Comprehensive Annual Financial Report

COVINGTON
georgia

Fiscal Year Ended
June 30, 2017



CITY OF COVINGTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

Prepared by:

Randy Smith, CPA
Finance Director

Submitted by:
Leigh Anne Knight, CPA
City Manager

CITY OF COVINGTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Letter of Transmittal – City Manager and Finance Director ..... i - vi
Organizational Chart vii
Listing of Principal Officials viii
GFOA Certificate ix

FINANCIAL SECTION

Independent Auditor's Report ..... 1 - 3
Management's Discussion and Analysis ..... 4 - 12
Basic Financial Statements:
- Government-wide Financial Statements:
  - Statement of Net Position 13
  - Statement of Activities 14
- Fund Financial Statements:
  - Balance Sheet – Governmental Funds 15
  - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 16
  - Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities 17
  - Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund ..... 18 and 19
  - Statement of Net Position – Proprietary Funds 20
  - Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds 21
  - Statement of Cash Flows – Proprietary Funds ..... 22 and 23
  - Statement of Fiduciary Net Position – Fiduciary Funds 24
  - Statement of Changes in Fiduciary Net Position – Fiduciary Funds 25
- Notes to Financial Statements ..... 26 - 62

Required Supplementary Information:
- Schedule of Changes in the City's Net Pension Liability and Related Ratios – Retirement Plan 63
- Schedule of City Contributions – Retirement Plan 64
- Schedule of Pension Investment Returns – Retirement Plan 65

CITY OF COVINGTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

Page

FINANCIAL SECTION (CONTINUED)

Combining Statements and Schedules:

- Combining Balance Sheet – Nonmajor Governmental Funds ..... 66 and 67
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds ..... 68 and 69
- Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:
  - Emergency Telephone Fund 70
  - Hotel/Motel Tax Fund 71
  - Confiscated Assets Fund 72
  - Neighborhood Stabilization Fund 73
  - Cemetery Trust Fund 74
- Schedules of Expenditures of Special Purpose Local Option Sales Tax Proceeds ..... 75 and 76
- Combining Statement of Net Position – Nonmajor Enterprise Funds 77
- Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Nonmajor Enterprise Funds 78
- Combining Statement of Cash Flows – Nonmajor Enterprise Funds 79

STATISTICAL SECTION

- Net Position by Component 80
- Changes in Net Position ..... 81 and 82
- Governmental Activities Tax Revenues by Source 83
- Fund Balances of Governmental Funds 84
- Changes in Fund Balances of Governmental Funds 85
- General Governmental Tax Revenues by Source 86
- Assessed Value and Estimated Actual Value – All Taxable Property 87
- Property Tax Rates – All Overlapping Governments 88
- Principal Taxpayers 89
- Property Tax Levies and Collections 90
- Ratios of Outstanding Debt by Type 91
- Direct and Overlapping Governmental Activities Debt 92
- Legal Debt Margin 93
- Demographic and Economic Statistics 94
- Principal Employers 95
- Full-Time City Government Employees by Function 96
- Operating Indicators by Function ..... 97 and 98
- Capital Asset Statistics by Function ..... 99 and 100

CITY OF COVINGTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

Page

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* ..... 101 and 102

Independent Auditor's Report on Compliance For Each Major Program And On Internal Control Over Compliance Required by the Uniform Guidance ..... 103 and 104

Schedule of Expenditures of Federal Awards 105

Notes to Schedule of Expenditures of Federal Awards 106

Schedule of Findings and Questioned Costs ..... 107 and 108

Summary Schedule of Prior Year Findings 109

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COVINGTON
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Introductory Section



Covington citizens enjoying a concert at the amphitheatre at Legion Field

COVINGTON
georgia

2194 Emory Street N.W. * Covington, Georgia 30014

Phone: (770) 385-2000
Fax: (770) 385-2060

Ronnie Johnston, Mayor
Leigh Anne Knight, City Manager

November 15, 2017

Honorable Ronnie Johnston, Mayor,
Members of the City Council, and
Citizens of Covington, Georgia
2194 Emory Street, N.W.
Covington, Georgia 30015

To the Honorable Mayor, Members of the City Council and the Citizens of Covington, Georgia:

The Comprehensive Annual Financial Report of Covington, Georgia, for the fiscal year ended June 30, 2017, is hereby submitted as mandated by both local ordinance and state statutes. These ordinances and statutes require the City of Covington issue an annual report on its financial position and activity and that this report be audited by an independent firm of certified public accountants.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable interested citizens to gain a reasonable understanding of the City's financial activities have been included.

Mauldin & Jenkins, LLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Covington's financial statements for the year ended June 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

As a recipient of federal and state financial assistance, the City of Covington is also responsible for ensuring an adequate internal control structure is in place to confirm compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by the management of the City of Covington. If required, information related to a Single Audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations and a schedule of findings and questioned costs are included in a separately issued single audit report. These reports are presented in the Compliance section of this report.

Accounting principles generally accepted in the United States of America (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The City of Covington's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF COVINGTON, GEORGIA

The City of Covington, Georgia, was founded and incorporated in 1822, is 195 years old and is a body corporate and politic organized and existing under the Constitution and laws of the State of Georgia. The City of Covington is situated in the central portion of Newton County and features three golf courses, a large lake, a charming town square, city-owned airport, five public parks and numerous other recreational facilities. The City houses a six-mile walking / biking path that runs through the heart of the city, connecting a local high school with a park.

The City of Covington provides a full range of services to its nearly 15,000 citizens. These services include police and fire protection; emergency medical services; air transport facilities; public works; court system services; library services; the construction and maintenance of recreational pathways, streets and infrastructure; planning and zoning; building inspections; recreational activities and cultural events; stormwater management and inherent administrative and support activities.

Encompassing 10,240 acres, or approximately 16 square miles, the City of Covington is geographically located in northeastern Georgia and is found in Newton County, which is bordered on the northeast by Walton County, on the east and southeast by Morgan and Jasper Counties, on the south by Butts County and on the northwest and west, by Rockdale and Henry Counties. It is situated approximately 35 miles east of the City of Atlanta.

The City of Covington exhibits excellent physical characteristics. Average rainfall is 49.5 inches a year and temperatures range from an average high of 89 degrees in the summer to an average low of 34 degrees in the winter. With year-round average temperatures of 61 degrees, the climate is very favorable, consisting of warm summers and moderate winters.

Between these seasons, the City of Covington is decorated with dogwoods and azaleas blooming in the spring and a colorful change of leaves in the fall that highlights the antebellum style homes surrounding the Town Square. The general terrain of the area is characteristic of the Piedmont region of Georgia, with hills with broad ridges, sloping uplands and relatively narrow valleys. Land elevations vary between 852 feet above sea level and 610 feet above sea level.

Another important attribute of the City of Covington is its location in relation to major transportation modes. City residents enjoy ready access to several methods of conveyance. If one wishes to use their vehicle to travel, the City is strategically located in proximity to Interstate-20 and is just a 25 minute drive to Atlanta's I-285 perimeter that gives access to four interstate highways. In addition, Highway 81 runs north-to-south through Covington, offering a simple method of travel on the eastern half of the state of Georgia.

Other transportation needs can also be easily accommodated. For any business that might move freight, there is a direct railway service provided by CSX (Chessie Seaboard Railroad), which serves as a link to the Southeast. For international shipping, Savannah, Georgia and Jacksonville, Florida serve as major deep-water seaports that can be reached by interstate highway in a matter of hours. A new, 7,200 square feet terminal building was built at the Covington Municipal Airport, located in the northern portion of the City. Featuring a lounge, conference rooms and restaurant space, the new building is state of the art. Featuring a 5,500 foot lighted runway, aircraft up to 30,000 pounds can be accommodated. Plans in the near future call for an additional 17,000 square feet of hangar space.

The financial reporting entity (the government) includes all the funds of the primary government (i.e., the City of Covington, Georgia, as legally defined), including all of its proprietary funds and component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate

from the primary government and to differentiate their financial position and results of operations from those of the primary government. The City of Covington Parking Authority, Covington Redevelopment Authority, and the Covington Municipal Airport Authority are reported as discretely presented component units at June 30, 2017.

The governing authority of the City of Covington is the City Council, consisting of seven elected members. The Mayor is elected to a term of four years to serve on a part-time basis. The remaining six Council Members also serve on a part-time basis and are elected to staggered terms of four years. While all seven Council Members are elected at large within their ward, all must reside within the City of Covington. Each Council member has one equal vote and the Mayor serves as a tie-breaker when deciding votes. At their first meeting each calendar year, the Mayor Pro-Tem is selected by the City Council. In their policy-making capacity, the City Council is authorized to perform the following functions:

- Allocate taxes levied by Newton County.
- Establish millage rate for the City of Covington.
- Direct and control all property located within the City of Covington.
- Establish, alter or abolish City of Covington roads and bridges.
- Authorize the City Manager to fill vacancies within the City of Covington offices.
- Examine, settle and allow claims against the City of Covington.
- Examine and audit the accounts of all officers having the care, management, keeping, collection or disbursement of money belonging to the City of Covington.
- Establish the costs of licenses.
- Make such rules and regulations as necessary for the protection and preservation of health, safety, welfare and morals.

The Chief Administrative and Operational Officer of the City is the City Manager, who is appointed by the City of Covington City Council to: implement Council policies; oversee the daily activities of the City and supervise departments within the City.

An organizational chart depicting the current structure associated with the management of the City of Covington is included in this introductory section.

The City of Covington maintains budgetary controls to ensure compliance with the legal provision of the annual appropriations budget approved by the City Council. The City of Covington ordinances require the City operate under an annual balanced budget. The City Manager, assisted by the Finance Director, is responsible for preparing the annual budget, which is then submitted to the City Council for discussion and approval. Activities of the General Fund, Special Revenue Funds, the Debt Service Fund and the Proprietary Funds (business-type activities), are included in the annual appropriations budget. Project-length budgets are adopted for the Capital Projects Funds.

The applicable City ordinances require that the City of Covington not exceed its budget at the fund level. The legal level at which the City of Covington budget expenditures may not exceed the adopted annual operating budget is at the department level. The transfer of appropriations among accounts within a department's budget can be authorized by the Finance Director. All other transfers or supplemental appropriations must be approved by the City Council. The City of Covington's budget procedures are more fully explained in the accompanying Notes to Financial Statements.

The City of Covington maintains an encumbrance accounting system as another means of accomplishing budgetary control. As purchase orders are issued, the balance of the unexpended and unencumbered appropriations is reduced by a corresponding amount. As demonstrated by the statements and schedules included in the financial section of this report, the government continues to meet its responsibility for sound financial management.

INFORMATION USEFUL IN ASSESSING THE CITY'S ECONOMIC CONDITION

The City of Covington is an affluent community in Georgia and continues to benefit economically by being an integral part of Metropolitan Atlanta. The Metro Atlanta region represents one of the southeast's primary transportation, distribution, financial and consumer centers and is the third largest metropolitan area in the southeast. Economists project that the Atlanta area will continue to expand, with the metropolitan area possibly extending as far north as Chattanooga, Tennessee and as far south as Macon, Georgia, in the coming years. The City is well positioned geographically within this growth area and will continue to benefit through growth in the commercial and industrial sectors. The City of Covington's industrial park is situated along the City's eastern boundary. There are 4,500 acres of industrial zoned property in Covington.

The elements making the City of Covington a standout community include the low student/teacher ratio in the Newton County's award-winning school system and the City of Covington's exceptionally low crime rate. The City of Covington has been recognized as a City of Excellence and a City of Ethics.

Planning for the Future

In planning for the future, the City of Covington is committed to preserving the value of small town life while preparing an innovative community with access to the world. In ensuring the City's roots and charm remain intact, the Planning and Zoning Department has created a Historic Preservation Society. To maintain Covington's position as a favorable place to live, the City is constantly monitoring utility rates for competitiveness and equity. There are also financial incentives such as rebates and housing and business inducement programs.

The City of Covington operates a Compressed Natural Gas Station used to fuel City-owned vehicles and is open to the general public. It is capable of fueling four vehicles simultaneously and has the infrastructure to double in size with minimal additions. This facility is strategically located to service the eastern portion of Georgia

The City of Covington currently has a Strategic Plan in place that encompasses four main focal points with sub-points for each. The Strategic Plan is a blueprint that is constantly being worked towards:

1) Preparing the Community of Tomorrow
   - -Allocate sufficient financial resources to fund forward-looking opportunities
   - -Review of financial operations
   - -Review HR processes to maximize the effective recruitment, selection and retention of skilled workers
   - -Develop an economic and community development process
   - -Develop a communications process to assist citizens and stakeholders with access to information, resources, and opportunities within the City of Covington
   - -Develop a technology and information management process
   - -Provide innovative services
   - -Continue visionary planning

2) Working Towards a Safer Community
   - -Allocate sufficient financial resources to fund "safe community" opportunities.
   - -Develop a process for creating a "safer community"
   - -Identify Capital Projects and review development progress with community safety as an attribute for project continuance

3) Promoting Small Town Life
   -Select, manage and evaluate all projects that preserve historical value, land use, green space and infrastructure improvements
   -Encourage employees to participate in community activities
   -Create a sense of community
   -Create a family friendly community improving infrastructure and community parks

4) Offering Access to the World
   -Allocate sufficient financial resources to fund access opportunities
   -Develop an implementation strategy for all access related opportunities
   -Include Access Options in City's Communications Process

The City of Covington is experiencing strong growth in the employment sector and is enjoying a steadily declining unemployment rate. The City also is seeing a surge in retail stores as a revitalization of the Town Square continues.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The City of Covington is proud of its distinction as being one of only three cities in the nation that has police, fire, communications and public works accreditation. In November 2006, the Covington-Newton County 911 Center became the 3rd Communications Center in the State of Georgia to be recognized as an accredited agency by the Commission on Accreditation for Law Enforcement Agencies. On May 31st, 2006 the city of Covington Public Works Department became the first in Georgia and the 33rd nationally to be accredited by the American Public Works Association. In August, 2003, the Covington Fire Department became the 4th department in the state of Georgia and the 89th in the world to be recognized as an accredited agency by the Commission on Fire Accreditation International. In May, 1985, the Covington Police Department had the distinction of being the first agency in Georgia and the 10th agency in the nation to become nationally accredited.

The Government Finance Officers Association recently awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Covington for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the first year the City of Covington has received the prestigious award, given for publishing an easily readable, efficiently organized comprehensive annual financial report conforming to program standards. The City was awarded the certificate again for the fiscal year ended June 30, 2016.

Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA for consideration. The City of Covington is committed to this effort and will strive to maintain and surpass these standards on future reports.

Benefits of accreditation are:

-Improved effectiveness
-Promote staff and community pride
-Clarify budget needs
-Identify operation and management needs
-Enhance professional image
-Promote team work and staff development

-Encourage interdepartmental coordination
-Identify duplication and wasted effort
-Promote public awareness
-Improve communication

The City of Covington was also named a "City of Ethics" by the Georgia Municipal Association and a "City of Excellence" by Georgia Trend magazine and the Georgia Municipal Association.

Acknowledgements

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the administrative staff of the various City of Covington departments and officials and in particular, the City's finance staff and the auditors for the City. Our sincere appreciation is extended to each individual for the contributions made in the preparation of this report.

We would also like to thank the Mayor and the members of the City Council for their interest and support in planning and conducting the financial operations of the City of Covington in a responsible and progressive manner, and through whose efforts we have made substantial progress in responding to the extraordinary demands placed upon our community. The quality and quantity of services provided by the City of Covington to its residents is second to none. We believe the accomplishments identified in this transmittal letter clearly indicate the City Council has effectively and efficiently planned and managed the resources that were entrusted to them by the citizens Covington, Georgia.

As the City of Covington continues its evolution as a suburban Atlanta community, the progress made in recent years will, in our opinion, provide a sound foundation for the identification, development, and implementation of future programs and policies and we are optimistic that our community's leadership will continue to do an excellent job of addressing the complex issues facing our community. We thank you for the opportunity to assist you in your efforts.

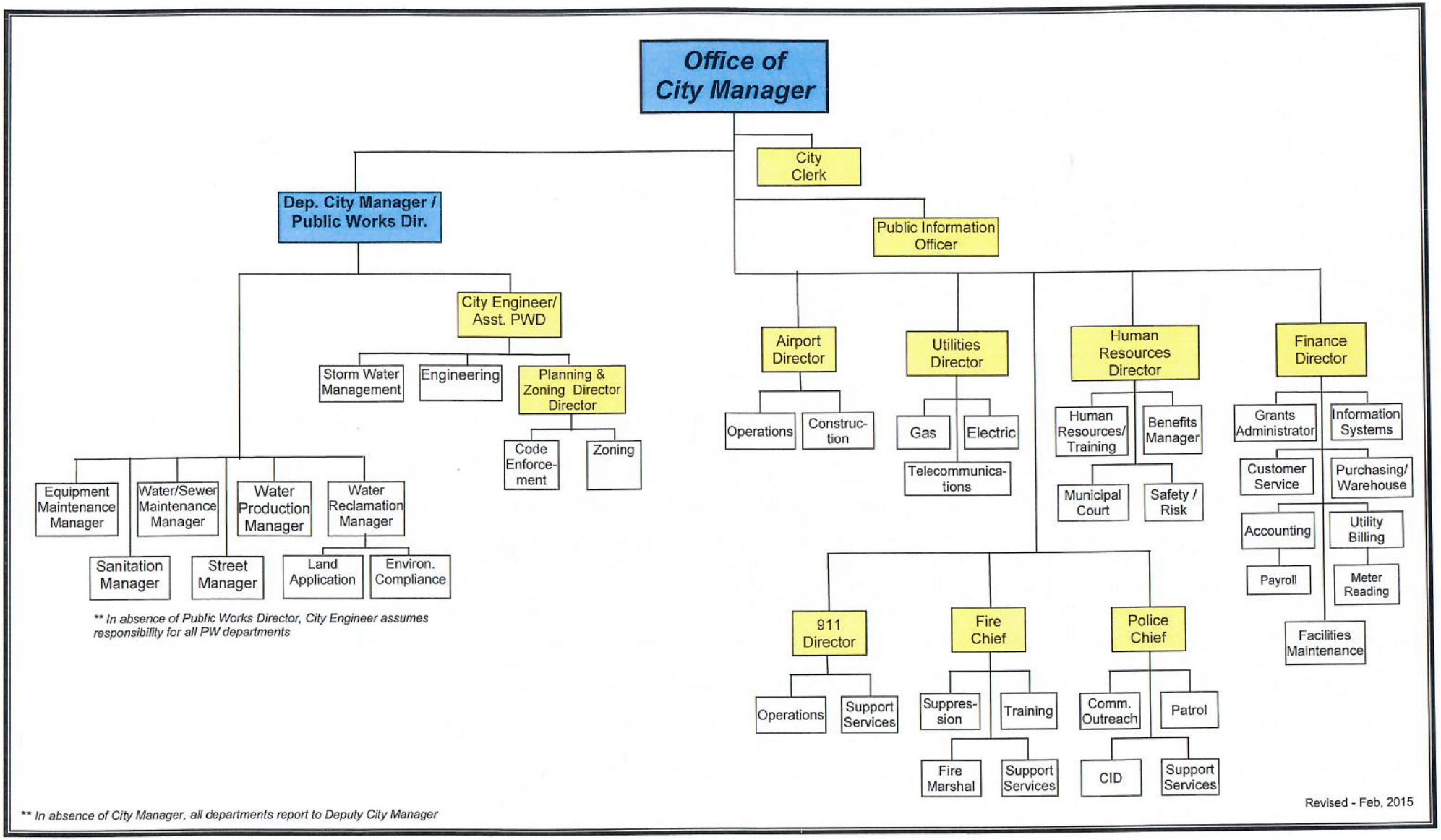
Respectfully submitted,

Leigh Anne Knight

Leigh Anne Knight
City Manager

Randy Smith

Randy Smith
Finance Director


Office of City Manager
City Clerk
Public Information Officer
Dep. City Manager / Public Works Dir.
City Engineer/ Asst. PWD
Storm Water Management
Engineering
Planning & Zoning Director Director
Code Enforce-ment
Zoning
Equipment Maintenance Manager
Water/Sewer Maintenance Manager
Water Production Manager
Water Reclamation Manager
Sanitation Manager
Street Manager
Land Application
Environ. Compliance
** In absence of Public Works Director, City Engineer assumes responsibility for all PW departments
Airport Director
Operations
Construc-tion
Utilities Director
Gas
Electric
Telecommunica-tions
Human Resources Director
Human Resources/ Training
Benefits Manager
Municipal Court
Safety / Risk
Finance Director
Grants Administrator
Information Systems
Customer Service
Purchasing/ Warehouse
Accounting
Utility Billing
Payroll
Meter Reading
Facilities Maintenance
911 Director
Operations
Support Services
Fire Chief
Suppres-sion
Training
Fire Marshal
Support Services
Police Chief
Comm. Outreach
Patrol
CID
Support Services
** In absence of City Manager, all departments report to Deputy City Manager
Revised - Feb, 2015

CITY OF COVINGTON, GEORGIA

LISTING OF PRINCIPAL OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Elected Officials

Mayor	Ronnie Johnston
City Council Member – Post 1 East Ward	Chris Smith
City Council Member – Post 1 West Ward	Kenneth Morgan
City Council Member – Post 2 East Ward	Michael Whatley
City Council Member – Post 2 West Ward	Hawnethia Williams
City Council Member – Post 3 East Ward	Josh McKelvey
City Council Member – Post 3 West Ward	Ocie Franklin

Appointed Officials

City Manager	Leigh Anne Knight
Deputy City Manager/Public Works Director	Billy Bouchillon
City Clerk	Audra Gutierrez
Deputy Clerk	Tammie Lovering
Finance Director	Randy Smith
Utilities Director	Vacant
Human Resources Director	Paul Dailey
E911 Director	Mike Smith
Planning & Zoning Director	Scott Gaither
Police Chief	Stacey Cotton
Fire Chief	Stoney Bowles
Municipal Court Solicitor	M. Qader Baig

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Covington

Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

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Financial Section



MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Covington, Georgia** (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Covington, Georgia, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 4 through 12), the Schedule of Changes in the City's Net Pension Liability and Related Ratios (on page 63), the Schedule of City Contributions (on page 64), and the Schedule of Pension Investment Returns (on page 65) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Covington, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of special purpose local option sales tax proceeds are presented for the purposes of additional analysis as required by the Official Code of Georgia 48-8-121, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the City.

The combining and individual nonmajor fund financial statements and schedules, the schedules of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules, the schedules of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2017, on our consideration of the City of Covington, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Covington, Georgia's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Macon, Georgia
November 15, 2017

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As management of the City of Covington (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the year by $194,493,155 (net position). Of this amount, $76,743,972 (unrestricted net position) may be used to meet the City's ongoing obligations.
- The City's total net position increased by $10,079,700; governmental activities increased net position by $397,423 and business-type activities increased net position by $9,682,277.
- As of the close of June 30, 2017, the City's governmental funds reported combined ending fund balances of $30,272,177 an increase of $421,014 from the prior year. Approximately sixty-one percent (61%) of this total amount, or $18,406,637, is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $18,406,637 or eighty percent (80%) of general fund expenditures.
- The City's revenues for the year ended June 30, 2017 total $94,034,066. Of this amount, $78,566,324, or eighty-four percent (84%), was generated from charges for services. Additionally, $4,854,021, or five percent (5%), was generated from operating and capital grants. The balance of $10,613,721, or eleven percent (11%), was generated from general revenues.
- The City's expenses for the year ended 2017 total $83,642,988. Of this amount, $26,663,599, or thirty-two percent (32%), was consumed by governmental activities. The balance of $56,979,389, or sixty-eight percent (68%), was consumed by business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Covington.

Basic Financial Statements

The first two statements (pages 13 and 14) in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the City's financial status.

The next statements (pages 15 through 25) are Fund Financial Statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, fines and forfeiture revenues (*governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, judicial, public safety, public works, culture and recreation, and housing and development services. The business-type activities of the City include water and sewer, natural gas and electric services, stormwater management, solid waste collection, and airport operations.

The government-wide financial statements can be found on pages 13 and 14 of this report.

Fund financial statements. The fund financial statements provide a more detailed look at the City's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as General Statutes or the City's budget ordinance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund only as the general fund is considered to be a major fund. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this fund. Budgetary comparison statements have also been provided for the Special Revenue Funds in the supplementary financial information elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15 through 19 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer operation, Gas and Electric operation, Stormwater management, Solid Waste operations, and the City's airport.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements provide separate information for the Water and Sewer Utility Fund, the Gas and Electric Utility Fund, and the Airport Fund, all of which are considered to be major funds of the City. Conversely, the nonmajor enterprise funds are combined into single, aggregated presentations in the proprietary fund financial statements. Individual fund data for the nonmajor enterprise funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 20 through 23 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 24 and 25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 62 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary* information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 63 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds and enterprise funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 66 through 79 of this report.

Government-wide Financial Analysis

In order to allow for useful comparative analysis, government-wide financial information is provided for the fiscal years ended June 30, 2017 and June 30, 2016.

The City of Covington's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	**2017**	2016	**2017**	2016
Current and other assets	$ 32,261,295	$ 31,250,333	$ 72,688,816	$ 67,490,021	$ 104,950,111	$ 98,740,354
Capital assets	32,888,104	33,192,788	87,350,044	82,336,487	120,238,148	115,529,275
Total assets	65,149,399	64,443,121	160,038,860	149,826,508	225,188,259	214,269,629
Deferred outflows of resources	6,057,458	4,265,589	2,326,544	1,638,341	8,384,002	5,903,930
Long-term liabilities outstanding	11,649,374	9,520,556	17,659,590	17,384,498	29,308,964	26,905,054
Other liabilities	1,943,162	1,362,238	7,826,980	6,649,881	9,770,142	8,012,119
Total liabilities	13,592,536	10,882,794	25,486,570	24,034,379	39,079,106	34,917,173
Deferred inflows of resources	-	609,018	-	233,913	-	842,931
Net position:						
Net investment in capital assets	32,206,868	32,492,315	73,818,332	68,337,810	106,025,200	100,830,125
Restricted	9,031,119	7,908,762	2,692,864	925,000	11,723,983	8,833,762
Unrestricted	16,376,334	16,815,821	60,367,638	57,933,747	76,743,972	74,749,568
Total net position	$ 57,614,321	$ 57,216,898	$ 136,878,834	$ 127,196,557	$ 194,493,155	$ 184,413,455

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City (governmental and business-type activities in total), assets exceeded liabilities by $194,493,155 and $184,413,455 at June 30, 2017 and June 30, 2016, respectively.

By far the largest portion of the City's net position (55%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, $11,743,972 or 6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, $76,743,972 or 39%, is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of June 30, 2017 and June 30, 2016, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities. Governmental activities increased the City's net position by $397,423 as of June 30, 2017 and decreased the City's net position by $2,241,364 as of June 30, 2016. As illustrated on the following table, taxes constitute the largest revenue source at $9,481,230 or fifty-four percent (54%) of total revenue as of June 30, 2017 and $9,169,241 or fifty-three percent (53%) as of June 30, 2016. The majority of the change in net position of the governmental activities from the prior year is attributable to a significant decrease in transfers out of the General Fund, SPLOST revenue received and not yet expended, and an increase in the Hotel/Motel fund balance.

City of Covington's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	**2017**	2016	**2017**	2016
Revenues:						
Program revenues						
Charges for services	$ 4,193,084	$ 4,120,635	$ 74,373,240	$ 73,040,677	$ 78,566,324	$ 77,161,312
Operating grants and contributions	898,785	779,346	-	-	898,785	779,346
Capital grants and contributions	2,065,541	2,600,748	1,889,695	512,635	3,955,236	3,113,383
General revenues:						
Taxes	9,481,230	9,169,241	-	-	9,481,230	9,169,241
Franchise fees	763,795	744,540	-	-	763,795	744,540
Investment earnings (loss)	42,029	28,479	326,667	1,426,948	368,696	1,455,427
Gain on sale	-	-	-	-	-	-
Total revenues	17,444,464	17,442,989	76,589,602	74,980,260	94,034,066	92,423,249
Expenses:						
General government	3,737,929	3,584,669	-	-	3,737,929	3,584,669
Judicial	739,035	707,416	-	-	739,035	707,416
Public safety	16,512,148	16,160,978	-	-	16,512,148	16,160,978
Public works	3,765,182	4,285,586	-	-	3,765,182	4,285,586
Parks and recreation	456,734	284,587	-	-	456,734	284,587
Housing and development	1,432,811	1,783,018	-	-	1,432,811	1,783,018
Interest and fiscal charges	19,760	26,917	-	-	19,760	26,917
Water and sewer	-	-	10,220,444	9,501,879	10,220,444	9,501,879
Gas and electric	-	-	42,243,695	40,647,780	42,243,695	40,647,780
Stormwater	-	-	508,203	742,463	508,203	742,463
Sanitation	-	-	3,009,971	2,892,228	3,009,971	2,892,228
Airport	-	-	997,076	993,323	997,076	993,323
Total expenses	26,663,599	26,833,171	56,979,389	54,777,673	83,642,988	81,610,844
Increase (decrease) in net position before transfers	(9,219,135)	(9,390,182)	19,610,213	20,202,587	10,391,078	10,812,405
Transfers	9,616,558	7,148,818	(9,927,936)	(7,148,818)	(311,378)	-
Change in net position	397,423	(2,241,364)	9,682,277	13,053,769	10,079,700	10,812,405
Net position, beginning	57,216,898	59,458,262	127,196,557	114,142,788	184,413,455	173,601,050
Net position, ending	$ 57,614,321	$ 57,216,898	$ 136,878,834	$ 127,196,557	$ 194,493,155	$ 184,413,455

Business-type activities. The City's business-type activities increased the City's net position by $9,682,277 and $13,053,769 as of June 30, 2017 and June 30, 2016, respectively.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The general fund is the chief operating fund of the City. For the fiscal year ended June 30, 2017, total fund balance of the general fund was $21,209,845. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total fund balance represents approximately 92% of the total general fund expenditures. Transfers in from proprietary funds to supplement the general fund were $9,998,076 for the year ended June 30, 2017, which represents 43% of total fund expenditures.

Proprietary funds. The City's proprietary funds financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of 2017 amounted to $4,917,810; those for the Gas and Electric Fund amounted to $53,653,909 and those for the Airport Fund amounted to ($92,752). The total change in net position for the Water and Sewer Fund, Gas and Electric Fund, and the Airport Fund were increases of $1,969,364, $4,832,580 and $2,665,573, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities. The changes in net position of the proprietary funds can be traced to acquisition of assets.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounted to $120,238,148 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles and equipment, park and pool facilities, storm sewers, bridges, streets, water and sewer lines, and natural gas and electric lines.

City of Covington's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	**2017**	2016	**2017**	2016
Land	$ 2,500,143	$ 2,500,143	$ 10,900,579	$ 10,900,579	$ 13,400,722	$ 13,400,722
Buildings	8,308,532	8,209,543	322,982	315,904	8,631,514	8,525,447
Machinery and equipment	1,713,701	1,732,031	903,223	753,237	2,616,924	2,485,268
Furniture and fixtures	42,746	55,222	-	-	42,746	55,222
Vehicles	1,146,660	974,104	81,741	238,037	1,228,401	1,212,141
Intangibles	-	-	3,334,901	3,456,439	3,334,901	3,456,439
Improvements other than buildings	19,041,501	19,669,355	64,861,885	64,926,326	83,903,386	84,595,681
Construction in progress	134,821	52,390	6,944,733	1,745,965	7,079,554	1,798,355
Total	$ 32,888,104	$ 33,192,788	$ 87,350,044	$ 82,336,487	$ 120,238,148	$ 115,529,275

Additional information on the City's capital assets can be found in Note 6 of this report.

Long-term debt. As of June 30, 2017, the City had total bonded debt outstanding of $12,985,000. Of this amount, none is debt backed by the full faith and credit of the City. The City's bond debt is secured solely by specific revenue sources (i.e., revenue bonds). The City also had total capital leases payable of $681,236 for governmental lease purchases and utility improvements. Additionally, the City's business-type funds had a capital lease payable of $546,712 related to the compressed natural gas filling station.

The City has no current rating from Standard & Poor's for its water revenue bonds. The City has had no current general obligation bond debt and, therefore, any prior ratings would not be relevant. The City does not anticipate issuing any general obligation debt in the future.

State statutes limit the amount of general obligation debt a government entity may issue to 10% of its total assessed valuation. The current debt limitation for the City is $71,348,162, which is significantly higher than the City's outstanding general obligation bonded debt, which is zero.

Additional information on the City's debt can be found in Note 7 of this report.

Factors affecting the July 1, 2016 – June 30, 2017 Budget:

The Mayor and Council of the City of Covington considered many factors when approving the City's July 1, 2017 – June 30, 2018 budget and are very aware of present economic conditions and their effect on its citizens. The Mayor and Council chose to continue to primarily use transfers from the business-type activities to the governmental activities instead of increasing taxes or rates within the governmental activities.

Annually, the City Manager submits to the Mayor and Council a proposed operating budget for the coming fiscal year which is required to be approved prior to June 30. Public hearings are held prior to adoption to allow citizens the opportunity to comment on the proposed budget. The City Council elected to change from a calendar year to a fiscal year beginning July 1, 2008 in order to align its budget for planning purposes with Newton County, the Newton County Board of Education, and the Newton County Water and Sewerage Authority.

Budgets are adopted for all governmental funds and the City's enterprise funds. Budgets for the enterprise funds are prepared for planning and control purposes only. Budgets are adopted for all special revenue funds. The legal level of budgetary control is the department level, with the Council being the only body authorized to make amendments to the budget. No significant supplemental appropriations were made for the year ended June 30, 2017.

Requests for information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Director of Finance, City of Covington, P. O. Box 1527, 2194 Emory Street, N.W., Covington, Georgia 30015.

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CITY OF COVINGTON, GEORGIA

STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Parking Authority	Redevelopment Authority	Airport Authority
Cash and cash equivalents	$ 23,529,837	$ 7,250,462	$ 30,780,299	$ 62,449	$ 64,118	$ 57,205
Investments	1,600,810	52,814,637	54,415,447	-	-	-
Taxes receivable	130,618	-	130,618	-	-	-
Accounts receivable, net of allowances	745,274	11,089,747	11,835,021	-	-	-
Due from other governments	695,735	1,194,703	1,890,438	-	-	-
Due from component units	453,174	-	453,174	-	-	-
Internal balances	4,804,165	(4,804,165)	-	-	-	-
Inventories	18,449	1,997,641	2,016,090	-	-	-
Prepaid expenses	132,585	98,125	230,710	-	-	650
Restricted assets:						
Cash and cash equivalents	150,648	3,047,666	3,198,314	-	-	-
Capital assets:						
Nondepreciable	2,634,964	17,845,312	20,480,276	414,173	349,725	-
Depreciable, net of accumulated depreciation	30,253,140	69,504,732	99,757,872	-	39,955	331,803
Total assets	65,149,399	160,038,860	225,188,259	476,622	453,798	389,658
DEFERRED OUTFLOWS OF RESOURCES						
Pension	6,057,458	2,326,544	8,384,002	-	-	-
LIABILITIES						
Accounts payable	822,204	5,445,401	6,267,605	-	-	-
Accrued liabilities	1,095,426	529,367	1,624,793	-	-	5,100
Unearned revenues	25,532	398,027	423,559	86,795	-	-
Due to primary government	-	-	-	-	453,174	-
Customer deposits payable	-	1,454,185	1,454,185	-	-	-
Capital leases due within one year	198,468	326,387	524,855	-	-	-
Capital leases due in more than one year	482,768	220,325	703,093	-	-	-
Notes payable due within one year	-	142,864	142,864	-	-	24,233
Notes payable due in more than one year	-	4,357,136	4,357,136	-	-	282,811
Bonds payable due within one year	-	1,675,000	1,675,000	-	-	-
Bonds payable due in more than one year	-	6,810,000	6,810,000	-	-	-
Compensated absences due within one year	182,437	42,624	225,061	-	-	-
Compensated absences due in more than one year	677,837	211,880	889,717	-	-	-
Net pension liability	10,034,621	3,854,129	13,888,750	-	-	-
Termination benefits due within one year	56,500	13,163	69,663	-	-	-
Termination benefits due in more than one year	16,743	6,082	22,825	-	-	-
Total liabilities	13,592,536	25,486,570	39,079,106	86,795	453,174	312,144
NET POSITION						
Net investment in capital assets	32,206,868	73,818,332	106,025,200	414,173	389,680	331,803
Restricted for:						
Debt service	-	2,692,864	2,692,864	-	-	-
Law enforcement	799,570	-	799,570	-	-	-
Cemetery maintenance	178,044	-	178,044	-	-	-
Housing and development	40,475	-	40,475			
Other capital projects	8,013,030	-	8,013,030	-	-	-
Unrestricted	16,376,334	60,367,638	76,743,972	(24,346)	(389,056)	(254,289)
Total net position	$ 57,614,321	$ 136,878,834	$ 194,493,155	$ 389,827	$ 624	$ 77,514

The accompanying notes are an integral part of these financial statements.

CITY OF COVINGTON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities	Business-type Activities	Total	Component Units: Parking Authority	Component Units: Redevelopment Authority	Component Units: Airport Authority
Primary government:										
Governmental activities:										
General government	$ 3,737,929	$ 775,447	$ 38,762	$ -	$ (2,923,720)	$ -	$ (2,923,720)	$ -	$ -	$ -
Judicial	739,035	-	-	-	(739,035)	-	(739,035)	-	-	-
Public safety	16,512,148	3,417,637	625,823	-	(12,468,688)	-	(12,468,688)	-	-	-
Public works	3,765,182	-	-	2,038,971	(1,726,211)	-	(1,726,211)	-	-	-
Parks and recreation	456,734	-	182,996	-	(273,738)	-	(273,738)	-	-	-
Housing and development	1,432,811	-	51,204	26,570	(1,355,037)	-	(1,355,037)	-	-	-
Interest on long-term debt	19,760	-	-	-	(19,760)	-	(19,760)	-	-	-
Total governmental activities	26,663,599	4,193,084	898,785	2,065,541	(19,506,189)	-	(19,506,189)	-	-	-
Business-type activities:										
Water and sewer	10,220,444	12,189,808	-	-	-	1,969,364	1,969,364	-	-	-
Gas	9,396,409	13,025,347	-	-	-	3,628,938	3,628,938	-	-	-
Electric	32,847,286	45,111,886	-	-	-	12,264,600	12,264,600	-	-	-
Stormwater	508,203	800,766	-	-	-	292,563	292,563	-	-	-
Sanitation	3,009,971	2,769,045	-	-	-	(240,926)	(240,926)	-	-	-
Airport	997,076	476,388	-	1,889,695	-	1,369,007	1,369,007	-	-	-
Total business-type activities	56,979,389	74,373,240	-	1,889,695	-	19,283,546	19,283,546	-	-	-
Total primary government	$ 83,642,988	$ 78,566,324	$ 898,785	$ 3,955,236	(19,506,189)	19,283,546	(222,643)	-	-	-
Component units:										
Parking Authority	$ 2,237	$ 2,351	$ -	$ -	-	-	-	114	-	-
Redevelopment Authority	8,604	8,455	-	-	-	-	-	-	(149)	-
Airport Authority	19,955	46,389	-	-	-	-	-	-	-	26,434
Total component units	$ 30,796	$ 57,195	$ -	$ -	-	-	-	114	(149)	26,434
General revenues:										
Property taxes					4,884,877	-	4,884,877	-	-	-
Sales taxes					2,032,195	-	2,032,195	-	-	-
Insurance premium tax					818,624	-	818,624	-	-	-
Other taxes					1,745,534	-	1,745,534	-	-	-
Franchise taxes					763,795	-	763,795	-	-	-
Unrestricted investment earnings					42,029	326,667	368,696	-	149	-
Transfers					9,616,558	(9,927,936)	(311,378)	-	-	-
Total general revenues and transfers					19,903,612	(9,601,269)	10,302,343	-	149	-
Change in net position					397,423	9,682,277	10,079,700	114	-	26,434
Net position, beginning of year					57,216,898	127,196,557	184,413,455	389,713	624	51,080
Net position, end of year					$ 57,614,321	$ 136,878,834	$ 194,493,155	$ 389,827	$ 624	$ 77,514

The accompanying notes are an integral part of these financial statements.

CITY OF COVINGTON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

ASSETS	General	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 15,166,176	$ 8,363,661	$ 23,529,837
Investments	1,600,810	-	1,600,810
Taxes receivable, net	50,641	79,977	130,618
Accounts receivable, net	235,140	510,134	745,274
Due from other governments	338,511	357,224	695,735
Due from other funds	2,621,229	-	2,621,229
Inventories	18,449	-	18,449
Prepaid expenditures	101,372	31,213	132,585
Advance to component unit	453,174	-	453,174
Advances to other funds	2,193,123	-	2,193,123
Restricted assets:			
Cash and cash equivalents	150,648	-	150,648
Total assets	$ 22,929,273	$ 9,342,209	$ 32,271,482
LIABILITIES			
Accounts payable	$ 645,016	$ 177,188	$ 822,204
Accrued liabilities	999,720	92,502	1,092,222
Unearned revenues	25,532	-	25,532
Due to other funds	-	10,187	10,187
Total liabilities	1,670,268	279,877	1,950,145
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	49,160	-	49,160
Total deferred inflows of resources	49,160	-	49,160
FUND BALANCES			
Nonspendable:			
Inventories	18,449	-	18,449
Prepaid expenditures	101,372	31,213	132,585
Advance to component unit	453,174	-	453,174
Advance to other funds	2,193,123	-	2,193,123
Restricted for:			
Law enforcement	-	799,570	799,570
Cemetery maintenance	-	178,044	178,044
Housing and development	-	40,475	40,475
Other capital projects	-	8,013,030	8,013,030
Committed to:			
Tourism projects (hotel/motel tax funds)	181	-	181
Assigned to:			
Capital projects (water and sewer, airport and transportation)	36,847	-	36,847
Unassigned	18,406,699	-	18,406,699
Total fund balances	21,209,845	9,062,332	30,272,177
Total liabilities, deferred inflows of resources, and fund balances	$ 22,929,273	$ 9,342,209	

Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	32,888,104
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	49,160
The net pension liability and related deferred outflows and inflows of resources are not financial resources and, therefore, are not reported in the governmental funds.	(3,977,163)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,617,957)
Net position of governmental activities	$ 57,614,321

The accompanying notes are an integral part of these financial statements.

CITY OF COVINGTON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	$ 4,869,885	$ -	$ 4,869,885
Sales taxes	2,032,195	-	2,032,195
Insurance premium taxes	818,624	-	818,624
Other taxes	1,024,680	720,854	1,745,534
Charges for services	-	2,881,907	2,881,907
Licenses and permits	243,283	-	243,283
Intergovernmental	1,139,279	1,825,047	2,964,326
Franchise fees	763,795	-	763,795
Fines and forfeitures	441,643	100,467	542,110
Interest revenue	40,982	1,047	42,029
Other revenues	530,348	1,816	532,164
Total revenues	11,904,714	5,531,138	17,435,852
Expenditures			
Current:			
General government	3,742,547	-	3,742,547
Judicial	681,027	-	681,027
Public safety	13,021,222	3,648,907	16,670,129
Public works	3,877,743	-	3,877,743
Parks and recreation	483,494	-	483,494
Housing and development	1,002,525	450,462	1,452,987
Debt service:			
Principal	272,867	-	272,867
Interest	20,171	-	20,171
Total expenditures	23,101,596	4,099,369	27,200,965
Excess (deficiency) of revenues over (under) expenditures	(11,196,882)	1,431,769	(9,765,113)
Other financing sources (uses)			
Transfers in	9,998,076	745,159	10,743,235
Transfers out	(8,455)	(815,299)	(823,754)
Capital leases	253,630	-	253,630
Proceeds from the sale of capital assets	13,016	-	13,016
Total other financing sources (uses)	10,256,267	(70,140)	10,186,127
Net change in fund balances	(940,615)	1,361,629	421,014
Fund balances, beginning of year	22,150,460	7,700,703	29,851,163
Fund balances, end of year	$ 21,209,845	$ 9,062,332	$ 30,272,177

The accompanying notes are an integral part of these financial statements.

CITY OF COVINGTON, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	421,014
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(292,806)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net assets.		(11,878)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		8,612
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		19,237
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		253,244
	$	397,423

The accompanying notes are an integral part of these financial statements.

CITY OF COVINGTON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Revenues:				
Property taxes	$ 4,708,369	$ 4,708,369	$ 4,869,885	$ 161,516
Sales taxes	2,060,000	2,060,000	2,032,195	(27,805)
Insurance premium taxes	700,000	700,000	818,624	118,624
Other taxes	1,057,000	1,057,000	1,024,680	(32,320)
Licenses and permits	198,650	198,650	243,283	44,633
Intergovernmental	2,169,000	2,169,000	1,139,279	(1,029,721)
Franchise fees	815,000	815,000	763,795	(51,205)
Fines and forfeitures	750,000	750,000	441,643	(308,357)
Interest revenue	25,000	25,000	40,982	15,982
Other revenues	462,700	608,500	530,348	(78,152)
Total revenues	12,945,719	13,091,519	11,904,714	(1,186,805)
Expenditures:				
Current:				
General government:				
Administrative services	1,914,182	2,093,888	1,966,224	127,664
Elected and appointed officials	340,083	367,054	366,744	310
Maintenance department	645,085	647,546	589,157	58,389
Purchasing	127,830	128,270	123,159	5,111
Personnel	580,977	581,826	525,227	56,599
Risk management	172,110	172,110	172,036	74
Total general government	3,780,267	3,990,694	3,742,547	248,147
Judicial	735,493	736,374	681,027	55,347
Public safety:				
Police	6,711,604	6,838,698	6,820,991	17,707
Fire	5,715,152	6,263,647	6,200,231	63,416
Total public safety	12,426,756	13,102,345	13,021,222	81,123
Public works:				
Highways and streets	3,360,123	3,298,994	2,154,570	1,144,424
Engineering	845,174	861,803	852,748	9,055
Facilities maintenance	637,264	693,252	661,927	31,325
Telecommunications	247,546	248,426	208,498	39,928
Total public works	5,090,107	5,102,475	3,877,743	1,224,732
Parks and recreation:				
Recreation	179,589	182,370	182,370	-
Cemetery and parks	346,045	362,765	301,124	61,641
Total parks and recreation	525,634	545,135	483,494	61,641
Housing and development:				
Planning and zoning	1,209,951	1,211,272	916,525	294,747
Mainstreet program	86,000	86,000	86,000	-
Total housing and development	1,295,951	1,297,272	1,002,525	294,747

(Continued)

CITY OF COVINGTON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final
	Original	Final	Actual	Budget
Expenditures (Continued):				
Current (Continued):				
Debt service:				
Principal	$ 347,852	$ 347,852	$ 272,867	$ 74,985
Interest	20,171	20,171	20,171	-
Total debt service	368,023	368,023	293,038	74,985
Total expenditures	24,222,231	25,142,318	23,101,596	2,040,722
Deficiency of revenues under expenditures	(11,276,512)	(12,050,799)	(11,196,882)	853,917
Other financing sources (uses)				
Transfers in	11,437,238	11,437,238	9,998,076	(1,439,162)
Transfers out	(145,080)	(145,080)	(8,455)	136,625
Capital leases	347,910	662,860	253,630	(409,230)
Proceeds from the sale of capital assets	-	-	13,016	13,016
Total other financing sources (uses)	11,640,068	11,955,018	10,256,267	(1,698,751)
Net change in fund balances	363,556	(95,781)	(940,615)	(844,834)
Fund balances, beginning of year	22,150,460	22,150,460	22,150,460	-
Fund balances, end of year	$ 22,514,016	$ 22,054,679	$ 21,209,845	$ (844,834)

The accompanying notes are an integral part of these financial statements.

CITY OF COVINGTON, GEORGIA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	Water and Sewer Utility Fund	Gas and Electric Utility Fund	Airport Fund	Nonmajor Enterprise Funds	Totals
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 4,830,193	$ 905,823	$ 100	$ 1,514,346	$ 7,250,462
Investments	-	52,814,637	-	-	52,814,637
Accounts receivable, net of allowances	1,628,296	8,138,455	7,221	1,315,775	11,089,747
Inventories	96,564	1,872,033	27,074	1,970	1,997,641
Prepaid expenses	8,304	82,490	1,104	6,227	98,125
Due from other governments	242,503	14,959	937,241	-	1,194,703
Restricted assets, cash	2,774,009	273,657	-	-	3,047,666
Total current assets	9,579,869	64,102,054	972,740	2,838,318	77,492,981
NONCURRENT ASSETS					
Capital assets:					
Nondepreciable	5,596,156	550,416	11,675,988	22,752	17,845,312
Depreciable, net of accumulated depreciation	37,727,824	15,666,358	11,852,120	4,258,430	69,504,732
Total noncurrent assets	43,323,980	16,216,774	23,528,108	4,281,182	87,350,044
Total assets	52,903,849	80,318,828	24,500,848	7,119,500	164,843,025
DEFERRED OUTFLOWS OF RESOURCES					
Pension	998,527	836,716	26,830	464,471	2,326,544
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	1,035,004	3,672,408	606,034	131,955	5,445,401
Accrued liabilities	269,980	381,311	22,569	110,011	783,871
Current portion - capital lease payable	-	326,387	-	-	326,387
Current portion - notes payable	142,864	-	-	-	142,864
Current portion - termination benefits	5,725	3,075	-	4,363	13,163
Customer deposits payable	-	1,454,185	-	-	1,454,185
Due to other funds	-	2,193,123	417,919	-	2,611,042
Unearned revenue	-	-	1,356	396,671	398,027
Payable from restricted assets:					
Revenue bonds payable, current portion	1,675,000	-	-	-	1,675,000
Total current liabilities	3,128,573	8,030,489	1,047,878	643,000	12,849,940
NONCURRENT LIABILITIES					
Revenue bonds payable, net of current portion	6,810,000	-	-	-	6,810,000
Notes payable, net of current portion	4,357,136	-	-	-	4,357,136
Capital lease payable, net of current portion	-	220,325	-	-	220,325
Termination benefits, net of current portion	2,863	1,538	-	1,681	6,082
Net pension liability	1,654,150	1,386,098	44,444	769,437	3,854,129
Advance from other funds	-	2,193,123	-	-	2,193,123
Total long-term liabilities	12,824,149	3,801,084	44,444	771,118	17,440,795
Total liabilities	15,952,722	11,831,573	1,092,322	1,414,118	30,290,735
NET POSITION					
Net investment in capital assets	30,338,980	15,670,062	23,528,108	4,281,182	73,818,332
Restricted for debt service	2,692,864	-	-	-	2,692,864
Unrestricted	4,917,810	53,653,909	(92,752)	1,888,671	60,367,638
Total net position	$ 37,949,654	$ 69,323,971	$ 23,435,356	$ 6,169,853	$ 136,878,834

The accompanying notes are an integral part of these financial statements.

CITY OF COVINGTON, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Water and Sewer Utility Fund	Gas and Electric Utility Fund	Airport Fund	Nonmajor Enterprise Funds	Totals
OPERATING REVENUES					
Charges for services	$ 12,163,621	$ 57,169,295	$ 385,913	$ 3,532,456	$ 73,251,285
Other services	26,187	967,938	90,475	37,355	1,121,955
Total operating revenues	12,189,808	58,137,233	476,388	3,569,811	74,373,240
OPERATING EXPENSES					
Personnel services	2,812,595	2,941,441	317,488	1,620,658	7,692,182
Water purchases	2,597,236	-	-	-	2,597,236
Purchased power	-	27,962,462	-	-	27,962,462
Natural gas purchases	-	7,418,640	-	-	7,418,640
Other costs of operations	2,760,434	2,873,640	392,634	1,628,116	7,654,824
Depreciation and amortization	1,845,817	1,036,693	286,954	269,400	3,438,864
Total operating expenses	10,016,082	42,232,876	997,076	3,518,174	56,764,208
Operating income (loss)	2,173,726	15,904,357	(520,688)	51,637	17,609,032
NON-OPERATING REVENUE (EXPENSES)					
Interest income	-	326,666	1	-	326,667
Interest expense	(204,362)	(10,819)	-	-	(215,181)
Total non-operating revenue (expenses)	(204,362)	315,847	1	-	111,486
Income (loss) before transfers and capital contributions	1,969,364	16,220,204	(520,687)	51,637	17,720,518
CAPITAL CONTRIBUTIONS	-	-	1,889,695	-	1,889,695
TRANSFERS					
Transfers in	-	750,424	1,296,565	163,123	2,210,112
Transfers out	-	(12,138,048)	-	-	(12,138,048)
Total transfers	-	(11,387,624)	1,296,565	163,123	(9,927,936)
Change in net position	1,969,364	4,832,580	2,665,573	214,760	9,682,277
NET POSITION, beginning of year	35,980,290	64,491,391	20,769,783	5,955,093	127,196,557
NET POSITION, end of year	$ 37,949,654	$ 69,323,971	$ 23,435,356	$ 6,169,853	$ 136,878,834

The accompanying notes are an integral part of these financial statements.

CITY OF COVINGTON, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Water and Sewer Utility Fund	Gas and Electric Utility Fund	Airport Fund	Nonmajor Enterprise Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 12,271,042	$ 56,876,764	$ 476,408	$ 3,571,321	$ 73,195,535
Payments to suppliers	(5,093,593)	(38,209,128)	394,395	(1,587,950)	(44,496,276)
Payments to employees	(2,921,109)	(3,027,600)	(313,755)	(1,657,843)	(7,920,307)
Net cash provided by (used in) operating activities	4,256,340	15,640,036	557,048	325,528	20,778,952
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out	-	(12,138,048)	-	-	(12,138,048)
Transfers in	-	750,424	1,296,565	163,123	2,210,112
Net cash provided by (used in) noncapital financing activities	-	(11,387,624)	1,296,565	163,123	(9,927,936)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	-	265,749	-	27,500	293,249
Acquisition and construction of capital assets	(3,783,494)	(1,741,196)	(2,893,626)	(327,354)	(8,745,670)
Proceeds from notes payable	1,499,566	-	-	-	1,499,566
Principal paid on bonds	(1,645,000)	-	-	-	(1,645,000)
Principal paid on capital lease	-	(321,531)	-	-	(321,531)
Capital contributions	-	-	1,031,721	-	1,031,721
Interest paid	(209,887)	(10,819)	-	-	(220,706)
Net cash used in capital and related financing activities	(4,138,815)	(1,807,797)	(1,861,905)	(299,854)	(8,108,371)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	-	(5,348,811)	-	-	(5,348,811)
Proceeds from the sale of investments	-	2,098,590	-	-	2,098,590
Interest and dividends received	-	783,958	1	-	783,959
Net cash provided by (used in) investing activities	-	(2,466,263)	1	-	(2,466,262)
Change in cash and cash equivalents	117,525	(21,648)	(8,291)	188,797	276,383
Cash and cash equivalents:					
Beginning of year	7,486,677	1,201,128	8,391	1,325,549	10,021,745
End of year	$ 7,604,202	$ 1,179,480	$ 100	$ 1,514,346	$ 10,298,128
Classified as:					
Cash and cash equivalents	$ 4,830,193	$ 905,823	$ 100	$ 1,514,346	$ 7,250,462
Restricted assets, cash	2,774,009	273,657	-	-	3,047,666
	$ 7,604,202	$ 1,179,480	$ 100	$ 1,514,346	$ 10,298,128

(Continued)

CITY OF COVINGTON, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Water and Sewer Utility Fund	Gas and Electric Utility Fund	Airport Fund	Nonmajor Enterprise Funds	Totals
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	$ 2,173,726	$ 15,904,357	$ (520,688)	$ 51,637	$ 17,609,032
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	1,845,817	1,036,693	286,954	269,400	3,438,864
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	14,333	(53,977)	(235)	(395,161)	(435,040)
Decrease in due from Newton County	309,404	-	-	-	309,404
(Increase) decrease in inventories	(8,441)	(178,207)	9,490	(1,970)	(179,128)
(Increase) decrease in prepaids and other assets	205	(720)	111	(123)	(527)
Increase in due from other governments	(242,503)	(10,220)	-	-	(252,723)
related to pension	(295,369)	(247,504)	(7,937)	(137,393)	(688,203)
Increase in accounts payable	191,486	182,483	359,509	42,259	775,737
Increase in accrued liabilities	55,125	23,868	5,805	5,384	90,182
Decrease in termination benefits	(5,725)	(3,375)	-	(6,712)	(15,812)
Increase in unearned revenues	-	-	255	396,671	396,926
Decrease in customer deposits	-	(64,858)	-	-	(64,858)
Decrease in deferred inflows of resources related to pension	(100,393)	(84,125)	(2,697)	(46,698)	(233,913)
Increase in net penson liability	318,675	267,035	8,562	148,234	742,506
Increase (decrease) in due to other funds and advances	-	(1,131,414)	417,919	-	(713,495)
Net cash provided by operating activities	$ 4,256,340	$ 15,640,036	$ 557,048	$ 325,528	$ 20,778,952
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Capital contributions not yet received	$ -	$ -	$ 857,974	$ -	$ 857,974
Capital asset additions contributed from other funds	16,475	-	(16,475)	-	-
Decrease in fair value of investments	-	(457,292)	-	-	(457,292)
	$ 16,475	$ (457,292)	$ 841,499	$ -	$ 400,682

The accompanying notes are an integral part of these financial statements.

CITY OF COVINGTON, GEORGIA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Agency Fund Impound Evidence	Pension Trust Fund
ASSETS		
Cash and cash equivalents	$ 208,306	$ 2,967,037
Receivables:		
Miscellaneous	-	35,794
Investments, at fair value:		
Certificates of deposit	-	1,076,254
Common stock	-	19,697,939
Governmental bonds	-	7,619,544
Corporate bonds	-	8,631,802
Total investments	-	37,025,539
Total assets	208,306	40,028,370
LIABILITIES		
Due to others	208,306	14,566
NET POSITION		
Net position restricted for pension benefits	$ -	$ 40,013,804

The accompanying notes are an integral part of these financial statements.

CITY OF COVINGTON, GEORGIA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Pension Trust Fund
Additions	
Contributions:	
Employer	$ 3,502,117
Total contributions	3,502,117
Investment income:	
Interest income	904,369
Net depreciation in fair value of investments	2,627,674
Total investment income	3,532,043
Total additions	7,034,160
Deductions	
Benefits paid	2,201,881
Administrative expenses	207,754
Total deductions	2,409,635
Net increase	4,624,525
Net position restricted for pension benefits:	
Beginning of year	35,389,279
End of year	$ 40,013,804

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Covington, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. The Financial Reporting Entity

The City was incorporated in 1822 and operates under a Council/Manager form of government. The City Manager is the head of the administrative branch of government. As such, she is responsible for the day-to-day operations of city government. The legislative authority of the City is vested in the Mayor and six (6) Council members with an appointed City Manager. The City provides the following services and operations as authorized by its charter: public safety (police and fire); public works; airport; culture and recreation; planning and zoning; general administrative services; and public utilities (water, sewer, stormwater, electric, gas, and solid waste). As required by generally accepted accounting principles, these financial statements present the primary government and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational and financial relationships with the City.

The **Parking Authority** has been included as a discretely presented component unit in the accompanying financial statements. The Parking Authority maintains the downtown parking area of the City. The City possesses the authority to review, approve, and revise the budget and governs collection and disbursement of funds. The governing body of the Authority is also appointed by the City. The Parking Authority is audited and included along with the primary government financial statements in accordance with Governmental Accounting Standards Board Statement No. 14, as amended by Statements No. 34 and 61. However, separate financial statements are not prepared.

The **Redevelopment Authority** has been included as a discretely presented component unit in the accompanying financial statements. The Redevelopment Authority was created to implement the City's Urban Redevelopment Plan. The City possesses the authority to review, approve, and revise the budget and governs collection and disbursement of funds. The governing body of the Redevelopment Authority is also appointed by the City. The Redevelopment Authority is audited and included along with the primary government financial statements in accordance with Governmental Accounting Standards Board Statement No. 14, as amended by Statements No. 34 and 61. However, separate financial statements are not prepared.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Financial Reporting Entity (Continued)

The **Airport Authority** has been included as a discretely presented component unit in the accompanying financial statements with a March 31, 2017 year-end. The Airport Authority was created to provide, operate, maintain, and develop a premier air transportation facility to serve Covington, Newton County and surrounding areas. The City possesses the authority to review, approve and revise the budget and governs collection and disbursement of funds. The governing body of the Airport Authority is appointed by the City. The Airport Authority is audited and included along with the primary government financial statements in accordance with Governmental Accounting Standards Board Statement No. 14, as amended by Statements No. 34 and 61. However, separate financial statements are not prepared.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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

Property taxes, sales taxes, franchise taxes, licenses, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The ***Water and Sewer Utility Fund*** accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The ***Gas and Electric Utility Fund*** accounts for the provision of electrical and gas services to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The ***Airport Fund*** accounts for the revenues and expenses for the operation of the City's airport. Funding is provided by City appropriations, user fees and intergovernmental grants.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Additionally, the City reports the following fund types:

The ***Special Revenue Funds*** account for revenue sources that are legally restricted to expenditure for specific purposes.

The ***Capital Projects Fund*** accounts for the acquisition of capital assets and construction or improvement of major capital projects such as construction of new roads.

The ***Agency Fund*** is used to account for the collection and disbursement of impounded monies collected by the City until directed for payout by court order.

The ***Pension Trust Fund*** is used to account for the activities of the City's Employee Retirement Plan, which accumulates resources for pension benefit payments to qualified City employees.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services provided. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting

The City followed these procedures in establishing the budgetary data reflected in the financial statements for the year ended June 30, 2017:

1. Budget requests are completed in March.

2. Proposed budgets are reviewed and prepared by the City Manager for submission to the Mayor and the City Council in May.

3. Public hearings on the proposed budget are held in June.

4. The budget is legally adopted by the Mayor and City Council prior to June 30.

5. All budget revisions or changes must be approved as required by Georgia law and administrative policy. Transfer of budgeted amounts in excess of $5,000 between departments requires the approval of the City Council. This is consistent with the legal level of budgetary control as the budget is adopted at the department level. Revisions that alter the total expenditures of any department or fund must be approved by the City Council. The City Council made several immaterial supplemental budget appropriations during the year.

6. Formal budgetary integration is employed as a management control device during the year for all the governmental funds and the enterprise funds. Budgets for the enterprise funds are prepared for planning and control purposes only.

7. Budgets for the governmental funds and the enterprise funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

E. Cash and Cash Equivalents

Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

For purposes of the statements of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Deposits and Investments

State statutes authorize the City to invest in obligations of the U.S. Government and agencies of corporations of the U.S. Government; obligations of any state; obligations of any political subdivision of any state; certificates of deposit; time deposits of any national state bank or savings and loans which have deposits insured by the FDIC or FSLIC; prime bankers' acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1"). The local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal ($1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on $1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the City's investment in the Georgia Fund 1 is reported at fair value. The City considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values. Increases or decreases in the fair value during the year are recognized as a component of interest income.

G. Inventory and Prepaid Items

Inventory in the proprietary funds is valued at the lower of cost or market. The City accounts for inventory on the purchase basis. Prepaid expenditures are accounted for using the consumption method. A prepaid expenditure is recognized when a cash expenditure is made for goods or services that were purchased for consumption, but not consumed as of June 30.

H. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" in the fund financial statements. Short-term interfund loans are classified as "interfund receivables/payables". Long-term interfund loans are classified as "advances".

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Grants from Other Governments

Federal and state governmental units represent an important source of supplementary funding used to finance housing, business development employment, construction programs, capital asset additions and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded in both governmental and proprietary funds. Grant contributions in the proprietary funds, which are for the purpose of construction activities, or land easement or capital asset acquisitions, are recorded as capital contributions within the statement of revenues and expenses. For all funds, a grant receivable is recorded when the City has a right to receive the related grant amounts.

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the City values these capital assets at the estimated fair value of the item at the date of its donation.

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the year ended June 30, 2017, no interest was capitalized.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Depreciation is provided on the straight-line method over the following estimated useful lives:

Governmental Assets	
Buildings and improvements	50 years
Furniture and fixtures	5 - 10 years
Machinery and equipment	5 - 25 years
Vehicles	10 years
Infrastructure	35 - 50 years
Business-type Assets	
Buildings and improvements	5 - 33 years
Furniture and fixtures	5 years
Machinery and equipment	3 - 25 years
Vehicles	5 - 10 years
Improvements other than buildings	5 - 50 years

K. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts and deferred charges are deferred and amortized over the life of the bonds using the straight-line method, which is not materially different than the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources

GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, establish accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City had three items that qualified for reporting in this category, all of which relate to the City's defined benefit pension plan. The City's difference between projected investment return on pension investments and actual return on those investments, as well as the net difference between expected and actual experience represent consumptions of resources and are amortized against pension expense over a five year period. Additionally, the City's pension contributions subsequent to the measurement date represent a consumption of net position which applies to the next fiscal year, thus is reported as a deferred outflow of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualified for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

M. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when the employees separate from service with the City. Therefore, all sick pay is expensed when incurred. However, the City does allow for employees to accumulate earned but unused vacation and compensatory time with such time being fully vested when earned. For the City's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- ***Nonspendable*** – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

- ***Restricted*** – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

- ***Committed*** – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by a formal action of the City Council through the adoption of a resolution. Only the City Council may modify or rescind the commitment.

- ***Assigned*** – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Through resolution, the City Council has authorized the City Manager or his or her or their designee to assign fund balances.

- ***Unassigned*** – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Equity (Continued)

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Restricted Assets

The Water and Sewer and the Gas and Electric Utility Funds, based on certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt.

P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Capital leases payable	$	(681,236)
Compensated absences		(860,274)
Termination benefits		(73,243)
Accrued interest payable		(3,204)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$	(1,617,957)

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	$	1,972,154
Depreciation expense		(2,264,960)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$	(292,806)

Another element of that reconciliation states that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds." The details of this difference are as follows:

Capital lease proceeds	$	(253,630)
Prinicpal payments - capital leases		272,867
Net adjustment to increase *net changes in fund balance - total governmental funds* to arrive at *changes in net position - governmental activities*	$	19,237

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." The details of this difference are as follows:

Compensated absences	$	(269,415)
Net pension liability and deferred outflows and inflows of resources related to pensions		467,699
Termination benefits		54,549
Accrued interest		411
Net adjustment to increase *net changes in fund balance - total governmental funds* to arrive at *changes in net position - governmental activities*	$	253,244

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2017, are summarized as follows:

As reported in the Statement of Net Position:		
Primary government		
Cash and cash equivalents	$	30,780,299
Investments		54,415,447
Restricted assets:		
Cash and cash equivalents		3,198,314
Agency Fund - cash and cash equivalents		208,306
Pension Trust Fund		
Cash and cash equivalents		2,967,037
Investments		37,025,539
Component Units - cash and cash equivalents		183,772
	$	128,778,714
Cash deposited with financial institutions	$	34,243,781
Certificates of deposit		3,137,330
Investment in Municipal Competitive Trust		52,771,254
Investment in U.S. Government Securities		647,922
Investment in Corporate Bonds		952,888
Pension Trust Fund investments		37,025,539
	$	128,778,714

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. At June 30, 2017, the City had the following investments:

		Investment Maturities (in Years)				
Investment Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**11 - 15**	**Rating**
Entity-wide:						
Municipal Competitive Trust - Short-term	$ 16,594,985	$ 16,594,985	$ -	$ -	$ -	NR
Municipal Competitive Trust - Intermediate	36,176,269	36,176,269	-	-	-	NR
Government bonds	547,461	-	547,461	-	-	AA+
Government bonds	100,461	-	100,461	-	-	AA
Corporate bonds	100,045	-	100,045	-	-	AA+
Corporate bonds	100,797	49,989	50,808	-	-	AA-
Corporate bonds	99,947	99,947	-	-	-	A+
Corporate bonds	152,128	-	152,128	-	-	A
Corporate bonds	299,848	100,250	199,598	-	-	A-
Corporate bonds	200,123	200,123	-	-	-	BBB+
Certificates of deposit	3,137,330	3,137,330	-	-	-	N/A
Subtotal	57,509,394	56,358,893	1,150,501	-	-	
Pension Trust Fund:						
Common stock	19,697,939	-	-	-	-	N/A
Government bonds	1,708,732	-	1,708,732	-	-	AAA
Government bonds	5,910,812	-	3,982,039	1,928,773	-	AA+
Corporate bonds	534,540	-	534,540	-	-	AAA
Corporate bonds	1,704,121	-	1,704,121	-	-	AA+
Corporate bonds	1,140,620	-	1,140,620	-	-	AA
Corporate bonds	987,020	-	-	987,020	-	AA-
Corporate bonds	511,055	-	511,055	-	-	A+
Corporate bonds	1,471,446	200,312	301,914	969,220	-	A
Corporate bonds	996,120	-	996,120	-	-	A-
Corporate bonds	480,000	-	-	480,000	-	BBB+
Corporate bonds	806,880	-	-	806,880	-	BBB
Certificates of deposit	1,076,254	1,076,254	-	-	-	N/A
Subtotal	37,025,539	1,276,566	10,879,141	5,171,893	-	
Total fair value	$ 94,534,933	$ 57,635,459	$ 12,029,642	$ 5,171,893	$ -	

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value Measurements. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of June 30, 2017:

Investment	Level 1	Level 2	Level 3	Fair Value
United States Treasuries	$ 100,172	$ -	$ -	$ 100,172
Commercial mortgage-backed securities	150,548	397,202	-	547,750
Corporate Bonds	601,271	351,617	-	952,888
Municipal Comptetive Trust	52,771,254	-	-	52,771,254
Total Investments by fair value level	$ 53,623,245	$ 748,819	$ -	$ 54,372,064

The United State Treasuries, Municipal Competitive Trust, and the Corporate Bonds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments. The investment in Corporate Bonds and the Commercial Mortgage Backed Securities classified as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2017, the City had no amounts exposed to custodial credit risk as uninsured and uncollateralized as defined by GASB pronouncements.

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Plan – Investments

The Employees' Retirement Plan (the "Plan") policy in regard to investments, including the allocation of invested assets, is established and may be amended by the City of Covington Pension Committee. The Plan is authorized to invest in obligations of the United States Treasury or its agencies and instrumentalities; collateralized mortgage obligations; asset and mortgage backed securities; taxable bonds that are obligations of any state and its agencies, instrumentalities, and political subdivisions; and in certificates of deposit of national or state banks that are fully insured or collateralized by United States obligations. Additionally, the Plan is authorized to invest in common stocks, money market instruments, and corporate bonds and debentures, which are not in default as to principal and interest.

The Plan's investment policy adopts the following asset allocation mix to achieve the lowest level of risk for the Plan: that the overall asset investment allocation mix includes various asset classes and investment management styles that, in total, are expected to offer the opportunity to diversify the portfolio in a manner consistent with the specified value in corporate stocks with an emphasis on high yield and dividend stocks. The fund shall not invest more than 55% of retirement system assets in equities.

As of June 30, 2017, the Plan had $37,025,539 invested in common stock, government bonds, corporate bonds, and certificates of deposits. Those investments are categorized by risk in the investments table previously disclosed in this footnote.

Credit Risk – It is the Plan's policy to limit investments in common or preferred stock of a corporation to those corporations listed on one or more of the recognized national stock exchanges in the United States of America. The policy also limits stock investments to not more than 3% of the assets of any fund in common or preferred stock of any one issuing corporation at the time of purchase. Domestic bonds are limited to those with ratings that meet or exceed investment grade as defined by Moody's or Standard & Poor's. U.S. Government Treasuries and Agency bonds are not classified by credit quality. Corporate equities and mutual funds invested in equities are also not classified by credit quality.

Concentration - On June 30, 2017, the Plan did not have debt or equity investments in any one organization which represented greater than 3% of plan fiduciary net position.

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Plan – Investments (Continued)

Interest Rate Risk – As of June 30, 2017, the Plan had $37,025,539 invested in the following types of investments as categorized by interest rate risk:

Investment Type	Fair Value	Weighted Average Maturity (years)
Common stock	$ 19,697,939	
Corporate bonds	8,631,802	5.14
Government bonds	7,619,544	5.22
Certificates of deposit	1,076,254	0.26
Total	$ 37,025,539	

Rate of Return - For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value Measurements. The Plan has the following recurring fair value measurements, broken into the fair value hierarchy, as of June 30, 2017:

Investment	Level 1	Level 2	Level 3	Fair Value
Corporate Equity Securities	$ 19,697,939	$ -	$ -	$ 19,697,939
United States Treasuries	1,708,732	-	-	1,708,732
Commercial mortgage-backed securities	928,683	4,982,129	-	5,910,812
Corporate Bonds	8,151,802	480,000	-	8,631,802
	$ 30,487,156	$ 5,462,129	$ -	$ 35,949,285

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

NOTE 4. RECEIVABLES

Accounts Receivable

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	General	Nonmajor Governmental	Water and Sewer	Gas and Electric
Receivables:				
Taxes	$ 255,624	$ 79,977	$ -	$ -
Accounts	242,509	510,134	1,690,468	8,449,440
Intergovernmental	338,511	357,224	242,503	14,959
Gross receivables	836,644	947,335	1,932,971	8,464,399
Less: allowance for uncollectibles	(212,352)	-	(62,172)	(310,985)
Net total receivables	$ 624,292	$ 947,335	$ 1,870,799	$ 8,153,414

	Airport	Nonmajor Enterprise	Total
Receivables:			
Taxes	$ -	$ -	$ 335,601
Accounts	9,588	2,068,573	12,970,712
Intergovernmental	937,241	-	1,890,438
Gross receivables	946,829	2,068,573	15,196,751
Less: allowance for uncollectibles	(2,367)	(752,798)	(1,340,674)
Net total receivables	$ 944,462	$ 1,315,775	$ 13,856,077

NOTE 4. RECEIVABLES (CONTINUED)

Property Taxes

Property taxes were levied on behalf of the City by Newton County on August 1, 2016 (Levy Date) based upon property values assessed as of January 1. The billings were mailed on August 25, 2016 and payable on or before December 20, 2016 for the fiscal year 2017 tax. Taxes not paid by January 1 are subject to property tax liens. Property tax revenues are recognized when levied to the extent they result in current receivables. The City does maintain an allowance for uncollectible property taxes. At June 30, 2017, the allowance for uncollectible property taxes was $204,983.

The tax rate levied during calendar year 2016 for the City's operations was 7.654 mills (mill equals $1 per thousand dollars of assessed value).

NOTE 5. LEGAL COMPLIANCE – BUDGETS

Excess Expenditures over Appropriations

For the year ended June 30, 2017, expenditures exceeded budget in the following department or function as follows:

Department or Function	Excess
Hotel/Motel Tax Fund	
Housing and development	$ 12,960

These over expenditures were funded by additional unanticipated revenues.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 2,500,143	$ -	$ -	$ -	$ 2,500,143
Construction in progress	52,390	82,431	-	-	134,821
Total capital assets, not being depreciated	2,552,533	82,431	-	-	2,634,964
Capital assets, being depreciated:					
Buildings and improvements	12,067,695	359,369	-	-	12,427,064
Machinery and equipment	9,275,545	441,101	(140,421)	-	9,576,225
Furniture and fixtures	146,731	9,990	(9,770)	-	146,951
Vehicles	4,962,516	794,907	(23,202)	-	5,734,221
Infrastructure	37,073,585	284,356	-	-	37,357,941
Total capital assets, being depreciated	63,526,072	1,889,723	(173,393)	-	65,242,402
Less accumulated depreciation for:					
Buildings and improvements	(3,858,152)	(260,380)	-	-	(4,118,532)
Machinery and equipment	(7,543,514)	(459,431)	140,421	-	(7,862,524)
Furniture and fixtures	(91,509)	(14,649)	1,953	-	(104,205)
Vehicles	(3,988,412)	(618,290)	19,141	-	(4,587,561)
Infrastructure	(17,404,230)	(912,210)	-	-	(18,316,440)
Total accumulated depreciation	(32,885,817)	(2,264,960)	161,515	-	(34,989,262)
Total capital assets, being depreciated, net	30,640,255	(375,237)	(11,878)	-	30,253,140
Governmental activities capital assets, net	$ 33,192,788	$ (292,806)	$ (11,878)	$ -	$ 32,888,104

NOTE 6. CAPITAL ASSETS (CONTINUED)

Primary Government (Continued):

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	$ 10,900,579	$ -	$ -	$ -	$ 10,900,579
Construction in progress	1,745,965	5,250,964	-	(52,196)	6,944,733
Total capital assets, not being depreciated	12,646,544	5,250,964	-	(52,196)	17,845,312
Capital assets, being depreciated:					
Buildings	2,695,500	41,066	-	-	2,736,566
Machinery and equipment	4,224,692	377,125	-	-	4,601,817
Vehicles	4,376,608	58,338	(36,504)	-	4,398,442
Intangibles	4,397,830	-	-	-	4,397,830
Improvements other than buildings	109,631,001	3,018,177	(326,308)	52,196	112,375,066
Total capital assets, being depreciated	125,325,631	3,494,706	(362,812)	52,196	128,509,721
Less accumulated depreciation for:					
Buildings	(2,379,596)	(33,988)	-	-	(2,413,584)
Machinery and equipment	(3,471,455)	(227,139)	-	-	(3,698,594)
Vehicles	(4,138,571)	(214,634)	36,504	-	(4,316,701)
Intangibles	(941,391)	(121,538)	-	-	(1,062,929)
Improvements other than buildings	(44,704,675)	(2,841,565)	33,059	-	(47,513,181)
Total accumulated depreciation	(55,635,688)	(3,438,864)	69,563	-	(59,004,989)
Total capital assets, being depreciated, net	69,689,943	55,842	(293,249)	52,196	69,504,732
Business-type activities capital assets, net	$ 82,336,487	$ 5,306,806	$ (293,249)	$ -	$ 87,350,044

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	$ 294,490
Public safety	837,458
Public works	1,075,341
Parks and recreation	4,874
Housing and development	52,797
Total depreciation expense - governmental activities	$ 2,264,960
Business-type activities:	
Water and sewer	$ 1,845,817
Gas and electric	1,036,693
Airport	286,954
Stormwater	203,892
Sanitation	65,508
Total depreciation expense - business-type activities	$ 3,438,864

NOTE 6. CAPITAL ASSETS (CONTINUED)

Component Units:

Parking Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 414,173	$ -	$ -	$ 414,173
Total capital assets, not being depreciated	414,173	-	-	414,173
Parking Authority assets, net	$ 414,173	$ -	$ -	$ 414,173

Redevelopment Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 349,725	$ -	$ -	$ 349,725
Total capital assets, not being depreciated	349,725	-	-	349,725
Capital assets, being depreciated:				
Buildings and improvements	50,454	-	-	50,454
Total capital assets, being depreciated	50,454	-	-	50,454
Less accumulated depreciation for:				
Buildings and improvements	(8,491)	(2,008)	-	(10,499)
Total accumulated depreciation	(8,491)	(2,008)	-	(10,499)
Total capital assets, being depreciated, net	41,963	(2,008)	-	39,955
Redevelopment Authority assets, net	$ 391,688	$ (2,008)	$ -	$ 389,680

NOTE 6. CAPITAL ASSETS (CONTINUED)

Component Units (Continued):

Airport Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	$ 363,620	$ -	$ -	$ 363,620
Total capital assets, being depreciated	363,620	-	-	363,620
Less accumulated depreciation for:				
Buildings and improvements	(22,726)	(9,091)	-	(31,817)
Total accumulated depreciation	(22,726)	(9,091)	-	(31,817)
Airport Authority assets, net	$ 340,894	$ (9,091)	$ -	$ 331,803

NOTE 7. LONG-TERM DEBT

Revenue Bonds

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. The City's Water and Sewer Fund's revenue bond outstanding at June 30, 2017 is as follows:

Description	Original Amount	Interest Rate	Due Date	Amount
2013 Revenue Refunding Bonds	$ 14,860,000	2.6%	2025	$ 8,485,000
				8,485,000
			Less current portion	(1,675,000)
				$ 6,810,000

NOTE 7. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued)

Revenue bond debt service requirements to maturity for the City's Water and Sewer Fund, including interest, are as follows:

Fiscal Year Payable	Total	Principal	Interest
2018	$ 1,832,539	$ 1,675,000	$ 157,539
2019	1,837,621	1,715,000	122,621
2020	1,515,280	1,425,000	90,280
2021	1,515,616	1,455,000	60,616
2022	1,515,334	1,485,000	30,334
2023 - 2025	748,437	730,000	18,437
	$ 8,964,827	$ 8,485,000	$ 479,827

Note Payable

The City has also incurred debt to the Georgia Environmental Facilities Authority for construction of various water and sewer system projects. This note is a construction line of credit agreement with a rate of 0.50% for $4,500,000. The City's line of credit outstanding at June 30, 2017 is as follows:

Purpose	Original Amount	Interest Rate	Due Date	Amount
GEFA Loan - DW 13-006	$ 4,500,000	0.50%	2038	$ 4,500,000
				4,500,000
			Less current maturities	(142,864)
				$ 4,357,136

Construction line of credit debt service requirements to maturity for the City's Water and Sewer Fund, including interest, are as follows:

Fiscal Year Payable	Total	Principal	Interest
2018	$ 157,656	$ 142,864	$ 14,792
2019	236,484	215,191	21,293
2020	236,485	216,270	20,215
2021	236,485	217,354	19,131
2022	236,485	218,443	18,042
2023 - 2027	1,182,421	1,108,745	73,676
2028 - 2032	1,182,422	1,136,808	45,614
2033 - 2037	1,182,422	1,165,580	16,842
2038	78,827	78,745	82
	$ 4,729,687	$ 4,500,000	$ 229,687

NOTE 7. LONG-TERM DEBT (CONTINUED)

Termination Benefits

From June 30, 2011 through December 31, 2013, the City offered its employees nearing retirement an early retirement incentive of $62.50 per month of service with the City. These amounts, if accepted, are to be paid out to the employees over 60 months. As of the end of the year, a total of 42 employees have taken this option and retired early. In accordance with GASB Statement No. 47, *Accounting for Termination Benefits*, the City has recorded the remaining liability owed to these retirees using the discounted present value of expected future benefit payments, including an assumption regarding no changes in future cost levels during the periods covered by the City's commitment to provide the benefits. At June 30, 2017, the City utilized a discount rate of 2% to record a total liability of $92,488.

Capital Leases

The City has entered into lease agreements with financial institutions as lessee for financing the construction of a new fire station, compressed natural gas fueling station and the purchase of police vehicles. The lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and have been recorded at the present value of the future minimum lease payment as of the date of their inception. The fire station and police vehicle leases are being serviced by General Fund payments with annual interest rates of 3.91% and 1.31%, respectively. The compressed natural gas fueling station construction lease is being serviced by Gas and Electric Fund payments with an annual interest rate of 1.50%.

The following is an analysis of capital assets leased under capital leases as of June 30, 2017:

Buildings	$	1,439,150
Vehicles		993,337
Infrastructure		1,623,546
Less accumulated depreciation		(984,622)
Carrying value	$	3,071,411

The City reported $247,107 in depreciation expense on the above leased assets as of June 30, 2017.

NOTE 7. LONG-TERM DEBT (CONTINUED)

Capital Leases (Continued)

The following is a schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, 2017:

Fiscal year ending	Governmental Activities	Business-type Activities
2018	$ 219,592	$ 332,350
2019	219,592	221,566
2020	219,592	-
2021	65,660	-
Total minimum lease payments	724,436	553,916
Less amount representing interest	(43,200)	(7,204)
Present value of future minimum lease payments	681,236	546,712
Less current maturities	(198,468)	(326,387)
	$ 482,768	$ 220,325

Changes in Long-Term Liabilities – Primary Government

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Governmental activities:					
Capital leases	$ 700,473	$ 253,630	$ (272,867)	$ 681,236	$ 198,468
Net pension liability	8,101,432	4,541,798	(2,608,609)	10,034,621	-
Compensated absences	590,859	435,268	(165,853)	860,274	182,437
Termination benefits	127,792	-	(54,549)	73,243	56,500
Governmental activities long-term liabilities	$ 9,520,556	$ 5,230,696	$ (3,101,878)	$ 11,649,374	$ 437,405
Business-type activities:					
Revenue bonds	$ 10,130,000	$ -	$ (1,645,000)	$ 8,485,000	$ 1,675,000
Notes payable	3,000,434	1,499,566	-	4,500,000	142,864
Capital lease	868,243	-	(321,531)	546,712	326,387
Net pension liability	3,111,623	1,744,427	(1,001,921)	3,854,129	-
Compensated absences	239,141	54,111	(38,748)	254,504	42,624
Termination benefits	35,057	-	(15,812)	19,245	13,163
Business-type activities long-term liabilities	$ 17,384,498	$ 3,298,104	$ (3,023,012)	$ 17,659,590	$ 2,200,038

NOTE 7. LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities – Primary Government (Continued)

For governmental activities, compensated absences are liquidated by the General Fund and the Emergency Telephone Fund. Termination benefits are liquidated by the General Fund. For governmental activities, pension liabilities are liquidated by the General Fund. For business-type activities, compensated absences and termination benefits are liquidated by the Water and Sewer Utility Fund, the Gas and Electric Utility Fund, and the Sanitation Fund.

Changes in Long-Term Liabilities – Airport Authority

Long-term liability activity for the Covington Municipal Airport Authority for the year ended March 31, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Airport Authority:					
Note payable	$ 330,619	$ -	$ (23,575)	$ 307,044	$ 24,233
Airport Authority long-term liabilities	$ 330,619	$ -	$ (23,575)	$ 307,044	$ 24,233

Airport Authority Note Payable

In January 2013, the Airport Authority borrowed $400,000 from Branch Banking and Trust pursuant to a note payable agreement. The proceeds are being used for the construction of new hangers at the Covington Municipal Airport. The note bears interest at a rate of 2.79% with an annual payment of $32,646. The note fully matures on August 23, 2027.

The annual payments as of March 31, 2017, are as follows:

Fiscal Year Payable	Total	Principal	Interest
2018	$ 32,800	$ 24,233	$ 8,567
2019	32,800	24,910	7,890
2020	32,799	25,604	7,195
2021	32,800	26,319	6,481
2022	32,800	27,053	5,747
2023 - 2027	161,998	147,016	14,982
2028	32,799	31,909	890
	$ 358,796	$ 307,044	$ 51,752

NOTE 8. PENSION PLAN

A. Plan Description

Plan Administration. The City of Covington maintains a noncontributory single-employer defined benefit pension plan, the City of Covington Employee's Retirement Plan (“the Plan"). The Plan is administered by an appointed Pension Review Committee as Trustee for the Plan in accordance with a Trust Agreement between the City of Covington and the Trustee. This committee is comprised of the City Manager, who serves as Chairman, the HR Director, the Finance Director and two appointees from the City Council. The City Council has appointed the Pension Review Committee as the corporate Trustee for the Plan and ZWJ Investment Counsel as the Investment Manager for the Plan. The City Council has appointed the City Manager as the Plan Administrator. Benefit provisions and contributions are established and may be amended by the City Council.

Plan Membership. As of June 30, 2016, the date of the most recent actuarial valuation, there were 573 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	166
Vested terminated employees not yet receiving benefits	192
Active employees	215
Total	573

Benefits Provided. The Plan covers all full-time employees of the City and the elected officials except those who elected to be a part of the City's defined contribution plan. Employees become eligible to participate in the Plan after one year of service and those employees hired prior to July 1, 2002 are fully vested after completion of four years of credited service and are entitled to a benefit computed as the sum of (i) 1.5% of their highest five year Average Earnings multiplied by their years of Total Credited Service through December 31, 2001, plus (ii) 2.5% of the average of their highest five-year Average Earnings multiplied by their years of Total Credited Service at retirement. Those employees hired after July 1, 2002 are fully vested after ten years of credited service and are entitled to a benefit computed as 2.0% of their Final Average Earnings multiplied by their years of Total Credited Service at retirement. Benefit provisions are established by statute and City ordinance. The Plan provides retirement, disability and death benefits to Plan members and beneficiaries. The Plan does not issue a stand-alone financial statement.

Contributions. The City is required to contribute all amounts necessary to fund the Plan, using the actuarial basis specified by the pension board. The funding policy for the Plan is to contribute an amount equal to or greater than the recommended contribution described below. Administrative costs of the Plan are financed through investment income.

NOTE 8. PENSION PLAN (CONTINUED)

A. Plan Description (Continued)

The actuarially determined contribution for the current year was determined as part of the June 30, 2016, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually and net of investment expenses, and (b) projected salary increases of 3.5% per year due to inflation and 1.5% per year for merit increases. The period and related method for amortizing the initial unfunded actuarial accrued liability is 40 years from 1983 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are open for this plan year.

B. Net Pension Liability of the City

The City's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5%
Salary increases	3.5%
Investment rate of return	7.5%

Mortality rates were based upon the 1994 GAR mortality table which uses separate rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience performed in 2009.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are: Fixed Income – 2.2% and Domestic Equities – 3%.

NOTE 8. PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability

Changes in the Net Pension Liability of the City. The changes in the components of the net pension liability of the City for the year ended June 30, 2017, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/16	$ 45,226,849	$ 34,013,794	$ 11,213,055
Changes for the year:			
Service cost	423,626	-	423,626
Interest	3,315,798	-	3,315,798
Experience differences	2,313,285	-	2,313,285
Contributions—employer	-	2,900,000	(2,900,000)
Contributions—employee	-	30,908	(30,908)
Net investment income	-	679,622	(679,622)
Benefit payments, including refunds of employee contributions	(2,032,437)	(2,032,437)	-
Administrative expense	-	(202,608)	202,608
Other changes	30,908	-	30,908
Net changes	4,051,180	1,375,485	2,675,695
Balances at 6/30/17	$ 49,278,029	$ 35,389,279	$ 13,888,750

The Plan's fiduciary net position as a percentage of the total pension liability 71.8%

The required schedule of changes in the City's net pension liability and related ratios immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total pension liability.

NOTE 8. PENSION PLAN (CONTINUED)

B. Net Pension Liability of the City (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the City, calculated using the discount rate of 7.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
$ 20,898,044	$ 13,888,750	$ 9,058,805

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2017 and the current sharing pattern of costs between employer and employee.

NOTE 8. PENSION PLAN (CONTINUED)

C. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of $2,823,560. At June 30, 2017, the City reported a deferred outflow and a deferred inflow of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 1,789,880
Net difference between expected and actual experience	3,092,027
City contributions subsequent to the measurement date	3,502,095
Total	$ 8,384,002

City contributions subsequent to the measurement date of $3,502,095 are reported as a deferred outflow of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. The remaining deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	$ 1,045,093
2018	1,045,093
2019	1,045,093
2020	1,045,093
2021	701,535
Total	$ 4,881,907

NOTE 9. DEFINED CONTRIBUTION PLANS

The City of Covington, Georgia Defined Contribution Retirement Plan is a defined contribution plan established by the City of Covington City Council to provide benefits for its full-time employees. This plan was originally adopted on July 1, 2011 and is set up under the provisions of the internal revenue code section 401(a). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one year of service from the date of employment. The plan as established by the City Council requires that the City contribute an amount equal to 4% of the employee's salary each month. Plan members are not required to make contributions. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. Benefit provisions and contribution requirements are established and may be amended by the City Council. The City contributed $178,030 in fiscal year 2017.

The City also offers its employees a choice of a deferred compensation plan (the City of Covington, Georgia 457 Plan) which is administered by Valic or Nationwide. The 457 plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. Employee's contributions are fully vested at the time of contribution. The deferred compensation under the 457 Plan is not available to employees until termination, retirement, death, or unforeseeable emergency. Benefit provisions and contributions are established and may be amended by the City Council. Additionally, the City matches 50% of employee contributions up to a maximum of 2%, which is contributed to the 401(a) plan. During the year ended June 30, 2017, City employees contributed $57,393 to the 457 plan.

Pursuant to Statement No. 32 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City does not have a fiduciary relationship with the Defined Contribution Plan or the 457 Plan. Accordingly, the balances and transactions of the City's plans are not reported in the City's financial statements.

NOTE 10. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances and advances as of June 30, 2017, are as follows:

Receivable Fund	Payable Fund	General Fund
General Fund	Gas and Electric Fund	$ 4,386,246
General Fund	Airport Fund	417,919
General Fund	Nonmajor Governmental Funds	10,187
Total		$ 4,814,352

Interfund receivables and payables result from timing differences related to payroll and other year-end transactions which normally clear within one to two months. Additionally, at June 30, 2017, the City's General Fund has advanced the Gas and Electric Fund $2,193,123 for various improvements which will be funded by future charges for services, which is included in the above total payable due to the general fund in the amount of $4,814,352.

NOTE 10. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Interfund transfers for the year ended June 30, 2017, consisted of the following:

	Transfer From			
Transfer To	General Fund	Gas and Electric Fund	Nonmajor Governmental	Total
General Fund	$ -	$ 9,933,201	$ 64,875	$ 9,998,076
Gas and Electric Fund	-	-	750,424	750,424
Airport Fund	-	1,296,565	-	1,296,565
Nonmajor Governmental	8,455	745,159	-	753,614
Nonmajor Enterprise	-	163,123	-	163,123
Total	$ 8,455	$ 12,138,048	$ 815,299	$ 12,961,802

Transfers are used to (1) move revenues from the fund that the statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 11. RELATED ORGANIZATION

The City's governing body is responsible for appointing a majority of the board members of the City of Covington Housing Authority. However, the City has no further accountability for this organization.

NOTE 12. HOTEL/MOTEL LODGING TAX

The City has levied an 8% lodging tax. For the year ended June 30, 2017, $720,854 of hotel/motel tax was collected. Of the total collected, 100% was used for the promotion of tourism within the City.

NOTE 13. JOINT VENTURES

Northeast Georgia Regional Commission

Under Georgia law, the City, in conjunction with other cities and counties in the northeast Georgia area, is a member of the Northeast Georgia Regional Commission (RC) and is required to pay annual dues thereto. During its year ended June 30, 2017, the City paid $13,667 in such dues. Membership in an RC is required by the Official Code of Georgia Annotated (OCGA), Section 50-8-34, which provides for the organizational structure of the RC in Georgia. The RC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RC. Separate financial statements may be obtained from: Northeast Georgia Regional Commission, 305 Research Dr., Athens, Georgia 30605.

NOTE 13. JOINT VENTURES (CONTINUED)

Industrial Development Park

For the purpose of encouraging and promoting the expansion and development of industrial and commercial facilities within the City, the City of Covington and Newton County entered into a joint agreement for the acquisition and development of an industrial park area. All revenues and expenditures are allocated on a 50/50 basis. The City's portion is included in the operations of the General Fund. Separate financial statements are not available.

Wastewater Treatment Facilities

The City and the Newton County Water and Sewerage Authority have entered into an agreement for the operations and maintenance of a wastewater land application facility. The City operates the land application system and receives reimbursement for a pro rata share of the operating expenses from the Newton County Water and Sewer Authority based upon their respective effluent discharge volumes. Separate financial statements may be obtained from: Newton County Water and Sewerage Authority, 11325 Brown Bridge Road, Covington, Georgia 30016.

Communication Center

The City operates a joint communication center (the “Center”) for police, fire and emergency medical services for the City of Covington and Newton County. The center is owned and managed by the City. The County has agreed to reimburse the City for 50% of all operating costs. County reimbursements are included in intergovernmental revenues of the Emergency 911 Fund. Computerized communication equipment and emergency 911 services equipment have been contributed equally by the City and the County. The Center also provides 911 and dispatching services to the cities of Porterdale and Oxford who reimburse the Center based on their percentage of calls for service.

NOTE 14. OTHER POST-EMPLOYMENT BENEFITS

The City’s Other Post-Employment Benefits (OPEB) plan provides health, dental, vision, and life AD&D insurances to all full-time employees if they retire on or after the age of 55 with five years of service. The plan is fully funded by the retiree for each benefit they have chosen to maintain. At June 30, 2017, there were 75 participants. There are no assets or liabilities of the plan, and the only expenses of the City are the implicit costs of the retirees being members of the plan, which are considered to be immaterial.

The City of Covington offers a Health Reimbursement Arrangement (HRA), held in a Voluntary Employee Benefits Association (VEBA), for employees and elected officials who retire from city service. The purpose of the HRA is to provide its retiring employees with coverage for medical expenses after early retirement (age 55) until the beginning of Medicare coverage (age 65). Disbursements made from the HRA will be paid tax-free for qualified medical expenses including medical insurance premiums, copays, deductibles or prescriptions which occur on or after the date of enrollment in the HRA.

NOTE 14. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

This plan is available to those full time employees 55 years or older with a retirement date beginning July 1, 2015 and who are fully vested in the Defined Benefit Plan (DB Plan) or Defined Contribution Plan (DC Plan) with a minimum of 5 years of full-time employment with the City. At June 30 2017, there were 13 participants.

NOTE 15. COMMITMENTS AND CONTINGENCIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorney, the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Agreements with the Municipal Electric Authority of Georgia

The Municipal Electric Authority of Georgia (MEAG) is a public corporation and an instrumentality of the State of Georgia created to supply electricity to local government electric distribution systems. As provided by state law, MEAG establishes rates and charges so as to produce revenues sufficient to cover its costs, including debt service, but it may not operate any of its projects for profit unless any such profits inure to the benefit of the public.

As of June 30, 2017, the City is an electric utility participant in MEAG and obligated to purchase all of its bulk power supply requirements from MEAG for a period not to exceed 50 years. The City has agreed to purchase all of its future power and energy requirements in excess of that received by the City through the Southeastern Power Administration at prices intended to cover the operating costs of the systems and to retire any debt incurred by the Authority. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each participating City has guaranteed a portion of the unpaid debt based on their individual entitlement shares of the output and services of generating units acquired or constructed by MEAG. In addition, in the event of discontinued service to a participant in default, the City would be obligated to purchase additional power subject to contractual limitations. Payments to MEAG are made monthly based on KWH usage. The total payments under these contracts amounted to $30,546,620 in 2017.

At June 30, 2017, the outstanding debt of MEAG was approximately $6.06 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately $317.16 million at June 30, 2017.

NOTE 15. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Agreements with the Municipal Gas Authority of Georgia

The City has entered into a contract for the purchase of wholesale natural gas supplies and related services with the Municipal Gas Authority of Georgia (MGAG) that requires the City to purchase all of its natural gas from MGAG. The gas supply contract with MGAG authorizes MGAG to establish rates and charges so as to produce revenues sufficient to cover its operating costs and retire its bonds issued to acquire long-term gas supplies for sale to its members, including the City. In the event that revenues are insufficient to cover all costs and retire bonds issued by MGAG, the City is obligated to pay its obligation share of the costs of the gas supply and related services MGAG provides to the City; costs include amounts equal to principal and interest on MGAG's bonds. These obligations, which extend through the year 2017, are general obligations of the City to which the City's full faith, credit and taxing powers are pledged. The City's obligation to MGAG for gas supply costs are based on MGAG's costs to provide such supply, including bonds issued to purchase long-term rights to bulk supply. Payments to MGAG are made monthly based on actual usage. The total payments under these contracts amounted to $7,418,639 in 2017.

At June 30, 2017, the outstanding debt of MGAG was approximately $231.3 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately $13.72 million at June 30, 2017.

Contractual Commitments

In addition to the liabilities enumerated in the balance sheet at June 30, 2017, the City has contractual commitments on uncompleted construction contracts of approximately $3,180,771.

NOTE 16. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City maintains commercial insurance coverage covering each of the above risks of loss. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the City. It is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed for workers' compensation claims up to a maximum claim of $400,000. The City does purchase commercial insurance for claims in excess of this amount for workers' compensation. As of June 30, 2017, the City has set aside approximately $1.49 million in reserves for potential future workers' compensation claims.

Settled claims in the past three years have not exceeded the coverages.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COVINGTON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30

	2017	2016	2015
Total pension liability			
Service cost	**$ 423,626**	$ 465,688	$ 434,472
Interest on total pension liability	**3,315,798**	3,019,622	2,904,711
Changes in experience differences	**2,313,285**	2,393,142	-
Benefit payments, including refunds of employee contributions	**(2,032,437)**	(1,925,160)	(1,688,917)
Other changes	**30,908**	49,360	-
Net change in total pension liability	**4,051,180**	4,002,652	1,650,266
Total pension liability - beginning	**45,226,849**	41,224,197	39,573,931
Total pension liability - ending (a)	**$ 49,278,029**	$ 45,226,849	$ 41,224,197
Plan fiduciary net position			
Contributions - employer	**$ 2,900,000**	$ 2,800,000	$ 2,400,000
Contributions - employee	**30,908**	49,360	246,088
Net investment income	**679,622**	1,142,698	3,528,041
Benefit payments, including refunds of member contributions	**(2,032,437)**	(1,925,160)	(1,688,917)
Administrative expenses	**(202,608)**	(246,954)	(243,045)
Net change in plan fiduciary net position	**1,375,485**	1,819,944	4,242,167
Plan fiduciary net position - beginning	**34,013,794**	32,193,850	27,951,683
Plan fiduciary net position - ending (b)	**$ 35,389,279**	$ 34,013,794	$ 32,193,850
City's net pension liability - ending (a) - (b)	**$ 13,888,750**	$ 11,213,055	$ 9,030,347
Plan fiduciary net position as a percentage of the total pension liability	**71.8%**	75.2%	78.1%
Covered-employee payroll	**$ 11,313,614**	$ 11,303,614	$ 11,018,519
Net pension liability as a percentage of covered-employee payroll	**122.8%**	99.2%	82.0%

Note to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF COVINGTON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF CITY CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30

	2017	2016	2015
Actuarially determined contribution	**$ 2,900,000**	$ 2,800,000	$ 2,400,000
Contributions in relation to the actuarially determined contribution	**2,900,000**	2,800,000	2,400,000
Contribution deficiency (excess)	**$ -**	$ -	$ -
Covered-employee payroll	**$ 11,313,614**	$ 11,303,614	$ 11,018,519
Contributions as a percentage of covered-employee payroll	**25.63%**	24.77%	21.78%

Notes to the Schedule:

(1) Actuarial Assumptions

Valuation Date	June 30, 2016
Cost Method	Entry Age Normal
Actuarial Asset Valuation Method	Market Value of Assets
Assumed Rate of Return on Investments	7.50%
Projected Salary Increases	3.50%
Cost-of-living Adjustment	N/A
Amortization Method	Level dollar for unfunded liability
Remaining Amortization Period	30 years (open)

(2) The schedule will present 10 years of information once it is accumulated.

CITY OF COVINGTON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF PENSION INVESTMENT RETURNS
FOR THE FISCAL YEAR ENDED JUNE 30

	2017	2016	2015
Annual money-weighted rate of return, net of investment expenses for the City's Pension Plan	**4.0%**	5.6%	12.5%

Note to the Schedule:

The schedule will present 10 years of information once it is accumulated.

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COMBINING STATEMENTS AND SCHEDULES

CITY OF COVINGTON, GEORGIA
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The **Emergency Telephone Fund** accounts for revenue sources and expenditures that are legally restricted to expenditures for the Emergency 911 system.

The **Hotel/Motel Tax Fund** accounts for the Hotel/Motel accommodation excise tax receipts and distributions. These funds are designated for the promotion of tourism and cultural development.

The **Confiscated Assets Fund** accounts for the collection and use of funds confiscated from convicted offenders.

The **Neighborhood Stabilization Fund** accounts for the revenues and expenditures of a federal and state grant focusing on neighborhood development.

The **Cemetery Trust Fund** is used to account for restricted funds to be used only for the annual maintenance of the City's cemetery.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The **SPLOST Fund** accounts for the capital projects within the City from resources provided by the 2005 and 2011 special Newton County 1% sales and use tax.

CITY OF COVINGTON, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue Funds				
	Emergency Telephone Fund	Hotel/ Motel Tax Fund	Confiscated Assets Fund	Neighborhood Stabilization Fund	Cemetery Trust Fund
ASSETS					
Cash and cash equivalents	$ 160,670	$ 1,785	$ 319,598	$ 47,758	$ 178,044
Taxes receivable	-	79,977	-	-	-
Accounts receivable	504,409	-	3,003	2,722	-
Due from other governments	-	-	-	-	-
Prepaid expenditures	31,213	-	-	-	-
Total assets	$ 696,292	$ 81,762	$ 322,601	$ 50,480	$ 178,044
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ 95,608	$ 81,581	$ -	$ -	$ -
Accrued liabilities	92,502	-	-	-	-
Due to other funds	-	181	-	10,005	-
Total liabilities	188,110	81,762	-	10,005	-
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	31,213	-	-	-	-
Restricted for:					
Law enforcement	476,969	-	322,601	-	-
Cemetery maintenance	-	-	-	-	178,044
Capital projects	-	-	-	-	-
Housing and development	-	-	-	40,475	-
Total fund balances	508,182	-	322,601	40,475	178,044
Total liabilities, deferred inflows of resources and fund balances	$ 696,292	$ 81,762	$ 322,601	$ 50,480	$ 178,044

Capital Projects SPLOST Fund	Totals
$ 7,655,806	$ 8,363,661
-	79,977
-	510,134
357,224	357,224
-	31,213
$ 8,013,030	$ 9,342,209
$ -	$ 177,189
-	92,502
-	10,186
-	279,877
-	31,213
-	799,570
-	178,044
8,013,030	8,013,030
-	40,475
8,013,030	9,062,332
$ 8,013,030	$ 9,342,209

CITY OF COVINGTON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Special Revenue Funds				
	Emergency Telephone Fund	Hotel/ Motel Tax Fund	Confiscated Assets Fund	Neighborhood Stabilization Fund	Cemetery Trust Fund
Revenues:					
Other taxes	$ -	$ 720,854	$ -	$ -	$ -
Charges for services	2,868,641	-	-	13,266	-
Intergovernmental	-	-	-	-	-
Fines and forfeitures	-	-	100,467	-	-
Interest revenue	-	-	9	-	1,038
Other revenues	-	-	-	1,816	-
Total revenues	2,868,641	720,854	100,476	15,082	1,038
Expenditures:					
Public safety	3,424,390	-	224,517	-	-
Housing and development	-	450,462	-		-
Total expenditures	3,424,390	450,462	224,517	-	-
Excess (deficiency) of revenues over (under) expenditures	(555,749)	270,392	(124,041)	15,082	1,038
Other financing sources (uses)					
Transfers in	745,159	-	-	-	-
Transfers out	-	(12,374)	-	-	-
Total other financing sources (uses)	745,159	(12,374)	-	-	-
Net change in fund balances	189,410	258,018	(124,041)	15,082	1,038
Fund balances (deficit), beginning of year	318,772	(258,018)	446,642	25,393	177,006
Fund balances, end of year	$ 508,182	$ -	$ 322,601	$ 40,475	$ 178,044

Capital Projects SPLOST Fund	Totals
$ -	$ 720,854
-	2,881,907
1,825,047	1,825,047
-	100,467
-	1,047
-	1,816
1,825,047	5,531,138
-	3,648,907
-	450,462
-	4,099,369
1,825,047	1,431,769
-	745,159
(802,925)	(815,299)
(802,925)	(70,140)
1,022,122	1,361,629
6,990,908	7,700,703
$ 8,013,030	$ 9,062,332

CITY OF COVINGTON, GEORGIA
EMERGENCY TELEPHONE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance
REVENUES				
Charges for services	$ 2,552,311	$ 2,614,311	$ 2,868,641	$ 254,330
EXPENDITURES				
Public safety	3,369,622	3,431,622	3,424,390	7,232
Total expenditures	3,369,622	3,431,622	3,424,390	7,232
Deficiency of revenues over expenditures	(817,311)	(817,311)	(555,749)	261,562
OTHER FINANCING SOURCES				
Transfers in	817,311	817,311	745,159	(72,152)
Total other financing sources	817,311	817,311	745,159	(72,152)
Net change in fund balances	-	-	189,410	189,410
FUND BALANCES, beginning of year	318,772	318,772	318,772	-
FUND BALANCES, end of year	$ 318,772	$ 318,772	$ 508,182	$ 189,410

CITY OF COVINGTON, GEORGIA
HOTEL/MOTEL TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance
REVENUES				
Other taxes	$ 700,003	$ 700,003	$ 720,854	$ 20,851
EXPENDITURES				
Housing and development	437,502	437,502	450,462	(12,960)
Total expenditures	437,502	437,502	450,462	(12,960)
Excess (deficiency) of revenues over (under) expenditures	262,501	262,501	270,392	7,891
OTHER FINANCING USES				
Transfers out	(262,501)	(262,501)	(12,374)	250,127
Total other financing uses	(262,501)	(262,501)	(12,374)	250,127
Net change in fund balances	-	-	258,018	258,018
FUND BALANCES (deficit), beginning of year	(258,018)	(258,018)	(258,018)	-
FUND BALANCES (deficit), end of year	$ (258,018)	$ (258,018)	$ -	$ 258,018

CITY OF COVINGTON, GEORGIA
CONFISCATED ASSETS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance
REVENUES				
Fines and forfeitures	$ 224,615	$ 224,615	$ 100,467	$ (124,148)
Interest	10	10	9	(1)
Other revenues	10	1	-	(1)
Total revenues	224,635	224,626	100,476	(124,150)
EXPENDITURES				
Public safety	224,626	224,626	224,517	109
Total expenditures	224,626	224,626	224,517	109
Net change in fund balances	9	-	(124,041)	(124,041)
FUND BALANCES, beginning of year	446,642	446,642	446,642	-
FUND BALANCES, end of year	$ 446,651	$ 446,642	$ 322,601	$ (124,041)

CITY OF COVINGTON, GEORGIA
NEIGHBORHOOD STABILIZATION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance
REVENUES				
Charges for services	$ -	$ 17,930	$ 13,266	$ (4,664)
Other revenues	-	-	1,816	1,816
Total revenues	-	17,930	15,082	(2,848)
Net change in fund balances	-	17,930	15,082	(2,848)
FUND BALANCES, beginning of year	25,393	25,393	25,393	-
FUND BALANCES, end of year	$ 25,393	$ 43,323	$ 40,475	$ (2,848)

CITY OF COVINGTON, GEORGIA
CEMETERY TRUST FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance
REVENUES				
Interest revenues	$ 200	$ 200	$ 1,038	$ 838
Total revenues	200	200	1,038	838
Net change in fund balances	200	200	1,038	838
FUND BALANCES, beginning of year	177,006	177,006	177,006	-
FUND BALANCES, end of year	$ 177,206	$ 177,206	$ 178,044	$ 838

CITY OF COVINGTON, GEORGIA

2005 SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Roads, streets, bridges and transportation improvements and equipment	$ 3,693,386	$ 3,693,386	$ 3,240,134	$ -	$ 3,240,134
	$ 3,693,386	$ 3,693,386	$ 3,240,134	$ -	$ 3,240,134

CITY OF COVINGTON, GEORGIA

2011 SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Airport improvements	$ 500,000	$ 500,000	$ -	$ 500,000	$ 500,000
Transportation projects	6,966,620	6,966,620	325,792	302,925	628,717
	$ 7,466,620	$ 7,466,620	$ 325,792	$ 802,925	$ 1,128,717

Note: The current year expenditures consisted of transfers to the General Fund and Gas and Electric Fund for partial funding of utilities relocation and an airport terminal, both of which are SPLOST approved projects.

CITY OF COVINGTON, GEORGIA
NONMAJOR ENTERPRISE FUNDS

Operations of enterprise funds are designed to be self-supporting.

The **Stormwater Utility Fund** accounts for revenues and expenses relating to the stormwater services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The **Sanitation Fund** is used to account for the financing, construction, operation and maintenance of the solid waste services provided to the residents of the City and some residents of Newton County. All activities necessary to provide such services are accounted for in this fund.

CITY OF COVINGTON, GEORGIA

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2017

	Stormwater Utility Fund	Sanitation Fund	Totals
ASSETS			
CURRENT ASSETS			
Cash	$ 1,508,643	$ 5,703	$ 1,514,346
Accounts receivable, net of allowances	933,140	382,635	1,315,775
Inventories	-	1,970	1,970
Prepaid expenses	415	5,812	6,227
Total current assets	2,442,198	396,120	2,838,318
NONCURRENT ASSETS			
Capital assets:			
Nondepreciable	9,750	13,002	22,752
Depreciable, net of accumulated depreciation	4,096,353	162,077	4,258,430
Total noncurrent assets	4,106,103	175,079	4,281,182
Total assets	6,548,301	571,199	7,119,500
DEFERRED OUTFLOWS OF RESOURCES			
Pension	103,961	360,510	464,471
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	12,880	119,075	131,955
Accrued liabilities	10,137	99,874	110,011
Current portion - termination benefits	-	4,363	4,363
Unearned revenue	396,671	-	396,671
Total current liabilities	419,688	223,312	643,000
LONG-TERM LIABILITIES			
Termination benefits, net of current portion	-	1,681	1,681
Net pension liability	172,221	597,216	769,437
Total long-term liabilities	172,221	598,897	771,118
Total liabilities	591,909	822,209	1,414,118
NET POSITION			
Investment in capital assets	4,106,103	175,079	4,281,182
Unrestricted	1,954,250	(65,579)	1,888,671
Total net position	$ 6,060,353	$ 109,500	$ 6,169,853

CITY OF COVINGTON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Stormwater Utility Fund	Sanitation Fund	Totals
OPERATING REVENUES			
Charges for services	$ 800,766	$ 2,731,690	$ 3,532,456
Other services	-	37,355	37,355
Total operating revenues	800,766	2,769,045	3,569,811
OPERATING EXPENSES			
Personnel services	204,201	1,416,457	1,620,658
Other costs of operations	100,110	1,528,006	1,628,116
Depreciation	203,892	65,508	269,400
Total operating expenses	508,203	3,009,971	3,518,174
Operating income (loss)	292,563	(240,926)	51,637
TRANSFERS			
Transfers in	-	163,123	163,123
Total transfers	-	163,123	163,123
Change in net position	292,563	(77,803)	214,760
NET POSITION, beginning of year	5,767,790	187,303	5,955,093
NET POSITION, end of year	$ 6,060,353	$ 109,500	$ 6,169,853

CITY OF COVINGTON, GEORGIA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Stormwater Utility Fund	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	$ 777,575	$ 2,793,746	$ 3,571,321
Payments to suppliers	(115,861)	(1,472,089)	(1,587,950)
Payments to employees	(209,743)	(1,448,100)	(1,657,843)
Net cash provided by (used in) operating activities	451,971	(126,443)	325,528
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	163,123	163,123
Net cash provided by noncapital financing activities	-	163,123	163,123
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the sale of capital assets	27,500	-	27,500
Acquisition and construction of capital assets	(296,377)	(30,977)	(327,354)
Net cash used in capital and related financing activities	(268,877)	(30,977)	(299,854)
Change in cash and cash equivalents	183,094	5,703	188,797
Cash and cash equivalents:			
Beginning of year	1,325,549	-	1,325,549
End of year	$ 1,508,643	$ 5,703	$ 1,514,346
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 292,563	$ (240,926)	$ 51,637
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	203,892	65,508	269,400
(Increase) decrease in accounts receivable	(419,862)	24,701	(395,161)
Increase in inventory	-	(1,970)	(1,970)
Increase (decrease) in prepaids and other assets	98	(221)	(123)
Increase in deferred outflows of resources related to pension	(30,752)	(106,641)	(137,393)
Increase (decrease) in accounts payable	(15,849)	58,108	42,259
Increase in accrued liabilities	2,483	2,901	5,384
Decrease in termination benefits	-	(6,712)	(6,712)
Increase in unearned revenue	396,671	-	396,671
Decrease in deferred inflows of resources related to pension	(10,452)	(36,246)	(46,698)
Increase in net pension liability	33,179	115,055	148,234
Net cash provided by (used in) operating activities	$ 451,971	$ (126,443)	$ 325,528

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COVINGTON
georgia

Statistical Section



View of Covington Square Park

STATISTICAL SECTION

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

Page

Financial Trends ..... 80 – 86

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity ..... 87 – 90

These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.

Debt Capacity ..... 91 – 93

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information ..... 94 – 96

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information ..... 97 – 100

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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CITY OF COVINGTON, GEORGIA

NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

(accrual basis of accounting)

(amounts expressed in thousands)

	2008 (1)	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Invested in capital assets net of related debt	$ 29,263	$ 28,623	$ 28,269	$ 28,031	$ 28,831	$ 30,692	$ 31,345	$ 33,435	$ 32,492	$ 32,207
Restricted	-	-	-	274	2,378	3,279	4,707	6,658	7,909	9,031
Unrestricted	23,446	27,494	27,875	27,951	26,722	24,995	25,221	19,365	16,816	16,407
Total governmental activities net position	52,709	56,117	56,144	56,256	57,931	58,966	61,273	59,458	57,217	57,645
Business-type activities										
Invested in capital assets, net of related debt	53,692	56,592	61,001	62,274	62,445	63,064	65,612	65,867	68,338	73,961
Restricted	2,138	2,170	49	45	137	206	790	750	925	2,550
Unrestricted	32,048	28,931	36,866	39,919	39,772	42,928	44,974	47,526	57,934	60,368
Total business-type activities net position	87,878	87,693	97,916	102,238	102,354	106,198	111,376	114,143	127,197	136,879
Primary government										
Invested in capital assets, net of related debt	82,955	85,215	89,270	90,305	91,276	93,756	96,957	99,302	100,830	106,168
Restricted	2,138	2,170	49	319	2,515	3,485	5,497	7,408	8,834	11,581
Unrestricted	55,494	56,425	64,741	67,870	66,494	67,923	70,195	66,891	74,750	76,775
Total primary government net position	$ 140,587	$ 143,810	$ 154,060	$ 158,494	$ 160,285	$ 165,164	$ 172,649	$ 173,601	$ 184,414	$ 194,524

(1) The City Council elected to change the City's fiscal year to June 30 in the current year. These statements present operations only for the six months 1/1/2008 through 6/30/2008.

CITY OF COVINGTON, GEORGIA

STATEMENT OF ACTIVITIES
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(amounts expressed in thousands)

	2008 (1)	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	$ 977	$ 2,452	$ 901	$ 1,170	$ 1,389	$ 2,223	$ 3,639	$ 3,121	$ 3,585	$ 3,737
Judicial	219	416	529	511	520	505	512	625	707	739
Public safety	5,851	11,997	12,285	12,532	12,609	12,805	14,129	13,982	16,161	16,503
Public works	2,111	3,308	3,123	3,567	3,198	3,574	3,386	3,377	4,286	3,763
Parks and recreation	218	468	483	486	503	505	435	138	285	457
Housing and development	573	1,025	1,431	1,146	1,217	2,959	1,480	1,485	1,783	1,431
Interest on long-term debt	42	64	66	59	53	44	38	34	26	20
Total governmental activities expenses	9,991	19,730	18,818	19,471	19,489	22,615	23,619	22,762	26,833	26,650
Business-type activities:										
Water and sewer	4,469	9,324	9,765	10,029	10,295	9,839	9,348	9,210	9,502	10,220
Gas	11,084	16,570	14,028	13,200	11,081	11,013	12,648	10,597	8,005	9,396
Electric	16,304	29,262	28,193	31,127	35,157	34,879	34,420	35,003	32,642	32,847
Stormwater	352	660	865	858	859	781	795	694	743	508
Cable TV	-	-		-	-	-	-	-	-	-
Sanitation	1,239	2,427	2,607	2,576	2,603	2,857	2,741	2,857	2,892	3,010
Telecommunications	-	-	-	-	-	-	-	-	-	-
Airport	68	122	195	1,284	1,058	1,020	1,113	1,024	994	997
Total business-type activities expenses	33,516	58,365	55,653	59,074	61,053	60,389	61,065	59,385	54,778	56,978
Total primary government expenses	43,507	78,095	74,471	78,545	80,542	83,004	84,684	82,147	81,611	83,628
Program Revenues										
Governmental activities:										
Charges for services:										
General government	285	584	578	539	630	1,005	1,077	936	668	774
Public safety	1,430	2,406	2,338	2,106	1,672	1,453	1,750	2,500	3,453	3,417
Operating grants and contributions	349	976	1,385	918	774	2,532	802	829	779	898
Capital grants and contributions	711	66	334	228	2,514	2,005	2,174	2,808	2,601	2,067
Total governmental activities program revenues	2,775	4,032	4,635	3,791	5,590	6,995	5,803	7,073	7,501	7,156
Business-type activities:										
Charges for services:										
Water and sewer	4,623	8,981	9,411	10,584	10,949	10,897	11,337	10,967	11,114	12,190
Gas	12,622	18,787	17,344	16,579	13,838	14,725	18,006	15,500	12,883	13,025
Electric	18,688	35,493	36,911	37,822	37,138	40,102	42,644	44,924	45,059	45,112
Stormwater	310	798	709	678	724	756	729	839	839	801
Cable TV	-	-	-	-	-	-	-	-	-	-
Sanitation	1,114	2,224	2,312	2,326	2,310	2,414	2,459	2,543	2,743	2,769
Telecommunications	-	-	-	-	-	-	-	-	-	-
Airport	10	15	13	326	584	514	468	421	403	476
Operating grants and contributions	82	364	2,759	993	870	2,069	120	261	512	-
Capital grants and contributions	-	-	100	-	443	-	87	-	-	1,889
Total business-type activities program revenues	37,449	66,662	69,559	69,308	66,856	71,477	75,850	75,455	73,553	76,262
Total primary government program revenues	40,224	70,694	74,194	73,099	72,446	78,472	81,653	82,528	81,054	83,418
Net (expense)/revenue										
Governmental activities	(7,216)	(15,698)	(14,183)	(15,680)	(13,899)	(15,620)	(17,816)	(15,689)	(19,332)	(19,494)
Business-type activities	3,933	8,297	13,906	10,234	5,803	11,088	14,785	16,070	18,775	19,284
Total primary government net expense	(3,283)	(7,401)	(277)	(5,446)	(8,096)	(4,532)	(3,031)	381	(557)	(210)

CITY OF COVINGTON, GEORGIA

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

(accrual basis of accounting)

(amounts expressed in thousands)

	2008 (1)	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	192	5,313	5,482	5,033	4,765	4,715	4,868	4,729	4,646	4,885
Sales taxes	1,000	1,778	1,827	1,750	2,004	2,000	1,942	2,012	1,981	2,032
Franchise fees	106	780	826	846	844	712	701	775	756	764
Insurance premium taxes	-	646	640	622	615	654	677	707	745	818
Other taxes	747	1,103	1,165	1,301	1,346	1,362	1,441	1,648	1,786	1,745
Unrestricted investment earnings	225	364	313	172	127	46	66	31	28	42
Gain on sale of capital assets	-	4	-	-	13	4	-	-	-	-
Transfers	1,282	9,118	3,957	6,068	5,860	7,162	10,428	11,081	7,149	9,617
Total governmental activities	3,552	19,106	14,210	15,792	15,574	16,655	20,123	20,983	17,091	19,903
Business-type activities:										
Unrestricted investment earnings (losses)	449	620	264	156	148	(118)	782	524	1,427	327
Gain on sale of capital assets (1)	-	16	10	-	25	36	39	6	-	-
Transfers	(1,282)	(9,118)	(3,957)	(6,068)	(5,860)	(7,162)	(10,428)	(11,081)	(7,149)	(9,928)
Total business-type activities	(833)	(8,482)	(3,683)	(5,912)	(5,687)	(7,244)	(9,607)	(10,551)	(5,722)	(9,601)
Total primary government	$ (564)	$ 3,223	$ 10,250	$ 4,434	$ 1,791	$ 4,879	$ 7,485	$ 10,813	$ 10,812	$ 10,092
Change in Net Assets										
Governmental activities	$ (3,664)	$ 3,408	$ 27	$ 112	$ 1,675	$ 1,035	$ 2,307	$ 5,294	$ (2,241)	$ 409
Business-type activities	3,100	(185)	10,223	4,322	116	3,844	5,178	5,519	13,053	9,683
Total primary government	$ (564)	$ 3,223	$ 10,250	$ 4,434	$ 1,791	$ 4,879	$ 7,485	$ 10,813	$ 10,812	$ 10,092

(1) The City Council elected to change the City's fiscal year to June 30 in the current year. These statements present operations only for the six months 1/1/2008 through 6/30/2008.

CITY OF COVINGTON, GEORGIA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year		Property Taxes	Sales Taxes	Hotel/ Motel Taxes	Alcoholic Beverage Taxes	Insurance Premium Taxes	Other Taxes (2)	Total
2008	(1)	$ 192	$ 1,000	$ 103	N/A	$ -	$ 644	$ 1,939
2009		5,313	1,778	185	563	646	355	8,840
2010		5,482	1,827	223	584	640	358	9,114
2011		5,033	1,750	378	537	622	386	8,706
2012		4,765	2,004	401	576	615	369	8,730
2013		4,715	2,000	431	573	654	358	8,731
2014		4,868	1,942	556	580	677	305	8,928
2015		4,729	2,012	639	591	707	418	9,096
2016		4,646	1,981	685	606	745	495	9,158
2017		4,885	2,032	721	572	818	452	9,480

(1) The City Council elected to change the City's fiscal year to June 30 in the current year.
These statements present operations only for the six months 1/1/2008 through 6/30/2008.

(2) Includes Alcoholic Beverage Taxes for fiscal years 2005 - 2008.

CITY OF COVINGTON, GEORGIA

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2008 (1)	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Reserved	$ 211	$ 3,050	$ 3,382	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved-designated	-	-	-	-	-	-	-	-	-	-
Unreserved	20,011	22,144	22,557	-	-	-	-	-	-	-
Non-spendable	-	-	-	2,785	3,469	2,906	3,556	3,315	3,242	2,778
Committed	-	-	-	11	164	234	225	233	258	-
Assigned	-	-	-	5,876	2,692	2,692	575	2,692	3,270	37
Unassigned	-	-	-	19,145	20,164	19,237	20,763	18,818	15,380	18,407
Total general fund	20,222	25,194	25,939	27,817	26,489	25,069	25,119	25,058	22,150	21,222
All other governmental funds										
Reserved	173	175	175	-	-	-	-	-	-	-
Unreserved, reported in:										
Special Revenue funds	753	(292)	612	-	-	-	-	-	-	-
Capital projects funds	-	-	126	-	-	-	-	-	-	-
Non-spendable	-	-	-	21	51	15	12	15	50	31
Restricted for:										
Law enforcement	-	-	-	-	-	-	-	-	716	800
Cemetery maintenance	-	-	-	175	176	176	176	177	177	178
Public safety	-	-	-	-	700	266	349	852	-	-
Housing and development	-	-	-	-	-	-	-	10	25	40
Capital projects	-	-	-	99	1,503	2,837	4,183	5,619	6,991	8,013
Unassigned	-	-	-	(389)	-	-	(10)	-	(258)	-
Total all other governmental funds	926	(117)	913	(94)	2,430	3,294	4,710	6,673	7,701	9,062
Total all governmental funds	$ 21,148	$ 25,077	$ 26,852	$ 27,723	$ 28,919	$ 28,363	$ 29,829	$ 31,731	$ 29,851	$ 30,284

(1) The City Council elected to change the City's fiscal year to June 30 in the current year. These statements present operations only for the six months 1/1/2008 through 6/30/2008.

CITY OF COVINGTON, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(amounts expressed in thousands)

	2008 (1)	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	$ 2,100	$ 8,899	$ 8,938	$ 8,715	$ 8,764	$ 8,953	$ 8,867	$ 9,069	$ 9,217	$ 9,466
Licenses and permits	122	167	144	151	192	155	153	230	188	243
Intergovernmental	1,116	1,099	1,719	1,146	3,289	4,535	2,975	3,637	3,380	2,964
Charges for services	1,111	961	1,912	1,311	1,198	1,064	1,145	1,005	2,909	2,882
Franchise fees	106	780	826	846	844	712	701	775	745	764
Fines and forfeitures	263	343	1,086	770	681	391	614	1,491	743	542
Interest earned	225	364	313	172	127	48	66	31	28	42
Miscellaneous	163	417	782	869	884	850	925	706	481	530
Total revenues	5,206	13,030	15,720	13,980	15,979	16,708	15,446	16,944	17,691	17,433
Expenditures										
General government	1,011	2,389	1,376	1,686	1,625	3,811	4,181	3,944	3,945	3,742
Judicial	221	415	528	507	519	503	517	626	704	681
Public safety	5,824	11,849	11,368	12,356	12,573	13,110	14,882	14,566	16,124	16,660
Public works	1,795	2,659	2,415	2,758	2,811	2,777	2,731	3,743	3,452	3,876
Parks and recreation	217	455	459	476	501	519	401	308	332	483
Housing and development	573	995	1,398	1,220	1,211	2,951	1,481	1,617	1,758	1,451
Capital outlay	-	-	337	189	1,112	424	609	979	7	-
Debt service:										
Principal retirement	40	82	197	220	278	288	392	373	381	273
Interest charges	42	49	69	62	57	47	41	35	28	20
Total expenditures	9,723	18,893	18,147	19,474	20,687	24,430	25,235	26,191	26,731	27,186
Excess (deficiency) of revenues over expenditures	(4,517)	(5,863)	(2,427)	(5,494)	(4,708)	(7,722)	(9,789)	(9,247)	(9,040)	(9,753)
Other financing sources (uses)										
Transfers in	1,374	11,004	6,602	8,345	7,266	7,243	10,533	11,201	10,153	10,743
Transfers out	(92)	(1,886)	(2,416)	(2,234)	(1,392)	(81)	(104)	(120)	(3,004)	(824)
Capital Leases	-	600	-	202	-	-	815	-	-	254
Proceeds from sale of capital assets	-	75	15	52	29	4	12	68	11	13
Total other financing sources (uses)	1,282	9,793	4,201	6,365	5,903	7,166	11,256	11,149	7,160	10,186
Net change in fund balances	$ (3,235)	$ 3,930	$ 1,774	$ 871	$ 1,195	$ (556)	$ 1,467	$ 1,902	$ (1,880)	$ 433
Debt service as a percentage of non-capital expenditures (2)	0.84%	0.69%	1.47%	1.45%	1.62%	1.37%	1.72%	1.56%	1.53%	1.08%

(1) The City Council elected to change the City's fiscal year to June 30 in the current year. These statements present operations only for the six months 1/1/2008 through 6/30/2008.

(2) Variation from prior years is due to the City subtracting debt service expenditures when calculating the ratio of total debt service as a percentage of non-capital expenditures.

CITY OF COVINGTON, GEORGIA

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year		Property Taxes	Sales Taxes	Hotel/ Motel Taxes	Alcoholic Beverage Taxes	Insurance Premium Taxes	Other Taxes	Total
2008	(1)	$ 191	$ 1,000	$ 103	N/A	$ -	$ 644	$ 1,938
2009		5,313	1,778	185	563	646	355	8,840
2010		5,308	1,825	223	584	640	358	8,938
2011		5,000	1,793	378	537	622	386	8,716
2012		4,798	2,004	401	576	615	369	8,763
2013		4,937	2,000	431	573	654	358	8,953
2014		4,807	1,942	556	580	677	305	8,867
2015		4,702	2,012	639	591	707	418	9,069
2016		4,702	2,012	685	606	- 707	495	9,207
2017		4,869	2,032	721	572	818	452	9,464

(1) The City Council elected to change the City's fiscal year to June 30 in the current year.
These statements present operations only for the six months 1/1/2008 through 6/30/2008.

CITY OF COVINGTON, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE - ALL TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(amounts expressed in thousands)

Fiscal Year	Tax Year	Real Property	Personal Property	Motor Vehicles	Other (1)	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2008	2007	$ 441,729	$ 264,973	$ 22,731	$ 877	$ 27,118	$ 703,192	$ 8	$ 1,825,775	40.00%
2009	2008	459,767	282,475	23,528	157	97,642	668,285	8.208	1,914,818	40.00%
2010	2009	448,632	345,727	23,851	372	84,933	733,649	8.208	2,046,455	40.00%
2011	2010	415,904	243,538	21,370	118	74,338	606,592	8.208	1,702,325	40.00%
2012	2011	389,108	254,237	21,740	116	77,187	588,014	8.208	1,663,003	40.00%
2013	2012	370,786	255,310	22,901	131	83,804	565,324	8.208	1,622,820	40.00%
2014	2013	352,139	261,590	23,720	82	83,145	554,386	8.208	1,593,828	40.00%
2015	2014	359,002	262,745	20,771	81	84,212	558,387	7.708	1,606,498	40.00%
2016	2015	369,539	285,215	16,077	169	95,080	575,920	7.654	1,677,500	40.00%
2017	2016	385,802	315,046	12,507	126	109,438	604,043	7.654	1,783,703	40.00%

Source: Newton County Tax Commissioner.

Note: Property in the County is reassessed annually. The County assesses property at 40% of its estimated actual value for all types of real and personal property. Tax rates are per $1,000 of assessed value.

(1) Includes mobile homes, heavy duty equipment, and timber.

CITY OF COVINGTON, GEORGIA

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
(Per $1,000 of Assessed Value)
LAST TEN FISCAL YEARS

Fiscal Year	Tax Year	City of Covington	Newton County	Newton Board of Education	Newton Ambulance Service	Newton Medical Center	State of Georgia	Total Direct & Overlapping Rates
2008	2007	8.208	9.730	19.210	0.451	1.200	0.25	39.049
2009	2008	8.208	9.730	19.210	0.451	1.200	0.25	39.049
2010	2009	8.208	9.730	19.210	0.451	1.200	0.25	39.049
2011	2010	8.208	10.910	21.000	0.451	1.200	0.25	42.019
2012	2011	8.208	10.910	21.073	0.451	1.200	0.25	42.092
2013	2012	8.208	10.910	21.900	0.451	1.200	0.20	42.869
2014	2013	8.208	11.540	21.900	0.451	1.200	0.15	43.449
2015	2014	7.708	11.225	20.450	0.451	1.200	0.10	41.134
2016	2015	7.654	12.990	20.000	0.451	N/A	0.10	41.195
2017	2016	7.654	12.990	20.000	0.451	N/A	0.00	41.095

Source: Georgia Department of Revenue.

CITY OF COVINGTON, GEORGIA

PRINCIPAL TAXPAYERS
CURRENT AND NINE YEARS AGO
(amounts expressed in thousands)

Taxpayer	Fiscal Year 2017 Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxes Levied	Fiscal Year 2008 Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxes Levied
SKC, Inc.	$ 52,264	1	8.65%	$ 296	$ 53,120	1	8.66%	$ 387
General Mills	38,609	2	6.39%	272	42,025	2	6.85%	326
CR Bard	46,019	3	7.62%	141	34,202	6	5.57%	124
Tenneco Plastics	31,556	4	5.22%	169	34,546	3	5.63%	191
Fiberco/Fibervision	25,918	5	4.29%	151	17,853	5	2.91%	125
Bellsouth/AT&T	20,916	6	3.46%	94	10,305	9	1.68%	42
Nisshinbo	20,056	7	3.32%	22	20,958	7	3.42%	41
Eric Zorn/Walmart	16,756	8	2.77%	74				
Saint - Gobain Desjondqueres	13,414	9	2.22%	67				
Michelin North America	10,550	10	1.75%	74				
Snapping Shoals EMC					21,391	4	3.49%	1
Georgia Power					15,320	8	2.50%	6
Gwinnett Industries					9,045	10	1.47%	74
	$ 276,058		45.69%	$ 1,360	$ 249,720		42.18%	$ 1,317

Source: Newton County Tax Commissioner.

CITY OF COVINGTON, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS
(amounts expressed in thousands)

Fiscal Year		Tax Year	Total Tax Levy (1)	Collected prior to or within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
2008	(2)	2007	$ 5,585	$ -	0.00%	$ -	$ -	0.00%
2009	(3)	2008	5,292	5,292	100.00%	N/A	5,292	100.00%
2010		2009	5,826	4,777	81.99%	157	4,934	84.69%
2011	(3)	2010	4,804	4,583	95.40%	221	4,804	100.00%
2012		2011	4,648	4,400	94.66%	212	4,612	99.23%
2013	(3)	2012	4,452	4,452	100.00%	N/A	4,452	100.00%
2014		2013	4,356	4,157	95.43%	148	4,305	98.83%
2015	(3)	2014	4,143	4,137	99.86%	6	4,143	100.00%
2016		2015	4,284	4,237	98.90%	14	4,251	99.23%
2017		2016	4,530	4,479	98.87%	51	4,530	100.00%

(1) Does not include motor vehicle taxes.

(2) The City Council elected to change the City's fiscal year to June 30 in the current year.
These statements present operations only for the six months 1/1/2008 through 6/30/2008.

(3) Variation for prior years is due to the City including penalties and interest. These amounts have since been reduced.

CITY OF COVINGTON, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities	Business-Type Activities				Total Primary Government	Per Capita (1)
	Capital Leases	Revenue Bonds	Notes Payable	Intergovernmental Agreement	Capital Leases		
2008	$ 1,294	$ 2,855	$ 17,552	$ 553	$ -	$ 22,254	N/A
2009	1,811	2,645	16,985	488	-	21,929	N/A
2010	1,615	2,425	16,014	418	-	20,472	$ 1,560
2011	1,597	2,195	15,006	345	-	19,143	1,445
2012	1,319	1,955	13,960	266	-	17,500	1,312
2013	1,031	16,570	-	183	-	17,784	1,322
2014	1,454	13,330	-	94	1,497	16,375	1,217
2015	1,081	11,740	1,766	-	1,185	15,772	1,172
2016	700	10,130	3,000	-	868	14,698	1,056
2017	682	8,485	4,500	-	547	14,214	1,017

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

(1) See the Demographic and Economic Statistics for population data.

CITY OF COVINGTON, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2017
(amounts expressed in thousands)

	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City of Covington (1)	Amount Applicable to City of Covington
Direct debt:			
City of Covington	$ 682	100.00%	$ 682
Total direct debt	682		682
Overlapping debt:			
Newton County Board of Education	40,385,000	27.95%	11,289,229
Newton County Board of Commissioners	-		-
Total overlapping debt	40,385,000		11,289,229
Total direct and overlapping debt	$ 40,385,682		$ 11,289,911

Sources: Newton County Board of Education and Newton County Tax Commissioner.

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

CITY OF COVINGTON, GEORGIA

LEGAL DEBT MARGIN INFORMATION
LAST TEN TAX YEARS
(amounts expressed in thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	$ 73,031	$ 86,357	$ 81,859	$ 68,093	$ 66,520	$ 64,913	$ 63,753	$ 64,260	$ 67,100	$ 71,348
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	$ 73,031	$ 86,357	$ 81,859	$ 68,093	$ 66,520	$ 64,913	$ 63,753	$ 64,260	$ 67,100	$ 71,348
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for Taxable Year 2016

Assessed value	$ 604,044
Plus exempt property	109,438
Total assessed value	713,482
Debt limit (10% of total assessed value)	71,348
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	-
Legal debt margin (in thousands)	$ 71,348

CITY OF COVINGTON, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS (1)
LAST TEN YEARS

Fiscal Year	Population (1)	Median Household Income (1)	Per Capita Personal Income (3)	Median Age (1)	Percentage of Population Age 25 and Older with Greater than 12 Years of Formal Schooling (1)	School Enrollment (2)	Unemployment Rate (3)
2006	N/A	N/A	N/A	N/A	N/A	N/A	6.0%
2007	N/A	N/A	N/A	N/A	N/A	N/A	5.3%
2010	13,126	$ 31,997	$ 24,318	34.7	N/A	N/A	12.1%
2011	13,244	31,997	24,720	34.7	N/A	N/A	12.1%
2012	13,335	31,997	25,830	34.7	N/A	N/A	11.8%
2013	13,452	33,786	26,347	34.9	71.8%	N/A	10.1%
2014	13,452	33,786	26,398	34.9	71.8%	19,522	9.1%
2015	13,452	33,786	26,398	34.9	71.8%	19,651	7.0%
2016	13,916	32,171	28,920	37.4	71.6%	19,709	6.2%
2017	13,977	36,678	30,144	40.0	77.8%	19,664	5.7%

(1) Source: U.S. Census Bureau - American Fact Finder.
Median Household Income for 2011 and 2012 is based on 2010 which is from census information.
Median Household Income for 2014 and 2015 is based on 2013 which is from census information.

(2) Source: Newton County Board of Education and includes enrollment county-wide.

(3) Source: Georgia Department of Labor - Newton County at December 31 prior year for fiscal 2008 - 2016.
Data for 2017 is from Federal Reserve Economic Data for Newton County at June 30, 2017 (per capital income has not been updated).

CITY OF COVINGTON, GEORGIA

PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO

Employer	2017 Fiscal Year			2016 Fiscal Year		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Newton County Board of Education (County-Wide)	2,634	1	16.35%	2,601	1	N/A
Newton County Board of Commissioners	630	2	3.91%	610	2	N/A
Piedmont Newton Hospital, Inc.	923	3	5.73%	555	3	N/A
C.R. Bard Purchasing Operation	440	4	2.73%	403	4	N/A
General Mills	360	5	2.23%	369	5	N/A
Pactiv	360	6	2.08%	323	7	N/A
City of Covington	335	7	2.23%	338	6	N/A
Nisshinbo Automotive Manufacturing, Inc.	274	8	1.57%	276	9	N/A
SKC, Inc.	253	9	1.70%	296	8	N/A
Walmart	236	10	1.47%	251	10	N/A
	6,445		40.01%	6,022		N/A

Note: Information for 2008-2015 was not readily available.

Source: City of Covington Business Licenses, Newton County Board of Education, and Newton County Board of Commissioners.

CITY OF COVINGTON, GEORGIA

FULL-TIME CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function										
General Government	N/A	N/A	35	34	34	36	35	36	36	36
Judicial	N/A	N/A	4	4	4	4	4	4	4	4
Public Safety										
Police										
Officers	N/A	N/A	55	51	52	54	54	55	57	57
Civilians	N/A	N/A	9	10	10	10	10	10	10	10
Fire										
Firefighters/EMTs	N/A	N/A	54	52	52	52	53	54	54	54
Civilians	N/A	N/A	1	1	1	1	1	1	1	1
E-911 Communications	N/A	N/A	24	23	24	21	28	32	32	33
Public Works	N/A	N/A	123	119	122	125	124	125	126	126
Culture & Recreation	N/A	N/A	6	5	6	5	3	3	3	3
Housing and development	N/A	N/A	14	11	11	11	11	11	12	12
Total Budgeted Positions	N/A	N/A	325	310	316	319	323	331	335	336

Source: City of Covington Human Resources Department.

CITY OF COVINGTON, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Administration										
Court cases closed (1)	3,128	2,458	4,185	3,905	4,339	2,879	2,461	3,531	4,766	4,293
Purchase orders processed	N/A	3,830	3,612	3,104	3,443	3,189	3,386	3,175	3,403	3,728
Accounts payable checks processed	N/A	N/A	N/A	N/A	5,550	5,409	5,488	5,544	5,620	5,371
Servers/PCs/laptops/etc. maintained	N/A	N/A	N/A	N/A	N/A	N/A	226	216	231	289
Total business licenses issued	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,496	1,932	1,173
New business licenses issued	N/A	N/A	N/A	N/A	178	N/A	246	210	216	203
Public Safety - Police										
Total calls for service (1)	25,075	22,398	23,797	24,820	28,256	32,228	33,011	37,414	39,146	36,429
Total crimes (1)	N/A	1,420	1,602	1,126	1,330	1,418	1,414	1,631	2,584	2,755
Traffic citations issued (1)	N/A	933	2,766	4,350	3,993	2,297	2,408	3,820	4,015	4,096
Traffic accidents investigated (1)	N/A	1,216	1,140	1,172	1,099	1,085	1,035	1,127	1,215	1,244
Servers/PCs/laptops/etc. maintained	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	178	188
Public Safety - Fire										
Number of calls answered	1,873	1,738	1,913	2,087	2,203	2,328	2,729	2,565	3,239	2,895
Highways and streets										
Vehicles and equipment maintained (2)	N/A	N/A	N/A	N/A	N/A	N/A	572	592	569	304
Miles of new street construction	0.00	0.00	0.00	0.00	0.00	0.00	0.16	0.00	0.00	0.00
Miles of streets resurfaced	0.91	1.48	0.33	3.71	0.41	0.29	3.30	2.46	3.75	1.50
Wastewater										
Sewer average daily flows in thousand gallons (1)	1,552	1,265	1,744	2,084	1,710	1,684	2,108	2,026	2,221	2,049
Number of sewer customers	N/A	N/A	N/A	N/A	6,329	6,398	6,511	6,659	6,734	6,834
Water										
Water average daily consumption in thousand gallons (1)	3,251	3,397	3,104	3,173	2,913	3,303	3,132	2,981	3,045	3,361
Number of water customers	N/A	N/A	N/A	N/A	7,791	7,871	7,988	8,148	8,210	8,303
Electric										
Electricity sold in thousand kilowatt hours	N/A	N/A	N/A	N/A	556,755	688,417	673,423	425,097	439,621	415,719
Number of electric customers	N/A	N/A	N/A	N/A	11,266	11,346	11,412	11,530	11,707	11,783
Gas										
Gas sold in thousand cubic feet	N/A	N/A	N/A	N/A	1,841,118	1,927,957	1,753,512	1,949,395	1,996,645	1,959,768
Number of gas customers	N/A	N/A	N/A	N/A	8,210	8,212	8,279	8,489	8,389	8,431
Sanitation										
Tons of residential waste landfilled	N/A	N/A	N/A	N/A	N/A	14,855	14,511	14,164	18,380	18,758
Number of residential solid waste customers	N/A	N/A	N/A	N/A	5,597	5,678	5,719	5,799	5,905	5,934
Stormwater										
Number of stormwater customers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	4,807	4,825	4,832

CITY OF COVINGTON, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Parks and recreation										
Parks maintained (acres)	15.75	15.75	15.75	15.75	15.75	15.75	15.75	15.75	15.75	15.75
Walking trail maintained (miles)	-	-	-	-	-	2.50	2.50	2.50	2.50	2.50
Housing and development										
Building permits	N/A	N/A	N/A	78	215	209	171	266	345	443

N/A: Information is not available.

Source: Various City Departments.

(1) Data is collected on a calendar year basis only. For example, calendar year 2014 data is reported as fiscal year 2015.

(2) In 2017, the City reviewed fleet records and corrected classification and duplication errors.

CITY OF COVINGTON, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety - Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	N/A	N/A	N/A	N/A	N/A	N/A	76	77	75	80
Public Safety - Fire										
Fire stations	2	2	2	2	2	2	2	2	2	2
Fire apparatus	N/A	N/A	N/A	N/A	N/A	N/A	10	9	6	6
Fire vehicles	N/A	N/A	N/A	N/A	N/A	N/A	10	10	12	11
Highways and streets										
Miles of streets	96.00	96.00	96.00	96.00	96.00	96.00	96.16	96.16	96.16	97.39
Wastewater										
Sewage treatment facilities	1	1	1	1	1	1	1	1	1	1
Miles of sanitary sewers	N/A	N/A	N/A	N/A	N/A	N/A	140	140	140	146
Miles of storm water pipe	N/A	N/A	N/A	N/A	N/A	N/A	N/A	91.25	91.67	91.50

CITY OF COVINGTON, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS (CONTINUED)

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Water										
Water treatment facilities (1)	2	2	2	2	2	2	2	2	2	2
Miles of water mains	N/A	N/A	N/A	N/A	N/A	N/A	180	180	180	144
Electric										
Miles of electric lines (3)	284	285	285	290	290	290	290	290	291	553
Gas										
Miles of gas lines	313	313	315	317	317	318	322	322	322	296
Sanitation										
Number of sanitation trucks (4)	N/A	N/A	N/A	N/A	N/A	N/A	3	3	4	14
Airport										
Feet of runway	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Parks and recreation										
Number of parks (2)	8	8	8	8	8	8	8	8	8	8
Parks acreage	436	436	436	436	436	436	436	436	436	436
Miles of walking trails	-	-	-	-	-	2.5	2.5	2.5	2.5	2.5
Cemeteries	2	2	2	2	2	2	2	2	2	2

Source: Various City Departments.

(1) Water Treatment Plants are owned by Newton County and partially operated by City of Covington personnel.

(2) Two of the City owned parks are maintained by Newton County.

(3) In 2017, the City began reporting total miles of electric lines including overhead primary, secondary and service conductor, as well as underground. Previously, the City had only been reporting overhead primary and secondary conductor.

(4) In 2017, the City reviewed fleet records and corrected classification and duplication errors. From 2014 - 2016, the number of sanitation trucks represented light-duty trucks only. Going forward, this number will represent refuse collection trucks.

COVINGTON
georgia

Compliance Section



MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Covington, Georgia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Covington, Georgia's basic financial statements, and have issued our report thereon dated November 15, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macon, Georgia
November 15, 2017

Mauldin & Jenkins, LLC

MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance For Each Major Federal Program

We have audited the City of Covington, Georgia's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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'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 of our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Macon, Georgia
November 15, 2017

Mauldin & Jenkins, LLC

CITY OF COVINGTON, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Identification Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Justice				
Direct Award				
Equitable Sharing Program	16.922	N/A	$ 207,671	$ -
Total U.S. Department of Justice			207,671	-
U.S. Department of Transportation				
(Passed through Georgia Department of Transportation)				
Airport Improvement Program	20.106	T005979-AP017-9031-21(217)	748,448	-
Total U.S. Department of Transportation			748,448	-
Environmental Protection Agency				
(Passed through Georgia Environmental Finance Authority)				
Capitalization Grants for Drinking Water State Revolving Loan Funds	66.468	DWSRF 13-006	1,194,589	-
Total Environmental Protection Agency			1,194,589	-
U.S. Department of Energy				
(Passed through Georgia Environmental Finance Authority)				
Energy Efficiency and Conservation Block Grant Program	81.128	ECCBG-LOCGOV2010-116	39,199	-
Total U.S. Department of Energy			39,199	-
Total Expenditures of Federal Awards			$ 2,189,907	$ -

CITY OF COVINGTON, GEORGIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Schedule of Expenditures of Federal Awards is prepared using the modified accrual basis of accounting.

Measurement Focus

The determination of when an award is expended is based on when the activity related to the award occurred.

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding $750,000. The threshold of $750,000 was used in distinguishing between Type A and Type B programs.

Method of Major Program Selection

The risk based approach was used in the selection of federal programs to be tested as major programs. The City did qualify as a low-risk auditee for the fiscal year ended June 30, 2017.

De-Minimis Indirect Cost Rate

During 2017, the City did not use the de-minimis indirect cost rate.

CITY OF COVINGTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	____Yes __X__ No
Significant deficiencies identified not considered to be material weaknesses?	____Yes __X__ None Reported
Noncompliance material to financial statements noted?	____Yes __X__ No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	____Yes __X__ No
Significant deficiencies identified not considered to be material weaknesses?	____Yes __X__ None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	____Yes __X__ No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
66.468	Capital Grants for Drinking Water State Revolving Loan Funds

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	__X__ Yes ____ No

CITY OF COVINGTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF COVINGTON, GEORGIA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

STATUS OF PRIOR YEAR AUDIT FINDINGS

2016-001 Undercollateralization of City Deposits

Criteria: The Official Code of Georgia (OCGA) Section 45-8-12(c) requires all depositories of public funds to pledge securities of not less than 110% of the uninsured deposited public funds.

Condition: For the year ended June 30, 2016, the City's deposits with the Bank of the Ozarks were not properly collateralized.

Context: The above financial institution holding the deposits of the City did not pledge sufficient collateral for the City's deposits to comply with state law.

Effect: The City's total deposits in excess of depository insurance were not properly collateralized, allowing for the possibility of loss of assets if the financial institution were to become insolvent.

Cause: See above context.

Status: Corrected.

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