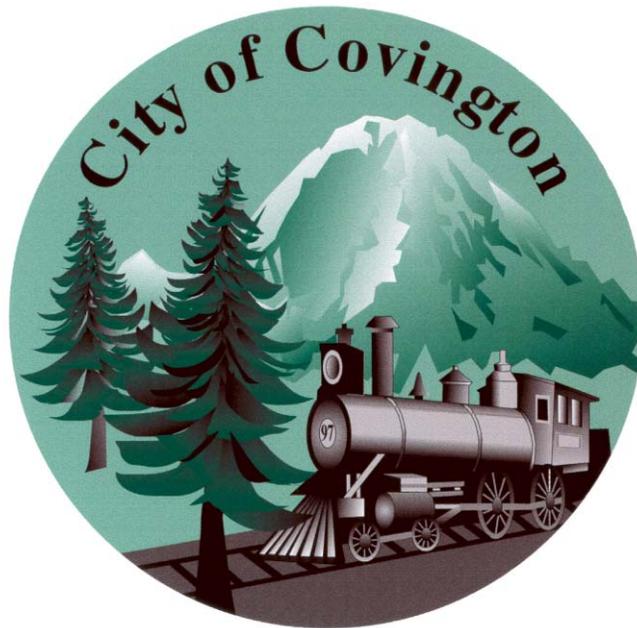


The City of
COVINGTON
WASHINGTON



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012**

COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF COVINGTON, WASHINGTON

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012**

**SUBMITTED BY THE
FINANCE DEPARTMENT**

ROB HENDRICKSON, FINANCE DIRECTOR

CASEY PARKER, SENIOR 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, 2012**

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INTRODUCTORY



City of Covington

16720 SE 271st Street, Suite 100 • Covington, WA 98042 • (253) 480-2400 • Fax: (253) 638-1122

June 21, 2013

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, 2012. 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 Principles (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 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 is to provide reasonable assurance that the financial statements of the City of Covington for the fiscal year ended December 31, 2012, are free of material misstatement. The independent audit involves 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.

Profile of Government

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, 2012, had an estimated population of 17,760. 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 carry out 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 a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the City of Covington can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 (enterprise and 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 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, major special revenue fund, and major capital project funds, this comparison is presented in the basic financial statements for the governmental funds. For the other governmental funds, internal service funds, and enterprise fund, this comparison is presented in the section following the notes to the financial statements.

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 11 to 23 of this report.

Local Economy. All major revenue categories were ahead of prior year collections for the first time since the start of the Great Recession in 2008. This was especially helpful for the General Fund which is the major supporter of the debt service payment for the 2007 transportation bonds. Coupled with under-budgeted expenditures, ending fund balances were higher than projected in most funds. The Cumulative Reserve Fund remains over \$1 million, the General Fund fund balance is in excess of 40% of annual expenditures and the Surface Water fund continues to be healthy. While the Street Fund and the Parks Fund remain on the watch list, this strong ending to 2012 bodes well moving forward into 2013.

In year over year comparisons, retail sales increased by 6.8%, construction increased 39.7%, food services were up 3.5%, and all other categories decreased 1.3%. While the "all other" category ended the year down from 2011, this is a small dollar category so the impact is negligible (\$4,188). 2012 collections are higher than any year on record. Retail has seen positive increases for 17 months. Construction and food services turned negative on a monthly basis but overall they are still ahead of last year cumulatively.

The national economy is finally showing signs of recovery in housing and manufacturing. Consumer confidence is a little lower yet consumer spending is driving the local economy. In addition, construction should remain stable through 2013.

Relevant Financial Policies

To help ensure its continued ability to meet immediate and long-term service objectives, the city has adopted and adheres to a set of financial management policies. These policies govern the allocation and management of resources including allocation of unrestricted revenues.

Major Initiatives

Covington Community Park: Construction began in 2012 for the city's first major park. Phase I includes a soccer field, parking lot, restrooms, and over a mile of trails. Phase I is expected to be completed in early 2013. The budget for phase I is \$2,255,000.

Develop and implement a public engagement process regarding city service levels: In 2012, the budget priorities advisory committee (BPAC) was convened. The BPAC reviewed city service levels and is expected to make recommendations regarding priorities and funding. The committee is expected to conclude their activities and present their findings to the council in early 2013.

Town Center Project: Establish Covington Town Center as a vibrant residential, commercial, educational, social, and cultural gathering place that is safe, pedestrian-friendly, well-designed, and well-maintained.

CIP 1127 SE 272nd Street between Jenkins Creek and 185th Place SE: This project is to widen and reconstruct a portion of SE 272nd Street between Jenkins Creek and 185th Place SE. This project will include crossing of Jenkins Creek with a new structure for the stream, widening the street from 2-lanes to 5-lanes including curb and gutter, 8' sidewalks, access control features, landscaping and provisions for u-turns. The budget for this project is \$13,200,000.

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, 2011. 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 GAAP and applicable legal requirements.

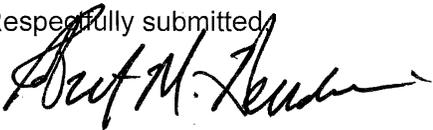
A certificate of achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the certificate of achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 – senior 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 prudent 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

SENIOR ACCOUNTANT

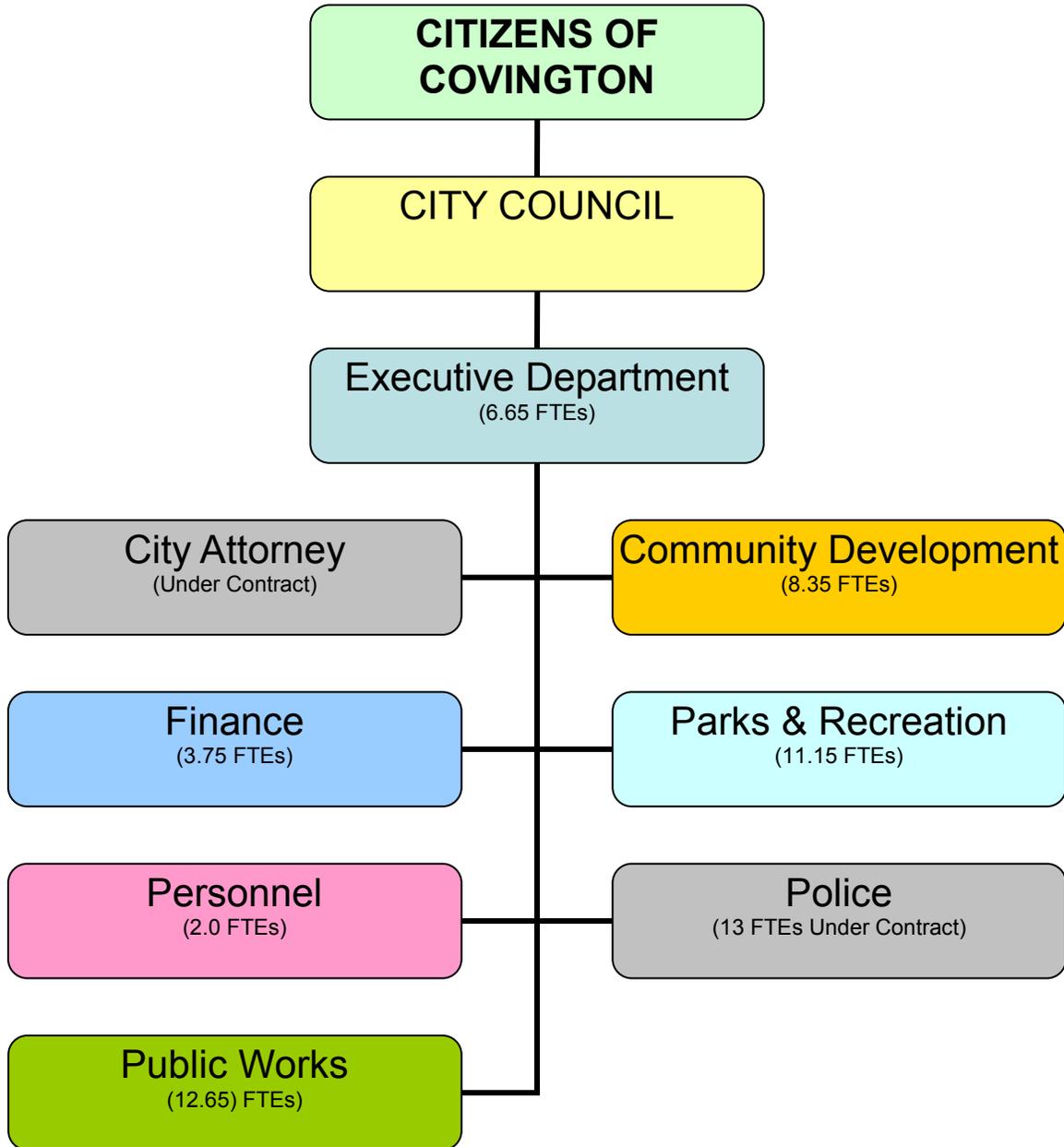
LINDSAY HAGEN

FINANCE SPECIALIST

STACI CLES

ACCOUNTING CLERK

~ **CITY OF COVINGTON** ~
ORGANIZATION CHART by FUNCTION
January 2012



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, 2011

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.



Christopher P. Mouill

President

Jeffrey R. Emer

Executive Director

FINANCIAL

City of Covington

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2012



Washington State Auditor Troy Kelley

INDEPENDENT AUDITOR'S REPORT

June 21, 2013

Mayor and City Council
City of Covington
Covington, Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Covington, King County, Washington, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General and Development Services funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 1, during the year ended December 31, 2012, the City has implemented the Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position and Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying information listed as combining and individual fund statements and schedules on pages 63 through 81 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 21, 2013, 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. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sincerely,



TROY KELLEY
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, 2012. 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 4 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the city exceeded its liabilities on December 31, 2012 by \$52,880,302 (net position). Of the total net assets, \$10,896,311 is unrestricted and may be used to meet any of the city's ongoing obligations to citizens and creditors.
- The city's total net position increased by \$4,459,724. A significant portion of this increase is due to capital asset infrastructure.
- As of December 31, 2012, the city's governmental funds reported a combined ending fund balance of \$10,502,262. Of this, \$5,493,720 is in the general fund, \$2,016,483 is in the development services fund, local improvement district 99.01 fund \$265, and \$2,200,272 is in the capital investment program fund. The remainder, \$791,522, is in other governmental funds.
- As of December 31, 2012, the unassigned portion of the general fund's fund balance is \$4,911,695. Per GASB 54, this classification has changed since 2010 and now includes unassigned fund balance from the contingency fund, cumulative reserve fund, real estate excise tax 1st ¼% fund, and real estate excise tax 2nd ¼% fund.
- As of December 31, 2012, the city's business-type activities reported a total net position of \$7,777,543. This is a new category effective for the 2012 fiscal year. Previously, this had been reported as part of the governmental funds.

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 position* 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 position.

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

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

- ✓ General government includes the activities of the city council, municipal court, city manager, city clerk, finance, 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 and construction activities.

The business-type activity of the city includes the following:

- ✓ Surface water management includes the maintenance and operation of storm water treatment facilities and related infrastructure.

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 25 to 26 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City 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 focus on near-

term inflows and outflows of spendable resources, as well as on balances This measurement focus aims to report the near-term (current) inflows, outflows, and of spendable resources available at the end of the fiscal year. 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 twelve individual governmental funds. Information is presented in separate columns for four of the twelve 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 the general fund, development services fund, local improvement district 99-01 fund, and the capital investment program fund. Data from four funds, which include the parks fund, street fund, local improvement district 99-01 guaranty fund, and the long-term debt 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 non-major governmental funds is provided in the form of combining statements elsewhere in this report. Four remaining funds, the contingency fund, cumulative reserve fund, real estate excise tax 1st 1/4% fund, and real estate excise tax 2nd 1/4% fund have been combined with the general fund per the requirements in GASB 54.

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 non-major 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 uses an enterprise fund to account for its surface water management fund.

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 both the city's governmental activities and business activities, they have been included within the governmental activities and business-type activities columns in the government-wide financial statements where appropriate. 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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the surface water management fund which is considered to be a major fund in the city. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found on pages 32 to 34 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 35 to 62 of this report.

Other Information. The combining statements referred to earlier in connection with the non-major 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. It begins on page 82.

Government-wide Overall Financial Analysis

Statement of Net Position. As stated earlier, net position may serve over time as a useful indicator of the city's financial position. As of December 31, 2012, the city's total net position is \$52,880,302. Shown below is a breakdown of the city's net position by category.

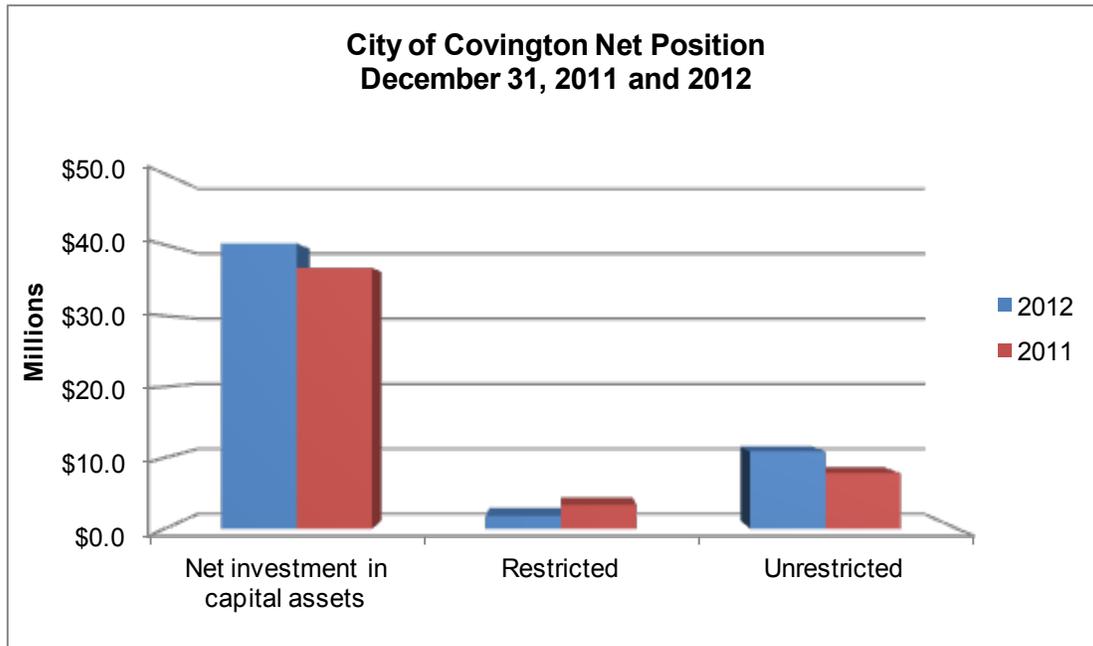
	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$12,022,105	\$ 13,294,015	\$2,419,388	\$ -	\$14,441,493	\$ 13,294,015
Capital assets	48,834,467	51,692,879	5,508,168	-	54,342,635	51,692,879
Total assets	<u>60,856,572</u>	<u>64,986,894</u>	<u>7,927,556</u>	<u>-</u>	<u>68,784,128</u>	<u>64,986,894</u>
Total deferred outflows of resources	-	-	-	-	-	-
Long-term liabilities outstanding	14,553,320	15,348,893	79,228	-	14,632,548	15,348,893
Other liabilities	997,371	1,738,190	70,785	-	1,068,156	1,738,190
Total liabilities	<u>15,550,691</u>	<u>17,087,083</u>	<u>150,013</u>	<u>-</u>	<u>15,700,704</u>	<u>17,087,083</u>
Total deferred inflows of resources	-	-	-	-	-	-
Net position:						
Net investment in capital assets	34,671,899	36,745,357	5,508,168	-	40,180,067	36,745,357
Restricted	1,803,923	3,341,693	-	-	1,803,923	3,341,693
Unrestricted	8,626,937	7,812,761	2,269,375	-	10,896,312	7,812,761
Total net position	<u>\$45,102,759</u>	<u>\$ 47,899,811</u>	<u>\$7,777,543</u>	<u>\$ -</u>	<u>\$52,880,302</u>	<u>\$ 47,899,811</u>

Overall the city's financial position has improved. The city's net position increased \$4,459,724 during the current fiscal year. A significant portion of this increase is due to an increase in capital assets.

Of the total net assets, \$40,180,067 reflects the city's net investment in capital assets and accumulated depreciation. The city uses these capital assets to provide a variety of 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 76.0% (\$40,180,167) of the total net position. 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.

A portion of the city's net position, \$1,803,923 (3.4%) represents resources that are subject to external restrictions on how they may be used, as well as debt service reserves. The remaining balance of unrestricted net position, \$10,896,312, may be used to meet the city's ongoing obligations to citizens and creditors.



Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$2,797,052 from the prior fiscal year for an ending net position of \$45,102,759. While total revenues increased by \$2,026,834 and expenses dropped by \$396,052, there was an accounting change applied which moved the surface water management fund out of government activities into business-type activities.

This change transferred \$7,342,150 out of government activities and into business-type activities effectively reducing the overall net position of government activities for fiscal year 2012.

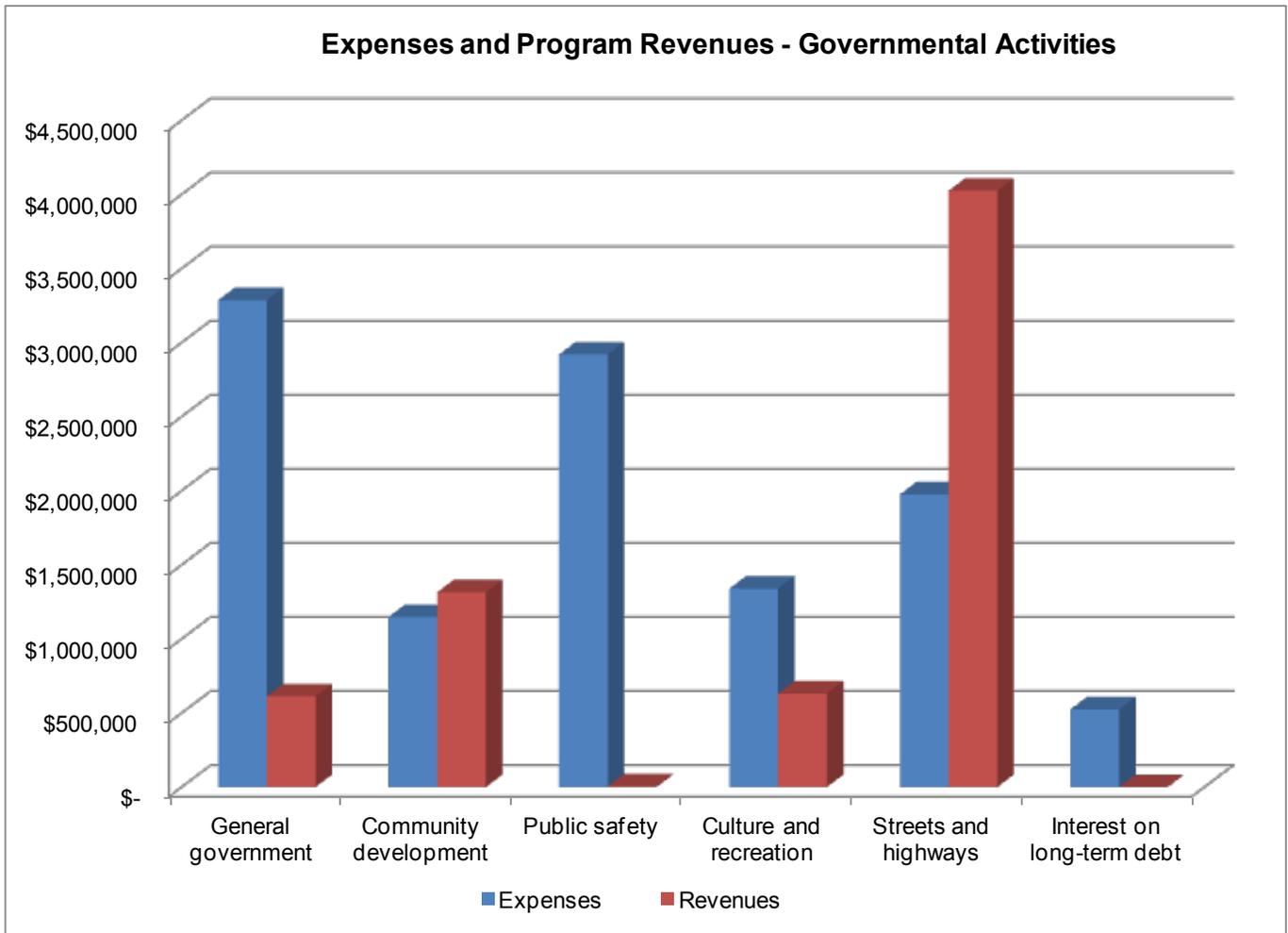
Business-type Activities. Beginning in 2012, the surface water management fund is now classified as a proprietary fund. Revenues, expenses, and capital assets are now in business-type activities whereas they were in governmental activities in prior years.

Revenue for 2012 is \$1,467,260; expenses are \$1,568,984, and transfers from internal activities are \$537,117 for an increase in net position of \$435,393. There is no comparable data for 2011.

See page 62 of the notes to the financial statements for more details about the accounting change.

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

	City of Covington's Changes in Net Assets					
	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 2,533,167	\$ 3,920,888	\$ 1,740,142	\$ -	\$ 4,273,309	\$ 3,920,888
Operating grants and contributions	498,197	531,845	60,225	-	558,422	531,845
Capital grants and contributions	3,555,983	834,607	349,313	-	3,905,296	834,607
General revenues:						
Property taxes	2,362,314	2,331,137	-	-	2,362,314	2,331,137
Sales taxes	3,226,215	2,983,127	-	-	3,226,215	2,983,127
Utility tax	2,004,827	1,785,764	-	-	2,004,827	1,785,764
Other taxes	1,140,053	942,754	-	-	1,140,053	942,754
Other intergovernmental	268,811	255,991	-	-	268,811	255,991
Other	162,714	139,334	(682,420)	-	(519,706)	139,334
Total revenues	<u>15,752,281</u>	<u>13,725,447</u>	<u>1,467,260</u>	<u>-</u>	<u>17,219,541</u>	<u>13,725,447</u>
Expenses:						
General government	3,285,987	3,420,106	-	-	3,285,987	3,420,106
Community development	1,147,440	1,025,432	-	-	1,147,440	1,025,432
Public safety	2,919,182	2,810,419	-	-	2,919,182	2,810,419
Culture and recreation	1,339,704	1,866,928	-	-	1,339,704	1,866,928
Streets and highways	1,974,551	1,877,172	-	-	1,974,551	1,877,172
Interest on long-term debt	523,969	586,828	-	-	523,969	586,828
Surface water management	-	-	1,568,984	-	1,568,984	-
Total expenses	<u>11,190,833</u>	<u>11,586,885</u>	<u>1,568,984</u>	<u>-</u>	<u>12,759,817</u>	<u>11,586,885</u>
Increase in net position before transfers	4,561,448	2,138,562	(101,724)	-	4,459,724	2,138,562
Transfers - internal activities	(537,117)	-	537,117	-	-	-
Increase in net position	4,024,331	2,138,562	435,393	-	4,459,724	2,138,562
Net position, January 1	47,899,811	45,761,249	-	-	47,899,811	45,761,249
Prior period adjustment	520,767	-	-	-	520,767	-
Change in accounting principle	<u>(7,342,150)</u>	<u>-</u>	<u>7,342,150</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, December 31	<u>\$45,102,759</u>	<u>\$47,899,811</u>	<u>\$7,777,543</u>	<u>\$ -</u>	<u>\$52,880,302</u>	<u>\$47,899,811</u>



Property taxes increased by \$31,177 (1.3%) over fiscal year 2011. The slight increase is due to a council-approved one percent increase and payment of delinquent taxes. The city property tax rate per \$1,000 of assessed value increased from \$1.3649 in 2011 to \$1.4809 for 2012 due primarily to a reduction in assessed valuation.

Sales tax revenue for 2012 increased by \$243,088 (8.1%) over fiscal year 2011. In year over year comparisons, retail sales increased by 6.4%, construction increased significantly by 36.5%, food services were up at 4.2%, and all other categories increased 2.5%.

Utility taxes increased by \$219,063 (12.3%) over fiscal year 2011. The significant increase can be attributed to a utility rate increase from 5.5% to 6.0%.

General government saw a decrease of \$134,119 (3.9%) in expenses in 2012 over 2011. This was due primarily to a decrease in central services charges.

Community development saw an increase of \$122,008 (11.9%). The increase is attributable to increased work hours for staff due to increased workload.

Public safety saw an increase of \$108,763 (3.9%) due to an increase in the police contract.

Culture and recreation expenses saw a significant decrease of \$527,224 or 28.2%. This was due to a depreciation charge that was corrected in 2012.

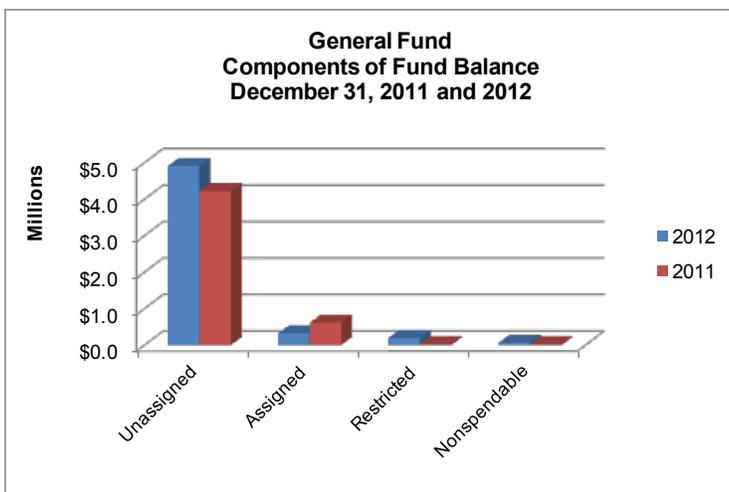
The expenses for streets and highways showed an increase of \$97,379 or 5.2% in 2012 over 2011. This increase is due to a one-time professional services contract for a traffic concurrency study.

Interest on long-term debt decreased as the city continued making payments on the outstanding long-term debt. See page 55 for a more detailed accounting of long-term debt.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the city’s governmental funds is to provide information on current inflows, outflows, and the balance of current spendable resources. Such information may be a useful indicator of the city’s financial position. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the city itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the city’s council.



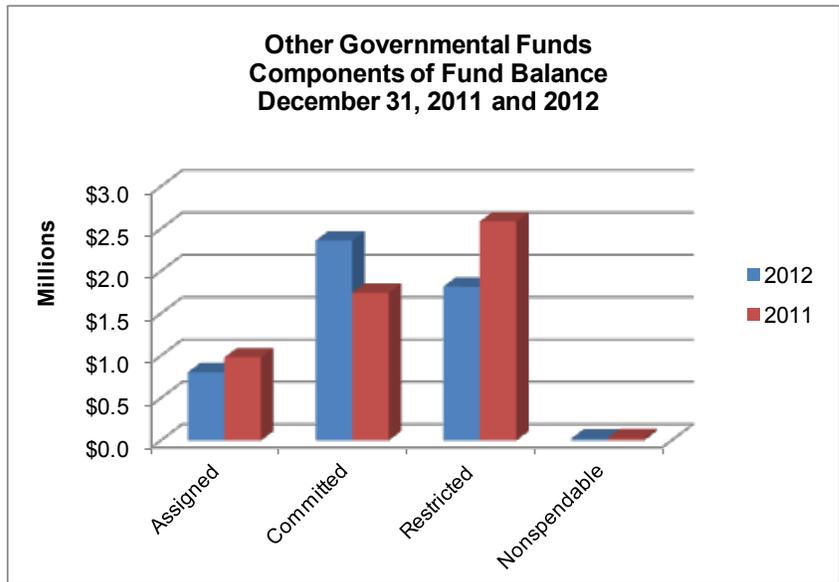
As of December 31, 2012, the City of Covington’s governmental funds reported a combined ending fund balance of \$10,502,262 which is an increase of \$1,946,545 over 2011. Of the total fund balance, \$84,913 is non-spendable, \$2,015,370 is restricted, \$2,362,427 is committed, and \$1,127,857 is assigned. The balance, \$4,911,695 is unassigned and available for spending at the city’s discretion.

The general fund is the chief operating fund of the city. For 2012, the *general fund* fund balance increased by \$610,916 from \$4,882,804 in 2011 to \$5,493,720 for 2012.

Excluding other funds which are captured in the general fund as part of GASB 54 requirements, the general fund increased in fund balance by \$501,659. Forecasted tax revenues came in over budget while management under spent expenditures. 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 both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 76.3% of total general fund expenditures, while total fund balance represents approximately 85.4% of total general fund 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, which was \$1,562,733 in 2011, increased by \$453,750 to \$2,016,483 in 2012. The increase is due to increased permit activity in 2012. The number of single family permits issued in 2012 was 141 compared to 40 in 2011. Commercial permits issued in 2012 totaled five compared to six in 2011.

The *local improvement district 99.01 fund* is 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. The *local improvement district 99.01 fund* fund balance, which was \$270 in 2011, decrease by \$5 to \$265 in 2012.



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 \$737,647 from \$1,462,625 in 2011 to \$2,200,272 in 2012. A large portion of the increase is due to a prior period adjustment recognizing mitigation fees in the amount of \$565,640. In addition, expenditures came in below budget.

Proprietary Funds. The city’s proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The city’s proprietary fund is the surface water management fund. It is used to account for the maintenance and operation of storm water treatment facilities and related infrastructure.

For 2012, the surface water management fund was reclassified from a governmental fund to a proprietary fund. The 2012 data does not have comparables from 2011. The *surface water management fund’s* net position for 2012 is \$7,765,700. This includes an unrestricted amount of \$2,257,532 and a net investment in capital assets of \$5,508,168.

General Fund Budgetary Highlights

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

Original budget compared to final budget. The 2012 general fund budget amendment consisted of updating the estimated beginning fund balance to the actual beginning fund balance and adding grant revenue from the minor home repair program.

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

Revenue source	Estimated revenues	Actual revenues	Difference
Taxes	\$ 7,425,475	\$ 7,971,600	\$ 546,125
Charges for goods and services	688,641	376,650	(291,991)

The increase in taxes was due primarily to in an increase in sales tax revenue and utility tax revenue. With regard to sales tax, the economy showed signs of recovery and there were several large

construction projects that contributed to record sales tax collections. Sales tax is allocated to the general fund at 84% and the parks fund at 16%. Utility tax increased due to the city council approving in November 2011 a 0.5% rate increase in utility tax from 5.5% to 6.0%. The increase in collections began in February 2012.

Charges for goods and services saw a decline in 2012 primarily due to a reduction in central services charges.

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 2011, 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, 2012 is \$48,834,467 (net of depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, intangibles, infrastructure, and work in progress. This is an increase in capital assets from fiscal year 2011 due to an increase in infrastructure. The infrastructure capital assets only relate to those assets purchased/constructed in 2003 through 2012.

The city's investment in capital assets for business-type activities as of December 31, 2012 is \$5,508,169. This is an increase in capital assets from fiscal year 2011 due to an increase in infrastructure. This investment in capital assets includes the same categories as noted for governmental activities. Because information was readily available, the city has provided prior years assets for the business-type activities for the surface water management fund.

The city's total investment in capital assets for 2012 increased by \$2,649,756.

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 50.

City of Covington's Capital Assets (net of depreciation)						
	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$17,809,178	\$17,581,319	\$ 993,232	\$ 989,707	\$18,802,410	\$18,571,026
Intangibles	940,890	940,890	-	7,003	940,890	947,893
Work in progress	2,540,328	3,951,042	-	517,407	2,540,328	4,468,449
Buildings	590,385	626,197	-	11,161	590,385	637,358
Improvements other than buildings	238,220	300,872	-	6,730	238,220	307,602
Machinery and equipment	307,364	237,985	-	2,242	307,364	240,227
Infrastructure	26,408,102	23,263,352	-	3,256,972	26,408,102	26,520,324
Total	\$48,834,467	\$46,901,657	\$ 993,232	\$4,791,222	\$49,827,699	\$51,692,879

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 an annual interest rate of 4.8% and matures on July 1, 2021.

A public works trust fund loan has been received to finance construction of improvements on 164th 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 matures 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 pages 55 to 58.

Next Year's Budget

To better facilitate the decision making process there are four guiding principles on which budget decisions are based:

- Although the budget forecast has improved, we should continue to look for opportunities to reduce expenditures.
- The two most important services the city provides are law enforcement and infrastructure maintenance. Long-range planning is important too because it is how we pursue our vision.
- Our small workforce needs to be well-trained and have access to the latest technology.
- The internet and social media have changed the way the city communicates, and our budget needs to reflect that change.

Ongoing Budget Strategies

The following budget strategies are retained:

- Redirect the general fund's transfer of \$150,000 per year from the capital investment program fund's street overlay program to street fund operations.
- Discontinue the general fund's transfer of utility tax revenue to parks CIP.
- Discontinue the general fund's transfer of sales tax revenue to the cumulative reserve fund.
- Discontinue the parks fund's annual transfer of fund balance to the cumulative reserve fund.
- Maintain the following position at half time: code enforcement officer.
- Forego the biennial budget process until the economy stabilizes.
- Continue the ratio of sales tax distribution to the general and parks funds by 84%/16%.

2013 Budget Strategies

- The 2013 cost of living adjustment is 2.7%.
- Use fund balance only in cases where funds have deficits to cover (for 2013 that would be the street fund and parks fund). Most funds will have a surplus at the end of 2013.

Economic Outlook

Officially, the national economic recovery began in June 2009. While some aspects of the overall economy have improved, there is a fair amount of uncertainty that remains. China is experiencing a slow down, Europe is still in flux, the fiscal cliff remains a possibility, and gridlock in Washington threatens to hold back true economic recovery.

However, the Puget Sound region is doing much better than the nation. Employment growth is about double that of the nation as a whole as jobs in aerospace begin to pick up. Currently, employment growth is at 2.7 percent and is expected to grow at an overall rate of 2.5 percent between 2013 and 2014. This outlook is much more optimistic than last year at this time.

Retail sales are on the rise and are expected to be at their 2008 high in the last quarter of this year. In the Puget Sound region, retail sales are expected to hit a 5.9 percent pace through the end of the year. This pace is being fueled by an increase in real personal income growth. Household financial obligations are the lowest since the early 1990s providing leeway for additional spending. However, the uncertainty mentioned earlier could lengthen the recovery time in the retail sector.

The Seattle consumer price index is forecast to drop slightly in 2013 to 2.2 percent and increase again slightly to 2.5 percent in 2014.

Three years after the recovery began, Covington is just starting to feel the effects of a partial recovery. Sales tax collections are at the highest level the city has seen, utility tax is higher than forecast, and real estate excise tax (REET) collections will exceed \$500,000 for the first time since 2008. The magnitude of commercial development projects continues to bring in high permit revenue. This development will bring in one-time construction sales tax dollars as well as living wage jobs which in turn will boost the city's ongoing economic base.

Summary

At the beginning of the great recession, the city made some bold adjustments. Other cities tried to hang on to programs and staff, thinking they could weather the storm. But the recession was longer and deeper than anyone could fathom.

The bold adjustments came at the right time and in the right amount. Because of that early action, the city was able to avoid much of the pain that other cities are now going through. The general fund is currently forecast to have an ending fund balance equivalent to 40 percent of operating expenditures at the end of 2013. In addition, the city has a reserve fund of \$1.4 million.

The decisions made were not easy at the time, but the foresight and fortitude shown by the council and staff has put the city in a stronger financial position than it otherwise would have been if those decisions had been delayed or not implemented.

That said, the city still has some areas of concern — primarily streets and parks. Moving forward with a transportation benefit district has been discussed and the city awaits the budget priorities advisory committee (BPAC) report at year-end.

Looking ahead, the 2013 budget looks more promising than we have seen in a number of years. Some budget decisions are being implemented that are important; there has been some belt-tightening which creates more efficiency; and with the BPAC report expected by year-end there is some real optimism.

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 271st Street, Suite 100, Covington, WA 98042.

BASIC FINANCIAL STATEMENTS

City of Covington
Statement of Net Position
December 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 8,126,251	\$ 1,954,178	\$ 10,080,429
Deposit - Internal Fiscal Agency	46,010	-	46,010
Investments	1,707,195	150,000	1,857,195
Receivables (net of allowances for uncollectibles, where applicable):			
Accounts	327,486	4,588	332,074
Special Assessments	193,819	-	193,819
Interest	9,303	2,985	12,288
Property Taxes	45,680	-	45,680
Intergovernmental	1,455,550	286,310	1,741,860
Internal Balances	253	11,843	12,096
Prepaid Items	84,913	9,484	94,397
Bond Issuance Costs (Net of Amortization)	25,645	-	25,645
Capital Assets Not Being Depreciated:			
Land	17,809,178	993,232	18,802,410
Intangible Assets	940,890	7,003	947,893
Work In Progress	2,540,328	797,959	3,338,287
Capital Assets Net of Depreciation:			
Buildings	590,385	10,504	600,889
Improvements Other than Buildings	238,220	5,941	244,161
Machinery and Equipment	307,364	26,877	334,241
Infrastructure	<u>26,408,102</u>	<u>3,666,652</u>	<u>30,074,754</u>
Total Assets	<u>60,856,572</u>	<u>7,927,556</u>	<u>68,784,128</u>
Deferred Outflows of Resources			
Deferred Outflow of Resources	-	-	-
Liabilities			
Accounts Payable	386,743	32,371	419,114
Accrued Interest Payable	211,447	-	211,447
Accrued Payroll/Benefits	135,727	23,254	158,981
Due to Other Governmental Entities	119,902	14,907	134,809
Internal Balances	11,843	253	12,096
Unearned Revenue	131,709	-	131,709
Long-Term Liabilities			
Due Within One Year			
Compensated Absences	118,286	54,399	172,685
General Obligation Bonds	563,314	-	563,314
Other Long-Term Debt	214,896	-	214,896
Due in More Than One Year			
Compensated Absences	272,466	24,829	297,295
Special Assessment Debt with Government Commitment	28,074	-	28,074
General Obligation Bonds	10,992,432	-	10,992,432
Other Long-Term Debt	<u>2,363,852</u>	<u>-</u>	<u>2,363,852</u>
Total Liabilities	<u>15,550,691</u>	<u>150,013</u>	<u>15,700,704</u>
Deferred Inflows of Resources			
Deferred Inflows of Resources	-	-	-
Net Position			
Net Investment in Capital Assets	34,671,899	5,508,168	40,180,067
Restricted for:			
Debt Service	197,677	-	197,677
Capital Improvement Projects	1,606,246	-	1,606,246
Unrestricted	<u>8,626,937</u>	<u>2,269,375</u>	<u>10,896,312</u>
Total Net Position	<u>\$ 45,102,759</u>	<u>\$ 7,777,543</u>	<u>\$ 52,880,302</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, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government Activities:							
General Government	\$ 3,285,987	\$ 549,802	\$ 62,822	\$ -	\$ (2,673,363)	\$ -	\$ (2,673,363)
Community Development	1,147,440	1,313,052	-	-	165,612	-	165,612
Public Safety	2,919,182	5,700	-	-	(2,913,482)	-	(2,913,482)
Culture and Recreation	1,339,704	620,086	11,424	-	(708,194)	-	(708,194)
Streets and Highways	1,974,551	44,527	423,951	3,555,983	2,049,910	-	2,049,910
Interest on Long Term Debt	523,969	-	-	-	(523,969)	-	(523,969)
Total Governmental Activities	<u>11,190,833</u>	<u>2,533,167</u>	<u>498,197</u>	<u>3,555,983</u>	<u>(4,603,486)</u>	<u>-</u>	<u>(4,603,486)</u>
Business-type Activities:							
Surface Water Management	1,568,984	1,740,142	60,225	349,313	-	580,696	580,696
Total Business-type Activities	<u>1,568,984</u>	<u>1,740,142</u>	<u>60,225</u>	<u>349,313</u>	<u>-</u>	<u>580,696</u>	<u>580,696</u>
Total Primary Government	<u>\$ 12,759,817</u>	<u>\$ 4,273,309</u>	<u>\$ 558,422</u>	<u>\$ 3,905,296</u>	<u>(4,603,486)</u>	<u>580,696</u>	<u>(4,022,790)</u>
General Revenues:							
Taxes:							
Property Tax					2,362,314	-	2,362,314
Sales Tax					3,226,215	-	3,226,215
Utility Tax					2,004,827	-	2,004,827
Local Criminal Justice					370,000	-	370,000
Real Estate Excise Tax					522,804	-	522,804
Property Tax Parks Expansion Levy					46,297	-	46,297
Franchise Fee (Taxes)					200,952	-	200,952
MVET-Criminal Justice					48,650	-	48,650
Liquor Board Profits					175,960	-	175,960
Liquor Excise Tax					44,201	-	44,201
Interest Income					20,059	8,691	28,750
Miscellaneous					142,655	(3,664)	138,991
Gain on Sale of Capital Asset					-	212,620	212,620
Special Items						(900,067)	(900,067)
Transfers - internal activities					(537,117)	537,117	-
Total General Revenues, Special Items, and Transfers					<u>8,627,817</u>	<u>(145,303)</u>	<u>8,482,514</u>
Change in Net Position					4,024,331	435,393	4,459,724
Net Position, January 1					<u>47,899,811</u>	<u>-</u>	<u>47,899,811</u>
Prior Period Adjustment					520,767	-	520,767
Change in Accounting Principle					(7,342,150)	7,342,150	-
Net Position, December 31					<u>\$ 45,102,759</u>	<u>\$ 7,777,543</u>	<u>\$ 52,880,302</u>

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

City of Covington
Balance Sheet
Governmental Funds
December 31, 2012

	Special Revenue Fund		Capital Project Funds		Other Governmental Funds	Total Governmental Funds
	General	Development Services	Local Improvement District 99-01	Capital Investment Program		
Assets and Other Debits						
Cash and Cash Equivalents	\$ 3,412,769	\$ 1,712,390	\$ 265	\$ 1,956,266	\$ 569,684	\$ 7,651,374
Deposit - Internal Fiscal Agency	-	-	-	-	46,010	46,010
Investments	1,383,193	324,002	-	-	-	1,707,195
Receivables (net of allowances for uncollectibles, where applicable):						
Accounts	219,074	9,863	-	-	98,549	327,486
Special Assessments	-	-	193,819	-	-	193,819
Interest	-	-	9,303	-	-	9,303
Property Taxes	45,680	-	-	-	-	45,680
Intergovernmental	676,423	6,914	-	603,196	169,017	1,455,550
Prepaid Items	64,186	6,178	-	-	14,549	84,913
Total Assets	\$ 5,801,325	\$ 2,059,347	\$ 203,387	\$ 2,559,462	\$ 897,809	\$ 11,521,330
Liabilities						
Accounts Payable	\$ 113,150	\$ 7,001	\$ -	\$ 222,406	\$ 42,005	\$ 384,562
Accrued Payroll/Benefits	68,492	23,281	-	482	43,472	135,727
Due to Other Funds	737	254	-	5	473	1,469
Due to Other Governmental Entities	79,546	12,328	-	4,588	20,337	116,799
Unearned Revenue	-	-	-	131,709	-	131,709
Total Liabilities	261,925	42,864	-	359,190	106,287	770,266
Deferred Inflows of Resources						
Unavailable Revenue - Property Taxes	45,680	-	-	-	-	45,680
Unavailable Revenue - Special Assessment	-	-	203,122	-	-	203,122
Total Deferred Inflows of Resources	45,680	-	203,122	-	-	248,802
Fund Balances						
Nonspendable	64,186	6,178	-	-	14,549	84,913
Restricted	197,366	-	265	1,817,693	46	2,015,370
Committed	-	2,010,305	-	54,485	297,637	2,362,427
Assigned	320,473	-	-	328,094	479,290	1,127,857
Unassigned	4,911,695	-	-	-	-	4,911,695
Total Fund Balances	5,493,720	2,016,483	265	2,200,272	791,522	10,502,262
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 5,801,325	\$ 2,059,347	\$ 203,387	\$ 2,559,462	\$ 897,809	

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

Capital Assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds. Governmental Assets (\$51,780,650) are shown net of Accumulated Depreciation (\$3,199,347). Capital Assets are included in the Statement of Net Position. 48,581,303

Other long-term assets such as property tax receivable (\$45,680) are not available to pay for current-period expenditures and, therefore, are unearned in the governmental funds. These amounts are included in the Statement of Net Position. 45,680

Long-term liabilities such as compensated absences (\$390,752), General Obligation Bond Payable (\$11,530,101), LID Bond Payable (\$28,074), Public Works Trust Fund Loan (\$2,578,748), and Accrued Interest Payable (\$211,447) are not due and payable in the current period and, therefore, are not reported in the governmental funds. (14,739,122)

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 Position. 712,636

Net position of governmental activities **\$ 45,102,759**

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

City of Covington
Statement of Revenues, Expenditures, and
Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended December 31, 2012

	Special Revenue Fund		Capital Project Funds		Other Governmental Funds	Totals Governmental Funds
	General	Development Services	Local Improvement District 99-01	Capital Investment Program		
Revenues						
Taxes	\$ 7,971,600	\$ -	\$ -	\$ 46,297	\$ 516,194	\$ 8,534,091
Licenses and Permits	-	963,946	-	-	200,952	1,164,898
Intergovernmental	337,549	41,593	-	1,438,634	438,243	2,256,019
Charges for Goods and Services	18,589	394,373	-	819,713	523,378	1,756,053
Fines and Forfeitures	162,955	-	-	-	-	162,955
Special Assessments	-	-	38,321	-	-	38,321
Interest Income	11,199	3,682	5	4,097	1,076	20,059
Interfund Services Payment	358,061	-	-	-	-	358,061
Miscellaneous	98,835	902	-	-	138,367	238,104
Total Revenues	<u>8,958,788</u>	<u>1,404,496</u>	<u>38,326</u>	<u>2,308,741</u>	<u>1,818,210</u>	<u>14,528,561</u>
Expenditures						
Current:						
General Government	3,203,112	-	-	-	-	3,203,112
Community Development	313,167	950,746	-	-	-	1,263,913
Public Safety	2,919,182	-	-	-	-	2,919,182
Culture and Recreation	-	-	-	-	1,242,801	1,242,801
Streets and Highways	-	-	-	-	953,120	953,120
Capital Outlay:						
General Government	-	-	-	-	-	-
Culture and Recreation	-	-	-	1,531,115	-	1,531,115
Streets and Highways	-	-	490	667,447	13,002	680,939
Debt Service:						
Principal	-	-	34,822	-	747,499	782,321
Interest	-	-	3,019	-	533,824	536,843
Total Expenditures	<u>6,435,461</u>	<u>950,746</u>	<u>38,331</u>	<u>2,198,562</u>	<u>3,490,246</u>	<u>13,113,346</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,523,327</u>	<u>453,750</u>	<u>(5)</u>	<u>110,179</u>	<u>(1,672,036)</u>	<u>1,415,215</u>
Other Financing Sources (Uses)						
Transfers In	16,098	-	-	133,143	1,822,861	1,972,102
Transfers Out	(1,928,521)	-	-	(113,421)	(43,581)	(2,085,523)
Proceeds from Sale of Capital Assets	-	-	-	42,106	-	42,106
Compensation from Loss of Assets	12	-	-	-	36,993	37,005
Total Other Financing Sources (Uses)	<u>(1,912,411)</u>	<u>-</u>	<u>-</u>	<u>61,828</u>	<u>1,816,273</u>	<u>(34,310)</u>
Net Change in Fund Balances	610,916	453,750	(5)	172,007	144,237	1,380,905
Fund Balances, January 1	<u>4,882,804</u>	<u>1,562,733</u>	<u>270</u>	<u>1,462,625</u>	<u>647,285</u>	<u>8,555,717</u>
Prior Period Adjustment (Note 15)	-	-	-	565,640	-	565,640
Fund Balances, December 31	<u>\$ 5,493,720</u>	<u>\$ 2,016,483</u>	<u>\$ 265</u>	<u>\$ 2,200,272</u>	<u>\$ 791,522</u>	<u>\$ 10,502,262</u>

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

City of Covington
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended December 31, 2012

Amounts reported for Governmental Activities in the Statement of Activities (see page 26) are different because:

Net Change in Fund Balances - total Governmental funds (see page 28)	\$ 1,380,905		
Governmental funds revenues are only reported when they provide current financial resources. However, in the Statement of Activities, revenues are recognized when earned.	(1,634)		
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net assets.	832,986		
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 \$2,166,896 less current year depreciation of (\$1,117,029).	1,049,868		
Governmental funds report bond insurance costs as expenditures. However, these amounts are reported on the Statement of Net Position as deferred charges and amortized over the life of the debt. Amortization of bond insurance costs (\$2,113).	(2,113)		
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 \$61,692 and reduction in termination benefits (2,141).	(59,551)		
Repayment of long-term debt is an expenditure in the governmental funds, yet, the repayment reduces long-term liabilities in the Statement of Net Position.	782,321		
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 \$12,874. Amortization of bond premium \$2,633.	15,507		
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.	<table style="margin-left: auto; margin-right: 0;"> <tr> <td style="text-align: right;">12,894</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">13,148</td> </tr> </table>	12,894	13,148
12,894			
13,148			
Change in net position of governmental activities (see page 26)	<u>\$ 4,024,331</u>		

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, 2012

	Budget			Variance
	Original	Final	Actual	Over (Under)
Revenues				
Taxes	\$ 7,425,475	\$ 7,425,475	\$ 7,971,600	\$ 546,125
Intergovernmental	309,488	336,313	337,549	1,236
Charges for Goods and Services	668,641	668,641	376,650	(291,991)
Fines and Forfeitures	132,000	132,000	162,955	30,955
Interest Income	15,500	15,500	11,199	(4,301)
Miscellaneous	22,000	22,000	98,835	76,835
Total Revenues	<u>8,573,104</u>	<u>8,599,929</u>	<u>8,958,788</u>	<u>358,859</u>
Expenditures				
Current:				
General Government:				
City Council	347,809	347,809	337,173	(10,636)
Council Contingency	50,000	50,000	-	(50,000)
City Court	662,300	662,300	563,386	(98,914)
City Manager	945,807	945,807	894,384	(51,423)
Finance	525,441	525,441	521,569	(3,872)
City Attorney	80,000	80,000	61,859	(18,141)
Personnel	333,285	360,110	341,952	(18,158)
Central Services	911,239	911,239	482,789	(428,450)
Total General Government	<u>3,855,881</u>	<u>3,882,706</u>	<u>3,203,112</u>	<u>(679,594)</u>
Community Development:				
Total Community Development	<u>390,179</u>	<u>390,179</u>	<u>313,167</u>	<u>(77,012)</u>
Public Safety:				
Total Public Safety	<u>3,083,217</u>	<u>3,083,217</u>	<u>2,919,182</u>	<u>(164,035)</u>
Capital Outlay:				
General Government	-	-	-	-
Total Expenditures	<u>7,329,277</u>	<u>7,356,102</u>	<u>6,435,461</u>	<u>(920,641)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,243,827</u>	<u>1,243,827</u>	<u>2,523,327</u>	<u>1,279,500</u>
Other Financing Sources (Uses)				
Transfers In	-	16,098	16,098	-
Transfers Out	(1,846,310)	(1,861,954)	(1,928,521)	(66,567)
Compensation Loss of Asset	-	-	12	12
Total Other Financing Sources (Uses)	<u>(1,846,310)</u>	<u>(1,845,856)</u>	<u>(1,912,411)</u>	<u>(66,555)</u>
Net Change in Fund Balances	(602,483)	(602,029)	610,916	1,212,945
Fund Balances, January 1	<u>4,568,569</u>	<u>4,882,804</u>	<u>4,882,804</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 3,966,086</u>	<u>\$ 4,280,775</u>	<u>\$ 5,493,720</u>	<u>\$ 1,212,945</u>

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, 2012

	Budget		Actual	Variance
	Original	Final		Over (Under)
Revenues				
Licenses and Permits	\$ 638,995	\$ 638,995	\$ 963,946	\$ 324,951
Intergovernmental	72,380	72,380	41,593	(30,787)
Charges for Goods and Services	664,933	664,933	394,373	(270,560)
Interest Income	-	-	3,682	3,682
Miscellaneous	-	-	902	902
Total Revenues	1,376,308	1,376,308	1,404,496	28,188
Expenditures				
Current:				
Community Development	881,928	881,928	950,746	68,818
Total Expenditures	881,928	881,928	950,746	68,818
Excess (Deficiency) of Revenues Over Expenditures	494,380	494,380	453,750	(40,630)
Fund Balances, January 1	1,307,272	1,562,733	1,562,733	-
Fund Balances, December 31	\$ 1,801,652	\$ 2,057,113	\$ 2,016,483	\$ (40,630)

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

City of Covington
Statement of Net Position
Proprietary Funds
December 31, 2012

	<u>Business-Type Activities</u>	
	Enterprise Fund	Governmental
	Surface Water Management	Activities- Internal Service Funds
Assets and other Debits		
Current Assets:		
Cash and Cash Equivalents	\$ 1,954,178	\$ 474,877
Investments	150,000	-
Receivables (net of allowances for uncollectibles, where applicable):		
Due from Other Funds	-	1,722
Accounts	4,588	-
Interest	2,985	-
Intergovernmental, net	286,310	-
Prepaid Items	9,484	-
Total Current Assets	2,407,545	476,599
Noncurrent Assets:		
Capital Assets:		
Land	993,232	-
Intangible Assets	7,003	-
Work in Progress	797,959	-
Buildings	13,131	-
Improvements Other than Buildings	17,238	-
Machinery and Equipment	61,056	480,614
Infrastructure	4,084,577	-
Accumulated Depreciation	(466,028)	(227,450)
Total Capital Assets (net of accumulated depreciation)	5,508,168	253,164
Total Assets	7,915,713	729,763
Deferred Outflows of Resources		
Deferred Outflows of Resources	-	-
Liabilities		
Current Liabilities:		
Accounts Payable	32,371	2,181
Accrued Payroll/Benefits	23,254	-
Compensated Absences	54,399	-
Due to Other Funds	253	-
Due to Other Governmental Entities	14,907	3,103
Total Current Liabilities	125,184	5,284
Noncurrent Liabilities:		
Compensated Absences	24,829	-
Total NonCurrent Liabilities	24,829	-
Total Liabilities	150,013	5,284
Deferred Inflows of Resources		
Deferred Inflows of Resources	-	-
Net Position		
Net Investment in Capital Assets	5,508,168	253,164
Unrestricted	2,257,532	471,315
Total Net Position	\$ 7,765,700	\$ 724,479

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

	11,843
Net position of business-type activities	\$ 7,777,543

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

City Of Covington
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended December 31, 2012

	<u>Business-Type Activities</u>	
	<u>Enterprise Fund</u>	Governmental
	Surface Water Management	Activities- Internal Service Funds
Operating Revenues:		
Surface Water Management Fees	\$ 1,731,685	\$ -
Grants	60,225	-
Insurance Recovery	4,588	-
Unemployment Charges	-	40,237
Fuel and Maintenance Assessments	-	46,064
Equipment Replacement Assessments	-	63,385
Total Operating Revenues	<u>1,796,498</u>	<u>149,686</u>
Operating Expenses:		
Cost of Services	1,395,648	-
Unemployment Benefits Paid	-	25,220
Vehicle Fuel	-	24,441
Repairs and Maintenance of Vehicles	-	21,623
Minor Equipment	-	5,475
Depreciation	152,342	37,289
Total Operating Expenses	<u>1,547,990</u>	<u>114,048</u>
Operating Income (Loss)	<u>248,508</u>	<u>35,638</u>
Nonoperating Revenues (Expenses)		
Intergovernmental	3,869	-
Grant Income	170,982	216
Interest Income	8,691	876
Interest Expense	(32,837)	-
Gain or (Loss) From Disposition of Assets	212,620	1,155
Miscellaneous	(3,664)	-
Total Nonoperating Revenues (Expenses)	<u>359,661</u>	<u>2,247</u>
Income Before Contributions and Transfers	608,169	37,885
Special Items, Contributions, and Transfers:		
Transfer In	113,421	-
Transfer Out	-	-
Forgiveness of Debt	(900,067)	-
Capital Contributions from Capital Investment Project Fund	423,696	-
Capital Contributions from Developers	178,331	-
Total Special Items, Contributions, and Transfers	<u>(184,619)</u>	<u>-</u>
Change in Net Position	423,550	37,885
Net Position, January 1	<u>-</u>	<u>686,594</u>
Change in Accounting Principle (Note 15)	7,342,150	-
Net Position, December 31	<u>\$ 7,765,700</u>	<u>\$ 724,479</u>
Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.	<u>11,843</u>	
Change in net position of business-type activities	<u>\$ 435,393</u>	

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

City of Covington
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended December 31, 2012

	Business-Type Activities	
	Enterprise Fund	Governmental
	Surface Water Management	Activities- Internal Service Funds
Cash Flows from Operating Activities		
Cash Received from Interfund Services Provided	\$ -	\$ 147,965
Cash Received from Customers	1,691,508	-
Grant Income	54,198	-
Payments Made to Suppliers	(412,493)	(50,887)
Payments for Interfund Services Used	(405,238)	-
Payments Made to Employees	(574,692)	-
Cash Paid for Unemployment Assessments	-	(25,924)
Other Receipts (Payments)	9,441	-
Net Cash Provided by Operating Activities	362,724	71,154
Cash Flows from Noncapital Financing Activities		
Intergovernmental Revenue	99,794	-
Payments Made to Suppliers	(100,869)	-
Grant Income	9,065	215
Transfers to (from) Other Funds	113,421	-
Other Receipts (Payments)	36	-
Net Cash Provided by Noncapital Financing Activities	121,447	215
Cash Flows from Capital and Related Financing Activities		
Capital Assets Purchased for Own Use	(262,839)	-
Proceeds from Disposition of Asset	215,677	9,299
Interest Paid	(32,837)	-
Vehicle Replacement	-	(94,829)
Net Cash Received (used) for Capital Activities	(79,999)	(85,530)
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	300,000	-
Purchase of Investments	(311,254)	-
Interest Received	20,743	876
Net Cash Provided by Investing Activities	9,489	876
Net Increase (Decrease) in Cash and Cash Equivalents	413,661	(13,285)
Cash and Cash Equivalents, January 1	1,540,517	488,162
Cash and Cash Equivalents, December 31	\$ 1,954,178	\$ 474,877
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 248,508	\$ 35,638
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
(Increase)/Decrease in Receivables	(3,187)	-
(Increase)/Decrease in Due from Other Funds	-	(1,722)
(Increase)/Decrease in Due from Other Governments	(47,606)	-
(Increase)/Decrease in Other Assets	85	-
Increase/(Decrease) in Accounts Payable	(8,580)	1,192
Increase/(Decrease) in Accrued Payroll/Benefits	8,932	-
Increase/(Decrease) in Due to Other Funds	253	-
Increase/(Decrease) in Due to Other Governmental Entities	11,977	(1,243)
Depreciation	152,342	37,289
Total Adjustments to Net Cash Provided by Operating Activities	114,216	35,516
Net Cash Provided by Operating Activities	\$ 362,724	\$ 71,154
Noncash Capital Activities		
Capital Contributions:		
Capital Contributions from Capital Investment Project Fund	\$ 423,696	\$ -
Capital Contributions from Developers	178,331	-
Total Capital Contributions	\$ 602,027	\$ -

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, 2012)

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.

The City has reviewed all applicable statements through GASB Statement No. 65 and has implemented those that apply.

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 to four-year staggered terms. One of the Councilmembers is elected by the Council to serve as Mayor. The Council appoints the City Manager, who administers the City.

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 Position 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 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, deferred outflows, liabilities, deferred inflows, 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.

GASB 34 sets forth minimum criteria (percentage of assets, deferred outflows, liabilities, deferred inflows, revenues or expenditures/expenses of either fund category or the

governmental and enterprise combined) for the determination of major funds. Non-major funds are aggregated in a column in the fund financial statements.

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 Fund - The Special Revenue Fund 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 Fund:

- *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. In 2012 the City adopted Ordinance No. 10-12 which committed all residential and commercial building permit fees, and residential and commercial building plan review fees received into the Development Services Fund and all Aquatic Center revenues received into the non-major Parks Fund for purposes of GASB 54.

Capital Project Funds – The Capital Project Funds account for the financing of major capital acquisitions and construction projects other than those financed by Proprietary Funds.

- *Local Improvement District 99.01 Fund.* To account for resources used to finance specific capital improvements, which are deemed to primarily benefit certain properties located near the project.
- *Capital Investment Program Fund.* To account for the financial resources to be used for the acquisition or construction of major capital facilities.

The City reports the following major proprietary fund:

Business-Type Funds - Enterprise funds account for activity for which a fee is charged to external users with the intent of covering all or a significant portion of expenses including depreciation. Enterprise funds are required if debt is issued that is backed solely by enterprise fund fees, or if there is a legal requirement, or policy decision to recover all direct costs. The City of Covington uses the following Enterprise Fund:

- *Surface Water Management Fund.* To account for the collection of Surface Water Management Fees, which are used for storm water treatment facilities and related infrastructure.

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 *nonoperating* 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 Surface Water Management Fund and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of providing the services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

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 any time 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, Deferred Outflows/Inflows of Resources, Net Position/Fund Balance

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, and short-term investments with original maturities of three months or less from the date of acquisition.

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.

Interest Receivable represents amounts due to the City from interest earned but not yet received.

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 balances and transfers 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

Inventories in the governmental funds are recorded as expenditures at the time of purchase. Amounts remaining at year end are immaterial and, therefore, are not reflected in the financial statements for those funds.

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, intangibles, 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, machinery and equipment, and intangibles 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.

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

Intangible assets are comprised of land use rights, i.e., easements. Amortization is based upon the terms of the agreement.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has no items that qualify for reporting in this category.

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

9. 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, 2012 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 Position. 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 25% of their accrued and unused sick leave, not to exceed a payment on more than 180 hours. The funds are required to be contributed into the employees HRA VEBA account. The amount of this liability is assumed to be liquidated from current expendable resources and is included in the Government-wide Statements.

Termination Benefits. As of December 31, 2012 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 prepaid insurance costs, are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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. Unearned 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. Net Position

Government-wide statements: Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets or related debt also should be included.
- b. Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- c. Unrestricted net position – The difference between total net position and net investment in capital assets and restricted net position.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

12. Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different fund balance categories that a governmental entity must use for financial reporting purposes in its governmental fund types.

GASB 54 requires governmental type fund balance amounts to be properly reported within one of the fund balance categories listed below:

Nonspendable – Amounts that cannot be spent either because they are nonspendable in form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws of regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The City has granted authority to the City Manager to assign fund balance amounts.

Unassigned – The residual classification for the government’s general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

13. Minimum Fund Balance

The City has adopted a minimum fund balance described as follows:

An appropriate level of Unassigned Fund Balance should be maintained in the General Fund in order to cover unexpected expenditures and revenue shortfalls. This Fund Balance Policy establishes a minimum Unassigned Fund Balance equal to 10% of the General Fund operating expenditures.

The City has elected to require on certain special revenue funds (Street Fund, Parks Fund, and Surface Water Management Fund) a minimum of 10% of operating expenditures in Unrestricted Fund Balance. The Development Services Fund will be required to have a 15% minimum of operating expenditures in Unrestricted Fund Balance.

In the event that the balance drops below the established minimum level, the City’s governing body will develop a plan to replenish the fund balance to the established minimum level as economic conditions allow.

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 balances - total governmental funds and net position - governmental activities as reported in the Government-wide Statement of Net Position. The details of this \$34,600,497 difference are shown on the Governmental Funds Balance Sheet on page number 27.

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 position of governmental activities as reported in the Government-wide Statement of Activities. The details of this \$4,024,330 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 29.

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, 2012, the carrying amount of the City's deposits was \$10,126,439, and the total bank balance was \$10,125,841. 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, 2012, the City's total deposits and cash equivalents, including investment in the State Treasurer's Pool, consisted of the following:

Operating Accounts	\$ 288,580
State Treasurer's Pool	9,798,370
Forfeiture Account	38,889
Petty Cash	<u>600</u>
Total Cash and Cash Equivalents	<u>\$10,126,439</u>

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):

<u>Authorized Investment Type</u>	<u>Maximum % of Portfolio</u>
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 Securities	\$ 1,358,002	\$ -	\$ -	\$ -	\$ 1,358,002	AAA/Aaa
Municipal Securities	499,193	150,000	199,591	149,602	-	AA2/AA+
State of Washington Local Governmental Investment Pool (LGIP)	-	-	-	-	-	Unrated
Total	\$ 1,857,195	\$ 150,000	\$ 199,591	\$ 149,602	\$ 1,358,002	

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, 2012 all of the \$1,857,195 investments in U.S. agency debt obligations and municipal securities 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.

The City of Covington's regular levy for 2012 was \$1.4809 per \$1,000 of assessed valuation, including exempt properties, of \$1,586,157,539 for a total regular levy of \$2,365,325.

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, 2012 was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 17,581,319	\$ 227,859	\$ -	\$ 17,809,178
Intangibles	940,890	-	-	940,890
Work in Progress	<u>3,951,042</u>	<u>1,754,638</u>	<u>(3,165,352)</u>	<u>2,540,328</u>
Total capital assets, not being depreciated	<u>22,473,251</u>	<u>1,982,497</u>	<u>(3,165,352)</u>	<u>21,290,396</u>
Capital assets, being depreciated:				
Buildings	716,215	-	-	716,215
Improvements other than buildings	639,772	-	(21,366)	618,406
Machinery and equipment	690,595	117,298	(37,234)	770,659
Infrastructure	<u>24,674,154</u>	<u>4,191,434</u>	<u>-</u>	<u>28,865,588</u>
Total capital assets being depreciated	<u>26,720,736</u>	<u>4,308,732</u>	<u>(58,600)</u>	<u>30,970,868</u>
Less accumulated depreciation for:				
Buildings	(90,018)	(35,812)	-	(125,830)
Improvements other than buildings	(338,900)	(42,939)	1,653	(380,186)
Machinery and equipment	(452,610)	(51,189)	40,504	(463,295)
Infrastructure	<u>(1,410,802)</u>	<u>(1,046,684)</u>	<u>-</u>	<u>(2,457,486)</u>
Total accumulated depreciation	<u>(2,292,330)</u>	<u>(1,176,624)</u>	<u>42,157</u>	<u>(3,426,797)</u>
Total capital assets, being depreciated net	<u>24,428,406</u>	<u>3,132,108</u>	<u>(16,443)</u>	<u>27,544,071</u>
Governmental activities capital assets, net	<u>\$ 46,901,657</u>	<u>\$ 5,114,605</u>	<u>\$ (3,181,795)</u>	<u>\$ 48,834,467</u>

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

Governmental Activities	
General Government	\$ 41,240
Community Development	903
Public Safety	-
Culture and Recreation	90,586
Streets and Highways	1,006,606
Capital assets held by the government's Internal Service Funds	<u>37,289</u>
Total depreciation expense - governmental activities	<u>\$ 1,176,624</u>

Business-type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 989,707	\$ 3,525	\$ -	\$ 993,232
Intangibles	7,003	-	-	7,003
Work in Progress	<u>517,407</u>	<u>663,745</u>	<u>(383,193)</u>	<u>797,959</u>
Total capital assets, not being depreciated	<u>1,514,117</u>	<u>667,270</u>	<u>(383,193)</u>	<u>1,798,194</u>
Capital assets, being depreciated:				
Buildings	13,131	-	-	13,131
Improvements other than buildings	17,238	-	-	17,238
Machinery and equipment	34,658	26,398	-	61,056
Infrastructure	<u>3,525,764</u>	<u>558,813</u>	<u>-</u>	<u>4,084,577</u>
Total capital assets being depreciated	<u>3,590,791</u>	<u>585,211</u>	<u>-</u>	<u>4,176,002</u>
Less accumulated depreciation for:				
Buildings	(1,970)	(657)	-	(2,627)
Improvements other than buildings	(10,508)	(789)	-	(11,297)
Machinery and equipment	(32,416)	(1,763)	-	(34,179)
Infrastructure	<u>(268,792)</u>	<u>(149,133)</u>	<u>-</u>	<u>(417,925)</u>
Total accumulated depreciation	<u>(313,686)</u>	<u>(152,342)</u>	<u>-</u>	<u>(466,028)</u>
Total capital assets, being depreciated net	<u>3,277,105</u>	<u>432,869</u>	<u>-</u>	<u>3,709,974</u>
Business-type activities capital assets, net	<u>\$ 4,791,222</u>	<u>\$ 1,100,139</u>	<u>\$ (383,193)</u>	<u>\$ 5,508,168</u>

B. Construction Commitments

The City of Covington has active construction projects as of December 31, 2012.

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>
Covington Community Park	MacLeod Reckord	\$ 560,464	\$ 14,050
Covington Community Park	Goodfellow Bros., Inc.	1,207,784	228,472
SR 516 Safety Widening	Tetra Tech, Inc.	634,069	652,160
		<u>\$ 2,402,317</u>	<u>\$ 894,682</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 ICMA-RC. 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, 2012 through December 31, 2012, was \$3,058,419. The City’s total payroll for the same period was \$3,341,523. The table below shows the required percentage contribution and the total actual contributions for 2012 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%	\$100,928
Employer	7.5%	\$229,382

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 ICMA-RC. 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, 2012 through December 31, 2012 was \$3,341,523. The City's total payroll for the same period was \$3,341,523. The table below shows the required percentage contribution and the total actual contributions for 2012 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%	\$207,174
Employer	5.6%	\$187,126

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 over 153 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 \$750,000, 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.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines.

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 position. Federal arbitrage if applicable will be calculated and the amount of installments for each debt issue disclosed. There is currently no federal arbitrage to disclose.

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 Position. There are currently no delinquent accounts.

Compensated absences are reported in the Government-wide Statements – Statement of Net Position. As of December 31, 2012, the City obligated \$297,295 as the portion of compensated absences not expected to be funded with current available expendable resources, \$272,466 in governmental activities, and \$24,829 in business-type activities. For Governmental Activities, the General Fund, Street Fund, Development Services Fund, and Parks Fund liquidate 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 Position.

The City has no short-term debt outstanding only long-term.

The following schedule details the long-term liability activity and balances of the City as of December 31, 2012.

Changes in Long-Term Liabilities Governmental Activities

Description	Interest Rate	Fund Used to Pay Debt	Issue Date	Maturity Date	Original Debt	Debt	Debt	Debt	Debt	Due Within One Year
					Issued	Outstanding 1/1/12	Issued in 2012	Redemption in 2012	Outstanding 12/31/2012	
Governmental activities:										
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	39,616	-	2,633	36,983	-
2007T (Taxable)	5.43%	Long-Term Debt Service	6/5/2007	11/1/2015	2,505,000	1,800,000	-	515,000	1,285,000	545,000
2008 (Tax-Exempt)	4.00%	Long-Term Debt Service	6/10/2008	6/1/2023	308,068	251,366	-	17,603	233,763	18,314
Special assessment debt with government commitment	4.80%	L.I.D. 99.01	7/1/2004	7/1/2021	460,100	62,896	-	34,822	28,074	-
Compensated absences						329,060	74,138	12,446	390,752	118,286
Other Long-Term Debt: DCTED Public Works Trust Fund Loan	0.50%	Long-Term Debt Service	7/1/2004	7/1/2024	<u>3,785,500</u>	<u>2,793,644</u>	<u>-</u>	<u>214,896</u>	<u>2,578,748</u>	<u>214,896</u>
Total Governmental Activities					<u>\$ 17,111,323</u>	<u>\$ 15,276,582</u>	<u>\$ 74,138</u>	<u>\$ 797,400</u>	<u>\$ 14,553,320</u>	<u>\$ 896,496</u>

Changes in Long-Term Liabilities Business-type Activities

<u>Description</u>	<u>Debt Outstanding 1/1/12</u>	<u>Debt Issued in 2012</u>	<u>Debt Redemption in 2012</u>	<u>Debt Outstanding 12/31/2012</u>	<u>Due Within One Year</u>
Business-type activities:					
Compensated absences	\$ 72,311	\$ 8,950	\$ 2,033	\$ 79,228	\$ 54,399
Total Business-type activities	<u>\$ 72,311</u>	<u>\$ 8,950</u>	<u>\$ 2,033</u>	<u>\$ 79,228</u>	<u>\$ 54,399</u>

As of December 31, 2012, the City's annual debt service requirements for general obligations, and special assessment bonds were:

Annual Debt Service Requirements to Maturity

<u>Year</u>	<u>General Obligation</u>		<u>Special Assessment</u>		<u>Governmental Activities Other Debt</u>		<u>Total Annual Requirements</u>
	<u>Bonds Principal</u>	<u>Interest</u>	<u>Bonds Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2013	563,314	492,107	-	1,348	214,896	12,894	1,284,559
2014	589,054	462,646	-	1,348	214,896	11,819	1,279,763
2015	619,824	431,438	-	1,348	214,896	10,745	1,278,250
2016	650,625	403,267	-	1,348	214,896	9,670	1,279,806
2017	676,458	375,659	-	1,348	214,896	8,596	1,276,956
2018-2022	3,851,016	1,414,020	28,073	5,278	1,074,479	26,862	6,399,728
2023-2027	4,568,473	578,591	-	-	429,792	3,223	5,580,078
Total	<u>\$ 11,518,763</u>	<u>\$ 4,157,729</u>	<u>\$ 28,073</u>	<u>\$ 12,015</u>	<u>\$ 2,578,750</u>	<u>\$ 83,809</u>	<u>\$ 18,379,140</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 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 \$331,207 for the year ended December 31, 2012.

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:

Fiscal Year	
<u>Ending</u>	<u>Amount</u>
2013	\$339,487
2014	347,974
2015	356,673
2016	365,590
2017	374,730
Total	<u>\$1,784,454</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 BALANCES AND TRANSFERS

The composition of interfund activity as of December 31, 2012, is as follows:

Due to/Due from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Unemployment Insurance - General		\$ 737
Internal Service Fund	Development Services	254
	Capital Investment	5
	Nonmajor Governmental	473
	Surface Water Management - Enterprise Fund	<u>253</u>
Total		<u>\$ 1,722</u>

The outstanding balances between funds are the result of accrued payroll owed to the Unemployment Insurance Fund at the end of the year.

Interfund transfers:

	Transfer In:				Total
	General Fund	Capital Investment Program Fund	Nonmajor Governmental	Enterprise Fund Surface Water Management Fund	
Transfer Out:					
General Fund	\$ -	\$ 133,143	\$ 1,795,378	\$ -	\$ 1,928,521
Capital Investment Program Fund	-	-	-	113,421	113,421
Nonmajor Governmental	<u>16,098</u>	<u>-</u>	<u>27,483</u>	<u>-</u>	<u>43,581</u>
Total Transfers	<u>\$ 16,098</u>	<u>\$ 133,143</u>	<u>\$ 1,822,861</u>	<u>\$ 113,421</u>	<u>\$ 2,085,523</u>

The transfers from the General Fund were for ongoing expenses that are being funded from Utility Tax revenues as well as a debt service transfer. The transfer from the Capital Investment Program Fund is for monies that were returned to the Surface Water Management Fund upon closeout of a project. The transfer from the Non-major governmental funds is to pay debt service as well as repayment of a traffic concurrency project.

NOTE 12: RESTRICTED COMPONENT OF NET POSITION

The government-wide statement of net position reports \$1,803,923 of restricted component of net position, of which \$197,677 is restricted for debt service and \$1,606,246 is restricted for capital improvement projects.

NOTE 13: OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

The City does not currently offer any postemployment benefit plans.

NOTE 14: GOVERNMENTAL FUND BALANCES

Fund balance amounts for governmental funds have been reported in the categories of nonspendable, restricted, committed, assigned, and unassigned. The specific purposes for these amounts are as follows:

	<u>Special Revenue Fund</u>		<u>Capital Project Fund</u>		Other Governmental Funds	Total Governmental Funds
	General	Development Services	Local Improvement District 99-01	Capital Investment Program		
Fund Balance						
Fund Balances:						
Nonspendable:						
Prepays	\$ 64,186	\$ 6,178	\$ -	\$ -	\$ 14,549	\$ 84,913
Restricted for:						
Debt Service	197,366	-	265	-	46	197,677
Capital Improvement Projects	-	-	-	1,817,693	-	1,817,693
Committed to:						
Development Services	-	2,010,305	-	-	-	2,010,305
Parks and Recreation	-	-	-	-	297,637	297,637
Capital Improvement Projects	-	-	-	54,485	-	54,485
Assigned to:						
Projected Budgetary Deficit	320,473	-	-	72,073	67,640	460,186
Street Maintenance	-	-	-	-	411,650	411,650
Capital Improvement Projects	-	-	-	256,021	-	256,021
Unassigned	<u>4,911,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,911,695</u>
Total Fund Balances	<u>\$ 5,493,720</u>	<u>\$ 2,016,483</u>	<u>\$ 265</u>	<u>\$ 2,200,272</u>	<u>\$ 791,522</u>	<u>\$ 10,502,262</u>

NOTE 15: OTHER DISCLOSURES

A. Prior Period Adjustments

With the implementation of GASB 65, debt issuance costs less any portion related to prepaid insurance costs, are to be recognized as an expense in the period incurred. The unamortized debt issuance cost related to prior periods is reflected in the Statement of Activities as a reduction to net position in the amount of \$(44,873).

The City is recognizing \$565,640 of prior period revenue previously reported as deferred in the Capital Investment Program Fund. Collected impact fees were inappropriately recorded as deferred instead of recognizing them at time of receipt. This correction is reflected in the governmental fund statements as well as the Statement of Activities.

B. Accounting and Reporting Changes

Beginning January 1, 2012 the Surface Water Management Fund has been reclassified from a special revenue fund to an enterprise fund. An accounting change of \$7,342,150 is reflected in the Statement of Revenues, Expenses, and Changes in Net Position of Proprietary Funds as well as the Statement of Activities.

Prior period adjustments and accounting and reporting changes reduced beginning net position in governmental activities from \$47,899,811 to \$41,078,428 and increased beginning net position in business-type activities from \$0 to \$7,342,150.

C. Extraordinary and/or Special Items

The Surface Water Management Fund reported a special item in the amount of \$(900,067) to reflect a forgiveness of debt for federal properties that were billed drainage utility fees. The City Council, after a Department of Justice ruling, authorized a write-off of these debts.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds

City of Covington
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2012

	Special Revenue Funds		Debt Service Funds		Total Nonmajor Governmental Funds
	Parks	Street	Local Improvement District 99-01 Guaranty	Long-Term Debt Service	
Assets and other Debits					
Cash and Cash Equivalents	\$ 260,755	\$ 302,579	\$ 6,350	\$ -	\$ 569,684
Deposit Internal Fiscal Agent	-	-	46,010	-	46,010
Receivables (net of allowances for uncollectibles, where applicable):					
Accounts	7,627	90,922	-	-	98,549
Special Assessments	-	-	-	-	-
Interest	-	-	-	-	-
Intergovernmental	111,715	57,302	-	-	169,017
Prepaid Items	8,861	5,688	-	-	14,549
Total Assets	<u>\$ 388,958</u>	<u>\$ 456,491</u>	<u>\$ 52,360</u>	<u>\$ -</u>	<u>\$ 897,809</u>
Liabilities					
Accounts Payable	\$ 28,787	\$ 13,218	\$ -	\$ -	\$ 42,005
Accrued Payroll/Benefits	29,248	14,224	-	-	43,472
Due to Other Funds	318	155	-	-	473
Due to Other Governmental Entities	8,781	11,556	-	-	20,337
Deferred Revenue	-	-	-	-	-
Total Liabilities	<u>67,134</u>	<u>39,153</u>	<u>-</u>	<u>-</u>	<u>106,287</u>
Fund Balances					
Nonspendable	8,861	5,688	-	-	14,549
Restricted	-	-	46	-	46
Committed	297,637	-	-	-	297,637
Assigned	15,326	411,650	52,314	-	479,290
Total Fund Balances	<u>321,824</u>	<u>417,338</u>	<u>52,360</u>	<u>-</u>	<u>791,522</u>
Total Liabilities and Fund Balances	<u>\$ 388,958</u>	<u>\$ 456,491</u>	<u>\$ 52,360</u>	<u>\$ -</u>	<u>\$ 897,809</u>

City of Covington
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended December 31, 2012

	Special Revenue Funds		Debt Service Fund		Total Nonmajor Governmental Funds
	Parks	Street	Local Improvement District 99-01 Guaranty	Long-Term Debt Service	
Revenues					
Taxes	\$ 516,194	\$ -	\$ -	\$ -	\$ 516,194
Licenses and Permits	-	200,952	-	-	200,952
Intergovernmental	11,424	426,819	-	-	438,243
Charges for Goods and Services	481,755	41,623	-	-	523,378
Special Assessments	-	-	-	-	-
Interest Income	434	546	96	-	1,076
Miscellaneous	138,331	36	-	-	138,367
Total Revenues	1,148,138	669,976	96	-	1,818,210
Expenditures					
Current:					
Culture and Recreation	1,242,801	-	-	-	1,242,801
Streets and Highways	-	953,120	-	-	953,120
Capital Outlay:					
General Government	-	-	-	-	-
Community Development	-	-	-	-	-
Public Safety	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Streets and Highways	-	13,002	-	-	13,002
Debt Service:					
Principal	-	-	-	747,499	747,499
Interest	-	-	-	533,824	533,824
Total Expenditures	1,242,801	966,122	-	1,281,323	3,490,246
Excess (Deficiency) of Revenues Over Expenditures	(94,663)	(296,146)	96	(1,281,323)	(1,672,036)
Other Financing Sources (Uses)					
Transfers In	211,579	329,959	-	1,281,323	1,822,861
Transfers Out	(27,483)	(16,098)	-	-	(43,581)
Compensation from Loss of Assets	-	36,993	-	-	36,993
Total Other Financing Sources (Uses)	184,096	350,854	-	1,281,323	1,816,273
Net Change in Fund Balances	89,433	54,708	96	-	144,237
Fund Balances, January 1	232,391	362,630	52,264	-	647,285
Fund Balances, December 31	\$ 321,824	\$ 417,338	\$ 52,360	\$ -	\$ 791,522

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 funds:

Parks Fund – This fund is used to account for Parks programs which include parks maintenance as well as the Covington Aquatic Center.

Street Fund – This fund is used to account for the State collected gasoline tax, which is restricted for street purposes.

City of Covington
Parks Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended December 31, 2012

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
Revenues				
Taxes	\$ 456,000	\$ 456,000	\$ 516,194	\$ 60,194
Intergovernmental	-	12,400	11,424	(976)
Charges for Goods and Services	419,310	419,310	481,755	62,445
Interest Income	200	200	434	234
Miscellaneous	<u>121,450</u>	<u>121,450</u>	<u>138,331</u>	<u>16,881</u>
Total Revenues	<u>996,960</u>	<u>1,009,360</u>	<u>1,148,138</u>	<u>138,778</u>
Expenditures				
Current:				
Culture and Recreation:				
Parks Maintenance	175,610	178,010	177,661	(349)
Aquatics	717,243	717,243	733,762	16,519
Recreation and Special Events	135,081	135,081	139,965	4,884
Parks Administration	<u>191,080</u>	<u>201,080</u>	<u>191,413</u>	<u>(9,667)</u>
Total Culture and Recreation	<u>1,219,014</u>	<u>1,231,414</u>	<u>1,242,801</u>	<u>11,387</u>
Total Expenditures	<u>1,219,014</u>	<u>1,231,414</u>	<u>1,242,801</u>	<u>11,387</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(222,054)</u>	<u>(222,054)</u>	<u>(94,663)</u>	<u>127,391</u>
Other Financing Sources (Uses)				
Transfers In	211,579	211,579	211,579	-
Transfers Out	(27,483)	(37,483)	(27,483)	10,000
Compensation from Loss of Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>184,096</u>	<u>174,096</u>	<u>184,096</u>	<u>10,000</u>
Net Change in Fund Balance	(37,958)	(47,958)	89,433	137,391
Fund Balances, January 1	<u>269,649</u>	<u>232,391</u>	<u>232,391</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 231,691</u>	<u>\$ 184,433</u>	<u>\$ 321,824</u>	<u>\$ 137,391</u>

City of Covington
Street Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended December 31, 2012

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Over (Under)</u>
Revenues				
Licenses and Permits	\$ 199,000	\$ 199,000	\$ 200,952	\$ 1,952
Intergovernmental	371,700	435,084	426,819	(8,265)
Charges for Goods and Services	-	-	41,623	41,623
Interest Income	300	300	546	246
Miscellaneous	-	-	36	36
Total Revenues	<u>571,000</u>	<u>634,384</u>	<u>669,976</u>	<u>35,592</u>
Expenditures				
Current:				
Streets and Highways	<u>908,092</u>	<u>1,061,476</u>	<u>953,120</u>	<u>(108,356)</u>
Capital Outlay:				
Streets and Highways	-	-	13,002	13,002
Total Expenditures	<u>908,092</u>	<u>1,061,476</u>	<u>966,122</u>	<u>(95,354)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(337,092)</u>	<u>(427,092)</u>	<u>(296,146)</u>	<u>130,946</u>
Other Financing Sources (Uses)				
Transfers In	245,891	335,891	329,959	(5,932)
Transfers Out	-	(16,098)	(16,098)	-
Compensation for Loss of Assets	-	-	36,993	36,993
Total Other Financing Sources (Uses)	<u>245,891</u>	<u>319,793</u>	<u>350,854</u>	<u>31,061</u>
Net Change in Fund Balance	(91,201)	(107,299)	54,708	162,007
Fund Balances, January 1	<u>336,247</u>	<u>362,630</u>	<u>362,630</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 245,046</u>	<u>\$ 255,331</u>	<u>\$ 417,338</u>	<u>\$ 162,007</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 and major debt service funds:

Non-major Fund

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, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Interest Income	\$ 100	\$ 100	\$ 96	\$ (4)
Total Revenues	<u>100</u>	<u>100</u>	<u>96</u>	<u>(4)</u>
Expenditures				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>100</u>	<u>100</u>	<u>96</u>	<u>(4)</u>
Fund Balances, January 1	<u>52,268</u>	<u>52,264</u>	<u>52,264</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 52,368</u>	<u>\$ 52,364</u>	<u>\$ 52,360</u>	<u>\$ (4)</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, 2012

	Budget		Actual	Variance
	Original	Final		Over (Under)
Revenues				
Total Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Debt Service:				
Principal	747,499	747,499	747,499	-
Interest	533,824	533,824	533,824	-
Total Expenditures	1,281,323	1,281,323	1,281,323	-
Excess (Deficiency) of Revenues Over Expenditures	(1,281,323)	(1,281,323)	(1,281,323)	-
Other Financing Sources (Uses)				
Transfer In	1,281,323	1,281,323	1,281,323	-
Total Other Financing Sources (Uses)	1,281,323	1,281,323	1,281,323	-
Net Change in Fund Balance	-	-	-	-
Fund Balances, January 1	-	-	-	-
Fund Balances, December 31	\$ -	\$ -	\$ -	\$ -

Capital Project

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 non-major and major capital project funds:

Major

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.

Capital Investment Program Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
Revenues				
Special Assessments	\$ 39,649	\$ 39,649	\$ 38,321	\$ (1,328)
Interest Income	20	20	5	(15)
Total Revenues	<u>39,669</u>	<u>39,669</u>	<u>38,326</u>	<u>(1,343)</u>
Expenditures				
Capital Outlay:				
Streets and Highways	750	750	490	(260)
Debt Service:				
Principal	35,909	35,909	34,822	(1,087)
Interest	3,019	3,019	3,019	-
Total Expenditures	<u>39,678</u>	<u>39,678</u>	<u>38,331</u>	<u>(1,347)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(9)</u>	<u>(9)</u>	<u>(5)</u>	<u>4</u>
Other Financing Sources (Uses)				
Transfer Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(9)	(9)	(5)	4
Fund Balances, January 1	<u>9</u>	<u>270</u>	<u>270</u>	<u>-</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 261</u>	<u>\$ 265</u>	<u>\$ 4</u>

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, 2012

	Budget		Actual	Variance
	Original	Final		Over (Under)
Revenues				
Taxes	\$ -	\$ -	\$ 46,297	\$ 46,297
Intergovernmental	2,436,751	2,372,657	1,438,634	(934,023)
Charges for Goods and Services	-	-	819,713	819,713
Interest Income	-	-	4,097	4,097
Miscellaneous	-	-	-	-
Total Revenues	<u>2,436,751</u>	<u>2,372,657</u>	<u>2,308,741</u>	<u>(63,916)</u>
Expenditures				
Current:				
Streets and Highways	-	-	-	-
Capital Outlay:				
Culture and Recreation	1,765,484	1,815,484	1,531,115	(284,369)
Streets and Highways	1,501,407	1,291,671	667,447	(624,224)
Total Expenditures	<u>3,266,891</u>	<u>3,107,155</u>	<u>2,198,562</u>	<u>(908,593)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(830,140)</u>	<u>(734,498)</u>	<u>110,179</u>	<u>844,677</u>
Other Financing Sources (Uses)				
Transfer In	242,000	145,000	133,143	(11,857)
Transfer Out	-	(113,421)	(113,421)	-
Proceeds from Sale of Capital Assets	-	-	42,106	42,106
Total Other Financing Sources (Uses)	<u>242,000</u>	<u>31,579</u>	<u>61,828</u>	<u>30,249</u>
Net Change in Fund Balance	(588,140)	(702,919)	172,007	874,926
Fund Balances, January 1	<u>925,119</u>	<u>1,462,625</u>	<u>1,462,625</u>	<u>-</u>
Prior Period Adjustment (Note 15)	-	-	565,640	565,640
Fund Balances, December 31	<u>\$ 336,979</u>	<u>\$ 759,706</u>	<u>\$ 2,200,272</u>	<u>\$ 1,440,566</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, 2012
(with Comparative Actual Totals for the Fiscal Year Ended December 31, 2011)

	Final Budget	Actual	Variance Over (Under)	Actual 2011
Taxes				
Property Tax	\$ 2,340,000	\$ 2,363,948	\$ 23,948	\$ 2,339,013
Sales Tax	2,394,000	2,710,021	316,021	2,527,665
Local Criminal Justice	354,000	370,000	16,000	355,112
Utility Tax	2,012,475	2,004,827	(7,648)	1,785,764
Real Estate Excise Tax	325,000	522,804	197,804	280,174
Other	-	-	-	3
Total Taxes	<u>7,425,475</u>	<u>7,971,600</u>	<u>546,125</u>	<u>7,287,731</u>
Intergovernmental				
MVET-Criminal Justice	48,850	48,650	(200)	47,832
Liquor Board Profits	108,790	175,960	67,170	122,500
Liquor Excise Tax	86,300	44,201	(42,099)	85,659
Grants	83,325	62,822	(20,503)	80,644
Other	9,048	5,916	(3,132)	2,610
Total Intergovernmental	<u>336,313</u>	<u>337,549</u>	<u>1,236</u>	<u>339,245</u>
Charges for Goods and Services				
Planning and Development Fees	3,000	6,822	3,822	2,730
Public Safety	10,800	5,700	(5,100)	12,100
Interfund Services Payment	653,841	358,061	(295,780)	656,362
Miscellaneous	1,000	6,067	5,067	4,736
Total Charges for Goods and Services	<u>668,641</u>	<u>376,650</u>	<u>(291,991)</u>	<u>675,928</u>
Fines and Forfeitures				
City Court	132,000	162,955	30,955	155,093
Total Fines and Forfeitures	<u>132,000</u>	<u>162,955</u>	<u>30,955</u>	<u>155,093</u>
Miscellaneous				
Interest Income	15,500	11,199	(4,301)	42,544
Technology Fee	18,000	35,176	17,176	32,334
Rentals	4,000	35,291	31,291	6,472
Other	-	28,368	28,368	16,188
Total Miscellaneous	<u>37,500</u>	<u>110,034</u>	<u>72,534</u>	<u>97,538</u>
Other Financing Sources				
Compensation Loss of Asset	-	12	12	68
Total Other Financing Sources	<u>-</u>	<u>12</u>	<u>12</u>	<u>68</u>
Total General Fund Revenues	<u>\$ 8,599,929</u>	<u>\$ 8,958,800</u>	<u>\$ 358,871</u>	<u>\$ 8,555,603</u>

Internal Service

Internal Service Funds are used to 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 – 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 Position
December 31, 2012

	Unemployment Insurance	Equipment Replacement	Total
Assets and other Debits			
Current Assets:			
Cash and Cash Equivalents	\$ 150,304	\$ 324,573	\$ 474,877
Investments	-	-	-
Due from other Funds	1,722	-	1,722
Interest Receivable	-	-	-
Total Current Assets	<u>152,026</u>	<u>324,573</u>	<u>476,599</u>
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment	-	480,614	480,614
Work in Progress	-	-	-
Accumulated Depreciation	-	(227,450)	(227,450)
Total Capital Assets (net of accumulated depreciation)	<u>-</u>	<u>253,164</u>	<u>253,164</u>
Total Assets	<u>152,026</u>	<u>577,737</u>	<u>729,763</u>
Deferred Outflows of Resources			
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Current Liabilities:			
Accounts Payable	-	2,181	2,181
Due to Other Governmental Entities	3,084	19	3,103
Total Liabilities	<u>3,084</u>	<u>2,200</u>	<u>5,284</u>
Deferred Inflows of Resources			
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Net Investment in Capital Assets	-	253,164	253,164
Unrestricted	148,942	322,373	471,315
Total Net Position	<u>\$ 148,942</u>	<u>\$ 575,537</u>	<u>\$ 724,479</u>

City of Covington
Internal Service Funds
Combining Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended December 31, 2012

	Unemployment Insurance	Equipment Replacement	Total
Operating Revenues:			
Unemployment Charges	\$ 40,237	\$ -	\$ 40,237
Fuel and Maintenance Assessments	-	46,064	46,064
Equipment Replacement Assessments	-	63,385	63,385
Total Operating Revenues	<u>40,237</u>	<u>109,449</u>	<u>149,686</u>
Operating Expenses:			
Unemployment Benefits Paid	25,220	-	25,220
Vehicle Fuel	-	24,441	24,441
Repairs and Maintenance of Vehicles	-	21,623	21,623
Minor Equipment	-	5,475	5,475
Depreciation	-	37,289	37,289
Total Operating Expenses	<u>25,220</u>	<u>88,828</u>	<u>114,048</u>
Operating Income (Loss)	<u>15,017</u>	<u>20,621</u>	<u>35,638</u>
Nonoperating Revenues (Expenses)			
Grant Income	-	216	216
Interest Revenue	270	606	876
Gain or (Loss) on Disposition of Capital Assets	-	1,155	1,155
Total Nonoperating Revenues (Expenses)	<u>270</u>	<u>1,977</u>	<u>2,247</u>
Change in Net Position	15,287	22,598	37,885
Net Position, January 1	<u>133,655</u>	<u>552,939</u>	<u>686,594</u>
Net Position, December 31	<u>\$ 148,942</u>	<u>\$ 575,537</u>	<u>\$ 724,479</u>

City of Covington
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended December 31, 2012

	Unemployment Insurance	Equipment Replacement	Total
Cash Flows from Operating Activities			
Cash Received from Quasi-External Transactions:			
Unemployment Contributions	\$ 38,516	\$ -	\$ 38,516
Vehicle Fuel and Maintenance Assessments	-	46,064	46,064
Vehicle Replacement Assessments	-	63,385	63,385
Total Cash Received from Quasi-External Transactions	38,516	109,449	147,965
Payments Made to Suppliers	-	(50,887)	(50,887)
Insurance Proceeds	-	-	-
Cash Paid for Unemployment Assessments	(25,924)	-	(25,924)
Net Cash Provided by Operating Activities	12,592	58,562	71,154
Cash Flows from Noncapital Financing Activities			
Grant Income	-	215	215
Net Cash Provided by Noncapital Financing Activities	-	215	215
Cash Flows from Capital Activities			
Proceeds from Disposition of Asset	-	9,299	9,299
Work in Progress	-	-	-
Equipment Purchase	-	(94,829)	(94,829)
Net Cash Received (Used) for Capital Activities	-	(85,530)	(85,530)
Cash Flows from Investing Activities			
Interest Received	270	606	876
Net Cash Provided by Investing Activities	270	606	876
Net Increase (Decrease) in Cash and Cash Equivalents	12,862	(26,147)	(13,285)
Cash and Cash Equivalents, January 1	137,442	350,720	488,162
Cash and Cash Equivalents, December 31	\$ 150,304	\$ 324,573	\$ 474,877
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 15,017	\$ 20,621	\$ 35,638
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Increase/(Decrease) in Accounts Payable	-	1,192	1,192
Increase/(Decrease) in Due to Other Funds	(1,722)	-	(1,722)
Increase/(Decrease) in Due to Other Governmental Entities	(703)	(540)	(1,243)
Depreciation	-	37,289	37,289
Total Adjustments to Net Cash Provided by Operating Activities	(2,425)	37,941	35,516
Net Cash Provided by Operating Activities	\$ 12,592	\$ 58,562	\$ 71,154

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.

City of Covington
Net Position by Component
Last Ten Fiscal Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental Activities										
Net Investment in Capital Assets	\$34,671,899	\$36,745,357	\$36,451,269	\$32,632,260	\$30,075,857	\$15,320,656	\$16,130,426	\$10,907,638	\$ 9,861,925	\$ 4,442,749
Restricted	1,803,923	3,341,693	899,236	819,528	335,937	8,806,853	4,766,096	5,684,386	3,853,300	3,018,089
Unrestricted	<u>8,626,937</u>	<u>7,812,761</u>	<u>8,410,744</u>	<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 Position	<u>45,102,759</u>	<u>47,899,811</u>	<u>45,761,249</u>	<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>
Business-Type Activities										
Net Investment in Capital Assets	5,508,168	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>2,269,375</u>	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Net Position	<u>7,777,543</u>	-	-	-	-	-	-	-	-	-
Primary Government										
Net Investment in Capital Assets	40,180,067	36,745,357	36,451,269	32,632,260	30,075,857	15,320,656	16,130,426	10,907,638	9,861,925	4,442,749
Restricted	1,803,923	3,341,693	899,236	819,528	335,937	8,806,853	4,766,096	5,684,386	3,853,300	3,018,089
Unrestricted	<u>10,896,312</u>	<u>7,812,761</u>	<u>8,410,744</u>	<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 Business-Type Activities Net Position	<u>\$52,880,302</u>	<u>\$47,899,811</u>	<u>\$45,761,249</u>	<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>

City of Covington
Changes in Net Position
Last Ten Fiscal Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental Activities										
General Government	\$ 3,285,987	\$ 3,420,106	\$ 3,350,824	\$ 3,162,014	\$ 2,873,695	\$ 2,203,276	\$ 2,316,049	\$ 1,849,808	\$2,190,143	\$ 1,877,930
Community Development	1,147,440	1,025,432	981,746	1,716,586	1,969,350	1,833,553	1,182,518	1,043,441	1,792,676	1,932,614
Public Safety	2,919,182	2,810,419	2,784,450	2,638,416	2,512,169	2,168,594	2,000,925	1,886,554	1,820,338	1,657,390
Culture and Recreation	1,339,704	1,866,928	1,210,301	1,201,680	945,176	770,396	1,194,095	1,455,678	783,835	755,099
Streets and Highways	1,974,551	1,877,172	1,890,955	2,547,725	1,812,661	2,034,403	1,711,212	1,159,623	583,488	429,797
Interest on Long-Term Debt	523,969	586,828	607,373	615,379	619,402	491,504	29,916	-	-	-
Total Governmental Activities Expenses	11,190,833	11,586,885	10,825,649	11,881,800	10,732,453	9,501,726	8,434,715	7,395,104	7,170,480	6,652,830
Business-Type Activities										
Surface Water Management	1,568,984	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	1,568,984	-	-	-	-	-	-	-	-	-
Total Primary Government Expenses	12,759,817	11,586,885	10,825,649	11,881,800	10,732,453	9,501,726	8,434,715	7,395,104	7,170,480	6,652,830
Program Revenues										
Governmental Activities										
Charges for Services										
General Government	549,802	229,385	190,859	223,530	184,387	152,367	120,834	82,755	98,064	125,150
Community Development	1,313,052	1,487,058	1,084,052	555,350	1,482,286	2,111,026	1,206,174	1,062,918	1,436,524	1,802,750
Public Safety	5,700	12,100	6,759	-	-	-	-	-	-	-
Culture and Recreation	620,086	515,174	501,461	461,341	460,354	348,832	589,093	639,282	55,518	200
Streets and Highways	44,527	1,677,171	1,558,598	1,418,986	1,246,132	1,104,765	993,177	837,630	753,814	698,864
Operating Grants and Contributions	498,197	531,845	540,429	609,253	578,957	510,222	448,938	726,560	486,401	699,865
Capital Grants and Contributions	3,555,983	834,607	3,729,999	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	6,587,347	5,287,340	7,612,157	6,685,137	11,067,332	10,073,471	5,345,947	4,665,197	6,469,438	5,034,165
Business-Type Activities										
Charges for Services	1,740,142	-	-	-	-	-	-	-	-	-
Operating Grants and Contributions	60,225	-	-	-	-	-	-	-	-	-
Capital Grants and Contributions	349,313	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	2,149,680	-	-	-	-	-	-	-	-	-
Total Primary Government Program Revenues	8,737,027	5,287,340	7,612,157	6,685,137	11,067,332	10,073,471	5,345,947	4,665,197	6,469,438	5,034,165
Net (Expense)/Revenue										
Governmental Activities	(4,603,486)	(6,299,545)	(3,213,492)	(5,196,663)	334,879	571,745	(3,088,768)	(2,729,907)	(701,042)	(1,618,665)
Business-Type Activities	580,696	-	-	-	-	-	-	-	-	-
Total Primary Government Net Expense	\$ (4,022,790)	\$ (6,299,545)	\$ (3,213,492)	\$ (5,196,663)	\$ 334,879	\$ 571,745	\$ (3,088,768)	\$ (2,729,907)	\$ (701,042)	\$ (1,618,665)
General Revenues and Other Changes in Net Assets										
Governmental Activities										
Taxes										
Property Tax	\$ 2,362,314	\$ 2,331,137	\$ 1,958,320	\$ 2,067,945	\$ 1,971,567	\$ 1,942,431	\$ 1,864,214	\$ 1,649,330	\$1,523,582	\$ 1,439,287
Sales Tax	3,226,215	2,983,127	2,796,876	2,778,789	2,865,929	2,372,141	2,079,881	1,782,296	1,700,265	1,208,228
Utility Tax	2,004,827	1,785,764	1,778,346	1,857,471	1,601,734	-	-	-	-	-
Local Criminal Justice	370,000	355,112	337,172	342,588	396,749	428,029	389,306	335,156	325,377	275,667
Real Estate Excise Tax	522,804	280,174	442,206	303,668	424,548	1,029,449	986,741	1,183,361	1,112,265	968,250
Property Tax Parks Expansion Levy	46,297	111,212	-	-	-	-	-	-	-	-
Franchise Fee (Taxes)	200,952	196,256	197,813	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	48,650	47,832	47,686	49,330	44,614	44,003	41,216	34,762	30,665	31,998
Liquor Board Profits	175,960	122,500	140,224	119,454	116,182	126,115	110,200	107,737	107,639	90,559
Liquor Excise Tax	44,201	85,659	86,848	85,649	83,580	79,672	74,460	64,581	58,687	52,782
Other Intergovernmental not restricted to specific program	-	-	-	-	-	-	-	9,749	24,798	37,548
Interest Income	20,059	52,383	31,041	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	142,655	86,951	66,416	102,014	71,981	256,301	118,722	73,961	57,162	9,027
Loss on sale of capital asset	-	-	-	(49,111)	-	-	-	-	-	-
Transfers - internal activities	(537,117)	-	-	-	-	-	-	-	-	-
Total Governmental Activities	8,627,817	8,438,107	7,882,948	7,931,412	8,110,519	7,174,928	6,368,319	5,731,120	5,310,352	4,588,746
Business-Type Activities										
Non Operating Revenue										
Interest Income	8,691	-	-	-	-	-	-	-	-	-
Miscellaneous	(3,664)	-	-	-	-	-	-	-	-	-
Gain on Sale of Capital Asset	212,620	-	-	-	-	-	-	-	-	-
Special Items	(900,067)	-	-	-	-	-	-	-	-	-
Transfers - internal activities	537,117	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	(145,303)	-	-	-	-	-	-	-	-	-
Total Primary Government Net Expense	8,482,514	8,438,107	7,882,948	7,931,412	8,110,519	7,174,928	6,368,319	5,731,120	5,310,352	4,588,746
Change in Net Position										
Governmental Activities	4,024,331	2,138,562	4,669,456	2,734,749	8,445,398	7,746,673	3,279,551	3,001,213	4,609,310	2,970,081
Business-Type Activities	435,393	-	-	-	-	-	-	-	-	-
Total Primary Government	\$ 4,459,724	\$ 2,138,562	\$ 4,669,456	\$ 2,734,749	\$ 8,445,398	\$ 7,746,673	\$ 3,279,551	\$ 3,001,213	\$ 4,609,310	\$ 2,970,081

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	Change 2003-2012
Property	2,362,314	2,331,137	1,958,320	2,067,945	1,971,567	1,942,431	1,864,214	1,649,330	1,523,582	1,439,287	64.1%
Sales and Use	3,226,215	2,983,127	2,796,876	2,778,789	2,865,929	2,372,141	2,079,881	1,782,296	1,700,265	1,208,228	167.0%
Utility	2,004,827	1,785,764	1,778,346	1,857,471	1,601,734	-	-	-	-	-	100.0%
Local Criminal Justice	370,000	355,112	337,172	342,588	396,749	428,029	389,306	335,156	325,377	275,667	34.2%
Real Estate Excise	522,804	280,174	442,206	303,668	424,548	1,029,449	986,741	1,183,361	1,112,265	968,250	-46.0%
All Others	516,060	563,459	472,571	443,770	426,665	419,562	380,004	350,886	325,137	286,114	80.4%

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

City of Covington
Taxable Sales by Category
Last Ten Fiscal Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Retail	\$2,210,346	\$2,078,015	\$2,048,892	\$2,002,369	\$1,561,998	\$1,384,995	\$ 1,274,762	\$ 1,070,292	\$ 737,944	\$ 569,359
Contracting	330,526	242,218	119,897	180,435	680,289	397,439	301,466	247,070	517,992	295,583
Food Services	348,720	334,515	317,125	308,971	290,862	275,171	231,207	216,073	166,065	138,501
Services - Other	150,870	125,154	124,960	121,771	100,224	86,171	86,931	70,331	103,677	77,403
Transportation/Communication/Utilities	82,551	73,184	72,068	70,688	86,664	90,871	60,242	65,940	57,589	44,791
Wholesale	48,999	41,599	42,521	40,946	67,002	53,282	45,688	46,400	46,519	23,838
Finance/Insurance/Real Estate	24,541	20,738	26,855	29,919	44,693	54,714	52,767	46,737	48,355	39,893
Other	29,762	67,704	44,558	23,690	34,199	29,498	26,818	19,453	22,124	18,860
Total Sales Tax	\$3,226,315	\$2,983,127	\$2,796,876	\$2,778,789	\$2,865,931	\$2,372,141	\$ 2,079,881	\$ 1,782,296	\$1,700,265	\$1,208,228

Source: Washington State Department of Revenue

City of Covington
Sales Tax Revenue Payers by Industry
Current and Nine Years Ago

	Fiscal Year 2012				Fiscal Year 2003			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Unknown	5	0.1%	\$ 9,380	0.3%	7	0.3%	\$ 6,158	0.5%
Agriculture, Forestry, Fishing	13	0.3%	3,770	0.1%	7	0.3%	22	0.0%
Mining	5	0.1%	290	0.0%	5	0.2%	614	0.1%
Utilities	4	0.1%	157	0.0%	1	0.0%	158	0.0%
Construction	1,201	24.9%	330,526	11.1%	897	37.8%	295,583	24.5%
Manufacturing	299	6.2%	16,322	0.5%	64	2.7%	12,066	1.0%
Wholesale Trade	714	14.8%	48,899	1.6%	248	10.4%	23,838	2.0%
Retail Trade	1,425	29.6%	2,210,346	74.1%	427	18.0%	569,359	47.1%
Transportation and Warehousing	14	0.3%	392	0.0%	6	0.3%	589	0.0%
Information	171	3.5%	82,002	2.7%	103	4.3%	44,044	3.6%
Finance and Insurance	52	1.1%	6,958	0.2%	47	2.0%	6,725	0.6%
Real Estate, Rental, Leasing	134	2.8%	17,583	0.6%	80	3.4%	33,168	2.7%
Prof, Sci, Technical Svcs	230	4.8%	19,244	0.6%	65	2.7%	5,927	0.5%
Company Management	1	0.0%	-	0.0%	1	0.0%	-	0.0%
Admin, Supp, Remed Svcs	427	8.9%	29,637	1.0%	226	9.5%	24,137	2.0%
Educational Services	28	0.6%	507	0.0%	5	0.2%	21	0.0%
Health Care Social Assistance	37	0.8%	3,454	0.1%	15	0.6%	2,257	0.2%
Arts, Entertain, Recreation	33	0.7%	30,594	1.0%	9	0.4%	519	0.0%
Accomodation and Food Svcs	70	1.5%	348,720	11.7%	43	1.8%	138,501	11.5%
Other Services	229	4.8%	39,750	1.3%	117	4.9%	17,193	1.4%
Public Administration	8	0.2%	27,684	0.9%	1	0.0%	27,349	2.3%
	<u>5,100</u>	<u>105.8%</u>	<u>\$ 3,226,215</u>	<u>108.1%</u>	<u>2,374</u>	<u>100.0%</u>	<u>\$ 1,208,228</u>	<u>100.0%</u>

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not provided. The categories presented are intended to provide alternate information regarding the sources of the state's revenues.

Source: Taxtools Database by Microflex, Inc.

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

	2012	2011	2010	2009	2008 (Note 3)	2007 (Note 2)	2006	2005	2004	2003
Local Rate:										
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%	0.100%	0.100%	0.100%	0.000%	0.000%	0.000%	0.000%	0.000%
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%	0.900%	0.900%	0.900%	0.800%	0.800%	0.800%	0.800%
Criminal Justice Tax (0.10% Total) (Note 1)										
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)	<u>0.089%</u>	<u>0.089%</u>	<u>0.089%</u>	<u>0.089%</u>	<u>0.089%</u>	<u>0.089%</u>	<u>0.089%</u>	<u>0.089%</u>	<u>0.089%</u>	<u>0.089%</u>
Total Criminal Justice Tax	<u>0.100%</u>	<u>0.100%</u>	<u>0.100%</u>	<u>0.100%</u>	<u>0.100%</u>	<u>0.100%</u>	<u>0.100%</u>	<u>0.100%</u>	<u>0.100%</u>	<u>0.100%</u>
Total Local Rate	<u>2.100%</u>	<u>2.100%</u>	<u>2.100%</u>	<u>2.100%</u>	<u>2.100%</u>	<u>2.000%</u>	<u>1.900%</u>	<u>1.900%</u>	<u>1.900%</u>	<u>1.900%</u>
City of Covington Share										
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)	<u>0.001%</u>	<u>0.001%</u>	<u>0.001%</u>	<u>0.001%</u>	<u>0.001%</u>	<u>0.001%</u>	<u>0.001%</u>	<u>0.001%</u>	<u>0.001%</u>	<u>0.001%</u>
Total City of Covington	<u>0.926%</u>	<u>0.926%</u>	<u>0.926%</u>	<u>0.926%</u>	<u>0.926%</u>	<u>0.926%</u>	<u>0.926%</u>	<u>0.926%</u>	<u>0.926%</u>	<u>0.926%</u>
King County Share	1.174%	1.174%	1.174%	1.174%	1.174%	1.074%	0.974%	0.974%	0.974%	0.974%
State of Washington	<u>6.500%</u>	<u>6.500%</u>	<u>6.500%</u>	<u>6.500%</u>	<u>6.500%</u>	<u>6.500%</u>	<u>6.500%</u>	<u>6.500%</u>	<u>6.500%</u>	<u>6.500%</u>
Total Sales Tax Rate	<u>8.600%</u>	<u>8.600%</u>	<u>8.600%</u>	<u>8.600%</u>	<u>8.600%</u>	<u>8.500%</u>	<u>8.400%</u>	<u>8.400%</u>	<u>8.400%</u>	<u>8.400%</u>

Note 1: 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 2: Effective 4/1/07, King County Metro increased transit portion of sales tax by one tenth of a percent.

Note 3: Effective 4/1/08, King County allocated an additional tenth of a percent to mental health services.

Sources:

King County Population Data - King County CAFR

Tax rates - Washington State Department of Revenue

City of Covington
Fund Balances of Governmental Funds (Note 1)
Last Ten Fiscal Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund										
Reserved	\$ -	\$ -	\$ 65,411	\$ 74,391	\$ 60,372	\$ 4,000	\$ 33,944	\$ 33,141	\$ 32,547	\$ 28,699
Unreserved	-	-	2,286,179	2,226,147	2,150,676	1,300,941	884,386	2,064,632	1,962,157	2,448,592
Nonspendable	64,186	26,150	-	-	-	-	-	-	-	-
Restricted	197,366	25,164	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	320,473	611,083	-	-	-	-	-	-	-	-
Unassigned	4,911,695	4,220,407	-	-	-	-	-	-	-	-
Total General Fund	<u>5,493,720</u>	<u>4,882,804</u>	<u>2,351,590</u>	<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>
All Other Governmental Funds										
Reserved	-	-	67,103	73,052	78,464	46,010	46,010	46,010	46,010	-
Unreserved, reported in:										
Special Revenue Funds	-	-	4,875,354	4,143,601	4,714,942	3,564,693	1,737,896	873,996	928,715	855,867
Debt Service Funds	-	-	6,158	6,015	5,656	4,354	-	-	-	-
Capital Projects Funds	-	-	1,090,200	1,057,613	750,860	9,382,875	4,608,286	5,584,960	3,752,620	1,845,244
Nonspendable	20,727	28,200	-	-	-	-	-	-	-	-
Restricted	1,818,004	2,587,549	-	-	-	-	-	-	-	-
Committed	2,362,427	1,743,845	-	-	-	-	-	-	-	-
Assigned	807,384	983,257	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>5,008,542</u>	<u>5,342,851</u>	<u>6,038,815</u>	<u>5,280,281</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>
Total Governmental Funds	<u>\$10,502,262</u>	<u>\$10,225,655</u>	<u>\$8,390,405</u>	<u>\$7,580,819</u>	<u>\$7,760,970</u>	<u>\$14,302,873</u>	<u>\$7,310,522</u>	<u>\$8,602,739</u>	<u>\$6,722,049</u>	<u>\$5,178,402</u>

Note 1: This schedule was modified with the implementation of GASB 54, effective fiscal year 2011, which affected the categories used to report fund balances.

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Taxes	\$ 8,534,091	\$ 7,854,405	\$ 7,331,450	\$ 7,328,863	\$ 7,252,738	\$ 5,771,775	\$ 5,314,051	\$ 4,976,299	\$ 4,652,222	\$ 3,851,628
Licenses and Permits	1,164,898	813,379	646,497	502,276	814,074	1,225,381	663,967	602,659	917,827	1,156,590
Intergovernmental	2,256,019	1,555,877	3,065,275	1,492,203	1,999,078	3,769,373	2,271,065	1,542,478	2,160,179	1,792,574
Charges for Goods and Services	1,756,053	3,050,323	2,996,856	3,774,421	3,289,049	4,548,746	2,340,805	2,426,539	2,486,377	2,233,023
Fines and Forfeitures	162,955	154,765	128,214	138,291	112,069	101,248	101,895	120,965	85,162	112,607
Special Assessments	38,321	39,650	52,122	43,869	74,271	103,285	20,973	30,673	1,171,675	-
Interest Income	20,059	52,383	30,375	75,045	459,741	641,261	464,875	274,206	137,216	93,385
Penalties	-	-	-	-	3,388	6,777	1,780	4,775	-	-
Interfund Services Payment	358,061	656,362	588,194	866,000	1,167,185	392,360	213,000	-	-	-
Miscellaneous	238,104	180,821	208,795	234,611	622,516	134,841	450,742	162,541	84,715	13,198
Total Revenues	14,528,561	14,357,965	15,047,778	14,455,579	15,794,109	16,695,047	11,843,153	10,141,135	11,695,373	9,253,005
Expenditures										
Current										
General Government	3,203,112	3,367,630	3,259,194	3,101,181	3,015,886	2,099,809	2,292,506	1,809,877	2,149,388	1,701,637
Community Development	1,263,913	1,176,468	1,042,123	2,181,706	2,434,387	2,005,329	1,420,422	1,017,855	1,790,147	1,899,755
Public Safety	2,919,182	2,810,419	2,784,450	2,638,016	2,543,686	2,166,995	1,999,326	1,884,955	1,819,139	1,642,344
Culture and Recreation	1,242,801	1,160,501	1,202,554	1,151,642	932,694	688,198	1,159,896	1,449,981	571,785	419,790
Streets and Highways	953,120	2,154,985	2,134,312	2,420,338	2,061,538	1,957,620	1,619,822	861,857	716,496	701,326
Capital Outlay										
General Government	-	4,297	5,973	-	21,451	12,446	66,599	-	48,179	13,169
Community Development	-	-	-	17	-	-	14,807	5,343	55,303	25,067
Public Safety	-	-	-	-	-	-	-	-	7,995	-
Culture and Recreation	1,531,115	73,492	126,374	357,962	750,243	195,986	181,565	458,226	938,498	1,887,430
Streets and Highways	680,939	407,143	2,603,995	1,983,434	10,176,804	14,699,562	5,133,615	969,598	3,253,567	2,444,864
Debt service										
Principal	782,321	773,156	466,479	272,728	398,187	169,855	70,358	-	-	-
Interest	536,843	599,481	613,308	617,106	619,718	250,598	25,869	26,132	20,836	41,347
Bond Issuance Cost	-	-	-	-	12,080	92,646	-	-	-	-
Total Expenditures	13,113,346	12,527,572	14,238,762	14,724,130	22,966,674	24,339,044	13,984,785	8,483,824	11,371,333	10,776,729
Excess of Revenues over (under) Expenditures	1,415,215	1,830,393	809,016	(268,551)	(7,172,565)	(7,643,997)	(2,141,632)	1,657,311	324,040	(1,523,724)
Other Financing Sources (Uses)										
Transfers In	1,972,102	2,023,718	1,690,062	2,707,653	2,594,956	1,564,955	1,741,506	2,204,817	2,537,050	1,892,971
Transfers Out	(2,085,523)	(2,023,718)	(1,690,062)	(2,707,653)	(2,594,956)	(1,564,955)	(1,741,506)	(2,204,817)	(2,537,050)	(1,892,971)
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	42,106	-	-	85,669	130,942	125,015	-	223,379	2,407	256,964
Compensation from Loss of Asset	37,005	4,857	570	2,731	2,377	60,928	-	-	-	-
Total Other Financing Sources (Uses)	(34,310)	4,857	570	88,400	630,662	14,636,348	946,375	223,379	1,219,607	256,964
Net Change in Fund Balances	\$ 1,380,905	\$ 1,835,250	\$ 809,586	\$ (180,151)	\$ (6,541,903)	\$ 6,992,351	\$ (1,195,257)	\$ 1,880,690	\$ 1,543,647	\$ (1,266,760)
Debt service as a percentage of noncapital expenditures	12.05%	11.31%	9.37%	7.19%	13.18%	4.68%	1.11%	0.36%	0.29%	0.62%

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Property Tax	\$ 2,363,948	\$ 2,339,013	\$ 1,976,819	\$ 2,046,294	\$ 1,963,753	\$ 1,942,156	\$ 1,858,123	\$ 1,675,486	\$ 1,514,315	\$ 1,399,483
Sales Tax	3,226,215	2,983,127	2,796,876	2,778,789	2,865,929	2,372,141	2,079,881	1,782,296	1,700,265	1,208,228
Utility Tax	2,004,827	1,785,764	1,778,346	1,857,471	1,601,734	-	-	-	-	-
Local Criminal Justice	370,000	355,112	337,172	342,588	396,749	428,029	389,306	335,156	325,377	275,667
Real Estate Excise Tax	522,804	280,174	442,206	303,668	424,548	1,029,449	986,741	1,183,361	1,112,265	968,250
All Others	46,297	111,215	31	53	25	-	-	350,886	325,137	286,114
Total Taxes	<u>\$ 8,534,091</u>	<u>\$ 7,854,405</u>	<u>\$ 7,331,450</u>	<u>\$ 7,328,863</u>	<u>\$ 7,252,738</u>	<u>\$ 5,771,775</u>	<u>\$ 5,314,051</u>	<u>\$ 5,327,185</u>	<u>\$ 4,977,359</u>	<u>\$ 4,137,742</u>

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

Assessed and Estimated Actual Value

Fiscal Year	Real Property				Personal Property			Total Assessed Value	Total Direct Tax Rate	New Construction (Note 3)
	Locally Assessed Land	Locally Assessed Improvements	State Assessed Public Utility	Omitted Assessments (Note 2)	Locally Assessed	State Assessed Public Utility	Omitted Assessments (Note 2)			
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
2010	655,790,432	1,109,425,992	587,076	21,000	31,776,955	25,120,957	151,556	1,822,873,968	1.1529	28,133,198
2011	666,600,332	1,019,431,097	761,334	-	28,248,339	13,854,937	-	1,728,896,039	1.3649	3,838,928
2012	616,578,144	930,283,814	762,510	-	25,032,370	13,500,701	-	1,586,157,539	1.4809	12,531,950

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

Sources:
King County Assessor

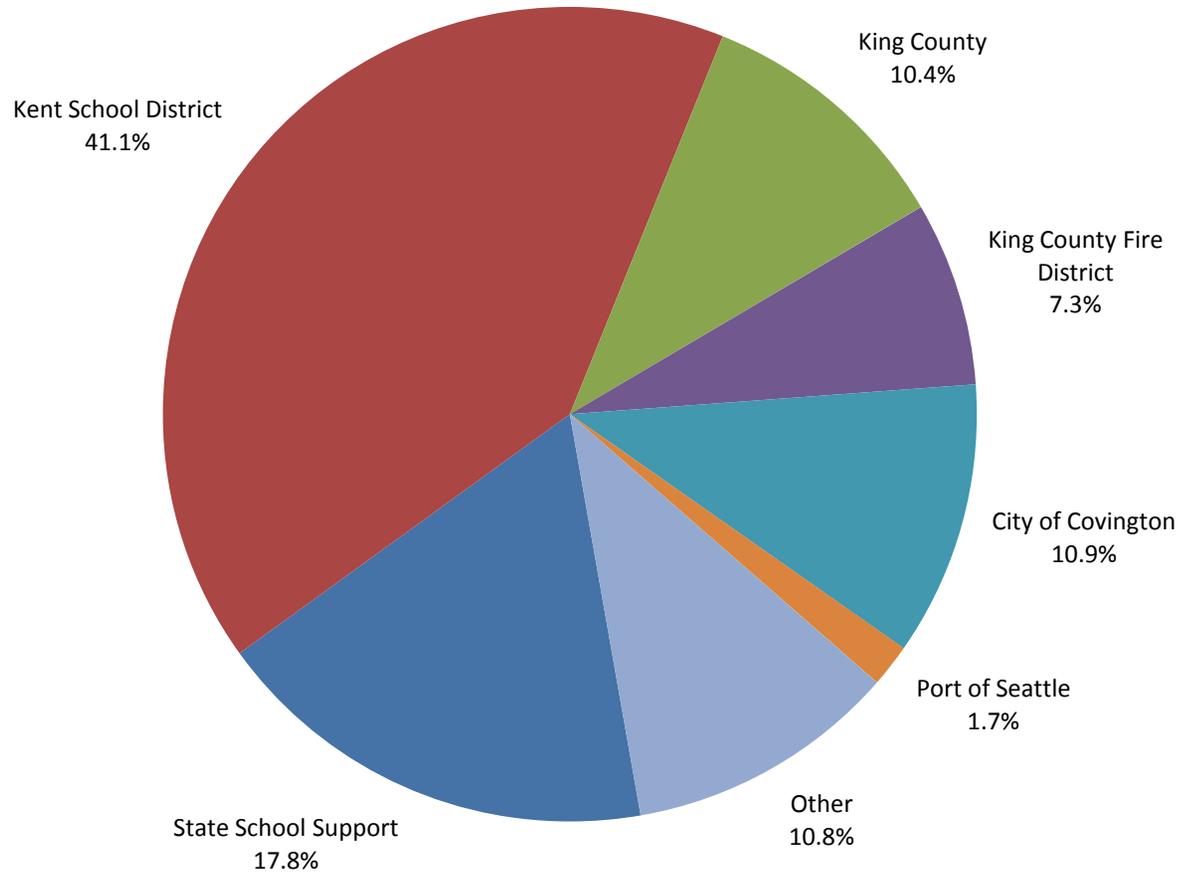
City of Covington
Direct and Overlapping Property Tax Rates (Note 1)
Per One Thousand of Assessed Valuation
Last Ten Fiscal Years

Fiscal Year	City of Covington			Overlapping Rates						
	Operating	Debt Service	Total Rate	School District	King County	King County Fire District	Washington State	Port of Seattle	Other	Total
2003	1.32315	-	1.32315	4.73667	1.34948	1.33808	2.89680	0.25895	0.87965	12.78278
2004	1.28369	-	1.28369	4.71717	1.43146	1.29833	2.75678	0.25402	0.86570	12.60715
2005	1.24664	-	1.24664	4.79809	1.38229	1.50000	2.68951	0.25321	0.85476	12.72450
2006	1.20452	-	1.20452	4.59334	1.32869	1.42180	2.49787	0.23330	0.81306	12.09258
2007	1.15224	-	1.15224	4.17559	1.24284	1.35107	2.32535	0.23158	1.26300	11.74167
2008	1.04814	-	1.04814	4.39336	1.20770	1.50000	2.13233	0.22359	1.41690	11.92202
2009	0.98104	-	0.98104	4.06952	1.09772	1.50000	1.96268	0.19700	1.30422	11.11218
2010	1.15290	-	1.15290	4.80855	1.28499	1.50000	2.22253	0.21597	1.42678	12.61172
2011	1.36485	-	1.36485	5.38692	1.33816	1.00000	2.27990	0.22366	1.53711	13.13060
2012	1.48090	-	1.48090	5.59986	1.41588	1.00000	2.42266	0.22982	1.48980	13.63892

Note 1: The maximum regular tax levy available to the City of Covington is \$1.60. Washington State Constitution and Washington State Law, RCW 84.55.010 limit the rate.

Sources:
King County Assessor

2012 Property Tax Allocation by Taxing Districts



City of Covington
Principal Property Tax Payers
Current Year and Nine Years Ago (Note 1, 2)

Taxpayer	Type of Business/Property	2010 (Note 2)			2001		
		Assessed Value	Rank	Percentage of Total Assessed Value ⁽¹⁾	Assessed Value	Rank	Percentage of Total Assessed Value ⁽¹⁾
TRC MM, LLC	Shopping Center	\$ 27,349,000	1	1.50%	\$ -		0.00%
Covington Legacy - BSP	Shopping Center	25,754,700	2	1.41%	-		0.00%
Multicare Health Systems	Healthcare	25,329,410	3	1.39%	21,904,993	1	2.58%
Covington Apartments, LLC	Apartments	19,530,000	4	1.07%	-		0.00%
Fred Meyer Inc.	Department Store	19,223,300	5	1.05%	13,455,400	3	1.58%
Costco Wholesale Corp	Commercial	19,208,800	6	1.05%	-		0.00%
Covington Commercial II, LLC	Shopping Center	16,657,000	7	0.91%	-		0.00%
Wal-Mart Stores, Inc.	Department Store	14,609,800	8	0.80%	-		0.00%
Covington Retail Assoc, LLC	Shopping Center	12,911,700	9	0.71%	-		0.00%
Covington Shopping Center	Commercial	10,782,100	10	0.59%	-		0.00%
GMS Realty, Inc.	Shopping Center	-		0.00%	16,066,800	2	1.89%
Norma J. Somers	Shopping Center	-		0.00%	5,033,000	4	0.59%
Lakeside Industries	Gravel Pit Operations	-		0.00%	3,968,700	5	0.47%
Roundup Company	Department Store	-		0.00%	3,425,323	6	0.40%
Gerald L. & Mary Ann Honeysett	Mobile Home Park	-		0.00%	2,616,000	7	0.31%
Rodger C. & Stella Scott	Public Storage Facility	-		0.00%	2,064,000	8	0.24%
Robert J. Knutsen	Land	-		0.00%	1,738,500	9	0.20%
Larry Burr	Land	-		0.00%	1,643,400	10	0.19%
Total Assessed Value of 10 Largest Taxpayers		<u>\$ 191,355,810</u>		<u>10.48%</u>	<u>\$71,916,116</u>		<u>8.45%</u>

Note 1: Total 2010 assessed valuation, in millions, is \$1,822,873,968, and 2001 assessed valuation is \$849,109,127.

Note 2: FY2012 data was not available at the time of publication.

Sources:
King County Assessor

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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Collected within the Fiscal Year of the Levy</u>			<u>Collected in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>		<u>Taxes</u>	
2003	\$ 1,415,345	\$ 1,369,906	96.79%	\$ 45,439	1,415,345	100.00%	
2004	1,526,184	1,436,786	94.14%	89,398	1,526,184	100.00%	
2005	1,656,389	1,625,344	98.13%	31,045	1,656,389	100.00%	
2006	1,804,737	1,797,407	99.59%	7,271	1,804,678	100.00%	
2007	1,912,859	1,873,816	97.96%	38,967	1,912,783	100.00%	
2008	1,976,869	1,935,004	97.88%	41,542	1,976,546	99.98%	
2009	2,070,064	2,014,728	97.33%	54,007	2,068,735	99.94%	
2010	2,093,086	2,008,300	95.95%	79,226	2,087,526	99.73%	
2011	1,731,739	1,643,000	94.88%	79,654	1,722,654	99.48%	
2012	2,365,325	2,336,069	98.76%	-	2,336,069	98.76%	

Sources:
King County Assessor

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

Fiscal Year	<u>Governmental Activities</u>				<u>Business-Type Activities</u>		Total Primary Government	Percentage of Personal Income (Note 1)	Per Capita (Note 1)
	General Obligation Bonds	Special Assessment Bonds	Other Long-Term Debt	Compensated Absences	Compensated Absences				
2003	\$ -	\$ -	\$ -	\$ 121,479	\$ -	-	\$ 121,479	0.02%	\$ 8.18
2004	-	460,100	757,100	166,646	-	-	1,383,846	0.18%	91.10
2005	-	460,100	1,663,626	164,686	-	-	2,288,412	0.28%	134.73
2006	-	431,587	1,663,626	173,407	-	-	2,268,620	0.25%	131.59
2007	12,555,148	352,160	3,463,953	226,794	-	-	16,598,055	1.67%	965.56
2008	12,822,064	176,758	3,468,963	367,990	-	-	16,835,775	1.67%	969.80
2009	12,819,431	149,557	3,223,436	360,585	-	-	16,553,009	1.66%	944.27
2010	12,600,535	114,236	3,008,540	397,312	-	-	16,120,623	1.66%	913.87
2011	12,090,982	62,896	2,793,644	401,371	-	-	15,348,893	1.50%	870.12
2012	11,555,746	28,074	2,578,748	390,752	79,228	-	14,632,548	*	*

Note 1: See the Schedule of Demographic and Economic Statistics on page 102 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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (Note1)	Per Capita (Note 2)
2003	\$ -	\$ -	\$ -	0.00%	\$ -
2004	-	-	-	0.00%	-
2005	-	-	-	0.00%	-
2006	-	-	-	0.00%	-
2007	12,555,148	-	12,555,148	0.75%	730.38
2008	12,822,064	-	12,822,064	0.68%	738.60
2009	12,819,431	-	12,819,431	0.60%	731.29
2010	12,600,535	-	12,600,535	0.69%	714.32
2011	12,090,982	-	12,090,982	0.70%	685.43
2012	11,555,746	-	11,555,746	0.73%	650.66

Note 1: See the Schedule of Assessed and Estimated Value of Taxable Property on page 92 for property value data.

Note 2: See the Schedule of Demographic and Economic Statistics on page 102 for population data.

City of Covington
Computation of Direct and Overlapping Debt
December 31, 2012

<u>Jurisdiction</u>	<u>Net General Obligation Debt Outstanding (Note 1)</u>	<u>Percentage Applicable to Covington (Note 2)</u>	<u>Estimated Amount Applicable to Covington</u>
Direct:			
City of Covington	\$ 14,553,320	100.00%	\$ 14,553,320
Overlapping:			
King County	845,717,000	0.49%	4,144,013
King County Library	136,748,287	0.79%	1,080,311
Port of Seattle	312,005,000	0.49%	1,528,825
Hospital District #1	-	4.76%	-
Kent Regional Fire Authority #62	-	10.85%	-
Tahoma School District #409	18,697,123	0.01%	1,870
Kent School District #415	183,426,761	9.74%	17,865,767
Total Overlapping Debt	<u>1,496,594,171</u>		<u>24,620,786</u>
Total Direct and Overlapping Debt	<u>\$ 1,511,147,491</u>		<u>\$ 39,174,106</u>

Note 1: Total general obligation bonds outstanding on December 31, 2012. Source: King County

Note 2: Determined by ratio of 2012 assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit.

City of Covington
Legal Debt Margin Calculation
December 31, 2012

			<u>\$ 1,586,157,539</u>
			Remaining Debt Capacity
1	2.5% general purposes limit is allocated between:	\$ 39,653,938	
2	Up to 1.5% debt without a vote (councilmanic)	\$ 23,792,363	
3	Less: outstanding debt	\$ 13,325,078	
4	Less: excess of debt with vote	\$ -	
5	Add: available assets	\$ 2,987,596	
6	Equals: remaining debt capacity without vote		<u>\$ 13,454,881</u>
7	1% general purposes debt with a vote	\$ 15,861,575	
8	Less: outstanding debt	\$ -	
9	Less: contracts payable	\$ -	
10	Add: available assets	\$ -	
11	Equals: remaining debt capacity with a vote		<u>\$ 15,861,575</u>
12	2.5% utility purpose limit, voted	\$ 39,653,938	
13	Less: outstanding debt	\$ -	
14	Less: contracts payable	\$ -	
15	Add: available assets	\$ -	
16	Equals: remaining debt capacity - utility purpose, voted		<u>\$ 39,653,938</u>
17	2.5% open space, park and capital facilities , voted	\$ 39,653,938	
18	Less: outstanding debt	\$ -	
19	Less: contracts payable	\$ -	
20	Add: available assets	\$ -	
21	Equals: remaining debt capacity - open space, park and capital facilities, voted		<u>\$ 39,653,938</u>

Sources:

Materials prepared for State Schedule 10 - Summary of Limitation of Indebtedness for year ending 12/31/12

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

Special Assessment Bonds						
Fiscal Year	Special Assessment		Debt Service		Coverage	
	Collections		Principal	Interest		
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
2010		52,122		35,321	7,179	7.26
2011		39,650		51,340	5,483	7.23
2012		38,321		34,822	3,019	12.69

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

City of Covington
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Per Capita Personal		Median Age	School Enrollment (Note 1)	Unemployment Rate (Note 2)
		Income	Personal Income			
2003	\$ 14,850	\$ 44,482	\$ 660,557,700	32	26,860	6.2%
2004	15,190	49,286	748,654,340	32	27,293	5.2%
2005	16,985	48,216	818,948,760	32	27,269	4.7%
2006	17,240	52,655	907,772,200	32	26,996	4.2%
2007	17,190	57,710	992,034,900	32	27,462	3.6%
2008	17,360	58,141	1,009,327,760	32	26,764	4.4%
2009	17,530	56,904	997,527,120	32	27,444	8.6%
2010	17,640	55,136	972,599,040	34	26,721	9.1%
2011	17,640	57,837	1,020,244,680	35	27,200	8.2%
2012	17,760	*	*	*	26,975	6.8%

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 was provided by the Office of Financial Management .

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.

City of Covington
Principal Employers by Major Industry
Current Year and Nine Years Ago (Note 1, 2)

Type of Industry	2011			2002		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Trade, Transportation, and Utilities	212,233	1	18.36%	224,942	1	19.97%
Professional and Business Services	184,592	2	15.96%	162,450	2	14.42%
Government	164,792	3	14.25%	161,167	3	14.31%
Educational and Health Services	142,908	4	12.36%	113,317	5	10.06%
Leisure and Health Services	112,133	5	9.70%	99,650	6	8.85%
Manufacturing	100,717	6	8.71%	118,392	4	10.51%
Information	80,050	7	6.92%	69,217	8	6.14%
Financial Activities	67,292	8	5.82%	77,242	7	6.86%
Construction	48,792	9	4.22%	59,375	9	5.27%
Total	<u>1,113,509</u>		<u>96.30%</u>	<u>1,085,752</u>		<u>96.39%</u>
Total Employment	<u>1,156,242</u>			<u>1,126,567</u>		

Note 1: FY2012 data was not available at the time of publication.

Note 2: Estimates are for King County, in which Covington is located. Covington data is not available.

Sources:

2011 King County Comprehensive Annual Financial Report

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005 (Note 2)</u>	<u>2004</u>	<u>2003</u>
Function										
General Government	13	13	13	13	13	12	12	14	9	8
Community Development	8	6	10	16	16	15	15	4	15	12
Public Safety (Note 1)	-	-	-	-	-	-	-	-	-	-
Highways and Streets	12	10	13	14	14	11	11	5	5	5
Culture and Recreation	<u>11</u>	<u>10</u>	<u>10</u>	<u>9</u>	<u>9</u>	<u>8</u>	<u>8</u>	<u>13</u>	<u>4</u>	<u>4</u>
Total	<u>44</u>	<u>39</u>	<u>46</u>	<u>52</u>	<u>52</u>	<u>46</u>	<u>46</u>	<u>36</u>	<u>33</u>	<u>29</u>

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.

Sources:

City of Covington Finance Department

City of Covington
Operating Indicators by Function
Last Ten Fiscal Years

Function	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
City Manager (Note 1)										
Citizen Action Requests	212	194	275	281	268	347	401	N/A	N/A	N/A
Community Room Rentals	181	141	160	295	283	230	232	N/A	N/A	N/A
Contacts by Citizens (Phone and Walk-in)	10,802	11,894	11,279	13,088	15,116	12,984	12,014	N/A	N/A	N/A
Finance (Note 1)										
AP Checks Processed	1,757	1,738	1,794	1,758	1,758	1,600	1,829	1,689	1,513	1,397
AP Invoices Processed	2,796	2,797	2,931	2,994	2,994	2,638	2,982	2,339	2,290	2,171
AP \$ (in Millions)	10	7	10	20	20	17	10	6	8	8
AR Invoices/Statements Processed	614	838	753	751	751	902	1,020	826	624	493
Payroll Checks Processed	2,194	2,007	1,976	2,201	2,201	1,950	1,900	1,787	1,211	1,012
City Clerk (Note 1)										
Public Disclosure Requests	97	85	88	97	255	288	255	205	N/A	N/A
Covington Connection E-mails Received	93	78	116	178	186	243	219	194	N/A	N/A
Media Pitches (fka Press Reelases)	40	36	57	40	71	62	47	59	N/A	N/A
Contracts/Agreements	76	61	45	63	66	35	93	64	N/A	N/A
Ordinances/Resolutions Passed	30	32	49	38	49	65	130	113	N/A	N/A
Community Development										
No. of Permits Issued	268	122	115	131	209	225	135	207	387	455
Estimated Value (in Millions)	57	39	15	8	49	89	25	36	78	93
Public Safety (Note 2)										
No. of Calls for Service	4,289	3,803	4,196	4,135	4,026	3,837	4,098	3,982	3,720	3,429
Reported Crimes	1,417	1,418	1,638	1,311	1,631	1,591	1,385	1,338	1,292	1,246
Traffic Citations	1,055	5,925	1,170	1,470	1,451	1,795	1,956	1,776	970	1,252
No. of Arrests										
Adults	441	578	602	585	403	418	368	356	289	376
Juveniles	101	80	114	148	117	86	122	141	145	139
Culture and Recreation (Note 3, 4)										
Number of Parks	5	5	5	5	5	5	5	4	4	2
Park Acreage	135	135	135	135	135	135	135	135	135	109
Participants at Recreation Swims	23,556	20,527	22,068	18,949	21,920	15,351	33,684	32,838	-	-
Participants in Aquatic Activities	43,343	36,135	37,657	37,235	36,437	35,576	39,064	33,787	-	-
Aquatic Center Rental Hours	1,302	1,227	1,395	1,271	1,235	1,125	1,211	1,229	-	-
In-Water Attendance	92,949	81,197	87,620	81,599	83,057	73,427	96,958	91,195	-	-
Public Works (Note 1)										
Catch Basins Cleaned	248	184	956	2,265	2,265	2,100	1,841	N/A	N/A	N/A
Slope Mowing Miles	20	24	37	210	96	48	71	N/A	N/A	N/A
Landscape Mowing Miles	80	78	100	71	65	86	22	N/A	N/A	N/A
Miles of Streets Swept	2,056	843	2,274	2,054	2,290	1,192	1,754	N/A	N/A	N/A
Tons of Asphalt Used	87	269	58	95	100	94	155	N/A	N/A	N/A
Work Orders Completed	N/A	1,460	1,519	1,461	1,368	1,267	656	N/A	N/A	N/A

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.

Sources: City of Covington Finance Department

City of Covington
Capital Assets by Function
Last Ten Fiscal Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Function										
Culture and Recreation										
Number of Parks	5	5	5	5	5	5	5	4	4	2
Park Acreage	135	135	135	135	135	135	135	135	135	109
Swimming Pools	1	1	1	1	1	1	1	1	1	-
Vehicles	14	13	14	12	14	14	12	8	8	7

Sources:
City of Covington Parks and Public Works Departments