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CITY OF COVINGTON, LOUISIANA
GENERAL PURPOSE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
WITH SUPPLEMENTAL INFORMATION
December 31, 2002

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 AUG 06 2003

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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, 2002, 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 auditing standards generally accepted in the United States of America 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, 2002, and the results of its operations and cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America. 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, 2002, and the results of operations of such funds and the cash flows of its proprietary fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2003 on our consideration of the City of Covington's internal control over financial reporting and our tests of its compliance with certain provisions of contracts, grants, laws and regulations related to financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with the report in considering the results of our audit.

May 8, 2003

Smith, Havel & Associates, L.L.C.

CITY OF COVINGTON, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2002

	Governmental Fund Types				Capital Projects	Enterprise	Fiduciary Fund Type	Account Groups			Totals	
	General	Special Revenue	Debt Service	Trust and Agency				General Fixed Assets	General			(Memorandum Only) 2001
									Long-Term Debt	2002		
ASSETS												
Cash	\$ 2,921,541	\$ 60,698	\$ 510,723	\$ 127,449	\$ 3,511,477	\$ 225	\$ 127,449	\$	\$ 7,071,415	\$ 3,186,699		
Equity in pooled cash	2,226					350,588			413,512	331,460		
Certificates of deposit	56,956		1,260,742	24,955	141,033				1,483,686	1,163,496		
Investments	1,488,748								1,488,748	1,447,898		
Receivables												
Utilities						150,967			150,967	198,887		
Taxes	902,271		312,325						1,214,596	1,267,087		
Notes receivable	90,358								90,358	77,088		
Grant receivable	2,327								2,327	59,558		
Accrued interest	4,869		958		1,591				7,418	21,928		
Other	250,322	204		1,797		63,721			316,044	80,396		
Prepays	53,375					32,388			85,763	31,050		
Due from other funds	159,089		60,698	2,014	4,410	926			227,137	259,918		
Due from others	50,720			39,523					90,243	118,565		
Deposit insurance	25,000								25,000	-		
Restricted assets												
Cash						98,075			98,075	129,812		
Equity in pooled cash						241,097			241,097	234,245		
Land								548,097	548,097	548,097		
Buildings								4,414,127	4,414,127	4,411,702		
Improvements other than buildings								1,415,582	1,415,582	1,364,595		
Equipment								2,353,905	2,353,905	2,281,168		
Transportation equipment								1,285,194	1,285,194	1,170,036		
Furniture and equipment								559,423	559,423	525,181		
Construction in progress						2,078,750			2,078,750	-		
Utility plant and equipment - Net of accumulated depreciation						11,190,890			11,190,890	11,276,497		
Amount available in debt service funds								2,138,475	2,138,475	1,704,740		
Amount to be provided for retirement of general long-term debt								7,547,013	7,547,013	2,863,778		
Total assets	\$ 6,007,802	\$ 60,902	\$ 2,145,446	\$ 195,738	\$ 3,658,511	\$ 14,207,627	\$ 195,738	\$ 10,576,328	\$ 46,537,842	\$ 34,753,881		

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)

December 31, 2002

	Governmental Fund Types				Capital Projects	Proprietary Fund Type	Fiduciary Fund Type	Account Groups			Totals		
	General	Special Revenue	Debt Service	General				Fixed Assets	General Long- Term Debt	(Memorandum Only) 2002	2001		
LIABILITIES													
Accounts payable and accrued expenses	\$ 149,930	\$ 546	\$ 292,471	\$ 150,583	\$	\$	\$	\$	\$	\$	\$ 593,530	\$ 426,877	
Accrued payroll expenses	139,671			21,358							161,029	220,535	
Pooled cash in other funds	654,599	10									654,609	565,706	
Customer deposits				155,590							155,590	151,161	
Due to other funds		60,698	57,105	4,410		97,953					227,137	259,918	
Deferred revenues	59,345		6,971			39,523					98,868	289,247	
Payable from restricted assets													
Revenue bonds				99,611							99,611	94,081	
Accrued interest				19,279							19,279	23,335	
General obligation bonds									9,375,000		9,375,000	4,240,000	
Water revenue bonds				404,684							404,684	503,818	
Due to certificate holders							8,872				8,872	49,385	
Due to others							575				575	575	
Compensated absences									240,373		240,373	223,345	
Special assessment debt									70,115		70,115	105,173	
Contract payable				14,305							14,305	28,610	
Total liabilities	<u>1,003,545</u>	<u>61,254</u>	<u>6,971</u>	<u>869,820</u>	<u>349,576</u>	<u>146,923</u>	<u>146,923</u>	<u>-</u>	<u>9,685,488</u>	<u>12,123,577</u>	<u>12,123,577</u>	<u>7,181,766</u>	
FUND EQUITY													
Contributed capital				10,155,144							10,155,144	8,256,137	
Investment in General Fixed Assets								10,576,328			10,576,328	10,300,779	
Retained earnings													
Reserved for revenue bonds				220,282							220,282	246,641	
Unreserved and undesignated				2,962,381							2,962,381	2,645,547	
Fund balances													
Reserved for Capital Outlay	1,488,748				3,308,935						4,797,683	1,447,898	
Reserved for Debt Service			2,138,475								2,138,475	1,704,740	
Reserved for Mausoleum						48,815					48,815	47,257	
Unreserved	3,380,183	(352)									3,379,831	2,766,973	
Designated for future use	56,956										56,956	156,143	
Designated - prepaid expenses and deposits	78,370										78,370		
Total fund equity	<u>5,004,257</u>	<u>(352)</u>	<u>2,138,475</u>	<u>13,337,807</u>	<u>3,308,935</u>	<u>48,815</u>	<u>48,815</u>	<u>10,576,328</u>	<u>-</u>	<u>34,414,265</u>	<u>34,414,265</u>	<u>27,572,115</u>	
Total liabilities and fund eq	<u>\$ 6,007,802</u>	<u>\$ 60,902</u>	<u>\$ 2,145,446</u>	<u>\$ 14,207,627</u>	<u>\$ 3,658,511</u>	<u>\$ 195,738</u>	<u>\$ 195,738</u>	<u>\$ 10,576,328</u>	<u>\$ 9,685,488</u>	<u>\$ 46,537,842</u>	<u>\$ 46,537,842</u>	<u>\$ 34,753,881</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, 2002

REVENUES	Governmental Fund Types			Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service		Capital Projects	2002
Taxes	\$ 1,385,104	\$ 4,375,894	\$ 310,087	\$	\$ 6,071,085	\$ 5,965,551
Licenses and permits	759,505				759,505	756,526
Intergovernmental	115,905				115,905	66,585
Charges for service	209,363				209,363	135,677
Fines and forfeits	155,268				155,268	131,581
Interest	42,982		31,818	41,427	117,785	183,010
Federal and state grants	736,790				736,790	3,291,408
Other	304,021	16,140			320,161	64,699
Total revenues	3,708,938	4,392,034	341,905	41,427	8,485,862	10,595,037
EXPENDITURES						
Current:						
General government	1,640,962	28,507			1,669,469	4,036,334
Public safety						
Police	2,005,571				2,005,571	1,990,456
Fire	536,474				536,474	721,108
Public works - streets	1,732,204				1,732,204	1,988,699
Culture and recreation	396,224				396,224	346,307
Capital projects				2,083,526	2,083,526	38,924
Debt service:						
Principal			555,000		555,000	435,000
Interest and fiscal charges			353,351		353,351	212,943
Total expenditures	6,311,435	28,507	908,351	2,083,526	9,331,819	9,769,771
Excess (deficiency) of revenues over expenditures	(2,602,497)	4,363,527	(566,446)	(2,042,099)	(845,957)	825,266
OTHER FINANCING SOURCES (USES)						
Transfer to agency fund				(50,000)	(50,000)	(90,000)
Operating transfers in	3,693,661		1,000,181		4,693,842	4,393,135
Operating transfers out	(360,000)	(4,361,178)		(332,664)	(5,053,842)	(4,850,347)
Issuance of bonds				5,690,000	5,690,000	-
Costs of issuance				(56,924)	(56,924)	-
Total other financing sources (uses)	3,333,661	(4,361,178)	1,000,181	5,250,412	5,223,076	(547,212)
Excess of revenues over (under) expenditures and other financing sources (uses)	731,164	2,349	433,735	3,208,313	4,377,119	278,054
FUND BALANCES - BEGINNING OF YEAR	4,273,093	(2,701)	1,704,740	100,622	6,123,011	5,844,957
FUND BALANCES - END OF YEAR	\$ 5,004,257	\$ (352)	\$ 2,138,475	\$ 3,308,935	\$ 10,500,130	\$ 6,123,011

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, 2002

	General Fund		Special Revenue Funds		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
REVENUES					
Taxes	\$ 1,372,676	\$ 1,385,104	\$ 4,410,818	\$ 4,375,894	\$ (34,924)
Licenses and permits	745,000	759,505			14,505
Intergovernmental	111,500	115,905			4,405
Charges for services	200,500	209,363			8,863
Fines and forfeits	115,000	155,268			40,268
Federal and state grants	830,868	736,790			(94,078)
Interest income	107,500	42,982			(64,518)
Other	256,200	304,021	6,800	16,140	9,340
Total revenues	3,739,244	3,708,938	4,417,618	4,392,034	(25,584)
EXPENDITURES					
Current:					
General government	1,975,250	1,640,962	32,000	28,507	3,493
Public safety					
Police	2,124,800	2,005,571			119,229
Fire	576,500	536,474			40,026
Public works - streets	3,291,100	1,732,204			1,558,896
Culture and recreation	493,400	396,224			97,176
Total expenditures	8,461,050	6,311,435	32,000	28,507	3,493
Excess (deficiency) of revenues over expenditures	(4,721,806)	(2,602,497)	4,385,618	4,363,527	(22,091)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	3,704,164	3,693,661			(10,503)
Operating transfers out	(360,000)	(360,000)	(4,385,618)	(4,361,178)	24,440
Total other financing sources (uses)	3,344,164	3,333,661	(4,385,618)	(4,361,178)	24,440
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ (1,377,642)	731,164	\$ -	2,349	\$ 2,349
FUND BALANCES - BEGINNING OF YEAR		4,273,093		(2,701)	
FUND BALANCES - END OF YEAR		\$ 5,004,257		\$ (352)	

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

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

For the Year Ended December 31, 2002

	<u>2002</u>	<u>2001</u>
OPERATING REVENUES		
Water revenues	\$ 716,896	\$ 802,007
Water installations	21,769	39,816
Sewer maintenance fees	799,169	774,063
Sewer installations	14,401	43,130
Cut-on fees	23,043	18,075
Garbage collection fees	486,805	484,151
Miscellaneous	13,526	1,636
FEMA reimbursement	<u>36,240</u>	<u>-</u>
Total operating revenues	2,111,849	2,162,878
OPERATING EXPENSES		
Water department	740,165	587,397
Sewer department	1,101,960	993,619
Sanitation department	<u>492,888</u>	<u>477,923</u>
Total operating expenses	<u>2,335,013</u>	<u>2,058,939</u>
Operating income (loss)	(223,164)	103,939
NON-OPERATING REVENUES (EXPENSES)		
Interest income	1,651	1,683
Interest expense	<u>(27,755)</u>	<u>(33,295)</u>
Total non-operating revenues (expenses)	<u>(26,104)</u>	<u>(31,612)</u>
Income (loss) before operating transfers	(249,268)	72,327
OPERATING TRANSFERS		
Transfers in	<u>360,000</u>	<u>457,212</u>
Total operating transfers	<u>360,000</u>	<u>457,212</u>
Net income	110,732	529,539
Add depreciation on fixed assets acquired with contributed capital	<u>179,743</u>	<u>173,058</u>
Net increase in retained earnings	290,475	702,597
Retained earnings - beginning	<u>2,892,188</u>	<u>2,189,591</u>
Retained earnings - ending	<u>\$ 3,182,663</u>	<u>\$ 2,892,188</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

COMBINED STATEMENT OF CASH FLOWS
- PROPRIETARY FUND TYPE

For the Year Ended December 31, 2002

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (223,164)	\$ 103,939
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Depreciation	380,853	364,265
Bad debt allowance	16,108	-
Decrease (increase) in accounts receivable - net	31,812	(78,169)
Decrease (increase) in other receivables	(22,740)	103,577
Increase in prepaid expenses	(1,338)	(368)
Increase (decrease) in accounts payable and accrued expenses	(78,436)	4,303
Increase in payroll taxes and retirement payable	<u>1,765</u>	<u>1,942</u>
Total adjustments	<u>328,024</u>	<u>395,550</u>
Net cash provided by operating activities	104,860	499,489
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Payments from (to) other funds, net	(26,640)	31,406
Increase in customer deposits	<u>4,429</u>	<u>10,551</u>
Net cash provided (used) by non-capital financing activities	(22,211)	41,957
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Water grant received	-	110,069
Principal payments on note payable	-	(30,789)
Payments on state contract	(14,305)	(14,305)
Transfers from other funds, net	360,000	457,212
Payments for capital acquisitions	(295,246)	(655,361)
Principal payments on bonds	(93,604)	(89,754)
Interest paid	<u>(31,811)</u>	<u>(37,280)</u>
Net cash used by capital and related financing activities	(74,966)	(260,208)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest	<u>1,651</u>	<u>1,683</u>
Net cash provided by investing activities	<u>1,651</u>	<u>1,683</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,334	282,921
Cash and cash equivalents, beginning of year	<u>680,651</u>	<u>397,730</u>
Cash and cash equivalents, end of year	<u>\$ 689,985</u>	<u>\$ 680,651</u>

The accompanying notes are an integral part of this statement.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

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 accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. Such accounting and *reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517*. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body in establishing governmental accounting and financial reporting principles. The following is a summary of certain significant accounting policies:

1. REPORTING ENTITY

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

2. FUND ACCOUNTING

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

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. FUND ACCOUNTING - Continued

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUND

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

FIDUCIARY FUNDS

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

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. FIXED ASSETS AND LONG-TERM LIABILITIES

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

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

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

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

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

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

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. FIXED ASSETS AND LONG-TERM LIABILITIES - Continued

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

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations or against contributed capital for assets acquired with contributed funds. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight line method. Depreciation for December 31, 2002, is \$380,853. The estimated lives are as follows:

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

4. BASIS OF ACCOUNTING

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

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

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

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

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. The City applies all applicable FASB pronouncements passed on or before November 30, 1989 in accounting and reporting for its proprietary fund operations unless those pronouncements conflict with or contradict GASB pronouncements.

5. BUDGETS AND BUDGETARY ACCOUNTING

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

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

6. COMPENSATED ABSENCES

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

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

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

8. TOTAL COLUMNS ON COMBINED FINANCIAL STATEMENTS

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

9. COMPARATIVE DATA - 2001 ACTUAL

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data has not been presented in certain of the statements since their inclusion would make the statements unduly complex and difficult to read. Also, minor reclassifications of amounts previously reported in the financial statements for the year ended December 31, 2001, have been made in the accompanying financial statements to facilitate comparability.

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 property taxes using the assessed values determined by the tax assessor of St. Tammany Parish. The St. Tammany Parish Sheriff collects property taxes and remits taxes to the City as collected. Total property tax revenue for the year ended December 31, 2002, was \$1,212,753 and is recorded in the funds as follows:

General Fund	\$ 902,666
Debt Service Fund	<u>310,087</u>
	<u>\$1,212,753</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. SEWER EXTENSION SPECIAL ASSESSMENTS

Special assessments have been levied to provide for the financing of public improvements deemed to benefit the properties against which the assessments are levied. The City of Covington is in no manner obligated to repay the special assessment debt, except that portion to be paid from the sewer plant construction fund; therefore, the debt is not reported in the financial statements. The City functions as an agent for the property owners by collecting assessments, forwarding collections to special assessment certificate holders and, if appropriate, beginning foreclosures. The balance of special assessment debt at December 31, 2002, was \$135,115 of which \$65,000 will be paid from special assessment and parcel fee collections and \$70,115 will be paid from the Sewer Plant Construction Fund.

12. ACCOUNTS RECEIVABLE

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance is \$24,605 at December 31, 2002.

At December 31, 2002, the aging of utility receivables was as follows:

Current	\$ 105,094
Over 31 under 60	5,413
Over 61 under 90	5,252
Over 90	<u>59,813</u>
	175,572
Less allowance	<u>(24,605)</u>
	<u>\$ 150,967</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE B - CASH AND INVESTMENTS

The City's deposits, including restricted cash of \$339,172, are categorized as follows at December 31, 2002:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposits	\$ 7,169,690	\$ 7,387,931
Certificates of deposit	<u>1,483,686</u>	<u>1,483,686</u>
	<u>\$ 8,653,176</u>	<u>\$ 8,871,617</u>

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

At December 31, 2002, the City has \$8,871,617 in deposits (collected bank balances). These deposits are secured from risk by \$524,954 of federal deposit insurance and of \$8,346,663 of pledged securities held by custodial bank in the name of the fiscal agent banks (GASB Category 3) and a Federal Home Loan Bank Letter of Credit.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified that the fiscal agent has failed to pay deposited funds upon demand.

The carrying amount does not include accrued interest of \$2,730 on certificates of deposit.

The City's investments consist of various governmental obligations which are stated at their fair value, determined by market prices, of \$1,488,748 at December 31, 2002. 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 stated fair market value amount does not include \$4,688 of accrued interest.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE C - CHANGES IN FIXED ASSETS

The City established a detailed fixed asset listing using historical cost and estimated historical cost. In preparing this listing, the City decided not to capitalize infrastructure assets thereby excluding these assets. Presented below is a summary of changes in general fixed assets. It is the City's policy to capitalize only those additions greater than \$1,000. Also, some expenditures made out of the 60% capital outlay funds are operational in nature and are not capitalized below. The total capital outlay reflected in the accompanying financial statements for the General Fund totaled \$1,089,794.

	Balance December 31, <u>2001</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2002</u>
Land	\$ 548,097	\$ -	\$ -	\$ 548,097
Buildings	3,655,694	2,425	-	3,658,119
Equipment	1,694,827	72,737	-	1,767,564
Improvements other than buildings	2,159,274	50,987	-	2,210,261
Transportation equipment	1,652,618	101,343	-	1,753,961
Office furniture and equipment	<u>590,269</u>	<u>48,057</u>	<u>-</u>	<u>638,326</u>
	<u>\$ 10,300,779</u>	<u>\$ 275,549</u>	<u>\$ -</u>	<u>\$ 10,576,328</u>

A summary of proprietary fund type property, plant and equipment at December 31, 2002, follows:

Sewer equipment	\$ 10,775,774
Water equipment	3,728,121
Vehicles	294,578
Garbage equipment	<u>46,345</u>
Total	14,844,818
Less: Accumulated depreciation	<u>(3,653,928)</u>
	<u>\$ 11,190,890</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE D - OTHER INDIVIDUAL FUND DISCLOSURES

Individual fund interfund receivable and payable balances are not eliminated in the accompanying financial statements. Such balances at December 31, 2002 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payable</u>
General Fund	\$ 159,089	\$ -
Special Revenue Funds		
1982 Sales Tax Fund	-	60,698
Debt Service Fund		
General Obligation Bond Redemption Fund	-	6,182
1990 Sales Tax Bond Fund	60,698	789
Agency Funds		
Ad Valorem Tax Collection Fund	-	97,953
1993 Sewer Extension Fund	2,014	-
Enterprise Fund	926	4,410
Capital Projects Funds		
2002 Capital Projects Fund	4,410	7,105
Sewer Plant Construction Fund	<u>-</u>	<u>50,000</u>
	<u>\$ 227,137</u>	<u>\$ 227,137</u>

NOTE E - DEFERRED REVENUES

At December 31, 2002, the City has recorded deferred revenues, a liability, as follows:

	<u>General</u>	<u>1993 Sewer Extension</u>
State grants advanced	\$ 3,375	\$ -
Paving assessments to be collected	50,720	-
Sewer assessments to be collected	-	39,523
Other	<u>5,250</u>	<u>-</u>
	<u>\$ 59,345</u>	<u>\$ 39,523</u>

NOTE F - RESTRICTED ASSETS

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

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE F - RESTRICTED ASSETS (Continued)

1. Revenue Bond Sinking Fund

The 1980 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, 2002.

2. Revenue Bond Reserve Fund

The ordinances called for the establishment of a Revenue Bond Reserve Fund by depositing with the regularly designated fiscal agent bank of the City 5% of the amount to be deposited into the Sinking Fund until such time as there has been accumulated an amount equal to the highest combined debt service payable. The 1996 refunding ordinance called for an initial deposit of \$20,976, which was paid from the 1980 reserve funds, and thereafter, monthly payments of \$190 until an amount attributable to the 1996 issue of \$36,000 is on hand in the Revenue Bond Reserve Fund. The sole purpose of this 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, 2002.

3. Capital Additions and Contingencies Fund

The ordinances 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 are met. This requirement has been met at December 31, 2002.

NOTE G - LONG-TERM DEBT

The following is a summary of bond transactions of the City for the year ended December 31, 2002.

	<u>General Obligation Bonds</u>		<u>Revenue</u>	<u>Total</u>
	<u>Sales and</u>	<u>Ad Valorem</u>	<u>Bonds</u>	
	<u>Use Tax</u>	<u>Tax</u>		
Bonds payable at January 1, 2002	\$2,415,000	\$1,825,000	\$ 597,899	\$4,837,899
Bonds issued	4,450,000	1,240,000	-	5,690,000
Bonds retired	<u>(355,000)</u>	<u>(200,000)</u>	<u>(93,604)</u>	<u>(648,604)</u>
Bonds payable at December 31, 2002	<u>\$6,510,000</u>	<u>\$2,865,000</u>	<u>\$ 504,295</u>	<u>\$9,879,295</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE H - COMBINED SCHEDULE OF BONDS PAYABLE

	<u>Payment Dates</u>	<u>Year</u>	<u>Interest Rate</u>	<u>Annual Principal Payments</u>
<u>GENERAL OBLIGATION BONDS</u>				
1995 General Obligation Bonds				
issued March 1, 1995 for \$600,000				
secured by ad valorem taxes				
	March 1 and September 1	2003	5.40%	40,000
		2004	5.50%	40,000
		2005	5.60%	45,000
		2006	5.65%	45,000
		2007	5.70%	50,000
		2008	5.75%	55,000
		2009	5.85%	55,000
		2010	5.85%	<u>60,000</u>
				<u>\$ 390,000</u>
1996 Sewer Refunding Bonds issued				
January 1, 1996 for \$1,930,000				
secured by ad valorem taxes				
	March 1 and September 1	2003	4.35%	175,000
		2004	4.40%	185,000
		2005	4.45%	195,000
		2006	4.55%	215,000
		2007	4.75%	225,000
		2008	5.00%	<u>240,000</u>
				<u>\$1,235,000</u>
1997 Sales Tax Refunding Bonds				
issued July 29, 1997 for				
\$3,330,000 secured by proceeds of the				
1% 1982 sales and use tax				
	May 1 and November 1	2003	4.35%	270,000
		2004	4.45%	280,000
		2005	4.50%	290,000
		2006	4.50%	305,000
		2007	4.50%	320,000
		2008	4.55%	340,000
		2009	4.65%	<u>355,000</u>
				<u>\$2,160,000</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE H - COMBINED SCHEDULE OF BONDS PAYABLE (Continued)

	<u>Payment Dates</u>	<u>Year</u>	<u>Interest Rate</u>	<u>Annual Principal Payments</u>
<u>GENERAL OBLIGATION BONDS - Continued</u>				
2002 General Obligation Bonds				
issued January 14, 2002 for \$1,240,000				
secured by ad valorem taxes				
	March 1 and September 1	2003	4.00%	70,000
		2004	4.00%	35,000
		2005	4.00%	40,000
		2006	4.00%	40,000
		2007	4.00%	45,000
		2008	4.00%	45,000
		2009	5.50%	50,000
		2010	5.50%	55,000
		2011	5.50%	55,000
		2012	4.00%	60,000
		2013	4.00%	65,000
		2014	4.10%	70,000
		2015	4.20%	75,000
		2016	4.30%	75,000
		2017	4.40%	80,000
		2018	4.50%	85,000
		2019	4.75%	90,000
		2020	5.00%	100,000
		2021	5.00%	<u>105,000</u>
				<u>\$1,240,000</u>
2002 Sales Tax Bonds				
issued January 14, 2002 for				
\$4,450,000 secured by proceeds of the				
1% 1957 sales and use tax				
	May 1 and November 1	2003	5.80%	140,000
		2004	5.80%	145,000
		2005	5.80%	155,000
		2006	5.75%	165,000
		2007	4.50%	170,000
		2008	4.50%	180,000
		2009	4.50%	190,000
		2010	4.50%	200,000
		2011	4.50%	210,000
		2012	4.30%	220,000

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE H - COMBINED SCHEDULE OF BONDS PAYABLE (Continued)

	<u>Payment Dates</u>	<u>Year</u>	<u>Interest Rate</u>	<u>Annual Principal Payments</u>
2002 Sales Tax Bonds (Continued)				
issued January 14, 2002 for				
\$4,450,000 secured by proceeds of the				
1% 1957 sales and use tax				
	May 1 and	2013	4.40%	235,000
	November 1	2014	4.45%	245,000
		2015	4.50%	255,000
		2016	4.55%	270,000
		2017	4.60%	285,000
		2018	4.70%	295,000
		2019	4.75%	315,000
		2020	4.80%	330,000
		2021	4.85%	345,000
				<u>\$4,350,000</u>
				<u>\$9,375,000</u>

REVENUE BONDS

1980 Water Revenue Bonds issued for				
\$1,200,000 secured by revenues of the water				
system, payments made annually for				
\$86,976 including interest and principal				
	Jan. 14	2003-2006	5.00%	<u>\$ 247,295</u>
1996 Water Revenue Refunding Bonds issued				
for \$368,0000 secured by revenues of the water				
system				
	Jan. 1	2003	5.75%	25,000
		2004	5.75%	27,000
		2005	5.75%	28,000
		2006	5.75%	31,000
		2007	5.75%	34,000
		2008	5.75%	36,000
		2009	5.75%	37,000
		2010	5.75%	39,000
				<u>257,000</u>
				<u>\$ 504,295</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE I - ANNUAL REQUIREMENTS TO AMORTIZE LONG-TERM DEBT

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

Year Ending <u>December 31,</u>	General Obligation <u>Bonds</u>	Revenue <u>Bonds</u>	<u>Total</u>
2003	\$ 1,182,186	\$ 126,035	\$ 1,308,221
2004	1,107,873	126,540	1,234,413
2005	1,114,406	125,959	1,240,365
2006	1,118,113	127,262	1,245,375
2007	1,119,041	41,417	1,160,458
Thereafter	<u>7,528,388</u>	<u>121,833</u>	<u>7,650,201</u>
	<u>\$13,270,007</u>	<u>\$ 669,046</u>	<u>\$13,839,053</u>

As of December 31, 2002 there is \$1,704,740 available in the Debt Service Fund to service the general obligation bonds.

General obligation bonds are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the City is legally restricted from incurring long term bonded debt in excess of 35% of the assessed value of taxable property in the district. At December 31, 2002 the District had not exceeded this statutory limit.

NOTE J - LEASES

The City is obligated under leases for a building accounted for as an operating lease. Total rent payments for the year ending December 31, 2002 was \$4,800. The future minimum lease payments are as follows:

2003	<u>\$ 1,600</u>
Total minimum lease payments	<u>\$ 1,600</u>

NOTE K - FHA REVOLVING LOAN FUND

In prior years, the City was awarded grant funds under the Rural Business Enterprise Grant (CFDA #10.424) for the purpose of making loans to area businesses at low interest rates to promote economic development. The grant funds were to form a revolving loan fund where notes would be collected and new loans would be made. The following is a recap of the activity of the revolving loan fund which is accounted for in the City's General Fund:

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE K - FHA REVOLVING LOAN FUND (Continued)

Cash balance - January 1, 2002	\$ 106,364
Additions:	
Principal payments on notes	41,630
Interest payments on notes	3,127
Interest on cash account	1,482
Application fees	200
Reductions:	
Loans made in 2002	55,000
Bank charges	<u>26</u>
Cash Balance - December 31, 2002	<u>\$ 97,777</u>
Notes receivable balance - December 31, 2002	<u>\$ 90,458</u>

NOTE L - 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.

Plan Description. 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.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE L - PENSION PLAN (Continued)

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 (225) 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 8.00 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, 2002, 2001, and 2000 of \$139,656, \$112,671 and \$97,840 respectively, equal to the required contributions for each year.

B. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. 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 (225) 929-7411.

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE L - PENSION PLAN (Continued)

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the City of Covington is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the City of Covington are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Covington required contributions to the System for the years ending December 31, 2002, 2001, and 2000 were \$98,200, \$101,583, and \$92,422, respectively, equal to the required contributions for each year.

NOTE M - LITIGATION AND CLAIMS

The City is involved in litigation on a variety of claims arising from its operations. One of the claims relates to a false arrest suit. The City's legal council has provided an opinion that the risk of unfavorable outcome is reasonably possible and is estimated to be between \$2,500 to \$20,000. No liability has been recorded at December 31, 2002. It is the opinion of the City's legal council that resolution of the remaining lawsuits would not create a liability to the City in excess of insurance coverage.

NOTE N - INSURANCE

As of December 31, 2002, the City has the following insurance coverage:

<u>Insurer</u>	<u>Policy Expiration Date</u>	<u>Amount of Coverage</u>	<u>Type of Coverage</u>
CNA Insurance	05/03	\$ 6,443,467	Fire and Extended Coverage Buildings and Contents EDP Equipment Contractor's equipment 2-way communication system
Fidelity & Deposit Co. of Maryland	04/03	\$ 375,000 375,000	Fidelity Bond coverage Mayor Director of Administration
Fidelity & Deposit Co. of Maryland	04/03	\$ 20,000 25,000 25,000 10,000 10,000	Fidelity Bond coverage Surety bond on administrator Employee Dishonesty Each employee Excess on Mayor Theft - police building Theft - City Hall

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE N - INSURANCE (Continued)

<u>Insurer</u>	<u>Policy Expiration Date</u>	<u>Amount of Coverage</u>	<u>Type of Coverage</u>
Coregis Insurance Org.	02/03	\$ 1,000,000	Auto liability
		1,000,000	General liability
		1,000,000	Law enforcement officers Comprehensive liability
		1,000,000	Public officials errors and Omissions liability
		1,000,000	Employee Benefits
CNA Insurance Co.	01/03	State Statute	Workers Compensation & Employers Liability
Audubon Indemnity Co.	05/03	\$ 375,000	Commercial auto physical damage

NOTE O - LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

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

The City's engineers have determined that all costs related to post closure care of landfill have been incurred in previous years, and as the monitoring period required by GASB Statement 18 has ended, the City has removed the liability from the City's balance sheet.

NOTE P - STATE CONTRACT PAYABLE

The City of Covington owes \$14,305 to the State of Louisiana for utility line relocation. The contract is payable in annual installments of \$14,305.

NOTE Q - PRIOR YEARS' DEBT DEFEASANCE

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government securities that were placed in the trust funds. The investments and fixed earnings from those investments are sufficient to fully service the defeased debt until the debt is called or matured. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the City's General Long Term Debt Account Group. As of December 31, 2002, the amount of the defeased debt outstanding but removed from the General Long Term Debt Account Group amounted to \$3,762,000.

CITY OF COVINGTON, LOUISIANA
 NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE R - CHANGES IN CONTRIBUTED CAPITAL

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

	Other Funds	State Grant	2002 Capital Project	Federal Grant	LCDBG Grant	'93 Sewer Extension	Total
Balance at January 1, 2002	\$ 4,890,170	\$ 673,581	\$ -	\$ 497,712	\$ 1,377,744	\$ 816,930	\$ 8,256,137
Additions	-	-	2,078,750	-	-	-	2,078,750
Less current year depreciation on assets constructed from funds supplied by contributors in aid of construction	<u>(107,835)</u>	<u>(14,534)</u>	<u>-</u>	<u>(9,803)</u>	<u>(29,109)</u>	<u>(18,462)</u>	<u>(179,743)</u>
Balance at December 31, 2002	<u>\$ 4,782,335</u>	<u>\$ 659,047</u>	<u>\$ 2,078,750</u>	<u>\$ 487,909</u>	<u>\$ 1,348,635</u>	<u>\$ 798,468</u>	<u>\$ 10,155,144</u>

CITY OF COVINGTON, LOUISIANA

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2002

NOTE S - POST-RETIREMENT BENEFITS

The City provides certain continuing health care benefits for retired employees. Substantially all of the City's employees become eligible for these benefits if they reach normal retirement age while working for the City. The City recognizes the cost of providing these benefits as an expenditure when the monthly premiums are due. For the year ended December 31, 2002, the City expended \$537,638 for health care and life insurance benefits. Included in this total is \$42,318 of health care benefits paid for retirees. There are 12 retirees and 133 active employees as of December 31, 2002.

NOTE T - CHANGES IN AGENCY FUND BALANCES

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

	Ad Valorem Tax	1993 Sewer Extension Fund
Balance at January 1, 2002	\$ 128,210	\$ 46,849
Additions	1,196,795	76,962
Deductions	<u>(1,227,052)</u>	<u>(74,841)</u>
Balance at December 31, 2002	<u>\$ 97,953</u>	<u>\$ 48,970</u>

NOTE U - CONSTRUCTION COMMITMENTS

The City had entered into construction contracts totaling \$1,623,927 of which \$764,040 was remaining on the contracts as of December 31, 2002.

NOTE V - DEFICIT IN FUND BALANCES

At December 31, 2001, the 1957 Sales Tax Fund had a deficit in fund balance of \$352. The City expects future sales tax collections will eliminate this deficit.

NOTE W - SELF INSURANCE

The City has contracted with a commercial insurance company to provide liability coverage for general acts, law enforcement, and public officials errors and omissions. The policy requires the City to pay for claims and cost up to \$25,000 with maximum aggregate payments limited to \$200,000. The City has deposited \$25,000 to the insurer to provide for claims and costs. On a monthly basis, the City replenishes any claims and costs paid out of deposit. At December 31, 2002, no significant claims were owed and no liability has been recorded.

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, 2002

ASSETS	<u>2002</u>	<u>2001</u>
Cash	\$ 2,921,541	\$ 2,589,095
Equity in pooled cash	2,226	-
Certificates of deposits	56,956	55,521
Investments	1,488,748	1,447,898
Taxes receivable		
Ad valorem	902,271	866,434
Other taxes receivable		100,734
Notes receivable	90,358	77,088
Accrued interest receivable	4,869	19,373
Other receivable	250,322	37,363
Grant receivable	2,327	59,558
Due from other funds	159,089	156,514
Deposit insurance	25,000	
Prepaid expenses	53,375	-
Special assessments receivable	<u>50,720</u>	<u>69,180</u>
 Total assets	 <u>\$ 6,007,802</u>	 <u>\$ 5,478,758</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued expenses	\$ 149,930	\$ 196,660
Payroll taxes, retirement and accrued wages payable	139,671	200,942
Pooled cash in other funds	654,599	565,706
Deferred revenue	<u>59,345</u>	<u>242,357</u>
Total liabilities	<u>1,003,545</u>	<u>1,205,665</u>
 FUND BALANCE		
Reserved for capital outlay	1,488,748	1,447,898
Designated for future use	56,956	55,521
Designated - prepaid expenses and deposits	78,370	
Unreserved and undesignated	<u>3,380,183</u>	<u>2,769,674</u>
Total fund balance	<u>5,004,257</u>	<u>4,273,093</u>
 Total liabilities and fund balance	 <u>\$ 6,007,802</u>	 <u>\$ 5,478,758</u>

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, 2002

REVENUES	2002		Variance- Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
Taxes				
Ad valorem tax	\$ 872,676	\$ 902,666	\$ 29,990	\$ 876,886
Electric franchise	380,000	353,807	(26,193)	372,223
Cable television franchise	80,000	89,414	9,414	83,714
Gas franchise	40,000	39,217	(783)	44,749
Total taxes	<u>1,372,676</u>	<u>1,385,104</u>	<u>12,428</u>	<u>1,377,572</u>
Licenses and Permits				
Insurance	405,000	440,318	35,318	413,747
Occupational	280,000	264,123	(15,877)	290,356
Building	40,000	34,737	(5,263)	27,095
Liquor and beer	15,000	14,065	(935)	13,777
Chain store	5,000	6,262	1,262	11,551
Total licenses and permits	<u>745,000</u>	<u>759,505</u>	<u>14,505</u>	<u>756,526</u>
Intergovernmental				
District 12 Dispatch	20,000	19,300	(700)	17,262
Tourist Commission grant	33,500	33,466	(34)	-
Beer tax	30,000	36,682	6,682	21,432
Fire insurance rebate	20,000	18,682	(1,318)	20,116
911 revenues	8,000	7,775	(225)	7,775
Total inter-governmental	<u>111,500</u>	<u>115,905</u>	<u>4,405</u>	<u>66,585</u>
Charges for services				
Recreation registration	46,000	46,902	902	50,027
Greater Covington Center rentals	105,000	112,982	7,982	42,207
Community Center rental	2,000	1,875	(125)	1,313
Highway maintenance - DOTD	9,000	8,914	(86)	8,914
Park rental	4,000	4,100	100	3,400

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, 2002

	2002		Variance- Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
REVENUES (Continued)				
Charges for services (Continued)				
Rental income	\$ 20,000	\$ 20,520	\$ 520	\$ 16,500
Accident reports	4,500	5,210	710	3,713
Zoning revenue	10,000	8,860	(1,140)	9,603
Total charges for services	<u>200,500</u>	<u>209,363</u>	<u>8,863</u>	<u>135,677</u>
Fines and forfeits				
Court fines	100,000	129,368	29,368	111,969
Fines - DWI	10,000	17,559	7,559	4,983
Parking fines and other	5,000	4,710	(290)	5,295
Drug forfeitures	-	3,631	3,631	2,814
Total fines and forfeits	<u>115,000</u>	<u>155,268</u>	<u>40,268</u>	<u>125,061</u>
Federal grants				
Police grants	45,000	28,267	(16,733)	26,960
HUD Workforce building	-	-	-	750,000
ISTEA Columbia Street	171,000	164,471	(6,529)	208,743
Home elevation	218,300	197,917	(20,383)	-
FEMA reimbursements	-	92,895	92,895	586,121
Community development block grant	352,500	218,422	(134,078)	30,190
Total federal grants	<u>786,800</u>	<u>701,972</u>	<u>(84,828)</u>	<u>1,602,014</u>
State grants				
DARE grant	39,018	24,933	(14,085)	46,817
Capital outlay	-	-	-	1,600,000
Other	5,050	9,885	4,835	42,577
Total state grants	<u>44,068</u>	<u>34,818</u>	<u>(9,250)</u>	<u>1,689,394</u>
Interest income	<u>107,500</u>	<u>42,982</u>	<u>(64,518)</u>	<u>118,702</u>

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, 2002

	2002		Variance- Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
REVENUES (Continued)				
Other revenues				
Paving assessment	\$ 16,200	\$ 19,838	\$ 3,638	\$ 16,431
Miscellaneous revenue	216,300	258,016	41,716	30,270
Sale of surplus property	3,000	229	(2,771)	69
Cemetery plot sale	5,000	6,570	1,570	5,155
Ad campaign	10,000	12,615	2,615	10,345
Donations	<u>5,700</u>	<u>6,753</u>	<u>1,053</u>	<u>2,429</u>
Total other revenues	<u>256,200</u>	<u>304,021</u>	<u>47,821</u>	<u>64,699</u>
 Total revenues	 <u>3,739,244</u>	 <u>3,708,938</u>	 <u>(30,306)</u>	 <u>5,936,230</u>
EXPENDITURES				
General government	1,975,250	1,640,962	334,288	4,008,181
Public safety				
Police	2,124,800	2,005,571	119,229	1,990,456
Fire	576,500	536,474	40,026	721,108
Public works				
Streets	3,291,100	1,732,204	1,558,896	1,988,699
Culture and Recreation	<u>493,400</u>	<u>396,224</u>	<u>97,176</u>	<u>346,307</u>
Total expenditures	<u>8,461,050</u>	<u>6,311,435</u>	<u>2,149,615</u>	<u>9,054,751</u>
 Excess (deficiency) of revenue over expenditures	 <u>(4,721,806)</u>	 <u>(2,602,497)</u>	 <u>2,119,309</u>	 <u>(3,118,521)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfer in	3,704,164	3,693,661	(10,503)	4,029,771
Operating transfer out	<u>(360,000)</u>	<u>(360,000)</u>	<u>-</u>	<u>(457,212)</u>
Total other financing sources (uses)	<u>3,344,164</u>	<u>3,333,661</u>	<u>(10,503)</u>	<u>3,572,559</u>
 Excess (deficiency) of revenues and other financing sources (uses) over expenditures	 <u>\$(1,377,642)</u>	 <u>\$ 731,164</u>	 <u>\$ 2,108,806</u>	 <u>\$ 454,038</u>

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, 2002

	2002		Variance- Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
Excess (deficiency) of revenues and other financing sources (uses) over expenditures	<u>\$(1,377,642)</u>	\$ 731,164	<u>\$ 2,108,806</u>	\$ 454,038
FUND BALANCE - BEGINNING OF YEAR		<u>4,273,093</u>		<u>3,819,055</u>
FUND BALANCE - END OF YEAR		<u>\$5,004,257</u>		<u>\$ 4,273,093</u>

CITY OF COVINGTON, LOUISIANA

GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET - (GAAP BASIS)

For the Year Ended December 31, 2002

GENERAL GOVERNMENT	2002		Variance- Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
Administration				
Salaries	\$ 482,500	\$ 458,573	\$ 23,927	\$ 474,528
Hospitalization	88,000	84,881	3,119	74,077
Retirement	34,000	33,400	600	30,556
Unemployment compensation	1,000	160	840	-
Workmen's compensation	4,600	3,410	1,190	2,951
Medicare expense	40,000	32,227	7,773	31,391
Payroll tax	10,000	6,121	3,879	7,328
Attorneys' fees	78,000	42,924	35,076	41,344
Engineering fees	72,300	60,515	11,785	56,833
Audit fees	24,300	24,420	(120)	25,030
Computer programming	8,400	8,398	2	10,514
Professional fees - general	30,100	23,817	6,283	17,918
Publication and notices	25,000	23,737	1,263	24,386
Meetings & conventions - council	6,590	5,949	641	3,660
Meetings & conventions - mayor	5,000	4,978	22	6,761
Humane Society	23,750	19,440	4,310	19,440
Utilities	9,900	7,270	2,630	7,862
Telephone	24,900	23,035	1,865	23,792
Dues and subscriptions	11,000	10,461	539	8,250
Insurance	43,600	10,967	32,633	37,574
Office supplies	46,000	39,823	6,177	43,608
Repairs and maintenance	67,700	62,914	4,786	55,233
Personnel improvements	17,600	15,921	1,679	14,564
Contract services	47,760	45,807	1,953	29,613
Gasoline	2,800	2,288	512	1,814
Service charges and fees	1,500	558	942	597
Lease and note payments	10,000	2,222	7,778	4,878
Capital outlay	60,000	17,477	42,523	41,937
Total Administration	<u>1,276,300</u>	<u>1,071,693</u>	<u>204,607</u>	<u>1,096,439</u>

CITY OF COVINGTON, LOUISIANA

GENERAL FUND

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

For the Year Ended December 31, 2002

	2002		Variance- Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
GENERAL GOVERNMENT				
Downtown Development Program				
Salary and benefits	\$ 159,000	\$ 149,499	\$ 9,501	\$ 104,776
Retirement	11,000	10,373	627	5,326
Unemployment compensation	300	87	213	-
Hospitalization	29,000	25,830	3,170	13,861
Workmen's compensation	6,200	4,880	1,320	3,239
Contract services	89,410	76,215	13,195	64,283
Drug testing	-	-	-	98
Marketing and promotion	28,000	23,489	4,511	32,147
Grant expenditures	12,200	7,032	5,168	25,266
Parking lease	4,455	3,530	925	3,426
Utilities	55,700	46,406	9,294	31,924
Travel	1,200	698	502	1,769
Insurance	20,000	18,430	1,570	17,552
Office	23,600	18,233	5,367	16,965
Training and education	1,540	1,396	144	4,531
Telephone	6,600	5,748	852	4,009
Dues and subscriptions	1,090	1,084	6	804
Repairs and maintenance	41,800	36,653	5,147	31,557
Materials and supplies	8,500	7,933	567	10,403
Garbage - dumpster	2,000	1,946	54	1,440
Small tools and equipment	6,100	5,537	563	-
Rent - equipment	2,245	2,242	3	-
Professional services	5,110	5,353	(243)	-
Fuel	4,500	4,573	(73)	3,459
Lease and note payments	4,800	4,800	-	4,800
Capital outlay - Greater Covington Center	-	-	-	2,350,000
Capital outlay	<u>174,600</u>	<u>107,302</u>	<u>67,298</u>	<u>180,107</u>
Total Downtown Development Program	<u>698,950</u>	<u>569,269</u>	<u>129,681</u>	<u>2,911,742</u>
TOTAL GENERAL GOVERNMENT	<u>1,975,250</u>	<u>1,640,962</u>	<u>334,288</u>	<u>4,008,181</u>

CITY OF COVINGTON, LOUISIANA

GENERAL FUND

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

For the Year Ended December 31, 2002

	<u>2002</u>		Variance- Favorable (Unfavorable)	2001
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
PUBLIC SAFETY - POLICE				
Salaries and benefits	\$1,211,600	\$1,196,882	\$ 14,718	\$1,164,530
Retirement	107,500	105,924	1,576	101,583
Hospitalization	204,400	203,061	1,339	164,438
Unemployment compensation	4,100	694	3,406	-
Workmen's compensation	42,300	40,980	1,320	35,388
Accrued leave	100	-	100	16,800
Insurance	110,900	104,375	6,525	98,204
Medical	3,000	3,069	(69)	1,523
Telephone	27,000	24,667	2,333	26,476
Utilities	13,200	12,290	910	14,093
Office supplies	18,600	17,062	1,538	17,188
Contract services	3,600	3,591	9	600
Professional services	5,300	4,856	444	1,048
Repairs and maintenance	61,500	56,208	5,292	50,046
Garbage collection	1,200	1,020	180	1,060
Supplies	30,800	22,176	8,624	16,057
Dues	3,000	2,984	16	2,824
Gasoline	45,000	45,549	(549)	45,449
Uniforms	10,000	9,289	711	8,585
Training and education	20,000	18,881	1,119	16,302
Rent	3,100	2,297	803	2,335
Small tools and equipment	8,000	6,793	1,207	12,356
Capital outlay	<u>190,600</u>	<u>122,923</u>	<u>67,677</u>	<u>193,571</u>
TOTAL PUBLIC SAFETY - POLICE	<u>2,124,800</u>	<u>2,005,571</u>	<u>119,229</u>	<u>1,990,456</u>
PUBLIC SAFETY - FIRE				
Salaries and benefits	292,500	273,893	18,607	306,453
Retirement	16,700	16,267	433	16,119
Hospitalization	44,500	44,281	219	35,823
Unemployment compensation	600	254	346	-
Workmen's compensation	10,000	9,727	273	8,180

CITY OF COVINGTON, LOUISIANA

GENERAL FUND

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

For the Year Ended December 31, 2002

	2002		Variance- Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
PUBLIC SAFETY - FIRE (Continued)				
Telephone	\$ 9,800	\$ 9,317	\$ 483	\$ 9,013
Utilities	15,480	11,938	3,542	13,172
Supplies	13,500	13,476	24	14,403
Insurance	27,700	23,142	4,558	27,442
Gasoline and diesel	9,000	8,473	527	8,530
Training and education	10,000	11,872	(1,872)	6,249
Coroner fees	15,000	15,000	-	15,000
Small tools and equipment	25,000	25,141	(141)	34,127
Volunteers	10,000	10,000	-	10,000
Dues and subscriptions	3,500	3,369	131	1,502
Building repairs	5,000	4,929	71	5,238
Office supplies	10,800	10,564	236	10,025
Garbage	1,000	540	460	540
Equipment repairs	23,620	23,466	154	25,939
Rent	1,000	895	105	910
Medical	500	590	(90)	175
Capital outlay	<u>31,300</u>	<u>19,340</u>	<u>11,960</u>	<u>172,268</u>
TOTAL PUBLIC SAFETY - FIRE	<u>576,500</u>	<u>536,474</u>	<u>40,026</u>	<u>721,108</u>
PUBLIC WORKS - STREETS				
Salaries and benefits	473,500	435,207	38,293	423,791
Contract labor	46,400	30,490	15,910	11,586
Retirement	30,300	30,158	142	25,654
Hospitalization	74,000	69,352	4,648	59,571
Unemployment compensation	1,000	295	705	-
Workmen's compensation	47,300	30,021	17,279	29,674
Telephone	6,000	4,058	1,942	5,007
Utilities	86,300	75,140	11,160	81,865
Professional services	25,000	14,435	10,565	17,191
Tree and stump removal	45,000	41,461	3,539	39,982
Garbage	16,000	11,472	4,528	11,692
Supplies and small tools	114,150	96,746	17,404	103,765
Repairs and maintenance	66,150	54,434	11,716	74,578
Rent - equipment	2,000	326	1,674	20
Insurance	61,500	46,543	14,957	41,387

CITY OF COVINGTON, LOUISIANA

GENERAL FUND

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

For the Year Ended December 31, 2002

	2002		Variance- Favorable (Unfavorable)	2001 Actual
	Budget	Actual		
PUBLIC WORKS - STREET (Continued)				
Medical	\$ 1,000	\$ 708	\$ 292	\$ 921
Gasoline	37,600	37,449	151	29,790
Training and education	5,000	1,318	3,682	1,929
Office supplies	15,350	10,485	4,865	10,199
Dues & subscriptions	500	55	445	180
Capital outlay	<u>2,137,050</u>	<u>742,051</u>	<u>1,394,999</u>	<u>1,019,917</u>
TOTAL PUBLIC WORKS - STREET	<u>3,291,100</u>	<u>1,732,204</u>	<u>1,558,896</u>	<u>1,988,699</u>
CULTURE AND RECREATION				
Salaries and benefits	118,000	99,763	18,237	102,065
Retirement	6,300	5,646	654	4,668
Hospitalization	15,500	15,130	370	10,693
Unemployment insurance	200	82	118	-
Workmen's compensation	9,500	3,511	5,989	205
Telephone	6,300	5,561	739	5,669
Community service	1,000	-	1,000	2,000
Utilities	22,200	14,421	7,779	17,942
Supplies	49,900	47,437	2,463	45,225
Repairs and maintenance	42,650	41,856	794	20,432
Insurance	15,150	12,813	2,337	12,830
Medical	500	108	392	159
Gasoline	6,800	6,752	48	3,168
Training and education	550	338	212	1,926
Travel	1,000	1,016	(16)	448
Capital lease payments	1,300	1,213	87	2,426
Swimming pool operation	12,000	12,000	-	12,000
Garbage	3,000	3,000	-	2,920
Contract labor	37,550	35,660	1,890	56,109
Office supplies	7,850	8,180	(330)	6,322
Franchise fees	3,150	1,036	2,114	2,425
Capital outlay	<u>133,000</u>	<u>80,701</u>	<u>52,299</u>	<u>36,675</u>
TOTAL CULTURE & RECREATION	<u>493,400</u>	<u>396,224</u>	<u>97,176</u>	<u>346,307</u>
TOTAL EXPENDITURES	<u>\$8,461,050</u>	<u>\$6,311,435</u>	<u>\$ 2,149,615</u>	<u>\$9,054,751</u>

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 1997 Sales Tax Refunding Bonds. Any 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, 2002

	<u>Sales Tax</u>		<u>Totals</u>	
	<u>1957</u> <u>Tax</u>	<u>1982</u> <u>Tax</u>	<u>2002</u>	<u>2001</u>
ASSETS				
Equity in pooled cash	\$ -	\$ 60,698	\$ 60,698	\$ 58,853
Receivables - other	<u>204</u>	<u>-</u>	<u>204</u>	<u>204</u>
Total assets	<u>\$ 204</u>	<u>\$ 60,698</u>	<u>\$ 60,902</u>	<u>\$ 59,057</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Pooled cash in other funds	\$ 10	\$ -	\$ 10	\$ -
Accounts payable	546	-	546	1,198
Due to other funds	<u>-</u>	<u>60,698</u>	<u>60,698</u>	<u>60,560</u>
Total liabilities	556	60,698	61,254	61,758
 FUND BALANCES (DEFICIT)				
Unreserved and undesignated	<u>(352)</u>	<u>-</u>	<u>(352)</u>	<u>(2,701)</u>
Total liabilities and fund balances	<u>\$ 204</u>	<u>\$ 60,698</u>	<u>\$ 60,902</u>	<u>\$ 59,057</u>

CITY OF COVINGTON, LOUISIANA

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2002

	Sales Tax		Totals	
	1957 Tax	1982 Tax	2002	2001
REVENUES				
Taxes-sales and use	\$2,187,947	\$2,187,947	\$4,375,894	\$4,285,382
Interest income	-	-	-	3,122
Penalties and interest	<u>8,070</u>	<u>8,070</u>	<u>16,140</u>	<u>6,520</u>
Total revenues	2,196,017	2,196,017	4,392,034	4,295,024
EXPENDITURES				
General government	<u>14,528</u>	<u>13,979</u>	<u>28,507</u>	<u>28,153</u>
Total expenditures	<u>14,528</u>	<u>13,979</u>	<u>28,507</u>	<u>28,153</u>
Excess of revenues over expenditures	2,181,489	2,182,038	4,363,527	4,266,871
OTHER FINANCING SOURCES (USES)				
Operating transfers out				
Debt service	-	(667,517)	(667,517)	(363,363)
General fund	<u>(2,181,778)</u>	<u>(1,511,883)</u>	<u>(3,693,661)</u>	<u>(4,029,772)</u>
Total other financing sources (uses)	<u>(2,181,778)</u>	<u>(2,179,400)</u>	<u>(4,361,178)</u>	<u>(4,393,135)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	(289)	2,638	2,349	(126,264)
FUND BALANCE - BEGINNING OF YEAR	<u>(63)</u>	<u>(2,638)</u>	<u>(2,701)</u>	<u>123,563</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (352)</u>	<u>\$ -</u>	<u>\$ (352)</u>	<u>\$ (2,701)</u>

DEBT SERVICE FUNDS

NARRATIVE EXPLANATION

GENERAL OBLIGATION BOND REDEMPTION FUND

The General Obligation Bond Redemption Fund is used to accumulate monies for the payment of the principal and interest of the 1988 General Obligation Sewer Bonds, the 1995 General Obligation Fire Department Bonds, the 1996 Refunding Bonds which refunded the 1999 - 2008 maturities of the 1988 Sewer Bonds, and the 2002 General Obligation Bonds. Financing is to be provided by ad valorem taxes.

SALES TAX BOND FUND

The Sales Tax Bond Fund is used to accumulate monies for payment of the principal and interest of the 1997 Public Improvement Sales Tax Refunding Bonds which were issued to refund the remaining maturities of the 1990 Public Improvement Bonds and the 2002 General Obligation Bonds.

CITY OF COVINGTON, LOUISIANA

DEBT SERVICE FUNDS

COMBINING BALANCE SHEET

December 31, 2002

	Sales Tax Bond Fund	General Obligation Bond Redemption Fund	<u>Totals</u>	
			<u>2002</u>	<u>2001</u>
ASSETS				
Cash	\$ 117,159	\$ 393,564	\$ 510,723	\$ 358,077
Certificates of deposit	717,952	542,790	1,260,742	943,543
Receivables				
Taxes	-	312,325	312,325	299,919
Interest	466	492	958	2,486
Due from other funds	<u>60,698</u>	<u>-</u>	<u>60,698</u>	<u>101,862</u>
Total assets	<u>\$ 896,275</u>	<u>\$1,249,171</u>	<u>\$2,145,446</u>	<u>\$1,705,887</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 789	\$ 6,182	\$ 6,971	\$ 1,147
FUND BALANCES				
Reserved for Debt Service	<u>895,486</u>	<u>1,242,989</u>	<u>2,138,475</u>	<u>1,704,740</u>
Total liabilities and fund balances	<u>\$ 896,275</u>	<u>\$1,249,171</u>	<u>\$2,145,446</u>	<u>\$1,705,887</u>

CITY OF COVINGTON, LOUISIANA

DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2002

	Sales Tax Bond Fund	General Obligation Bond Redemption Fund	<u>Totals</u>	
			<u>2002</u>	<u>2001</u>
REVENUES				
Taxes - ad valorem	\$ -	\$ 310,087	\$ 310,087	\$ 302,597
Interest	<u>16,950</u>	<u>14,868</u>	<u>31,818</u>	<u>50,870</u>
Total revenues	16,950	324,955	341,905	353,467
EXPENDITURES				
Debt service:				
Principal	355,000	200,000	555,000	435,000
Interest and fiscal charges	<u>268,128</u>	<u>85,223</u>	<u>353,351</u>	<u>212,943</u>
Total expenditures	<u>623,128</u>	<u>285,223</u>	<u>908,351</u>	<u>647,943</u>
Excess (deficiency) of revenue over expenditures	(606,178)	39,732	(566,446)	(294,476)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>995,987</u>	<u>4,194</u>	<u>1,000,181</u>	<u>363,364</u>
Excess of revenues and other financing sources (uses) over expenditures	389,809	43,926	433,735	68,888
FUND BALANCE - BEGINNING OF YEAR	<u>505,677</u>	<u>1,199,063</u>	<u>1,704,740</u>	<u>1,635,852</u>
FUND BALANCE - END OF YEAR	<u>\$ 895,486</u>	<u>\$1,242,989</u>	<u>\$2,138,475</u>	<u>\$1,704,740</u>

CAPITAL PROJECTS FUND

NARRATIVE EXPLANATION

2002 CAPITAL PROJECTS FUND

The 2002 Water and Sewer Project Fund is used to account for the cost of improvements to the City's water system. Financing will be provided from the issuance of \$5,690,000 of general obligation and sales tax bonds.

SEWER PLANT CONSTRUCTION FUND

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

CITY OF COVINGTON, LOUISIANA

CAPITAL PROJECT FUNDS

COMBINING BALANCE SHEET

December 31, 2002

	2002 Water and Sewer Project	Sewer Plant Construction Fund	<u>Totals</u>	
			<u>2002</u>	<u>2001</u>
ASSETS				
Cash	\$3,511,477	\$ -	\$3,511,477	\$ 27
Certificate of deposit	-	141,033	141,033	139,477
Accrued interest receivable	-	1,591	1,591	69
Due from other funds	<u>4,410</u>	<u>-</u>	<u>4,410</u>	<u>-</u>
 Total assets	 <u>\$3,515,887</u>	 <u>\$ 142,624</u>	 <u>\$3,658,511</u>	 <u>\$ 139,573</u>
 LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 292,471	\$ -	\$ 292,471	\$ -
Due to other funds	<u>7,105</u>	<u>50,000</u>	<u>57,105</u>	<u>38,951</u>
	\$ 299,576	\$ 50,000	\$ 349,576	\$ 38,951
FUND BALANCE (DEFICIT)				
Designated for future expenditures	<u>3,216,311</u>	<u>92,624</u>	<u>3,308,935</u>	<u>100,622</u>
 Total liabilities and fund balance	 <u>\$3,515,887</u>	 <u>\$ 142,624</u>	 <u>\$3,658,511</u>	 <u>\$ 139,573</u>

CITY OF COVINGTON, LOUISIANA

CAPITAL PROJECT FUNDS

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

For the Year Ended December 31, 2002

	2002 Water and Sewer Project	Sewer Plant Construction Fund	<u>Totals</u>	
			<u>2002</u>	<u>2001</u>
REVENUES				
Interest	\$ 38,349	\$ 3,078	\$ 41,427	\$ 8,346
Total revenues	38,349	3,078	41,427	8,346
EXPENDITURES				
Capital projects	<u>2,083,526</u>	-	<u>2,083,526</u>	<u>38,924</u>
Total expenditures	<u>2,083,526</u>	-	<u>2,083,526</u>	<u>38,924</u>
Excess (deficiency) of revenues over expenditures	(2,045,177)	3,078	(2,042,099)	(30,578)
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	5,690,000	-	5,690,000	-
Costs of issuance	(56,924)	-	(56,924)	-
Operating transfers out	(332,664)	-	(332,664)	-
Transfer to Agency Fund	-	(50,000)	(50,000)	(90,000)
Total other financing sources (uses)	<u>5,300,412</u>	<u>(50,000)</u>	<u>5,250,412</u>	<u>(90,000)</u>
Excess (deficiency) of revenue and other financing sources (uses) over expenditures	3,255,235	(46,922)	3,208,313	(120,578)
FUND BALANCE - BEGINNING OF YEAR	<u>(38,924)</u>	<u>139,546</u>	<u>100,622</u>	<u>221,200</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$3,216,311</u>	<u>\$ 92,624</u>	<u>\$3,308,935</u>	<u>\$ 100,622</u>

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, 2002

	<u>2002</u>	<u>2001</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 225	\$ 43,987
Pooled cash	350,588	272,607
Receivables:		
Accounts receivable net of uncollectible of \$24,605 for 2002 (\$8,491 for 2001)	150,967	198,887
Other receivables	63,721	40,981
Prepaid expenses	32,388	31,050
Due from other funds	<u>926</u>	<u>926</u>
Total current assets	<u>598,815</u>	<u>588,438</u>
RESTRICTED ASSETS		
Cash	98,075	129,812
Pooled cash	<u>241,097</u>	<u>234,245</u>
Total restricted assets	<u>339,172</u>	<u>364,057</u>
PROPERTY, PLANT AND EQUIPMENT		
Vehicles	294,578	273,975
Sewer equipment	10,775,774	10,672,799
Water equipment	3,728,121	3,556,453
Garbage equipment	<u>46,345</u>	<u>46,345</u>
Total plant and equipment	14,844,818	14,549,572
Less: Accumulated depreciation	<u>(3,653,928)</u>	<u>3,273,075</u>
Net property, plant and equipment	<u>11,190,890</u>	<u>11,276,497</u>
OTHER ASSET		
Construction in progress	<u>2,078,750</u>	<u>-</u>
	<u>\$14,207,627</u>	<u>\$12,228,992</u>

CITY OF COVINGTON, LOUISIANA

ENTERPRISE FUND

BALANCE SHEET

December 31, 2002

LIABILITIES AND FUND EQUITY

	<u>2002</u>	<u>2001</u>
CURRENT LIABILITIES		
(Payable from current assets)		
Accounts payable	\$ 150,583	\$ 229,019
Payroll taxes and retirement payable	21,358	19,593
Customer deposits	155,590	151,161
Contract payable - current	14,305	14,305
Due to other funds	<u>4,410</u>	<u>31,050</u>
Total current liabilities		
(Payable from current assets)	<u>346,246</u>	<u>445,128</u>
CURRENT LIABILITIES		
(Payable from restricted assets)		
Revenue bonds	99,611	94,081
Accrued interest	<u>19,279</u>	<u>23,335</u>
Total current liabilities		
(Payable from restricted assets)	<u>118,890</u>	<u>117,416</u>
LONG-TERM LIABILITIES		
Revenue bonds	404,684	503,818
Contract payable	<u>-</u>	<u>14,305</u>
Total long-term liabilities	<u>404,684</u>	<u>518,123</u>
Total liabilities	<u>869,820</u>	<u>1,080,667</u>
FUND EQUITY		
Contributed capital		
Other funds	4,778,571	4,886,407
State grants	659,047	673,581
Developer	3,763	3,763
Federal grant	487,909	497,712
LCDBG grant	1,348,636	1,377,744
93 Sewer extension	798,468	816,930
2002 Capital projects funds	<u>2,078,750</u>	<u>-</u>
Total contributed capital	<u>10,155,144</u>	<u>8,256,137</u>
Retained earnings		
Reserved for revenue bond retirement	220,282	246,641
Unreserved	<u>2,962,381</u>	<u>2,645,547</u>
Total retained earnings	<u>3,182,663</u>	<u>2,892,188</u>
Total fund equity	<u>13,337,807</u>	<u>11,148,325</u>
	<u>\$14,207,627</u>	<u>\$12,228,992</u>

CITY OF COVINGTON, LOUISIANA

ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS

For the Year Ended December 31, 2002

	Water	Sewer	Sanitation	Total
	2002	2002	2002	2001
OPERATING REVENUES				
Service revenues	\$ 716,896	\$ 799,169	\$ 486,805	\$ 2,060,221
Installation revenues	21,769	14,401		82,946
Cut-on fees	23,043			18,075
Miscellaneous	13,526			1,636
FEMA reimbursement			36,240	
Total operating revenues	<u>775,234</u>	<u>813,570</u>	<u>523,045</u>	<u>2,162,878</u>
OPERATING EXPENSES				
Salaries	211,755	297,819	15,715	487,839
Garbage contract			436,823	450,815
Bad debt expense	16,500			-
Bank fees	600			900
Contract services	103,351		37,174	140,525
Depreciation	110,014	270,839		380,853
Engineering fees				80,273
Garbage expense		900		900
Gasoline	12,486	11,234		23,720
Hospitalization	29,537	41,528	1,153	72,218
Insurance	17,344	16,072		33,416
Lab testing		65,397		65,397
Maintenance and repairs	35,524	171,754		207,278
Office supplies	21,770	2,048		23,818
Other	29,249	7,049		36,298
Retirement	13,454	20,029	1,087	34,570
Sludge removal		27,750		27,750
Supplies	86,307	47,127		133,434
Utilities	44,845	112,497		157,342
Workmen's compensation	7,429	9,917	936	18,282
Total operating expenses	<u>740,165</u>	<u>1,101,960</u>	<u>492,888</u>	<u>2,335,013</u>
Operating income (loss)	\$ 35,069	\$ (288,390)	\$ 30,157	\$ (223,164)
				<u>103,939</u>

CITY OF COVINGTON, LOUISIANA

ENTERPRISE FUND

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

For the Year Ended December 31, 2002

	Total	
	2002	2001
OPERATING INCOME (LOSS)	\$ (223,164)	\$ 103,939
NON-OPERATING REVENUE (EXPENSES)		
Interest income	1,651	1,683
Interest expense	<u>(27,755)</u>	<u>(33,295)</u>
Total non-operating expense, net	<u>(26,104)</u>	<u>(31,612)</u>
Income (loss) before transfers	(249,268)	72,327
OPERATING TRANSFERS		
Transfers in	360,000	457,212
Total operating transfers	<u>360,000</u>	<u>457,212</u>
NET INCOME	110,732	529,539
Add depreciation on fixed assets acquired with contributed capital that reduces contributed capital	<u>179,743</u>	<u>173,058</u>
Net increase in retained earnings	290,475	702,597
Retained earnings - beginning of year	<u>2,892,188</u>	<u>2,189,591</u>
Retained earnings - end of year	<u>\$ 3,182,663</u>	<u>\$ 2,892,188</u>

CITY OF COVINGTON, LOUISIANA

ENTERPRISE FUND

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2002

	<u>2002</u>	<u>2001</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (223,164)	\$ 103,939
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities		
Depreciation	380,853	364,265
Bad debt allowance	16,108	-
Decrease (increase) in accounts receivable - net	31,812	(78,169)
Decrease (increase) in other receivables	(22,740)	103,577
Increase in prepaid expenses	(1,338)	(368)
Increase (decrease) in accounts payable and accrued expenses	(78,436)	4,303
Increase in payroll taxes and retirement payable	1,765	1,942
Total adjustments	<u>328,024</u>	<u>395,550</u>
Net cash provided by operating activities	104,860	499,489
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Payments from (to) other funds, net	(26,640)	31,406
Increase in customer deposits	<u>4,429</u>	<u>10,551</u>
Net cash provided (used) by non-capital financing activities	(22,211)	41,957
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Water grants received	-	110,069
Principal payments on note payable	-	(30,789)
Payments on state contract	(14,305)	(14,305)
Transfers from other funds, net	360,000	457,212
Payments for capital acquisitions	(295,246)	(655,361)
Principal payments on bonds	(93,604)	(89,754)
Interest paid	<u>(31,811)</u>	<u>(37,280)</u>
Net cash used by capital and related financing activities	(74,966)	(260,208)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest	<u>1,651</u>	<u>1,683</u>
Net cash provided by investing activities	<u>1,651</u>	<u>1,683</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,334	282,921
Cash and cash equivalents, beginning of year	<u>680,651</u>	<u>397,730</u>
Cash and cash equivalents, end of year	<u>\$ 689,985</u>	<u>\$ 680,651</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 FUNDS

AD VALOREM TAX COLLECTION FUND

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

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, 2002

	<u>Trust Fund</u>	<u>Agency Funds</u>			
	Garden of Pines Mausoleum Perpetual Care Fund	Ad Valorem Tax Collection Fund	1993 Sewer Extension Fund	Totals	
				2002	2001
ASSETS					
Cash	\$ 23,860	\$ 96,156	\$ 7,433	\$ 127,449	\$ 195,513
Certificate of deposit	24,955			24,955	24,955
Due from other funds			2,014	2,014	616
Other receivables		1,797		1,797	1,848
Due from others			39,523	39,523	49,385
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 48,815</u>	<u>\$ 97,953</u>	<u>\$ 48,970</u>	<u>\$ 195,738</u>	<u>\$ 272,317</u>
LIABILITIES					
Due to other funds	\$	\$ 97,953	\$	\$ 97,953	\$ 128,210
Due to certificate holders			8,872	8,872	46,890
Deferred revenue			39,523	39,523	49,385
Due to others			575	575	575
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>97,953</u>	<u>48,970</u>	<u>146,923</u>	<u>225,060</u>
FUND BALANCES					
Reserved for Mausoleum administration and maintenance	<u>48,815</u>	<u>-</u>	<u>-</u>	<u>48,815</u>	<u>47,257</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 48,815</u>	<u>\$ 97,953</u>	<u>\$ 48,970</u>	<u>\$ 195,738</u>	<u>\$ 272,317</u>

CITY OF COVINGTON, LOUISIANA

EXPENDABLE TRUST FUND

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2002

	<u>Garden of Pines Mausoleum Perpetual Care Fund</u>	
	<u>2002</u>	<u>2001</u>
OPERATING REVENUES		
Interest	\$ 1,558	\$ 1,970
Total operating revenues	1,558	1,970
 EXPENDITURES		
Bank fees	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>
 Net income	1,558	1,970
 FUND BALANCE - BEGINNING OF YEAR	<u>47,257</u>	<u>45,287</u>
 FUND BALANCE - END OF YEAR	<u>\$ 48,815</u>	<u>\$ 47,257</u>

GENERAL FIXED ASSETS ACCOUNT GROUP

NARRATIVE EXPLANATION

The General Fixed Assets Account Group is used 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, 2002

	<u>2002</u>	<u>2001</u>
GENERAL FIXED ASSETS		
Land	\$ 548,097	\$ 548,097
Buildings	4,414,127	4,411,702
Equipment	2,353,905	2,281,168
Transportation equipment	1,285,194	1,170,036
Office furniture and equipment	559,423	525,181
Improvements other than buildings	1,415,582	1,364,595
Capital leases	-	-
Total general fixed assets	<u>\$10,576,328</u>	<u>\$10,300,779</u>
 INVESTMENT IN GENERAL FIXED ASSETS FROM		
General fund	\$ 8,639,104	\$ 8,363,555
Capital projects	1,714,292	1,714,292
Special revenue fund	<u>222,932</u>	<u>222,932</u>
Total investment in general fixed assets	<u>\$10,576,328</u>	<u>\$10,300,779</u>

OTHER SUPPLEMENTAL INFORMATION

CITY OF COVINGTON, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2002

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Account or Contract Number	Federal Disbursements/ Expenditures
<u>U.S. Department of Justice</u>			
Local Law Enforcement Block Grant (Passed through the Louisiana Commission on Law Enforcement	16.592	00-LB-BX-2907	\$ 21,438
Combination Investigation (Passed through the Louisiana Commission of Law Enforcement	16.588	M00-7007	<u>2,236</u>
Total Department of Justice			<u>23,674</u>
<u>Federal Emergency Management Agency</u>			
Hazard Mitigation Grant Program (Passed through the Louisiana Office of Emergency Preparedness) Home Elevation	83.548	99-PJ-103C-0001	197,917
Emergency Management - State and Local Assistance (911)	83.534	103-18125-00	<u>129,135</u>
Total Federal Emergency Management Agency			327,052
<u>U.S. Department of Housing and Urban Development</u>			
Community Development Block Grant - Small Cities Program (Passed through the Louisiana Division of Administration) - Major Program	14.219	107-000907	<u>218,422</u>

CITY OF COVINGTON, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2002

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Account or Contract Number	Federal Disbursements/ Expenditures
<u>U.S. Department of Transportation</u>			
Highway Planning and Construction (Passed through the Louisiana Department of Transportation)	20.205	744-52-0001	\$ 164,471
Safety Incentive Grants for the Use of Seatbelts (Passed through the National Highway Traffic Safety Association)	20.604		<u>4,593</u>
Total Depart of Transportation			<u>169,064</u>
Total Federal Expenditures			<u>\$ 738,212</u>

CITY OF COVINGTON, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

For the Year Ended December 31, 2002

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FEDERAL AWARDS IN FINANCIAL STATEMENTS

Total federal awards received by the City of \$738,212 have been recorded as follows in the financial statements:

General Fund revenues	\$ 701,972
Utility Fund revenues	<u>36,240</u>
	<u>\$ 738,212</u>

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF COUNCIL MEMBERS

December 31, 2002

<u>Council Members</u>	<u>Term of Office</u>	<u>Compensation</u>
Lonnie Boykins 1323 N. Buchanan St. Covington, LA 70433	June 30, 2003	\$ 9,000
Jerry Lee Coner 752 N. Florida St. Covington, LA 70434	June 30, 2003	9,000
John M. Dean 19 Kathleen Drive Covington, LA 70434	June 30, 2003	9,000
Matthew Faust 602 Phyllis Dr. Covington, LA 70433	June 30, 2003	9,000
Lee Roy Jenkins, Jr., President 37 Spruce St. Covington, LA 70433	June 30, 2003	9,000
Carolyn Pearce 300 W. 14th Ave. Covington, LA 70433	June 30, 2003	9,000
Willard T. Blackall, III 1006 S. Filmore St. Covington, LA 70433	June 30, 2003	9,000

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

(A LIMITED LIABILITY COMPANY)

Certified Public Accountants

P.O. Box 3790

Covington, Louisiana 70434-3790

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

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(985) 892-4666 - FAX

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

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

We have audited the general purpose financial statements of the City of Covington, Louisiana as of and for the year ended December 31, 2002 and have issued our report thereon dated May 8, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Covington, Louisiana's general purpose financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Covington, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the use of management, the Louisiana Legislative Auditor, and federal awarding agencies and is not intended to be and should not be used by any other than those specified parties.

May 8, 2003

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

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

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

Compliance

We have audited the compliance of the City of Covington, Louisiana's, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2002. The City of Covington, Louisiana's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program are the responsibility of the City of Covington, Louisiana's management. Our responsibility is to express an opinion on the City of Covington, Louisiana's compliance based on our audit.

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

In our opinion the City of Covington, Louisiana's, complied in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

The management of the City of Covington, Louisiana's, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to its federal programs. In planning and performing our audit, we considered the City of Covington, Louisiana's internal control over compliance with requirements that could have a direct and material effects on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

This report is intended solely for the information of the City Council, management, federal awarding agencies and pass-through entities, and the Louisiana's Legislative Auditor and is not intended to be and should not be used by any other than those specified parties.

May 8, 2003

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

CITY OF COVINGTON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2002

Section 1

Financial Statements

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

Federal Awards

- | | |
|--|-----------------------------------|
| 1. Internal control over major programs | |
| a. Material weaknesses identified | None |
| b. Reportable conditions identified not considered to be material weaknesses | None Reported |
| 2. Type of auditor's report issued on compliance for major program | Unqualified |
| 3. Audit findings disclosed that are required in accordance with OMB A-133, Section 510a | None |
| 4. Identification of major programs | |
| 219 | Community Development Block Grant |
| 5. Dollar threshold used to distinguish between Type A and B programs. | \$300,000 |
| 6. Auditee qualified as a low - risk auditee under OMB A-133 Section 530. | Yes |

Section 2

Financial Statement Findings

(None reported)

Section 3

Federal Awards Findings and Questioned Costs

(None reported)

CITY OF COVINGTON
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2002

2001-1 The City's actual revenues fell below budgeted revenues by more than 5%.

This finding has been resolved. There were no unfavorable budget variances in excess of 5% in the year ended December 31, 2002.