429			30,429	3,740
Total operating revenues	<u>662,735</u>	<u>523,071</u>	<u>485,115</u>	<u>1,670,921</u>	<u>1,543,617</u>
OPERATING EXPENSES					
Salaries	197,698	252,125		449,823	435,308
Garbage contract			512,948	512,948	412,063
Bad debt expense	12,172			12,172	7,231
Bank fees	1,209			1,209	7,158
Chemicals		10,058		10,058	5,523
Depreciation	67,558	232,481	1,754	301,793	322,114
Engineering fees	30,250	7,062	4,207	41,519	38,506
Garbage expense				-	2,741
Gasoline	6,329	9,114		15,443	14,522
Hospitalization	22,760	25,282		48,042	48,549
Insurance	10,791	9,854		20,645	48,490
Lab testing		19,227		19,227	15,716
Maintenance and repairs	58,569	222,023		280,592	207,741
Medicare	2,691			2,691	5,160
Office supplies	22,142			22,142	19,062
Other	1,569	1,828		3,397	11,564
Retirement	9,552	13,061		22,613	22,320
Sludge removal		28,428		28,428	24,432
Solid waste fees		4,185		4,185	3,366
Supplies	42,225	55,458		97,683	114,889
Utilities	28,261	97,423		125,684	124,517
Workmen's compensation	12,182	15,287		27,469	25,932
Total operating expenses	<u>525,958</u>	<u>1,002,896</u>	<u>518,909</u>	<u>2,047,763</u>	<u>1,916,904</u>
Operating income (loss)	\$ <u>136,777</u>	\$ <u>(479,825)</u>	\$ <u>(33,794)</u>	\$ <u>(376,842)</u>	\$ <u>(373,287)</u>

The accompanying notes are an integral part of this statement.

ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS - Continued

For the Year Ended December 31, 1998

	Total 1998	Total 1997
OPERATING LOSS	(376,842)	(373,287)
NON-OPERATING REVENUE (EXPENSES)		
Tornado debris state reimbursement	281,378	-
Tornado debris removal	-	(81,799)
Interest income	16,740	31,120
Interest expense	(48,136)	(58,500)
Contract service	(95,386)	-
Loss on disposal of vehicles	(12,192)	-
Total non-operating expense, net	<u>142,404</u>	<u>(109,179)</u>
Loss before transfers	(234,438)	(482,466)
OPERATING TRANSFERS		
Transfers in	151,392	285,252
Total operating transfers	<u>151,392</u>	<u>285,252</u>
NET LOSS	(83,046)	(197,214)
Add depreciation on fixed assets acquired with contributed capital that reduces contributed capital	<u>160,117</u>	<u>148,479</u>
Net increase (decrease) in retained earnings	77,071	(48,735)
Retained earnings - beginning of year	<u>1,271,162</u>	<u>1,319,897</u>
Retained earnings - end of year	<u>\$ 1,348,233</u>	<u>\$ 1,271,162</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

ENTERPRISE FUND
STATEMENT OF CASH FLOWS

For the Year Ended December 31, 1998

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (376,842)	\$ (373,287)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities		
Depreciation	301,793	322,114
Increase (decrease) in accounts receivable - net	(9,978)	10,197
(Increase) in other receivables	(16,962)	(26,967)
Decrease in LCDBG grant receivable	-	344,383
Decrease in prepaid expenses	(636)	(28,350)
Decrease in accounts payable and accrued expenses	(28,591)	(287,831)
Increase (decrease) in payroll taxes and retirement payable	(3,388)	11,505
Decrease in other liabilities	-	(268)
Tornado debris removal	-	(81,799)
State reimbursement - Tornado	281,378	-
Contract service	(95,386)	-
Total adjustments	<u>428,230</u>	<u>262,984</u>
Net cash provided (used) by operating activities	51,388	(110,303)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Payments from other funds, net	25,629	6,809
Decrease in customer deposits	<u>(12,219)</u>	<u>(406)</u>
Net cash provided by non-capital financing activities	13,410	6,403
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Sewer grant received	-	293,388
Proceeds from note payable	95,500	-
Principal payments on note payable	(2,455)	-
Payments on state contract	(14,305)	-
Transfers from other funds, net	151,392	285,252
Payments for capital acquisitions	(198,334)	(631,048)
Principal payments on bonds	(76,545)	(63,434)
Interest paid	(51,420)	(63,290)
Payments on capital lease	<u>-</u>	<u>(7,631)</u>
Net cash used by capital and related financing activities	(96,167)	(186,763)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest	<u>16,740</u>	<u>31,120</u>
Net cash provided by investing activities	<u>16,740</u>	<u>31,120</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,629)	(259,543)
Cash and cash equivalents, beginning of year	<u>521,543</u>	<u>781,086</u>
Cash and cash equivalents, end of year	<u>\$ 506,914</u>	<u>\$ 521,543</u>

The accompanying notes are an integral part of this statement.

FIDUCIARY FUNDS

NARRATIVE EXPLANATION

EXPENDABLE TRUST FUND

GARDEN OF PINES MAUSOLEUM PERPETUAL CARE FUND

The Garden of Pines Mausoleum Perpetual Care Fund is used to account for the accumulation of resources to be used for the administration and maintenance of the Garden of Pines Mausoleum. Resources are obtained from the sale of mausoleum crypts and interest income earned on investments.

AGENCY FUND

AD VALOREM TAX COLLECTION FUND

The Ad Valorem Tax Collection Fund is used to account for the collection of ad valorem taxes. These monies are transferred to the Debt Service and the General Fund according to City ordinance.

1987 STREET PAVING PROGRAM

The 1987 Street Paving Program is used to account for the collection of special assessments from property owners and the payment of principal and interest to the special assessment certificate holders.

1993 SEWER EXTENSION FUND

The 1993 Sewer Extension Fund is used to account for the collection of special assessments from property owners and the payment of principal and interest to the special assessment sewer certificate holders.

CITY OF COVINGTON, LOUISIANA

FIDUCIARY FUNDS

COMBINING BALANCE SHEET

December 31, 1998

	Agency Funds				Totals	
	Trust Fund	Ad Valorem Tax Collection Fund	1993 Sewer Extension Fund	1987 Street Paving Program Fund	1998	1997
ASSETS						
Cash	\$ 16,562	\$ 372,181	\$ 167,461	\$ 1,849	\$ 558,053	\$ 405,279
Certificates of deposit	24,955				24,955	24,955
Due from other funds					-	5,320
Other receivables					-	6,886
Due from others			83,143	3,460	86,603	3,694
Total assets	\$ 41,517	\$ 372,181	\$ 250,604	\$ 5,309	\$ 669,611	\$ 446,134
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Due to other funds	\$ 184	\$ 372,181	\$ 53,197	\$ 5,309	\$ 430,871	\$ 372,880
Due to certificate holders			113,851		113,851	32,204
Deferred Revenue			83,143		83,143	-
Due to others			413		413	1,271
Total liabilities	184	372,181	250,604	5,309	628,278	406,355
FUND BALANCES						
Reserved for Mausoleum administration and maintenance	41,333	-	-	-	41,333	39,779
Total liabilities and fund balances	\$ 41,517	\$ 372,181	\$ 250,604	\$ 5,309	\$ 669,611	\$ 446,134

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

EXPENDABLE TRUST FUND

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 1998

	Garden of Pines Mausoleum Perpetual Care Fund	
	<u>1998</u>	<u>1997</u>
OPERATING REVENUES		
Interest	\$ 1,642	\$ 1,801
Total operating revenues	1,642	1,801
EXPENDITURES		
Gardening	-	-
Bank fees	<u>88</u>	<u>96</u>
Total expenditures	<u>88</u>	<u>96</u>
Net income	1,554	1,705
FUND BALANCE - BEGINNING OF YEAR	<u>39,779</u>	<u>38,074</u>
FUND BALANCE - END OF YEAR	<u>\$41,333</u>	<u>\$ 39,779</u>

The accompanying notes are an integral part of this statement.

GENERAL FIXED ASSETS ACCOUNT GROUP

NARRATIVE EXPLANATION

The General Fixed Assets Account Group is for fixed assets not used in proprietary fund operations. General Fixed Assets do not represent financial resources available for expenditures but are items for which financial resources have been used and for which accountability is maintained.

CITY OF COVINGTON, LOUISIANA

STATEMENT OF GENERAL FIXED ASSETS

December 31, 1998

	<u>1998</u>	<u>1997</u>
GENERAL FIXED ASSETS		
Land	\$ 548,097	\$ 548,097
Buildings	1,948,806	1,949,340
Equipment	1,810,367	2,085,650
Transportation equipment	461,487	448,690
Office furniture and equipment	371,138	469,196
Improvements other than buildings	764,316	809,432
Capital leases	<u>229,191</u>	<u>232,106</u>
Total general fixed assets	<u>\$6,133,402</u>	<u>\$6,542,511</u>
INVESTMENT IN GENERAL FIXED ASSETS FROM		
General fund	\$4,196,178	\$4,605,287
Capital projects	1,714,292	1,714,292
Special revenue fund	<u>222,932</u>	<u>222,932</u>
Total investment in general fixed assets	<u>\$6,133,402</u>	<u>\$6,542,511</u>

The accompanying notes are an integral part of this statement.

SUPPLEMENTAL INFORMATION

CITY OF COVINGTON, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 1998

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Account or Contract Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>U.S. Department of Agriculture</u>			
RURAL BUSINESS ENTERPRISE GRANT	10.424	22052 #4	<u>\$ 4,000</u>
<u>U.S. Department of Justice</u>			
LOCAL LAW ENFORCEMENT BLOCK GRANT (Passed through the Louisiana Commission on Law Enforcement	16.592	96-LB-VX-0894	22,693
COMMUNITY ORIENTED POLICING SERVICES			
Cops Universal Hiring	16.710	95-CF-WX-1699	75,302
Cops Fast	16.710	95-CF-WX-1699	17,433
Cops More	16.710	96-CM-WX-0622	<u>87,353</u>
			<u>180,088</u>
Total Department of Justice			<u>202,781</u>
<u>Federal Emergency Management Agency</u>			
HAZARD MITIGATION GRANT PROGRAM (Passed through the Louisiana Office of Emergency Preparedness) - Major Program			
Home Elevation	83.548	1049-003-1006	270,424
Gibson Street Drainage	83.548	1049-003-1008	127,976
Jahncke Street Drainage	83.548	1049-003-1007	<u>96,258</u>
			494,658
EMERGENCY MANAGEMENT - STATE AND LOCAL ASSISTANCE (Passed through the Louisiana Office of Emergency Preparedness)	83.534	1049	<u>87,181</u>
Total Federal Emergency Management Agency			<u>581,839</u>

CITY OF COVINGTON, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 1998

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Account or Contract Number</u>	<u>Federal Disbursements/ Expenditures</u>
<u>U.S. Department of Transportation</u>			
HIGHWAY PLANNING AND CONSTRUCTION (Passed through the Louisiana Department of Transportation)	20.205		<u>25,360</u>
Total Federal Expenditures			<u>\$813,980</u>

CITY OF COVINGTON, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended December 31, 1998

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the City's federal award programs presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

NOTE B - HOME ELEVATION GRANT ADVANCE

The City has received two advances of funds on the Home Elevation grant. At December 31, 1998, \$ 133,051 of these advances had not been expended and was recorded as a deferred revenue liability on the general fund.

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF COUNCIL MEMBERS

December 31, 1998

<u>Council Members</u>	<u>Term of Office</u>	<u>Compensation</u>
Lonnie Boykins 1323 N. Buchanan St. Covington, LA 70433	June 30, 1999	7,866
Jerry Lee Coner 752 N. Florida St. Covington, LA 70434	June 30, 1999	7,866
John M. Dean 19 Kathleen Drive Covington, LA 70434	June 30, 1999	7,866
Matthew Faust 602 Phyllis Dr. Covington, LA 70433	June 30, 1999	7,866
Lee Roy Jenkins, Jr., President 37 Spruce St. Covington, LA 70433	June 30, 1999	7,866
Richard S. O'Keefe 33 Beth Dr. Covington, LA 70434	June 30, 1999	7,866
Carolyn Pearce 300 W. 14th Ave. Covington, LA 70433	June 30, 1999	7,866

Smith, Huval & Associates, L.L.C.

(A LIMITED LIABILITY COMPANY)

Certified Public Accountants

P.O. Box 1660

Covington, Louisiana 70434-1660

Samuel K. Smith, CPA
Patrick "Bryan" Huval, CPA

(504) 892-6633 - Covington
(504) 892-4666 - FAX

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 the general purpose financial statements of the City of Covington, Louisiana as of and for the year ended December 31, 1998, and have issued our report thereon dated June 11, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Covington, Louisiana's general purpose financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that is required to be reported under *Government Auditing Standards*.

For the year ended December 31, 1998 the General Fund's actual expenditures of \$6,810,966 exceeded budgeted expenditures of \$6,090,700 which resulted in an unfavorable variance of \$720,266. La Rev. Stat. 39:1310 requires the Mayor to advise the Board of Aldermen in writing when total actual expenditures plus projected expenditures for the remainder of the year, within a fund, are exceeding the total budgeted expenditures by five percent or more. In this case, the unfavorable percent variance was 11.8% as a result from an increase in grant and grant expenditures. In the future, the Mayor and City Council should institute procedures whereby actual to budgeted expenditures are monitored and budget is amended as necessary.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Covington, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level

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

the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the City Council, management, federal awarding agencies and pass-through entities, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Smith, Heval & Associates, L.L.C.

June 11, 1999

Smith, Huval & Associates, L.L.C.

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Certified Public Accountants

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Covington, Louisiana's, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 1998. The City of Covington, Louisiana's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Covington, Louisiana's management. Our responsibility is to express an opinion on the City of Covington, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Covington, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Covington, Louisiana's compliance with those requirements.

In our opinion the City of Covington, Louisiana's, complied in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1998.

Internal Control Over Compliance

The management of the City of Covington, Louisiana's, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to its federal programs. In planning and performing our audit, we

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

considered City of the Covington, Louisiana's internal control over compliance with requirements that could have a direct and material effects on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test an report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited my occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the City Council, management, federal awarding agencies and pass-through entities, and the Louisiana's Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Smith, Heval & Associates, L.L.C.

June 11, 1999

CITY OF COVINGTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 1998

Section 1

Financial Statements

- | | |
|---------------------------------------------------------------------------------|---------------|
| 1. Type of auditors' report | Unqualified |
| 2. Internal control over financial reporting | |
| a. Material weaknesses identified | None |
| b. Reportable conditions identified not considered
to be material weaknesses | None Reported |
| c. Noncompliance material to the financial statements noted. | Yes |

Federal Awards

- | | |
|---------------------------------------------------------------------------------------------|-------------------------|
| 1. Internal control over major programs | |
| a. Material weaknesses identified | None |
| b. Reportable conditions identified not considered
to be material weaknesses | None Reported |
| 2. Type of auditor's report issued on compliance for major program | Unqualified |
| 3. Audit findings disclosed that are required in accordance
with OMB A-133, Section 510a | None |
| 4. Identification of major program
83.548 | Hazard Mitigation Grant |
| 5. Dollar threshold used to distinguish between Type A and B programs. | \$300,000 |
| 6. Auditee qualified as a low - risk auditee under OMB A-133 Section 530. | No |

Section 2

Financial Statement Findings

None Reported

Section 3

Federal Awards Findings and Questioned Costs

(None reported)



Keith J. Villere
Mayor

City of Covington
Louisiana
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Fax 898-4723

John M. "Marty" Dean
Councilman-at-Large
Lee Roy Jenkins, Jr.
Councilman-at-Large
Lonnie Boykins
Councilman, District "A"
Jerry Lee Coner
Councilman, District "B"
Richard S. "Sam" O'Keefe
Councilman, District "C"
Carolyn Talley Pearce
Councilwoman, District "D"
Matthew T. Faust
Councilman, District "E"
Office: 898-4722
Fax: 898-4718

June 28, 1999

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
State of Louisiana
1600 North Third Street
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re 1998 Audit

Dear Dr. Kyle:

Independent auditor Bryan Huval discloses an instance of noncompliance in his Report on Compliance and Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with Government Auditing Standards. In response to his finding, the City of Covington intends to take the necessary corrective action. The unfavorable variance between budgeted expenditures and actual expenditures resulted from the failure to increase budget appropriations and revenue projections for grant programs. Actual expenditures did not exceed actual revenues. In the future, the City accounting office will propose adjustments to the budget as grant expenditures are incurred, and likewise, adjustments to revenue projections will be made as grant revenues are realized. These adjustments will be made by ordinance of the City Council when State law and the City Charter so require.

I regret the instance of noncompliance, and resolve that it will not recur. If you have any questions, please do not hesitate to contact me.

Sincerely,

Adrienne A. Stroble
Director of Administration

cc: City Council
Mayor Villere