

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year Ended
June 30, 2020



CITY OF COVINGTON, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2020

Prepared by:

Finance Department

Submitted by:

Dr. Scott Andrews

City Manager

CITY OF COVINGTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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Introductory Section





2194 EMORY STREET N.W. * P.O. Box 1527
COVINGTON, GEORGIA 30015

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

Steve Horton, Mayor
Scott Andrews, City Manager

December 30, 2020

Honorable Steve Horton, 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, 2020, is hereby submitted as mandated by both local ordinance and state statutes. These ordinances and statutes require the City of Covington to 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 unmodified ("clean") opinion on the City of Covington's financial statements for the year ended June 30, 2020. 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 complement 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 198 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; air transport facilities; public works; court system services; the construction and maintenance of recreational pathways, streets and infrastructure; planning and zoning; building inspections; recreational activities and cultural events; electric, gas, water and sewer utilities; and, 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 Chessie Seaboard Railroad ("CSX"), 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 6,000 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, 2020.

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

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 third 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 fourth 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 years 2016, 2017, 2018 and 2019.

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,

A handwritten signature in black ink that reads "S. Andrews". The signature is written in a cursive, flowing style.

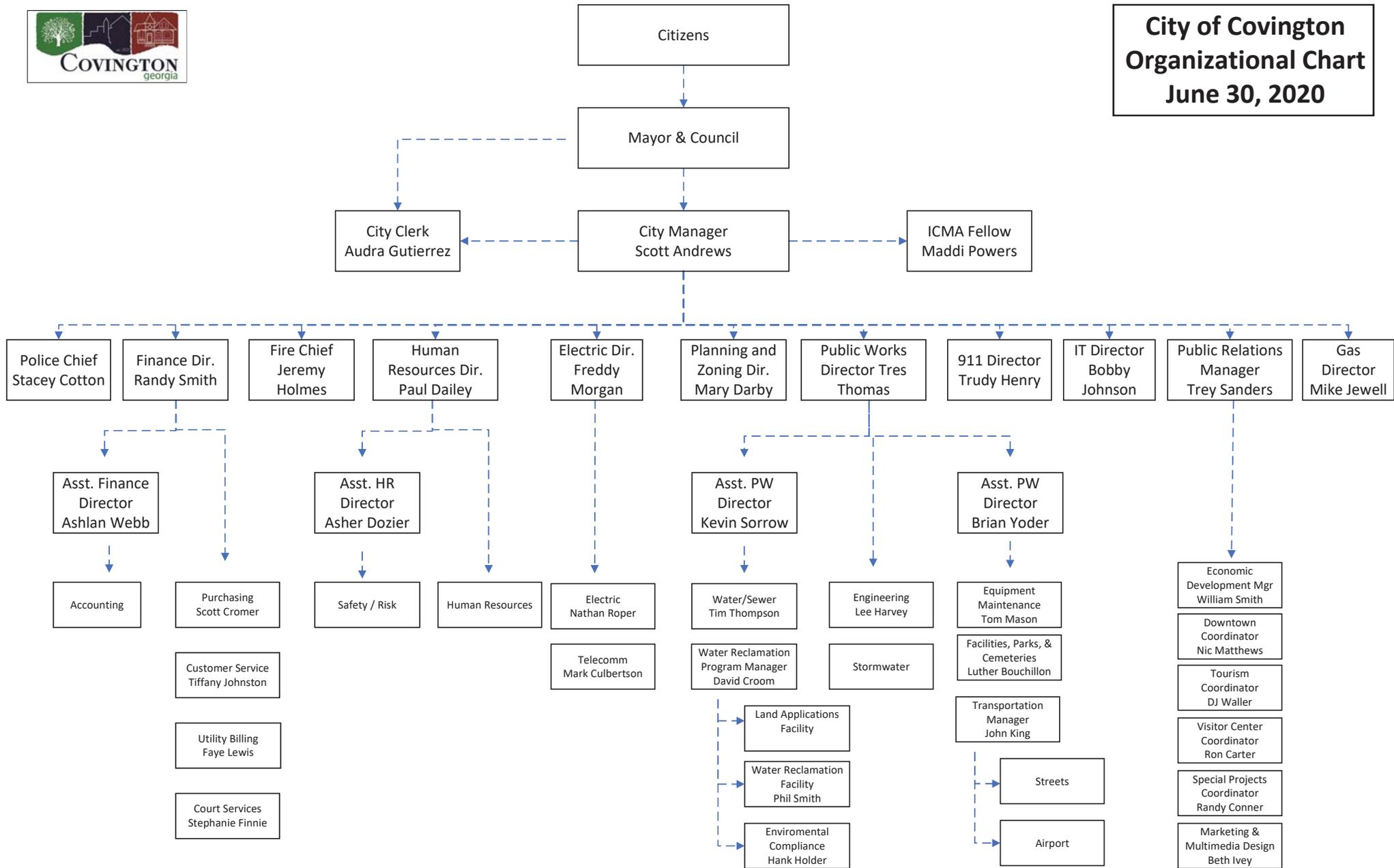
Scott Andrews
City Manager

A handwritten signature in black ink that reads "Randy Smith". The signature is written in a cursive, flowing style.

Randy Smith
Finance Director



**City of Covington
Organizational Chart
June 30, 2020**



CITY OF COVINGTON, GEORGIA

LISTING OF PRINCIPAL OFFICIALS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

ELECTED OFFICIALS

Mayor	Steve Horton
City Council Member – Post 1 East Ward	Susie Keck
City Council Member – Post 1 West Ward	Kenneth Morgan
City Council Member – Post 2 East Ward	Fleeta Baggett
City Council Member – Post 2 West Ward	Hawnethia Williams
City Council Member – Post 3 East Ward	Don Floyd
City Council Member – Post 3 West Ward	Anthony Henderson

APPOINTED OFFICIALS

City Manager	Scott Andrews
Public Works Director	Tres Thomas
City Clerk	Audra Gutierrez
Finance Director	Randy Smith
Gas Utility Director	Mike Jewell
Electric Utility Director	Freddy Morgan
Human Resources Director	Paul Dailey
E911 Director	Trudy Henry
Planning & Zoning Director	Mary Darby
Police Chief	Stacey Cotton
Fire Chief	Jeremy Holmes
Municipal Court Solicitor	M. Qader Baig



Government Finance Officers Association

Certificate of
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in Financial
Reporting

Presented to

**City of Covington
Georgia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

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Financial Section





INDEPENDENT AUDITOR'S REPORT

**To the Honorable Mayor and Members
of the City Council
City of Covington, Georgia
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, 2020, 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, as of June 30, 2020, 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 66), the Schedule of City Pension Contributions (on page 67), the Schedule of Pension Investment Returns (on page 68), and the Schedule of Changes in the City's Total OPEB Liability and Related Ratios (on page 69) 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'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.

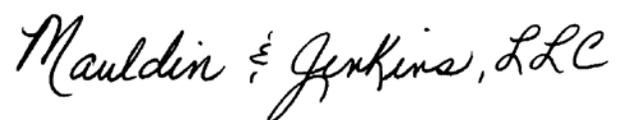
The accompanying schedules of expenditures of special purpose local option sales tax proceeds are presented for the purposes of additional analysis as required by the Official Code of Georgia Annotated (“O.C.G.A.”) §48-8-121, and are not a required part of the basic financial statements. The accompanying 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 December 30, 2020, on our consideration of the City’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 the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Covington Georgia’s internal control over financial reporting and compliance.



Macon, Georgia
December 30, 2020

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CITY OF COVINGTON, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

As management of the City of Covington (the "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, 2020. 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 and deferred outflows resources of the City exceeded its liabilities and deferred inflows of resources at the close of the year by \$231,826,371 (net position). Of this amount, \$89,490,835 (unrestricted net position) may be used to meet the City's ongoing obligations.
- The City's total net position increased by \$16,373,487; governmental activities increased net position by \$2,852,507 and business-type activities increased net position by \$13,520,980.
- As of the close of June 30, 2020, the City's governmental funds reported combined ending fund balances of \$30,160,405, an increase of \$1,275,036 from the prior year. Approximately sixty-eight percent (68%) of this total amount, or \$20,450,694, 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 \$20,450,694, or ninety-three percent (93%), of general fund expenditures.
- The City's revenues for the year ended June 30, 2020 total \$104,943,682. Of this amount, \$84,527,523, or eighty-one percent (81%), was generated from charges for services. Additionally, \$7,036,806, or seven percent (7%), was generated from operating and capital grants. The balance of \$13,379,353, or thirteen percent (13%), was generated from general revenues.
- The City's expenses for the year ended 2020 total \$90,981,877. Of this amount, \$32,087,328, or thirty-five percent (35%), was consumed by governmental activities. The balance of \$58,894,549, or sixty-five percent (65%), was consumed by business-type activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis ("MD&A") 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 and the capital projects fund as these funds are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor 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 and Capital Projects Funds to demonstrate compliance with these funds. Budgetary comparison statements have also been provided for the other 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 65 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 66 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 70 through 85 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, 2020 and June 30, 2019.

The City of Covington's Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 34,886,710	\$ 31,271,005	\$ 92,029,850	\$ 86,668,510	\$ 126,916,560	\$ 117,939,515
Capital assets	39,067,709	34,473,847	101,899,364	97,638,385	140,967,073	132,112,232
Total assets	73,954,419	65,744,852	193,929,214	184,306,895	267,883,633	250,051,747
Deferred outflow s of resources	5,950,632	7,609,436	803,043	2,874,086	6,753,675	10,483,522
Long-term liabilities outstanding	20,871,973	18,635,998	10,696,938	15,222,890	31,568,911	33,858,888
Other liabilities	3,569,181	2,336,085	6,540,163	7,899,482	10,109,344	10,235,567
Total liabilities	24,441,154	20,972,083	17,237,101	23,122,372	41,678,255	44,094,455
Deferred inflow s of resources	993,680	764,495	139,002	223,435	1,132,682	987,930
Net position:						
Net investment in capital assets	39,003,012	34,196,205	94,303,689	88,401,441	133,306,701	122,597,646
Restricted	8,811,481	9,263,921	2,717,354	2,716,270	11,528,835	11,980,191
Unrestricted	6,655,724	8,157,584	80,335,111	72,717,463	86,990,835	80,875,047
Total net position	\$ 54,470,217	\$ 51,617,710	\$ 177,356,154	\$ 163,835,174	\$ 231,826,371	\$ 215,452,884

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$231,826,371 and \$215,452,884 at June 30, 2020 and June 30, 2019, respectively.

By far, the largest portion of the City's net position, fifty-eight percent (58%), 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 are 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, \$11,528,835, or five percent (5%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position, \$86,990,835, or thirty-eight percent (38%), is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of June 30, 2020 and June 30, 2019, 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 \$2,852,507 as of June 30, 2020 and decreased the City's net position by \$1,721,940 as of June 30, 2019. As illustrated on the following table, taxes constitute the largest revenue source at \$12,330,064, or fifty-two percent (52%), of total revenue as of June 30, 2020 and \$11,114,365, or fifty-four percent (54%), as of June 30, 2019. The majority of the change in net position of the governmental activities from the prior year is attributable to the budgeted use of fund balance in the General Fund for capital improvement projects at the airport.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Covington's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues						
Charges for services	\$ 5,354,675	\$ 5,350,060	\$ 79,172,848	\$ 80,527,293	\$ 84,527,523	\$ 85,877,353
Operating grants and contributions	728,159	800,269	242,401	661,842	970,560	1,462,111
Capital grants and contributions	4,186,032	2,205,154	1,880,214	2,368,745	6,066,246	4,573,899
General revenues:						
Taxes	12,330,064	11,114,365	-	-	12,330,064	11,114,365
Franchise fees	891,942	819,856	-	-	891,942	819,856
Investment earnings (loss)	157,347	127,789	1,835,221	2,382,498	1,992,568	2,510,287
Gain on sale	-	-	576,461	15,000	576,461	15,000
Total revenues	23,648,219	20,417,493	83,707,145	85,955,378	107,355,364	106,372,871
Expenses:						
General government	4,558,000	4,465,855	-	-	4,558,000	4,465,855
Judicial	683,857	591,941	-	-	683,857	591,941
Public safety	19,682,419	19,910,298	-	-	19,682,419	19,910,298
Public works	5,027,061	4,106,086	-	-	5,027,061	4,106,086
Parks and recreation	403,296	388,774	-	-	403,296	388,774
Housing and development	1,726,380	1,683,529	-	-	1,726,380	1,683,529
Interest and fiscal charges	6,315	14,842	-	-	6,315	14,842
Water and sewer	-	-	10,420,636	10,250,450	10,420,636	10,250,450
Gas and electric	-	-	43,077,270	45,497,484	43,077,270	45,497,484
Stormwater	-	-	709,290	571,339	709,290	571,339
Sanitation	-	-	3,371,910	3,250,627	3,371,910	3,250,627
Airport	-	-	1,315,443	1,300,172	1,315,443	1,300,172
Total expenses	32,087,328	31,161,325	58,894,549	60,870,072	90,981,877	92,031,397
Increase (decrease) in net position before transfers	(8,439,109)	(10,743,832)	24,812,596	25,085,306	16,373,487	14,341,474
Transfers	11,291,616	9,021,892	(11,291,616)	(9,021,892)	-	-
Change in net position	2,852,507	(1,721,940)	13,520,980	16,063,414	16,373,487	14,341,474
Net position, beginning	51,617,710	53,339,650	163,835,174	147,771,760	215,452,884	201,111,410
Net position, ending	\$ 54,470,217	\$ 51,617,710	\$ 177,356,154	\$ 163,835,174	\$ 231,826,371	\$ 215,452,884

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type activities. The City's business-type activities increased the City's net position by \$13,520,980 and \$16,063,414 as of June 30, 2020 and June 30, 2019, 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, unassigned 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, 2020, total fund balance of the general fund was \$20,530,212. 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 ninety-three percent (93%) of the total general fund expenditures. Transfers in from proprietary funds to supplement the general fund were \$9,233,701 for the year ended June 30, 2020, which represents forty-two percent (42%) 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 2020 amounted to \$9,215,673; those for the Gas and Electric Fund amounted to \$68,238,652 and those for the Airport Fund amounted to \$16,321. The total change in net position for the Water and Sewer Fund, Gas and Electric Fund, and the Airport Fund were increases of \$3,333,104, \$7,153,061 and \$1,801,737, respectively. The changes in net position of the proprietary funds can be traced to acquisition of assets and an increase in the value of investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2020 amounted to \$133,306,701 (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	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,806,979	\$ 2,806,979	\$ 10,897,834	\$ 10,897,834	\$ 13,704,813	\$ 13,704,813
Buildings	12,504,642	8,040,766	2,089,122	2,290,519	14,593,764	10,331,285
Machinery and equipment	1,509,249	1,574,348	1,492,697	1,019,454	3,001,946	2,593,802
Furniture and fixtures	1,997	13,446	-	-	1,997	13,446
Vehicles	612,533	864,479	366,072	947,574	978,605	1,812,053
Intangibles	-	-	2,970,287	3,091,825	2,970,287	3,091,825
Improvements other than buildings	17,595,039	18,397,863	80,442,867	70,751,551	98,037,906	89,149,414
Construction in progress	4,037,270	2,775,966	3,640,485	8,639,628	7,677,755	11,415,594
Total	\$ 39,067,709	\$ 34,473,847	\$ 101,899,364	\$ 97,638,385	\$ 140,967,073	\$ 132,112,232

Additional information on the City's capital assets can be found in Note 5 of this report.

Long-term debt. As of June 30, 2020, the City had total bonded debt outstanding of \$3,670,000. Of this amount, none is 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 \$64,697 for governmental lease purchases and utility improvements. The City's business-type funds had no capital leases payable at June 30, 2020.

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 ten percent (10%) of its total assessed valuation. The current debt limitation for the City is \$83,077,512, 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 6 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Factors affecting the July 1, 2019 – June 30, 2020 Budget

The Mayor and the City Council of the City considered many factors when approving the City's July 1, 2019 – June 30, 2020 budget and are very aware of present economic conditions and their effect on its citizens. The Mayor and City 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 City 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 City Council being the only body authorized to make amendments to the budget. No significant supplemental appropriations were made for the year ended June 30, 2020.

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.

CITY OF COVINGTON, GEORGIA

STATEMENT OF NET POSITION

JUNE 30, 2020

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Parking Authority	Redevelopment Authority	Airport Authority
ASSETS						
Cash and cash equivalents	\$ 18,551,072	\$ 12,691,813	\$ 31,242,885	\$ 62,250	\$ 2,666	\$ 87,788
Investments	12,115,163	60,686,771	72,801,934	-	-	-
Taxes receivable	231,711	-	231,711	-	-	-
Accounts receivable, net of allowances	1,255,180	12,489,971	13,745,151	-	-	-
Due from other governments	2,307,860	487,172	2,795,032	-	-	-
Inventories	25,968	2,540,085	2,566,053	-	-	-
Prepaid expenses	62,221	84,085	146,306	-	-	754
Restricted assets:						
Cash and cash equivalents	337,535	3,049,953	3,387,488	-	-	-
Capital assets:						
Nondepreciable	6,844,249	14,538,319	21,382,568	414,173	-	-
Depreciable, net of accumulated depreciation	32,223,460	87,361,045	119,584,505	-	-	304,531
Total assets	73,954,419	193,929,214	267,883,633	476,423	2,666	393,073
DEFERRED OUTFLOWS OF RESOURCES						
Pension	4,812,394	803,043	5,615,437	-	-	-
Other post-employment benefits	1,138,238	-	1,138,238	-	-	-
Total deferred outflows of resources	5,950,632	803,043	6,753,675	-	-	-
LIABILITIES						
Accounts payable	2,535,620	4,377,494	6,913,114	-	-	-
Accrued liabilities	1,032,892	547,592	1,580,484	-	-	3,869
Unearned revenues	669	51,653	52,322	79,757	-	8,910
Customer deposits payable	-	1,563,424	1,563,424	-	-	-
Capital leases due within one year	64,697	-	64,697	-	-	-
Notes payable due within one year	-	217,354	217,354	-	-	26,319
Notes payable due in more than one year	-	3,708,321	3,708,321	-	-	205,979
Bonds payable due within one year	-	1,455,000	1,455,000	-	-	-
Bonds payable due in more than one year	-	2,215,000	2,215,000	-	-	-
Compensated absences due within one year	741,566	232,765	974,331	-	-	-
Compensated absences due in more than one year	270,776	204,379	475,155	-	-	-
Net pension liability due in more than one year	15,965,260	2,664,119	18,629,379	-	-	-
Total other post-employment benefits liability due in more than one year	3,829,674	-	3,829,674	-	-	-
Total liabilities	24,441,154	17,237,101	41,678,255	79,757	-	245,077
DEFERRED INFLOWS OF RESOURCES						
Pension	833,001	139,002	972,003	-	-	-
Other post-employment benefits	160,679	-	160,679	-	-	-
Total deferred inflows of resources	993,680	139,002	1,132,682	-	-	-
NET POSITION						
Net investment in capital assets	39,003,012	94,303,689	133,306,701	414,173	-	72,233
Restricted for:						
Debt service	-	2,717,354	2,717,354	-	-	-
Law enforcement	736,415	-	736,415	-	-	-
Cemetery maintenance	182,683	-	182,683	-	-	-
Parks and recreation	38,377	-	38,377	-	-	-
Housing and development	121,339	-	121,339	-	-	-
Other capital projects	7,732,667	-	7,732,667	-	-	-
Unrestricted	6,655,724	80,335,111	86,990,835	(17,507)	2,666	75,763
Total net position	\$ 54,470,217	\$ 177,356,154	\$ 231,826,371	\$ 396,666	\$ 2,666	\$ 147,996

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, 2020

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Parking Authority	Redevelopment Authority	Airport Authority
Primary government										
Governmental activities:										
General government	\$ 4,558,000	\$ 1,595,834	\$ -	\$ -	\$ (2,962,166)	\$ -	\$ (2,962,166)	\$ -	\$ -	\$ -
Judicial	683,857	-	-	-	(683,857)	-	(683,857)	-	-	-
Public safety	19,682,419	3,678,661	552,932	-	(15,450,826)	-	(15,450,826)	-	-	-
Public works	5,027,061	-	-	4,186,032	(841,029)	-	(841,029)	-	-	-
Parks and recreation	403,296	63,850	143,581	-	(195,865)	-	(195,865)	-	-	-
Housing and development	1,726,380	16,330	31,646	-	(1,678,404)	-	(1,678,404)	-	-	-
Interest on long-term debt	6,315	-	-	-	(6,315)	-	(6,315)	-	-	-
Total governmental activities	<u>32,087,328</u>	<u>5,354,675</u>	<u>728,159</u>	<u>4,186,032</u>	<u>(21,818,462)</u>	<u>-</u>	<u>(21,818,462)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities:										
Water and sewer	10,420,636	13,746,204	-	-	-	3,325,568	3,325,568	-	-	-
Gas	8,420,839	14,052,527	-	-	-	5,631,688	5,631,688	-	-	-
Electric	34,656,431	46,266,860	-	54,995	-	11,665,424	11,665,424	-	-	-
Stormwater	709,290	1,027,152	242,401	-	-	560,263	560,263	-	-	-
Sanitation	3,371,910	3,489,241	-	-	-	117,331	117,331	-	-	-
Airport	1,315,443	590,864	-	1,825,219	-	1,100,640	1,100,640	-	-	-
Total business-type activities	<u>58,894,549</u>	<u>79,172,848</u>	<u>242,401</u>	<u>1,880,214</u>	<u>-</u>	<u>22,400,914</u>	<u>22,400,914</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 90,981,877</u>	<u>\$ 84,527,523</u>	<u>\$ 970,560</u>	<u>\$ 6,066,246</u>	<u>(21,818,462)</u>	<u>22,400,914</u>	<u>582,452</u>	<u>-</u>	<u>-</u>	<u>-</u>
Component units:										
Parking Authority	\$ -	\$ 2,345	\$ -	\$ -	-	-	-	2,345	-	-
Redevelopment Authority	2,863	-	5,470	-	-	-	-	-	2,607	-
Airport Authority	18,207	38,939	-	-	-	-	-	-	-	20,732
Total component units	<u>\$ 21,070</u>	<u>\$ 41,284</u>	<u>\$ 5,470</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,345</u>	<u>2,607</u>	<u>20,732</u>
General revenues:										
Property taxes					6,421,454	-	6,421,454	-	-	-
Sales taxes					2,909,646	-	2,909,646	-	-	-
Insurance premium tax					1,007,024	-	1,007,024	-	-	-
Other taxes					1,991,940	-	1,991,940	-	-	-
Franchise fees					891,942	-	891,942	-	-	-
Unrestricted investment earnings					157,347	1,835,221	1,992,568	6	33	-
Gain on sale of capital assets					-	576,461	576,461	-	-	-
Transfers					11,291,616	(11,291,616)	-	-	-	-
Total general revenues and transfers					<u>24,670,969</u>	<u>(8,879,934)</u>	<u>15,791,035</u>	<u>6</u>	<u>33</u>	<u>-</u>
Change in net position					<u>2,852,507</u>	<u>13,520,980</u>	<u>16,373,487</u>	<u>2,351</u>	<u>2,640</u>	<u>20,732</u>
Net position, beginning of year					<u>51,617,710</u>	<u>163,835,174</u>	<u>215,452,884</u>	<u>394,315</u>	<u>26</u>	<u>127,264</u>
Net position, end of year					<u>\$ 54,470,217</u>	<u>\$ 177,356,154</u>	<u>\$ 231,826,371</u>	<u>\$ 396,666</u>	<u>\$ 2,666</u>	<u>\$ 147,996</u>

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

CITY OF COVINGTON, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2020

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,494,021	\$ 1,748,275	\$ 8,308,776	\$ 18,551,072
Investments	12,115,163	-	-	12,115,163
Taxes receivable, net	145,912	-	85,799	231,711
Accounts receivable, net	385,189	-	869,991	1,255,180
Due from other governments	964,339	854,246	489,275	2,307,860
Due from other funds	313,149	67,855	-	381,004
Inventories	25,968	-	-	25,968
Prepaid expenditures	53,550	-	8,671	62,221
Restricted assets:				
Cash and cash equivalents	337,535	-	-	337,535
Total assets	<u>\$ 22,834,826</u>	<u>\$ 2,670,376</u>	<u>\$ 9,762,512</u>	<u>\$ 35,267,714</u>
LIABILITIES				
Accounts payable	\$ 1,132,937	\$ 1,054,238	\$ 348,445	\$ 2,535,620
Accrued liabilities	934,988	-	96,663	1,031,651
Unearned revenues	669	-	-	669
Due to other funds	-	-	381,004	381,004
Total liabilities	<u>2,068,594</u>	<u>1,054,238</u>	<u>826,112</u>	<u>3,948,944</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	86,922	-	-	86,922
Unavailable revenue - sales taxes	149,098	-	116,248	265,346
Unavailable revenue - intergovernmental	-	806,097	-	806,097
Total deferred inflows of resources	<u>236,020</u>	<u>806,097</u>	<u>116,248</u>	<u>1,158,365</u>
FUND BALANCES				
Nonspendable:				
Inventories	25,968	-	-	25,968
Prepaid expenditures	53,550	-	8,671	62,221
Restricted for:				
Law enforcement	-	-	736,415	736,415
Cemetery maintenance	-	-	182,683	182,683
Parks and recreation	-	-	38,377	38,377
Housing and development	-	-	121,339	121,339
Other capital projects	-	-	7,732,667	7,732,667
Assigned to:				
Capital projects	-	810,041	-	810,041
Unassigned	20,450,694	-	-	20,450,694
Total fund balances	<u>20,530,212</u>	<u>810,041</u>	<u>8,820,152</u>	<u>30,160,405</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 22,834,826</u>	<u>\$ 2,670,376</u>	<u>\$ 9,762,512</u>	

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.	39,067,709
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,158,365
The net pension liability and related deferred outflows of resources are not financial resources and, therefore, are not reported in the governmental funds.	(11,985,867)
The total OPEB liability and related deferred outflows and inflows of resources are not financial resources and, therefore, are not reported in the governmental funds.	(2,852,115)
Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,078,280)
Net position of governmental activities	<u>\$ 54,470,217</u>

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, 2020

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property taxes	\$ 6,386,255	\$ -	\$ -	\$ 6,386,255
Sales taxes	2,644,300	-	-	2,644,300
Insurance premium taxes	1,007,024	-	-	1,007,024
Other taxes	1,122,646	-	869,294	1,991,940
Charges for services	-	-	3,089,850	3,089,850
Licenses and permits	446,277	-	-	446,277
Intergovernmental	728,159	1,301,914	2,078,021	4,108,094
Franchise fees	891,942	-	-	891,942
Fines and forfeitures	424,764	-	233,560	658,324
Interest revenue	155,743	-	1,604	157,347
Other revenues	1,149,557	-	10,667	1,160,224
Total revenues	<u>14,956,667</u>	<u>1,301,914</u>	<u>6,282,996</u>	<u>22,541,577</u>
Expenditures				
Current:				
General government	3,946,275	-	-	3,946,275
Judicial	621,281	-	-	621,281
Public safety	13,079,014	-	3,529,326	16,608,340
Public works	2,814,509	-	-	2,814,509
Parks and recreation	345,014	-	25,473	370,487
Housing and development	1,026,037	-	878,772	1,904,809
Capital outlay	-	3,632,018	2,488,659	6,120,677
Debt service:				
Principal	212,945	-	-	212,945
Interest	7,246	-	-	7,246
Total expenditures	<u>22,052,321</u>	<u>3,632,018</u>	<u>6,922,230</u>	<u>32,606,569</u>
Deficiency of revenues under expenditures	<u>(7,095,654)</u>	<u>(2,330,104)</u>	<u>(639,234)</u>	<u>(10,064,992)</u>
Other financing sources (uses)				
Transfers in	9,233,701	2,346,187	339,418	11,919,306
Transfers out	(464,261)	-	(163,429)	(627,690)
Proceeds from the sale of capital assets	48,412	-	-	48,412
Total other financing sources (uses), net	<u>8,817,852</u>	<u>2,346,187</u>	<u>175,989</u>	<u>11,340,028</u>
Net change in fund balances	1,722,198	16,083	(463,245)	1,275,036
Fund balances, beginning of year	<u>18,808,014</u>	<u>793,958</u>	<u>9,283,397</u>	<u>28,885,369</u>
Fund balances, end of year	<u>\$ 20,530,212</u>	<u>\$ 810,041</u>	<u>\$ 8,820,152</u>	<u>\$ 30,160,405</u>

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

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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, 2020**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,275,036
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 capital outlay exceeded depreciation in the current period.	4,742,421
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(148,559)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,106,642
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.	212,945
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	<u>(4,335,978)</u>
	<u><u>\$ 2,852,507</u></u>

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, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 5,635,248	\$ 5,635,248	\$ 6,386,255	\$ 751,007
Sales taxes	2,350,000	2,350,000	2,644,300	294,300
Insurance premium taxes	925,000	925,000	1,007,024	82,024
Other taxes	1,121,000	1,121,000	1,122,646	1,646
Licenses and permits	265,500	265,500	446,277	180,777
Intergovernmental	794,050	794,050	728,159	(65,891)
Franchise fees	805,000	805,000	891,942	86,942
Fines and forfeitures	540,000	558,205	424,764	(133,441)
Interest revenue	50,000	50,000	155,743	105,743
Other revenues	747,200	747,200	1,149,557	402,357
Total revenues	<u>13,232,998</u>	<u>13,251,203</u>	<u>14,956,667</u>	<u>1,705,464</u>
Expenditures				
Current				
General government:				
Administrative services	2,985,611	2,739,611	1,990,980	748,631
Elected and appointed officials	407,151	728,221	669,135	59,086
Maintenance department	510,134	524,844	478,231	46,613
Purchasing	135,519	135,899	130,066	5,833
Personnel	521,877	522,637	510,498	12,139
Risk management	216,417	216,417	167,365	49,052
Total general government	<u>4,776,709</u>	<u>4,867,629</u>	<u>3,946,275</u>	<u>921,354</u>
Judicial	<u>629,671</u>	<u>642,136</u>	<u>621,281</u>	<u>20,855</u>
Public safety:				
Police	7,415,600	7,574,180	7,343,637	230,543
Fire	5,725,331	5,735,856	5,735,377	479
Total public safety	<u>13,140,931</u>	<u>13,310,036</u>	<u>13,079,014</u>	<u>231,022</u>
Public works:				
Highways and streets	1,526,558	1,540,503	1,300,464	240,039
Engineering	919,224	921,309	787,334	133,975
Facilities maintenance	477,104	531,332	515,109	16,223
Telecommunications	225,806	226,606	211,602	15,004
Total public works	<u>3,148,692</u>	<u>3,219,750</u>	<u>2,814,509</u>	<u>405,241</u>
Parks and recreation:				
Recreation	189,296	189,772	142,893	46,879
Cemetery and parks	194,060	236,021	202,121	33,900
Total parks and recreation	<u>383,356</u>	<u>425,793</u>	<u>345,014</u>	<u>80,779</u>
Housing and development:				
Planning and zoning	1,066,931	1,068,261	950,214	118,047
Mainstreet program	86,000	75,840	75,823	17
Total housing and development	<u>1,152,931</u>	<u>1,144,101</u>	<u>1,026,037</u>	<u>118,064</u>

(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, 2020**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Expenditures (Continued):				
Current				
Debt service:				
Principal	\$ 210,235	\$ 212,950	\$ 212,945	\$ 5
Interest	9,370	9,370	7,246	2,124
Total debt service	<u>219,605</u>	<u>222,320</u>	<u>220,191</u>	<u>2,129</u>
Total expenditures	<u>23,451,895</u>	<u>23,831,765</u>	<u>22,052,321</u>	<u>1,779,444</u>
Deficiency of revenues under expenditures	<u>(10,218,897)</u>	<u>(10,580,562)</u>	<u>(7,095,654)</u>	<u>3,484,908</u>
Other financing sources (uses)				
Transfers in	10,218,897	10,517,934	9,233,701	(1,284,233)
Transfers out	(311,250)	(573,064)	(464,261)	108,803
Capital leases	311,250	635,692	-	(635,692)
Proceeds from the sale of capital assets	-	-	48,412	48,412
Total other financing sources, net	<u>10,218,897</u>	<u>10,580,562</u>	<u>8,817,852</u>	<u>(1,762,710)</u>
Net change in fund balances	-	-	1,722,198	1,722,198
Fund balances, beginning of year	<u>18,808,014</u>	<u>18,808,014</u>	<u>18,808,014</u>	<u>-</u>
Fund balances, end of year	<u>\$ 18,808,014</u>	<u>\$ 18,808,014</u>	<u>\$ 20,530,212</u>	<u>\$ 1,722,198</u>

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

CITY OF COVINGTON, GEORGIA

STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2020

	Water and Sewer Utility Fund	Gas and Electric Utility Fund	Airport Fund	Nonmajor Enterprise Funds	Totals
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 9,237,731	\$ 1,571,098	\$ 1,490	\$ 1,881,494	\$ 12,691,813
Investments	-	60,686,771	-	-	60,686,771
Accounts receivable, net of allowances	1,865,238	9,351,986	15,349	1,257,398	12,489,971
Inventories	96,136	2,427,758	16,191	-	2,540,085
Prepaid expenses	-	74,697	9,388	-	84,085
Due from other governments	60,713	259,967	166,492	-	487,172
Restricted assets, cash	2,716,506	333,447	-	-	3,049,953
Total current assets	<u>13,976,324</u>	<u>74,705,724</u>	<u>208,910</u>	<u>3,138,892</u>	<u>92,029,850</u>
NON-CURRENT ASSETS					
Capital assets:					
Nondepreciable	3,798,193	2,423,800	7,105,069	1,211,257	14,538,319
Depreciable, net of accumulated depreciation	38,631,600	21,805,198	21,625,236	5,299,011	87,361,045
Total non-current assets	<u>42,429,793</u>	<u>24,228,998</u>	<u>28,730,305</u>	<u>6,510,268</u>	<u>101,899,364</u>
Total assets	<u>56,406,117</u>	<u>98,934,722</u>	<u>28,939,215</u>	<u>9,649,160</u>	<u>193,929,214</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension	479,356	323,687	-	-	803,043
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	440,375	3,508,401	168,479	260,239	4,377,494
Accrued liabilities	409,027	538,640	22,881	14,188	984,736
Current portion - notes payable	217,354	-	-	-	217,354
Customer deposits payable	-	1,563,424	-	-	1,563,424
Unearned revenue	-	50,424	1,229	-	51,653
Payable from restricted assets:					
Revenue bonds payable, current portion	1,455,000	-	-	-	1,455,000
Total current liabilities	<u>2,521,756</u>	<u>5,660,889</u>	<u>192,589</u>	<u>274,427</u>	<u>8,649,661</u>
NON-CURRENT LIABILITIES					
Revenue bonds payable, net of current portion	2,215,000	-	-	-	2,215,000
Notes payable, net of current portion	3,708,321	-	-	-	3,708,321
Net pension liability	1,590,277	1,073,842	-	-	2,664,119
Total non-current liabilities	<u>7,513,598</u>	<u>1,073,842</u>	<u>-</u>	<u>-</u>	<u>8,587,440</u>
Total liabilities	<u>10,035,354</u>	<u>6,734,731</u>	<u>192,589</u>	<u>274,427</u>	<u>17,237,101</u>
DEFERRED INFLOWS OF RESOURCES					
Pension	82,974	56,028	-	-	139,002
NET POSITION					
Net investment in capital assets	34,834,118	24,228,998	28,730,305	6,510,268	94,303,689
Restricted for debt service	2,717,354	-	-	-	2,717,354
Unrestricted	9,215,673	68,238,652	16,321	2,864,465	80,335,111
Total net position	<u>\$ 46,767,145</u>	<u>\$ 92,467,650</u>	<u>\$ 28,746,626</u>	<u>\$ 9,374,733</u>	<u>\$ 177,356,154</u>

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, 2020

	Water and Sewer Utility Fund	Gas and Electric Utility Fund	Airport Fund	Nonmajor Enterprise Funds	Totals
OPERATING REVENUES					
Charges for services	\$ 13,706,280	\$ 58,868,237	\$ 459,768	\$ 4,107,948	\$ 77,142,233
Other services	39,924	1,451,150	131,096	408,445	2,030,615
Total operating revenues	<u>13,746,204</u>	<u>60,319,387</u>	<u>590,864</u>	<u>4,516,393</u>	<u>79,172,848</u>
OPERATING EXPENSES					
Personnel services	2,794,975	3,964,269	285,101	749,107	7,793,452
Water purchases	2,656,169	-	-	-	2,656,169
Purchased power	-	28,404,607	-	-	28,404,607
Natural gas purchases	-	6,541,916	-	-	6,541,916
Other costs of operations	2,966,842	3,064,979	520,256	2,929,574	9,481,651
Depreciation and amortization	1,896,942	1,101,499	510,086	391,331	3,899,858
Total operating expenses	<u>10,314,928</u>	<u>43,077,270</u>	<u>1,315,443</u>	<u>4,070,012</u>	<u>58,777,653</u>
Operating income (loss)	<u>3,431,276</u>	<u>17,242,117</u>	<u>(724,579)</u>	<u>446,381</u>	<u>20,395,195</u>
NON-OPERATING REVENUE (EXPENSES)					
Intergovernmental	-	54,995	-	242,401	297,396
Interest income	-	1,835,221	-	-	1,835,221
Interest expense	(105,708)	-	-	(11,188)	(116,896)
Gain on sale of capital assets	7,536	9,901	3,540	555,484	576,461
Total non-operating revenue (expenses)	<u>(98,172)</u>	<u>1,900,117</u>	<u>3,540</u>	<u>786,697</u>	<u>2,592,182</u>
Income (loss) before transfers and capital contributions	<u>3,333,104</u>	<u>19,142,234</u>	<u>(721,039)</u>	<u>1,233,078</u>	<u>22,987,377</u>
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>1,825,219</u>	<u>-</u>	<u>1,825,219</u>
TRANSFERS					
Transfers in	-	464,261	697,557	-	1,161,818
Transfers out	-	(12,453,434)	-	-	(12,453,434)
Total transfers	<u>-</u>	<u>(11,989,173)</u>	<u>697,557</u>	<u>-</u>	<u>(11,291,616)</u>
Change in net position	3,333,104	7,153,061	1,801,737	1,233,078	13,520,980
NET POSITION, beginning of year	<u>43,434,041</u>	<u>85,314,589</u>	<u>26,944,889</u>	<u>8,141,655</u>	<u>163,835,174</u>
NET POSITION, end of year	<u>\$ 46,767,145</u>	<u>\$ 92,467,650</u>	<u>\$ 28,746,626</u>	<u>\$ 9,374,733</u>	<u>\$ 177,356,154</u>

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, 2020

	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	\$ 13,983,909	\$ 59,952,054	\$ 494,449	\$ 4,666,913	\$ 79,097,325
Payments to suppliers	(5,848,107)	(37,982,399)	(2,330,130)	(3,026,398)	(49,187,034)
Payments to employees	(2,928,810)	(4,267,321)	(312,785)	(1,458,581)	(8,967,497)
Net cash provided by (used in) operating activities	5,206,992	17,702,334	(2,148,466)	181,934	20,942,794
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental revenue	-	54,995	-	242,401	297,396
Transfers out	-	(12,453,434)	-	-	(12,453,434)
Transfers in	-	464,261	697,557	-	1,161,818
Net cash provided by (used in) noncapital financing activities	-	(11,934,178)	697,557	242,401	(10,994,220)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	356,391	25,607	3,540	793,890	1,179,428
Acquisition and construction of capital assets	(754,530)	(5,361,489)	(1,763,615)	(884,170)	(8,763,804)
Principal paid on notes payable	(216,269)	-	-	-	(216,269)
Principal paid on bonds	(1,425,000)	-	-	-	(1,425,000)
Capital contributions	-	-	3,212,374	-	3,212,374
Interest paid	(110,495)	-	-	(11,188)	(121,683)
Net cash provided by (used in) capital and related financing activities	(2,149,903)	(5,335,882)	1,452,299	(101,468)	(6,134,954)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	-	(3,230,475)	-	-	(3,230,475)
Proceeds from the sale of investments	-	1,184,618	-	-	1,184,618
Interest and dividends received	-	1,141,548	-	-	1,141,548
Net cash used in investing activities	-	(904,309)	-	-	(904,309)
Change in cash and cash equivalents	3,057,089	(472,035)	1,390	322,867	2,909,311
Cash and cash equivalents:					
Beginning of year	8,897,148	2,376,580	100	1,558,627	12,832,455
End of year	<u>\$ 11,954,237</u>	<u>\$ 1,904,545</u>	<u>\$ 1,490</u>	<u>\$ 1,881,494</u>	<u>\$ 15,741,766</u>
Classified as:					
Cash and cash equivalents	\$ 9,237,731	\$ 1,571,098	\$ 1,490	\$ 1,881,494	\$ 12,691,813
Restricted assets, cash	2,716,506	333,447	-	-	3,049,953
	<u>\$ 11,954,237</u>	<u>\$ 1,904,545</u>	<u>\$ 1,490</u>	<u>\$ 1,881,494</u>	<u>\$ 15,741,766</u>

(Continued)

CITY OF COVINGTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	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)	\$ 3,431,276	\$ 17,242,117	\$ (724,579)	\$ 446,381	\$ 20,395,195
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	1,896,942	1,101,499	510,086	391,331	3,899,858
Changes in assets and liabilities:					
Increase in accounts receivable	(163,855)	(418,510)	(8,789)	(83,822)	(674,976)
Decrease in inventories	9,125	114,206	12,369	-	135,700
Decrease in due from other funds	-	183,140	-	-	183,140
(Increase) decrease in prepaids and other assets	495	2,143	(982)	-	1,656
(Increase) decrease in due from other governments	401,560	(254,646)	-	234,342	381,256
Decrease in deferred outflows of resources related to pension	754,174	709,942	33,144	573,783	2,071,043
Decrease in accounts payable	(388,859)	(392,412)	(694,831)	(96,824)	(1,572,926)
Increase (decrease) in accrued liabilities	128,441	286,976	7,299	(103,828)	318,888
Increase (decrease) in unearned revenues	-	107	(87,626)	-	(87,519)
Increase in customer deposits	-	122,576	-	-	122,576
Decrease in deferred inflows of resources related to pension	(12,922)	(24,327)	(2,578)	(44,606)	(84,433)
Decrease in net pension liability	(849,385)	(970,477)	(65,549)	(1,134,823)	(3,020,234)
Decrease in due to other funds and advances	-	-	(1,126,430)	-	(1,126,430)
Net cash provided by (used in) operating activities	<u>\$ 5,206,992</u>	<u>\$ 17,702,334</u>	<u>\$ (2,148,466)</u>	<u>\$ 181,934</u>	<u>\$ 20,942,794</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Increase in fair value of investments	<u>\$ -</u>	<u>\$ 693,673</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 693,673</u>

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

CITY OF COVINGTON, GEORGIA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	Agency Fund Impound Evidence	Pension Trust Fund
ASSETS		
Cash and cash equivalents	\$ 197,130	\$ 4,378,252
Receivables:		
Miscellaneous	-	14,054
Investments, at fair value:		
Certificates of deposit	-	439,270
Common stock	-	21,817,108
Governmental bonds	-	9,258,566
Mutual funds	-	733,326
Corporate bonds	-	10,839,362
Total investments	-	43,087,632
Total assets	197,130	47,479,938
LIABILITIES		
Due to others	197,130	41,691
NET POSITION		
Net position restricted for pension benefits	\$ -	\$ 47,438,247

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, 2020

	Pension Trust Fund
Additions	
Contributions:	
Employer	\$ 3,213,466
Total contributions	3,213,466
Investment income:	
Interest income	1,638,869
Less: Net decrease in fair value of investments	(1,732,197)
Total investment income	(93,328)
Total additions	3,120,138
Deductions	
Benefits paid	3,035,280
Administrative expenses	383,018
Total deductions	3,418,298
Net decrease	(298,160)
Net position restricted for pension benefits:	
Beginning of year	47,736,407
End of year	\$ 47,438,247

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

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NOTES TO FINANCIAL STATEMENTS

CITY OF COVINGTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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, he or 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 City 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 GAAP, 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 Parking Authority is also appointed by the City. The Parking Authority is audited and included along with the primary government financial statements in accordance with GASB 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 GASB Statement No. 14, as amended by Statements No. 34 and 61. However, separate financial statements are not prepared.

NOTES TO FINANCIAL STATEMENTS

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, 2020 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 GASB 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, although the

funds have no measurement focus. 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.

NOTES TO FINANCIAL STATEMENTS

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 fund:

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 **Capital Projects Fund** is used to account for financial resources that are restricted and assigned for the construction and financing of general capital assets.

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.

NOTES TO FINANCIAL STATEMENTS

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 Funds*** account 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.

NOTES TO FINANCIAL STATEMENTS

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, 2020:

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.

NOTES TO FINANCIAL STATEMENTS

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"). Georgia Fund 1, created by the Official Code of Georgia Annotated ("O.C.G.A."), §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 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 held in the Governmental Funds, which is valued at cost, consists of expendable supplies held for consumption. Inventories of Governmental Funds are recorded as expenditures when consumed rather than when purchased. Inventory held for resale in the Proprietary Funds is valued at lower of cost or market, and the weighted average method is used to determine the cost. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.” If and when applicable, long-term interfund loans are classified as “advances.”

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 is reported at acquisition 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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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 a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one item which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, sales taxes, and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period in which the amounts become available.

The City also has deferred inflows and outflows related to the recording of changes in its net pension and Other Post-employment Benefits (“OPEB”) liabilities. Certain changes in the net pension liability and total OPEB liability are recognized as expense over time instead of all being recognized in the year of occurrence. Experience gains and losses result from periodic studies by the City’s actuaries which adjust the net pension liability and total OPEB liability for actual experiences for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability and total OPEB liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into expense over the expected remaining service lives of plan members. The difference between projected investment return on investments and actual return on those investments is also deferred and amortized against expense over a five-year period. Contributions made by the City to the pension plans before year-end but subsequent to the measurement date of the City’s net pension liability are reported as deferred outflows of resources.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

N. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are reported as committed or assigned fund balances since they do not constitute expenditures or liabilities. At June 30, 2020, there were no encumbrances outstanding.

O. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity (Continued)

- **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 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.

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.

P. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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	\$	(64,697)
Compensated absences		(1,012,342)
Accrued interest payable		<u>(1,241)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	\$	<u><u>(1,078,280)</u></u>

NOTES TO FINANCIAL STATEMENTS

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	\$ 6,763,075
Depreciation expense	(2,020,654)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 4,742,421

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	\$ (234,285)
Net pension liability and deferred outflows of resources related to pensions	(4,087,336)
Total OPEB liability and deferred outflows and inflows of resources related to other post-employment benefits	(15,288)
Accrued interest	931
Net adjustment to decrease <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i>	\$ (4,335,978)

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2020, are summarized as follows:

As reported in the Statement of Net Position

Primary government:

Cash and cash equivalents	\$ 31,242,885
Investments	72,801,934

Restricted Assets:

Cash and cash equivalents	3,387,488
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Agency Fund:

Cash and cash equivalents	197,130
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Pension Trust Fund:

Cash and cash equivalents	4,378,252
Investments	43,087,632

Component Units:

Cash and cash equivalents	152,704
	<u>\$ 155,248,025</u>

Cash deposited with financial institutions	\$ 48,116,236
Certificates of deposit	2,440,224
Investment in Municipal Competitive Trust	60,686,771
Investment in U.S. Government Securities	505,614
Investment in Corporate Bonds	411,548
Pension Trust Fund investments	43,087,632
	<u>\$ 155,248,025</u>

NOTES TO FINANCIAL STATEMENTS

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, 2020, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				<u>Rating</u>
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>11 - 15</u>	
Entity-wide:						
Municipal Competitive Trust - Short-term	\$ 17,481,979	\$ 17,481,979	\$ -	\$ -	\$ -	NR
Municipal Competitive Trust - Intermediate	43,204,792	43,204,792	-	-	-	NR
Government bonds	505,614	151,641	353,973	-	-	N/A
Corporate bonds	50,349	50,349	-	-	-	AA-
Corporate bonds	203,860	100,363	103,497	-	-	A+
Corporate bonds	52,486	-	52,486	-	-	A
Corporate bonds	104,853	104,853	-	-	-	A-
Certificates of deposit	2,440,224	1,377,806	1,062,418	-	-	N/A
Georgia Fund 1	8,757,777	8,757,777	-	-	-	AAAf
Subtotal	<u>72,801,934</u>	<u>71,229,560</u>	<u>1,572,374</u>	<u>-</u>	<u>-</u>	
Pension Trust Funds:						
Common stock	21,817,108	21,817,108	-	-	-	N/A
Government bonds	4,866,908	-	2,231,568	2,635,340	-	AA+
Government bonds	4,391,658	1,021,250	3,370,408	-	-	N/A
Corporate bonds	511,455	511,455	-	-	-	AAA
Corporate bonds	1,057,070	-	1,057,070	-	-	AA+
Corporate bonds	2,251,650	600,330	1,651,320	-	-	AA
Corporate bonds	1,045,650	-	1,045,650	-	-	AA-
Corporate bonds	1,933,617	301,212	1,632,405	-	-	A+
Corporate bonds	1,097,160	-	1,097,160	-	-	A
Corporate bonds	1,640,240	-	1,640,240	-	-	A-
Corporate bonds	515,000	-	515,000	-	-	BBB+
Corporate bonds	787,520	-	-	787,520	-	BBB
Certificates of deposit	439,270	439,270	-	-	-	N/A
Mutual Funds	733,326	733,326	-	-	-	N/A
Subtotal	<u>43,087,632</u>	<u>25,423,951</u>	<u>14,240,821</u>	<u>3,422,860</u>	<u>-</u>	
Total fair value	<u>\$ 115,889,566</u>	<u>\$ 96,653,511</u>	<u>\$ 15,813,195</u>	<u>\$ 3,422,860</u>	<u>\$ -</u>	

NOTES TO FINANCIAL STATEMENTS

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, 2020:

Investment	Level 1	Level 2	Level 3	Fair Value
United States Treasuries	\$ 308,953	\$ -	\$ -	\$ 308,953
Commercial Mortgage-Backed Securities	94,845	101,816	-	196,661
Corporate Bonds	411,548	-	-	411,548
Municipal Competitive Trust	60,686,771	-	-	60,686,771
Total Investments by fair value level	<u>\$ 61,502,117</u>	<u>\$ 101,816</u>	<u>\$ -</u>	<u>\$ 61,603,933</u>

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, 2020, the City had no amounts exposed to custodial credit risk as uninsured and uncollateralized as defined by GASB pronouncements.

NOTES TO FINANCIAL STATEMENTS

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, 2020, the Plan had \$43,087,632 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, 2020, the Plan did not have debt or equity investments in any one organization which represented greater than 3% of plan fiduciary net position.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Plan – Investments (Continued)

Interest Rate Risk – As of June 30, 2020, the Plan had \$43,087,632 invested in the following types of investments as categorized by interest rate risk:

Investment Type	Fair Value	Weighted Average Maturity (years)
Common stock	\$ 21,817,108	N/A
Corporate bonds	10,839,362	3.81
Government bonds	9,258,566	3.51
Certificates of deposit	439,270	0.26
Mutual funds	733,326	N/A
Total	\$ 43,087,632	

Rate of Return – For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.75%. 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, 2020:

Investment	Level 1	Level 2	Level 3	Fair Value
Corporate Equity Securities	\$ 21,817,108	\$ -	\$ -	\$ 21,817,108
Mutual Funds	733,326	-	-	733,326
United States Treasuries	2,866,758	-	-	2,866,758
Commercial mortgage-backed securities	992,664	5,399,144	-	6,391,808
Corporate Bonds	10,324,362	515,000	-	10,839,362
	\$ 36,734,218	\$ 5,914,144	\$ -	\$ 42,648,362

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. RECEIVABLES

Accounts Receivable

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

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>
Receivables:				
Taxes	\$ 289,670	\$ -	\$ 85,799	\$ -
Accounts	385,189	-	869,991	1,955,602
Intergovernmental	964,339	854,246	489,275	60,713
Gross receivables	<u>1,639,198</u>	<u>854,246</u>	<u>1,445,065</u>	<u>2,016,315</u>
Less: allowance for uncollectibles	(143,758)	-	-	(90,364)
Net total receivables	<u>\$ 1,495,440</u>	<u>\$ 854,246</u>	<u>\$ 1,445,065</u>	<u>\$ 1,925,951</u>
	<u>Gas and Electric</u>	<u>Airport</u>	<u>Nonmajor Enterprise</u>	<u>Total</u>
Receivables:				
Taxes	\$ -	\$ -	\$ -	\$ 375,469
Accounts	9,872,267	15,641	1,959,593	15,058,283
Intergovernmental	259,967	166,492	-	2,795,032
Gross receivables	<u>10,132,234</u>	<u>182,133</u>	<u>1,959,593</u>	<u>18,228,784</u>
Less: allowance for uncollectibles	(520,281)	(292)	(702,195)	(1,456,890)
Net total receivables	<u>\$ 9,611,953</u>	<u>\$ 181,841</u>	<u>\$ 1,257,398</u>	<u>\$ 16,771,894</u>

Property Taxes

Property taxes were levied on behalf of the City by Newton County on August 21, 2019 (levy date) based upon property values assessed as of January 1. The billings were mailed on August 12, 2019 and the first installment was payable on or before October 20, 2019, and the final installment was payable on or before December 21, 2019 for the fiscal year 2020 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, 2020, the allowance for uncollectible property taxes was \$143,758.

The tax rate levied during calendar year 2019 for the City's operations was 7.654 mills (mill equals \$1 per thousand dollars of assessed value).

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 2,806,979	\$ -	\$ -	\$ -	\$ 2,806,979
Construction in progress	2,775,966	3,738,189	-	(2,476,885)	4,037,270
Total capital assets, not being depreciated	<u>5,582,945</u>	<u>3,738,189</u>	<u>-</u>	<u>(2,476,885)</u>	<u>6,844,249</u>
Capital assets, being depreciated:					
Buildings and improvements	12,698,289	2,356,910	-	2,476,885	17,532,084
Machinery and equipment	9,255,913	449,987	(213,649)	-	9,492,251
Furniture and fixtures	122,424	-	-	-	122,424
Vehicles	6,082,482	81,723	(585,980)	35,445	5,613,670
Infrastructure	38,567,694	136,266	-	-	38,703,960
Total capital assets, being depreciated	<u>66,726,802</u>	<u>3,024,886</u>	<u>(799,629)</u>	<u>2,512,330</u>	<u>71,464,389</u>
Less accumulated depreciation for:					
Buildings and improvements	(4,657,523)	(369,919)	-	-	(5,027,442)
Machinery and equipment	(7,681,565)	(370,664)	69,227	-	(7,983,002)
Furniture and fixtures	(108,978)	(11,449)	-	-	(120,427)
Vehicles	(5,218,003)	(329,532)	581,843	(35,445)	(5,001,137)
Infrastructure	(20,169,831)	(939,090)	-	-	(21,108,921)
Total accumulated depreciation	<u>(37,835,900)</u>	<u>(2,020,654)</u>	<u>651,070</u>	<u>(35,445)</u>	<u>(39,240,929)</u>
Total capital assets, being depreciated, net	<u>28,890,902</u>	<u>1,004,232</u>	<u>(148,559)</u>	<u>2,476,885</u>	<u>32,223,460</u>
Governmental activities capital assets, net	<u>\$ 34,473,847</u>	<u>\$ 4,742,421</u>	<u>\$ (148,559)</u>	<u>\$ -</u>	<u>\$ 39,067,709</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 10,897,834	\$ -	\$ -	\$ -	\$ 10,897,834
Construction in progress	8,639,628	2,400,132	(87,159)	(7,312,116)	3,640,485
Total capital assets, not being depreciated	<u>19,537,462</u>	<u>2,400,132</u>	<u>(87,159)</u>	<u>(7,312,116)</u>	<u>14,538,319</u>
Capital assets, being depreciated:					
Buildings	5,117,910	8,208	-	-	5,126,118
Machinery and equipment	4,861,966	678,364	(60,968)	-	5,479,362
Vehicles	5,488,326	24,787	(1,759,984)	(35,445)	3,717,684
Intangibles	4,397,830	-	-	-	4,397,830
Improvements other than buildings	123,984,594	5,652,313	(261,695)	7,312,116	136,687,328
Total capital assets, being depreciated	<u>143,850,626</u>	<u>6,363,672</u>	<u>(2,082,647)</u>	<u>7,276,671</u>	<u>155,408,322</u>
Less accumulated depreciation for:					
Buildings	(2,827,391)	(209,605)	-	-	(3,036,996)
Machinery and equipment	(3,842,512)	(201,893)	57,740	-	(3,986,665)
Vehicles	(4,540,752)	(355,404)	1,509,099	35,445	(3,351,612)
Intangibles	(1,306,005)	(121,538)	-	-	(1,427,543)
Improvements other than buildings	(53,233,043)	(3,011,418)	-	-	(56,244,461)
Total accumulated depreciation	<u>(65,749,703)</u>	<u>(3,899,858)</u>	<u>1,566,839</u>	<u>35,445</u>	<u>(68,047,277)</u>
Total capital assets, being depreciated, net	<u>78,100,923</u>	<u>2,463,814</u>	<u>(515,808)</u>	<u>7,312,116</u>	<u>87,361,045</u>
Business-type activities capital assets, net	<u>\$ 97,638,385</u>	<u>\$ 4,863,946</u>	<u>\$ (602,967)</u>	<u>\$ -</u>	<u>\$ 101,899,364</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

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

Governmental activities:	
General government	\$ 219,156
Judicial	1,534
Public safety	642,563
Public works	1,099,435
Housing and development	57,966
Total depreciation expense - governmental activities	<u>\$ 2,020,654</u>
Business-type activities:	
Water and sewer	\$ 1,896,942
Gas and electric	1,101,499
Airport	510,086
Stormwater	242,498
Sanitation	148,833
Total depreciation expense - business-type activities	<u>\$ 3,899,858</u>

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	<u>414,173</u>	<u>-</u>	<u>-</u>	<u>414,173</u>
Parking Authority assets, net	<u>\$ 414,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 414,173</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5. 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	(49,998)	(9,091)	-	(59,089)
Total accumulated depreciation	(49,998)	(9,091)	-	(59,089)
Airport Authority assets, net	\$ 313,622	\$ (9,091)	\$ -	\$ 304,531

NOTE 6. 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, 2020, is as follows:

Description	Original Amount	Interest Rate	Due Date	Amount
2013 Revenue Refunding Bonds	\$ 14,860,000	2.6%	2025	\$ 3,670,000
				3,670,000
			Less current portion	(1,455,000)
				\$ 2,215,000

NOTES TO FINANCIAL STATEMENTS

NOTE 6. 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:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,515,616	\$ 1,455,000	\$ 60,616
2022	1,515,334	1,485,000	30,334
2023	371,330	360,000	11,330
2024	215,459	210,000	5,459
2025	161,648	160,000	1,648
	<u>\$ 3,779,387</u>	<u>\$ 3,670,000</u>	<u>\$ 109,387</u>

Note Payable

The City has also incurred debt to the Georgia Environmental Facilities Authority ("GEFA") 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. As of June 30, 2020, the City has no unused lines of credit relating to this note. The City's line of credit outstanding at June 30, 2020, is as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Due Date</u>	<u>Amount</u>
GEFA Loan - DW 13-006	\$ 4,500,000	0.50%	2038	<u>\$ 3,925,675</u>
				3,925,675
			Less current maturities	<u>(217,354)</u>
				<u>\$ 3,708,321</u>

The City's outstanding note from direct borrowings related to business-type activities of \$3,925,675 is secured by the City's revenue-raising power. The City covenants and agrees that it shall, to the extent necessary, levy an annual ad valorem tax on all taxable property within the City as necessary to produce revenues that will be sufficient to fulfill the City's obligations of this note. The outstanding note from direct borrowings contains a provision that in an event of default, the lender may declare the outstanding principal and accrued interest immediately due and may terminate its remaining commitment (if any) to make further advances of the loan.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Note Payable (Continued)

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
2021	\$ 236,485	\$ 217,354	\$ 19,131
2022	236,485	218,443	18,042
2023	236,485	219,538	16,947
2024	236,485	220,638	15,847
2025	236,485	221,744	14,741
2026 – 2030	1,182,421	1,125,498	56,923
2031 – 2035	1,182,422	1,153,985	28,437
2036 – 2038	551,795	548,475	3,320
	\$ 4,099,063	\$ 3,925,675	\$ 173,388

Financed Purchases from Direct Borrowings

The City has entered into several financed purchases from direct borrowings for the construction of a new fire station and for the purchase of police vehicles. In the event of default, the financial institutions could take possession of the assets, terminate the borrowing agreement, or obtain court action to enforce the agreement. The fire station and police vehicle financed purchases are being serviced by General Fund payments with annual interest rates of 3.91% and 1.31%, respectively.

The following is an analysis of capital assets purchased under direct borrowings as of June 30, 2020:

Buildings	\$ 1,439,150
Vehicles	993,337
Less accumulated depreciation	(1,346,333)
Carrying value	\$ 1,086,154

The City reported \$64,357 in depreciation expense on the above financed purchases from direct borrowings as of June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Financed Purchases from Direct Borrowings (Continued)

Principal and interest payments due under direct borrowings as of June 30, 2020 are as follows:

<u>Fiscal Year Payable</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2021	<u>\$ 65,647</u>	<u>\$ 64,697</u>	<u>\$ 950</u>

Changes in Long-Term Liabilities – Primary Government

Long-term liability activity for the year ended June 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Governmental activities:					
Financed purchase	\$ 277,642	\$ -	\$ (212,945)	\$ 64,697	\$ 64,697
Net pension liability	14,799,802	4,726,086	(3,560,628)	15,965,260	-
Total OPEB Liability	2,780,497	1,175,606	(126,429)	3,829,674	-
Compensated absences	778,057	975,851	(741,566)	1,012,342	741,566
Governmental activities long-term liabilities	<u>\$ 18,635,998</u>	<u>\$ 6,877,543</u>	<u>\$ (4,641,568)</u>	<u>\$ 20,871,973</u>	<u>\$ 806,263</u>
Business-type activities:					
Revenue bonds	\$ 5,095,000	\$ -	\$ (1,425,000)	\$ 3,670,000	\$ 1,455,000
Notes payable from direct borrowings	4,141,944	-	(216,269)	3,925,675	217,354
Net pension liability	5,684,353	788,600	(3,808,834)	2,664,119	-
Compensated absences	301,593	368,316	(232,765)	437,144	232,765
Business-type activities long-term liabilities	<u>\$ 15,222,890</u>	<u>\$ 1,156,916</u>	<u>\$ (5,682,868)</u>	<u>\$ 10,696,938</u>	<u>\$ 1,905,119</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. 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. For governmental activities, pension and OPEB liabilities are liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the Water and Sewer Utility Fund, the Gas and Electric Utility Fund, and the Airport Fund. For business-type activities, the pension liability is liquidated by the Water and Sewer Utility Fund and the Gas and Electric Utility Fund.

Changes in Long-Term Liabilities – Airport Authority

Long-term liability activity for the Covington Municipal Airport Authority (“Airport Authority”) for the year ended March 31, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due in One Year
Airport Authority:					
Note payable from					
direct borrowings	\$ 257,901	\$ -	\$ (25,603)	\$ 232,298	\$ 26,319
Airport Authority					
long-term liabilities	\$ 257,901	\$ -	\$ (25,603)	\$ 232,298	\$ 26,319

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 \$32,800. The note fully matures on August 23, 2027.

The annual payments as of March 31, 2020, are as follows:

Fiscal Year Payable	Total	Principal	Interest
2021	\$ 32,800	\$ 26,319	\$ 6,481
2022	32,800	27,053	5,747
2023	32,800	27,808	4,992
2024	32,799	28,583	4,216
2025	32,800	29,381	3,419
2026 – 2028	96,399	93,154	3,245
	\$ 260,398	\$ 232,298	\$ 28,100

NOTES TO FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (CONTINUED)

Airport Authority Note Payable (Continued)

The Airport Authority's outstanding note from direct borrowings of \$232,298 is secured by the equipment purchased with the loan. The outstanding note from direct borrowings contains a provision that in an event of default, the lender may withdraw any balance remaining in the Airport Authority's project funds and apply such balance against outstanding required payments.

NOTE 7. PENSION PLAN

Plan Description

Plan Administration. The City 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 and the Trustee. This committee is comprised of the City Manager, who serves as Chairman, the Human Resources 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, 2019, the date of the most recent actuarial valuation, there were 533 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	215
Vested terminated employees not yet receiving benefits	152
Active employees	166
Total	<u>533</u>

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

Plan Description (Continued)

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.

The actuarially determined contribution for the current year was determined as part of the June 30, 2019 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 6.75% per year, compounded annually and net of investment expenses, and (b) projected salary increases based on years of service. 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.

Net Pension Liability of the City

The City's net pension liability was measured as of June 30, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.75%
Inflation	3.50%
Projected Salary Increases:	

<u>Years of Service</u>	<u>Rate</u>
0 – 9	4.50%
10 – 19	3.50%
20 – 24	3.00%
25+	2.50%

Mortality rates were based upon the RP-2014 Mortality Table projected back to 2006 and projected generationally using the MP 2019 mortality improvement scale.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience performed in July 2018 based on Plan experience from January 1, 2013 to December 31, 2017.

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, 2020 are: Fixed Income – 2.2%, and Domestic Equities – 3%.

Discount Rate. The discount rate used to measure the total pension liability was 6.75%. 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, 2020, were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2019	\$ 64,119,036	\$ 43,634,881	\$ 20,484,155
Changes for the year:			
Service cost	695,998	-	695,998
Interest	4,284,617	-	4,284,617
Experience differences	177,171	-	177,171
Assumption changes	(232,581)	-	(232,581)
Contributions - employer	-	3,566,646	(3,566,646)
Net investment income	-	3,570,234	(3,570,234)
Benefit payments, including refunds of employee contributions	(2,678,454)	(2,678,454)	-
Administrative expense	-	(356,900)	356,900
Other changes	-	1	(1)
Net changes	<u>2,246,751</u>	<u>4,101,527</u>	<u>(1,854,776)</u>
Balances at June 30, 2020	<u>\$ 66,365,787</u>	<u>\$ 47,736,408</u>	<u>\$ 18,629,379</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

Net Pension Liability of the City (Continued)

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

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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
City's net pension liability	\$ 27,227,137	\$ 18,629,379	\$ 11,420,746

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, 2020, and the current sharing pattern of costs between employer and employee.

For the year ended June 30, 2020, the City recognized pension expense of \$6,336,702. At June 30, 2020, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (344,765)
Net difference between expected and actual experience	508,323	(469,683)
Changes in assumptions	1,890,767	(157,555)
City contributions subsequent to the measurement date	3,216,347	-
Total	\$ 5,615,437	\$ (972,003)

NOTES TO FINANCIAL STATEMENTS

NOTE 7. PENSION PLAN (CONTINUED)

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

City contributions subsequent to the measurement date of \$3,216,347 are reported as a deferred outflow of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. The remaining deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2021	\$ 2,048,458
2022	(408,819)
2023	(91,161)
2024	(121,391)
Total	<u>\$ 1,427,087</u>

NOTE 8. 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 4-6% of the employee's salary each pay period following a tiered approach based on the employee's pay grade. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after six years of continuous service. Benefit provisions and contribution requirements are established and may be amended by the City Council. The City contributed \$404,469 in fiscal year 2020.

The City also offers its employees a choice of a deferred compensation plan (the "457 Plan") which is administered by Voya Financial. The 457 Plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the 457 Plan is optional, however employees are auto-enrolled upon employment and must opt-out if they do not wish to participate. 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 100% of the first 2% of contributions, and an additional 50% of contributions from 3-6% following a tiered approach based on years of service. These additional contributions are contributed to the 401(a) plan. During the year ended June 30, 2020, City employees contributed \$684,982 to the 457 Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. DEFINED CONTRIBUTION PLANS (CONTINUED)

Pursuant to GASB Statement No. 32, *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 9. INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances as of June 30, 2020, are as follows:

Receivable Fund	Payable Fund	Total
General Fund	Nonmajor Governmental Funds	\$ 313,149
Capital Projects Fund	Nonmajor Governmental Funds	67,855
Total		\$ 381,004

Interfund receivables and payables result from timing differences related to payroll and other year-end transactions which normally clear within one to two months.

Interfund transfers for the year ended June 30, 2020, consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Gas and Electric Fund	Nonmajor Governmental	
General Fund	\$ -	\$ 9,070,272	\$ 163,429	\$ 9,233,701
Capital Projects Fund	-	2,346,187	-	2,346,187
Gas and Electric Fund	464,261	-	-	464,261
Airport Fund	-	697,557	-	697,557
Nonmajor Governmental	-	339,418	-	339,418
Total	\$ 464,261	\$ 12,453,434	\$ 163,429	\$ 13,081,124

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. 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 11. HOTEL/MOTEL LODGING TAX

The City has levied an 8% lodging tax. For the year ended June 30, 2020, \$869,294 of hotel/motel tax was collected. Of the total collected, 100% was used for the promotion of tourism within the City.

NOTE 12. 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, 2020, the City paid \$13,728 in such dues. Membership in an RC is required by the O.C.G.A. §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. O.C.G.A. §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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 12. JOINT VENTURES (CONTINUED)

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 13. OTHER POST-EMPLOYMENT BENEFITS

Plan Administration and Benefits

The City, as authorized by the City Council, administers a single-employer defined benefit post-employment healthcare plan (the "Retiree Health Plan"). The Retiree Health Plan provides healthcare insurance for eligible retirees and their dependents through the City's group health insurance plan, which covers both active and retired members. Medical coverage ceases at age 65. Benefit provisions are established by the City. The City allows eligible retirees to continue participating in the City's health plans for life at the same cost as active participants. Retirees are also allowed to elect coverage for their dependents. Medical insurance costs are 100% paid for by the retiree. Additionally, the City provides access to a Health Reimbursement Account ("HRA") to help eligible retirees pay for any out-of-pocket medical expenses and individual health insurance premiums. Only full-time employees fully vested in the Defined Benefit Plan or Defined Contribution Plan, aged 55, and with five years of service are eligible. The City will contribute up to \$30,000 to the HRA depending on years of service with the City. Contributions on behalf of retirees are made annually for five years to the HRA account beginning at eligibility.

No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75 and a separate report was not issued for the Retiree Health Plan.

Plan Membership

Membership of the Retiree Health Plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

Active participants	315
Retirees and beneficiaries currently receiving benefits	33
Covered spouses	<u>2</u>
Total plan members	<u><u>350</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Contributions

Contribution requirements are established annually by the City. The required contribution is based on projected “pay as you go” financing requirements. For the year ended June 30, 2020, the City contributed \$276,714 for the pay as you go benefits for the Retiree Health Plan.

Total OPEB Liability of the City

The City’s total OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions:

Discount rate:	2.79%
Healthcare cost trend rate:	Initial rate of 7.50% declining to an ultimate rate of 4.00% after 55 years
Inflation rate:	2.50%
Salary increase:	4.50% if employee has 9 years of service or less 3.50% if employee has 10 to 19 years of service 3.00% if employee has 20 to 24 years of service 2.50% if employee has more than 24 years of service
Participation rate:	20% for continuing healthcare coverage 50% electing spouse coverage 100% are expected to utilize the HRA benefit, if eligible

Mortality rates were based on the RP-2014 mortality tables. The tables were projected back to 2006 and forward generationally using the MP 2019 mortality improvement scale.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period 2013 – 2017.

Discount Rate

Given the City’s decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 2.79%. The high quality municipal bond rate was based on the measurement date of the S&P Municipal Bond 20–Year High–Grade Rate Index as published by S&P Dow Jones indices. The S&P Municipal 20–Year High–Grade Rate Index consists of bonds in the S&P Municipal Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor’s Ratings Services, Aa2 by Moody’s or AA by Fitch. If there are multiple ratings, the lowest rating is used.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability of the City

The changes in the total OPEB liability of the City for the year ended June 30, 2020, were as follows:

	Total OPEB Liability
	Primary Government
Beginning Balance	\$ 2,780,497
Changes for the year:	
Service cost	97,438
Interest	108,953
Differences between expensed and actual experience	355,058
Effect of assumption changes	614,157
Benefit payments	(126,429)
Net changes	1,049,177
Ending Balance	\$ 3,829,674

The required schedule of changes in the City's total OPEB liability and related ratios immediately following the notes to the financial statements presents multi-year trend information about the total OPEB liability.

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.79%) or 1-percentage-point higher (3.79%) than the current discount rate:

	Sensitivity of the Total OPEB Liability to Changes in the Discount Rate		
	1% Decrease (1.79%)	Current Discount Rate (2.79%)	1% Increase (3.79%)
Total OPEB Liability	\$ 4,104,587	\$ 3,829,674	\$ 3,571,040

NOTES TO FINANCIAL STATEMENTS

NOTE 13. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Changes in the Total OPEB Liability of the City (Continued)

The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	OPEB Liability to Changes in the Healthcare Cost Trend Rates		
	1% Decrease	Current Healthcare Cost Trend Assumption Rate	1% Increase
	3.00% - 6.50%	4.00% - 7.50%	5.00% - 8.50%
Total OPEB Liability	\$ 3,704,221	\$ 3,829,674	\$ 3,977,893

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 315,607	\$ -
Assumption changes	545,917	160,679
Employer contributions subsequent to the measurement date	276,714	-
Total	\$ 1,138,238	\$ 160,679

City contributions subsequent to the measurement date of \$276,714 are reported as deferred outflows of resources and will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2021. The remaining deferred inflows of resources for the City related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	
2021	\$ 85,612
2022	85,612
2023	85,612
2024	85,612
2025	85,612
Thereafter	272,785
Total	\$ 700,845

NOTES TO FINANCIAL STATEMENTS

NOTE 14. 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, 2020, 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 \$28,864,144 in 2020.

At June 30, 2020, the outstanding debt of MEAG was approximately \$8.14 billion. The City's guarantee varies by individual projects undertaken by MEAG and totals approximately \$381.36 million at June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. 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 2020, 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 \$6,541,916 in 2020.

At June 30, 2020, the outstanding debt of MGAG was approximately \$180.5 million. The City's guarantee varies by individual projects undertaken by MGAG and totals approximately \$10.16 million at June 30, 2020.

Contractual Commitments

In addition to the liabilities enumerated in the balance sheet at June 30, 2020, the City has contractual commitments on uncompleted construction contracts of approximately \$1,690,690.

NOTE 15. 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 \$550,000 for police and fire employees and \$500,000 for all other employees. The City does purchase commercial insurance for claims in excess of this amount for workers' compensation.

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 YEARS ENDED JUNE 30,

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 695,998	\$ 728,055	\$ 493,714	\$ 423,626	\$ 465,688	\$ 434,472
Interest on total pension liability	4,284,617	4,200,906	3,650,312	3,315,798	3,019,622	2,904,711
Changes in experience differences	177,171	(1,140,659)	1,470,212	2,313,285	2,393,142	-
Assumption changes	(232,581)	-	9,994,061	-	-	-
Benefit payments, including refunds of employee contributions	(2,678,454)	(2,353,713)	(2,201,881)	(2,032,437)	(1,925,160)	(1,688,917)
Other changes	-	-	-	30,908	49,360	-
Net change in total pension liability	2,246,751	1,434,589	13,406,418	4,051,180	4,002,652	1,650,266
Total pension liability - beginning	64,119,036	62,684,447	49,278,029	45,226,849	41,224,197	39,573,931
Total pension liability - ending (a)	66,365,787	64,119,036	62,684,447	49,278,029	45,226,849	41,224,197
Plan fiduciary net position						
Contributions - employer	3,566,646	3,600,000	3,502,117	2,900,000	2,800,000	2,400,000
Contributions - employee	-	-	-	30,908	49,360	246,088
Net investment income	3,570,234	2,576,127	3,532,043	679,622	1,142,698	3,528,041
Benefit payments, including refunds of member contributions	(2,678,454)	(2,353,713)	(2,201,881)	(2,032,437)	(1,925,160)	(1,688,917)
Administrative expenses	(356,900)	(201,337)	(207,754)	(202,608)	(246,954)	(243,045)
Other changes	1	-	-	-	-	-
Net change in plan fiduciary net position	4,101,527	3,621,077	4,624,525	1,375,485	1,819,944	4,242,167
Plan fiduciary net position - beginning	43,634,881	40,013,804	35,389,279	34,013,794	32,193,850	27,951,683
Plan fiduciary net position - ending (b)	47,736,408	43,634,881	40,013,804	35,389,279	34,013,794	32,193,850
City's net pension liability - ending (a) - (b)	\$ 18,629,379	\$ 20,484,155	\$ 22,670,643	\$ 13,888,750	\$ 11,213,055	\$ 9,030,347
Plan fiduciary net position as a percentage of the total pension liability	71.9%	68.1%	63.8%	71.8%	75.2%	78.1%
Covered payroll	\$ 9,967,630	\$ 10,355,722	\$ 10,773,250	\$ 11,313,614	\$ 11,303,614	\$ 11,018,519
Net pension liability as a percentage of covered payroll	186.9%	197.8%	210.4%	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 YEARS ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,394,267	\$ 2,441,637	\$ 1,550,940	\$ 2,900,000	\$ 2,800,000	\$ 2,400,000
Contributions in relation to the actuarially determined contribution	<u>3,566,646</u>	<u>3,600,000</u>	<u>3,502,117</u>	<u>2,900,000</u>	<u>2,800,000</u>	<u>2,400,000</u>
Contribution deficiency (excess)	<u>\$ (1,172,379)</u>	<u>\$ (1,158,363)</u>	<u>\$ (1,951,177)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 9,547,345	\$ 9,967,630	\$ 10,355,722	\$ 10,773,250	\$ 11,313,614	\$ 11,303,614
Contributions as a percentage of covered payroll	37.36%	36.12%	33.82%	26.92%	24.75%	21.23%

Notes to the Schedule:

(1) Actuarial Assumptions

Valuation Date	June 30, 2019
Cost Method	Entry Age Normal
Actuarial Asset Valuation Method	Market Value of Assets
Assumed Rate of Return on Investments	6.75%
Cost-of-living Adjustment	N/A
Amortization Method	Level dollar for unfunded liability
Remaining Amortization Period	30 years (open)

Projected Salary Increases:	<u>Years of Service</u>	<u>Rate</u>
	0-9	4.50%
	10-19	3.50%
	20-24	3.00%
	25+	2.50%

(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 YEARS ENDED JUNE 30,

	2020	2019	2018	2017	2016	2015
Annual money-weighted rate of return, net of investment expenses for the City's Pension Plan	6.8%	6.8%	6.8%	4.0%	5.6%	12.5%

Note to the Schedule:

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

CITY OF COVINGTON, GEORGIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30,

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 97,438	\$ 99,781	\$ 111,514
Interest on total OPEB liability	108,953	100,247	82,347
Differences between expected and actual experience	355,058	-	-
Changes of assumptions	614,157	(61,305)	(159,480)
Benefit payments, including refunds of employee contributions	(126,429)	(116,257)	(107,645)
Net change in total OPEB liability	1,049,177	22,466	(73,264)
Total OPEB liability - beginning	2,780,497	2,758,031	2,831,295
Total OPEB liability - ending (a)	\$ 3,829,674	\$ 2,780,497	\$ 2,758,031
Covered employee payroll	\$ 18,646,772	\$ 17,169,505	\$ 16,027,917
City's total OPEB liability as a percentage of covered employee payroll	20.54%	16.19%	17.21%

Notes to the Schedule

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

The assumptions used in the preparation of the above schedule are disclosed in Note 13 in the Notes to the Financial Statements.

COMBINING STATEMENTS AND SCHEDULES

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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 **Legion Field Recreational Facility Fund** is used to account for the revenues and expenditures used to support the City's Legion Field recreational facility.

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 FUNDS

The **SPLOST Fund** accounts for the capital projects within the City from resources provided by the 2011 and 2017 special Newton County 1% sales and use tax.

CITY OF COVINGTON, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Special Revenue Funds					
	Emergency Telephone Fund	Hotel/Motel Tax Fund	Confiscated Assets Fund	Neighborhood Stabilization Fund	Legion Field Recreational Facility Fund	Cemetery Trust Fund
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ 320,602	\$ 73,133	\$ 41,790	\$ 182,683
Taxes receivable	-	85,799	-	-	-	-
Accounts receivable	849,009	-	4,651	16,331	-	-
Due from other governments	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Prepaid expenditures	8,671	-	-	-	-	-
Total assets	<u>\$ 857,680</u>	<u>\$ 85,799</u>	<u>\$ 325,253</u>	<u>\$ 89,464</u>	<u>\$ 41,790</u>	<u>\$ 182,683</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 52,121	\$ 29,715	\$ 123	\$ -	\$ 3,413	\$ -
Accrued liabilities	96,663	-	-	-	-	-
Due to other funds	288,940	24,209	-	-	-	-
Total liabilities	<u>437,724</u>	<u>53,924</u>	<u>123</u>	<u>-</u>	<u>3,413</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - sales taxes	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable:						
Prepaid expenditures	8,671	-	-	-	-	-
Restricted for:						
Law enforcement	411,285	-	325,130	-	-	-
Cemetery maintenance	-	-	-	-	-	182,683
Capital projects	-	-	-	-	-	-
Parks and recreation	-	-	-	-	38,377	-
Housing and development	-	31,875	-	89,464	-	-
Total fund balances	<u>419,956</u>	<u>31,875</u>	<u>325,130</u>	<u>89,464</u>	<u>38,377</u>	<u>182,683</u>
Total liabilities and fund balances	<u>\$ 857,680</u>	<u>\$ 85,799</u>	<u>\$ 325,253</u>	<u>\$ 89,464</u>	<u>\$ 41,790</u>	<u>\$ 182,683</u>

Capital Projects			
SPLOST			
Fund		Totals	
\$ 7,690,568		\$ 8,308,776	
-		85,799	
-		869,991	
489,275		489,275	
-		-	
-		8,671	
<u>\$ 8,179,843</u>		<u>\$ 9,762,512</u>	

\$ 263,073		\$ 348,445	
-		96,663	
67,855		381,004	
<u>330,928</u>		<u>826,112</u>	

116,248		116,248	
<u>116,248</u>		<u>116,248</u>	

-		8,671	
-		736,415	
-		182,683	
7,732,667		7,732,667	
-		38,377	
-		121,339	
<u>7,732,667</u>		<u>8,820,152</u>	
<u>\$ 8,179,843</u>		<u>\$ 9,762,512</u>	

CITY OF COVINGTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Special Revenue Funds					
	Emergency Telephone Fund	Hotel/ Motel Tax Fund	Confiscated Assets Fund	Neighborhood Stabilization Fund	Legion Field Recreational Facility Fund	Cemetery Trust Fund
Revenues						
Other taxes	\$ -	\$ 869,294	\$ -	\$ -	\$ -	\$ -
Charges for services	3,009,670	-	-	16,330	63,850	-
Intergovernmental	-	-	-	-	-	-
Fines and forfeitures	-	-	233,560	-	-	-
Interest revenue	-	-	3	-	-	1,601
Other revenues	-	-	10,667	-	-	-
Total revenues	<u>3,009,670</u>	<u>869,294</u>	<u>244,230</u>	<u>16,330</u>	<u>63,850</u>	<u>1,601</u>
Expenditures						
Public safety	3,326,529	-	202,797	-	-	-
Parks and recreation	-	-	-	-	25,473	-
Housing and development	-	878,772	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>3,326,529</u>	<u>878,772</u>	<u>202,797</u>	<u>-</u>	<u>25,473</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(316,859)</u>	<u>(9,478)</u>	<u>41,433</u>	<u>16,330</u>	<u>38,377</u>	<u>1,601</u>
Other financing sources (uses)						
Transfers in	339,418	-	-	-	-	-
Transfers out	-	(163,429)	-	-	-	-
Total other financing sources (uses)	<u>339,418</u>	<u>(163,429)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	22,559	(172,907)	41,433	16,330	38,377	1,601
Fund balances, beginning of year	<u>397,397</u>	<u>204,782</u>	<u>283,697</u>	<u>73,134</u>	<u>-</u>	<u>181,082</u>
Fund balances, end of year	<u>\$ 419,956</u>	<u>\$ 31,875</u>	<u>\$ 325,130</u>	<u>\$ 89,464</u>	<u>\$ 38,377</u>	<u>\$ 182,683</u>

Capital Projects SPLOST		
Fund		Totals
\$ -	\$ 869,294	
-	3,089,850	
2,078,021	2,078,021	
-	233,560	
-	1,604	
-	10,667	
<u>2,078,021</u>	<u>6,282,996</u>	
-	3,529,326	
-	25,473	
-	878,772	
2,488,659	2,488,659	
<u>2,488,659</u>	<u>6,922,230</u>	
<u>(410,638)</u>	<u>(639,234)</u>	
-	339,418	
-	(163,429)	
-	175,989	
(410,638)	(463,245)	
<u>8,143,305</u>	<u>9,283,397</u>	
<u>\$ 7,732,667</u>	<u>\$ 8,820,152</u>	

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, 2020**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for services	\$ 2,791,312	\$ 3,141,419	\$ 3,009,670	\$ (131,749)
EXPENDITURES				
Public safety	3,846,624	3,846,624	3,326,529	520,095
Total expenditures	<u>3,846,624</u>	<u>3,846,624</u>	<u>3,326,529</u>	<u>520,095</u>
Deficiency of revenues over expenditures	<u>(1,055,312)</u>	<u>(705,205)</u>	<u>(316,859)</u>	<u>388,346</u>
OTHER FINANCING SOURCES (USES)				
Use of fund balance	164,000	(186,107)	-	186,107
Transfers in	891,312	891,312	339,418	(551,894)
Total other financing sources	<u>1,055,312</u>	<u>705,205</u>	<u>339,418</u>	<u>(365,787)</u>
Net change in fund balances	-	-	22,559	22,559
FUND BALANCES, beginning of year	<u>397,397</u>	<u>397,397</u>	<u>397,397</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 397,397</u>	<u>\$ 397,397</u>	<u>\$ 419,956</u>	<u>\$ 22,559</u>

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, 2020**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Other taxes	\$ 844,800	\$ 844,800	\$ 869,294	\$ 24,494
EXPENDITURES				
Housing and development	686,400	886,152	878,772	7,380
Total expenditures	<u>686,400</u>	<u>886,152</u>	<u>878,772</u>	<u>7,380</u>
Excess (deficiency) of revenues over expenditures	158,400	(41,352)	(9,478)	31,874
OTHER FINANCING SOURCES (USES)				
Use of fund balance	-	204,782	-	(204,782)
Transfers out	(158,400)	(163,430)	(163,429)	1
Total other financing sources (uses)	<u>(158,400)</u>	<u>41,352</u>	<u>(163,429)</u>	<u>(204,781)</u>
Net change in fund balances	-	-	(172,907)	(172,907)
FUND BALANCES, beginning of year	<u>204,782</u>	<u>204,782</u>	<u>204,782</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 204,782</u>	<u>\$ 204,782</u>	<u>\$ 31,875</u>	<u>\$ (172,907)</u>

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, 2020**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Fines and forfeitures	\$ 14,444	\$ 215,368	\$ 233,560	\$ 18,192
Interest	-	-	3	3
Other revenues	-	5,340	10,667	5,327
Total revenues	<u>14,444</u>	<u>220,708</u>	<u>244,230</u>	<u>23,522</u>
EXPENDITURES				
Public safety	<u>14,444</u>	<u>220,708</u>	<u>202,797</u>	<u>17,911</u>
Total expenditures	<u>14,444</u>	<u>220,708</u>	<u>202,797</u>	<u>17,911</u>
Net change in fund balances	-	-	41,433	41,433
FUND BALANCES, beginning of year	<u>283,697</u>	<u>283,697</u>	<u>283,697</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 283,697</u>	<u>\$ 283,697</u>	<u>\$ 325,130</u>	<u>\$ 41,433</u>

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, 2020**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for services	\$ 16,335	\$ 16,335	\$ 16,330	\$ (5)
Total revenues	<u>16,335</u>	<u>16,335</u>	<u>16,330</u>	<u>(5)</u>
 Net change in fund balances	 16,335	 16,335	 16,330	 (5)
 FUND BALANCES, beginning of year	 <u>73,134</u>	 <u>73,134</u>	 <u>73,134</u>	 <u>-</u>
 FUND BALANCES, end of year	 <u>\$ 89,469</u>	 <u>\$ 89,469</u>	 <u>\$ 89,464</u>	 <u>\$ (5)</u>

CITY OF COVINGTON, GEORGIA

**LEGION FIELD RECREATIONAL FACILITY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for services	\$ 20,000	\$ 43,000	\$ 63,850	\$ 20,850
Total revenues	<u>20,000</u>	<u>43,000</u>	<u>63,850</u>	<u>20,850</u>
EXPENDITURES				
Parks and recreation	20,000	43,000	25,473	17,527
Total expenditures	<u>20,000</u>	<u>43,000</u>	<u>25,473</u>	<u>17,527</u>
Net change in fund balances	-	-	38,377	38,377
FUND BALANCES, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,377</u>	<u>\$ 38,377</u>

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, 2020**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Interest revenues	\$ 1,350	\$ 1,350	\$ 1,601	\$ 251
Total revenues	<u>1,350</u>	<u>1,350</u>	<u>1,601</u>	<u>251</u>
Net change in fund balances	1,350	1,350	1,601	251
FUND BALANCES, beginning of year	<u>181,082</u>	<u>181,082</u>	<u>181,082</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 182,432</u>	<u>\$ 182,432</u>	<u>\$ 182,683</u>	<u>\$ 251</u>

CITY OF COVINGTON, GEORGIA

**CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Intergovernmental	\$ 2,150,000	\$ 2,963,911	\$ 1,301,914	\$ (1,661,997)
Total revenues	<u>2,150,000</u>	<u>2,963,911</u>	<u>1,301,914</u>	<u>(1,661,997)</u>
EXPENDITURES				
Capital outlay	4,206,261	5,309,877	3,632,018	1,677,859
Total expenditures	<u>4,206,261</u>	<u>5,309,877</u>	<u>3,632,018</u>	<u>1,677,859</u>
Deficiency of revenues over expenditures	(2,056,261)	(2,345,966)	(2,330,104)	15,862
OTHER FINANCING SOURCES				
Transfers in	2,056,261	2,345,966	2,346,187	221
Total other financing sources	<u>2,056,261</u>	<u>2,345,966</u>	<u>2,346,187</u>	<u>221</u>
Net change in fund balances	-	-	16,083	16,083
FUND BALANCES, beginning of year	<u>793,958</u>	<u>793,958</u>	<u>793,958</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 793,958</u>	<u>\$ 793,958</u>	<u>\$ 810,041</u>	<u>\$ 16,083</u>

CITY OF COVINGTON, GEORGIA

2011 SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		Total
			Prior Years	Current Year	
Airport improvements	\$ 500,000	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
Transportation projects	6,966,620	8,188,495	1,217,635	1,157,822	2,375,457
	\$ 7,466,620	\$ 8,688,495	\$ 1,717,635	\$ 1,157,822	\$ 2,875,457

Note: The current year expenditures consisted of payments for transportation projects.

CITY OF COVINGTON, GEORGIA

2017 SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Project Description	Original Estimated Cost	Revised Estimated Cost	Expenditures		
			Prior Years	Current Year	Total
Transportation projects	\$ 4,029,944	\$ 4,029,944	\$ -	\$ -	\$ -
Sanitary sewer inspection and construction	1,575,000	1,575,000	-	-	-
Public safety	3,820,817	3,823,612	2,492,775	1,330,837	3,823,612
	\$ 9,425,761	\$ 9,428,556	\$ 2,492,775	\$ 1,330,837	\$ 3,823,612

Note: The current year expenditures consisted of the construction of a public safety building.

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, 2020

		<u>Stormwater Utility Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>
ASSETS				
CURRENT ASSETS				
Cash		\$ 1,053,408	\$ 828,086	\$ 1,881,494
Accounts receivable, net of allowances		756,569	500,829	1,257,398
Total current assets		<u>1,809,977</u>	<u>1,328,915</u>	<u>3,138,892</u>
NON-CURRENT ASSETS				
Capital assets:				
Nondepreciable		1,198,255	13,002	1,211,257
Depreciable, net of accumulated depreciation		5,048,920	250,091	5,299,011
Total non-current assets		<u>6,247,175</u>	<u>263,093</u>	<u>6,510,268</u>
Total assets		<u>8,057,152</u>	<u>1,592,008</u>	<u>9,649,160</u>
LIABILITIES				
Accounts payable		39,237	221,002	260,239
Accrued liabilities		14,188	-	14,188
Total liabilities		<u>53,425</u>	<u>221,002</u>	<u>274,427</u>
NET POSITION				
Investment in capital assets		6,247,175	263,093	6,510,268
Unrestricted		1,756,552	1,107,913	2,864,465
Total net position		<u>\$ 8,003,727</u>	<u>\$ 1,371,006</u>	<u>\$ 9,374,733</u>

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, 2020

	<u>Stormwater Utility Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 1,027,152	\$ 3,080,796	\$ 4,107,948
Other services	-	408,445	408,445
Total operating revenues	<u>1,027,152</u>	<u>3,489,241</u>	<u>4,516,393</u>
OPERATING EXPENSES			
Personnel services	234,333	514,774	749,107
Other costs of operations	232,459	2,697,115	2,929,574
Depreciation	242,498	148,833	391,331
Total operating expenses	<u>709,290</u>	<u>3,360,722</u>	<u>4,070,012</u>
Operating income (loss)	<u>317,862</u>	<u>128,519</u>	<u>446,381</u>
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental	242,401	-	242,401
Gain on sale of capital assets	-	555,484	555,484
Interest expense	-	(11,188)	(11,188)
Total non-operating revenues (expenses)	<u>242,401</u>	<u>544,296</u>	<u>786,697</u>
Income (loss) before transfers	<u>560,263</u>	<u>672,815</u>	<u>1,233,078</u>
Change in net position	560,263	672,815	1,233,078
NET POSITION, beginning of year	<u>7,443,464</u>	<u>698,191</u>	<u>8,141,655</u>
NET POSITION, end of year	<u>\$ 8,003,727</u>	<u>\$ 1,371,006</u>	<u>\$ 9,374,733</u>

CITY OF COVINGTON, GEORGIA

COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Stormwater Utility Fund	Sanitation Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,195,533	\$ 3,471,380	\$ 4,666,913
Payments to suppliers	(429,650)	(2,596,748)	(3,026,398)
Payments to employees	(369,684)	(1,088,897)	(1,458,581)
Net cash provided by (used in) operating activities	<u>396,199</u>	<u>(214,265)</u>	<u>181,934</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Intergovernmental revenues	242,401	-	242,401
Net cash provided by noncapital financing activities	<u>242,401</u>	<u>-</u>	<u>242,401</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the sale of capital assets	-	793,890	793,890
Acquisition and construction of capital assets	(884,170)	-	(884,170)
Interest paid	-	(11,188)	(11,188)
Net cash provided by (used in) capital and related financing activities	<u>(884,170)</u>	<u>782,702</u>	<u>(101,468)</u>
Change in cash and cash equivalents	(245,570)	568,437	322,867
Cash and cash equivalents:			
Beginning of year	<u>1,298,978</u>	<u>259,649</u>	<u>1,558,627</u>
End of year	<u>\$ 1,053,408</u>	<u>\$ 828,086</u>	<u>\$ 1,881,494</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 317,862	\$ 128,519	\$ 446,381
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	242,498	148,833	391,331
Increase in accounts receivable	(65,961)	(17,861)	(83,822)
Decrease in deferred outflows of resources related to pension	128,428	445,355	573,783
Decrease in due from other governments	234,342	-	234,342
Increase (decrease) in accounts payable	(197,191)	100,367	(96,824)
Increase (decrease) in accrued liabilities	209	(104,037)	(103,828)
Decrease in deferred inflows of resources related to pension	(9,984)	(34,622)	(44,606)
Decrease in net pension liability	(254,004)	(880,819)	(1,134,823)
Net cash provided by (used in) operating activities	<u>\$ 396,199</u>	<u>\$ (214,265)</u>	<u>\$ 181,934</u>

Statistical Section



STATISTICAL SECTION

This part of the 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 86 – 91

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 92 – 95

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

Debt Capacity 96 – 98

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.....99 and 100

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 101 – 104

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.

CITY OF COVINGTON, GEORGIA

NET POSITION BY COMPONENT LAST TEN FISCAL YEARS (accrual basis of accounting) (amounts expressed in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 28,031	\$ 28,831	\$ 30,692	\$ 31,345	\$ 33,435	\$ 32,492	\$ 32,207	\$ 34,018	\$ 34,196	\$ 39,003
Restricted	274	2,378	3,279	4,707	6,658	7,909	9,031	8,406	10,058	8,811
Unrestricted	27,951	26,722	24,995	25,221	19,365	16,816	16,407	10,916	7,364	6,656
Total governmental activities net position	<u>56,256</u>	<u>57,931</u>	<u>58,966</u>	<u>61,273</u>	<u>59,458</u>	<u>57,217</u>	<u>57,645</u>	<u>53,340</u>	<u>51,618</u>	<u>54,470</u>
Business-type activities										
Net investment in capital assets	62,274	62,445	63,064	65,612	65,867	68,338	73,961	80,037	88,401	94,304
Restricted	45	137	206	790	750	925	2,550	2,715	2,716	217
Unrestricted	39,919	39,772	42,928	44,974	47,526	57,934	60,368	65,019	72,718	82,835
Total business-type activities net position	<u>102,238</u>	<u>102,354</u>	<u>106,198</u>	<u>111,376</u>	<u>114,143</u>	<u>127,197</u>	<u>136,879</u>	<u>147,771</u>	<u>163,835</u>	<u>177,356</u>
Primary government										
Net investment in capital assets	90,305	91,276	93,756	96,957	99,302	100,830	106,168	114,055	122,597	133,307
Restricted	319	2,515	3,485	5,497	7,408	8,834	11,581	11,121	12,774	9,028
Unrestricted	67,870	66,494	67,923	70,195	66,891	74,750	76,775	75,935	80,082	89,491
Total primary government net position	<u>\$ 158,494</u>	<u>\$ 160,285</u>	<u>\$ 165,164</u>	<u>\$ 172,649</u>	<u>\$ 173,601</u>	<u>\$ 184,414</u>	<u>\$ 194,524</u>	<u>\$ 201,111</u>	<u>\$ 215,453</u>	<u>\$ 231,826</u>

CITY OF COVINGTON, GEORGIA

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities:										
General government	\$ 1,170	\$ 1,389	\$ 2,223	\$ 3,639	\$ 3,121	\$ 3,585	\$ 3,737	\$ 4,349	\$ 4,466	\$ 4,558
Judicial	511	520	505	512	625	707	739	721	592	684
Public safety	12,532	12,609	12,805	14,129	13,982	16,161	16,503	18,182	19,910	19,683
Public works	3,567	3,198	3,574	3,386	3,377	4,286	3,763	4,288	4,106	5,027
Parks and recreation	486	503	505	435	138	285	457	-	389	403
Housing and development	1,146	1,217	2,959	1,480	1,485	1,783	1,431	1,691	1,683	1,726
Interest on long-term debt	59	53	44	38	34	26	20	20	15	6
Total governmental activities expenses	<u>19,471</u>	<u>19,489</u>	<u>22,615</u>	<u>23,619</u>	<u>22,762</u>	<u>26,833</u>	<u>26,650</u>	<u>29,251</u>	<u>31,161</u>	<u>32,087</u>
Business-type activities:										
Water and sewer	10,029	10,295	9,839	9,348	9,210	9,502	10,220	10,140	10,250	10,421
Gas	13,200	11,081	11,013	12,648	10,597	8,005	9,396	10,034	10,805	8,421
Electric	31,127	35,157	34,879	34,420	35,003	32,642	32,847	33,704	34,693	34,656
Stormwater	858	859	781	795	694	743	508	551	571	709
Sanitation	2,576	2,603	2,857	2,741	2,857	2,892	3,010	3,088	3,251	3,372
Airport	1,284	1,058	1,020	1,113	1,024	994	997	1,287	1,300	1,316
Total business-type activities expenses	<u>59,074</u>	<u>61,053</u>	<u>60,389</u>	<u>61,065</u>	<u>59,385</u>	<u>54,778</u>	<u>56,978</u>	<u>58,804</u>	<u>60,870</u>	<u>58,895</u>
Total primary government expenses	<u>78,545</u>	<u>80,542</u>	<u>83,004</u>	<u>84,684</u>	<u>82,147</u>	<u>81,611</u>	<u>83,628</u>	<u>88,055</u>	<u>92,031</u>	<u>90,982</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	539	630	1,005	1,077	936	668	774	918	1,754	1,596
Public safety	2,106	1,672	1,453	1,750	2,500	3,453	3,417	3,444	3,596	3,679
Parks and recreation	-	-	-	-	-	-	-	-	-	64
Housing and development	-	-	-	-	-	-	-	-	-	16
Operating grants and contributions	918	774	2,532	802	829	779	898	945	800	728
Capital grants and contributions	228	2,514	2,005	2,174	2,808	2,601	2,067	1,891	2,205	4,186
Total governmental activities program revenues	<u>3,791</u>	<u>5,590</u>	<u>6,995</u>	<u>5,803</u>	<u>7,073</u>	<u>7,501</u>	<u>7,156</u>	<u>7,198</u>	<u>8,355</u>	<u>10,269</u>
Business-type activities:										
Charges for services:										
Water and sewer	10,584	10,949	10,897	11,337	10,967	11,114	12,190	11,999	13,423	13,746
Gas	16,579	13,838	14,725	18,006	15,500	12,883	13,025	14,821	15,534	14,053
Electric	37,822	37,138	40,102	42,644	44,924	45,059	45,112	45,789	47,168	46,267
Stormwater	678	724	756	729	839	839	801	994	849	1,027
Sanitation	2,326	2,310	2,414	2,459	2,543	2,743	2,769	2,834	2,919	3,489
Airport	326	584	514	468	421	403	476	576	634	591
Operating grants and contributions	993	870	2,069	120	261	512	-	-	662	242
Capital grants and contributions	-	443	-	87	-	-	1,889	1,865	2,369	1,880
Total business-type activities program revenues	<u>69,308</u>	<u>66,856</u>	<u>71,477</u>	<u>75,850</u>	<u>75,455</u>	<u>73,553</u>	<u>76,262</u>	<u>78,878</u>	<u>83,558</u>	<u>81,295</u>
Total primary government program revenues	<u>73,099</u>	<u>72,446</u>	<u>78,472</u>	<u>81,653</u>	<u>82,528</u>	<u>81,054</u>	<u>83,418</u>	<u>86,076</u>	<u>91,913</u>	<u>91,564</u>
Net (expense)/revenue										
Governmental activities	(15,680)	(13,899)	(15,620)	(17,816)	(15,689)	(19,332)	(19,494)	(22,053)	(22,806)	(21,818)
Business-type activities	10,234	5,803	11,088	14,785	16,070	18,775	19,284	20,074	22,688	22,400
Total primary government net expense	<u>\$ (5,446)</u>	<u>\$ (8,096)</u>	<u>\$ (4,532)</u>	<u>\$ (3,031)</u>	<u>\$ 381</u>	<u>\$ (557)</u>	<u>\$ (210)</u>	<u>\$ (1,979)</u>	<u>\$ (118)</u>	<u>\$ 582</u>

CITY OF COVINGTON, GEORGIA

CHANGES IN NET POSITION LAST TEN FISCAL YEARS (accrual basis of accounting) (amounts expressed in thousands)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2020	2020
General revenues and other changes in net position										
Governmental activities:										
Property taxes	\$ 5,033	\$ 4,765	\$ 4,715	\$ 4,868	\$ 4,729	\$ 4,646	\$ 4,885	\$ 5,088	\$ 5,656	\$ 6,421
Sales taxes	1,750	2,004	2,000	1,942	2,012	1,981	2,032	2,176	2,477	2,910
Franchise fees	846	844	712	701	775	756	764	872	820	892
Insurance premium taxes	622	615	654	677	707	745	818	2,016	956	1,007
Other taxes	1,301	1,346	1,362	1,441	1,648	1,786	1,745	720	2,025	1,992
Unrestricted investment earnings	172	127	46	66	31	28	42	57	128	157
Gain on sale of capital assets	-	13	4	-	-	-	-	-	-	-
Transfers	6,068	5,860	7,162	10,428	11,081	7,149	9,617	9,946	9,022	11,292
Total governmental activities	<u>15,792</u>	<u>15,574</u>	<u>16,655</u>	<u>20,123</u>	<u>20,983</u>	<u>17,091</u>	<u>19,903</u>	<u>20,875</u>	<u>21,084</u>	<u>24,671</u>
Business-type activities:										
Unrestricted investment earnings (losses)	156	148	(118)	782	524	1,427	327	726	2,382	1,835
Gain on sale of capital assets	-	25	36	39	6	-	-	38	15	577
Transfers	(6,068)	(5,860)	(7,162)	(10,428)	(11,081)	(7,149)	(9,928)	(9,946)	(9,022)	(11,291)
Total business-type activities	<u>(5,912)</u>	<u>(5,687)</u>	<u>(7,244)</u>	<u>(9,607)</u>	<u>(10,551)</u>	<u>(5,722)</u>	<u>(9,601)</u>	<u>(9,182)</u>	<u>(6,625)</u>	<u>(8,879)</u>
Total primary government	<u>\$ 4,434</u>	<u>\$ 1,791</u>	<u>\$ 4,879</u>	<u>\$ 7,485</u>	<u>\$ 10,813</u>	<u>\$ 10,812</u>	<u>\$ 10,092</u>	<u>\$ 9,714</u>	<u>\$ 14,341</u>	<u>\$ 16,374</u>
Change in net position										
Governmental activities	\$ 112	\$ 1,675	\$ 1,035	\$ 2,307	\$ 5,294	\$ (2,241)	\$ 409	\$ (1,178)	\$ (1,722)	\$ 2,853
Business-type activities	4,322	116	3,844	5,178	5,519	13,053	9,683	10,892	16,063	13,521
Total primary government	<u>\$ 4,434</u>	<u>\$ 1,791</u>	<u>\$ 4,879</u>	<u>\$ 7,485</u>	<u>\$ 10,813</u>	<u>\$ 10,812</u>	<u>\$ 10,092</u>	<u>\$ 9,714</u>	<u>\$ 14,341</u>	<u>\$ 16,374</u>

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	Total
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
2018	5,110	2,175	862	638	872	516	10,173
2019	5,656	2,477	891	622	956	512	11,114
2020	6,421	2,910	891	622	1,007	479	12,330

CITY OF COVINGTON, GEORGIA

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved-designated	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-
Non-spendable	2,785	3,469	2,906	3,556	3,315	3,242	2,778	582	120	79
Committed	11	164	234	225	233	258	-	-	-	-
Assigned	5,876	2,692	2,692	575	2,692	3,270	37	37	-	-
Unassigned	19,145	20,164	19,237	20,763	18,818	15,380	18,407	19,703	18,688	20,451
Total general fund	<u>27,817</u>	<u>26,489</u>	<u>25,069</u>	<u>25,119</u>	<u>25,058</u>	<u>22,150</u>	<u>21,222</u>	<u>20,322</u>	<u>18,808</u>	<u>20,530</u>
All other governmental funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Non-spendable	21	51	15	12	15	50	31	46	19	9
Restricted for:										
Law enforcement	-	-	-	-	-	716	800	791	662	736
Cemetery maintenance	175	176	176	176	177	177	178	179	181	183
Public safety	-	700	266	349	852	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-	38
Housing and development	-	-	-	-	10	25	40	187	278	121
Capital projects	99	1,503	2,837	4,183	5,619	6,991	8,013	7,249	8,937	7,733
Assigned to:										
Capital projects	-	-	-	-	-	-	-	-	-	810
Unassigned	(389)	-	-	(10)	-	(258)	-	-	-	-
Total all other governmental funds	<u>(94)</u>	<u>2,430</u>	<u>3,294</u>	<u>4,710</u>	<u>6,673</u>	<u>7,701</u>	<u>9,062</u>	<u>8,452</u>	<u>10,077</u>	<u>9,630</u>
Total all governmental funds	<u>\$ 27,723</u>	<u>\$ 28,919</u>	<u>\$ 28,363</u>	<u>\$ 29,829</u>	<u>\$ 31,731</u>	<u>\$ 29,851</u>	<u>\$ 30,284</u>	<u>\$ 28,774</u>	<u>\$ 28,885</u>	<u>\$ 30,160</u>

2017 - The increase in fund balance from FY16 to FY17 can be attributed to a significant decrease in transfers out of the general fund as well as capital lease proceeds received in the year.

2018 - The decrease in fund balance from FY17 to FY18 is the result of a budgeted use of fund balance for capital improvement projects.

CITY OF COVINGTON, GEORGIA

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenues										
Taxes	\$ 8,715	\$ 8,764	\$ 8,953	\$ 8,867	\$ 9,069	\$ 9,217	\$ 9,466	\$ 10,173	\$ 11,090	\$ 12,030
Licenses and permits	151	192	155	153	230	188	243	279	402	446
Intergovernmental	1,146	3,289	4,535	2,975	3,637	3,380	2,964	2,836	3,005	4,108
Charges for services	1,311	1,198	1,064	1,145	1,005	2,909	2,882	2,800	2,945	3,090
Franchise fees	846	844	712	701	775	745	764	720	820	892
Fines and forfeitures	770	681	391	614	1,491	743	542	644	651	658
Interest earned	172	127	48	66	31	28	42	57	128	157
Miscellaneous	869	884	850	925	706	481	530	640	1,352	1,160
Total revenues	13,980	15,979	16,708	15,446	16,944	17,691	17,433	18,149	20,393	22,541
Expenditures										
General government	1,686	1,625	3,811	4,181	3,944	3,945	3,742	3,732	4,088	3,946
Judicial	507	519	503	517	626	704	681	700	662	621
Public safety	12,356	12,573	13,110	14,882	14,566	16,124	16,660	16,281	17,964	16,608
Public works	2,758	2,811	2,777	2,731	3,743	3,452	3,876	3,078	2,780	2,815
Parks and recreation	476	501	519	401	308	332	483	362	370	370
Housing and development	1,220	1,211	2,951	1,481	1,617	1,758	1,451	1,586	1,634	1,905
Capital outlay	189	1,112	424	609	979	7	-	3,649	1,606	6,121
Debt service:										
Principal retirement	220	278	288	392	373	381	273	198	205	213
Interest charges	62	57	47	41	35	28	20	21	15	7
Total expenditures	19,474	20,687	24,430	25,235	26,191	26,731	27,186	29,607	29,324	32,606
Excess (deficiency) of revenues over expenditures	(5,494)	(4,708)	(7,722)	(9,789)	(9,247)	(9,040)	(9,753)	(11,458)	(8,931)	(10,065)
Other financing sources (uses)										
Transfers in	8,345	7,266	7,243	10,533	11,201	10,153	10,743	11,871	10,274	11,919
Transfers out	(2,234)	(1,392)	(81)	(104)	(120)	(3,004)	(824)	(1,925)	(1,252)	(628)
Capital leases	202	-	-	815	-	-	254	-	-	-
Proceeds from sale of capital assets	52	29	4	12	68	11	13	13	21	49
Total other financing sources (uses)	6,365	5,903	7,166	11,256	11,149	7,160	10,186	9,959	9,043	11,340
Net change in fund balances	\$ 871	\$ 1,195	\$ (556)	\$ 1,467	\$ 1,902	\$ (1,880)	\$ 433	\$ (1,499)	\$ 112	\$ 1,275
Debt service as a percentage of non-capital expenditures (1)	1.45%	1.62%	1.37%	1.72%	1.56%	1.53%	1.16%	0.85%	0.81%	0.85%

(1) Difference in 2017 debt service as a percentage of non-capital expenditures is due to a recalculation.

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
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%
2018	2017	401,935	347,539	9,742	352	131,704	627,864	7.654	1,898,920	40.00%
2019	2018	443,379	362,968	7,611	147	135,653	678,452	7.654	2,035,263	40.00%
2020	2019	472,002	384,809	6,560	287	148,029	715,629	7.654	2,159,145	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 LAST TEN FISCAL YEARS (Per \$1,000 of Assessed Value)

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>City of Covington</u>	<u>Community Improvement District</u>	<u>Newton County</u>	<u>Newton Board of Education</u>	<u>Newton Ambulance Service</u>	<u>Newton Medical Center</u>	<u>State of Georgia</u>	<u>Total Direct and Overlapping Rates</u>
2011	2010	8.208	N/A	10.910	21.000	0.451	1.200	0.25	42.019
2012	2011	8.208	N/A	10.910	21.073	0.451	1.200	0.25	42.092
2013	2012	8.208	N/A	10.910	21.900	0.451	1.200	0.20	42.869
2014	2013	8.208	N/A	11.540	21.900	0.451	1.200	0.15	43.449
2015	2014	7.708	N/A	11.225	20.450	0.451	1.200	0.10	41.134
2016	2015	7.654	N/A	12.990	20.000	0.451	N/A	0.10	41.195
2017	2016	7.654	N/A	12.990	20.000	0.451	N/A	0.00	41.095
2018	2017	7.654	5.000	13.441	20.000	N/A	N/A	0.00	46.095
2019	2018	7.654	5.000	13.441	20.000	N/A	N/A	0.00	46.095
2020	2019	7.654	5.000	13.441	20.000	N/A	N/A	0.00	46.095

Source: Georgia Department of Revenue.

CITY OF COVINGTON, GEORGIA

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

Taxpayer	Fiscal Year 2020				Fiscal Year 2011			
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxes Levied	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxes Levied
Becton Dickinson (fka CR Bard)	\$ 85,601	1	11.96%	\$ 504	\$ 35,607	5	5.87%	\$ 133
SKC, Inc.	57,922	2	8.09%	335	38,965	2	6.42%	277
Bellsouth/AT&T	54,380	3	7.60%	89				
General Mills	45,801	4	6.40%	299	41,882	1	6.90%	315
Fiberco/Fibervision	31,336	5	4.38%	166	19,391	6	3.20%	128
Tenneco Plastics (fka Pactiv)	30,199	6	4.22%	131	31,503	3	5.19%	180
Nisshinbo	21,916	7	3.06%	125	22,039	4	3.63%	135
Eric Zorn/Walmart	13,811	8	1.93%	56	11,599	7	1.91%	82
SGD North America	11,251	9	1.57%	66	10,301	8	1.70%	64
Michelin North America	9,321	10	1.30%	68	7,120	10	1.17%	55
Gwinnett Industries	-		0.00%	-	6,803	9	1.12%	56
	<u>\$ 361,538</u>		<u>50.51%</u>	<u>\$ 1,839</u>	<u>\$ 225,210</u>		<u>37.11%</u>	<u>\$ 1,425</u>

Source: Newton County Tax Commissioner.

CITY OF COVINGTON, GEORGIA

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL 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 (2)		Amount	Percentage of Levy
2011	2010	\$ 4,804	\$ 4,583	95.40%	\$ 208	\$ 4,791	99.73%
2012	2011	4,648	4,400	94.66%	117	4,517	97.18%
2013	2012	4,452	4,473	100.47%	96	4,569	102.63%
2014	2013	4,356	4,157	95.43%	51	4,208	96.60%
2015	2014	4,143	4,137	99.86%	30	4,167	100.58%
2016	2015	4,284	4,237	98.90%	29	4,266	99.58%
2017	2016	4,531	4,471	98.68%	35	4,506	99.45%
2018	2017	4,729	4,670	98.75%	35	4,705	99.49%
2019	2018	5,134	5,059	98.54%	85	5,144	100.19%
2020	2019	5,255	5,182	98.61%	114	5,296	100.78%

(1) Does not include motor vehicle taxes.

(2) In the years in which the total collections as a percentage of the levy exceed 100%, the City received tax collections for property taxes not recorded in the tax digest. The City previously did not adjust the total levy amount for these receipts. Beginning in 2016 and going forward, the total tax levy includes the property tax not on digest collections.

CITY OF COVINGTON, GEORGIA

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL 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		
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
2018	483	6,810	4,357	-	220	11,870	845
2019	277	5,095	4,142	-	-	9,514	679
2020	65	3,670	3,925	-	-	7,660	539

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, 2020

(amounts expressed in thousands)

	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City of Covington (1)</u>	<u>Amount Applicable to City of Covington</u>
Direct debt:			
City of Covington	\$ 65	100.00%	\$ 65
Total direct debt	<u>65</u>		<u>65</u>
Overlapping debt:			
Newton County Board of Education	97,480,000	25.03%	24,401,759
Newton County Board of Commissioners	<u>-</u>		<u>-</u>
Total overlapping debt	<u>97,480,000</u>		<u>24,401,759</u>
 Total direct and overlapping debt	 <u>\$ 97,480,065</u>		 <u>\$ 24,401,824</u>

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)

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Debt limit	\$ 68,093	\$ 66,520	\$ 64,913	\$ 63,753	\$ 64,260	\$ 67,100	\$ 71,348	\$ 75,957	\$ 78,260	\$ 83,077
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 68,093</u>	<u>\$ 66,520</u>	<u>\$ 64,913</u>	<u>\$ 63,753</u>	<u>\$ 64,260</u>	<u>\$ 67,100</u>	<u>\$ 71,348</u>	<u>\$ 75,957</u>	<u>\$ 78,260</u>	<u>\$ 83,077</u>
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 2019

Assessed value	\$ 682,746
Plus exempt property	148,028
Total assessed value	<u>830,774</u>
Debt limit (10% of total assessed value)	<u>83,077</u>
Debt applicable to limit:	
General obligation bonds	-
Less: Amount set aside for repayment	-
Total net debt applicable to limit	<u>-</u>
Legal debt margin (in thousands)	<u>\$ 83,077</u>

CITY OF COVINGTON, GEORGIA
DEMOGRAPHIC AND ECONOMIC STATISTICS (1)
LAST TEN FISCAL 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)
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%
2018	14,044	32,793	31,347	35.2	79.8%	19,684	4.1%
2019	14,015	39,959	32,548	34.7	83.0%	19,742	3.9%
2020	14,206	37,270	22,275	34.7	85.3%	19,408	3.5%

(1) **Source:** U.S. Census Bureau - American Fact Finder.

Median Household Income for 2011 and 2012 are based on 2010 which is from census information.

Median Household Income for 2014 and 2015 is based on 2013 which is from census information.

Median Household Income for 2018 is based on 2016 American Community Survey.

(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 years 2006 - 2014.

Data for 2015-2018 is from Federal Reserve Economic Data for Newton County (per capita income as of November 30, 2017 and unemployment as of June 27, 2018).

CITY OF COVINGTON, GEORGIA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

<u>Employer</u>	<u>2020 Fiscal Year</u>			<u>2011 Fiscal Year ^(a)</u>		
	<u>Number of Employees ^(b)</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Newton County Board of Education (County-Wide)	2,626	1	40.64%	N/A	N/A	N/A
Piedmont Newton Hospital, Inc.	700	2	10.83%	N/A	N/A	N/A
Newton County Board of Commissioners	642	3	9.94%	N/A	N/A	N/A
Becton Dickinson	500	4	7.74%	N/A	N/A	N/A
General Mills	445	5	6.89%	N/A	N/A	N/A
Pactiv	395	6	6.11%	N/A	N/A	N/A
City of Covington	336	7	5.20%	N/A	N/A	N/A
Nisshinbo Automotive Manufacturing, Inc.	328	8	5.08%	N/A	N/A	N/A
Wal-Mart #459	264	9	4.09%	N/A	N/A	N/A
FiberVisions, Inc.	225	10	3.48%	N/A	N/A	N/A
	<u>6,461</u>		<u>100.00%</u>	<u>N/A</u>		<u>N/A</u>

Note: (a) Information for 2011 was not readily available.

(b) The total employment used to calculate the percentage of total City employment does not include bank employment within the City, as this information is 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

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Government	34	34	36	35	36	36	36	36	36	36
Judicial	4	4	4	4	4	4	4	4	4	4
Public Safety										
Police										
Officers	51	52	54	54	55	57	57	61	61	61
Civilians	10	10	10	10	10	10	10	10	11	11
Fire										
Firefighters/EMTs	52	52	52	53	54	54	54	54	54	54
Civilians	1	1	1	1	1	1	1	1	1	1
E911 Communications	23	24	21	28	32	32	33	33	33	33
Public Works	119	122	125	124	125	126	126	126	123	122
Culture and Recreation	5	6	5	3	3	3	3	3	3	3
Housing and Development	11	11	11	11	11	12	12	13	11	11
Total Budgeted Positions	<u>310</u>	<u>316</u>	<u>319</u>	<u>323</u>	<u>331</u>	<u>335</u>	<u>336</u>	<u>341</u>	<u>337</u>	<u>336</u>

Source: City of Covington Human Resources Department.

CITY OF COVINGTON, GEORGIA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General Administration										
Court cases closed (1)	3,905	4,339	2,879	2,461	3,531	4,766	4,293	5,153	3,781	4,384
Purchase orders processed	3,104	3,443	3,189	3,386	3,175	3,403	3,728	3,705	3,609	3,625
Accounts payable checks processed	N/A	5,550	5,409	5,488	5,544	5,620	5,371	5,363	5,483	5,915
Servers/PCs/laptops/etc. maintained (3)	N/A	N/A	N/A	226	216	231	289	984	998	1,118
Total business licenses issued	N/A	N/A	N/A	N/A	1,496	1,932	1,173	2,280	2,168	2,064
New business licenses issued	N/A	178	N/A	246	210	216	203	378	198	212
Public Safety - Police										
Total calls for service (1)	24,820	28,256	32,228	33,011	37,414	39,146	36,429	35,407	32,035	28,123
Total crimes (1)	1,126	1,330	1,418	1,414	1,631	2,584	2,755	2,699	2,198	2,003
Traffic citations issued (1)	4,350	3,993	2,297	2,408	3,820	4,015	4,096	4,685	4,418	2,932
Traffic accidents investigated (1)	1,172	1,099	1,085	1,035	1,127	1,215	1,244	1,244	1,317	1,538
Servers/PCs/laptops/etc. maintained	N/A	N/A	N/A	N/A	N/A	178	188	224	310	353
Public Safety - Fire										
Number of calls answered	2,087	2,203	2,328	2,729	2,565	3,239	2,895	3,111	2,961	2,822
Highways and streets										
Vehicles and equipment maintained (2)	N/A	N/A	N/A	572	592	569	304	312	325	313
Miles of new street construction	0.00	0.00	0.00	0.16	0.00	0.00	0.00	0.00	0.00	0.00
Miles of streets resurfaced	3.71	0.41	0.29	3.30	2.46	3.75	1.50	1.90	4.43	2.94
Wastewater										
Sewer average daily flows in thousand gallons (1)	2,084	1,710	1,684	2,108	2,026	2,221	2,049	2,114	2,400	2,801
Number of sewer customers	N/A	6,329	6,398	6,511	6,659	6,734	6,834	6,986	7,295	7,393
Water										
Water average daily consumption in thousand gallons (1)	3,173	2,913	3,303	3,132	2,981	3,045	3,361	3,034	2,856	3,234
Number of water customers	N/A	7,791	7,871	7,988	8,148	8,210	8,303	8,436	8,917	9,028
Electric										
Electricity sold in thousand kilowatt hours	N/A	556,755	688,417	673,423	425,097	439,621	415,719	424,747	434,836	432,043
Number of electric customers	N/A	11,266	11,346	11,412	11,530	11,707	11,783	11,915	12,186	12,324
Gas										
Gas sold in thousand cubic feet	N/A	1,841,118	1,927,957	1,753,512	1,949,395	1,996,645	1,959,768	2,205,817	2,284,146	2,286,341
Number of gas customers	N/A	8,210	8,212	8,279	8,489	8,389	8,431	8,526	8,629	8,701
Sanitation										
Tons of residential waste landfilled	N/A	N/A	14,855	14,511	14,164	18,380	18,758	17,414	17,095	6,882
Pounds per capita	N/A	N/A	2,209	2,157	2,106	2,642	2,684	2,480	2,440	344
Number of residential solid waste customers	N/A	5,597	5,678	5,719	5,799	5,905	5,934	6,014	6,149	6,231

CITY OF COVINGTON, GEORGIA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function (Continued)	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Stormwater										
Number of stormwater customers	N/A	N/A	N/A	N/A	4,807	4,825	4,832	4,858	4,904	4,408
Parks and recreation										
Parks maintained (acres)	15.75	15.75	15.75	15.75	15.75	15.75	15.75	15.75	15.75	175.75
Walking trail maintained (miles)	-	-	2.50	2.50	2.50	2.50	2.50	2.50	2.50	6.00
Housing and development										
Building permits	78	215	209	171	266	345	443	292	236	178

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.
- (3) In 2018, the City reviewed computer inventory records and determined to report a number that better reflects what the City maintains.

CITY OF COVINGTON, GEORGIA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Public Safety - Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	N/A	N/A	N/A	76	77	75	80	83	86	72
Public Safety - Fire										
Fire stations	2	2	2	2	2	2	2	2	2	2
Fire apparatus	N/A	N/A	N/A	10	9	6		6	6	6
Fire vehicles	N/A	N/A	N/A	10	10	12	11	12	11	11
Highways and streets										
Miles of streets	96.00	96.00	96.00	96.16	96.16	96.16	97.39	98.92	98.92	98.92
Wastewater										
Sewage treatment facilities	1	1	1	1	1	1	1	1	1	1
Miles of sanitary sewers	N/A	N/A	N/A	140	140	140	146	146	146	146
Miles of stormwater pipe	N/A	N/A	N/A	N/A	91.25	91.67	91.50	92.42	92.68	91.03
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	180	180	180	144	144	144	144
Electric										
Miles of electric lines (3)	290	290	290	290	290	291	553	530	541	549
Gas										
Miles of gas lines	317	317	318	322	322	322	296	311	328	334
Sanitation										
Number of sanitation trucks (4)	N/A	N/A	N/A	3	3	4	14	18	19	19
Airport										
Feet of runway	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	6,000	6,000
Parks and recreation										
Number of parks (2)	8	8	8	8	8	8	8	8	8	9
Parks acreage	436	436	436	436	436	436	436	436	436	596
Miles of walking trails	-	-	2.5	2.5	2.5	2.5	2.5	2.5	2.5	6
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.

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***

**To the Honorable Mayor and Members
of the City Council
City of Covington, Georgia
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** (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2020.

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) as a basis for designing auditing 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 financial statements. 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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Macon, Georgia
December 30, 2020



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

**To the Honorable Mayor and Members
of the City Council
City of Covington, Georgia
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 the City's major federal program for the year ended June 30, 2020. The City's major federal program is 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 the City's major federal program 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 the 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 its major federal program for the year ended June 30, 2020.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

Mauldin & Jenkins, LLC

Macon, Georgia
December 30, 2020

CITY OF COVINGTON, GEORGIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Identification Number	Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Justice</u>				
Direct Award				
Equitable Sharing Program	16.922	15-5042-0-2-752	\$ 180,184	\$ -
Total U.S. Department of Justice			180,184	-
<u>U.S. Department of Transportation</u>				
(Passed through Georgia Department of Transportation)				
Airport Improvement Program	20.106	T006579-AP018-9033-24(217)	9,473	-
Airport Improvement Program	20.106	T006709-AP019-90ER-25(217)	129,575	-
Highway Planning and Construction	20.205	P.I. No.0010331	1,851,097	-
Total U.S. Department of Transportation			1,990,145	-
<u>U.S. Department of Energy</u>				
(Passed through Georgia Environmental Finance Authority)				
Energy Efficiency and Conservation Block Grant Program	81.128	ECCBG-LOGGOV2010-116	68,440	-
Total U.S. Department of Energy			68,440	-
Total Expenditures of Federal Awards			\$ 2,238,769	\$ -

CITY OF COVINGTON, GEORGIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 not qualify as a low-risk auditee for the fiscal year ended June 30, 2020.

De-Minimis Indirect Cost Rate

During 2020, 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, 2020**

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

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 2CFR 200.416(a)?

___ Yes ___ X No

Identification of major program:

_____ CFDA Number _____
20.205

_____ Name of Federal Program or Cluster _____
U.S. Department of Transportation
Highway Planning & Construction Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

___ Yes ___ X No

CITY OF COVINGTON, GEORGIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**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, 2020**

None reported.