

*The City of*  
**COVINGTON**  
WASHINGTON



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2009**

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**



## **CITY OF COVINGTON, WASHINGTON**

**FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2009**

**SUBMITTED BY THE  
FINANCE DEPARTMENT**

ROB HENDRICKSON, FINANCE DIRECTOR

CASEY PARKER, ACCOUNTANT

LINDSAY HAGEN, FINANCE SPECIALIST

STACI CLES, ACCOUNTING CLERK



**CITY OF COVINGTON  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009**

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# **INTRODUCTORY**



## City of Covington

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16720 SE 271<sup>st</sup> Street, Suite 100 • Covington, WA 98042 • (253) 638-1110 • Fax: (253) 638-1122

June 29, 2010

To the Honorable Mayor, Councilmembers, and the Citizens of the City of Covington:

The Finance Department of the City of Covington is proud to submit the City's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2009. This report includes all funds and all financial activities that are considered to be part of the City. Certain other agencies may include the name "Covington" in their title, but are not included in this report as the City has no oversight responsibility. These include, but are not limited to, the Covington Water District, the Covington Chamber of Commerce, and Covington Sports.

This report meets the requirements of RCW 43.09.230, which requires a financial report covering each fiscal year, and is prepared in compliance with Generally Accepted Accounting Principals (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB).

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Finance Department. To the best of our knowledge and belief, the data as presented herein is accurate in all material respects and is reported in a manner designed to fairly set forth the financial position and the results of operations of the City's various funds. In addition, all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Management Staff of the City is responsible for establishing and maintaining a structure of internal control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that assets of the City are protected from loss, theft, or misuse, and to ensure accounting records are adequate and reliable in order to prepare the financial statements in accordance with Generally Accepted Accounting Principals (GAAP). The concept of reasonable assurance recognizes that the cost of control does not exceed the benefit, and that the evaluation of costs and benefits requires estimates and judgments by management.

State law requires an annual audit of the City's financial statements and records by the Office of the State Auditor. The State Auditor conducts its audit in accordance with Generally Accepted Auditing Standards (GAAS), as established by the American Institute of Certified Public Accountants (AICPA), and provides an independent opinion on the City's financial position, results of operations, and the cash flows of its proprietary fund types. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Covington for the fiscal year ended December 31, 2009, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principle used and significant estimates made by management, and evaluating the overall financial statement presentation.

The State Auditor is an independent, elected state official. The State Auditor has broad legal authority to inquire into all financial compliance matters. Therefore, such audits by the state are considered to be equal to independent audits made by Certified Public Accounting firms.

The City has been given an unqualified opinion. The auditor's report on the General Purpose Financial Statements (GPFS), including the notes and the combining and individual fund statements and schedules, can be found in the Financial Section of this report.

## **About The City**

The City of Covington is a non-charter optional code City, operating under Section 35A of the Revised Code of Washington. Incorporation occurred on August 31, 1997, and as of April 30, 2009, had an estimated population of 17,530. The City is located in King County, Washington and is approximately 30 miles southeast of Seattle at the intersection of Highway 18 and State Route 516. The City of Covington currently occupies approximately 6.5 square miles.

The City has chosen the Council-Manager form of government, with seven elected Council members. Council members serve four-year staggered terms. The Mayor is elected by the City Council from within the Council. The Council has legislative authority and sets policies for the City. Duties of the Council include, but are not limited to, adopting a comprehensive plan for the City, including a capital improvements plan, and further, adopting an annual budget, ordinances, and resolutions that are necessary to carryout the comprehensive plan. The City Council appoints a City Manager, who has the full responsibility for carrying out Council policies, administering the City's day-to-day operations, and for appointing the heads of the various departments.

The City, at this time, has taken the direction of providing many services through contracting with other governmental agencies and/or the private sector. This will keep the size of City staff relatively small. At this time, those services being contracted out include police protection, portions of street and road maintenance and surface water management, animal control, jail services, and municipal court services. These services are being supplied through various contracts with King County. In addition, various private sector contractors provide the following functions: supplemental city engineering and public defender functions. The Citizens of the City of Covington, on September 16, 1997, did elect to annex into the King County Fire District #37 and the King County Rural Library District for the provision of fire safety services and library services, respectively. The City acquired the Tahoma Pool from King County in 2004 and now provides aquatics programs at the facility which is now called the Covington Aquatic Center at Tahoma. Services currently being provided by City staff include general administration, finance including contract administration, public works administration, engineering management, land use and building regulation, right of way inspection, park development, street and road maintenance, and surface water management. The City's direction of contracting for services does not preclude consideration of other options for providing these services, such as the use of City staff. The City will continually monitor these contracts to be sure that the citizens of Covington are receiving the best, most cost-effective services.

## **Accounting**

The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions and balances in a single accounting entity. Therefore, from an accounting and financial management viewpoint, the City is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functioning independently of each other. Each accounting entity is accounted for in a separate "fund." A fund is defined as a fiscal accounting entity with a self-balancing set of accounts, recording cash and other financial resources, together with all related liabilities and residual equities or fund balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The City's accounting records for the general governmental operations are maintained on a modified accrual basis with revenues being recorded when they become both measurable and available to finance expenditures in the current period. Expenditures are recorded when the related fund liability is incurred. The accounting records for the City's Proprietary Funds (Internal Service) are maintained on the accrual basis with revenues recorded when they are earned and expenses recorded when they are incurred.

The Government-wide Financial Statements incorporate all of the City's governmental and business-type activities. These statements are presented using an economic resources measurement focus and employ the

full accrual basis of accounting. Revenues are recognized as soon as they are earned and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash flow. As a result, the Government-wide Financial Statements are similar to and more closely resemble financial statements of private sector businesses.

The City incorporates a variety of budget controls within its accounting system. These controls assure compliance with all legal requirements provided for as part of the budget adoption by the City Council and as a tool for management control. The budget process begins in August when departments submit requests for appropriations. The City Manager uses these requests as a starting point for developing a proposed budget. The City Manager then presents the budget to the Council for their review in early October. The budget must be adopted by December 31, prior to the beginning of a new fiscal year. The Council must hold public hearings prior to adoption. An annual budget is adopted for all funds on a basis consistent with Generally Accepted Accounting Principles (GAAP). The City's annual appropriated budget is adopted at the fund level. The City Manager is authorized to transfer budgeted amounts, as needed, between departments within any fund, and/or between object classes within a department.

Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund and the major special revenue funds (Development Services, Parks, Streets, Cumulative Reserve, Real Estate Excise Tax 1<sup>st</sup> and 2<sup>nd</sup> Qtr % Funds, and Surface Water Management) this comparison is presented in the Basic Financial Statements for the governmental funds. For the other governmental funds and the internal service funds, this comparison is presented in the section following the Notes to the Financial Statements.

## **Cash Management**

Cash temporarily idle during the year was invested in interest bearing bank deposits, U.S. agency issues and the Washington State Local Government Investment Pool. The State Pool is authorized by the State to provide all public agencies a tool to help maximize opportunities for investment of idle cash and to provide maximum safety of funds. The Pool invests primarily in short-term securities allowed by law, with maturities of 60 days or less. All interest earned from investments within the Washington State Local Government Investment Pool is distributed to each fund based on their respective monthly ending cash balances.

Covington's investment policy objectives are to minimize credit and interest rate risks, provide sufficient liquidity to meet cash flow needs while maintaining reasonable yields on its portfolio. In addition, the City's cash and interest bearing bank deposits are insured by federal depository insurance. In accordance with the requirements set by State law, the State Public Deposit Protection Commission also insures deposits with in-state banks.

See Note 4 in the Notes to the Financial Statements for more information on deposits and investments.

## **Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from a broader perspective of the specific environment from which the City of Covington operates. The Basic Financial Statements of the City focus on the financial position of the City. That is, they focus on the City's existing resources and any claims on those resources. The City's financial condition, on the other hand, focuses on both existing and future resources and claims on those resources. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our Management Discussion and Analysis Letter, which can be found on pages 12 to 23 of this report.

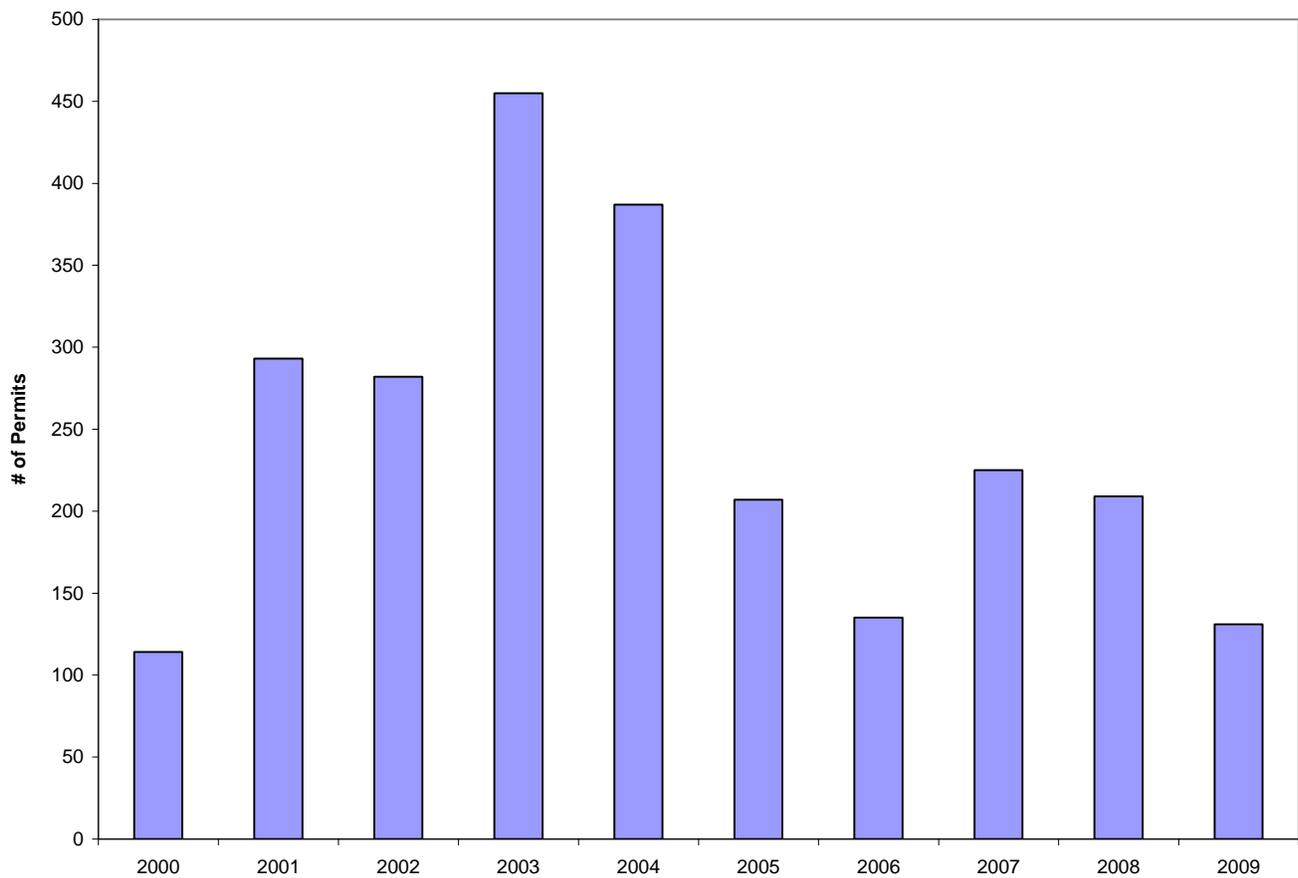
**Local Economy.** The weakness in the economy that began in 2008 continued into 2009. Lack of development significantly reduced permit revenues in Development Services along with impact fees in the Capital Investment Program Fund. Low consumer spending impacted sales tax revenues which fell below projections. Permit activity for single family dwellings declined to 19 from 54 in 2008. For eight years, 2002

through 2009, the City issued 1,764 new single-family dwelling permits, with an estimated assessed value of over \$392 million.

Real estate excise tax (REET) which is based on the housing market and development continued to lag behind normal levels. Revenues came in under forecast.

The City will continue to feel the effects of lower REET, permit revenue, and impact fees for several years at least.

**City of Covington  
Total Number of Building Permits Issued  
Residential, Commercial, and Other  
Fiscal Years 2000 through 2009**



**Long-term Financial Planning.** Being a smaller municipality with limited resources, the City has approached budgeting and forecasting from a conservative position. Ongoing programs are carefully vetted for viability and value. Surplus funds are used for capital and one-time programs or transferred to reserves.

The City develops and maintains a six-year Financial Forecast that estimates resource and expenditure behavior for five years beyond the current budget period. Revenue estimates are prepared on a conservative basis to minimize the economic fluctuations that could imperil ongoing service programs during the upcoming budget cycle. Expenditure estimates anticipate contingencies that are reasonably predictable and also differentiate between ongoing expenditures and those that are one-time activities.

This Forecast provides the City's decision-makers with an indication of the long-term fiscal impact of current policies and budget decisions. This planning tool must recognize the effects of economic cycles on the demand for services and the City's resources. To this end, the Forecast differentiates between revenue associated with one-time economic activities and revenues derived as a result of base economic growth. City financial planning ensures the delivery of needed services (many of which become more critical during economic downturns) by assuring adequate reliance on ongoing resources in order to support continued City services during economic downturns.

### **Independent Audit**

State law requires an annual audit of all City financial records and transactions by the State Auditor, an independent elected State official.

### **Financial Statement Award**

The Government Finance Officers Association of the United States and Canada (GFOA) 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 December 31, 2008. The City has earned this prestigious award each year since incorporation. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report 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 that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **Acknowledgments**

Preparation of this report could not have been accomplished without the professional, efficient, and dedicated services of Finance Department staff. A special note of thanks is given to Casey Parker - Accountant, Lindsay Hagen - Finance Specialist, and Staci Cles - Accounting Clerk, who served as the main CAFR preparers and coordinators. Further appreciation is extended to City staff, whose cooperation during the year from coding of invoices to preparation of the annual budget helps make life in the Finance Department easier and the accounting records more accurate and reliable.

Finally, I would like to express my appreciation to the Mayor, the City Council, and the City Manager for their leadership, encouragement, interest, and support in conducting the financial operations of the City in a sound and progressive manner.

Respectfully submitted,



Robert M. Hendrickson  
Finance Director

# **CITY OF COVINGTON**

## **CITY COUNCIL**



**Top row (from left to right): Marlla Mhoon, David Lucavish, Jim Scott, and Wayne Snoey**  
**Bottom row (from left to right): Mark Lanza, Mayor Margaret Harto, Mayor Pro Tem Jeff Wagner**

## **CITY MANAGER**

**DEREK MATHESON**

## **FINANCE DEPARTMENT STAFF**

**ROB HENDRICKSON**

**FINANCE DIRECTOR**

**CASEY PARKER**

**ACCOUNTANT**

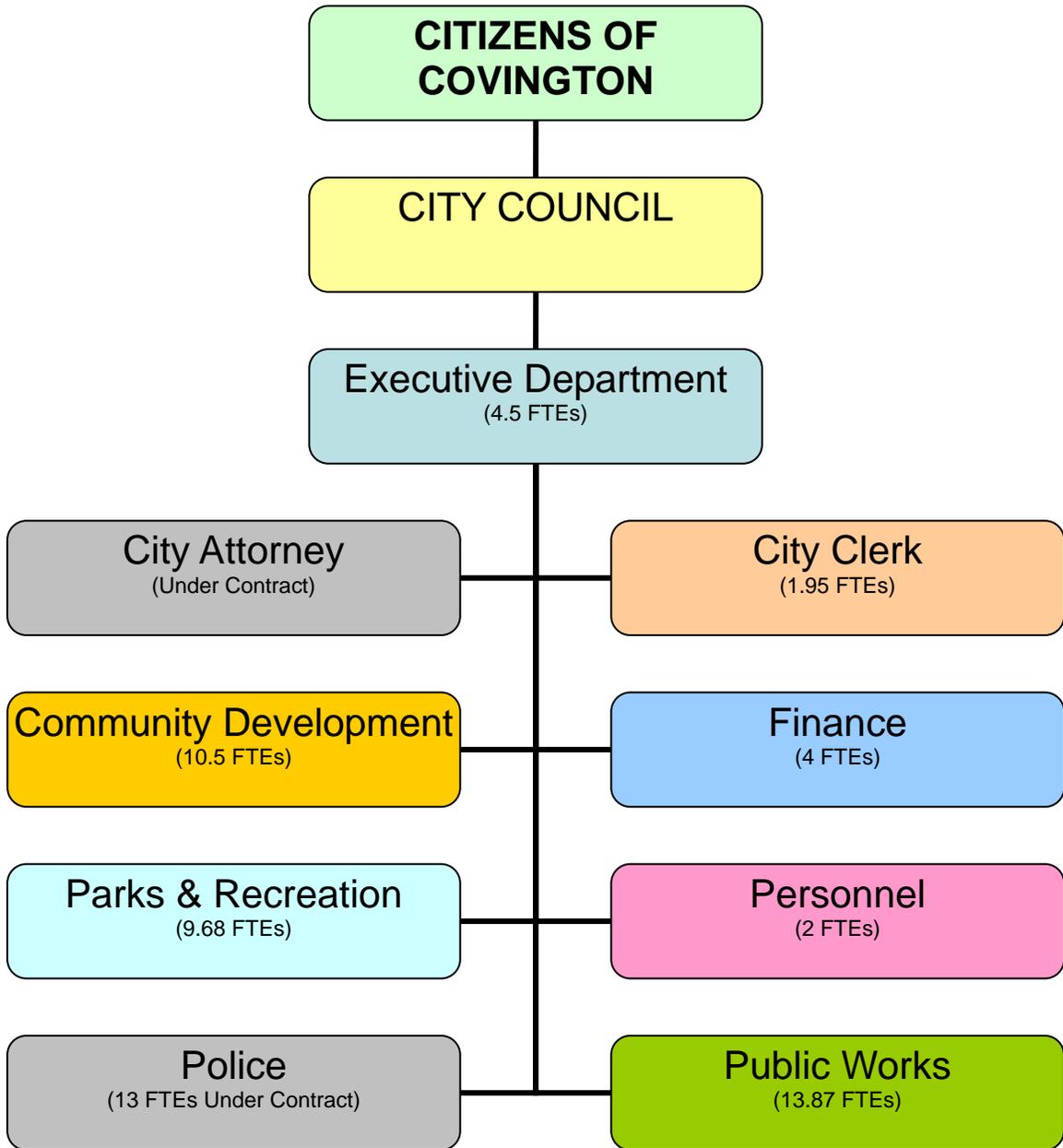
**LINDSAY HAGEN**

**FINANCE SPECIALIST**

**STACI CLES**

**ACCOUNTING CLERK**

~ **CITY OF COVINGTON** ~  
**ORGANIZATION CHART by FUNCTION**  
**2009**



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Covington  
Washington

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**FINANCIAL**

# City of Covington

## Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2009



**Washington State Auditor**  
**Brian Sonntag**

**INDEPENDENT AUDITOR'S REPORT**

June 29, 2010

Mayor and City Council  
City of Covington  
Covington, Washington

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Covington, King County, Washington, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Covington, King County, Washington, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, Development Services Fund, Parks Fund, Street Fund, Cumulative Reserve Fund, Real Estate Excise Tax 1st Qtr Fund, Real Estate Excise Tax 2nd Qtr Fund, and Surface Water Management Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated June 29, 2010, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 12 through 23 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining and individual fund statements and schedules on pages 74 through 91 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

## Management's Discussion and Analysis

As management of the City of Covington, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Covington for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 1 to 5 of this report.

### Financial Highlights

- The assets of the City exceeded its liabilities on December 31, 2009 by \$41,091,793 (net assets). Of the total net assets, \$7,640,005 is unrestricted and may be used to meet any of the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,734,749. This increase is attributable to land and building capital assets.
- As of December 31, 2009 the City's governmental funds reported a combined ending fund balance of \$7,580,819. Of this, \$274,310 is in the Development Services Fund, \$143,166 is in the Parks Fund, \$528,503 is for maintenance in the Street Fund, \$1,399,618 is in the Cumulative Reserve Fund (CRF), \$213,417 is in the Real Estate Excise 1<sup>st</sup> Qtr % Fund, \$78,792 is in the Real Estate Excise Tax 2<sup>nd</sup> Qtr % Fund, \$1,112,446 is for projects in the Surface Water Management Fund, \$1,048,819 is in the Capital Investment Program Fund, \$8,941 is in the Local Improvement District Fund, \$420,244 is in the Contingency Fund, \$52,025 is in the L.I.D. 99-01 Guaranty Fund, and \$2,300,538 is in the General Fund. Of the combined ending fund balance, the reserved portion is made up of \$101,433 for things such as prepaid items, as well as \$46,010 which is being held in the L.I.D. 99-01 Guaranty Fund.
- As of December 31, 2009 the unreserved portion of the General Fund's fund balance is \$2,226,147. This represents approximately 34% of the 2009 actual General Fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Covington's Basic Financial Statements. The City's *Basic Financial Statements* are comprised of three components: 1) Government-wide Financial Statements; 2) Fund Financial Statements; and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the Basic Financial 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 that is similar to a private-sector business. These are financial statements that incorporate all of the City's government and business-type activities. There are two basic government-wide statements: the *Statement of Net Assets* and the *Statement of Activities*. Both government-wide statements are presented using the economic resources measurement focus and the accrual basis of accounting. This measurement focus aims at reporting all inflows, outflows, and balances affecting or reflecting an entity's net assets.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement that may include some items that may result in cash flows in future fiscal periods (e.g., uncollected

property taxes). This compares to governmental funds where revenues and expenses are only reported for items that provide available spendable resources that can be used for current cash inflows and outflows.

Both of these Government-wide Financial Statements are designed to distinguish functions of the City that are principally supported by taxes and intergovernmental 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, e.g., utilities). The City currently has no activities that are designated as business-type activities. The governmental activities of the City include the following:

- ✓ General Government includes the activities of the City Council, City Court, City Manager, Finance, City Clerk, City Attorney, Personnel, and Central Services.
- ✓ Community Development includes the functions of planning, permitting, and building inspections.
- ✓ Public Safety includes the functions of law enforcement.
- ✓ Culture and Recreation includes the functions of parks, community events, and various cultural activities.
- ✓ Streets and Highways include street maintenance, surface water management, and construction activities.

The Government-wide Financial Statements include only the activities of the City of Covington. Certain other agencies may include the name "Covington" in their title, but are not included in this report, as the City has no oversight responsibility. These include, but are not limited to, the Covington Chamber of Commerce, Covington Water District, and Covington Sports. The Government-wide Financial Statements can be found on pages 27 to 28 of this report.

*Fund Financial Statements.* A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all the related liabilities and equity balances that are segregated for the purpose of carrying on specific activities or objectives. The City of Covington, like other cities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds are divided into three categories: 1) governmental funds; 2) proprietary funds; and 3) fiduciary funds. The City of Covington does not currently maintain any fiduciary funds.

*Governmental Funds.* Governmental funds are typically used to account for tax supported governmental activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City of Covington does not currently maintain a permanent fund.

Governmental funds account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, which use the economic resources measurement focus, governmental fund financial statements use the current financial resources measurement focus. This measurement focus aims to report the near-term (current) inflows, outflows, and balance of expendable (spendable) financial resources. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of 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 the *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 thirteen individual governmental funds. Information is presented in separate columns for eleven of the thirteen funds in the *Governmental Fund Balance Sheet* and in the *Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance*. These are considered to be major funds and include: General Fund, Development Services Fund, Parks Fund, Street Fund, Cumulative Reserve Fund, Real Estate Excise Tax 1<sup>st</sup> Qtr % Fund, Real Estate Excise Tax 2<sup>nd</sup> Qtr % Fund, Surface Water Management Fund, Long-Term Debt Fund, Capital Investment Program Fund, and the Local Improvement District Fund. Data from the two remaining funds, the LID Guaranty Fund and the Contingency Fund, are combined into a single aggregated presentation and shown in the *Governmental Fund Balance Sheet* and in the *Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance*, in a column labeled *Other Governmental Funds*. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Covington adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement is presented for each major fund and is presented in the *Basic Financial Statements* section of this report to demonstrate compliance with their respective budgets. The budget comparisons for the nonmajor funds are presented in the *Combining and Individual Fund Statements and Schedules* section of this report.

*Proprietary Funds.* There are two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report an activity for which a fee is charged for goods and services. These account for a business-type activity in a manner similar to a private sector business activity. The City of Covington has no enterprise funds.

Internal service funds are funds that are used to accumulate and allocate costs for goods and services provided to other funds. The City of Covington uses internal service funds to account for unemployment insurance and equipment replacement. Because both of these funds supply services that benefit only the City's governmental activities rather than business activities, they have been consolidated within the governmental activities in the Government-wide Financial Statements. The combined data for the internal service funds is included in the *Basic Financial Statements* section. Individual data for the internal service funds is provided in the form of combining statements and presented in the *Combining and Individual Fund Statements and Schedules* section 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 49 to 69 of this report.

*Other Information.* The combining statements referred to earlier in connection with the nonmajor governmental funds and internal service funds are presented immediately following the Basic Financial Statements and the Notes. Also included is other data regarding budget compliance and additional detailed information.

*Statistical Section.* This section includes un-audited trend information and demographics.

## **Government-wide Financial Analysis**

*Statement of Net Assets.* As stated earlier, net assets may serve over time as a useful indicator of the City's financial position. As of December 31, 2009, the City's net assets are \$41,091,793. Shown below is a breakdown of the City's net assets by category.

## City of Covington's Net Assets

	2009	2008
Current and other assets	\$ 10,401,440	\$ 12,458,377
Capital assets	<u>48,824,684</u>	<u>46,366,884</u>
Total Assets	<u>59,226,124</u>	<u>58,825,261</u>
Long-term liabilities outstanding	16,553,009	16,835,775
Other liabilities	<u>1,581,322</u>	<u>3,632,442</u>
Total Liabilities	<u>18,134,331</u>	<u>20,468,217</u>
Net assets		
Invested in capital assets, net of related debt	32,632,260	30,075,857
Restricted	819,528	335,937
Unrestricted	<u>7,640,005</u>	<u>7,945,250</u>
Total Net Assets	<u>\$ 41,091,793</u>	<u>\$ 38,357,044</u>

Overall the City's financial position has improved. The City's net assets increased \$2,734,749 during the current fiscal year. A significant portion of this increase is due to an increase in land and buildings.

Of the total net assets, \$32,632,260 reflects the City's investment in capital assets net of related debt and accumulated depreciation. The City uses these capital assets to provide services to its citizens. These capital assets are not available for future spending. Although the 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.

Currently, capital assets reflect 82.4% of the total net assets, an increase of 5.3% over 2008. Capital assets are defined as tangible and intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Examples would be land, machinery and equipment, etc.

The City is in its seventh year of reporting under the GASB Statement 34 standards. This accounting standard requires that infrastructure-type assets be included as part of the City's investment in capital assets, which was not previously required. Infrastructure-type assets are defined as long-lived capital assets that are normally stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples would include roads, sidewalks, drainage systems, and lighting systems. During the period of implementation, fiscal year 2003, the City was required to include infrastructure assets on a prospective basis — those infrastructure assets purchased or constructed in fiscal year 2003. The City, which was a phase three City during implementation, has the option of voluntarily including infrastructure that was purchased or constructed prior to fiscal year 2003. The City plans to include the remaining infrastructure in future financial statements.

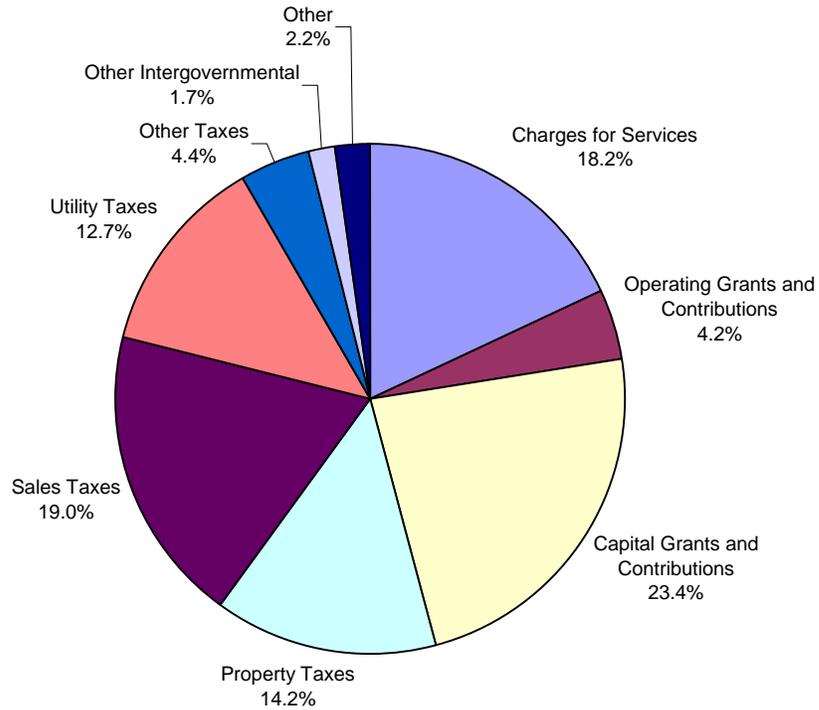
A portion of the City's net assets, \$819,528, represents resources that are subject to external restrictions on how they may be used. These assets are primarily related to unspent capital grants and contributions as well as mitigation funds. The remaining balance of unrestricted net assets, \$7,640,005, may be used to meet the City's ongoing obligations to citizens and creditors.

*Statement of Activities.* Shown below is a breakdown of the key elements of the City's changes in net assets.

City of Covington's Changes in Net Assets

	<u>2009</u>	<u>2008</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 2,659,207	\$ 3,373,159
Operating Grants and Contributions	609,253	578,957
Capital Grants and Contributions	3,416,677	7,115,216
General Revenues:		
Property Taxes	2,067,945	1,971,567
Sales Taxes	2,778,789	2,865,929
Utility Tax	1,857,471	1,601,734
Other Taxes	646,256	821,297
City Assistance	-	-
Other Intergovernmental	254,433	244,376
Other	<u>326,518</u>	<u>605,616</u>
Total Revenues	<u>14,616,549</u>	<u>19,177,851</u>
Expenses:		
General Government	3,162,014	2,873,695
Community Development	1,716,586	1,969,350
Public Safety	2,638,416	2,512,169
Culture and Recreation	1,201,680	945,176
Streets and Highways	2,547,725	1,812,661
Interest on Long-Term Debt	<u>615,379</u>	<u>619,402</u>
Total Expenses	<u>11,881,800</u>	<u>10,732,453</u>
Increase in Net Assets	2,734,749	8,445,398
Net assets, January 1	38,357,044	29,911,646
Net assets, December 31	<u>\$ 41,091,793</u>	<u>\$ 38,357,044</u>

### Revenues by Source



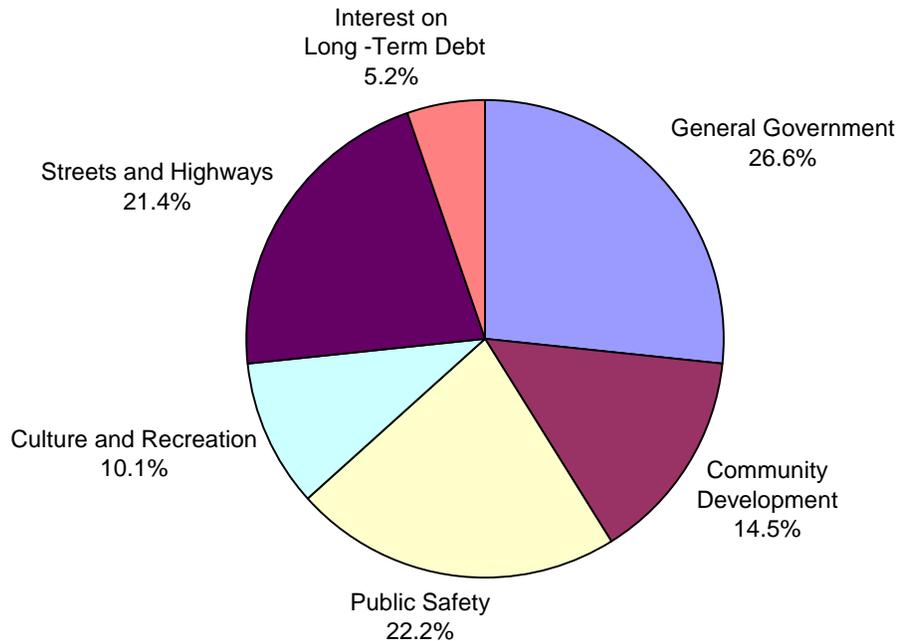
Property taxes increased by \$96,378 (4.9%) over fiscal year 2008. This increase is primarily due to an increase in assessed values. The City property tax rate per \$1,000 of assessed value decreased from \$1.04814 in 2008 to \$0.98104 for 2009.

Sales tax revenue for 2009 decreased by \$87,140 (3%) over fiscal year 2008. The decrease can be attributed to a significant decline (73.5% or \$499,854) in contracting activity. Declines occurred in transportation, wholesaling, finance/insurance/real estate, and other. Retail (up 28% or \$440,378), food services (up 6% or \$18,109), and other services (up 21.5% or \$21,547) were the only categories with positive gains.

Utility taxes increased by \$255,737 (16%) over fiscal year 2008. The City began collecting utility taxes in February 2008; fiscal year 2009 is our first full year of collections. This surplus allowed the City to move additional monies into reserves to cover future debt service if needed.

Real estate excise taxes (REET) have declined considerably during 2009. The forecast expected \$600,000 but actual collections fell way short to \$303,668. This was related to the slump in the housing industry.

### Expenses by Functions/Programs



General Government saw an increase of \$288,319 (10%) in expenses in 2009 over 2008. This increase is due to several factors including increased court costs, additional central service expenses, medical premium increases, and inflationary pressure.

Community Development saw the sharpest decrease of \$252,764 (12.8%). This decrease is due to a reduction in staffing levels which correlates to salaries and benefits and related expenditures. Contractual services were also curtailed. These reductions were a result of reduced revenues due to the weak economy.

Public Safety saw an increase of \$126,247 due to an increase in the police contract.

Culture and Recreation increased their expenses for 2009 by \$256,504. This increase was due to higher maintenance costs, increased administration costs with the addition of a full-time Director, and higher operational costs for the Aquatics Center.

The expenses for Streets and Highways showed the largest increase — \$735,064 or 40.5% in 2009 over 2008. This increase is due to construction activity.

Interest on long-term debt remained relatively the same as the City continued making payments on the outstanding long-term debt. See page 66 for a more detailed accounting of long-term debt.

## Financial Analysis of the Governmental Funds

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

As of December 31, 2009, the City of Covington governmental funds reported a combined ending fund balance of \$7,580,819 which is a decrease of \$180,151 from 2008. A combination of increases in the Cumulative Reserve Fund, the Capital Investment Program Fund, General Fund, and Street Fund are offset by the decrease in the Development Services and Parks Funds creating a net decrease in fund balance. Of the total fund balance, \$101,433 is reserved for prepaid items as well as \$46,010 which are being held as the LID guarantee account, both of which are unavailable for spending in the near future. The balance, \$7,433,376 is unreserved and available for spending at the City's discretion. Current financial resources are not considered available for general spending if they are legally restricted to some use that is narrower than the purpose of the fund itself. Therefore, while portions of the unreserved fund balance relating to the special revenue funds (\$4,143,601), the capital project funds (\$1,057,613), and the debt service funds (\$6,015) are considered unreserved, they may be legally limited in their use, to such uses as streets and surface water management.

The General Fund is the chief operating fund of the City. The *General Fund* fund balance increased by \$89,490 from \$2,211,048 in 2008 to \$2,300,538 for 2009. The General Fund was budgeted to increase fund balance by \$250,565. The decrease is due mainly to a decrease in sales and utility tax revenues received and unanticipated expenditures in central services and court costs.

At the end of the fiscal year 2009, the unreserved fund balance of the General Fund was \$2,226,147. As a measure of the City's liquidity, and also as a measure of its ability to operate should revenues take a downturn or in emergencies, it may be useful to compare unreserved fund balance to the total General Fund expenditures. Unreserved fund balance represents approximately 34% of the 2009 budgeted General Fund operating expenditures.

The Development Services Fund is used to account for the City's building activities, which include activities such as residential and commercial building inspection, plans examination, and processing permits. The *Development Services Fund* fund balance decreased by \$729,416 to \$274,310 from \$1,003,726 in 2008. The decrease is due to a decrease in permit activity in 2009 caused by the collapse of the housing market.

The Parks Fund is used to account for Parks programs which include parks maintenance as well as the Covington Aquatic Center. The *Parks Fund* fund balance decreased by \$141,875 from \$285,041 in 2008 to \$143,166 in 2009. The decrease is due mainly to a transfer, which by policy, transfers fund balance in excess of 10% of expenditures from the previous year to the Cumulative Reserve Fund.

The Street Fund is used to account for State collected gasoline tax, which is restricted for street purposes as well as the street maintenance services themselves. The *Street Fund* fund balance increased \$77,218 from \$451,285 in 2008 to \$528,503 in 2009. This was due to revenues exceeding budget expectations while expenditures came in slightly below budget.

The Cumulative Reserve Fund is used to accumulate monies that in general terms can be used for several different purposes as well as for a very specific municipal purpose. The *Cumulative Reserve Fund* balance increased \$323,980 from \$1,075,638 in 2008 to \$1,399,618 in 2009. The increase is due mainly from the transfer of excess fund balance from the Parks Fund to the Cumulative Reserve Fund.

The Real Estate Excise Tax 1<sup>st</sup> and 2<sup>nd</sup> Qtr % Funds are used to account for the monies received by the City for implementation of an excise tax on real estate transactions within the City. These funds saw a decrease in from their projected fund balances of \$287,899 and \$280,932 respectively due to the collapse of the housing market.

The Surface Water Management Fund is used to account for the collection of Surface Water Management fees, which is used for storm water treatment facilities and related infrastructure. The *Surface Water Management Fund* fund balance decreased \$46,137 from \$1,158,583 in 2008 to \$1,112,446 in 2009. There was an overall increase of \$449,051 of revenues over expenditures. However, a transfer out of \$441,688 to pay back the REET fund for a loan that was taken out by the *Surface Water Management Fund* and \$53,500 to pay the *Capital Investment Program Fund* for project expenses accounts for the overall decrease in fund balance.

The Long-Term Debt Service Fund, which was created in 2007, is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The funds transferred into this account are meant to cover debt service for the year and as such there is no fund balance in this fund.

The Capital Investment Program Fund is used to account for the financing of major capital acquisition construction projects. The *Capital Investment Program Fund* fund balance increased \$294,419 from \$754,400 in 2008 to \$1,048,819 in 2009. The increase is from operating transfers to cover project expenses plus grant revenue.

The Local Improvement District Fund is used to account for resources used to finance specific capital improvements, which are deemed to primarily benefit certain properties located near the project. The *Local Improvement District Fund* fund balance increased \$7,554 from \$1,387 in 2008 to \$8,941 in 2009.

The Other Nonmajor Governmental Funds, which are comprised of the Contingency Fund and the LID 99-01 Guaranty Fund, had a combined ending fund balance of \$472,269, which is decrease of \$9,189. The decrease is due to an unrealized loss on investments.

### **General Fund Budgetary Highlights**

The City of Covington budgets on an annual basis on a calendar year.

The 2009 General Fund budget amendment consisted of updating the estimated beginning fund balance to the actual beginning fund balance.

The differences between budgeted General Fund revenues and actuals revenues received were due mainly to reductions in sales tax, the criminal justice tax, and utility tax, which were down 3.5% from the forecast. The weakened economy contributed to these declines. Sales tax is allocated between the General Fund (75%), Parks Fund (20%) and the Cumulative Reserve Fund (5%).

### **Bond Rating**

In 2007, Moody's Investors Service has assigned an underlying rating of A3 to the City. Moody's has assigned an issuer rating of A2 to the City. The ratings are primarily based on continued growth of the City's moderately-sized tax base, strong financial management with well maintained reserves and manageable debt levels. In April 2010, Moody's changed the rating to Aa3 as a result of the recalibration of U.S. municipal ratings to the global rating scale on U.S. municipal pool financings.

### **Capital Assets**

The City's investment in capital assets for governmental activities as of December 31, 2009 is \$48,824,684 (net of depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and work in progress. There is an increase in capital assets from fiscal year 2008 due to ongoing capital improvement projects. The infrastructure capital assets only relates to those assets purchased/constructed in 2003 through 2009. Infrastructure assets prior to 2003 may be inventoried and added at a later date. Listed below is a breakdown of the City's capital assets. Additional information regarding Capital Assets can be found in the Notes to the Financial Statements on page 61.

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

	2009	2008
Land	18,561,280	17,549,426
Buildings	710,292	32,826
Improvements other than Buildings	402,112	421,716
Machinery and Equipment	270,419	333,866
Infrastructure	19,741,700	2,623,735
Work in Progress	<u>9,138,881</u>	<u>25,405,315</u>
Total	<u>\$48,824,684</u>	<u>\$46,366,884</u>

**Debt Administration**

A Special Assessment bond was issued to finance construction of Local Improvement District 99-01 in the amount of \$460,100 and will be repaid through assessments collected from property owners benefiting from related improvements. The bond was issued on July 1, 2005 with annual interest rate of 4.8% and shall mature on July 1, 2021.

A Public Works Trust Fund loan has been received to finance construction of improvements on 164<sup>th</sup> Avenue SE. The loan was received on July 1, 2005 in the amount of \$3,785,500 with an annual interest rate of 0.5% and shall mature on July 1, 2024.

On May 22, 2007, the City issued \$10,000,000 of par value Limited Tax General Obligation Bonds, Series 2007A (Tax-exempt), and \$2,505,000 of par value Limited Tax General Obligation Bonds, Series 2007T (Taxable), to provide funds with which to pay the cost of acquiring property for right-of-way and construction of certain street and intersection improvements within the City. The actual combined true interest cost is 4.29%. The interest rate on the Series 2007A bonds is 4.15% with a maturity date of November 1, 2027. The interest rate on the Series 2007T bonds is 5.43% with a maturity date of November 1, 2015.

On June 10, 2008, the City issued \$308,068 in Limited Tax General Obligation Bonds. These bonds provided funding for improvements at the Aquatics Center. The bond will bear interest at 4.00% per annum with a maturity date of June 1, 2023.

Additional information on long term-debt can be found in the Notes to the Financial Statements on page 65 to 68.

**Next Year's Budget**

There are three major issues that drive the 2010 budget. All three are a direct or indirect result of the worst recession since the Great Depression. They have permeated almost every aspect of the City's budget.

- Real Estate Excise Tax (REET) revenues have dropped from a high of \$1.03 million in 2007 to \$303,668 in 2009. In 2010, the City's debt service on the 2007 transportation bonds will be almost \$1 million. At the time the City sold the bonds, REET was expected to pay the full amount.
- Permit revenue has evaporated from a high of \$2.2 million in 2007 to \$618,079 in 2009. This budget forecasts a similar amount in 2010.

- The Capital Investment Program (CIP) is unable to pay for employee salaries and benefits beginning in 2010 because bond proceeds are spent, state money for the State Route 516 project is about to be spent, and impact fee revenue has evaporated.

In total, the City needs to cut about \$1.1 million from the Operating Budget and absorb about \$700,000 in debt service next year.

After the Management Team, Finance Department, and the City Manager spent several months evaluating strategies to balance the 2010 budget, the City Manager — after careful consideration — recommended the following to Council:

- Make a finding of substantial need and increase the property tax levy by 1%.
- Redirect the General Fund's transfer of \$150,000 per year from the CIP Fund's street overlay program to the Street Fund operations.
- Maintain the General Fund's transfer of \$370,000 per year to the CIP Fund's Parks program for one more year and discontinue it in 2011.
- Discontinue the General Fund's transfer of sales tax revenue to the Cumulative Reserve Fund; the General Fund will benefit from the additional 5% of sales tax revenue.
- Discontinue the Parks Fund's annual transfer of fund balance to the Cumulative Reserve Fund.
- Have the General Fund assume the Development Services Fund's interfund payment next year and review this strategy on an annual basis.
- Have the General Fund absorb additional central services costs based on the full-time equivalent (FTE) reduction in other funds.
- Draw down reserves in the Surface Water Management Fund for another year to continue implementation of the National Pollutant Discharge Elimination System (NPDES) permit.
- Use a 0% cost of living adjustment (COLA). The June 2008 to June 2009 Consumer Price Index came in negative. The negative CPI will be moved forward against future positive CPI increases.
- Modify the merit award program by replacing monetary compensation with another form of compensation such as additional vacation days or floating holidays.
- Maintain the current medical benefits program through 2010 and convert to a less expensive plan beginning in 2011.
- Eliminate the following positions: Administrative/Legal Assistant, Assistant City Engineer, Construction Inspector, Economic Development Manager, and Office Technician II.
- Reduce the following positions to half time: Administrative Services Manager, Building Official, and Development Review Engineer.
- Maintain the following position at half time: Code Enforcement Officer.
- Forego the biennial budget process until the economy stabilizes.
- Explore implementation of a \$20 vehicle license fee via a transportation benefit district to help fund street operations.

The most controversial of these recommendations was the elimination of the Economic Development Manager position. On the surface, it does not appear to make sense to eliminate a position whose primary function is to grow the City's economy. However, economic development has always been, should be, and will continue to be a team effort among the Council, the Covington Economic Development Council, the City Manager, and a variety of employees. It is imperative that the City direct its increasingly scarce resources to those economic development-related activities that are most critical to growing the City's economy. In 2010,

those are to continue to implement the Downtown Plan & Zoning Study and to provide the most timely and predictable permitting process the City can afford.

### **Economic Factors**

On the national level, unemployment continues to dominate the headlines, home foreclosures continue to climb, home prices continue to decline, and consumer consumption remains weak. Inflation is moderating, but wages are barely growing.

In the Puget Sound region, indicators are looking more favorable according to the economists at *The Puget Sound Economic Forecaster*. Home prices have apparently bottomed out and even rose 5.5% between March and June. Employment is still down but job losses are decelerating. The *Forecaster's* view is that employment will come back in the second quarter of 2010 but it will likely be 2013 before employment returns to its 2008 peak and 2014 before it drops below 6%. The real recovery will be felt in 2011 as employment and personal income increase, inflation remains low, and housing permits begin to increase.

In Covington, we will continue feel the effects of lower REET, permit revenue, and impact fees for several years at least. However, decisions by the Council to proceed cautiously will pay off as we work our way out of this recession.

Given the cyclical nature of the economy and the plethora of different factors involved, it has been most difficult to assemble the long-range forecast. Forecasting is arguably more art than science, but for 2010 and beyond it is almost untenable. The economy has been the biggest challenge. We get numbers and information on a national and regional scale, but it is hard to identify how that will impact us at a local level. We use our best judgment along with historical information to spot trends and determine how revenues will move over time. We continue to remain conservative and closely monitor local changes.

### **Summary**

As the City transitioned from 2008 to 2009, it became clear early on that the City would not be immune from the effects of the recession that was hitting every corner of the nation. The City Manager, with analysis from the Finance Department, made bold mid-year recommendations which the City Council endorsed. Further reductions were identified later in the year and again more painful cuts were made. The economy was the main driver in developing the 2010 budget. No new programs were added and special criteria were given for decision cards to be considered for the 2010 budget process.

Utility tax has provided the City with an added source of revenue to provide new and additional services to better address the needs of the community. It also provides a backup to REET for the debt service payments for the 2007 Transportation Bonds. This has kept the City from having to rely on the Cumulative Reserve Fund.

As the City moves forward into 2010 and beyond, the bold action taken by the Council and the City Manager's conservative approach to budgeting is keeping the City's fund balances within policy limits. The recession continues to be problematic as seen in continued flat homes sales and building permit applications, but continued revenue monitoring and attention to expenditures will help to forestall any major concerns.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Covington's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Covington, 16720 SE 271<sup>st</sup> Street, Suite 100, Covington, WA 98042.



# **BASIC FINANCIAL STATEMENTS**



City of Covington  
Statement of Net Assets  
December 31, 2009

**Assets**

Cash and Cash Equivalents	\$ 6,133,430
Deposit - Internal Fiscal Agency	46,010
Investments	1,503,281
Receivables (net of allowances for uncollectibles, where applicable):	
Accounts	345,024
Special Assessments	287,096
Interest	36,855
Penalties	-
Property Taxes	73,690
Intergovernmental	1,788,528
Prepaid Items	101,433
Bond Issuance Costs (Net of Amortization)	86,093
Capital Assets (Net of Depreciation):	
Land	18,561,280
Buildings	710,292
Improvements Other than Buildings	402,112
Machinery and Equipment	270,419
Infrastructure	19,741,700
Work In Progress	9,138,881
	<hr/>
Total Assets	<u><u>\$ 59,226,124</u></u>

**Liabilities**

Accounts Payable	\$ 403,633
Accrued Interest Payable	242,909
Accrued Payroll/Benefits	149,728
Due to Other Governmental Entities	92,638
Performance Bonds	12,882
Unearned Revenue	679,532
Long-Term Liabilities	
Due Within One Year	
Compensated Absences	262,355
General Obligation Bonds	216,263
Other Long-Term Debt	214,896
Due in More Than One Year	
Compensated Absences	98,230
Special Assessment Debt with Government Commitment	149,557
General Obligation Bonds	12,603,168
Other Long-Term Debt	3,008,540
	<hr/>
Total Liabilities	<u>18,134,331</u>

**Net Assets**

Invested in Capital Assets	
Net of Related Debt	32,632,260
Restricted for:	
Debt Service	46,010
Capital Improvement Projects	773,518
Unrestricted	7,640,005
	<hr/>
Total Net Assets	<u><u>\$ 41,091,793</u></u>

The Notes to the Financial Statements are an integral part of this statement.

City of Covington  
Statement of Activities  
For the Fiscal Year Ended December 31, 2009

Functions/Programs	Program Revenues			Net Revenue (Expense) Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Government Activities:				
General Government	\$ 3,162,014	\$ 223,530	\$ 89,108	\$ -
Community Development	1,716,586	555,350	-	-
Public Safety	2,638,416	-	-	-
Culture and Recreation	1,201,680	461,341	600	-
Streets and Highways	2,547,725	1,418,986	519,545	3,416,362
Interest on Long Term Debt	615,379	-	-	315
Total Governmental Activities	<u>11,881,800</u>	<u>2,659,207</u>	<u>609,253</u>	<u>3,416,677</u>
General Revenues				
Taxes:				
Property Tax				2,067,945
Sales Tax				2,778,789
Utility Tax				1,857,471
Local Criminal Justice				342,588
Real Estate Excise Tax				303,668
Franchise Fee (Taxes)				189,337
MVET-Criminal Justice				49,330
Liquor Board Profits				119,454
Liquor Excise Tax				85,649
Interest Income				84,278
Miscellaneous				102,014
Loss on sale of capital asset				(49,111)
Total General Revenues				<u>7,931,412</u>
Change in Net Assets				2,734,749
Net Assets, January 1				<u>38,357,044</u>
Net Assets, December 31				<u><u>\$ 41,091,793</u></u>

The Notes to the Financial Statements are an integral part of this statement.



City of Covington  
Balance Sheet  
Governmental Funds  
December 31, 2009

	General	Special Revenue Funds						
		Development Services	Parks	Street	Cumulative Reserve Fund	Real Estate Excise Tax 1st Qtr%	Real Estate Excise Tax 2nd Qtr%	Surface Water Management
<b>Assets and Other Debits</b>								
Cash and Cash Equivalents	\$ 1,282,058	\$ 283,794	\$ 55,988	\$ 402,011	\$ 818,078	\$ 203,269	\$ 68,644	\$ 1,014,018
Deposit - Internal Fiscal Agency	-	-	-	-	-	-	-	-
Investments	439,429	-	57,562	25,008	545,971	-	-	100,013
Receivables (net of allowances for uncollectibles, where applicable):								
Accounts	215,778	17,720	4,210	56,929	-	-	-	2,731
Special Assessments	-	-	-	-	-	-	-	-
Interest	9,973	-	884	385	8,381	-	-	1,534
Penalties	-	-	-	-	-	-	-	-
Property Taxes	73,690	-	-	-	-	-	-	-
Intergovernmental	505,303	3,314	112,757	65,872	27,209	10,148	10,148	860,416
Due from Other Funds	-	-	-	-	-	-	-	-
Prepaid Items	74,391	5,160	6,315	4,965	-	-	-	10,455
<b>Total Assets</b>	<b>\$ 2,600,622</b>	<b>\$ 309,988</b>	<b>\$ 237,716</b>	<b>\$ 555,170</b>	<b>\$ 1,399,639</b>	<b>\$ 213,417</b>	<b>\$ 78,792</b>	<b>\$ 1,989,167</b>
<b>Liabilities</b>								
Accounts Payable	\$ 120,619	\$ 3,637	\$ 72,607	\$ 12,053	\$ 21	\$ -	\$ -	\$ 14,151
Accrued Payroll/Benefits	63,790	14,681	14,764	10,615	-	-	-	16,784
Compensated Absences	-	-	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-	-	-
Due to Other Governmental Entities	34,485	11,978	7,179	3,999	-	-	-	11,117
Performance Bonds	7,500	5,382	-	-	-	-	-	-
Deferred Revenue	73,690	-	-	-	-	-	-	834,669
<b>Total Liabilities</b>	<b>300,084</b>	<b>35,678</b>	<b>94,550</b>	<b>26,667</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>876,721</b>
<b>Fund Balance</b>								
Fund Balance:								
Reserved for Prepaid Items	74,391	5,160	6,315	4,965	-	-	-	10,455
Reserved for Deposit - Internal Fiscal Agency	-	-	-	-	-	-	-	-
Unreserved, Reported in:								
General Fund	2,226,147	-	-	-	-	-	-	-
Special Revenue Funds	-	269,150	136,851	523,538	1,399,618	213,417	78,792	1,101,991
Debt Service Funds	-	-	-	-	-	-	-	-
Capital Project Funds	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>2,300,538</b>	<b>274,310</b>	<b>143,166</b>	<b>528,503</b>	<b>1,399,618</b>	<b>213,417</b>	<b>78,792</b>	<b>1,112,446</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,600,622</b>	<b>\$ 309,988</b>	<b>\$ 237,716</b>	<b>\$ 555,170</b>	<b>\$ 1,399,639</b>	<b>\$ 213,417</b>	<b>\$ 78,792</b>	<b>\$ 1,989,167</b>

The Notes to the Financial Statements are an integral part of this statement.

Debt Service Fund	Capital Project Funds		Other Governmental Funds	Total Governmental Funds
	Long-Term Debt	Capital Investment Program		
\$ -	\$ 1,404,187	\$ 8,941	\$ 215,865	\$ 5,756,853
-	-	-	46,010	46,010
-	-	-	210,394	1,378,377
-	47,656	-	-	345,024
-	-	287,096	-	287,096
-	-	13,781	-	34,938
-	-	-	-	-
-	-	-	-	73,690
-	191,535	-	-	1,786,702
-	-	-	-	-
-	147	-	-	101,433
<u>\$ -</u>	<u>\$ 1,643,525</u>	<u>\$ 309,818</u>	<u>\$ 472,269</u>	<u>\$ 9,810,123</u>
\$ -	\$ 179,127	\$ -	\$ -	\$ 402,215
-	29,094	-	-	149,728
-	-	-	-	-
-	-	-	-	-
-	7,830	-	-	76,588
-	-	-	-	12,882
-	378,655	300,877	-	1,587,891
-	594,706	300,877	-	2,229,304
-	147	-	-	101,433
-	-	-	46,010	46,010
-	-	-	-	2,226,147
-	-	-	420,244	4,143,601
-	-	-	6,015	6,015
-	1,048,672	8,941	-	1,057,613
-	1,048,819	8,941	472,269	7,580,819
<u>\$ -</u>	<u>\$ 1,643,525</u>	<u>\$ 309,818</u>	<u>\$ 472,269</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital Assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds. Governmental Assets (\$49,856,533) are shown net of Accumulated Depreciation (\$1,207,701). Capital Assets are included in the Statement of Net Assets. 48,648,832

Other long-term assets such as property tax receivable (\$73,690) and surface water management fees receivable (\$834,669) are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. These amounts are included in the Statement of Net Assets. 908,359

Long-term liabilities such as compensated absences (\$360,585), General Obligation Bond Payable (\$12,733,338), LID Bond Payable (\$149,557), Public Works Trust Fund Loan (\$3,223,436), and Accrued Interest Payable (\$242,909) are not due and payable in the current period and, therefore, are not reported in the governmental funds. (16,709,825)

Internal funds are used to charge the costs of unemployment insurance and vehicle rentals to the various governmental fund users of these services. The assets and liabilities of the internal service funds, not included in the governmental funds, are included in the governmental activities in the Statement of Net Assets. 663,608

Net assets of governmental activities \$ 41,091,793

City of Covington  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Governmental Fund Types  
For the Fiscal Year Ended December 31, 2009

	Special Revenue Funds							
	General	Development Services	Parks	Street	Cumulative Reserve Fund	Real Estate Excise Tax 1st Qtr%	Real Estate Excise Tax 2nd Qtr%	Surface Water Management
Revenues:								
Taxes	\$ 6,330,498	-	\$ 555,758	-	\$ 138,939	\$ 151,834	\$ 151,834	-
Licenses and Permits	-	312,939	-	189,337	-	-	-	-
Intergovernmental	343,541	1,404	-	462,550	-	-	-	56,995
Charges for Goods and Services	10,724	299,552	352,184	-	-	-	-	1,297,698
Fines and Forfeitures	138,234	57	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-	-	-
Interest Income	32,542	4,102	2,100	2,954	9,025	1,753	525	8,596
Penalties	-	-	-	-	-	-	-	-
Interfund Services Payment	866,000	-	-	-	-	-	-	-
Miscellaneous	124,673	25	109,808	105	-	-	-	-
<b>Total Revenues</b>	<b>7,846,212</b>	<b>618,079</b>	<b>1,019,850</b>	<b>654,946</b>	<b>147,964</b>	<b>153,587</b>	<b>152,359</b>	<b>1,363,289</b>
Expenditures:								
Current:								
General Government	3,101,181	-	-	-	-	-	-	-
Community Development	802,388	1,379,318	-	-	-	-	-	-
Public Safety	2,638,016	-	-	-	-	-	-	-
Culture and Recreation	-	-	1,151,642	-	-	-	-	-
Streets and Highways	-	-	-	828,817	-	-	-	879,974
Capital Outlay:								
General Government	-	-	-	-	-	-	-	-
Community Development	-	17	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Culture and Recreation	-	-	15,728	-	-	-	-	-
Streets and Highways	-	-	4,248	12,854	-	-	-	12,854
Debt Service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	32,837
Bond Issuance Costs	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>6,541,585</b>	<b>1,379,335</b>	<b>1,171,618</b>	<b>841,671</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>925,665</b>
Excess (Deficiency) of Revenues Over Expenditures	1,304,627	(761,256)	(151,768)	(186,725)	147,964	153,587	152,359	437,624
Other Financing Sources (Uses):								
Transfers In	-	31,840	213,392	263,943	176,016	220,844	220,844	8,696
Transfers Out	(1,215,137)	-	(203,499)	-	-	(452,953)	(340,876)	(495,188)
General Obligation Bond Proceeds	-	-	-	-	-	-	-	-
Premium on General Obligation Bonds	-	-	-	-	-	-	-	-
Special Assessment Bond Proceeds	-	-	-	-	-	-	-	-
Intergovernmental Loan Proceeds	-	-	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-	-
Compensation from Loss of Assets	-	-	-	-	-	-	-	2,731
<b>Total Other Financing Sources (Uses)</b>	<b>(1,215,137)</b>	<b>31,840</b>	<b>9,893</b>	<b>263,943</b>	<b>176,016</b>	<b>(232,109)</b>	<b>(120,032)</b>	<b>(483,761)</b>
<b>Net Change in Fund Balances</b>	<b>89,490</b>	<b>(729,416)</b>	<b>(141,875)</b>	<b>77,218</b>	<b>323,980</b>	<b>(78,522)</b>	<b>32,327</b>	<b>(46,137)</b>
Fund Balances, January 1	2,211,048	1,003,726	285,041	451,285	1,075,638	291,939	46,465	1,158,583
Prior Year Correction	-	-	-	-	-	-	-	-
<b>Fund Balances, December 31</b>	<b>\$ 2,300,538</b>	<b>\$ 274,310</b>	<b>\$ 143,166</b>	<b>\$ 528,503</b>	<b>\$ 1,399,618</b>	<b>\$ 213,417</b>	<b>\$ 78,792</b>	<b>\$ 1,112,446</b>

The Notes to the Financial Statements are an integral part of this statement.

Debt Service Fund	Capital Project Funds		Other Governmental Funds	Totals Governmental Funds
	Long - Term Debt	Capital Investment Program		
\$ -	\$ -	\$ -	\$ -	\$ 7,328,863
-	-	-	-	502,276
-	627,713	-	-	1,492,203
-	1,814,263	-	-	3,774,421
-	-	-	-	138,291
-	-	43,869	-	43,869
-	22,570	67	(9,189)	75,045
-	-	-	-	-
-	-	-	-	866,000
-	-	-	-	234,611
-	2,464,546	43,936	(9,189)	14,455,579
-	-	-	-	3,101,181
-	-	-	-	2,181,706
-	-	-	-	2,638,016
-	-	-	-	1,151,642
-	711,547	-	-	2,420,338
-	-	-	-	-
-	-	-	-	17
-	-	-	-	-
-	342,234	-	-	357,962
-	1,952,781	697	-	1,983,434
245,527	-	27,201	-	272,728
575,785	-	8,484	-	617,106
-	-	-	-	-
821,312	3,006,562	36,382	-	14,724,130
(821,312)	(542,016)	7,554	(9,189)	(268,551)
821,312	750,766	-	-	2,707,653
-	-	-	-	(2,707,653)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	85,669	-	-	85,669
-	-	-	-	2,731
821,312	836,435	-	-	88,400
-	294,419	7,554	(9,189)	(180,151)
-	754,400	1,387	481,458	7,760,970
-	-	-	-	-
\$ -	\$ 1,048,819	\$ 8,941	\$ 472,269	\$ 7,580,819

City of Covington  
 Reconciliation of the Statement of Revenues, Expenditures, and  
 Changes in Fund Balances, Governmental Fund Types  
 to the Statement of Activities  
 For the Year Ended December 31, 2009

Amounts reported for Governmental Activities in the Statement of Activities (see page 28) are different because:

Net Change in Fund Balances - total Governmental funds (see pages 32, 33)	\$ (180,151)
Governmental funds revenues are only reported when they provide current financial resources. However, in the Statement of Activities, revenues are recognized when earned.	142,834
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets.	787,252
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which outlays for capital assets exceeded depreciation in the current period. This is comprised of capital outlays of \$1,896,342 less current year depreciation of (\$239,499).	1,656,843
Governmental funds report bond issuance costs as expenditures. However, these amounts are reported on the Statement of Net Assets as deferred charges and amortized over the life of the debt. Amortization of bond issuance costs (\$6,731).	(6,731)
Governmental funds do not recognize liabilities for certain expenditures that are not expected to be liquidated with expendable available financial resources (due for payment in the next period). However, in the Statement of Activities, expenditures are recognized as soon as a liability is incurred. This is the amount to recognize the liability for compensated absences \$7,405	7,405
Repayment of long-term debt is an expenditure in the governmental funds, yet, the repayment reduces long-term liabilities in the Statement of Net Assets.	272,728
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Interest expense of \$1,727. Amortization of bond premium \$2,633.	4,360
Internal funds are used to charge the costs of unemployment insurance and vehicle rentals to the various governmental fund users of these services. However, in the Statement of Activities, any net profit or loss of the internal service funds is allocated to the functions that benefited from the services provided by the internal service fund. These are the amounts allocated by the Unemployment Insurance Fund and the Equipment Replacement Fund, respectively.	(21,363) 71,572
Change in net assets of governmental activities (see page 28)	\$ 2,734,749

The notes to the financial statements are an integral part of this statement.

City of Covington  
General Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Budget and Actual  
For the Fiscal Year Ended December 31, 2009

	Budget		Actual	Variance
	Original	Final		Over (Under)
<b>Revenues:</b>				
Taxes	\$ 6,651,000	\$ 6,651,000	\$ 6,330,498	\$ (320,502)
Intergovernmental	351,323	351,323	343,541	(7,782)
Charges for Goods and Services	886,406	886,406	876,724	(9,682)
Fines and Forfeitures	105,370	105,370	138,234	32,864
Interest Income	76,500	76,500	32,542	(43,958)
Miscellaneous	60,500	60,500	124,673	64,173
<b>Total Revenues</b>	<b>8,131,099</b>	<b>8,131,099</b>	<b>7,846,212</b>	<b>(284,887)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government:</b>				
City Council	87,431	87,431	88,629	1,198
Council Contingency	172,500	172,500	-	(172,500)
City Court	393,900	393,900	464,083	70,183
City Manager	522,531	522,531	542,960	20,429
Finance	494,468	494,468	481,606	(12,862)
City Clerk	292,330	292,330	260,944	(31,386)
City Attorney	101,000	101,000	66,906	(34,094)
Personnel	323,802	323,802	323,571	(231)
Central Services	890,092	890,092	872,482	(17,610)
<b>Total General Government</b>	<b>3,278,054</b>	<b>3,278,054</b>	<b>3,101,181</b>	<b>(176,873)</b>
<b>Community Development:</b>				
Planning	719,169	719,169	764,900	45,731
Development Services	-	-	-	-
Emergency Management	44,579	44,579	37,488	(7,091)
<b>Total Community Development</b>	<b>763,748</b>	<b>763,748</b>	<b>802,388</b>	<b>38,640</b>
<b>Public Safety:</b>				
<b>Total Public Safety</b>	<b>2,696,702</b>	<b>2,696,702</b>	<b>2,638,016</b>	<b>(58,686)</b>
<b>Culture and Recreation:</b>				
Parks and Facilities	-	-	-	-
Aquatics	-	-	-	-
Athletics and Recreation	-	-	-	-
Community Services	-	-	-	-
<b>Total Culture and Recreation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital Outlay:</b>				
General Government	-	-	-	-
Public Safety	-	-	-	-
Community Development	-	-	-	-
Culture and Recreation	-	-	-	-
<b>Total Expenditures</b>	<b>6,738,504</b>	<b>6,738,504</b>	<b>6,541,585</b>	<b>(196,919)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,392,595</b>	<b>1,392,595</b>	<b>1,304,627</b>	<b>(87,968)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	-	-	-
Transfers Out	(1,142,030)	(1,142,030)	(1,215,137)	(73,107)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,142,030)</b>	<b>(1,142,030)</b>	<b>(1,215,137)</b>	<b>(73,107)</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>250,565</b>	<b>250,565</b>	<b>89,490</b>	<b>(161,075)</b>
<b>Fund Balances, January 1</b>	<b>1,901,510</b>	<b>2,211,048</b>	<b>2,211,048</b>	<b>-</b>
<b>Fund Balances, December 31</b>	<b>\$ 2,152,075</b>	<b>\$ 2,461,613</b>	<b>\$ 2,300,538</b>	<b>\$ (161,075)</b>

The Notes to the Financial Statements are an integral part of this statement.

City of Covington  
Development Services Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Budget and Actual  
For the Fiscal Year Ended December 31, 2009

	Budget		Actual	Variance
	Original	Final		Over (Under)
<b>Revenues:</b>				
Licenses and Permits	\$ 766,000	\$ 766,000	\$ 312,939	\$ (453,061)
Intergovernmental	4,000	4,000	1,404	(2,596)
Charges for Goods and Services	837,000	837,000	299,552	(537,448)
Fines and Forfeitures	-	-	57	57
Interest Income	20,000	20,000	4,102	(15,898)
Miscellaneous	3,600	3,600	25	(3,575)
<b>Total Revenues</b>	<b>1,630,600</b>	<b>1,630,600</b>	<b>618,079</b>	<b>(1,012,521)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Community Development: Development Services	1,973,102	1,973,102	1,379,318	(593,784)
<b>Capital Outlay:</b>				
General Government	-	-	-	-
Community Development	-	-	17	17
<b>Total Expenditures</b>	<b>1,973,102</b>	<b>1,973,102</b>	<b>1,379,335</b>	<b>(593,767)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(342,502)</b>	<b>(342,502)</b>	<b>(761,256)</b>	<b>(418,754)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	-	31,840	31,840
Transfers Out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>31,840</b>	<b>31,840</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(342,502)</b>	<b>(342,502)</b>	<b>(729,416)</b>	<b>(386,914)</b>
<b>Fund Balances, January 1</b>	<b>894,567</b>	<b>1,003,726</b>	<b>1,003,726</b>	<b>-</b>
<b>Fund Balances, December 31</b>	<b>\$ 552,065</b>	<b>\$ 661,224</b>	<b>\$ 274,310</b>	<b>\$ (386,914)</b>

The Notes to the Financial Statements are an integral part of this statement.

City of Covington  
Parks Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Budget and Actual  
For the Fiscal Year Ended December 31, 2009

	Budget		Actual	Variance
	Original	Final		Over (Under)
<b>Revenues:</b>				
Taxes	\$ 586,400	\$ 586,400	\$ 555,758	\$ (30,642)
Intergovernmental	2,500	2,500	-	(2,500)
Charges for Goods and Services	339,569	339,569	352,184	12,615
Fines and Forfeitures	-	-	-	-
Interest Income	9,000	9,000	2,100	(6,900)
Miscellaneous	63,531	63,531	109,808	46,277
<b>Total Revenues</b>	<b>1,001,000</b>	<b>1,001,000</b>	<b>1,019,850</b>	<b>18,850</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Culture and Recreation:</b>				
Parks Maintenance	161,629	161,629	155,781	(5,848)
Aquatics	661,384	661,384	701,927	40,543
Recreation and Special Events	94,491	94,491	71,216	(23,275)
Parks Administration	268,132	268,132	222,718	(45,414)
<b>Total Culture and Recreation</b>	<b>1,185,636</b>	<b>1,185,636</b>	<b>1,151,642</b>	<b>(33,994)</b>
<b>Capital Outlay:</b>				
Culture and Recreation	-	-	15,728	15,728
Streets and Highways	-	-	4,248	4,248
<b>Total Expenditures</b>	<b>1,185,636</b>	<b>1,185,636</b>	<b>1,171,618</b>	<b>(14,018)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(184,636)</b>	<b>(184,636)</b>	<b>(151,768)</b>	<b>32,868</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	198,378	198,378	213,392	15,014
Transfers Out	(13,742)	(27,483)	(203,499)	(176,016)
Proceeds from Sale of Assets	-	-	-	-
Compensation from Loss of Assets	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>184,636</b>	<b>170,895</b>	<b>9,893</b>	<b>(161,002)</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>-</b>	<b>(13,741)</b>	<b>(141,875)</b>	<b>(128,134)</b>
<b>Fund Balances, January 1</b>	<b>218,610</b>	<b>285,041</b>	<b>285,041</b>	<b>-</b>
<b>Fund Balances, December 31</b>	<b>\$ 218,610</b>	<b>\$ 271,300</b>	<b>\$ 143,166</b>	<b>\$ (128,134)</b>

The Notes to the Financial Statements are an integral part of this statement.

City of Covington  
Street Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Budget and Actual  
For the Fiscal Year Ended December 31, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues:				
Licenses and Permits	\$ 184,000	\$ 184,000	\$ 189,337	\$ 5,337
Intergovernmental	406,398	406,398	462,550	56,152
Charges for Goods and Services	-	-	-	-
Interest Income	7,000	7,000	2,954	(4,046)
Miscellaneous	-	-	105	105
<b>Total Revenues</b>	<u>597,398</u>	<u>597,398</u>	<u>654,946</u>	<u>57,548</u>
Expenditures:				
Current:				
Streets and Highways	<u>842,946</u>	<u>842,946</u>	<u>828,817</u>	<u>(14,129)</u>
Capital Outlay:				
Streets and Highways	<u>11,864</u>	<u>11,864</u>	<u>12,854</u>	<u>990</u>
<b>Total Expenditures</b>	<u>854,810</u>	<u>854,810</u>	<u>841,671</u>	<u>(13,139)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(257,412)</u>	<u>(257,412)</u>	<u>(186,725)</u>	<u>70,687</u>
Other Financing Sources (Uses):				
Transfers In	257,412	257,412	263,943	6,531
Transfers Out	-	-	-	-
Compensation for Loss of Assets	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>257,412</u>	<u>257,412</u>	<u>263,943</u>	<u>6,531</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	77,218	77,218
Fund Balances, January 1	<u>348,758</u>	<u>451,285</u>	<u>451,285</u>	<u>-</u>
<b>Fund Balances, December 31</b>	<u><u>\$ 348,758</u></u>	<u><u>\$ 451,285</u></u>	<u><u>\$ 528,503</u></u>	<u><u>\$ 77,218</u></u>

The Notes to the Financial Statements are an integral part of this statement.

City of Covington  
Cumulative Reserve Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances  
Budget and Actual  
For the Fiscal Year Ended December 31, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues:				
Taxes	\$ 146,600	\$ 146,600	\$ 138,939	\$ (7,661)
Interest Income	14,400	14,400	9,025	(5,375)
Total Revenues	<u>161,000</u>	<u>161,000</u>	<u>147,964</u>	<u>(13,036)</u>
Expenditures:				
Current:				
General Government	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>161,000</u>	<u>161,000</u>	<u>147,964</u>	<u>(13,036)</u>
Other Financing Sources (Uses):				
Transfers In	<u>-</u>	<u>-</u>	<u>176,016</u>	<u>176,016</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>176,016</u>	<u>176,016</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	161,000	161,000	323,980	162,980
Fund Balances, January 1	<u>1,053,479</u>	<u>1,075,638</u>	<u>1,075,638</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,214,479</u>	<u>\$ 1,236,638</u>	<u>\$ 1,399,618</u>	<u>\$ 162,980</u>

City of Covington  
Real Estate Excise Tax 1st Qtr % Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Budget and Actual  
For the Fiscal Year Ended December 31, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		Over (Under)
Revenues:				
Taxes	\$ 300,000	\$ 300,000	\$ 151,834	\$ (148,166)
Interest Income	<u>5,000</u>	<u>5,000</u>	<u>1,753</u>	<u>(3,247)</u>
Total Revenues	<u>305,000</u>	<u>305,000</u>	<u>153,587</u>	<u>(151,413)</u>
Expenditures:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>305,000</u>	<u>305,000</u>	<u>153,587</u>	<u>(151,413)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	220,844	220,844
Transfers Out	<u>(555,681)</u>	<u>(555,681)</u>	<u>(452,953)</u>	<u>102,728</u>
Total Other Financing Sources (Uses)	<u>(555,681)</u>	<u>(555,681)</u>	<u>(232,109)</u>	<u>323,572</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(250,681)	(250,681)	(78,522)	172,159
Fund Balances, January 1	<u>277,539</u>	<u>291,939</u>	<u>291,939</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 26,858</u>	<u>\$ 41,258</u>	<u>\$ 213,417</u>	<u>\$ 172,159</u>

The Notes to the Financial Statements are an integral part of this statement.

City of Covington  
Real Estate Excise Tax 2nd Qtr % Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Budget and Actual  
For the Fiscal Year Ended December 31, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		Over (Under)
Revenues:				
Taxes	\$ 300,000	\$ 300,000	\$ 151,834	\$ (148,166)
Interest Income	<u>2,500</u>	<u>2,500</u>	<u>525</u>	<u>(1,975)</u>
Total Revenues	<u>302,500</u>	<u>302,500</u>	<u>152,359</u>	<u>(150,141)</u>
Expenditures:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>302,500</u>	<u>302,500</u>	<u>152,359</u>	<u>(150,141)</u>
Other Financing Sources (Uses):				
Transfers In	22,600	-	220,844	220,844
Transfers Out	<u>(238,149)</u>	<u>(238,149)</u>	<u>(340,876)</u>	<u>(102,727)</u>
Total Other Financing Sources (Uses)	<u>(215,549)</u>	<u>(238,149)</u>	<u>(120,032)</u>	<u>118,117</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	86,951	64,351	32,327	(32,024)
Fund Balances, January 1	<u>22,600</u>	<u>46,465</u>	<u>46,465</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 109,551</u>	<u>\$ 110,816</u>	<u>\$ 78,792</u>	<u>\$ (32,024)</u>

The Notes to the Financial Statements are an integral part of this statement.

City of Covington  
Surface Water Management Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Budget and Actual  
For the Fiscal Year Ended December 31, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues:				
Intergovernmental	\$ 85,600	\$ 85,600	\$ 56,995	(28,605)
Charges for Goods and Services	1,184,314	1,184,314	1,297,698	113,384
Interest Income	<u>20,000</u>	<u>20,000</u>	<u>8,596</u>	<u>(11,404)</u>
Total Revenues	<u>1,289,914</u>	<u>1,289,914</u>	<u>1,363,289</u>	<u>73,375</u>
Expenditures:				
Current:				
Public Works	<u>1,098,431</u>	<u>1,098,431</u>	<u>879,974</u>	<u>(218,457)</u>
Capital Outlay:				
Streets and Highways	<u>4,364</u>	<u>4,364</u>	<u>12,854</u>	<u>8,490</u>
Debt Service:				
Interest	<u>32,000</u>	<u>32,000</u>	<u>32,837</u>	<u>837</u>
Total Expenditures	<u>1,134,795</u>	<u>1,134,795</u>	<u>925,665</u>	<u>(209,130)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>155,119</u>	<u>155,119</u>	<u>437,624</u>	<u>282,505</u>
Other Financing Sources (Uses):				
Transfers In	-	-	8,696	8,696
Transfers Out	(53,500)	(53,500)	(495,188)	(441,688)
Compensation for Loss of Assets	<u>-</u>	<u>-</u>	<u>2,731</u>	<u>2,731</u>
Total Other Financing Sources (Uses)	<u>(53,500)</u>	<u>(53,500)</u>	<u>(483,761)</u>	<u>(430,261)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	101,619	101,619	(46,137)	(147,756)
Fund Balances, January 1	<u>1,037,103</u>	<u>1,158,583</u>	<u>1,158,583</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,138,722</u>	<u>\$ 1,260,202</u>	<u>\$ 1,112,446</u>	<u>\$ (147,756)</u>

The Notes to the Financial Statements are an integral part of this statement.

City of Covington  
Statement of Net Assets  
All Proprietary Fund Types  
December 31, 2009

	<u>Governmental Activities- Internal Service Funds</u>
<b><u>Assets and other Debits</u></b>	
Current Assets:	
Cash and Cash Equivalents	\$ 376,577
Investments	124,904
Interest Receivable	1,917
Due from Other Governments	<u>1,826</u>
Total Current Assets	<u>505,224</u>
Capital Assets:	
Machinery and Equipment	282,888
Accumulated Depreciation	<u>(107,036)</u>
Total Capital Assets (net of accumulated depreciation)	<u>175,852</u>
Total Assets	<u>681,076</u>
 <b><u>Liabilities</u></b>	
Current Liabilities:	
Accounts Payable	1,418
Due to Other Governmental Entities	16,050
Deferred Revenue	<u>-</u>
Total Liabilities	<u>17,468</u>
 <b><u>Net Assets</u></b>	
Invested in Capital Assets	175,852
Unrestricted	<u>487,756</u>
Total Net Assets	<u>\$ 663,608</u>

The Notes to the Financial Statements are an integral part of this statement.

City Of Covington  
Statement of Revenues, Expenses, and  
Changes in Fund Net Assets  
All Proprietary Fund Types  
For the Fiscal Year Ended December 31, 2009

	<u>Governmental Activities- Internal Service Funds</u>
Operating Revenues:	
Unemployment Charges	\$ 44,034
Fuel and Maintenance Assessments	30,243
Equipment Replacement Assessments	<u>61,160</u>
Total Operating Revenues	<u>135,437</u>
Operating Expenses:	
Unemployment Benefits Paid	67,451
Vehicle Fuel	12,779
Repairs and Maintenance of Vehicles	17,464
Depreciation	<u>47,604</u>
Total Operating Expenses	<u>145,298</u>
Operating Income (Loss)	<u>(9,861)</u>
Nonoperating Revenues (Expenses)	
Interest Income	4,762
Gain or (Loss) From Disposition of Assets	<u>5,471</u>
Total Nonoperating Revenues (Expenses)	<u>10,233</u>
Capital Contributions:	
Parks Fund	2,167
Street Fund	4,334
Surface Water Management Fund	<u>43,336</u>
Total Capital Contributions	<u>49,837</u>
Change in Net Assets	50,209
Net Assets, January 1	<u>613,399</u>
Net Assets, December 31	<u><u>\$ 663,608</u></u>

The Notes to the Financial Statements are an integral part of this statement.

City of Covington  
Statement of Cash Flows  
All Proprietary Fund Types  
For the Fiscal Year Ended December 31, 2009

	<u>Governmental Activities- Internal Service Funds</u>
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$ 135,437
Payments Made to Suppliers	(33,785)
Proceeds from Insurance Recoveries	-
Cash Paid for Unemployment Assessments	(51,402)
Net Cash Provided by Operating Activities	<u>50,250</u>
Cash Flows from Capital Activities:	
Proceeds from Disposition of Asset	3,645
Vehicle Replacement	-
Net Cash Received (used) for Capital Activities	<u>3,645</u>
Cash Flows from Investing Activities:	
Proceeds from Sales and Maturities of Investments	189,891
Purchase of Investments	(64,259)
Interest Received	9,478
Net Cash Provided by Investing Activities	<u>135,110</u>
Net Increase (Decrease) in Cash and Cash Equivalents	189,005
Cash and Cash Equivalents, January 1	<u>187,572</u>
Cash and Cash Equivalents, December 31	<u>\$ 376,577</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	<u>\$ (9,861)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase in Accounts Payable	(3,543)
Decrease in Due to Other Governmental Entities	16,050
Depreciation	47,604
Total Adjustments to Net Cash Provided by Operating Activities	<u>60,111</u>
Net Cash Provided by Operating Activities	<u>\$ 50,250</u>
Noncash Capital Activities	
Capital Contributions:	
Parks Fund	\$ 2,167
Street Fund	4,334
Surface Water Management Fund	43,336
Total Contributed Capital	<u>\$ 49,837</u>

The Notes to the Financial Statements are an integral part of this statement.



# **NOTES TO THE FINANCIAL STATEMENTS**



## NOTES TO THE FINANCIAL STATEMENTS

*(For the Fiscal Year Ended December 31, 2009)*

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Covington (City) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting policies of the City of Covington conform to Generally Accepted Accounting Principles for governments, and are regulated by the Washington State Auditor's Office (SAO). The City's significant accounting policies are described in the following notes.

#### A. Reporting Entity

The City of Covington, Washington, was incorporated on August 31, 1997, and operates under the laws of the State of Washington applicable to a Non-Charter Code City with a Council-Manager form of government. The City is governed by a seven-member, elected Council. One of the Councilmembers is elected by the Council to serve as Mayor. The Council appoints the City Manager, who administers the City.

The City's first Council was elected on April 3, 1997. State law provides for the initial Council members to continue in office until their successors are elected and qualified at the next general election after the official date of incorporation; however, the initial period shall not be less than twelve months. Their successors were elected and qualified at the general election held in November 1999, with staggered terms of two and four years. Thereafter, all terms will be for a period of four years, allowing for consistency and staggered elections.

As required by Generally Accepted Accounting Principles, these financial statements present the City of Covington and its component units. A component unit is defined as a legally separate entity that satisfies at least one of the following criteria:

- 1) Elected officials of the City are financially accountable for the separate entity; or,
- 2) The relationship between the City and the entity is such that not including the entity would render these financial statements misleading or incomplete.

The City has no component units.

Certain other agencies may include the name "Covington" in their title but are not included in this report, as the City has no oversight responsibility. These include, but are not limited to, the Covington Water District, Covington Chamber of Commerce, and Covington Sports.

#### B. Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the City of Covington.

The activity of the internal service funds is eliminated to avoid “doubling up” revenues and expenses. However, interfund services provided and used are not eliminated in the Government-wide Statement of Activities. *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 City does not currently have any business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Our policy is to not allocate indirect costs to 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 and proprietary funds. Major individual governmental funds are reported as separate columns in the Fund Financial Statements.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement 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 Financial Statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

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 of Covington 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, licenses, and interest associated within the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund has a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. The City’s resources are allocated to and accounted for in separate funds based upon the purposes for which resources are to be spent and the means by which spending activities are controlled.

The City reports the following major governmental funds:

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

**Special Revenue Funds** - The Special Revenue Funds account for revenues derived from specific revenue sources, such as taxes, grants, or other sources, which are restricted to finance particular activities of the City. The City of Covington uses the following Special Revenue Funds:

- *Development Services Fund.* To account for the City's building activities, which includes activities such as residential and commercial building inspection, plans examination, and processing permits.
- *Parks Fund.* To account for the Parks programs which include parks maintenance as well as the Covington Aquatic Center.
- *Street Fund.* To account for the State collected gasoline tax, which is restricted for street purposes.
- *Cumulative Reserve Fund.* To account for accumulated monies that in general terms can be used for several different municipal purposes as well as for a very specific municipal purpose. The monies accumulated in this fund shall never be expended for any other purpose than those specified, without an approving vote by a two-thirds majority of the members of the legislative authority of the City.
- *Real Estate Excise Tax Funds.* To account for the monies received by the City from the implementation of an excise tax on real estate transactions within the City.
- *Surface Water Management Fund.* To account for the collection of Surface Water Management Fees, which is used for storm water treatment facilities and related infrastructure.

**Debt Service Fund** – This Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

**Capital Project Funds** – The Capital Project Funds account for financial resources that are designated for the acquisition or construction of major capital improvements. The City of Covington uses the following Capital Project Funds:

- *Capital Investment Program Fund.* To account for the financing of major capital acquisitions and construction projects other than those financed by Proprietary Funds.
- *Local Improvement District Fund 99.01.* To account for resources used to finance specific capital improvements, which are deemed to primarily benefit certain properties located near the project.

The City does not currently have any major Proprietary Funds.

Additionally, the City reports the following fund types:

**Internal Service Funds** – The Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies on a cost reimbursement basis. The City of Covington has the following Internal Service Funds:

- *Unemployment Insurance Fund.* To account for charges to other departments to accumulate sufficient resources to pay reimbursement of unemployment benefits paid by the Employment Security Department of the State and chargeable to the City.
- *Equipment Replacement Fund.* To account for resources through department user charges to assure that sufficient funds are accumulated to replace certain equipment when needed.

The activity of the internal service funds is eliminated to avoid “doubling up” revenues and expenses. However, interfund services provided and used are not eliminated in the Government-wide Statement of Activities.

Amounts reported as program revenues include: 1) charges to customers; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. 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 City’s Internal Service Funds are provided by department user charges. Operating expenses for Internal Service Funds include the cost of providing the services 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 of Covington’s policy to use restricted resources first, and then unrestricted resources as needed.

## **D. Budgetary Information**

### **1. Scope of Budget**

In accordance with applicable sections of the Revised Code of Washington, the City prepares and legally adopts an annual balanced budget. Annual appropriated budgets are adopted for all funds on a basis consistent with Generally Accepted Accounting Principles (GAAP) for the fund type. However, only budgetary comparisons for annually budgeted governmental funds are presented. NCGA Statement 1 does not require, and the financial statements do not present, budgetary comparisons for proprietary fund types.

Annual appropriated budgets are adopted at the fund level. Formal budgetary accounts are integrated into all fund ledgers as a tool for management control. Subsidiary revenue and expenditure ledgers are used to compare the budgeted amounts with actual revenues and expenditures.

Appropriations for all funds lapse at year-end.

## **2. Procedures for Adopting the Original Budget**

The City follows the budget procedures as set forth in the Revised Code of Washington (RCW) 35A.33. The following is an overview of the steps the City follows in its budget process: 1) Prior to October 1, the City Manager submits a proposed budget to the City Council. This budget includes proposed expenditures and the means of financing them; 2) The City Council conducts public hearings, as needed, in October, November, and December on the proposed budget in order to obtain citizen comments; 3) After holding a separate public hearing on revenue sources, the City Council may adopt, by November 15, an Ordinance that establishes a Property Tax Levy Rate per \$1,000 of Assessed Valuation; 4) The City Council makes its adjustments (*if any*) to the proposed budget and must by Ordinance, prior to December 31, adopt a final balanced budget; and 5) The final adopted budget is filed with the City Clerk and the Office of the State Auditor. The final budget is available to the public and is distributed to various government agencies and investor services as a courtesy.

## **3. Amending the Budget**

The City Manager is authorized to transfer budgeted amounts, as needed, between departments within any fund, and/or between object classes within a department. However, as the budget is adopted at the fund level, any revisions that alter the total expenditures of a fund would require the budget to be amended. A budget amendment may be done anytime during the year and follows the same process as the original budget adoption, including a public hearing.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all legally authorized changes applicable during the year.

## **E. Assets, Liabilities and Equity**

### **1. Deposits and Investments**

The City maintains a cash and investment pool that is available for use by all funds. Interest earnings as a result of this pooling are distributed to the appropriate funds based on month-end cash balances in each fund.

Cash and cash equivalents represent the City's cash on hand and demand deposits, including the City's investment in the State Pool.

### **2. Investments**

The City is authorized by State law to purchase certificates of deposit issued by Washington State depositories that participate in a state insurance pool managed by the Washington Public Deposit Protection Commission; investment deposits (Municipal Investor Account) in a qualified public depository located in the State of Washington; U.S. Treasury and Agency securities; banker's acceptances trading in the secondary market; Washington State Treasurer's Local Government Investment Pool; and repurchase agreements with dealers that use authorized securities as collateral. Administrative costs of the Local Government Investment Pool are included in

investment interest earnings and allocated to all funds of the City. The amount applicable to a single fund is not significant, nor readily identifiable.

In accordance with GASB 31, investments in external 2a7-like pools, money market investments, and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. The fair value of the investment is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investments in the Washington State Treasurer's Pool are available on demand in the amount of the original investment plus interest earnings and are treated as a money-market investment on the City's records. Accordingly, the fair value of the City's position in the Washington State Treasurer's Investment Pool is the same as the value of the City's Pool shares.

### **3. Receivables**

*Accounts Receivable* represents amounts due to the City from private persons or organizations for goods and services furnished by the City.

*Special Assessments Receivable* represents amounts due to the City from private persons or organizations in connection with a compulsory levy made against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

*Property Taxes Receivable* are determined and recorded on the levy date, January 1 of each year.

*Intergovernmental Receivables* represent amounts due to the City from other governmental agencies and may include amounts for grants, shared revenues, taxes collected for the City by another agency, as well as goods and services provided by the City to another governmental agency.

### **4. Amounts Due to and from Other Funds**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." A separate schedule of interfund activity is furnished in Note 11.

### **5. Inventories**

Inventories held by the City in governmental funds consist of expendable supplies, primarily office supplies, held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. The value of the City's office supply inventory was not considered material and, as a result, no inventory value is shown.

### **6. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

## 7. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and work in progress, are reported in the applicable governmental columns in the Government-wide Financial Statements. The City defines capital assets as buildings, improvements other than buildings, and machinery and equipment with an original cost of \$5,000 or more each and infrastructure with an original cost of \$50,000 or more, and an estimated life of more than one year. All land is recorded regardless of initial cost. Such assets are recorded at historical cost or estimated historical cost when historical cost is not known. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed. During construction, amounts are shown as work in progress. Infrastructure assets (i.e., roads, sidewalks, and similar assets) are those purchased or constructed since January 1, 2003. At this time, infrastructure assets existing before January 1, 2003 are not recorded on the face of the financial statements. The City will be voluntarily including all infrastructure assets prior to 2003 in future financial statements.

Land and work in progress are not depreciated. Buildings, improvements other than buildings, machinery and equipment, and infrastructure are depreciated using the straight-line method with no salvage value. Depreciation on infrastructure is not taken on the first year of project completion. The City depreciates assets over the following estimated useful lives:

<u>Capital Asset Types</u>	<u>Lives in Years</u>
Buildings	20-50
Improvements Other Than Buildings	15
Infrastructure	10-50
Machinery and Equipment	5-10

## 8. Compensated Absences

In governmental funds, compensated absences (i.e., vacation, comp time, and sick leave) are reported only if they have matured, for example, as a result of employee resignations and retirements. All vacation and sick leave is accrued when incurred in the Government-wide Financial Statements.

*Comp Time.* Employees are paid 100% of any accrued comp time upon termination. All comp time is assumed to be liquidated with current expendable resources.

*Vacation Time.* Employees are paid 100% of any accrued vacation upon termination. For purposes of calculating the portion of the liability for compensated absences related to vacation that is to be liquidated from expendable available resources, it is assumed that each employee will use, during the next year, that portion of their December 31, 2009 accrued vacation balance equal to the maximum vacation accrual that they could earn in the next year this amount is reflected in the due within one year section of the Statement of Net Assets. The remaining balance, in excess of one year's accrual, is then used to calculate the liability that is considered long-term and is also included in the government-wide statements.

*Sick Leave.* Employees who terminate in good standing are eligible to be paid for 25% of their accrued and unused sick leave, not to exceed a payment on more than 180 hours. The amount of this liability is assumed to be liquidated from current expendable resources and is included in the Government-wide Statements.

As of December 31, 2009 the City has no termination benefits to report.

## **9. Long-Term Debt**

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 types. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

## **10. Deferred Revenue**

In the governmental funds this account includes amounts that may not have met the criteria for revenue recognition or amounts that have met the revenue recognition criteria and are not available to liquidate liabilities of the current period. In the Government-wide Financial Statements this account includes amounts that have not met the revenue recognition criteria.

## **11. Fund Equity**

In the Fund Financial Statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **A. Explanation of certain differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets**

The Governmental Funds' Balance Sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the Government-wide Statement of Net Assets. The details of this \$33,510,974 difference are shown on the Governmental Funds Balance Sheet on page number 31.

**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 Funds 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 assets of governmental activities as reported in the Government-wide Statement of Activities. The details of this \$2,734,749 difference are shown on the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances, Governmental Fund Types to the Statement of Activities on page number 34.

**NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

There have been no material violations of finance-related legal or contractual provisions and there have been no expenditures exceeding legal appropriations in any of the funds of the City.

**NOTE 4: DEPOSITS AND INVESTMENTS**

**A. Deposits**

On December 31, 2009, the carrying amount of the City's deposits was \$6,179,439, and the total bank balance was \$6,178,839. The \$600 difference represents petty cash funds held for minor reimbursement requests.

*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City's bank balance is insured by the FDIC which insures the first \$100,000 of the City's deposits. The deposit balances over \$100,000 are insured by the Washington Public Deposit Protection Commission (WPDPC). The WPDPC is a multiple financial institution collateral pool. State statute permits additional amounts to be assessed on a pro rata basis to members of the pool in the event the pool's collateral should be insufficient to cover a loss.

The City does not have a formal policy for custodial risk beyond the requirements of State statute. State law restricts deposit of funds in financial institutions physically located in Washington unless expressly permitted by statute and authorized by the WPDPC.

As of December 31, 2009, the City's total deposits and cash equivalents, including investment in the State Treasurer's Pool, consisted of the following:

Operating Accounts	\$(295,996)
State Treasurer's Pool	6,411,996
Forfeiture Account	62,839
Petty Cash	600
<b>Total Cash and Cash Equivalents</b>	<b>\$6,179,439</b>

## B. Investments

The City's investment policy developed by the Finance Department is adopted by the City Council. Authority to manage the investment program is derived from City of Covington Resolution number 07-11. This resolution gives the Finance Director authority to invest in any of the securities identified as eligible investments as defined by State statute with primary emphasis of safety, principal, liquidity, and yield.

The City does not allow investment in collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), and other principal only (POs) and interest only (IOs) obligations that are secured with mortgages issued by any federal agency, instrumentality or private firm. No derivative products will be utilized unless permitted by law, and not without prior City Council approval. No derivative products shall be utilized without an analysis by an independent financial advisor. No derivative products shall be used for the purpose of interest rate speculation. The City does not currently use derivative products.

The City participates in the Washington State Treasurer's Local Government Investment Pool (LGIP). The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission. It is managed by the Office of the State Treasurer, which is responsible for establishing the investment policy for the pool.

The LGIP was established by the State of Washington in 1986 for the purpose of providing political subdivisions of the State a mechanism whereby they may utilize the resources of the State Treasurer's Office to maximize the potential of surplus funds while ensuring the safety of public funds. Regulatory oversight for these investments is provided as prescribed by state law. The State Auditor audits the accounts of the State Treasurer to determine the compliance of investment activities with state statutes and the investment policy. Also, an independent audit of the Pool's financial statements is performed annually. The State Treasurer has created an Advisory Committee consisting of eight members appointed by participant associations and four members appointed by the State Treasurer. The committee meets at least quarterly to provide advice on the operation of the pool.

The table below identifies the investment types that are authorized for the City of Covington by the State of Washington (or the City's Investment Policy where more restrictive):

<b><u>Authorized Investment Type</u></b>	<b><u>Maximum % of Portfolio</u></b>
U.S. Treasury Debt Obligations	100%
U.S. Agency Coupon Securities	100%
U.S. Agency Discount Notes	100%
Repurchase Agreements	25%
Certificates of Deposit	25%
Interest Bearing Bank Deposits	25%
Bankers Acceptances	25%
Commercial Paper	25%
State of Washington Local Government Investment Pool (LGIP)	100%

*Interest Rate Risk:* As a means of minimizing risk of loss arising from interest rate fluctuations, the City's investment policy requires that no single institution or security is

invested to such an extent that a delay of liquidation at maturity is likely to cause a current cash flow emergency. With the exception of U.S. Treasury securities and the State Investment Pool, the City will invest no more than twenty-five percent (25%) of its total investment portfolio in a single security type or with a single financial institution. Unless specifically matched to a certain cash flow, or estimated to meet cash flow needs, the City will not directly invest in securities maturing more than three (3) years from the date of purchase.

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturity</u>				<u>Credit Rating</u>
		<u>3 Months or Less</u>	<u>3 to 12 Months</u>	<u>1 to 2 Years</u>	<u>2 to 3 Years</u>	
U.S. Agency Bonds	\$ 1,503,281	\$ 1,503,281	\$ -	\$ -	\$ -	AAA
State of Washington Local Governmental Investment Pool (LGIP)	<u>6,411,996</u>	<u>6,411,996</u>	-	-	-	Unrated
Total	<u>\$ 7,915,277</u>	<u>\$ 7,915,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

The LGIP is an un-rated 2a-7 like pool, as defined by GASB 31. Accordingly participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. For financial statement purposes the LGIP funds are included in cash and cash equivalents.

*Credit risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The City's investment policy limits the type of securities available for investment to Obligations of government-sponsored corporations which are eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System, certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States, Bonds of the State of Washington and any local government in the State provided they carry a current debt rating in the top three categories of a nationally recognized rating agency at the time of investment, Prime Banker's Acceptances purchased on the secondary market with ratings of A1/P1 by a nationally recognized rating agency, and in the LGIP. The City's investments in the obligations of U.S. agencies were rated AAA by Standard & Poor's and Aaa by Moody's Investor's Service.

The credit risk of the LGIP is limited to obligations of the US government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit.

*Custodial Credit Risk:* Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policies require that all investments be held by the City's third party safekeeping agent in the City's name. As of December 31, 2009 all of the \$1,503,281 investments in U.S. agency debt obligations were registered, and held by its safekeeping agent in the City's name. Therefore, the City has no outstanding investments that were exposed to custodial credit risk.

## **NOTE 5: PROPERTY TAXES**

The King County Treasurer acts as an agent to collect property taxes in the County for all taxing authorities within the County. Collections are distributed daily via wire transfer from the County. Significant dates in regards to the property tax collection cycle are outlined below:

<u>Date:</u>		<u>Property Tax Calendar:</u>
January	1	Taxes are levied and become an enforceable lien against properties
February	14	Tax bills are mailed
April	30	First of two equal installment payments is due
May	31	A penalty of 3% is assessed on delinquent current year taxes
May	31	Assessed value of property established for next year's levy
October	31	Second installment is due
November	30	A penalty of 8% is assessed on delinquent current year taxes

Property taxes are levied by the County Assessor and collected by the County's Budget/Finance Office. Payments may also be mailed to the County Assessor's Office. A lien is placed on the property on the first day of the levy year and may be paid in two equal installments if the total amount exceeds \$50. Delinquent taxes are charged an interest rate of 12%. If not paid by the assigned date, additional penalties will be assessed—an additional 3% after May 31 and an additional 8% after November 30 of the same year.

The State Legislature has established the maximum regular property tax rate for cities at \$3.60 per \$1,000 of assessed valuation. The entire amount is not available to the City if the City has elected to annex into the fire district and/or library district that may be serving the City. The citizens, on September 16, 1997, did vote to annex into the King County Fire District No. 37 and the King County Library District. As a result, the maximum regular tax levy available to the City of Covington is \$1.60, which is \$3.60 less \$1.50 for the fire district, and \$.50 for the library district. However, due to the timing of the vote in relation to the establishment of the assessment rolls for the library district, the assessed value for the City of Covington was not included in the total assessed value for the library district. Therefore, the City entered into an interlocal agreement with the King County Library District for 1998 to provide library services for the citizens of the City of Covington. In return, the City agreed to increase its regular tax levy by \$.50 (the library district's regular levy) to a total of \$2.10, and agreed to pay the district an amount equal to this additional tax levy. This additional levy applied to 1998 only.

The City of Covington's regular levy for 2009 was \$0.98104. per \$1,000 of assessed valuation of \$2,119,105,094 for a total regular levy of \$2,072,652.

Washington State Constitution and Washington State Law, RCW 84.55.010, limit the rate.

## NOTE 6: CAPITAL ASSETS

### A. Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 17,549,426	\$ 1,146,634	\$ (134,780)	\$ 18,561,280
Work in Progress	25,405,315	1,250,136	(17,516,570)	9,138,881
Total capital assets, not being depreciated	<u>42,954,741</u>	<u>2,396,770</u>	<u>(17,651,350)</u>	<u>27,700,161</u>
Capital assets, being depreciated:				
Buildings	32,826	696,520	-	729,346
Improvements other than buildings	629,069	27,941	-	657,010
Machinery and equipment	754,374	74,319	(129,656)	699,037
Infrastructure	<u>3,045,526</u>	<u>17,308,343</u>	<u>-</u>	<u>20,353,869</u>
Total capital assets being depreciated	<u>4,461,795</u>	<u>18,107,123</u>	<u>(129,656)</u>	<u>22,439,262</u>
Less accumulated depreciation for:				
Buildings	-	(19,054)	-	(19,054)
Improvements other than buildings	(207,353)	(47,545)	-	(254,898)
Machinery and equipment	(420,508)	(84,803)	76,693	(428,618)
Infrastructure	<u>(421,791)</u>	<u>(190,378)</u>	<u>-</u>	<u>(612,169)</u>
Total accumulated depreciation	<u>(1,049,652)</u>	<u>(341,780)</u>	<u>76,693</u>	<u>(1,314,739)</u>
Total capital assets, being depreciated net	<u>3,412,143</u>	<u>17,765,343</u>	<u>(52,963)</u>	<u>21,124,523</u>
Governmental activities capital assets, net	<u>\$ 46,366,884</u>	<u>\$ 20,162,113</u>	<u>\$ (17,704,313)</u>	<u>\$ 48,824,684</u>

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

Governmental Activities	
General Government	\$ 47,606
Community Development	8,191
Public Safety	400
Culture and Recreation	73,764
Streets and Highways	164,215
Capital assets held by the government's Internal Service Funds	<u>47,604</u>
Total depreciation expense - governmental activities	<u>\$341,780</u>

## B. Construction Commitments

The City of Covington has active construction projects as of December 31, 2009.

At year-end the government's commitments with contractors are as follows:

<u>Project</u>	<u>Contractor</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Aquatic Center Pool Liner Replacement	Orca Pacific	\$ 166,364	\$ 8,738
Covington Way/ State Route 516	Northwest Cascade, Inc.	5,743,733	536,250
Woodcreek Pond	Hoffman Construction	82,856	4,143
SR 516 Safety Widening	Rodarte Construction, Inc.	11,885	1,919,517
		<u>\$ 6,004,838</u>	<u>\$ 2,468,648</u>

## NOTE 7: PENSION PLANS

### A. Public Employee's Retirement System (PERS) Replacement Plan

The City elected not to join the State's Public Employee's Retirement System (*PERS*). Instead, the City participates in a Section 401(a) money purchase government retirement plan and trust administered through Nationwide Retirement Solutions. The plan is a qualified defined contribution pension plan registered through the Internal Revenue Service (*IRS*). Contributions to the plan are not subject to federal income tax. The City Council is the authority responsible for establishing and amending the pension provisions and contribution requirements. All eligible employees, as a condition of employment, are required to participate, including a mandatory employee contribution. Eligible employees include all regular full-time and part-time employees, except Council members, temporary employees, and part-time summer workers.

Vesting in the employer's PERS replacement contributions does not occur until completion of five years of service. Upon completion of five years of service, the employee becomes 100% vested in the employer contributions. The employee is always 100% vested in their mandatory contributions. The City's payroll for employees covered by the PERS Replacement Program for the period January 1, 2009 through December 31, 2009, was \$3,498,697. The City's total payroll for the same period was \$3,599,194. The table below shows the required percentage contribution and the total actual contributions for 2009 made by the employer and employee to this qualified defined contribution plan. Contributions are made bi-weekly.

<u>PERS Replacement</u>	<u>Percentage Contribution</u>	<u>Contribution Amount</u>
Employee	3.3%	\$115,457
Employer	7.5%	\$262,402

Each employee directs his/her investments among various investment options for both their contributions, as well as the City's contributions. Upon separation of service prior to retirement, all employee contributions may be withdrawn without regard to age. Employer contributions will be distributed to the employee based upon the vesting schedule. The contract has identified regular retirement age at 55 with no provision for early retirement.

Plan assets, which consist of stocks and bonds through a variety of mutual funds, and guaranteed insurance contracts, are not the properties of the City and are not subject to the claims of the City's general creditors.

**B. Social Security Replacement Plan**

The City elected not to join Social Security. Instead, the City participates in a 401(a) money purchase government retirement plan and trust. This is a qualified defined contribution plan registered through the Internal Revenue Service. The plan is administered by Nationwide Retirement Solutions. Contributions to the plan are not subject to federal income tax. All employees and the City Council members who are under the Omnibus Budget Reconciliation Act (*OBRA*) of 1990, are required to participate.

The City's payroll for employees covered by the Social Security Replacement Program for the period January 1, 2009 through December 31, 2009 was \$3,599,194. The City's total payroll for the same period was \$3,599,194. The table below shows the required percentage contribution and the total actual contributions for 2009 made by the employer and employee to this qualified defined contribution plan. Contributions are made bi-weekly.

<u>Social Security Replacement</u>	<u>Percentage Contribution</u>	<u>Contribution Amount</u>
Employee	6.2%	\$223,150
Employer	5.6%	\$201,555

Each employee directs his/her investments among the various investment options for both their contributions, as well as the City's contribution. Upon separation of service prior to retirement, all employee contributions may be withdrawn without regard to age. The contract has identified regular retirement age at 55, with no provision for early retirement. The employee is always 100% vested in both employee and employer contributions.

Plan assets, which consist of stocks and bonds through a variety of mutual funds and guaranteed insurance contracts, are not the properties of the City and are not subject to the claims of the City's general creditors.

As part of the Social Security Replacement Plan, the City has additional obligations: 1) to purchase term life insurance for each employee in an amount of one times salary up to \$50,000; (2) to purchase long-term disability insurance; and (3) survivor life insurance for each employee. The City pays 100% of the costs for these insurance coverages for each eligible employee.

**NOTE 8: RISK MANAGEMENT**

The City of Covington is a member of the Washington Cities Insurance Authority (WCIA). Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 136 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated.

Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually. Settlements have not exceeded insurance coverage in any of the past three years.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall. Settlements have not exceeded insurance coverage in any of the past three years.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

The City's Industrial Insurance is provided by Washington State and is administered by the Department of Labor and Industries. Coverage is purchased by means of standard rates per working hour and is computed by the basic premium rate assigned to the business risk classification.

The State of Washington, Department of Employment Security, administers unemployment insurance. The City has elected to make payments in lieu of tax (a reimbursable employer). A reimbursable employer receives a billing every three months for its share of unemployment insurance benefits received by former employees during the preceding calendar quarter. The City has set up an internal service fund to allocate the cost to the appropriate departments and make payments when necessary.

## **NOTE 9: LONG-TERM DEBT AND LEASES**

### **A. Long-Term Debt**

The various categories of long-term debt reflected on the City's financial statements are briefly described in the following paragraphs.

General obligation bonds are backed by the City's full faith and credit. Proceeds are typically used for the acquisition or construction of major capital facilities. "Councilmanic Bonds" are general obligation bonds issued by the City Council without voter approval. Under state law, repayment of these bonds must be paid from general City revenues. The general obligations bond issues are recorded under governmental activities in the statement of net assets.

Special assessment bonds are issued to finance construction of local improvement district (LID) projects and are repaid through assessments collected from property owners benefiting from the related improvements. Although the bonds are secured by liens against assessed properties, the City is also required under State law to establish a guaranty account to provide a means of paying LID bond debt service obligations in the event there are insufficient resources in the LID Control Fund to do so. Due to the City's legal obligation to maintain this guaranty fund, special assessment bonds are considered a general government obligation and are, therefore, recorded in governmental activities on the Statement of Net Assets. There are currently no delinquent accounts.

Compensated absences associated with governmental fund operations are reported in the Government-wide Statements – Statement of Net Assets. As of December 31, 2009, the City obligated \$98,230 as the portion of compensated absences not expected to be funded with current available expendable resources. For Governmental Activities, the General Fund generally liquidates compensated absences.

Other long-term debt incurred by the governmental funds includes the State Department of Community Trade and Economic Public Works Trust Fund loan, which has been granted to finance designated capital project construction costs. General government obligations are recorded in governmental activities on the statement of net assets.

The following schedule details the long-term liability activity and balances of the City as of December 31, 2009.

**Changes in Long-Term Liabilities**

Description	Interest Rate	Fund Used to Pay Debt	Issue Date	Maturity Date	Original Debt Issued	Debt Outstanding 1/1/09	Debt Issued in 2009	Debt Redemption in 2009	Debt Outstanding 12/31/2009	Due Within One Year
<b>Governmental activities:</b>										
General obligation bonds - Councilmanic:										
2007A (Tax-Exempt)	4.15%	Long-Term Debt Service	6/5/2007	11/1/2027	\$ 10,000,000	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000	-
Add: bond premium					52,655	47,515	-	2,633	44,882	-
2007T (Taxable)	5.43%	Long-Term Debt Service	6/5/2007	11/1/2015	2,505,000	2,505,000	-	15,000	2,490,000	200,000
2008 (Tax-Exempt)	4.00%	Long-Term Debt Service	6/10/2008	6/1/2023	308,068	300,180	-	15,631	284,549	16,263
Special assessment debt with government commitment	4.80%	L.I.D. 99.01	7/1/2004	7/1/2021	460,100	176,758	-	27,201	149,557	-
Compensated absences						367,990	62,990	70,395	360,585	262,355
Other Long-Term Debt:										
DCTED Public Works Trust Fund Loan	0.50%	Long-Term Debt Service	7/1/2004	7/1/2024	<u>3,596,225</u>	<u>3,438,332</u>	<u>-</u>	<u>214,896</u>	<u>3,223,436</u>	<u>214,896</u>
<b>TOTAL</b>					<u>\$ 16,922,048</u>	<u>\$ 16,835,775</u>	<u>\$ 62,990</u>	<u>\$ 345,756</u>	<u>\$ 16,553,009</u>	<u>\$ 693,514</u>

As of December 31, 2009, the City's annual debt service requirements for general obligations, and special assessment bonds were:

**Annual Debt Service Requirements to Maturity**

Year	General Obligation		Special Assessment		Governmental Activities Other Debt		Total Annual Requirements
	Bonds Principal	Interest	Bonds Principal	Interest	Principal	Interest	
2010	216,263	557,175	-	7,179	214,896	16,117	1,011,630
2011	506,920	546,118	-	7,179	214,896	15,043	1,290,156
2012	532,603	519,856	-	7,179	214,896	13,968	1,288,502
2013	563,314	492,107	-	7,179	214,896	12,894	1,290,390
2014	589,054	462,645	-	7,179	214,896	11,819	1,285,593
2015-2019	3,397,456	1,865,946	-	35,893	1,074,479	42,979	6,416,753
2020-2024	4,128,936	1,099,635	149,556	13,759	1,074,479	16,117	6,482,482
2025-2027	<u>2,840,000</u>	<u>237,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,077,394</u>
<b>Total</b>	<u>\$ 12,774,546</u>	<u>\$ 5,780,876</u>	<u>\$ 149,556</u>	<u>\$ 85,547</u>	<u>\$ 3,223,438</u>	<u>\$ 128,937</u>	<u>\$ 22,142,900</u>

**B. Operating Leases**

In March of 2002, the City entered into a 15-year lease for 17,079 square feet of professional office space to house the administrative staff and Council Chambers. The new building was completed and the City moved to the new facility on December 26, 2002. The lease provides for two 5-year extensions and allows the City to buy-out of the lease at the end of 10 years. This space is part of a new development on the west end of the City’s downtown area that includes 40,000+ square feet of retail and 32,000 square feet of professional office space. The City is leasing the entire bottom floor of this two-story office complex as well a portion of the upper floor. Total cost for this lease was \$307,558 for the year ended December 31, 2009.

The lease is triple net and this table makes no provision for those additional costs. The future minimum lease payments for the lease are as follows:

<b>Fiscal Year</b>	
<b><u>Ending</u></b>	<b><u>Amount</u></b>
2010	\$315,247
2011	323,129
2012	331,207
2013	301,077
2014	308,604
2015-2020	1,096,993
Total	<u><u>\$2,676,257</u></u>

**NOTE 10: CONTINGENCIES AND LITIGATION**

The City has recorded in its financial statements all material liabilities, including an estimate for situations that are not yet resolved.

In this regard, the City has contracts with King County for law enforcement services and for public works/street maintenance work. According to these contracts, the City of Covington is to be defended, indemnified, and held harmless by King County where claims arise or result from actions provided by King County through these contracts.

The City also participates in a number of federal and state-assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. City management believes that such disallowances, if any, will be immaterial.

**NOTE 11: INTERFUND ACTIVITY**

The composition of interfund activity as of December 31, 2009, is as follows:

Interfund transfers:

	Transfer Out:					Total
	General Fund	Parks Fund	Real Estate Excise Tax 1st Qtr % Fund	Real Estate Excise Tax 2nd Qtr % Fund	Surface Water Management Fund	
Transfer In:						
Development Services Fund	\$ 31,840	\$ -	\$ -	\$ -	\$ -	\$ 31,840
Parks Fund	213,392	-	-	-	-	213,392
Street Fund	263,943	-	-	-	-	263,943
Cumulative Reserve Fund	-	176,016	-	-	-	176,016
Real Estate Excise Tax 1st Qtr % Fund	-	-	-	-	220,844	220,844
Real Estate Excise Tax 2nd Qtr % Fund	-	-	-	-	220,844	220,844
Surface Water Management Fund	8,696	-	-	-	-	8,696
Long-Term Debt Service Fund	-	27,483	452,953	340,876	-	821,312
Capital Investment Program Fund	<u>697,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,500</u>	<u>750,766</u>
Total Transfers Out	<u>\$ 1,215,137</u>	<u>\$ 203,499</u>	<u>\$ 452,953</u>	<u>\$ 340,876</u>	<u>\$ 495,188</u>	<u>\$ 2,707,653</u>

The transfers from the General Fund were general operating transfers related to the City's performance incentive pay system as well as ongoing expenses that are being funded from Utility Tax revenues. The transfer from the Parks Fund into the Cumulative Reserve Fund was to transfer excess fund balance per our City's financial policies. The additional transfer to the Long-Term Debt Service Fund is to pay debt service. The transfers from the Real Estate Excise Tax 1<sup>st</sup> and 2<sup>nd</sup> Qtr % Funds to the Long-Term Debt Service Fund were for debt service payments. The transfer from the Surface Water Management Fund to the Real Estate Excise Tax 1<sup>st</sup> and 2<sup>nd</sup> Qtr % Funds was to repay monies that had been used for cash flow purposes in the Surface Water Management Fund. The additional transfer to the Capital Investment Program Fund is to fund a capital investment program project.

**NOTE 12: RESTRICTED NET ASSETS**

The Government-wide Statement of Net Assets reports \$819,528 of restricted net assets which is restricted by enabling legislation.

**NOTE 13: OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS**

The City does not currently offer any postemployment benefit plans.



# **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**



# **Nonmajor Governmental Funds**

City of Covington  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2009

	<u>Special Revenue</u>	<u>Debt Service</u>	
	Contingency	Local Improvement District 99-01 Guaranty	Total Nonmajor Governmental Funds
<b><u>Assets and other Debits</u></b>			
Cash and Cash Equivalents	\$ 209,850	\$ 6,015	\$ 215,865
Deposit Internal Fiscal Agent	-	46,010	46,010
Investments	210,394	-	210,394
Interest Receivable	-	-	-
Intergovernmental Receivable	-	-	-
	<u>\$ 420,244</u>	<u>\$ 52,025</u>	<u>\$ 472,269</u>
<b><u>Liabilities</u></b>			
Accounts Payable	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-
Deferred Revenue	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Fund Balances</u></b>			
Reserved for Deposit - Internal Fiscal Agency	-	46,010	46,010
Unreserved, Undesignated	420,244	6,015	426,259
	<u>420,244</u>	<u>6,015</u>	<u>426,259</u>
Total Liabilities and Fund Balances	<u>\$ 420,244</u>	<u>\$ 52,025</u>	<u>\$ 472,269</u>

City of Covington  
Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended December 31, 2009

	<u>Special Revenue</u>	<u>Debt Service</u>	
	Contingency	Local Improvement District 99-01 Guaranty	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ -	\$ -	\$ -
Miscellaneous	(9,548)	359	(9,189)
Total Revenues	<u>(9,548)</u>	<u>359</u>	<u>(9,189)</u>
Expenditures:			
Current:			
Community Development	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(9,548)</u>	<u>359</u>	<u>(9,189)</u>
Other Financing Sources (Uses):			
Transfer In	-	-	-
Transfer Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(9,548)	359	(9,189)
Fund Balances, January 1	<u>429,792</u>	<u>51,666</u>	<u>481,458</u>
Fund Balances, December 31	<u><u>\$ 420,244</u></u>	<u><u>\$ 52,025</u></u>	<u><u>\$ 472,269</u></u>

# Special Revenue

Special Revenue Funds are used to account for specific revenues sources (other than expendable trusts or major capital projects) that are legally restricted for expenditure for specified purposes. The City of Covington has the following nonmajor special revenue fund:

Contingency Fund – This fund is used to accumulate monies with which to meet any municipal expense, the necessity or extent of which could not have been foreseen or reasonably evaluated at the time of adopting the annual budget or to provide monies for certain emergencies which may arise. The amount accumulated shall not exceed the equivalent of thirty-seven and one half cents per thousand dollars of assessed valuation of property within the City at such time.

City of Covington  
Contingency Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances  
Budget and Actual  
For the Fiscal Year Ended December 31, 2009

	Budget		Actual	Variance
	Original	Final		Over (Under)
Revenues:				
Miscellaneous	\$ -	\$ -	\$ (9,548)	\$ (9,548)
Total Revenues	-	-	(9,548)	(9,548)
Expenditures:				
Current:				
General Government	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	(9,548)	(9,548)
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	(9,548)	(9,548)
Fund Balances, January 1	421,129	429,792	429,792	-
Fund Balances, December 31	<u>\$ 421,129</u>	<u>\$ 429,792</u>	<u>\$ 420,244</u>	<u>\$ (9,548)</u>

# Debt Service

Debt Service Funds are used to account for the accumulation of resources, for and the payment of, general long-term debt principal and interest, which also include special assessment guaranty funds. The City of Covington has the following nonmajor debt service funds:

Local Improvement District 99.01 Guaranty Fund – This fund is required under State law to provide a means of paying LID bond debt service obligations in the event there are insufficient resources in the LID Control Fund to do so.

Long-Term Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

City of Covington  
Local Improvement District 99-01 Guaranty Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances  
Budget and Actual  
For the Fiscal Year Ended December 31, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues:				
Miscellaneous	<u>\$ 1,100</u>	<u>\$ 1,100</u>	<u>\$ 359</u>	<u>\$ (741)</u>
Total Revenues	<u>1,100</u>	<u>1,100</u>	<u>359</u>	<u>(741)</u>
Expenditures:				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,100</u>	<u>1,100</u>	<u>359</u>	<u>(741)</u>
Other Financing Sources (Uses):				
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>1,100</u>	<u>1,100</u>	<u>359</u>	<u>(741)</u>
Fund Balances, January 1	<u>51,464</u>	<u>51,666</u>	<u>51,666</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 52,564</u></u>	<u><u>\$ 52,766</u></u>	<u><u>\$ 52,025</u></u>	<u><u>\$ (741)</u></u>

City of Covington  
 Long-Term Debt Service Fund  
 Schedule of Revenues, Expenditures, and  
 Changes in Fund Balances  
 Budget and Actual  
 For the Fiscal Year Ended December 31, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues:				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt Service:				
Principal	237,634	245,527	245,527	-
Interest	569,938	575,786	575,785	(1)
Total Expenditures	807,572	821,313	821,312	(1)
Excess (Deficiency) of Revenues Over Expenditures	(807,572)	(821,313)	(821,312)	1
Other Financing Sources (Uses):				
Transfer In	807,572	821,313	821,312	(1)
Total Other Financing Sources (Uses)	807,572	821,313	821,312	(1)
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	-	-	-
Fund Balances, January 1	-	-	-	-
Fund Balances, December 31	\$ -	\$ -	\$ -	\$ -



# Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The City of Covington has the following Capital Project funds:

Capital Investment Program Fund – This fund is to account for the financing of major capital acquisitions and construction projects other than those financed by Proprietary Funds.

Local Improvement District No. 99.01 Fund – This fund is used to account for resources used to finance specific capital improvements, which are deemed to primarily benefit certain properties located near the project. Resources include City funds, Grants, and Local Improvement Bond proceeds. The project as originally funded includes certain street improvements including sidewalks and signalization in an area located generally in the downtown area.

City of Covington  
Capital Investment Program Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances  
Budget and Actual  
For the Fiscal Year Ended December 31, 2009

	Budget		Actual	Variance
	Original	Final		Over (Under)
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	350,609	1,209,500	627,713	(581,787)
Charges for Goods and Services	1,582,654	1,997,763	1,814,263	(183,500)
Interest Income	80,000	80,000	22,570	(57,430)
Miscellaneous	56,319	56,319	-	(56,319)
<b>Total Revenues</b>	<b>2,069,582</b>	<b>3,343,582</b>	<b>2,464,546</b>	<b>(879,036)</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Streets and Highways	1,180,343	1,180,343	711,547	(468,796)
Culture and Recreation	-	-	-	-
<b>Capital Outlay:</b>				
General Government	-	-	-	-
Culture and Recreation	-	325,000	342,234	17,234
Streets and Highways	983,000	2,719,000	1,952,781	(766,219)
<b>Debt Service:</b>				
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
<b>Total Expenditures</b>	<b>2,163,343</b>	<b>4,224,343</b>	<b>3,006,562</b>	<b>(1,217,781)</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(93,761)</b>	<b>(880,761)</b>	<b>(542,016)</b>	<b>338,745</b>
<b>Other Financing Sources (Uses):</b>				
Transfer In	739,740	739,740	750,766	11,026
Transfer Out	-	-	-	-
General Obligation Bond Proceeds	-	-	-	-
Premium on Bonds	-	-	-	-
Intergovernmental Loan Proceeds	-	-	-	-
Proceeds from Sale of Capital Assets	-	86,000	85,669	(331)
<b>Total Other Financing Sources (Uses)</b>	<b>739,740</b>	<b>825,740</b>	<b>836,435</b>	<b>10,695</b>
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>645,979</b>	<b>(55,021)</b>	<b>294,419</b>	<b>349,440</b>
<b>Fund Balances, January 1</b>	<b>322,467</b>	<b>754,400</b>	<b>754,400</b>	<b>-</b>
<b>Fund Balances, December 31</b>	<b>\$ 968,446</b>	<b>\$ 699,379</b>	<b>\$ 1,048,819</b>	<b>\$ 349,440</b>

City of Covington  
Local Improvement District 99-01 Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances  
Budget and Actual  
For the Fiscal Year Ended December 31, 2009

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		Over (Under)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for Goods and Services	-	-	-	-
Special Assessments	52,396	52,396	43,869	(8,527)
Interest Income	1,000	1,000	67	(933)
Penalties	-	-	-	-
<b>Total Revenues</b>	<u>53,396</u>	<u>53,396</u>	<u>43,936</u>	<u>(9,460)</u>
Expenditures:				
Capital Outlay:				
Streets and Highways	750	750	697	(53)
Debt Service:				
Principal	28,710	28,710	27,201	(1,509)
Interest	8,484	8,484	8,484	-
<b>Total Expenditures</b>	<u>37,944</u>	<u>37,944</u>	<u>36,382</u>	<u>(1,562)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>15,452</u>	<u>15,452</u>	<u>7,554</u>	<u>(7,898)</u>
Other Financing Sources (Uses):				
Transfer Out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	15,452	15,452	7,554	(7,898)
Fund Balances, January 1	<u>1,314</u>	<u>1,387</u>	<u>1,387</u>	<u>-</u>
Prior Year Correction	-	-	-	-
<b>Fund Balances, December 31</b>	<u>\$ 16,766</u>	<u>\$ 16,839</u>	<u>\$ 8,941</u>	<u>\$ (7,898)</u>

City of Covington  
Local Improvement District Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
From Project Inception (1998) and for the Fiscal Year Ended December 31, 2009

	<u>Project Authorization</u>	<u>Prior Years Actual</u>	<u>Current Year Actual</u>	<u>Project To Date Actual</u>
Revenues:				
Intergovernmental	\$ 1,067,743	\$ 1,100,637	\$ -	\$ 1,100,637
Charges for Goods and Services	-	19,776	-	19,776
Special Assessment	-	1,400,877	43,869	1,444,746
Interest Income	-	196,770	67	196,837
Miscellaneous:				
Developer Contributions	75,000	3,430	-	3,430
Rental Income	-	95	-	95
Penalties	-	16,720	-	16,720
<b>Total Revenues</b>	<u>1,142,743</u>	<u>2,738,305</u>	<u>43,936</u>	<u>2,782,241</u>
Expenditures:				
Capital Outlay:				
Streets and Highways	2,453,916	3,154,506	697	3,155,203
Debt Service:				
Principal	-	283,342	27,201	310,543
Interest	-	285,497	8,484	293,981
<b>Total Expenditures</b>	<u>2,453,916</u>	<u>3,723,345</u>	<u>36,382</u>	<u>3,759,727</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,311,173)</u>	<u>(985,040)</u>	<u>7,554</u>	<u>(977,486)</u>
Other Financing Sources (Uses):				
Transfer In (General Fund)	213,770	669,297	-	669,297
Transfer Out (Guaranty Fund)	-	(46,010)	-	(46,010)
Special Assessment Bond Proceeds	1,097,403	460,100	-	460,100
<b>Total Other Financing Sources (Uses)</b>	<u>1,311,173</u>	<u>1,083,387</u>	<u>-</u>	<u>1,083,387</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	-	98,347	7,554	<u>\$ 105,901</u>
Fund Balances, January 1	-	-	1,387	
Prior Year Correction	-	(96,960)	-	
<b>Fund Balances, December 31</b>	<u>\$ -</u>	<u>\$ 1,387</u>	<u>\$ 8,941</u>	

# General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required legally, or by sound financial management to be accounted for in another fund.

Generally, the General Fund is used to account for those traditional governmental services of the City such as finance, planning and community development, and general administrative services.

City of Covington  
General Fund  
Schedule of Revenues - Final Budget and Actual  
For the Fiscal Year Ended December 31, 2009  
(with Comparative Actual Totals for the Fiscal Year Ended December 31, 2008)

	Final Budget	Actual	Variance Over (Under)	Actual 2008
<b><u>Taxes</u></b>				
Property Tax	\$ 2,037,000	\$ 2,046,294	\$ 9,294	\$ 1,963,753
Sales Tax	2,199,000	2,084,092	(114,908)	2,149,448
Local Criminal Justice	415,000	342,588	(72,412)	396,749
Utility Tax	2,000,000	1,857,471	(142,529)	1,601,734
Other	-	53	53	25
Total Taxes	<u>6,651,000</u>	<u>6,330,498</u>	<u>(320,502)</u>	<u>6,111,709</u>
<b><u>Intergovernmental</u></b>				
Local Government Assistance	-	-	-	-
MVET-Criminal Justice	45,633	49,330	3,697	44,614
Liquor Board Profits	127,596	119,454	(8,142)	116,182
Liquor Excise Tax	87,494	85,649	(1,845)	83,580
Grants	90,600	89,108	(1,492)	167,818
Other	-	-	-	-
Total Intergovernmental	<u>351,323</u>	<u>343,541</u>	<u>(7,782)</u>	<u>412,194</u>
<b><u>Charges for Goods and Services</u></b>				
Planning and Development Fees	4,500	1,404	(3,096)	4,005
Recreation Fees	-	-	-	-
Interfund Services Payment	879,976	866,000	(13,976)	1,167,185
Miscellaneous	1,930	9,320	7,390	1,773
Total Charges for Goods and Services	<u>886,406</u>	<u>876,724</u>	<u>(9,682)</u>	<u>1,172,963</u>
<b><u>Fines and Forfeitures</u></b>				
City Court	105,370	138,234	32,864	111,203
Total Fines and Forfeitures	<u>105,370</u>	<u>138,234</u>	<u>32,864</u>	<u>111,203</u>
<b><u>Miscellaneous</u></b>				
Interest Income	76,500	32,542	(43,958)	80,371
Technology Fee	37,000	32,732	(4,268)	39,768
Rentals	10,500	17,350	6,850	17,932
Other	13,000	74,591	61,591	17,254
Total Miscellaneous	<u>137,000</u>	<u>157,215</u>	<u>20,215</u>	<u>155,325</u>
<b>Total General Fund Revenues</b>	<b><u>\$ 8,131,099</u></b>	<b><u>\$ 7,846,212</u></b>	<b><u>\$ (284,887)</u></b>	<b><u>\$ 7,963,394</u></b>

# Internal Service Funds

Internal Service Funds are used to account for the financing of good or services provided by one department or agency to other departments or agencies on a cost reimbursement basis. The City of Covington has the following internal service funds:

Unemployment Insurance Fund – This fund is used to account for charges to other departments to accumulate sufficient resources to pay reimbursement of unemployment benefits paid by the Employment Security Department of the State and chargeable to the City. The City has elected the in-lieu contribution method for payment of unemployment compensation.

Equipment Replacement Fund – This fund is used to account for resources through department user charges to assure that sufficient funds are accumulated to replace certain equipment when needed.

City of Covington  
Internal Service Funds  
Combining Statement of Net Assets  
December 31, 2009

	<u>Unemployment Insurance</u>	<u>Equipment Replacement</u>	<u>Total</u>
<b><u>Assets and other Debits</u></b>			
Current Assets:			
Cash and Cash Equivalents	\$ 148,625	\$ 227,952	\$ 376,577
Investments	49,932	74,972	124,904
Interest Receivable	766	1,151	1,917
Due from other Governments	-	1,826	1,826
Total Current Assets	<u>199,323</u>	<u>305,901</u>	<u>505,224</u>
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment	-	282,888	282,888
Accumulated Depreciation	-	<u>(107,036)</u>	<u>(107,036)</u>
Total Capital Assets (net of accumulated depreciation)	<u>-</u>	<u>175,852</u>	<u>175,852</u>
Total Assets	<u>199,323</u>	<u>481,753</u>	<u>681,076</u>
<b><u>Liabilities</u></b>			
Current Liabilities:			
Accounts Payable	2	1,416	1,418
Due to Other Governmental Entities	16,050	-	16,050
Deferred Revenue	-	-	-
Total Liabilities	<u>16,052</u>	<u>1,416</u>	<u>17,468</u>
<b><u>Net Assets</u></b>			
Invested in Capital Assets	-	175,852	175,852
Unrestricted	<u>183,271</u>	<u>304,485</u>	<u>487,756</u>
Total Net Assets	<u>\$ 183,271</u>	<u>\$ 480,337</u>	<u>\$ 663,608</u>

City Of Covington  
Internal Service Funds  
Combining Statement of Revenues, Expenses, and  
Changes in Fund Net Assets  
For the Fiscal Year Ended December 31, 2009

	<u>Unemployment Insurance</u>	<u>Equipment Replacement</u>	<u>Total</u>
Operating Revenues:			
Unemployment Charges	\$ 44,034	\$ -	\$ 44,034
Fuel and Maintenance Assessments	-	30,243	30,243
Equipment Replacement Assessments	-	61,160	61,160
	<u>44,034</u>	<u>91,403</u>	<u>135,437</u>
Total Operating Revenues			
Operating Expenses:			
Unemployment Benefits Paid	67,451	-	67,451
Vehicle Fuel	-	12,779	12,779
Repairs and Maintenance of Vehicles	-	17,464	17,464
Depreciation	-	47,604	47,604
	<u>67,451</u>	<u>77,847</u>	<u>145,298</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(23,417)</u>	<u>13,556</u>	<u>(9,861)</u>
Nonoperating Revenues (Expenses)			
Interest Revenue	2,054	2,708	4,762
Gain or (Loss) on Disposition of Capital Assets	-	5,471	5,471
	<u>2,054</u>	<u>8,179</u>	<u>10,233</u>
Total Nonoperating Revenues (Expenses)			
Capital Contributions:			
Parks Fund	-	2,167	2,167
Street Fund	-	4,334	4,334
Surface Water Management Fund	-	43,336	43,336
	<u>-</u>	<u>49,837</u>	<u>49,837</u>
Total Capital Contributions			
Change in Net Assets	(21,363)	71,572	50,209
Net Assets, January 1	<u>204,634</u>	<u>408,765</u>	<u>613,399</u>
Net Assets, December 31	<u>\$ 183,271</u>	<u>\$ 480,337</u>	<u>\$ 663,608</u>

City of Covington  
Internal Service Funds  
Combining Statement of Cash Flows  
For the Fiscal Year Ended December 31, 2009

	Unemployment Insurance	Equipment Replacement	Total
Cash Flows from Operating Activities:			
Cash Received from Quasi-External Transactions:			
Unemployment Contributions	\$ 44,034	\$ -	\$ 44,034
Vehicle Fuel and Maintenance Assessments	-	30,243	30,243
Vehicle Replacement Assessments	-	61,160	61,160
Total Cash Received from Quasi-External Transactions	44,034	91,403	135,437
Payments Made to Suppliers	-	(33,785)	(33,785)
Insurance Proceeds	-	-	-
Cash Paid for Unemployment Assessments	(51,402)	-	(51,402)
Net Cash Provided by Operating Activities	(7,368)	57,618	50,250
Cash Flows from Capital Activities:			
Proceeds from Disposition of Asset	-	3,645	3,645
Vehicle Replacement	-	-	-
Net Cash Received (Used) for Capital Activities	-	3,645	3,645
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	75,987	113,904	189,891
Purchase of Investments	(25,704)	(38,555)	(64,259)
Interest Received	3,941	5,537	9,478
Net Cash Provided by Investing Activities	54,224	80,886	135,110
Net Increase (Decrease) in Cash and Cash Equivalents	46,856	142,149	189,005
Cash and Cash Equivalents, January 1	101,769	85,803	187,572
Cash and Cash Equivalents, December 31	\$ 148,625	\$ 227,952	\$ 376,577
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ (23,417)	\$ 13,556	\$ (9,861)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Increase/(Decrease) in Accounts Payable	(1)	(3,542)	(3,543)
Increase/(Decrease) in Due to Other Governmental Entities	16,050	-	16,050
Depreciation	-	47,604	47,604
Total Adjustments to Net Cash Provided by Operating Activities	16,049	44,062	60,111
Net Cash Provided by Operating Activities	\$ (7,368)	\$ 57,618	\$ 50,250
Noncash Capital Activities			
Capital Contributions:			
Parks Fund	\$ -	\$ 2,167	\$ 2,167
Street Fund	-	4,334	4,334
Surface Water Management Fund	-	43,336	43,336
Total Contributed Capital	\$ -	\$ 49,837	\$ 49,837



**STATISTICAL**

# Statistical Section

This part of the City of Covington'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 say about the government's overall financial health. The following are the categories of the various schedules that are included in this section:

The **Financial Trends** section has schedules that contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

The **Revenue Capacity** section has schedules that contain information to help the reader assess the government's most significant local revenue sources, property tax and sales tax.

The **Debt Capacity** section has schedules that present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

The **Demographic and Economic Information** section has schedules that offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

The **Operating Information** section has schedules that contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Table 1

**City of Covington**  
**Net Assets by Component**  
**Last Seven Fiscal Years (Note 1)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental Activities							
Invested in capital assets, net of related debt	\$ 32,632,260	\$ 30,075,857	\$ 15,320,656	\$ 16,130,426	\$ 10,907,638	\$ 9,861,925	\$ 4,442,749
Restricted	819,528	335,937	8,806,853	4,766,096	5,684,386	3,853,300	3,018,089
Unrestricted	<u>7,640,005</u>	<u>7,945,250</u>	<u>5,784,137</u>	<u>1,268,451</u>	<u>2,390,358</u>	<u>2,265,944</u>	<u>3,911,021</u>
Total Governmental Activities Net Assets	<u>\$ 41,091,793</u>	<u>\$ 38,357,044</u>	<u>\$ 29,911,646</u>	<u>\$ 22,164,973</u>	<u>\$ 18,982,382</u>	<u>\$ 15,981,169</u>	<u>\$ 11,371,859</u>

Note 1: Amounts presented from year of implementation of GASB-34 (2003) forward. All amounts are reported on the accrual basis.

Table 2

**City of Covington**  
**Changes in Net Assets**  
 Last Seven Fiscal Years (Note 1)

	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>							
Governmental Activities:							
General Government	\$ 3,162,014	\$ 2,873,695	\$ 2,203,276	\$ 2,316,049	\$ 1,849,808	\$ 2,190,143	\$ 1,877,930
Community Development	1,716,586	1,969,350	1,833,553	1,182,518	1,043,441	1,792,676	1,932,614
Public Safety	2,638,416	2,512,169	2,168,594	2,000,925	1,886,554	1,820,338	1,657,390
Streets and Highways	2,547,725	1,812,661	2,034,403	1,711,212	1,159,623	583,488	429,797
Culture and Recreation	1,201,680	945,176	770,396	1,194,095	1,455,678	783,835	755,099
Interest on Long-Term Debt	615,379	619,402	491,504	29,916	-	-	-
Total Governmental Activities Expenses	<u>11,881,800</u>	<u>10,732,453</u>	<u>9,501,726</u>	<u>8,434,715</u>	<u>7,395,104</u>	<u>7,170,480</u>	<u>6,652,830</u>
Total Primary Government Expenses	<u>\$ 11,881,800</u>	<u>\$ 10,732,453</u>	<u>\$ 9,501,726</u>	<u>\$ 8,434,715</u>	<u>\$ 7,395,104</u>	<u>\$ 7,170,480</u>	<u>\$ 6,652,830</u>
<b>Program Revenues</b>							
Governmental Activities:							
Charges for Services:							
General Government	\$ 223,530	\$ 184,387	\$ 152,367	\$ 120,834	\$ 82,755	\$ 98,064	\$ 125,150
Community Development	555,350	1,482,286	2,111,026	1,206,174	1,062,918	1,436,524	1,802,750
Public Safety	-	-	-	-	-	-	-
Culture and Recreation	461,341	460,354	348,832	589,093	639,282	55,518	200
Streets and Highways	1,418,986	1,246,132	1,104,765	993,177	837,630	753,814	698,864
Operating Grants and Contributions	609,253	578,957	510,222	448,938	726,560	486,401	699,865
Capital Grants and Contributions	3,416,677	7,115,216	5,846,259	1,987,731	1,316,052	3,639,117	1,707,336
Total Governmental Activities Program Revenues	<u>6,685,137</u>	<u>11,067,332</u>	<u>10,073,471</u>	<u>5,345,947</u>	<u>4,665,197</u>	<u>6,469,438</u>	<u>5,034,165</u>
Total Primary Government Program Revenues	<u>\$ 6,685,137</u>	<u>\$ 11,067,332</u>	<u>\$ 10,073,471</u>	<u>\$ 5,345,947</u>	<u>\$ 4,665,197</u>	<u>\$ 6,469,438</u>	<u>\$ 5,034,165</u>
<b>Net (Expense)/Revenue</b>							
Governmental Activities	<u>\$ (5,196,663)</u>	<u>\$ 334,879</u>	<u>\$ 571,745</u>	<u>\$ (3,088,768)</u>	<u>\$ (2,729,907)</u>	<u>\$ (701,042)</u>	<u>\$ (1,618,665)</u>
Total Primary Government Net Expense	<u>\$ (5,196,663)</u>	<u>\$ 334,879</u>	<u>\$ 571,745</u>	<u>\$ (3,088,768)</u>	<u>\$ (2,729,907)</u>	<u>\$ (701,042)</u>	<u>\$ (1,618,665)</u>
<b>General Revenues and Other Changes in Net Assets</b>							
Governmental Activities:							
Taxes							
Property Tax	\$ 2,067,945	\$ 1,971,567	\$ 1,942,431	\$ 1,864,214	\$ 1,649,330	\$ 1,523,582	\$ 1,439,287
Sales Tax	2,778,789	2,865,929	2,372,141	2,079,881	1,782,296	1,700,265	1,208,228
Utility Tax	1,857,471	1,601,734	-	-	-	-	-
Local Criminal Justice	342,588	396,749	428,029	389,306	335,156	325,377	275,667
Real Estate Excise Tax	303,668	424,548	1,029,449	986,741	1,183,361	1,112,265	968,250
Franchise Fee (Taxes)	189,337	182,289	169,772	154,128	143,806	128,146	110,775
City Assistance	-	-	78,977	82,296	66,900	100,300	268,000
MVET-Criminal Justice	49,330	44,614	44,003	41,216	34,762	30,665	31,998
Liquor Board Profits	119,454	116,182	126,115	110,200	107,737	107,639	90,559
Liquor Excise Tax	85,649	83,580	79,672	74,460	64,581	58,687	52,782
Other Intergovernmental not restricted to specific programs	-	-	-	-	9,749	24,798	37,548
Interest Income	84,278	347,958	641,261	464,875	274,206	137,216	93,385
Penalties	-	3,388	6,777	1,780	4,775	-	-
Donations	-	-	-	500	500	4,250	3,240
Miscellaneous	102,014	71,981	256,301	118,722	73,961	57,162	9,027
Loss on sale of capital asset	(49,111)	-	-	-	-	-	-
Total Governmental Activities	<u>7,931,412</u>	<u>8,110,519</u>	<u>7,174,928</u>	<u>6,368,319</u>	<u>5,731,120</u>	<u>5,310,352</u>	<u>4,588,746</u>
Total Primary Government	<u>\$ 7,931,412</u>	<u>\$ 8,110,519</u>	<u>\$ 7,174,928</u>	<u>\$ 6,368,319</u>	<u>\$ 5,731,120</u>	<u>\$ 5,310,352</u>	<u>\$ 4,588,746</u>
<b>Change in Net Assets</b>							
Governmental Activities	<u>\$ 2,734,749</u>	<u>\$ 8,445,398</u>	<u>\$ 7,746,673</u>	<u>\$ 3,279,551</u>	<u>\$ 3,001,213</u>	<u>\$ 4,609,310</u>	<u>\$ 2,970,081</u>
Total Primary Government	<u>\$ 2,734,749</u>	<u>\$ 8,445,398</u>	<u>\$ 7,746,673</u>	<u>\$ 3,279,551</u>	<u>\$ 3,001,213</u>	<u>\$ 4,609,310</u>	<u>\$ 2,970,081</u>

Note 1: Amounts presented from year of implementation of GASB-34 (2003) forward. All amounts are reported on the accrual basis.

Table 3

**City of Covington**  
**Governmental Activities Tax Revenues by Source**  
**Last Seven Fiscal Years (Note 1)**  
**(accrual basis of accounting)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Property Tax	\$ 2,067,945	\$ 1,971,567	\$ 1,942,431	\$ 1,864,214	\$ 1,649,330	\$ 1,523,582	\$ 1,439,287
Sales Tax	2,778,789	2,865,929	2,372,141	2,079,881	1,782,296	1,700,265	1,208,228
Utility Tax	1,857,471	1,601,734	-	-	-	-	-
Local Criminal Justice	342,588	396,749	428,029	389,306	335,156	325,377	275,667
Real Estate Excise Tax	303,668	424,548	1,029,449	986,741	1,183,361	1,112,265	968,250
All Others	<u>443,770</u>	<u>426,665</u>	<u>419,562</u>	<u>380,004</u>	<u>350,886</u>	<u>325,137</u>	<u>286,114</u>
Total Taxes	<u>\$ 7,794,231</u>	<u>\$ 7,687,192</u>	<u>\$ 6,191,612</u>	<u>\$ 5,700,146</u>	<u>\$ 5,301,029</u>	<u>\$ 4,986,626</u>	<u>\$ 4,177,546</u>

Note 1: Amounts presented from year of implementation of GASB-34 (2003) forward.

Table 4

**City of Covington**  
**Taxable Sales by Category**  
**Last Ten Fiscal Years**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005 (Note 1)</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Retail	\$ 2,002,369	\$ 1,561,998	\$ 1,384,995	\$ 1,274,762	\$ 1,070,292	\$ 819,982	\$ 569,669	\$ 534,497	\$ 548,286	\$ 520,350
Contracting	180,435	680,289	397,439	301,466	247,070	473,107	305,166	262,380	181,335	82,624
Food Services	308,971	290,862	275,171	231,207	216,073	161,783	136,550	125,002	124,053	106,200
Services - Other	121,771	100,224	86,171	86,931	70,331	74,347	66,545	62,036	57,393	57,629
Transportation/Communication/Utilities	70,688	86,664	90,871	60,242	65,940	53,304	47,481	37,043	31,827	26,413
Wholesale	40,946	67,002	53,282	45,688	46,400	57,405	39,367	39,212	40,556	21,797
Finance/Insurance/Real Estate	29,919	44,693	54,714	52,767	46,737	30,188	9,597	7,253	5,998	5,000
Other	23,690	34,199	29,498	26,818	19,453	30,149	33,853	36,675	26,214	29,094
<b>Total Sales Tax</b>	<b>\$ 2,778,789</b>	<b>\$ 2,865,931</b>	<b>\$ 2,372,141</b>	<b>\$ 2,079,881</b>	<b>\$ 1,782,296</b>	<b>\$ 1,700,265</b>	<b>\$ 1,208,228</b>	<b>\$ 1,104,098</b>	<b>\$ 1,015,662</b>	<b>\$ 849,107</b>

Source: WA St. Department of Revenue

Note 1: Effective 2005, the Department of Revenue began reporting by NAICS Code instead of by SIC Code. Previous years were not adjusted.

**City of Covington**  
**Principal Sales Tax Payers**  
**December 31, 2009** (Note 1)

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Rank</u>
Costco Wholesale Corp.	Retail	1
Wal-Mart Stores, Inc.	Retail	2
Fred Meyer Stores, Inc.	Retail	3
Home Depot USA, Inc.	Construction	4
Kohl's Department Stores, Inc.	Retail	5
Bowen Scarff Ford Sales, Inc.	Car Dealership	6
Safeway, Inc.	Retail	7
Les Schwab Tire Centers of Washington	Retail	8
Petco Animal Supplies Stores, Inc.	Retail	9
The Office Club, Inc.	Retail	10

Note 1: Data for 2000 was unavailable.

Sources:

Washington State Department of Revenue

Table 6

**City of Covington**  
**Sales Tax Rates Direct and Overlapping Governments**  
**Last Ten Fiscal Years**

	2009	2008 (Note 4)	2007 (Note 3)	2006	2005	2004	2003	2002	2001 (Note 1)	2000
<b>Local Rate:</b>										
City of Covington	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%
King County	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%	0.075%
King County Mental Health	0.100%	0.100%								
Optional Tax - City of Covington	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
Transit - King County (METRO)	0.900%	0.900%	0.900%	0.800%	0.800%	0.800%	0.800%	0.800%	0.800%	0.600%
Criminal Justice Tax (0.10% Total) (Note 2)										
10% King County	0.010%	0.010%	0.010%	0.010%	0.010%	0.010%	0.010%	0.010%	0.010%	0.010%
90% Split based upon Population										
City of Covington (estimate)	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%
King County (estimate)	0.089%	0.089%	0.089%	0.089%	0.089%	0.089%	0.089%	0.089%	0.089%	0.089%
Total Criminal Justice Tax	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%
<b>Total Local Rate</b>	<b>2.100%</b>	<b>2.100%</b>	<b>2.000%</b>	<b>1.900%</b>	<b>1.900%</b>	<b>1.900%</b>	<b>1.900%</b>	<b>1.900%</b>	<b>1.900%</b>	<b>1.700%</b>
<b>City of Covington Share</b>										
City of Covington Regular Rate	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%	0.425%
City of Covington Optional Rate	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
City of Covington Criminal Justice (estimate)	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%
<b>Total City of Covington</b>	<b>0.926%</b>	<b>0.926%</b>	<b>0.926%</b>	<b>0.926%</b>	<b>0.926%</b>	<b>0.926%</b>	<b>0.926%</b>	<b>0.926%</b>	<b>0.926%</b>	<b>0.926%</b>
King County Share	1.074%	1.074%	1.074%	0.974%	0.974%	0.974%	0.974%	0.974%	0.974%	0.774%
State of Washington	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%	6.500%
<b>Total Sales Tax Rate</b>	<b>8.600%</b>	<b>8.600%</b>	<b>8.500%</b>	<b>8.400%</b>	<b>8.400%</b>	<b>8.400%</b>	<b>8.400%</b>	<b>8.400%</b>	<b>8.400%</b>	<b>8.200%</b>

Note 1: Effective 4/1/01, King County Metro increased transit portion of sales tax by two tenths of a percent.

Note 2: Criminal justice tax is one tenth of one percent. Ten percent of this is paid directly to King County, and the remaining 90% is divided between cities and to King County based upon the city's population. Amount reflected is an estimate of Covington's population as a percentage of King County's population to the remaining 90% of the tax.

Note 3: Effective 4/1/07, King County Metro increased transit portion of sales tax by one tenth of a percent.

Note 4: Effective 4/1/08, King County allocated an additional tenth of a percent to mental health services.

**SOURCE:**

King County Population Data - King County CAFR

Tax rates - Washington State Department of Revenue

Table 7

**City of Covington**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Fund										
Reserved	\$ 74,391	\$ 60,372	\$ 4,000	\$ 33,944	\$ 33,141	\$ 32,547	\$ 28,699	\$ 6,813	\$ 13,207	\$ 6,313
Unreserved	<u>2,226,147</u>	<u>2,150,676</u>	<u>1,300,941</u>	<u>884,386</u>	<u>2,064,632</u>	<u>1,962,157</u>	<u>2,448,592</u>	<u>2,901,287</u>	<u>2,796,755</u>	<u>1,995,934</u>
Total General Fund	<u>\$ 2,300,538</u>	<u>\$ 2,211,048</u>	<u>\$ 1,304,941</u>	<u>\$ 918,330</u>	<u>\$ 2,097,773</u>	<u>\$ 1,994,704</u>	<u>\$ 2,477,291</u>	<u>\$ 2,908,100</u>	<u>\$ 2,809,962</u>	<u>\$ 2,002,247</u>
All Other Governmental Funds										
Reserved	\$ (28,381)	\$ 78,464	\$ 46,010	\$ 46,010	\$ 46,010	\$ 46,010	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue Funds	420,244	4,714,942	3,564,693	1,737,896	873,996	928,715	855,867	1,138,156	1,185,930	1,970,464
Debt Service Funds	6,015	5,656	4,354	-	-	-	-	-	-	-
Capital Projects Funds	-	750,860	9,382,875	4,608,286	5,584,960	3,752,620	1,845,244	2,398,906	2,580,809	2,092,272
Total All Other Governmental Funds	<u>\$ 397,878</u>	<u>\$ 5,549,922</u>	<u>\$ 12,997,932</u>	<u>\$ 6,392,192</u>	<u>\$ 6,504,966</u>	<u>\$ 4,727,345</u>	<u>\$ 2,701,111</u>	<u>\$ 3,537,062</u>	<u>\$ 3,766,739</u>	<u>\$ 4,062,736</u>

Table 8

**City of Covington**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Revenues</b>										
Taxes	\$ -	\$ 7,252,738	\$ 5,771,775	\$ 5,314,051	\$ 4,976,299	\$ 4,652,222	\$ 3,851,628	\$ 3,392,842	\$ 3,190,555	\$ 2,805,414
Licenses and Permits	-	814,074	1,225,381	663,967	602,659	917,827	1,156,590	669,756	635,831	233,107
Intergovernmental	-	1,999,078	3,769,373	2,271,065	1,542,478	2,160,179	1,792,574	1,980,796	2,780,933	1,499,368
Charges for Goods and Services	-	3,289,049	4,548,746	2,340,805	2,426,539	2,486,377	2,233,023	2,112,084	1,029,889	1,013,076
Fines and Forfeitures	-	112,069	101,248	101,895	120,965	85,162	112,607	87,610	95,560	93,006
Special Assessment	-	74,271	103,285	20,973	30,673	1,171,675	-	-	-	-
Interest Income	(9,189)	459,741	641,261	464,875	274,206	137,216	93,385	162,310	368,688	483,474
Penalties	-	3,388	6,777	1,780	4,775	-	-	-	-	-
Interfund Services Payment	-	1,167,185	392,360	213,000	-	-	-	-	-	-
Miscellaneous	-	622,516	134,841	450,742	162,541	84,715	13,198	8,945	15,949	16,039
Total Revenues	(9,189)	15,794,109	16,695,047	11,843,153	10,141,135	11,695,373	9,253,005	8,414,343	8,117,405	6,143,484
<b>Expenditures</b>										
Current										
General Government	-	3,015,886	2,099,809	2,292,506	1,809,877	2,149,388	1,701,637	1,365,490	1,287,870	1,163,960
Community Development	-	2,434,387	2,005,329	1,420,422	1,017,855	1,790,147	1,899,755	1,170,651	1,221,517	675,478
Public Safety	-	2,543,686	2,166,995	1,999,326	1,884,955	1,819,139	1,642,344	1,617,308	1,639,318	1,427,226
Culture and Recreation	-	932,694	688,198	1,159,896	1,449,981	571,785	419,790	-	-	-
Streets and Highways	-	2,061,538	1,957,620	1,619,822	861,857	716,496	701,326	2,888,125	2,287,059	982,971
Capital Outlay										
General Government	-	21,451	12,446	66,599	-	48,179	13,169	482,309	75,909	54,600
Community Development	-	-	-	14,807	5,343	55,303	25,067	-	-	-
Public Safety	-	-	-	-	-	7,995	-	-	-	-
Culture and Recreation	-	750,243	195,986	181,565	458,226	938,498	1,887,430	-	-	-
Streets and Highways	-	10,176,804	14,699,562	5,133,615	969,598	3,253,567	2,444,864	986,807	1,044,984	424,042
Debt service										
Principal	-	398,187	169,855	70,358	-	-	-	1,304	2,464	2,283
Interest	-	619,718	250,598	25,869	26,132	20,836	41,347	33,888	46,566	52,943
Bond Issuance Cost	-	12,080	92,646	-	-	-	-	-	-	-
Total Expenditures	-	22,966,674	24,339,044	13,984,785	8,483,824	11,371,333	10,776,729	8,545,882	7,605,687	4,783,503
Excess of Revenues over (under) Expenditures	(9,189)	(7,172,565)	(7,643,997)	(2,141,632)	1,657,311	324,040	(1,523,724)	(131,539)	511,718	1,359,981
<b>Other Financing Sources (Uses)</b>										
Transfers In	-	2,594,956	1,564,955	1,741,506	2,204,817	2,537,050	1,892,971	1,245,103	483,683	37,021
Transfers Out	-	(2,594,956)	(1,564,955)	(1,741,506)	(2,204,817)	(2,537,050)	(1,892,971)	(1,245,103)	(483,683)	(37,021)
General Obligation Bond Proceeds	-	308,068	12,505,000	-	-	-	-	-	-	-
Premium on General Obligation Bonds	-	-	52,655	-	-	-	-	-	-	-
Special Assessment Bond Proceeds	-	-	-	-	-	460,100	-	-	-	-
Intergovernmental Loan Proceeds	-	189,275	1,892,750	946,375	-	757,100	-	-	-	-
Proceeds from Sale of Capital Asset	-	130,942	125,015	-	223,379	2,407	256,964	-	-	-
Compensation from Loss of Asset	-	2,377	60,928	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	630,662	14,636,348	946,375	223,379	1,219,607	256,964	-	-	-
Net Change in Fund Balances	\$ (9,189)	\$ (6,541,903)	\$ 6,992,351	\$ (1,195,257)	\$ 1,880,690	\$ 1,543,647	\$ (1,266,760)	\$ (131,539)	\$ 511,718	\$ 1,359,981
Debt service as a percentage of noncapital expenditures	#DIV/0!	8.47%	4.46%	1.12%	0.37%	0.29%	0.65%	0.50%	0.76%	1.28%

Table 9

**City of Covington**  
**General Governmental Tax Revenues by Source**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Property Tax	2,046,294	1,963,753	1,942,156	1,858,123	\$ 1,675,486	\$ 1,514,315	\$ 1,399,483	\$ 1,335,694	\$ 1,251,990	\$ 1,176,198
Sales Tax	2,778,789	2,865,929	2,372,141	2,079,881	1,782,296	1,700,265	1,208,228	1,091,888	992,953	842,557
Utility Tax	1,857,471	1,601,734	-	-	-	-	-	-	-	-
Local Criminal Justice	342,588	396,749	428,029	389,306	335,156	325,377	275,667	264,554	274,678	276,203
Real Estate Excise Tax	303,668	424,548	1,029,449	986,741	1,183,361	1,112,265	968,250	700,706	670,934	510,456
All Others	53	25	-	-	350,886	325,137	286,114	250,334	245,827	230,979
<b>Total Taxes</b>	<b>\$ 7,328,863</b>	<b>\$ 7,252,738</b>	<b>\$ 5,771,775</b>	<b>\$ 5,314,051</b>	<b>\$ 5,327,185</b>	<b>\$ 4,977,359</b>	<b>\$ 4,137,742</b>	<b>\$ 3,643,176</b>	<b>\$ 3,436,382</b>	<b>\$ 3,036,393</b>

Table 10

**City of Covington**  
**Assessed and Estimated Value of Taxable Property**(Note 1)  
**Last Ten Fiscal Years**

<b>Assessed and Estimated Actual Value</b>										
Fiscal Year	<b>Real Property</b>				<b>Personal Property</b>			Total Assessed Value	Total Direct Tax Rate (Note 3)	New Construction (Note 4)
	Locally Assessed Land	Locally Assessed Improvements	State Assessed Public Utility	Omitted Assessments (Note 2)	Locally Assessed	State Assessed Public Utility	Omitted Assessments (Note 2)			
2000	251,593,720	511,201,997	120,596	119,000	19,041,295	18,768,292	-	800,844,900	1.4788	5,729,579
2001	273,190,930	543,315,497	155,292	230,000	20,315,584	11,901,824	-	849,109,127	1.4903	7,458,286
2002	338,223,230	575,527,447	157,377	-	23,305,567	14,517,265	3,440	951,734,326	1.4077	39,590,705
2003	368,199,830	665,361,397	157,203	-	25,425,969	13,566,139	-	1,072,710,538	1.3232	55,285,114
2004	403,884,330	750,881,697	166,158	241,000	23,938,941	12,632,980	259,666	1,192,004,772	1.2837	81,783,532
2005	431,731,530	865,500,097	168,276	224,000	20,753,923	13,636,097	-	1,332,013,923	1.2466	98,899,473
2006	492,723,430	959,956,197	161,743	325,000	22,262,261	14,301,377	13,174	1,489,743,182	1.2045	53,849,875
2007	554,745,330	1,066,275,211	163,924	-	27,525,295	13,324,094	3,808,485	1,665,842,339	1.1522	28,278,992
2008	640,650,490	1,197,306,300	159,219	-	32,183,863	15,773,682	-	1,886,073,554	1.0481	36,727,701
2009	706,781,218	1,363,213,711	521,551	-	33,644,893	14,943,721	-	2,119,105,094	0.9810	63,613,630

Note 1: Real, personal, and state public service property have been assessed at 100% of the estimated value.

Note 2: An omitted assessment is property value that should have been included on a prior's roll but will be included in the current roll. Omits are assessed and taxed at the rate in effect for the year omitted.

Note 3: For 1998 only, due to the timing of the vote to annex into the Rural Library District, the City had an actual combined rate of \$2.10 which included the City's rate of \$1.60 and the Rural Library District's rate of \$.50.

Note 4: New construction is already included in other values shown. This column is provided for information only.

Sources:

King County Assessor

Table 11

**City of Covington**  
**Property Tax Rates Per \$1,000 of Assessed Value**  
**Last Ten Fiscal Years**  
**For the City and all Overlapping Governments**

	Properties Located within the City and within King County Fire District #37									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
State School Support	\$ 1.96268	\$ 2.13233	\$ 2.32535	\$ 2.49787	\$ 2.68951	\$ 2.75678	\$ 2.89680	\$ 2.98946	\$ 3.14502	\$ 3.30278
Kent School District										
Special Levy	2.30024	2.39044	2.58756	2.65755	2.74299	2.70217	2.81717	2.85756	2.98698	3.14871
Bond Levy	1.52691	1.73225	1.28303	1.73553	1.83877	1.78690	1.67956	1.74892	2.09889	2.31845
Building Fund Levy	0.24237	0.27067	0.30500	0.20026	0.21633	0.22810	0.23994	0.25861	0.27889	-
King County										
Regular Levies										
Current Expense	0.69697	0.76686	0.84558	0.89604	0.94845	0.99253	0.99968	1.03765	1.07656	1.16031
County River Improvement	-	-	0.00922	0.00986	0.01039	0.01064	0.01084	0.01125	0.01216	0.01326
Inter-county River	0.00013	0.00015	0.00017	0.00019	0.00020	0.00021	0.00022	0.00024	0.00027	0.00030
Veteran's Aid	0.00643	0.00706	0.00780	0.00834	0.00879	0.00900	0.00917	0.00952	0.01029	0.01124
Mental Health	0.01430	0.01570	0.01733	0.01854	0.01954	0.02000	0.02038	0.02115	0.02286	0.02498
Transportation	-	-	-	-	-	-	-	-	-	-
Councilmanic Bond Redemption	0.05661	0.05923	0.06208	0.07076	0.07210	0.05091	0.06525	0.06422	0.10239	0.12373
AFIS (voted)	0.04473	0.05146	0.05680	0.05000	0.04933	0.05050	0.04832	0.05348	0.05784	0.06420
Zoo/Open Space/Trails	0.04749	0.05000	-	-	-	-	-	-	-	-
Veterans/Human Services	0.03856	0.04232	-	-	-	-	-	-	-	-
Parks (voted)	0.04749	0.05000	0.04244	0.04542	0.04785	0.04900	-	-	-	-
Conservation Futures	0.04246	0.04641	0.05135	0.05488	0.05791	0.05922	0.05625	0.06246	0.06246	0.06245
Bond Fund Unlimited	0.10255	0.11851	0.15007	0.17466	0.16773	0.18945	0.13937	0.18952	0.20735	0.22904
<b>City of Covington</b>	<b>0.98104</b>	<b>1.04814</b>	<b>1.15224</b>	<b>1.20452</b>	<b>1.24664</b>	<b>1.28369</b>	<b>1.32315</b>	<b>1.40772</b>	<b>1.49034</b>	<b>1.47883</b>
Port of Seattle										
General Fund	0.19700	0.10447	0.09552	0.08259	0.10079	0.09073	0.13170	0.07372	0.06041	0.09916
Bond Fund	-	0.11912	0.13606	0.15071	0.15242	0.16329	0.12725	0.11584	0.12988	0.11669
King County Fire District #37	1.35001	1.35000	1.35107	1.42180	1.50000	1.29833	1.33808	1.37062	1.44370	1.50000
King County Fire District #37 Reserve	0.14999	0.15000	-	-	-	-	-	-	-	-
Rural Library District (Note 1)	0.36118	0.39186	0.43295	0.45884	0.48288	0.49246	0.50000	0.45632	0.48270	0.50000
Rural Library District - GO Bond	0.05618	0.06150	0.06732	0.07540	0.04967	0.04407	0.04568	0.06949	0.07467	0.08651
Hospital-1	0.47141	0.50854	0.55652	0.05900	0.09039	0.09200	0.09254	0.09643	0.09873	0.10306
Hospital-1 Debt Levy	-	-	-	-	-	-	-	-	-	0.01524
Ferry District	0.05018	0.05500	-	-	-	-	-	-	-	-
King County Flood District	0.09123	0.10000	-	-	-	-	-	-	-	-
Emergency Medical Services	0.27404	0.30000	0.20621	0.21982	0.23182	0.23717	0.24143	0.25000	0.24624	0.27299
<b>Total Levy Rate</b>	<b>\$11.11218</b>	<b>\$11.92202</b>	<b>\$11.74167</b>	<b>\$12.09258</b>	<b>\$12.72450</b>	<b>\$12.60715</b>	<b>\$12.78278</b>	<b>\$13.14418</b>	<b>\$14.08863</b>	<b>\$14.63193</b>

Sources:

King County Assessor

2009 Property Tax Allocation by Taxing District for Properties Located Within the City and Within King County Fire District #37

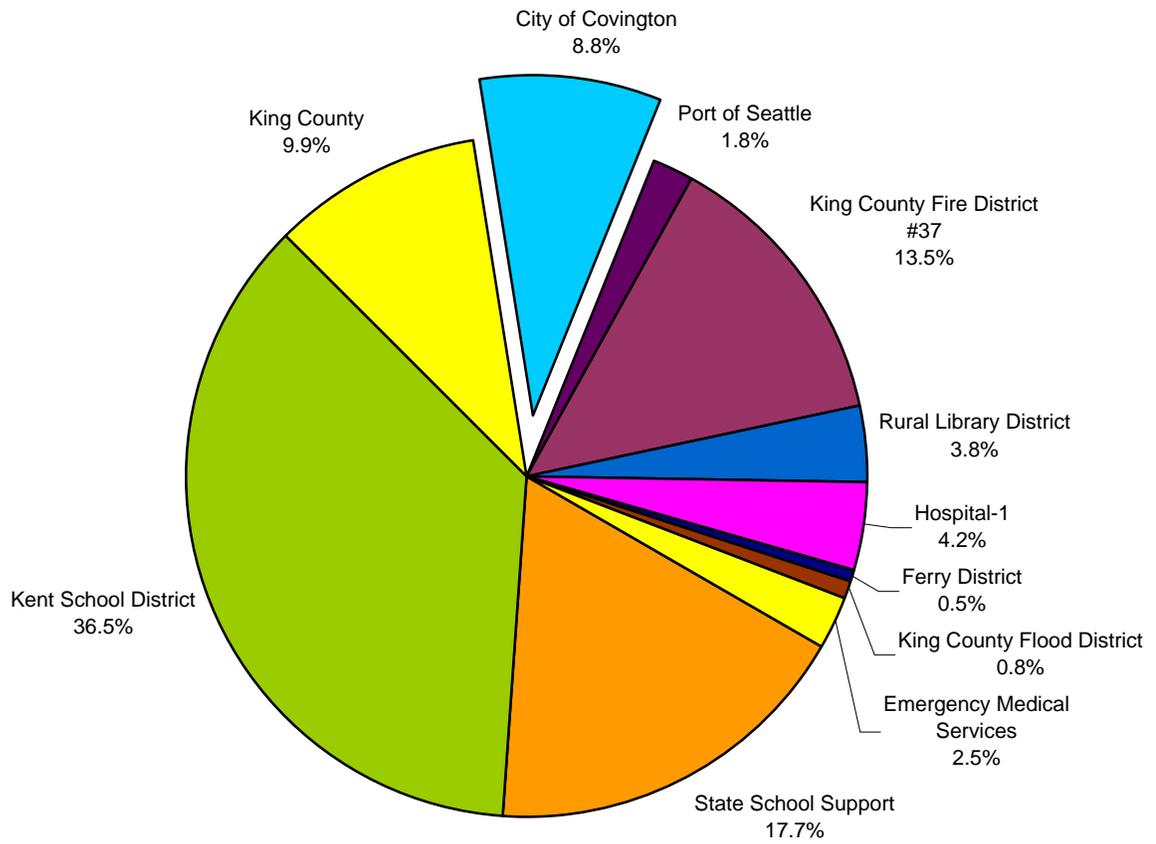


Table 12

**City of Covington**  
**Property Tax Rates Per \$1,000 of Assessed Value**  
**Last Ten Fiscal Years**  
**For the City and all Overlapping Governments**

Properties Located within the City and  
within King County Fire District #43

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
State School Support	\$ 1.96268	\$ 2.13233	\$ 2.32535	\$ 2.49787	\$ 2.68951	\$ 2.75678	\$ 2.89680	\$ 2.98946	\$ 3.14502	\$ 3.30278
Kent School District										
Special Levy	2.30024	2.39044	2.58756	2.65755	2.74299	2.70217	2.81717	2.85756	2.98698	3.14871
Bond Levy	1.52691	1.73225	1.28303	1.73553	1.83877	1.78690	1.67956	1.74892	2.09889	2.31845
Building Fund Levy	0.24237	0.27067	0.30500	0.20026	0.21633	0.22810	0.23994	0.25861	0.27889	-
King County										
Regular Levies										
Current Expense	0.69697	0.76686	0.84558	0.89604	0.94845	0.99253	0.99968	1.03765	1.07656	1.16031
County River Improvement	-	-	0.00922	0.00986	0.01039	0.01064	0.01084	0.01125	0.01216	0.01326
Inter-county River	0.00013	0.00015	0.00017	0.00019	0.00020	0.00021	0.00022	0.00024	0.00027	0.00030
Veteran's Aid	0.00643	0.00706	0.00780	0.00834	0.00879	0.00900	0.00917	0.00952	0.01029	0.01124
Mental Health	0.01430	0.01570	0.01733	0.01854	0.01954	0.02000	0.02038	0.02115	0.02286	0.02498
Transportation	-	-	-	-	-	-	-	-	-	-
Councilmanic Bond Redemption	0.05661	0.05923	0.06208	0.07076	0.07210	0.05091	0.06525	0.06422	0.10239	0.12373
AFIS (voted)	0.04473	0.05146	0.05680	0.05000	0.04933	0.05050	0.04832	0.05348	0.05784	0.06420
Zoo/Open Space/Trails	0.04749	0.05000	-	-	-	-	-	-	-	-
Veterans/Human Services	0.03856	0.04232	0.04672	-	-	-	-	-	-	-
Parks (voted)	0.04749	0.05000	0.04244	0.04542	0.04785	0.04900	-	-	-	-
Conservation Futures	0.04246	0.04641	0.05135	0.05488	0.05791	0.05922	0.05625	0.06246	0.06246	0.06245
Bond Fund Unlimited	0.10255	0.11851	0.15007	0.17466	0.16773	0.18945	0.13937	0.18952	0.20735	0.22904
<b>City of Covington</b>	<b>0.98104</b>	<b>1.04814</b>	<b>1.15224</b>	<b>1.20452</b>	<b>1.24664</b>	<b>1.28369</b>	<b>1.32315</b>	<b>1.40772</b>	<b>1.49034</b>	<b>1.47883</b>
Port of Seattle										
General Fund	0.19700	0.10447	0.09552	0.08259	0.10079	0.09073	0.13170	0.07372	0.06041	0.09916
Bond Fund	-	0.11912	0.13606	0.15071	0.15242	0.16329	0.12725	0.11584	0.12988	0.11669
King County Fire District #43	1.26329	1.35834	1.50000	1.42180	1.50000	1.29833	1.33808	1.37062	1.44370	1.50000
King County Fire District #43 - Debt Levy	0.18399	0.21646	0.17083	-	0.10082	0.11560	0.12371	0.11801	0.13036	0.15716
Rural Library District	0.36118	0.39186	0.43295	0.45884	0.48288	0.49246	0.50000	0.45632	0.48270	0.50000
Rural Library District - GO Bond	0.05618	0.06150	0.06732	0.07540	0.04967	0.04407	0.04568	0.06949	0.07467	0.08651
Hospital-1	0.47141	0.50854	0.55652	0.05900	0.09039	0.09200	0.09254	0.09643	0.09873	0.10306
Hospital-1 Debt Levy	-	-	-	-	-	-	-	-	-	0.01524
Ferry District	0.05018	0.05500	-	-	-	-	-	-	-	-
King County Flood District	0.09123	0.10000	-	-	-	-	-	-	-	-
Emergency Medical Services	0.27404	0.30000	0.20621	0.21982	0.23182	0.23717	0.24143	0.25000	0.24624	0.27299
<b>Total Levy Rate</b>	<b>\$11.05946</b>	<b>\$11.99682</b>	<b>\$12.10815</b>	<b>\$12.09258</b>	<b>\$12.82532</b>	<b>\$12.72275</b>	<b>\$12.90649</b>	<b>\$13.26219</b>	<b>\$14.21899</b>	<b>\$14.78909</b>

Sources:

King County Assessor

2009 Property Tax Allocation by Taxing District for Properties Located Within the City and Within King County Fire District #43

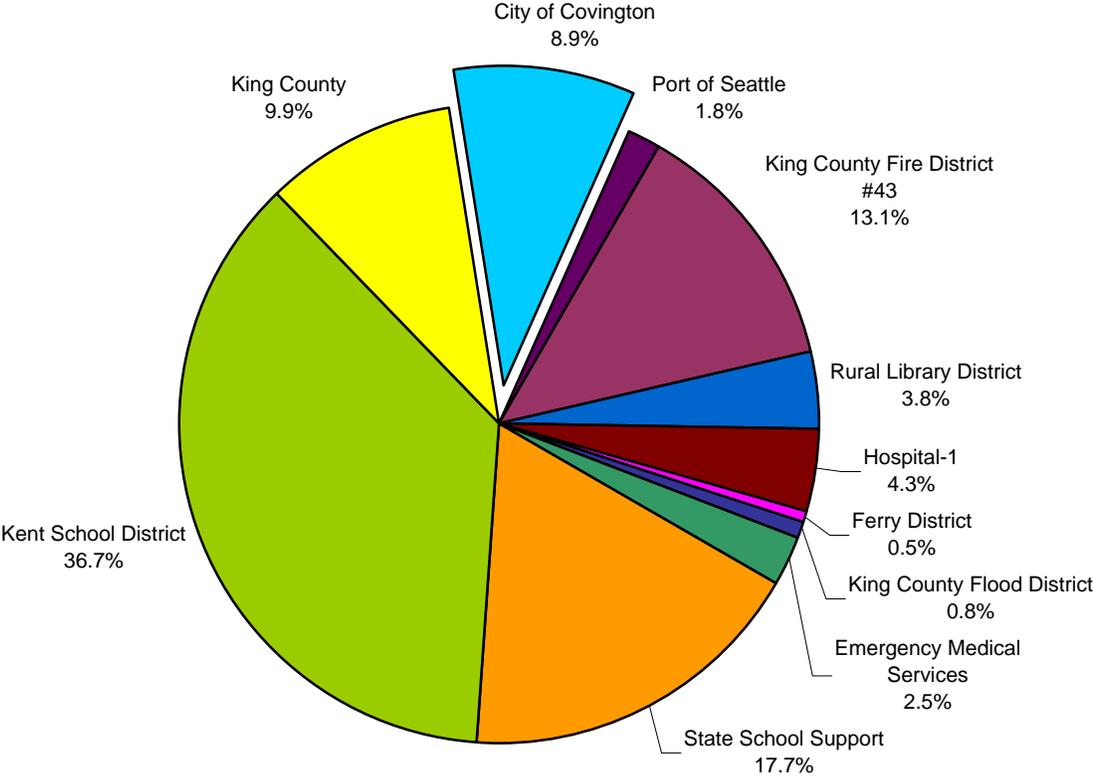


Table 13

**City of Covington**  
**Principal Property Tax Payers**  
**December 31, 2009** (Note 1, 2)

Rank	Taxpayer	Type of Business/Property	2009	
			2009 Assessed Value	Percentage of Total Assessed Value
1	Multicare Health Systems	Healthcare	\$ 26,505,200	1.28%
2	GMS Realty, Inc.	Shopping Center	23,014,700	1.11%
3	Covington Apartments, LLC	Apartments	21,700,000	1.05%
4	Covington Legacy - BSP	Shopping Center	20,348,100	0.98%
5	Fred Meyer Inc.	Department Store	20,161,600	0.97%
6	Wal-Mart Stores, Inc.	Department Store	15,732,000	0.76%
7	Covington Commercial II, LLC	Shopping Center	14,365,700	0.69%
8	Covington Retail Assoc, LLC	Shopping Center	13,494,100	0.65%
9	E&M Covington, LLC	Shopping Center	10,117,600	0.49%
10	Covington Shopping Center	Commercial	<u>9,739,600</u>	<u>0.47%</u>
Total Assessed Value of 10 Largest Taxpayers			<u>\$175,178,600</u>	<u>8.45%</u>

Note 1: The assessed value does not include personal property.

Note 2: Data for 2000 was unavailable.

Sources:

King County Assessor

Table 14

**City of Covington**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collected in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage</b>		<b>Amount</b>	<b>Taxes</b>
2000	1,178,964	1,153,563	97.85%	25,401	1,178,964	100.00%
2001	1,260,218	1,228,425	97.48%	31,741	1,260,166	100.00%
2002	1,335,719	1,303,902	97.62%	31,767	1,335,669	100.00%
2003	1,415,345	1,369,906	96.79%	45,383	1,415,289	100.00%
2004	1,526,184	1,436,786	94.14%	89,274	1,526,060	99.99%
2005	1,656,389	1,625,344	98.13%	30,928	1,656,272	99.99%
2006	1,804,737	1,797,407	99.59%	6,933	1,804,340	99.98%
2007	1,912,859	1,873,816	97.96%	34,579	1,908,395	99.77%
2008	1,976,869	1,935,004	97.88%	28,546	1,963,550	99.33%
2009	2,070,064	2,014,728	97.33%	-	2,014,728	97.33%

Sources:

King County Assessor

**City of Covington**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

<u>Governmental Activities</u>						
<b>Fiscal Year</b>	<b>General</b>	<b>Special</b>	<b>Capital</b>	<b>Total Primary</b>	<b>Percentage of</b>	<b>Per Capita</b>
	<b>Obligation</b>	<b>Assessment</b>			<b>Leases</b>	
	<b>Bonds</b>	<b>Bonds</b>		<b>Government</b>	<b>(Note 1)</b>	<b>(Note 1)</b>
2000	-	-	3,767	3,767	0.0006%	0.27
2001	-	-	1,304	1,304	0.0002%	0.09
2002	-	-	-	-	0.0000%	-
2003	-	-	-	-	0.0000%	-
2004	-	460,100	-	460,100	0.0615%	30.29
2005	-	460,100	-	460,100	0.0562%	27.09
2006	-	431,587	-	431,587	0.0475%	25.03
2007	12,555,148	352,160	-	12,907,308	1.3011%	750.86
2008	12,822,064	176,758	-	12,998,822	1.2879%	748.78
2009	12,603,168	149,557	-	12,752,725	*	*

Note 1: See the Schedule of Demographic and Economic Statistics on page 115 for personal income and population data.

\* Data not available at time of publication

**City of Covington**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt</b>		<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property (Note1)</b>	<b>Per Capita (Note 2)</b>
		<b>Service Fund</b>				
2000	\$ -	\$ -	\$ -	-	0.00%	\$ -
2001	-	-	-	-	0.00%	-
2002	-	-	-	-	0.00%	-
2003	-	-	-	-	0.00%	-
2004	-	-	-	-	0.00%	-
2005	-	-	-	-	0.00%	-
2006	-	-	-	-	0.00%	-
2007	12,555,148	-	12,555,148	12,555,148	0.75%	730.38
2008	12,852,695	-	12,852,695	12,852,695	0.68%	740.36
2009	12,819,431	-	12,819,431	12,819,431	0.60%	731.29

Note 1: See the Schedule of Assessed and Estimated Value of Taxable Property on page 103 for property value data.

Note 2: See the Schedule of Demographic and Economic Statistics on page 115 for population data.

**City of Covington**  
**Computation of Direct and Overlapping Debt**  
**December 31, 2009**

Jurisdiction	Net General Obligation Debt Outstanding (Note 1)	Percentage Applicable to Covington (Note 2)	Estimated Amount Applicable to Covington
<b>Direct:</b>			
City of Covington	\$ 12,603,168	100.00%	\$ 12,603,168
<b>Overlapping:</b>			
King County	1,045,977,000	0.53%	5,543,678
King County Library	129,221,246	0.88%	1,137,147
Port of Seattle	357,315,000	0.53%	1,893,770
Hospital District #1	39,455,000	4.96%	1,956,968
Fire District #37	116,966	39.82%	46,576
Tahoma School District #409	33,735,977	0.01%	3,374
Kent School District #415	233,140,531	10.02%	23,360,681
<b>Total Overlapping Debt</b>	<u>1,838,961,720</u>		<u>33,942,194</u>
<b>Total Direct and Overlapping Debt</b>	<u>\$ 1,851,564,888</u>		<u>\$ 46,545,362</u>

Note 1: Total general obligation bonds outstanding on December 31, 2009 exclusive of refunded bonds. Source: King County

Note 2: Determined by ratio of 2010 assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit.

Table 18

**City of Covington**  
**Legal Debt Margin Calculation**  
**December 31, 2009**

		<u>\$ 2,119,105,094</u>
		Remaining Debt Capacity
1	2.5% general purposes limit is allocated between:	<u>\$ 52,977,627</u>
2	Up to 1.5% debt <b>without</b> a vote (councilmanic)	<u>\$ 31,786,576</u>
3	Less: outstanding debt	<u>\$ 14,910,895</u>
4	Less: excess of debt with vote	<u>\$ -</u>
5	Add: available assets	<u>\$ 2,303,405</u>
6	Equals: remaining debt capacity without vote	<u>\$ 19,179,086</u>
7	1% general purposes debt <b>with</b> a vote	<u>\$ 21,191,051</u>
8	Less: outstanding debt	<u>\$ -</u>
9	Less: contracts payable	<u>\$ -</u>
10	Add: available assets	<u>\$ -</u>
11	Equals: remaining debt capacity with a vote	<u>\$ 21,191,051</u>
12	2.5% <b>utility</b> purpose limit, voted	<u>\$ 52,977,627</u>
13	Less: outstanding debt	<u>\$ -</u>
14	Less: contracts payable	<u>\$ -</u>
15	Add: available assets	<u>\$ -</u>
16	Equals: remaining debt capacity - utility purpose, voted	<u>\$ 52,977,627</u>
17	2.5% <b>open space, park and capital facilities</b> , voted	<u>\$ 52,977,627</u>
18	Less: outstanding debt	<u>\$ -</u>
19	Less: contracts payable	<u>\$ -</u>
20	Add: available assets	<u>\$ -</u>
21	Equals: remaining debt capacity - open space, park and capital facilities, voted	<u>\$ 52,977,627</u>

## Sources:

Materials prepared for State Schedule 10 - Summary of Limitation of Indebtedness for year ending 12/31/08  
In accordance with State of Washington RCW 39.36.60, does not include DCTED Public Work Trust Fund Loans.

**City of Covington**  
**Pledged-Revenue Coverage**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Special Assessment Bonds</u>			
	<u>Special</u>	<u>Debt Service</u>		<u>Coverage</u>
	<u>Assessment</u>	<u>Principal</u>	<u>Interest</u>	
	<u>Collections</u>			
2000	-	-	-	-
2001	-	-	-	-
2002	-	-	-	-
2003	-	-	-	-
2004	-	-	-	-
2005	61,585	-	21,758	2.83
2006	51,228	30,509	22,085	2.32
2007	116,609	77,431	20,620	5.66
2008	79,380	175,402	16,904	4.70
2009	43,869	27,201	8,484	5.17

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

Table 20

**City of Covington**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	Population	Per Capita Personal Income		Median Age	School Enrollment	Unemployment
		Income	Personal Income		(Note 1)	Rate (Note 2)
2000	13,783	44,437	612,475,171	32	25,439	5.0%
2001	13,840	43,841	606,759,440	32	26,670	6.2%
2002	14,395	44,313	637,885,635	32	26,694	7.3%
2003	14,850	44,482	660,557,700	32	26,860	7.4%
2004	15,190	49,286	748,654,340	32	27,293	6.3%
2005	16,985	48,216	818,948,760	32	27,269	5.5%
2006	17,240	52,655	907,772,200	32	26,996	5.0%
2007	17,190	57,710	992,034,900	32	27,462	5.0%
2008	17,360	58,141	1,009,327,760	32	26,764	4.3%
2009	17,530	*	*	32	*	8.1%

Note 1: Office of WA Superintendent of Public Instruction

Note 2: U.S. Department of Labor

\* Data not available at time of publication

Sources:

Population, Median Age, and Unemployment Rates were provided by the US Census Bureau.

Per Capita Personal Income data was provided by US Bureau of Economic Analysis. Estimates are for King County, in which Covington is located. Covington data is not available.

Personal income estimates are based on multiplying the population of Covington by the per capita personal income estimate for King County.

School Enrollment was provided by the Kent School District. Estimates are for the Kent School District, in which Covington is located. Covington data is not available.

Table 21

**City of Covington**  
**Principal Employers**  
**December 31, 2009** (Note 1, 2, 3)

<u>Employer</u>	<u>Type of Business</u>	<u>Rank</u>	<u>No. of Employees</u>
Kent School District #415	Education	1	613
Multicare Health Systems	Health Care	2	300
Wal-Mart Stores, Inc.	Retail Warehouse	3	290
Fred Meyer	Retail/Specialty	4	240
Costco	Retail Warehouse	5	200
Home Depot	Retail	6	125
Safeway	Retail/Grocery	7	90
Applebee's	Restaurant	8	70
King County Library System	Public Library	9	66
Lakeridge Paving Co.	Retail	10	63

Note 1: Total employment in the City was not available and therefore, percentages cannot be calculated.

Note 2: Data for 2000 was unavailable

Note 3: Information current through December 31, 2008

Table 22

**City of Covington**  
**Full-Time Equivalent City Government Employees by Function**  
**Last Ten Fiscal Years**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005 (Note 2)</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
<b>Function</b>										
General Government	13	13	12	12	14	9	8	8	8	8
Community Development	11	16	15	15	4	15	12	7	6	5
Public Safety (Note 1)	-	-	-	-	-	-	-	-	-	-
Highways and Streets	14	14	11	11	5	5	5	4	4	4
Culture and Recreation	<u>9</u>	<u>9</u>	<u>8</u>	<u>8</u>	<u>13</u>	<u>4</u>	<u>4</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total	<u>47</u>	<u>52</u>	<u>46</u>	<u>46</u>	<u>36</u>	<u>33</u>	<u>29</u>	<u>20</u>	<u>18</u>	<u>17</u>

Sources:

City of Covington Finance Department

Note 1: The City contracts with King County for police officers.

Note 2: In 2005, the City began operating an Aquatic Center and administering athletics programs. This increased our Culture and Recreation staff.

Table 23

**City of Covington**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Function</b>										
<b>City Manager (Note 1)</b>										
Citizen Action Requests	281	268	347	401	N/A	N/A	N/A	N/A	N/A	N/A
Community Room Rentals	295	283	230	232	N/A	N/A	N/A	N/A	N/A	N/A
Contacts by Citizens (Phone and Walk-in)	13,088	15,116	12,984	12,014	N/A	N/A	N/A	N/A	N/A	N/A
<b>Finance (Note 1)</b>										
AP Checks Processed	1,758	1,758	1,600	1,829	1,689	1,513	1,397	N/A	N/A	N/A
AP Invoices Processed	2,994	2,994	2,638	2,982	2,339	2,290	2,171	N/A	N/A	N/A
AP \$ (in Millions)	20	20	17	10	6	8	8	N/A	N/A	N/A
AR Invoices/Statements Processed	751	751	902	1,020	826	624	493	N/A	N/A	N/A
Payroll Checks Processed	2,201	2,201	1,950	1,900	1,787	1,211	1,012	N/A	N/A	N/A
<b>City Clerk (Note 1)</b>										
Public Disclosure Requests	97	255	288	255	205	N/A	N/A	N/A	N/A	N/A
Covington Connection E-mails Received	178	186	243	219	194	N/A	N/A	N/A	N/A	N/A
Press Releases	40	71	62	47	59	N/A	N/A	N/A	N/A	N/A
Contracts/Agreements	63	66	35	93	64	N/A	N/A	N/A	N/A	N/A
Ordinances/Resolutions Passed	38	49	65	130	113	N/A	N/A	N/A	N/A	N/A
<b>Community Development</b>										
No. of Permits Issued	131	209	225	135	207	387	455	282	293	114
Estimated Value (in Millions)	8	49	89	25	36	78	93	69	53	12
<b>Public Safety (Note 2)</b>										
No. of Calls for Service	4,135	4,026	3,837	4,098	3,982	3,720	3,429	3,429	3,398	3,375
Reported Crimes	1,311	1,631	1,591	1,385	1,338	1,292	1,246	1,137	1,184	1,201
Traffic Citations	1,470	1,451	1,795	1,956	1,776	970	1,252	1,158	1,558	1,841
<b>No. of Arrests</b>										
Adults	585	403	418	368	356	289	376	300	385	239
Juveniles	148	117	86	122	141	145	139	108	118	133
<b>Culture and Recreation (Note 3)</b>										
Number of Parks	5	5	5	5	4	4	2	-	-	-
Park Acreage	135	135	135	135	135	135	109	39	22	12
Aquatics Public Swim Participants	13,543	15,232	10,796	25,704	26,064	-	-	-	-	-
Aquatics Lap Swim Participants	5,406	6,694	4,555	7,980	6,774	-	-	-	-	-
Aquatics Water Exercise Participants	5,084	5,419	3,931	5,294	3,884	-	-	-	-	-
<b>Aquatics Lessons Participants (Note 4)</b>										
Group Lesson Participants	33,139	31,680	18,615	3,973	3,518	-	-	-	-	-
Private Lesson Participants (Note 1)	654	488	N/A	N/A	N/A	-	-	-	-	-
Advanced Class Participants (Note 1)	157	152	N/A	N/A	N/A	-	-	-	-	-
<b>Aquatic Center Rental Hours</b>										
Private Rental Hours	213	190	125	269	273	-	-	-	-	-
School Rental Hours (Note 1)	336	367	N/A	N/A	N/A	-	-	-	-	-
Lane Rental Hours (Note 1)	2,810	2,462	N/A	N/A	N/A	-	-	-	-	-
<b>Public Works (Note 1)</b>										
Catch Basins Cleaned	2,265	2,265	2,100	1,841	N/A	N/A	N/A	N/A	N/A	N/A
Slope Mowing Miles	210	96	48	71	N/A	N/A	N/A	N/A	N/A	N/A
Landscape Mowing Miles	71	65	86	22	N/A	N/A	N/A	N/A	N/A	N/A
Miles of Streets Swept	2,054	2,290	1,192	1,754	N/A	N/A	N/A	N/A	N/A	N/A
Tons of Asphalt Used	95	100	94	155	N/A	N/A	N/A	N/A	N/A	N/A
Tons of Spoils, Litter & Debris Removed	245	50	718	438	N/A	N/A	N/A	N/A	N/A	N/A
Work Orders Completed	1,461	1,368	1,267	656	N/A	N/A	N/A	N/A	N/A	N/A

Sources:

City of Covington Finance Department

Note 1: In previous years, some of these workload indicators were not tracked. These are shown as "N/A" (not available).

Note 2: The City contracts with King County for these services. Some statistics were unavailable. These are shown as "N/A".

Note 3: The City began operating the Covington Aquatic Center January 1, 2005, therefore no prior data is available.

Note 4: Prior to 2007, Aquatics Lessons participants were tracked by total number of *class registrations*. Beginning in 2007, it is being tracked by the attendance logs for each class session.

Table 24

**City of Covington**  
**Capital Assets by Function**  
**Last Ten Fiscal Years**

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
<b>Function</b>										
Culture and Recreation										
Number of Parks	5	5	5	5	4	4	2	-	-	-
Park Acreage	135	135	135	135	135	135	109	39	22	12
Swimming Pools	1	1	1	1	1	1	-	-	-	-
Vehicles	12	14	14	12	8	8	7	6	4	2

Sources:

City of Covington Parks and Public Works Departments