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Report on
The Audit of
The Financial Statements of
CITY OF COVINGTON, LOUISIANA
December 31, 1995

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-7-96

Recommendations
for Improvements in the
Internal Control Structure of
CITY OF COVINGTON, LOUISIANA
December 31, 1995

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Release Date 8-7-96

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

(A LIMITED LIABILITY COMPANY)

Certified Public Accountants

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May 21, 1996

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

In planning and performing our audit of the general purpose financial statements of the City of Covington, Louisiana for the year ended December 31, 1995, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the 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. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We noted no matters involving the internal control structure and its operations that we consider to be a material weakness as defined above during our audit. However, we did note certain matters involving the internal control structure and its operation that we consider to be non-reportable conditions under standards established by the American Institute of Certified Public Accountants. We feel the following recommendations would improve the City's present internal control structure.

Investments

Comment:

During our audit testing relating to certificates of deposits and other investments, we noted the City had not recorded the current year activity in these account balances. We adjusted the certificate of deposit and investment account balances to actual during the audit; however, we recommend the City implement procedures to record investment activity periodically during the year in order to facilitate proper management of funds.

Response:

The City has implemented procedures to record investment activity as investments mature.

Utility System

Comment:

During our review of the Enterprise Fund, we noted that the City does not regularly reconcile or review Enterprise Fund accounts, in particular, accounts receivable and meter deposits. In order to correct errors in a timely manner and properly manage the collections of outstanding receivables, we recommend the City institute monthly procedures to review and reconcile these accounts to the general ledger.

Response:

The City is in the process of implementing procedures to reconcile and review these accounts in a timely manner.

1993 Sewer Assessment

Comment:

In testing the 1993 sewer assessments, we noted a significant number of assessments were prepaid by property owners as of December 31, 1995. These assessments were levied for the retirement of the 1993 sewer certificates, the proceeds of which were used to extend the sewer system. Since payment of the 1993 sewer certificates is based on collection of both principal and interest from the assessments through maturity, prepayment of assessments may cause a cash shortage in paying off the 1993 sewer certificates. We recommend that the City look into the feasibility of redeeming some of the 1993 sewer certificates early to avoid unnecessary interest charges and possible cash flow problems.

Response:

The City intends to contact their Bond Attorney to determine if it is feasible to redeem a portion of the outstanding sewer certificates.

To the Honorable Mayor and
Members of the City Council
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Reserve Requirements

Comment:

According to the bond ordinance issuing the 1990 Public Improvement Sales Tax Bonds, the reserve requirement at December 31, 1995, is \$406,600, which is the highest combined principal and interest requirements in any succeeding bond year. The 1990 Reserve Fund has available as of December 31, 1995, a total of \$436,332 in reserves. This represents an over funding of \$29,732. To efficiently utilize all funds available, we suggest the City review the funding requirements of this reserve to determine if this excess could be utilized for other purposes.

Also, according to the bond ordinance issuing the 1990 Public Improvement Sales Tax Bonds, the sinking fund requirement at December 31, 1995, is \$65,271, which is the equivalent of one-twelfth of the subsequent year's principal and one-sixth of the subsequent year's interest. The 1990 Sinking Fund has available at December 31, 1995, \$57,895. This represents an underfunding of \$7,376. We recommend the City deposit the funds necessary to return the sinking fund to the required level.

Response:

The City is going to offset the underfunding in the Sinking Fund account with the excess in the Reserve Fund, then determine how the remaining excess in the Reserve Fund should be utilized.

This letter is intended for the information of management and others within the organization as well as the Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record. We wish to express our appreciation for the cooperation and courtesies extended to us by the management and employees of the City of Covington, Louisiana, and look forward to working with you in the future.

Sincerely,

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

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

STATUS OF OUR 1994 SUGGESTIONS

The following is a summary of the 1994 recommendations and the status of implementation thereof:

	<u>Implemented</u>	<u>Partially Implemented</u>	<u>Not Implemented</u>
Computer errors		X	
Reserve requirements			X
Payroll cycles	X		
Grant recordkeeping	X		
Accounting procedures	X		
Issue of audit report	X		

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INDEPENDENT AUDITORS' 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, 1995, 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, 1995, and the results of its operations and cash flows for 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, 1995, and the results of operations of such funds and the cash flows for 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 and individual fund and account group financial statements. The accompanying financial information listed as a supporting schedule in

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

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 and 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.

In accordance with Government Auditing Standards, we have also issued a report on our consideration of City of Covington's internal control structure, a report on its compliance with laws and regulations, a report on its compliance with general requirements applicable to federal programs, and a report on the internal control structure used in administering federal programs.

Smith, Hural & Associates, L.L.C.

May 21, 1996

CITY OF COVINGTON, LOUISIANA
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1995

	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)	
											1995	1994
ASSETS												
Cash	\$ 1,085,990	\$ 402,212	\$ 461,889	\$ 158,855	\$ 257,136	\$ 463,305	\$	\$	\$	2,829,387	\$ 2,154,934	
Certificates of deposit			845,019	350,543		24,955				1,220,517	1,171,956	
Investments	1,151,542									1,151,542	1,381,121	
Receivables					93,334					93,334	83,911	
Utilities	513,153		176,235							689,388	494,069	
Taxes	17,588		16,793	3,204						37,585	29,303	
Accrued interest	159,477	16			15,118	1,938				176,549	169,894	
Other	233									233	1,307	
Prepays	270,661	47,503	109,985			16,870				445,019	528,516	
Due from other funds												
Restricted assets												
Cash					342,352							
Land							478,560			342,352	318,365	
Buildings							1,708,740			478,560	478,560	
Improvements other than buildings										1,708,740	1,708,740	
Equipment							579,336			579,336	569,986	
Transportation equipment							1,458,451			1,458,451	1,329,452	
Furniture and equipment							337,041			337,041	325,915	
Capital lease assets							296,901			296,901	276,454	
Utility plant and equipment - depreciation							258,429			258,429	258,429	
Net of accumulated depreciation					8,094,897					8,094,897	8,086,261	
Amount to be provided for compensated absences								253,515		253,515	229,587	
Amount available in debt service funds								1,607,373		1,607,373	1,538,537	
Amount to be provided for retirement of general long-term debt								4,572,627		4,572,627	4,266,463	
Amount to be provided for capital lease payments								70,893		70,893	149,574	
Total assets	\$ 3,198,644	\$ 449,731	\$ 1,609,921	\$ 512,602	\$ 8,802,837	\$ 507,068	\$ 5,117,458	\$ 6,504,408	\$	\$ 26,702,669	\$ 25,551,334	

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 DECEMBER 31, 1995

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups			Totals			
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency	General Assets	Fixed Assets	General Long-Term Debt	1995	(Memorandum Only) 1994
LIABILITIES													
Accounts payable and accrued expenses	\$ 165,305	\$ 296	\$ 2,500	\$ 27,892	\$ 46,035	\$	\$	\$	\$	\$ 242,028	\$ 225,956		
Payroll taxes and retirement payable	64,610				6,493					71,103	67,195		
Customer deposits					143,427					143,427	136,486		
Due to other funds	4,248	45,213	48	33	3,134	392,343				445,019	528,516		
Payable from restricted assets - Revenue bonds					65,310					65,310	61,715		
Accrued interest					66,469					66,469	70,012		
General obligation bonds								6,180,000		6,180,000	5,805,000		
Water revenue bonds					993,937					993,937	1,058,847		
Due to certificate holders						68,842			253,515	68,842	232,664		
Compensated absences											229,587		
Obligations under capital lease agreements					22,315				70,893	93,208	185,830		
Other liabilities	5,823				244	9,437				15,504	11,843		
Estimated liability for landfill postclosure care costs					49,500					49,500	428,435		
Contract payable					114,440					114,440	128,744		
Total liabilities	<u>239,986</u>	<u>45,509</u>	<u>2,548</u>	<u>27,925</u>	<u>1,511,304</u>	<u>470,622</u>	<u>-</u>	<u>6,504,408</u>	<u>8,802,302</u>	<u>9,170,830</u>	<u>9,170,830</u>		
FUND EQUITY													
Contributed capital					6,889,452					6,889,452	6,772,957		
Investment in General Fixed Assets							5,117,458			5,117,458	4,947,536		
Retained earnings (deficit)										210,573	-		
Reserved for revenue bonds					210,573					191,508	(95,709)		
Unreserved and undesignated					191,508								
Fund balances													
Reserved for Capital Outlay	1,050,000									1,050,000	1,065,000		
Reserved for Debt Service										1,607,373	1,538,536		
Reserved for Mausoleum						36,446				36,446	35,151		
Unreserved	1,284,077	106,150								1,390,227	923,518		
Designated for future expenditures	19,555	298,072		484,677						802,304	1,193,515		
Designated for fire protection	605,026									605,026			
Total fund equity	<u>2,958,658</u>	<u>404,222</u>	<u>1,607,373</u>	<u>484,677</u>	<u>7,291,533</u>	<u>36,446</u>	<u>5,117,458</u>	<u>-</u>	<u>17,900,367</u>	<u>16,380,504</u>	<u>16,380,504</u>		
Total liabilities and fund equity	<u>\$ 3,198,644</u>	<u>\$ 449,731</u>	<u>\$ 1,609,921</u>	<u>\$ 512,602</u>	<u>\$ 8,802,837</u>	<u>\$ 507,068</u>	<u>\$ 5,117,458</u>	<u>\$ 6,504,408</u>	<u>\$ 26,702,669</u>	<u>\$ 25,551,334</u>	<u>\$ 25,551,334</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
 - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 For the Year Ended December 31, 1995

REVENUES	Governmental Fund Types			Fiduciary Fund Type Expendable Trust	Totals		
	General	Special Revenue	Debt Service		Capital Projects	1995	(Memorandum Only) 1994
Taxes	\$ 906,008	\$ 3,141,434	\$ 282,907	\$	\$ 4,330,349	\$ 3,808,556	
Licenses and permits	564,963				564,963	517,136	
Intergovernmental	537,859				537,859	323,524	
Charges for service	57,694				57,694	59,443	
Fines and forfeits	71,632				71,632	81,848	
Interest	116,732	16,017	61,022	24,675	220,121	126,507	
Sewer assessment				38,115	38,115	59,700	
Other	146,716	9,246			155,962	83,469	
Total revenues	2,401,604	3,166,697	343,929	62,790	5,976,695	5,060,183	
EXPENDITURES							
Current:							
General government	1,041,269	58,232			1,099,881	1,010,336	
Public safety							
Police	1,298,333				1,298,333	1,045,208	
Fire	340,932				340,932	213,793	
Public works - streets	1,190,072				1,190,072	881,873	
Culture and recreation	388,065				388,065	282,556	
Debt service:							
Principal			225,000		225,000	210,000	
Interest and fiscal charges			433,380		433,380	434,401	
Capital projects				110,881	110,881	910,448	
Total expenditures	4,258,671	58,232	658,380	110,881	5,086,544	4,988,615	
Excess (deficiency) of revenues over expenditures	(1,857,067)	3,108,465	(314,451)	(48,091)	890,151	71,568	
OTHER FINANCING SOURCES (USES)							
Proceeds from bonds	600,000				600,000	-	
Proceeds from capital lease and certificates						977,548	
Operating transfers in	2,967,488		424,573		3,392,061	3,434,651	
Operating transfers out	(987,802)	(3,079,687)	(41,265)	(37,762)	(4,146,556)	(3,988,135)	
Total other financing sources (uses)	2,579,686	(3,079,687)	383,288	(37,782)	(154,495)	424,064	
Excess of revenues over (under) expenditures and other financing sources (uses)	722,619	28,778	68,837	(85,873)	735,656	495,632	
FUND BALANCES - BEGINNING OF YEAR	2,236,039	375,444	1,538,536	570,550	4,755,720	4,260,088	
FUND BALANCES - END OF YEAR	\$ 2,958,658	\$ 404,222	\$ 1,607,373	\$ 484,677	\$ 5,491,376	\$ 4,755,720	

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, 1995

	General Fund		Variance- Favorable (Unfavorable)	Special Revenue Funds		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
REVENUES						
Taxes	\$ 837,000	\$ 906,008	\$ 69,008	\$ 3,040,070	\$ 3,141,434	\$ 101,364
Licenses and permits	472,500	564,963	92,463			
Intergovernmental	1,274,228	537,859	(736,369)			
Charges for services	72,700	57,694	(15,006)			
Fines and forfeits	76,000	71,632	(4,368)			
Interest income	19,000	116,732	97,732	6,000	16,017	10,017
Trust revenue	46,000	-	(46,000)			
Other	109,868	146,716	36,848	4,000	9,246	5,246
Total revenues	2,907,296	2,401,604	(505,692)	3,050,070	3,166,697	116,627
EXPENDITURES						
Current:						
General government	1,072,653	1,041,269	31,384	59,450	58,232	1,218
Public safety						
Police	1,387,134	1,298,333	88,801			
Fire	402,394	340,932	61,462			
Public works - streets	1,358,791	1,190,072	168,719			
Culture and recreation	465,096	388,065	77,031			
Total expenditures	4,686,068	4,258,671	427,397	59,450	58,232	1,218
Excess (deficiency) of revenues over expenditures	(1,778,772)	(1,857,067)	(78,295)	2,990,620	3,108,465	117,845
OTHER FINANCING SOURCES (USES)						
Proceeds from bonds		600,000	600,000			
Operating transfers in	2,631,325	2,967,488	336,163			
Operating transfers out	(1,263,176)	(987,802)	275,374	(3,138,494)	(3,079,687)	58,807
Total other financing sources (uses)	1,368,149	2,579,686	1,211,537	(3,138,494)	(3,079,687)	58,807
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ (410,623)	722,619	1,133,242	(147,874)	28,778	176,652
FUND BALANCES - BEGINNING OF YEAR		2,236,039			375,444	
FUND BALANCES - END OF YEAR		\$ 2,958,658		\$ 404,222	\$ 404,222	

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS (DEFICIT)
- ALL PROPRIETARY FUND TYPES

For the Year Ended December 31, 1995

	Internal Service	Enterprise	Totals	
			(Memorandum Only)	
			1995	1994
OPERATING REVENUES				
Water revenues	\$	\$ 547,116	\$ 547,116	\$ 509,769
Water installations		27,187	27,187	16,407
Sewer maintenance fees		429,578	429,578	400,081
Sewer installations		30,135	30,135	17,361
Cut-on fees		14,595	14,595	15,510
Garbage collection fees		349,382	349,382	341,539
Miscellaneous		521	521	10,932
Insurance reimbursements	14,041		14,041	22,031
Total operating revenues	14,041	1,398,514	1,412,555	\$1,333,630
OPERATING EXPENSES				
Water department		507,388	507,388	365,573
Sewer department		774,005	774,005	788,662
Sanitation department		359,948	359,948	434,071
Health plan cost				191,755
Total operating expenses	-	1,641,341	1,641,341	1,618,152
Operating income (loss)	14,041	(242,827)	(228,786)	(284,522)
NON-OPERATING REVENUES (EXPENSES)				
FEMA funds		23,162	23,162	-
Interest income	150	17,193	17,343	5,044
Interest expense		(68,424)	(68,424)	(69,798)
Total non-operating revenues (expenses)	150	(28,069)	(27,919)	(64,754)
Income (loss) before operating transfers	14,191	(270,896)	(256,705)	(349,276)
OPERATING TRANSFERS				
Transfers in		768,319	768,319	567,807
Transfers out	(13,824)		(13,824)	(14,323)
Total operating transfers	(13,824)	768,319	754,495	553,484
Net income (loss)	367	497,423	497,790	204,208
Retained earnings (deficit) - beginning	(367)	(95,342)	(95,709)	290,426
Prior period adjustment - Landfill Closure				(590,343)
Retained earnings (deficit) - ending	\$ -	\$ 402,081	\$ 402,081	\$ (95,709)

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

COMBINED STATEMENT OF CASH FLOWS
- ALL PROPRIETARY FUND TYPES

For the Year Ended December 31, 1995

	Internal Service	Enterprise	Totals (Memorandum Only)	
			1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ 14,041	\$ (242,827)	\$ (228,786)	\$ (284,522)
Adjustments to reconcile net operating loss to net cash provided (used) by operating activities				
Depreciation		228,606	228,606	233,507
Transfer to capital projects			-	59,686
(Increase) decrease in accounts receivable - net	15,101	(9,423)	5,678	(24,825)
Decrease (increase) in other receivables		(5,320)	(5,320)	2,014
Increase (decrease) in accounts payable and accrued expenses	(6,926)	14,203	7,277	(76,657)
Increase in payroll taxes and retirement payable		458	458	6,035
Decrease in estimated liability for claims			-	(50,000)
Decrease in other liabilities		(599)	(599)	(149)
Expenses for landfill closure		(378,935)	(378,935)	(161,909)
Total adjustments	<u>8,175</u>	<u>(151,010)</u>	<u>(142,835)</u>	<u>(22,298)</u>
Net cash provided (used) by operating activities	22,216	(393,837)	(371,621)	(306,820)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Payments from (to) other funds, net	(9,900)	(10,162)	(20,062)	2,666
Increase in customer deposits		6,941	6,941	31,000
FEMA funds received		<u>23,162</u>	<u>23,162</u>	-
Net cash provided (used) by noncapital financing activities	(9,900)	19,941	10,041	33,666
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
State financing of line relocation			-	143,050
Payments on state contract		(14,304)	(14,304)	(14,306)
Transfers from (to) other funds, net	(13,824)	768,319	754,495	553,484
Payments for capital acquisitions		(120,747)	(120,747)	(194,065)
Principal payments on bonds		(61,315)	(61,315)	(58,312)
Interest paid		(71,967)	(71,967)	(73,277)
Proceeds from capital lease financing			-	42,960
Payments on capital lease		<u>(13,941)</u>	<u>(13,941)</u>	<u>(6,704)</u>
Net cash provided (used) by capital and related financing activities	(13,824)	486,045	472,221	392,830
CASH FLOWS FROM INVESTING ACTIVITIES:				
Receipts of interest	<u>150</u>	<u>17,193</u>	<u>17,343</u>	<u>5,044</u>
Net cash provided by investing activities	<u>150</u>	<u>17,193</u>	<u>17,343</u>	<u>5,044</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(1,358)	129,342	127,984	124,720
Cash and cash equivalents, beginning of year	<u>1,358</u>	<u>470,146</u>	<u>471,504</u>	<u>346,784</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 599,488</u>	<u>\$ 599,488</u>	<u>\$ 471,504</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA
NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 1995

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 seven generic fund types and three broad fund categories as follows:

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

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.

Internal Service Fund - The Internal Service Fund is used to provide services from one governmental unit or department to another on a cost recovery basis.

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 (Continued)

December 31, 1995

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 noncurrent 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 (Continued)

December 31, 1995

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 noncurrent) 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. 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 expense for December 31, 1995, is \$228,606. 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. Ad valorem, 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 (Continued)

December 31, 1995

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 and the Enterprise Fund. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- F. Budgets for the General Fund, Special Revenue Fund and the Enterprise Fund 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. Unexpended capital outlay appropriations at December 31, 1995, totaled \$333,781.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

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, 1995, was \$892,512 and is recorded in the funds as follows:

General Fund	\$ 609,605
Debt Service Fund	<u>282,907</u>
	<u>\$ 892,512</u>

11. 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, 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, 1995, was \$798,149.

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 \$12,504 at December 31, 1995. An aging of receivables is as follows:

Current	\$ 62,563
30 days	18,232
60 days	6,912
90 & over	<u>18,131</u>
	<u>\$ 105,838</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

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 \$500. The total capital outlay reflected in the accompanying financial statements for the General Fund totaled \$742,648.

	Balance December 31, <u>1994</u>	Additions	Retirements	Balance December 31, <u>1995</u>
Land	\$ 478,560	\$	\$	\$ 478,560
Buildings	1,708,740			1,708,740
Equipment	1,329,452	128,999		1,458,451
Improvements other than buildings	569,986	9,350		579,336
Transportation equipment	325,915	41,020	29,894	337,041
Office furniture and equipment	276,454	20,447		296,901
Capital leases	<u>258,429</u>			<u>258,429</u>
	<u>\$4,947,536</u>	<u>\$ 199,816</u>	<u>\$ 29,894</u>	<u>\$5,117,458</u>

A summary of proprietary fund type property, plant and equipment at December 31, 1995, follows:

Sewer equipment	\$7,723,726
Water equipment	1,747,690
Garbage equipment	46,345
Construction in progress - sewer improvements	<u>14,009</u>
Total	9,531,770
Less: Accumulated depreciation	<u>1,436,873</u>
	<u>\$8,094,897</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

NOTE C - RESTRICTED ASSETS

The ordinance authorizing the issuance of a \$1,200,000 Water Revenue Bond dated November 4, 1980 and the ordinance authorizing the issuance of a \$450,000 Water Revenue Bond, dated July 2, 1985, together provide for certain restrictions on the assets of the Enterprise Fund.

1. Revenue Bond Sinking Fund

The ordinance 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, 1995.

2. Revenue Bond Reserve Fund

The ordinance 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 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, 1995.

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, 1995.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

NOTE D - LONG-TERM DEBT

The following is a summary of bond transactions of the City for the year ended December 31, 1995.

	<u>General Obligation</u>			
	<u>Sales and</u>	<u>Ad</u>	<u>Revenue</u>	<u>Total</u>
	<u>Use Tax</u>	<u>Valorem</u>	<u>Bonds</u>	
		<u>Tax</u>		
Bonds Payable at January 1, 1995	\$3,635,000	\$2,170,000	\$1,120,562	\$6,925,562
Bonds Issued		600,000		600,000
Bonds Retired	<u>(140,000)</u>	<u>(85,000)</u>	<u>(61,315)</u>	<u>(286,315)</u>
Bonds Payable at December 31, 1995	<u>\$3,495,000</u>	<u>\$2,685,000</u>	<u>\$1,059,247</u>	<u>\$7,239,247</u>

CITY OF COVINGTON, LOUISIANA
 NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

NOTE E - COMBINED SCHEDULE OF BONDS PAYABLE

	Interest		Annual Principal Payments	
	Payment Dates	Year	Year	Amount
<u>GENERAL OBLIGATION BONDS</u>				
1988 General Obligation Bonds issued December 1, 1988 for \$2,560,000, Secured by Ad Valorem Taxes	March 1 and Sept. 1	1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007-08	1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008	\$ 95,000 100,000 110,000 120,000 130,000 140,000 155,000 165,000 180,000 195,000 215,000 230,000 <u>250,000</u> <u>\$2,085,000</u>
1995 General Obligation Bonds Issued March 1, 1995 for \$600,000, Secured by Ad Valorem Taxes	March 1 and Sept. 1	1996-98 1999 2000 2001-02 2003 2004 2005 2006 2007 2008 2009-10	1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010	\$ 25,000 25,000 30,000 30,000 30,000 35,000 35,000 40,000 40,000 45,000 45,000 50,000 55,000 55,000 <u>60,000</u> <u>\$ 600,000</u>

CITY OF COVINGTON, LOUISIANA
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

NOTE E - COMBINED SCHEDULE OF BONDS PAYABLE (Continued)

GENERAL OBLIGATION BONDS (Continued)

1990 Public Improvement Sales Tax Bonds issued May 1, 1990 for \$4,160,000, secured by proceeds of 1% 1957 and 1% 1982 sales and use tax

Payment Dates	Interest		Annual Principal Payments	
	Year	Rate	Year	Amount
May 1 and November 1	1996	6.50%	1996	150,000
	1997	6.50%	1997	165,000
	1998	6.70%	1998	175,000
	1999	6.75%	1999	190,000
	2000	6.80%	2000	200,000
	2001	6.90%	2001	215,000
	2002	7.00%	2002	230,000
	2003	7.00%	2003	250,000
	2004	7.00%	2004	265,000
	2005	7.00%	2005	285,000
	2006	7.00%	2006	305,000
	2007	7.00%	2007	330,000
	2008	7.00%	2008	355,000
2009	7.00%	2009	380,000	
			<u>3,495,000</u>	
			<u>\$6,180,000</u>	

CITY OF COVINGTON, LOUISIANA
 NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
 December 31, 1995

NOTE E - COMBINED SCHEDULE OF BONDS PAYABLE (Continued)

	Payment Dates	Interest		Annual Principal Payments	
		Year	Rate	Year	Amount
<u>REVENUE BONDS</u>					
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	Jan. 14	1994-2006	5.00%	1995-2006	\$ 678,932
1985 Water Revenue Bonds issued for \$450,000, secured by revenues of Water System	Jan. 14	1994-2006	8.625%	1996	12,000
				1997	13,000
				1998	15,000
				1999	16,000
				2000	18,000
				2001	19,000
				2002	21,000
				2003	23,000
				2004	26,000
				2005	28,000
				2006	31,000
				2007	35,000
				2008	38,000
				2009	41,000
				2010	44,315
					<u>380,315</u>
					<u>\$1,059,247</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

NOTE F - ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM DEBT

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

Year Ending December 31,	Revenue Bonds	General Obligation Bonds	Total
1996	\$ 131,778	\$ 695,503	\$ 827,281
1997	131,743	696,198	827,941
1998	132,622	700,495	833,117
1999	132,328	703,165	835,493
2000	132,948	699,610	832,558
2001-2011	<u>977,057</u>	<u>6,278,758</u>	<u>7,255,815</u>
	<u>\$1,638,476</u>	<u>\$9,773,729</u>	<u>\$11,412,205</u>

As of December 31, 1995 there is \$1,607,373 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, 1995 were:

Fund	Interfund Receivables	Interfund Payable
General Fund	\$ 270,661	\$ 4,248
Special Revenue Fund	47,503	45,213
General Obligation Bond Redemption Fund	109,985	16
1990 Sales Tax Bond Sinking Fund		16
1990 Sales Tax Bond Reserve Fund		16
Ad Valorem Tax Collection Fund		392,286
Garden of Pines Mausoleum Trust Fund		16
Enterprise Fund		3,134
Sewer Plant Capital Projects Fund		16
1993 Sewer Extension Capital Projects Fund		17
1993 Sewer Extension Agency Fund	16,870	23
1987 Street Paving Agency Fund		18
	<u>\$ 445,019</u>	<u>\$ 445,019</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

NOTE H - LEASES

The City is obligated under certain leases accounted for as capital leases. 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 \$301,389 at December 31, 1995. 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, 1995:

Year Ending <u>December 31,</u>	General Long-Term Debt <u>Account Group</u>	Utility <u>Fund</u>
1996	\$ 59,170	\$ 18,080
1997	<u>14,796</u>	<u>5,165</u>
Total minimum lease payments	73,966	23,245
Less: Amount representing interest	<u>3,073</u>	<u>930</u>
Present value of minimum lease payments	<u>\$ 70,893</u>	<u>\$ 22,315</u>

NOTE I - 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.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

NOTE I - PENSION PLANS (Continued)

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 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 5.5 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, 1995, 1994, and 1993 were \$72,528, \$57,837, and \$63,609, respectively, equal to the required contributions for each year.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

NOTE I - PENSION PLANS (Continued)

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.

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, 1995, 1994, and 1993 were \$68,152, \$62,398, and \$62,721, respectively, equal to the required contributions for each year.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

NOTE J - LITIGATION AND CLAIMS

At December 31, 1995, the City is involved in a number of lawsuits. 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 K - CASH AND INVESTMENTS

The City's deposits, including restricted cash of \$342,352 are categorized as follows at December 31, 1995:

	<u>Amount</u>	<u>Carrying Bank Balance</u>
Category 2		
Demand deposits	\$3,171,739	\$3,228,872
Certificate of deposit	<u>1,220,517</u>	<u>1,220,517</u>
	<u>\$4,392,256</u>	<u>\$4,449,389</u>

Under state law, the bank balances of these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. Category 2 includes bank balances which are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

The carrying amount does not include accrued interest of \$20,002 on certificates of deposit.

The City's investments consist of various governmental obligations which are stated at a cost of \$1,151,542 at December 31, 1995. 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 market value of these investments approximate cost at December 31, 1995. The City's investments are carried at the lower of cost or market and do not include \$17,583 of accrued interest.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

NOTE L - INSURANCE

As of December 31, 1995, 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>
Vesta Insurance Co.	05/96		Fire and Extended Coverage
		\$2,324,000	Buildings
		1,910,000	Contents
		90,421	EDP Equipment
		322,482	Contractor's equipment
		10,140	Two-way communication system
Fidelity and Deposit Co. of Maryland	04/96		Fidelity Bond coverage
		\$ 375,000	Mayor
		375,000	Director of Administration
Fidelity and Deposit Co. of Maryland	08/96		Fidelity Bond coverage
		\$ 20,000	Surety Bond on Administrator
		\$ 25,000	Employee Dishonesty
		25,000	Each employee
		10,000	Excess on Mayor
		10,000	Theft - Police Building
			Theft - City Hall
Louisiana Municipal Risk	02/96	\$ 500,000	Auto Liability
		500,000	General Liability
		500,000	Law Enforcement Officers Comprehensive Liability
		500,000	Public Officials Errors and Omissions Liability
Louisiana Municipal Risk	01/96	State Statute	Workers Compensation and Employers Liability
Audubon Indemnity Company	06/96	\$ 182,898	Commercial Auto Physical Damage

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

NOTE M - GRANT REVENUES

Federal Grants

During 1995, the City was awarded \$15,000 from the U.S. Department of Housing and Urban Development for the Home Rehabilitation Program; \$17,673 from the U. S. Department of Agriculture for the Summer Food Program, \$52,305 from the U. S. Department of Justice for the Community Oriented Policing Services Program; \$19,810 from the U. S. Small Business Administration for the Tree Planting Program; \$99,500 from the U. S. Department of Agriculture for the Small Business Loan Program; and \$26,986 from the U. S. Department of the Interior for the Land and Water Conservation Program. In 1994, the City was awarded \$879,576 under the Louisiana Community Development Block Grant Program (CFDA 14.219) and in 1995, the City was awarded \$383,685 under the Louisiana Community Development Block Grant Economic Development Program. As of December 31, 1995, no funds had been received relating to either block grant.

State Grants

During 1995, the City was awarded the following state grants:

	<u>Awarded Amount</u>	<u>Amount Received</u>
DARE Grant	\$ 40,388	\$ 35,392
Louisiana Division of the Arts	3,800	950
Louisiana Division of Historic Preservation	<u>8,666</u>	<u>8,666</u>
Total state awards	<u>\$ 52,854</u>	<u>\$ 45,008</u>

NOTE N - SELF-INSURANCE

On July 1, 1993, the City established a self-insurance health plan for its employees. The Plan administrator, Associated Health Plans, was responsible for the approval, processing, and payment of claims. The administrator was also responsible for actuarially determining the needed funding of the plan.

In 1994, the Plan was accounted for in an internal service fund of the City. Resources to fund the Plan were recorded as transfers in the funds

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

NOTE N - SELF-INSURANCE (Continued)

providing the coverage. The cost of claims was recorded as an expense in the Internal Service Fund when the claims arose. A stop-loss insurance contract was in effect for 1994 with an insurance carrier which covered claims in excess of \$86,643 aggregate or \$15,000 per single employee. Total claims incurred during 1994 were \$191,775.

Effective in 1995, the City ceased its self-insurance health plan and converted to private insurance coverage for its employees.

NOTE O - LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

In 1993, the City of Covington began closing its landfill due to state regulations. The landfill stopped accepting solid waste in 1984. The closing process was concluded in 1995 and upon final cover, the City will be required by state authorities to perform certain maintenance and monitoring functions at the landfill site for three years after closure.

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 postclosure care costs.

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

NOTE P - STATE CONTRACT PAYABLE

The City of Covington owes \$114,440 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 Q - BOND ISSUANCE

In March 1995, the City issued \$600,000 in General Obligation Bonds, Series 1995 for the purpose of acquiring, constructing and improving fire protection facilities and equipment, including fire trucks. Principal and interest are due in annual and semi-annual installments, respectively, over fifteen years. Security for the bonds is unlimited ad valorem taxation.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)

December 31, 1995

NOTE Q - BOND ISSUANCE (Continued)

In January, 1996, the city issued \$1,930,000 in General Obligation Sewer Refunding Bonds, Series 1996, for the purpose of refunding the 1988 General Obligation Sewer Bonds. Principal and interest are due in annual and semi-annual installments, respectively, over thirteen years.

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, 1995

ASSETS	<u>1995</u>	<u>1994</u>
Cash	\$1,085,990	\$ 354,001
Investments	1,151,542	1,381,121
Taxes receivable		
Ad valorem	386,864	340,639
Other taxes receivable	126,289	136,863
Notes receivable	82,155	-
Accrued interest receivable	17,588	20,894
Grant receivable	33,019	-
Other receivable	33,880	-
Special assessment receivable	5,823	3,516
Sewer extension receivable	4,600	4,600
Prepays	233	1,307
Due from other funds	<u>270,661</u>	<u>250,680</u>
Total assets	<u>\$3,198,644</u>	<u>\$2,493,621</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued expenses	\$ 165,305	\$ 102,450
Payroll taxes and retirement payable	64,610	61,160
Due to other funds	4,248	90,456
Deferred revenue	<u>5,823</u>	<u>3,516</u>
Total liabilities	<u>239,986</u>	<u>257,582</u>
FUND BALANCE		
Reserved for capital outlay	1,050,000	1,065,000
Designated for future expenditures	19,555	288,769
Designated for fire protection	605,026	-
Unreserved and undesignated	<u>1,284,077</u>	<u>882,270</u>
Total fund balance	<u>2,985,658</u>	<u>2,236,039</u>
Total liabilities and fund balance	<u>\$3,198,644</u>	<u>\$2,493,621</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, 1995

	1995		Variance- Favorable (Unfavorable)	1994 Actual
	Budget	Actual		
REVENUES				
Taxes				
Ad valorem tax	\$ 549,000	\$ 609,605	\$ 60,605	\$ 559,263
Electric franchise	217,000	228,689	11,689	221,662
Cable television	45,000	45,086	86	42,351
Gas franchise	26,000	22,628	(3,372)	23,376
Total taxes	837,000	906,008	69,008	846,652
Licenses and Permits				
Insurance	270,000	315,252	45,252	290,739
Occupational	150,000	180,483	30,483	168,119
Building	35,000	52,599	17,599	40,363
Liquor and beer	14,000	13,179	(821)	14,637
Chain store	3,500	3,450	(50)	3,278
Total licenses and permits	472,500	564,963	92,463	517,136
Intergovernmental				
Video poker revenue	90,000	189,968	99,968	140,862
Tobacco tax	42,000	39,066	(2,934)	39,150
Grant revenue	1,053,186	212,881	(840,305)	96,250
Beer tax	24,000	23,484	(516)	24,819
Fire insurance rebate	13,000	15,100	2,100	13,372
911 revenues	7,800	7,775	(25)	9,071
FEMA proceeds	44,242	49,585	5,343	-
Total inter- governmental	1,274,228	537,859	(736,369)	323,524
Charges for services				
Recreation registration	44,000	31,406	(12,594)	30,517
Community Center rental	5,000	5,954	954	4,100
Highway maintenance - DOTD	8,200	8,281	81	8,281
Park rental	3,000	-	(3,000)	375
Tax research	3,000	1,779	(1,221)	2,413
Resubdivision revenue	4,000	4,257	257	5,250

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, 1995

	1995		Variance- Favorable (Unfavorable)	1994 Actual
	Budget	Actual		
REVENUES (Continued)				
Charges for services (Continued)				
Zoning revenue	\$ 5,500	\$ 6,017	\$ 517	\$ 6,757
Fairground rental	-	-	-	1,750
Total charges for services	<u>72,700</u>	<u>57,694</u>	<u>(15,006)</u>	<u>59,443</u>
Fines and forfeits				
Court fines	48,000	56,196	8,196	54,330
Fines - DWI	10,000	9,346	(654)	21,035
Parking fines and other	3,000	5,028	2,028	6,483
Drug forfeitures	<u>15,000</u>	<u>1,062</u>	<u>(13,938)</u>	
Total fines and forfeits	<u>76,000</u>	<u>71,632</u>	<u>(4,368)</u>	<u>81,848</u>
Interest income	<u>19,000</u>	<u>116,732</u>	<u>97,732</u>	<u>75,021</u>
Trust revenue	<u>46,000</u>	<u>-</u>	<u>(46,000)</u>	<u>-</u>
Other revenues				
Property tax service charge	12,000	12,871	871	13,021
Rental income	5,500	5,075	(425)	5,670
Paving assessment	-	4,374	4,374	12,600
Miscellaneous revenue	61,468	80,641	19,173	9,439
Sale of surplus property	3,000	716	(2,284)	2,963
Cemetery plot sale/open	7,200	7,000	(200)	6,550
Accident reports	3,700	2,157	(1,543)	3,550
Ox lot improvement	-	-	-	695
Insurance refund	-	-	-	16,589
Recreation concessions	-	83	83	1,233
Donations				
Downtown development	-	16,799	16,799	1,035
CLECO	17,000	17,000	-	

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, 1995

	1995			1994 Actual
	Budget	Actual (Unfavorable)	Variance- Favorable	
Other Revenues (continued)				
Donations				
Scarecrow festival	\$ -	\$ -	\$ -	\$ 4,475
Telephone commission	-	-	-	49
Total other revenues	<u>109,868</u>	<u>146,716</u>	<u>36,848</u>	<u>77,869</u>
Total revenues	<u>2,907,296</u>	<u>2,401,604</u>	<u>(505,692)</u>	<u>1,981,493</u>
EXPENDITURES				
General government	1,072,653	1,041,269	31,384	960,048
Public safety				
Police	1,387,134	1,298,333	88,801	1,045,208
Fire	402,394	340,932	61,462	213,793
Public works				
Streets	1,358,791	1,190,072	168,719	881,873
Culture and Recreation	<u>465,096</u>	<u>388,065</u>	<u>77,031</u>	<u>282,556</u>
Total expenditures	<u>4,686,068</u>	<u>4,258,671</u>	<u>427,397</u>	<u>3,383,478</u>
Excess (deficiency) of revenue over expenditures	<u>(1,778,772)</u>	<u>(1,857,067)</u>	<u>(78,295)</u>	<u>(1,401,985)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease purchase	-	-	-	88,795
Bond proceeds	-	600,000	600,000	-
Operating transfer in	2,631,325	2,967,488	336,163	2,951,056
Operating transfer out	<u>(1,263,176)</u>	<u>(987,802)</u>	<u>275,374</u>	<u>(1,189,087)</u>
Total other financing sources (uses)	<u>1,368,149</u>	<u>2,579,686</u>	<u>1,211,537</u>	<u>1,861,764</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, 1995

	1995			
	Budget	Actual	Variance- Favorable (Unfavorable)	
			1994 Actual	
Excess of revenues and other sources (uses) over expenditures	\$ <u>(410,623)</u>	\$ 722,619	\$ <u>1,133,242</u>	\$ 459,779
FUND BALANCE - BEGINNING OF YEAR		<u>2,236,039</u>		<u>1,776,260</u>
FUND BALANCE - END OF YEAR		<u>\$2,958,658</u>		<u>\$2,236,039</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, 1995

	1995		Variance-	1994
	Budget	Actual	Favorable (Unfavorable)	Actual
GENERAL GOVERNMENT				
Administration				
Salaries and benefits	\$ 328,930	\$ 329,055	\$ (125)	\$ 307,700
Hospitalization	56,820	49,938	6,882	9,662
Retirement	18,200	20,245	(2,045)	18,943
Unemployment compensation	1,000	1,118	(118)	850
Workmen's compensation	13,500	5,441	8,059	4,251
Medicare expense	12,500	15,824	(3,324)	14,275
Payroll tax	7,000	3,961	3,039	5,886
Attorneys' fees	50,000	54,468	(4,468)	57,743
Engineering fees	12,000	19,650	(7,650)	15,989
Audit fees	22,000	25,422	(3,422)	26,625
Computer programming	5,000	1,438	3,562	4,309
Inspection fees	-	-	-	20,800
Clerk of Court cost	4,000	2,152	1,848	1,867
Publication and notices	22,000	33,466	(11,466)	35,422
Printing charges	3,000	5,157	(2,157)	3,350
Property tax preparation	7,500	7,947	(447)	7,751
Gardening	4,000	5,230	(1,230)	2,685
Employee education	3,500	2,796	704	1,190
Meetings & conventions	3,000	2,270	730	2,348
Meetings & conventions - council	9,500	4,495	5,005	4,597
Humane Society	17,160	18,470	(1,310)	15,600
Drug testing	1,000	875	125	417
Utilities	3,800	3,639	161	3,919
Telephone	9,000	11,905	(2,905)	7,354
Dues and subscriptions	1,700	3,782	(2,082)	512
Dues and subscriptions - council	2,800	1,237	1,563	1,290
Insurance	24,000	18,029	5,971	13,507
Code of ordinances	6,250	2,972	3,278	4,981
Office supplies	15,000	15,489	(489)	14,596
Janitorial supplies	700	1,413	(713)	742
Computer supplies and maintenance	3,800	3,406	394	2,715
Equipment repairs	2,000	1,577	423	1,289
Maintenance	2,500	1,356	1,144	6,010
Fairgrounds				
Utilities	-	-		2,081
Maintenance	-	-		360

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, 1995

	1995		Variance-	1994
	Budget	Actual	Favorable (Unfavorable)	Actual
GENERAL GOVERNMENT				
Administration (Continued)				
Maintenance fees	\$ 5,000	\$ 4,881	\$ 119	\$ -
Construction contract	-	2,337	(2,337)	20,422
Quarterly fees	-	2,755	(2,755)	-
Gasoline	1,000	1,045	(45)	885
Travel expenses	1,000	2,359	(1,359)	326
Postage	8,000	14,718	(6,718)	8,910
Service charges and fees	-	2,383	(2,383)	4,574
Claims	4,000	5,331	(1,331)	3,232
Miscellaneous	3,643	5,699	(2,056)	3,827
Election expense	16,000	3,997	12,003	2,932
Annexation	5,000	8,174	(3,174)	8,698
Redistricting	-	-	-	8,058
Lease payments	30,473	30,473	-	9,727
Interest and penalties	500	-	500	285
Home grant	-	23,697	(23,697)	54,430
Summer food program	-	18,793	(18,793)	11,826
Youth Service Bureau	3,000	3,000	-	-
Family Service Center	3,000	3,000	-	-
Capital lease purchase	-	-	-	28,741
Capital outlay	6,120	4,841	1,279	22,378
Capital outlay - council	11,788	2,122	9,666	11,287
Total Administration	771,684	813,828	(42,144)	822,154
Downtown Development Program				
Salary and benefits	32,000	30,574	1,426	37,854
Retirement	1,320	1,470	(150)	1,399
Unemployment compensation	150	166	(16)	85
Hospitalization	2,970	2,707	263	1,773
Workmen's compensation	350	193	157	111
Urban forestry improvements	21,050	13,916	7,134	2,187
Marketing and promotion	12,000	29,768	(17,768)	11,592
Facade grants	6,500	20,053	(13,553)	6,026
Clerical support	3,600	2,120	1,480	1,515
Utilities	4,500	3,733	767	4,294
Christmas decorations	-	7,739	(7,739)	733
Rent	-	-	-	500
Program expenses	12,500	13,178	(678)	21,216
Office supplies	-	-	-	913
Travel	1,000	774	226	1,101
Miscellaneous	1,500	1,993	(493)	483

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, 1995

	1995		Variance-	1994
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)	<u>Actual</u>
GENERAL GOVERNMENT				
Downtown Development Program (Continued)				
Hurricane Andrew grant	\$ -	\$ -	\$ -	\$ 4,362
Dues and subscriptions	650	777	(127)	510
Scarecrow festival	8,000	5,999	2,001	-
Street sweeping	10,000	7,450	2,550	7,170
Cemetery maintenance	30,000	20,480	9,520	3,367
Capital outlay	135,879	55,092	80,787	30,703
Business incubator	17,000	9,259	7,741	-
Total Downtown Development Program	<u>300,969</u>	<u>227,441</u>	<u>73,528</u>	<u>137,894</u>
TOTAL GENERAL GOVERNMENT	<u>1,072,653</u>	<u>1,041,269</u>	<u>31,384</u>	<u>960,048</u>
PUBLIC SAFETY - POLICE				
Salaries and benefits	741,760	726,087	15,673	643,250
Janitor salaries	14,830	14,560	270	14,405
Extra clerical	600	300	300	1,200
Extra deputies	23,320	19,114	4,206	20,924
Witness fee	-	-	-	1,375
Compensated absences	32,000	29,920	2,080	14,438
Retirement	81,360	71,399	9,961	62,398
Hospitalization	110,940	100,162	10,778	20,109
Unemployment compensation	5,500	4,441	1,059	3,925
Workmen's compensation	70,140	57,181	12,959	56,305
Court expense	3,000	1,713	1,287	1,749
Coroner fees	8,000	8,000	-	8,000
School - training	15,000	13,147	1,853	9,781
Convention - meetings	2,500	1,735	765	2,044
Printing	2,000	2,229	(229)	2,057
Public health inoculations	1,500	2,004	(504)	-
Telephone	8,500	10,826	(2,326)	8,477
Utilities	10,000	8,616	1,384	8,365
Office supplies	6,000	4,430	1,570	5,285
Janitorial supplies	1,750	1,569	181	1,213
Administration supplies	6,000	4,781	1,219	6,080
Equipment repairs	20,000	20,302	(302)	19,226
School crossing supplies	100	88	12	485

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, 1995

PUBLIC SAFETY - POLICE (Continued)	1995		Variance- Favorable (Unfavorable)	1994 Actual
	Budget	Actual		
Insurance	\$ 41,200	\$ 52,947	\$ (11,747)	\$ 37,225
DARE program	2,000	3,326	(1,326)	777
Dues	2,500	1,711	789	2,673
Gasoline	39,000	24,393	14,607	19,819
Investigation	4,000	2,249	1,751	2,918
Maintenance agreements	6,000	4,687	1,313	1,856
Photographer	3,500	1,140	2,360	834
Uniforms	7,000	6,668	332	5,714
Miscellaneous	2,500	2,343	157	1,777
Animal care	2,000	2,106	(106)	1,682
Equipment repairs	3,500	1,885	1,615	-
Lease payments	23,113	23,113	-	27,056
Capital outlay	86,021	69,161	16,860	31,786
TOTAL PUBLIC SAFETY - POLICE	1,387,134	1,298,333	88,801	1,045,208
PUBLIC SAFETY - FIRE				
Salaries and benefits	170,180	150,763	19,417	95,193
Volunteer Fire Association	-	-	-	10,000
Retirement	8,720	7,706	1,014	4,067
Hospitalization	30,180	17,244	12,936	7,151
Unemployment compensation	1,500	773	727	491
Workmen's compensation	18,000	9,123	8,877	8,088
Telephone	4,000	6,637	(2,637)	4,487
Utilities	8,000	6,974	1,026	4,984
Supplies	10,000	8,874	1,126	4,334
Repairs	6,000	8,890	(2,890)	3,946
Insurance	13,000	13,781	(781)	12,075
Meetings and conventions	7,500	6,803	697	1,561
Gasoline and diesel	4,000	4,377	(377)	3,610
Janitorial supplies	1,000	1,073	(73)	966
Photography	500	296	204	-
Investigations	500	325	175	-
Dues and subscriptions	1,000	918	82	295
Building repairs	2,000	787	1,213	1,797
Office supplies	1,500	1,879	(379)	200

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, 1995

	1995		Variance- Favorable (Unfavorable)	1994 Actual
	Budget	Actual		
PUBLIC SAFETY - FIRE (Continued)				
Printing	\$ 1,000	\$ 227	\$ 773	\$ 807
Prevention education	2,000	2,018	(18)	2,506
Uniforms	2,000	1,751	249	1,050
Dumpster	800	545	255	495
Equipment repairs	10,000	8,113	1,887	3,114
Medical supplies	1,000	921	79	274
Public health inoculations	2,000	-	2,000	-
NFPA update	5,000	4,942	58	4,592
Capital lease payments	14,098	14,098	-	7,248
Capital outlay	76,916	61,094	15,822	30,462
TOTAL PUBLIC SAFETY - FIRE	402,394	340,932	61,462	213,793
PUBLIC WORKS - STREET				
Salaries and benefits	100,500	102,901	(2,401)	81,058
Labor	233,487	212,046	21,441	253,596
Retirement	18,180	17,046	1,134	14,390
Hospitalization	50,400	42,709	7,691	24,527
Unemployment compensation	2,800	1,521	1,279	1,977
Workmen's compensation	60,000	46,621	13,379	58,453
Telephone	4,000	5,255	(1,255)	4,032
Utilities	49,000	38,486	10,514	30,857
Engineer	56,000	70,148	(14,148)	28,690
Grass mowing	-	-	-	900
Mosquito control	-	-	-	458
Tree and stump removal	15,000	14,209	791	15,753
Dumpster	1,200	2,702	(1,502)	1,365
Supplies and small tools	25,000	27,152	(2,152)	23,494
Equipment repairs	38,281	40,407	(2,126)	30,034
Penalties and interest	-	-	-	229
Insurance	13,000	15,966	(2,966)	11,139
Gasoline	18,000	13,903	4,097	16,152
Culverts	20,371	20,916	(545)	12,370
Shells and gravel	20,280	24,844	(4,564)	14,367
Hot mix	15,272	15,568	(296)	6,758
Signs	5,000	9,476	(4,476)	10,847
Contract cemetery cleaner	-	10,240	(10,240)	12,840

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, 1995

	1995		Variance- Favorable (Unfavorable)	1994 Actual
	Budget	Actual		
PUBLIC WORKS - STREET (Continued)				
Capital outlay	\$ 586,340	\$ 431,276	\$ 155,064	\$ 137,600
Capital lease payments	26,680	26,680	-	31,246
Capital lease purchases	-	-	-	58,741
TOTAL PUBLIC WORKS - STREET	1,358,791	1,190,072	168,719	881,873
CULTURE AND RECREATION				
Salaries and benefits	46,200	46,543	(343)	44,417
Clerical aide	10,000	8,981	1,019	8,845
Retirement	3,200	3,407	(207)	2,766
Hospitalization	8,550	6,699	1,851	3,223
Unemployment compensation	300	269	31	256
Workmen's compensation	5,200	3,035	2,165	3,211
Telephone	3,000	2,375	625	2,878
Utilities	7,500	4,457	3,043	4,219
Supplies	5,000	5,249	(249)	4,090
Equipment repairs	4,000	3,937	63	2,455
Insurance	8,000	12,193	(4,193)	8,602
Gasoline	3,000	3,032	(32)	2,224
Chemicals	800	674	126	693
Travel	750	499	251	96
Maintenance agreements	500	487	13	11
Field maintenance	10,000	21,665	(11,665)	11,608
Miscellaneous	2,000	1,443	557	1,675
Swimming pool operation	12,500	12,612	(112)	10,810
Baseball and softball	46,350	38,977	7,373	32,624
Basketball	16,800	23,099	(6,299)	13,821
All-Stars basketball	2,900	2,942	(42)	2,586
Football	11,100	15,695	(4,595)	11,974
Volleyball	-	-	-	5,713
Volunteer coordinator	5,000	5,000	-	5,000
Penalties and interest	-	-	-	58

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, 1995

	1995		Variance-	1994
	Budget	Actual	Favorable (Unfavorable)	Actual
CULTURE AND RECREATION				
(Continued)				
Capital lease payments	\$ 4,441	\$ 4,441	\$ -	\$ 3,287
Capital outlay	184,933	97,944	86,989	37,438
Capital lease purchase	-	-	-	12,314
	<u>402,024</u>	<u>325,655</u>	<u>76,369</u>	<u>236,894</u>
Community Center				
Utilities	9,000	10,507	(1,507)	11,258
Cleaning and janitorial	5,000	5,345	(345)	4,910
Supplies	2,000	2,592	(592)	971
Maintenance	3,000	3,624	(624)	2,815
Miscellaneous	1,500	655	845	513
Dumpster	1,900	1,596	304	1,437
Capital outlay	<u>12,810</u>	<u>12,810</u>	<u>-</u>	<u>-</u>
	<u>35,210</u>	<u>37,129</u>	<u>(1,919)</u>	<u>21,904</u>
Bogue Falaya Park				
Utilities	3,000	3,095	(95)	3,141
Janitorial supplies	1,200	1,219	(19)	997
Tools	500	412	88	494
Miscellaneous	1,000	1,137	(137)	759
Park cleanup	6,735	6,500	235	5,875
Supplies	750	741	9	728
Insurance	2,500	630	1,870	340
Dumpster	1,886	1,320	566	1,320
Repairs	1,983	1,919	64	546
Capital outlay	<u>8,308</u>	<u>8,308</u>	<u>-</u>	<u>9,558</u>
Total Bogue Falaya Park	<u>27,862</u>	<u>25,281</u>	<u>2,581</u>	<u>23,758</u>
TOTAL CULTURE AND RECREATION				
	<u>465,096</u>	<u>388,065</u>	<u>77,031</u>	<u>282,556</u>
TOTAL EXPENDITURES				
	<u>\$4,686,068</u>	<u>\$4,258,671</u>	<u>\$ 427,397</u>	<u>\$3,383,478</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 1990 Public Improvement Sales Tax Bonds issued May 1, 1990 for \$4,160,000. 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, 1995

	<u>Sales Tax</u>		<u>Totals</u>	
	<u>1957</u>	<u>1982</u>	<u>1995</u>	<u>1994</u>
	<u>Tax</u>	<u>Tax</u>		
ASSETS				
Cash	\$ 149,065	\$ 253,147	\$ 402,212	\$ 361,821
Receivables - other	16	-	16	16
Due from other funds	<u>2,510</u>	<u>44,993</u>	<u>47,503</u>	<u>87,010</u>
Total assets	<u>\$ 151,591</u>	<u>\$ 298,140</u>	<u>\$ 449,731</u>	<u>\$ 448,847</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 296	\$ -	\$ 296	\$ 600
Due to other funds	<u>45,145</u>	<u>68</u>	<u>45,213</u>	<u>72,803</u>
Total liabilities	45,441	68	45,509	73,403
FUND BALANCES				
Unreserved and undesignated	106,150	-	160,150	41,248
Designated for future expenditures	<u>-</u>	<u>298,072</u>	<u>298,072</u>	<u>334,196</u>
Total fund balances	<u>106,150</u>	<u>298,072</u>	<u>404,222</u>	<u>375,444</u>
Total liabilities and fund balances	<u>\$ 151,591</u>	<u>\$ 298,140</u>	<u>\$ 449,731</u>	<u>\$ 448,847</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, 1995

	Sales Tax		Totals	
	1957 Tax	1982 Tax	1995	1994
REVENUES				
Taxes				
Sales and use	\$1,570,717	\$1,570,717	\$3,141,434	\$2,701,854
Interest income	5,936	10,081	16,017	4,736
Penalties and interest	4,623	4,623	9,246	5,600
Total revenues	<u>1,581,276</u>	<u>1,585,421</u>	<u>3,166,697</u>	<u>2,712,190</u>
EXPENDITURES				
General government	<u>29,288</u>	<u>28,944</u>	<u>58,232</u>	<u>50,288</u>
Total expenditures	<u>29,288</u>	<u>28,944</u>	<u>58,232</u>	<u>50,288</u>
Excess of revenues over expenditures	1,551,988	1,556,477	3,108,465	2,661,902
OTHER FINANCING USES				
Operating transfers out				
Debt service		379,804	379,804	333,752
General fund	1,487,086	1,212,797	2,699,883	2,227,251
Internal service fund	-	-	-	1,757
Total other financing uses	<u>1,487,086</u>	<u>1,592,601</u>	<u>3,079,687</u>	<u>2,562,760</u>
Excess (deficiency) of revenues over expenditures and other financing uses	64,902	(36,124)	28,778	99,142
FUND BALANCE - BEGINNING OF YEAR	<u>41,248</u>	<u>334,196</u>	<u>375,444</u>	<u>276,302</u>
FUND BALANCE - END OF YEAR	<u>\$ 106,150</u>	<u>\$ 298,072</u>	<u>\$ 404,222</u>	<u>\$ 375,444</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

SPECIAL REVENUE FUNDS

1957 SALES TAX FUND

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

For the Year Ended December 31, 1995

REVENUES	1995		Variance- Favorable (Unfavorable)	1994 Actual
	Budget	Actual		
Taxes				
Sales and use	\$1,520,035	\$1,570,717	\$ 50,682	\$1,350,927
Interest income	3,000	5,936	2,936	1,311
Penalties and interest	2,000	4,623	2,623	2,800
Total revenues	1,525,035	1,581,276	56,241	1,355,038
EXPENDITURES				
General government				
Sheriff commissions	17,595	18,116	(521)	15,564
Salaries	7,800	7,950	(150)	7,698
Hospitalization	1,395	1,274	121	46
Retirement	430	488	(58)	391
Medicare/FICA	250	115	135	212
Workmen's compensation	75	62	13	46
Unemployment	55	40	15	48
Bank charges	100	667	(567)	77
Office supplies	1,800	349	1,451	124
Postage	50	117	(67)	-
Other	175	110	65	938
Total expenditures	29,725	29,288	437	25,144
Excess of revenues over expenditures	1,495,310	1,551,988	56,678	1,329,894
OTHER FINANCING USES				
Operating transfers out				
General fund	1,542,361	1,487,086	55,275	1,424,655
Internal service fund	-	-	-	878
Total other financing uses	1,542,361	1,487,086	55,275	1,425,533
Excess (deficiency) of revenues over expenditures and other financing uses	\$ (47,051)	64,902	\$ 111,953	(95,639)
FUND BALANCE - BEGINNING OF YEAR		41,248		136,887
FUND BALANCE - END OF YEAR		\$ 106,150		\$ 41,248

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

SPECIAL REVENUE FUNDS

1982 SALES TAX FUND

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

For the Year Ended December 31, 1995

REVENUES	1995		Variance- Favorable (Unfavorable)	1994 Actual
	Budget	Actual		
Taxes				
Sales and use	\$1,520,035	\$1,570,717	\$ 50,682	\$1,350,927
Interest income	3,000	10,081	7,081	3,425
Penalties	2,000	4,623	2,623	2,800
Total revenues	<u>1,525,035</u>	<u>1,585,421</u>	<u>60,386</u>	<u>1,357,152</u>
EXPENDITURES				
General government				
Sheriff commission	17,595	18,116	(521)	15,564
Salaries	7,800	7,950	(150)	7,698
Hospitalization	1,395	1,274	121	46
Retirement	430	488	(58)	391
Medicare/FICA	250	115	135	212
Workmen's compensation	75	62	13	46
Unemployment	55	40	15	48
Bank charges	100	323	(223)	77
Office supplies	1,800	349	1,451	124
Postage	50	117	(67)	-
Other	175	110	65	938
Total expenditures	<u>29,725</u>	<u>28,944</u>	<u>781</u>	<u>25,144</u>
Excess of revenues over expenditures	1,495,310	1,556,477	61,167	1,332,008
OTHER FINANCING USES				
Operating transfers out				
Debt service	379,804	379,804	-	333,752
General fund	1,216,329	1,212,797	3,532	802,596
Internal service fund			-	879
Total other financing uses	<u>1,596,133</u>	<u>1,592,601</u>	<u>3,532</u>	<u>1,137,227</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>\$ (100,823)</u>	(36,124)	<u>\$ 64,699</u>	194,781
FUND BALANCE - BEGINNING OF YEAR		<u>334,196</u>		<u>139,415</u>
FUND BALANCE - END OF YEAR		<u>\$ 298,072</u>		<u>\$ 334,196</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 and the 1995 General Obligation Fire Department Bonds. Financing is to be provided by ad valorem taxes.

SALES TAX BOND - 1990 PUBLIC IMPROVEMENT BONDS

SALES TAX BOND SINKING FUND - 1990 PUBLIC IMPROVEMENT BONDS

The Sales Tax Bond Sinking Fund is used to accumulate monies for payment of principal and interest of the 1990 Public Improvement Sales Tax Bonds. These are serial bonds due in varying annual installments plus interest until maturity in 2009. Proceeds of sales and use tax equal to one-sixth of the interest falling due on the next interest payment date plus one-twelfth of the principal falling due on the next principal payment date are required to be deposited monthly in this fund according to the bond agreement.

SALES TAX BOND RESERVE FUND - 1990 PUBLIC IMPROVEMENT BONDS

The Sales Tax Bond Reserve Fund is retained solely for the purpose of paying the principal of and the interest on bonds payable which would otherwise be in default. Reserve fund requirements are the highest combined principal and interest in any succeeding bond year. Highest combined principal and interest is in the year 2009 and requires a reserve of \$406,600.

CITY OF COVINGTON, LOUISIANA

DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

December 31, 1995

ASSETS	Sales Tax Bond 1990		General Obligation Bond Redemption Fund	Totals	
	Bond Sinking Fund	Bond Reserve Fund		1995	1994
Cash	\$ 57,895	\$ 19,754	\$ 384,240	\$ 461,889	\$ 388,629
Certificates of deposit		402,765	442,254	845,019	807,827
Receivables					
Taxes			176,235	176,235	153,430
Interest	143	13,813	2,837	16,793	6,002
Due from other funds			109,985	109,985	182,648
Total assets	\$ 58,038	\$ 436,332	\$ 1,115,551	\$ 1,609,921	\$ 1,538,536

LIABILITIES AND FUND BALANCES

LIABILITIES					
Accounts payable	\$	\$	2,500	\$ 2,500	\$ -
Due to other funds	16	16	16	48	-
Total liabilities	16	16	2,516	2,548	-
FUND BALANCES					
Reserved for Debt Service	58,022	436,316	1,113,035	1,607,373	1,538,536
Total liabilities and fund balances	\$ 58,038	\$ 436,332	\$ 1,115,551	\$ 1,609,921	\$ 1,538,536

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, 1995

	Sales Tax Bond 1990		General Obligation Bond Redemption Fund	Totals	
	Bond Sinking Fund	Bond Reserve Fund		1995	1994
REVENUES					
Taxes - ad valorem	\$	\$	\$	\$	\$
Interest	3,524	24,344	282,907	260,050	22,840
			33,154	61,022	
Total revenues	3,524	24,344	316,061	343,929	282,890
EXPENDITURES					
Debt service:					
Principal	140,000		85,000	225,000	210,000
Interest and fiscal charges	255,129	56	178,195	433,380	434,401
Total expenditures	395,129	56	263,195	658,380	644,401
Excess (deficiency) of revenue over expenditures	(391,605)	24,288	52,866	(314,451)	(361,511)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	421,089		3,484	424,573	483,595
Operating transfers out		(41,285)		(41,285)	(149,842)
Total other financing sources (uses)	421,089	(41,285)	3,484	383,288	333,753
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	29,484	(16,997)	56,350	68,837	(27,758)
FUND BALANCES - BEGINNING OF YEAR	28,538	453,313	1,056,685	1,538,536	1,566,294
FUND BALANCES - END OF YEAR	\$ 58,022	\$ 436,316	\$ 1,113,035	\$ 1,607,373	\$ 1,538,536

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.

1984 PAVING PROGRAM CONSTRUCTION FUND

The 1984 Paving Program Construction Fund is used to account for the cost of the 1984 Street Paving Program. Financing was provided by the issuance of Paving 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 streets 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 STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 1995

	1993 Sewer Extension Fund	1984 Street Paving Construction Fund	Sewer Plant Construction Fund	Totals
	1995	1994	1995	1994
REVENUES				
Interest	\$ 4,600	\$ 148	\$ 19,927	\$ 22,754
Sewer Assessment	38,115		38,115	59,700
Total revenues	42,715	148	19,927	82,454
EXPENDITURES				
Capital projects				
Construction	85,408		4,000	676,652
Engineering cost	9,337		105	160,192
Other cost	10,413	12	1,606	73,604
Total expenditures	105,158	12	5,711	910,448
Excess (deficiency) of revenues over expenditures	(62,443)	136	14,216	(827,994)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of certificates				877,753
Operating transfers out		(37,782)		(86,446)
Total other financing sources (uses)	-	(37,782)	-	791,307
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	(62,443)	(37,646)	14,216	(36,687)
FUND BALANCES - BEGINNING OF YEAR	124,965	37,646	407,939	607,237
FUND BALANCES - END OF YEAR	\$ 62,522	\$ -	\$ 422,155	\$ 570,550

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, 1995

	<u>1995</u>	<u>1994</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 257,136	\$ 151,781
Receivables:		
Accounts receivable net of uncollectibles of \$12,504 for 1995 (\$60,706 for 1994)	93,334	83,911
Other receivables	<u>15,118</u>	<u>9,798</u>
Total current assets	<u>365,588</u>	<u>245,490</u>
RESTRICTED ASSETS		
Cash	<u>342,352</u>	<u>318,365</u>
PROPERTY, PLANT AND EQUIPMENT		
Sewer equipment	7,723,726	7,533,940
Water equipment	1,747,690	1,714,240
Garbage equipment	46,345	46,348
Construction in progress - sewer improvements	<u>14,009</u>	<u>-</u>
Total plant and equipment	9,531,770	9,294,528
Less: Accumulated depreciation	<u>1,436,873</u>	<u>1,208,267</u>
Net property, plant and equipment	<u>8,094,897</u>	<u>8,086,261</u>
	<u>\$8,802,837</u>	<u>\$8,650,116</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

ENTERPRISE FUND
BALANCE SHEET

December 31, 1995

LIABILITIES AND FUND EQUITY

	1995	1994
CURRENT LIABILITIES		
(Payable from current assets)		
Accounts payable and accrued expenses	\$ 46,035	\$ 31,832
Payroll taxes and retirement payable	6,493	6,035
Customer deposits	143,427	136,486
Due to other funds	3,134	13,296
Estimated liability for landfill postclosure care costs	16,500	378,935
Other liabilities	244	843
Contract payable - current	11,444	12,874
Capital lease payable - current	17,205	16,335
Total current liabilities (Payable from current assets)	244,482	596,636
CURRENT LIABILITIES		
(Payable from restricted assets)		
Revenue bonds	65,310	61,715
Accrued interest	66,469	70,012
Total current liabilities (Payable from restricted assets)	131,779	131,727
LONG-TERM LIABILITIES		
Revenue bonds	993,937	1,058,847
Contract payable	102,996	115,870
Capital lease payable	5,110	19,921
Estimated liability for landfill closure and postclosure care costs	33,000	49,500
Total long-term liabilities	1,135,043	1,244,138
Total liabilities	1,511,304	1,972,501
FUND EQUITY		
Contributed capital		
Other funds	6,130,643	6,014,148
State grant	218,046	218,046
Developer	3,763	3,763
Federal grant	537,000	537,000
Total contributed capital	6,889,452	6,772,957
Retained earnings (deficit)		
Reserved for revenue bond retirement	210,573	-
Unreserved (deficit)	191,508	(95,342)
Total retained earnings (deficit)	402,081	(95,342)
Total fund equity	7,291,533	6,677,615
	\$8,802,837	\$8,650,116

The accompanying notes are an integral part of this statement.

ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS (DEFICIT)

For the Year Ended December 31, 1995

	For the Year Ended December 31, 1995			Total	
	Water	Sewer	Sanitation	1995	1994
OPERATING REVENUES					
Service revenues	\$ 547,116	\$ 429,578	\$ 349,382	\$ 1,326,076	\$ 1,251,389
Installation revenues	27,187	30,135		57,322	33,768
Cut-on fees	14,595			14,595	15,510
Miscellaneous	521			521	10,932
Total operating revenues	589,419	459,713	349,382	1,398,514	1,311,599
OPERATING EXPENSES					
Salaries	159,989	197,241		357,230	376,420
American waste			297,681	297,681	271,929
Bad debt expense	13,474			13,474	-
Chemicals		7,800		7,800	846
Chlorine cylinders	10,440			10,440	13,193
Closure cost			2,000	2,000	29,263
Contract operations		2,883		2,883	3,349
Depreciation	51,688	176,918		228,606	217,976
Dues and subscriptions		6,105		6,105	-
Engineering fees	9,290	12,991		22,281	2,779
Equipment repairs	24,304	29,979		54,283	45,138
Garbage expense			900	900	133
Gasoline	5,395	10,194		15,589	11,617
Hospitalization	19,068	22,513		41,581	20,592
Insurance	12,163	19,056		31,219	23,300
Lab testing		24,823		24,823	11,342
Landfill monitoring			59,367	59,367	-
Maintenance and repairs	79,681	106,552		186,233	171,960
Medicare	3,667			3,667	4,215
Office supplies	9,601			9,601	5,102
Other	778	2,662		3,440	4,591
Penalties	5,000			5,000	-
Postage	7,792			7,792	8,825
Retirement	7,775	9,487		17,262	18,874

The accompanying notes are an integral part of this statement.

ENTERPRISE FUND

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

For the Year Ended December 31, 1995

	Water	Sewer	Sanitation	Total	
	1995	1995	1995	1995	1994
School and training	\$ 2,157	\$ 227	\$	\$ 2,384	\$ 84
Odor control		30,923		30,923	13,008
Solid waste fees		5,783		5,783	-
Supplies	50,790	18,660		69,450	48,854
Unemployment compensation	767	949		1,716	1,966
Utilities	23,613	74,889		98,502	94,707
Workmen's compensation	9,956	13,370		23,326	26,334
Total operating expenses	<u>507,388</u>	<u>774,005</u>	<u>359,948</u>	<u>1,641,341</u>	<u>1,426,397</u>
Operating income (loss)	\$ <u>82,031</u>	\$ <u>(314,292)</u>	\$ <u>(10,566)</u>	<u>(242,827)</u>	<u>(114,798)</u>
NON-OPERATING REVENUE (EXPENSES)					
FEMA funds				23,162	-
Interest income				17,193	5,028
Interest expense				<u>(68,424)</u>	<u>(69,798)</u>
Total non-operating expense, net				<u>(28,069)</u>	<u>(64,770)</u>
Loss before transfers				(270,896)	(179,568)
OPERATING TRANSFERS					
Transfers in				768,319	411,265
Transfers out				-	<u>(14,323)</u>
Total operating transfers				<u>768,319</u>	<u>396,942</u>
NET INCOME					
Retained earnings (deficit) - beginning				497,423	217,374
Prior period adjustment - Landfill closure				(95,342)	277,627
Retained earnings (deficit) - ending				-	<u>(590,343)</u>
				\$ <u>402,081</u>	\$ <u>(95,342)</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, 1995

	<u>1995</u>	<u>1994</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (242,827)	\$ (114,789)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Transfer to capital projects	-	59,686
Depreciation	228,606	223,507
Increase in accounts receivable	(9,423)	(9,724)
Decrease (increase) in other receivables	(5,320)	2,014
Increase (decrease) in accounts payable and accrued expenses	14,203	(83,583)
Increase in payroll taxes and retirement payable	458	6,035
Decrease in estimated liability for claims	-	(50,000)
Decrease in other liabilities	(599)	(149)
Expenses for landfill closure	<u>(378,935)</u>	<u>(161,909)</u>
Total adjustments	<u>(151,010)</u>	<u>(14,123)</u>
Net cash used by operating activities	(393,837)	(128,921)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments from (to) other funds, net	(10,162)	2,666
Increase in customer deposits	6,941	21,100
Funds received from FEMA	<u>23,162</u>	<u>-</u>
Net cash provided by noncapital financing activities	19,941	23,766
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
State financing of line relocation	-	143,050
Payments on state contract	(14,304)	(14,306)
Transfers from other funds	768,319	396,942
Payments for capital acquisitions	(120,747)	(194,065)
Principal payments on bonds	(61,315)	(58,312)
Interest paid	(71,967)	(73,277)
Proceeds from capital lease financing	-	42,960
Payments on capital lease	<u>(13,941)</u>	<u>(6,704)</u>
Net cash provided by capital and related financing activities	486,045	236,288
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest	<u>17,193</u>	<u>5,028</u>
Net cash provided by investing activities	<u>17,193</u>	<u>5,028</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	129,342	136,161
Cash and cash equivalents, beginning of year	<u>470,146</u>	<u>333,985</u>
Cash and cash equivalents, end of year	<u>\$ 599,488</u>	<u>\$ 470,146</u>

The accompanying notes are an integral part of this statement.

INTERNAL SERVICE FUND

NARRATIVE EXPLANATION

The Internal Service Fund is used to centralize and account for all activity related to health care claim administration for participating city employees.

CITY OF COVINGTON, LOUISIANA

INTERNAL SERVICE FUND

BALANCE SHEET

December 31, 1995

ASSETS

	<u>1995</u>	<u>1994</u>
CURRENT ASSETS		
Cash	\$	\$ 1,358
Accounts receivable	<u> </u>	<u>15,101</u>
Total current assets	<u>\$ -</u>	<u>\$ 16,459</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES		
Accounts payable	\$	\$ 6,926
Due to other funds	<u> </u>	<u>9,900</u>
Total current liabilities	-	16,826
FUND EQUITY		
Retained earnings	<u> </u>	<u>(367)</u>
Total liabilities and fund equity	<u>\$ -</u>	<u>\$ 16,459</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

INTERNAL SERVICE FUND

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS (DEFICIT)

For the Year Ended December 31, 1995

	<u>1995</u>	<u>1994</u>
OPERATING REVENUES		
Insurance reimbursements	\$ 14,041	\$ 22,031
Total operating revenues	14,041	22,031
OPERATING EXPENSES		
Health plan cost	<u>-</u>	<u>191,755</u>
Operating income (loss)	14,041	(169,724)
NON-OPERATING REVENUE		
Interest income	<u>150</u>	<u>16</u>
Income (loss) before transfers	14,191	(169,708)
OPERATING TRANSFERS		
Operating transfers in		156,542
Operating transfers out	<u>(13,824)</u>	<u> </u>
Total operating transfers	<u>(13,824)</u>	<u>156,542</u>
NET INCOME (LOSS)	367	(13,166)
Retained earnings (deficit) - beginning	<u>(367)</u>	<u>12,799</u>
Retained earnings (deficit) - ending	<u>\$ -</u>	<u>\$ (367)</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

INTERNAL SERVICE FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 1995

	<u>1995</u>	<u>1994</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ 14,041	\$(169,724)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Decrease (increase) in accounts receivable	15,101	(15,101)
Increase (decrease) in accounts payable	<u>(6,926)</u>	<u>6,926</u>
Total adjustments	<u>8,175</u>	<u>(8,175)</u>
Net cash provided (used) by operating activities	22,216	(177,899)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments from (to) other funds	<u>(9,900)</u>	<u>9,000</u>
Net cash provided (used) by capital financing activities	(9,900)	9,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Transfers from (to) other funds	<u>(13,824)</u>	<u>156,542</u>
Net cash provided (used) by capital and related financing activities	(13,824)	156,542
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest	<u>150</u>	<u>16</u>
Net cash provided by investing activities	<u>150</u>	<u>16</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,358)	(11,441)
Cash and cash equivalents, beginning of year	<u>1,358</u>	<u>12,799</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 1,358</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 Debt Service and 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, 1995

	Agency Funds				Totals	
	Trust Fund	Ad Valorem Tax Collection Fund	1993 Sewer Extension Fund	1987 Street Paving Program Fund	1995	1994
ASSETS						
Cash	\$ 11,507	\$ 399,785	\$ 34,865	\$ 17,148	\$ 463,305	\$ 580,010
Certificates of deposit	24,955		16,870		24,955	30,534
Due from other funds		1,938			16,870	5,600
Other receivables					1,938	-
Total assets	\$ 36,462	\$ 401,723	\$ 51,735	\$ 17,148	\$ 507,068	\$ 616,144
LIABILITIES AND FUND BALANCE						
LIABILITIES						
Due to other funds	\$ 16	\$ 392,286	\$ 23	\$ 18	\$ 392,343	\$ 340,845
Due to certificate holders			51,712	17,130	68,842	232,664
Due to others		9,437			9,437	7,484
Total liabilities	16	401,723	51,735	17,148	470,622	580,993
FUND BALANCES						
Reserved for Mausoleum administration and maintenance	36,446				36,446	35,151
Total liabilities and fund balances	\$ 36,462	\$ 401,723	\$ 51,735	\$ 17,148	\$ 507,068	\$ 616,144

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, 1995

	<u>Garden of Pines Mausoleum Perpetual Care Fund</u>	
	<u>1995</u>	<u>1994</u>
OPERATING REVENUES		
Interest	\$ 1,675	\$ 1,156
Total operating revenues	1,675	1,156
EXPENDITURES		
Gardening	300	-
Bank fees	80	-
Total expenditures	<u>380</u>	<u>-</u>
Net income	1,295	1,156
FUND BALANCE - BEGINNING OF YEAR	<u>35,151</u>	<u>33,995</u>
FUND BALANCE - END OF YEAR	<u>\$ 36,446</u>	<u>\$ 35,151</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, 1995

	1995	1994
GENERAL FIXED ASSETS		
Land	\$ 478,560	\$ 478,560
Buildings	1,708,740	1,708,740
Equipment	1,458,451	1,329,452
Transportation equipment	337,041	325,915
Office furniture and equipment	296,901	276,454
Improvements other than buildings	579,336	569,986
Capital leases	258,429	258,429
Total general fixed assets	\$5,117,458	\$4,947,536
INVESTMENT IN GENERAL FIXED ASSETS FROM		
General fund	\$3,180,234	\$3,010,312
Capital projects	1,714,292	1,714,292
Special revenue fund	222,932	222,932
Total investment in general fixed assets	\$5,117,458	\$4,947,536

The accompanying notes are an integral part of this statement.

SUPPLEMENTAL INFORMATION

CITY OF COVINGTON, LOUISIANA

SUPPLEMENTAL SCHEDULE OF FEDERAL
FINANCIAL ASSISTANCE

For the Year Ended December 31, 1995

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U. S. Department of Agriculture - Rural Economic and Community Development RURAL COMMUNITY BUSINESS ENTERPRISE GRANT	10.424	\$ 99,500
U. S. Department of Housing and Urban Development/passed through State #SR 3002-HS HOME PROGRAM	14.239	15,000
U. S. Department of Agriculture/ passed through State of Louisiana SUMMER FOOD PROGRAM	10.559	17,672
U. S. Department of the Interior passed through Louisiana Department of Culture, Recreation and Tourism LAND AND WATER CONSERVATION PROGRAM	15.916	12,985
U. S. Department of Justice COMMUNITY ORIENTED POLICING SERVICES	16.710	9,230
U. S. Small Business Administration passed through Louisiana Department of Agriculture and Forestry TREE PLANTING	-	<u>13,485</u>
 TOTAL FEDERAL FINANCIAL ASSISTANCE		 <u>\$167,872</u>

CITY OF COVINGTON, LOUISIANA

SCHEDULE OF COUNCIL MEMBERS

December 31, 1995

<u>Council Members</u>	<u>Term of Office</u>	<u>Compensation</u>
Robert Champagne 33 Spruce St. Covington, LA 70433	June 30, 1995	\$ 3,933
Patricia Clanton 1210 S. Madison St. Covington, LA 70433	June 30, 1995	3,933
Donald Primes 522 W. 17th St. Covington, LA 70433	June 30, 1995	3,933
Lonnie Boykins 1323 N. Buchanan St. Covington, LA 70433	June 30, 1999	7,866
Jerry Lee Coner P. O. Box 2708 Covington, LA 70434	June 30, 1999	7,866
John M. Dean P. O. Box 2799 Covington, LA 70434	June 30, 1999	3,933
Matthew Faust 504 E. 4th Ave. Covington, LA 70433	June 30, 1999	7,866
Lee Roy Jenkins, Jr., President 37 Spruce St. Covington, LA 70433	June 30, 1999	3,933
Sam O'Keefe P. O. Box 1141 Covington, LA 70434	June 30, 1999	7,866
Carolyn Pearce 300 W. 14th Ave. Covington, LA 70433	June 30, 1999	3,933

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

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

We have audited the general purpose financial statements and the combining, individual fund and account group financial statements of the City of Covington, Louisiana as of and for the year ended December 31, 1995, and have issued our report thereon dated May 21, 1996.

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 general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City of Covington is the responsibility of management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of management and others within the organization as well as the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

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

May 21, 1996

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

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

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

We have audited the general purpose financial statements and the combining, individual fund and account group financial statements of the City of Covington, Louisiana for the year ended December 31, 1995 and have issued our report thereon dated May 21, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States; the provisions of the Compliance Supplement for Single Audits of State and Local Governments; and Circular A-128, Audits of State and Local Governments, published by the Office of Management and Budget. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the City of Covington, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the City of Covington, Louisiana, for the year ended December 31, 1995, we obtained an understanding of its internal control

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

structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the 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 structure and its operation that we consider to be material weaknesses as defined above. However, we have provided some recommendations to the management of the City of Covington, Louisiana in a separate letter dated May 21, 1996.

This report is intended for the information of management and others within the organization as well as 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.

May 21, 1996

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

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

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

We have audited the general purpose financial statements and the combining, individual fund and account group financial statements of the City of Covington, Louisiana as of and for the year ended December 31, 1995, and have issued our report thereon dated May 21, 1996.

We have applied procedures to test the City of Covington's compliance with the following general requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended December 31, 1995. For the purposes of this report, we have classified the general requirements applicable to the City of Covington's federal financial awards programs as political activity, Davis-Bacon Act, civil rights, cash management, relocation assistance, federal financial reports, allowable costs, Drug-Free Workplace Act, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City of Covington's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the City of Covington had not complied, in all material respects, with those requirements.

This report is intended for the information of the management and others within the organization as well as the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

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

May 21, 1996

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INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The 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, 1995, and have issued our report thereon dated May 21, 1996.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the City of Covington, Louisiana complied with laws and regulations, noncompliance with which would be material to a federal financial assistance program.

In planning and performing our audit for the year ended December 31, 1995, we considered the internal control structure of the City of Covington in order to determine our auditing procedures for the purpose of expressing our opinion on the City of Covington's financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated May 21, 1996.

The management of the City of Covington is responsible for establishing and maintaining an internal control structure. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute,

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

assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs into the following categories: Accounting controls - cash receipts, cash disbursements, budgeting, payroll, property and equipment, and electronic data processing; Administrative controls - political activities, civil rights, cash management, federal financial reporting, allowable cost, drug free workplace, administrative requirements, types of service allowed or unallowed, matching, and claims for advances and reimbursements.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1995, the City of Covington expended 100 percent of its total federal financial assistance under the following nonmajor federal financial assistance programs:

- U. S. Department of Agriculture
Summer Food Program
- U. S. Department of the Interior
Land and Water Conservation Program
- U. S. Department of Housing and Urban Development
Health and Safety Rehabilitation Grant
- U. S. Department of Justice
Community Oriented Policing Services