

**CITY OF COVINGTON, LOUISIANA**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the Year Ended December 31, 2012**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JUL 17 2013

Submitted by:

Department of Administration

Gina Hayes  
Director

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**CITY OF COVINGTON, LOUISIANA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 As of and for the Year Ended December 31, 2012**

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## **INTRODUCTORY SECTION**

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MIKE COOPER  
*Mayor*

## CITY OF COVINGTON

317 North Jefferson Avenue  
Post Office Box 778  
Covington, Louisiana 70434  
phone 985.892.1811  
fax 985.898.4723  
www.cityofcovingtonla.com

May 22, 2013

To the Honorable Mayor Michael B. "Mike" Cooper, Members of the Covington City Council and Citizens of the City of Covington:

State law requires that all general-purpose local governments publish, within six (6) months of the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Covington City Government for the fiscal year ended December 31, 2012.

This report consists of administration's representations concerning the finances of the City. Administration, hereinafter referred to as "Management", assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Carr, Riggs & Ingram, LLC, a firm of licensed certified public accountants, has audited the city's financial statements and has issued an unqualified ("clean") opinion on the City of Covington's financial statements for the year ended December 31, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD & A complement this letter of transmittal and should be read in conjunction with it.

LEE S. ALPHUS  
*Councilman-at-Large*

R. S. "SAM" O'KELLY  
*Councilman-at-Large*

JOHN CALLAHAN  
*Councilman, District "A"*

JERRY CONER  
*Councilman, District "B"*

MARR WRIGHT  
*Councilman, District "C"*

iv

LARRY ROLLING  
*Councilman, District "D"*

RICK SMITH  
*Councilman, District "E"*

### ***Profile of the Government***

The City was founded by John Wharton Collins, a New Orleans merchant by way of New York, on July 4, 1813 as the Town of Wharton. The City was formally incorporated in 1816 by the state legislature and renamed Covington much to the chagrin of John Wharton Collins. The City of Covington is located in St. Tammany Parish in southeast Louisiana and encompasses approximately 7.98 square miles. Covington is the Parish seat and houses the 22<sup>nd</sup> Judicial District Court, also known as the St. Tammany Parish Courthouse.

Covington is a political subdivision of the State of Louisiana located in St. Tammany Parish. The citizens of Covington approved and adopted the Home-Rule Charter on November 7, 1978. The City operates a Mayor-Council form of government. Both the Mayor and the Council are elected by the voters to serve a four-year term with a limit of two (2) consecutive terms. The Mayor is the head of the executive branch. The Mayor's responsibilities include, but are not limited to, administering policies that facilitate the adherence to ordinances created by the Council, effectuating the smooth daily operations of government, and appointing the department heads. The Council is the legislative branch of the city. The Council's responsibilities include, but are not limited to, passing ordinances and resolutions, as well as, adopting an annual budget. The Council consists of seven (7) members – five (5) of which are district members and two (2) of which are at-large members.

The City provides a full range of services, including police and fire protection, construction and maintenance of roads, bridges, drainage and other infrastructure, water and sewer services, permitting and inspections, code enforcement, planning and zoning, recreational activities, cultural events and other general governmental functions and administrative services. The financial reporting entity consists of the primary government and has no component units. A more detailed discussion of the reporting entity is included in Note 1 in the Notes to the Financial Statements.

The annual budget, both operating and capital, serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the Mayor on or before mid-July of each year. The Mayor uses these requests as a starting point for developing the Proposed Budget. The Mayor also prepares a five (5) year Capital Improvement Plan. The Mayor then presents the Proposed Budget and Capital Improvement Plan to the City Council at the first council meeting in September. The Council is required to hold public hearings and publish the Proposed Budget in the official journal at least ten (10) days prior to the hearing.

Department heads may make transfers of appropriations within a department. The transfer of appropriations between departments requires the approval of the governing City Council.

Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For General Fund and the Sales Tax Funds, this comparison is presented on pages 53 to 63.

## ***Factors Affecting Financial Condition***

### ***Local Economy***

Although Covington has a residential population of approximately 8,765 people, the population swells to approximately 20,000 during the day due to the Courthouse and St. Tammany Parish Hospital. Additionally, after Hurricane Katrina in 2005, the City experienced a significant increase in sales tax (approximately 36%) from 2005 to 2006. Sales tax remained stable through 2008. The City began to see a decline in sales tax in 2009 and 2010. However, in 2011, the City experienced an increase of approximately seven (7%) percent from 2010 to 2011. An increase of 3.54% was seen from 2011 to 2012. The City is optimistic that the sales taxes will continue to increase in 2013.

### ***Long-term Financial Planning***

The five (5) year Capital Improvement Plan is continuing to be monitored and updated accordingly. In the coming year, we will revise our infrastructure program so that we will be able to – with funding – develop the infrastructure master plan that will guide us over the next twenty (20) years.

### ***Major Initiatives***

Over the next year we will be concentrating on the following major projects:

- 2013 Street Resurfacing Project
- River Forest Pipelining Project
- Sidewalk Project
- Upgrade to Covington Point Lift Station
- Greater Covington Center Roof Renovation
- Bogue Falaya Hall Parking Lot Rehab
- Drainage Projects
- Jahncke Ave Water Line Extensions

*Acknowledgments*

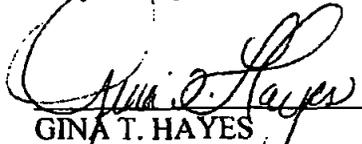
The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

We are proud to say that our 2011 Comprehensive Annual Financial Report (CAFR) was awarded the Certificate of Achievement for Excellence in Financial Reporting.

We would like to thank the City Council, especially Council President R.S. "Sam" O'Keefe, for their unfailing support for elevating and maintaining the highest standards of professionalism in the management of the City's finances.

Finally, and most importantly, we would like to thank Mayor Michael B. "Mike" Cooper for his continued leadership and confidence in us. We look forward to continuing to assist him in accomplishing all of his goals as Mayor of his hometown.

Respectfully submitted,

  
GINA T. HAYES  
Director of Administration

  
ALISA B. FACIANE  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Covington  
Louisiana

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

**CITY OF COVINGTON  
PRINCIPAL ELECTED AND APPOINTED OFFICIALS  
DECEMBER 31, 2012**

**MAYOR**

Mike Cooper - Mayor

**COUNCIL MEMBERS**

Lee Alexius – Councilman at Large

R.S. “Sam” O’Keefe – Councilman at Large

John Callahan – Councilman District A

Jerry Coner – Councilman District B

Mark Wright – Councilman District C

Larry Rolling – Councilman District D

Rick Smith – Councilman District E

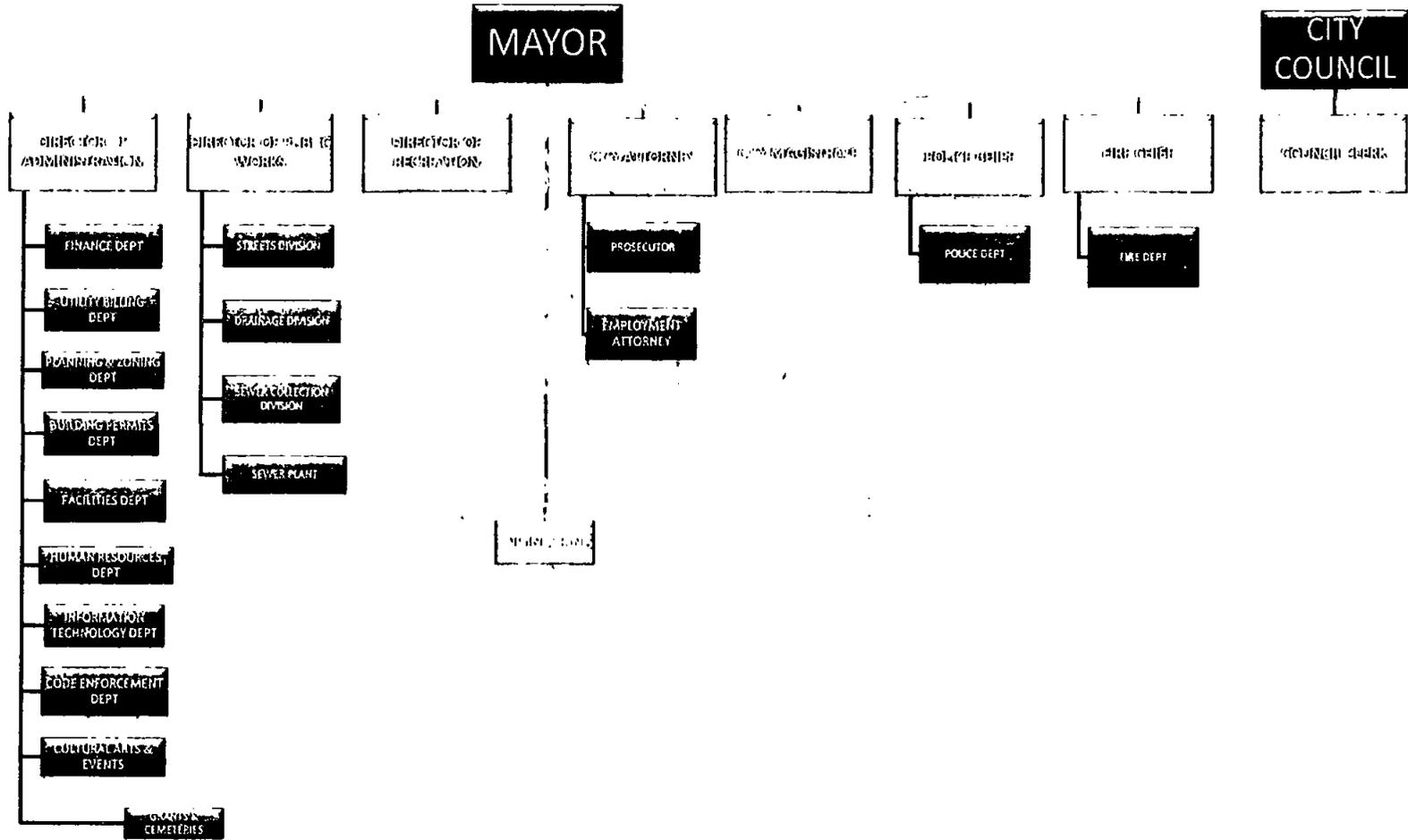
**CHIEF OF POLICE**

John West - Provisional Police Chief

**FIRE CHIEF**

Richard Badon – Fire Chief

**City of Covington, Louisiana  
Organization Chart  
December 31, 2012**



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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the 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, Louisiana (the "City"), 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 the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 controls. 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 opinion.

## **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 as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and Schedule of Funding Progress – Other Post Employment Benefits on pages 4-13 and 53-64 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. Combining nonmajor fund statements and schedules, the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund statements and schedules, Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund statements and schedules, Schedule of Expenditures of Federal Awards, as required by Office of

Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section 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 have also issued our report dated May 22, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, LLC*

May 22, 2013

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF COVINGTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2012**

Our discussion and analysis of the City of Covington's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ending December 31, 2012. Please review in conjunction with the Transmittal Letter on page iv and the City's Basic Financial Statements, which begin on page 14.

**Reviewing the Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 14 and 15) provide information about the activities of the City as a whole and present a long-term view of the City's finances.

Fund financial statements start on page 16. For governmental activities, these statements report how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as an agent for the benefit of those outside of the government.

**The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page 4. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's financial activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. As such, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. You can think of the City's net position—the difference between assets and liabilities—as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall financial health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities—Most of the City's basic services are reported here, including the police, fire, public works, and recreation and culture departments, and general administration. Sales and use taxes, property taxes, and franchise fees finance most of these activities.

**CITY OF COVINGTON, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**For the Year Ended December 31, 2012**

- **Business-type activities**—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported here.

**Fund Financial Statements**

Our analysis of the City's major funds begins on page 5. The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City establishes other funds to help it control and manage money for particular purposes or to account for it to meet legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

- **Governmental funds**—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations on page 17 and 19 of the Basic Financial Statements.
- **Proprietary funds**—When the City charges customers for the services it provides these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information such as cash flows for the proprietary funds.

**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 beginning on page 23 of this report.

**CITY OF COVINGTON, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**For the Year Ended December 31, 2012**

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplementary Information* concerning budgetary basis reporting for the General Fund, 1957 Sales Tax Fund, 1982 Sales Tax Fund, and A3 Sales Tax Annex Fund. Required supplementary information can be found on pages 53 to 64 of this report.

The budgetary basis reporting for the State and Federal Grants Fund and the combining statements of non-major governmental funds are presented immediately following the Required Supplementary Information. Combining statements and schedules can be found on pages 68 to 69 of this report.

**Financial Highlights**

After this year's operations, the City's ending net position is as follows: Net position of business-type activities was \$23,789,573 and net position of governmental activities was \$18,730,476.

- The current year's expense total was \$13,020,262 as compared to the \$14,919,465 generated in fees and charges, grants, general revenues, and taxes for governmental programs (before special items). In the previous year, expenses were \$13,199,839 as compared to the \$14,653,253 generated in tax and other revenues for governmental programs (before special items).
- For business-type activities. City revenues were \$3,320,714. Expenses were \$4,271,676.
- The annual cost of all City programs was \$17,291,938. The previous year's cost was \$17,498,282.

Table 1  
Net Position\*  
(in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Current and Other Assets	\$ 12,813	\$ 11,218	\$ 1,625	\$ 1,180	\$ 14,438	\$ 12,398
Capital Assets, net	21,074	19,202	22,600	23,282	43,674	42,484
<b>Total Assets</b>	<b>33,887</b>	<b>30,420</b>	<b>24,225</b>	<b>24,462</b>	<b>58,112</b>	<b>54,882</b>
Long-term liabilities	11,704	12,357	-	-	11,704	12,357
Other liabilities	3,353	1,961	435	355	3,788	2,316
<b>Total Liabilities</b>	<b>15,057</b>	<b>14,318</b>	<b>435</b>	<b>355</b>	<b>15,492</b>	<b>14,673</b>
<b>Deferred revenues</b>	<b>100</b>	<b>137</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>137</b>
Net Position						
Invested in Capital Assets, Net of Related Debt	10,963	8,541	22,600	23,282	33,563	31,823
Restricted	4,812	6,336	-	-	4,812	6,336
Unrestricted	2,955	1,088	1,190	825	4,145	1,913
<b>Total Net Position</b>	<b>\$ 18,730</b>	<b>\$ 15,965</b>	<b>\$ 23,790</b>	<b>\$ 24,107</b>	<b>\$ 42,520</b>	<b>\$ 40,072</b>

**CITY OF COVINGTON, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**For the Year Ended December 31, 2012**

\* In 2012, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which changed the Statement of Net Assets to the Statement of Net Position as noted in Table 1. Amounts prior to 2012 were titled Net Assets, whereas in 2012, the new terminology is Net Position. In addition, the Statement changed the presentation of deferred revenues from liabilities to deferred inflows of resources.

**Government-Wide Financial Analysis**

The City's combined net position from the previous year was \$40,071,808 as compared to \$42,520,049 this year. However, net position and expenses from governmental and business-type activities must be reviewed separately. Table 1 focuses on the net position and Table 2 focuses on changes in the net position of the City's governmental and business-type activities.

The City's net position for governmental activities was \$18,730,476 this year as compared to \$15,965,097 last year. Unrestricted net position was \$2,955,180 this year as compared to \$1,088,416 last year. Unrestricted net position is those that can be used to finance everyday operations without restrictions set by legislation, debt covenants, or other legal regulations. The difference in unrestricted net position can mostly be contributed to the implementation of Government Accounting Standards Board's (GASB) Statement No. 54, which significantly impacts the fund balance classifications on the fund financial statements. Those changes in the fund balance classifications directly effects the governmental activities unrestricted net position.

The net position of the City's business-type activities was \$23,789,573 this year as compared to \$24,106,711 last year.

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

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as a for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

City revenues (excluding special items) for the current year were \$18,215,972 as compared to \$17,983,378 in the previous year. The total yearly cost of all programs and services was \$17,291,959 as compared to \$17,498,282 in the previous year.

**CITY OF COVINGTON, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**For the Year Ended December 31, 2012**

Table 2  
Changes in Net Position  
(in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 172	\$ 172	\$ 3,321	\$ 3,298	\$ 3,493	\$ 3,470
Restricted Operating Grants	439	373	-	-	439	373
Restricted Capital Grants	314	594	-	-	314	594
General Revenues						
Property Taxes	2,433	2,321	-	-	2,433	2,321
Sales Taxes	9,211	8,897	-	-	9,211	8,897
Other Taxes	656	690	-	-	656	690
Interest and Investment Income	45	44	-	-	45	44
Other General Revenues	1,625	1,562	-	32	1,625	1,594
<b>Total Revenues</b>	<b>14,895</b>	<b>14,653</b>	<b>3,321</b>	<b>3,330</b>	<b>18,216</b>	<b>17,983</b>
<b>Program Expenses</b>						
General Government	4,000	4,109	-	-	4,000	4,109
Public Safety	5,717	5,845	-	-	5,717	5,845
Public Works	2,180	1,869	-	-	2,180	1,869
Culture and Recreation	804	902	-	-	804	902
Interest on Long-Term Debt	320	475	-	-	320	475
Water and Sewer	-	-	3,544	3,580	3,544	3,580
Other Utilities	-	-	728	718	728	718
<b>Total Expenses</b>	<b>13,021</b>	<b>13,200</b>	<b>4,272</b>	<b>4,298</b>	<b>17,293</b>	<b>17,498</b>
Excess (Deficit) Before Special Items and Transfers	1,875	1,453	(951)	(968)	924	485
Capital Contributions	1,500	-	-	-	1,500	-
Transfers	(634)	(1,523)	634	1,523	-	-
Special Items	24	-	-	-	24	-
<b>Change in Net Position</b>	<b>2,765</b>	<b>(70)</b>	<b>(317)</b>	<b>555</b>	<b>2,448</b>	<b>485</b>
Net Position – Beginning	15,965	16,064	24,107	23,552	40,072	39,616
Prior Period Adjustment	-	(29)	-	-	-	(29)
Net Position – Beginning Restated	-	16,035	-	-	-	39,587
<b>Net Position - Ending</b>	<b>\$ 18,730</b>	<b>\$ 15,965</b>	<b>\$ 23,790</b>	<b>\$ 24,107</b>	<b>\$ 42,520</b>	<b>\$ 40,072</b>

**Governmental Activities**

This year's governmental activities revenues were \$14,895,258 as compared to \$14,653,253 last year. Total revenues increased by \$242,005 or 2%. The key elements of the increase are as follows:

- Property taxes increased \$112,903 or 5% primarily due to a slight increase in collections.
- Revenue from sales tax increased by \$314,730 or 4% primarily due to an increase in spending throughout the City.

This year's governmental activities cost was \$13,020,262 as compared to \$13,199,839 in the previous year. Total expenses decreased by \$179,556 or 1%.

**CITY OF COVINGTON, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**For the Year Ended December 31, 2012**

**Business-Type Activities**

This year's business-type activities revenues were \$3,320,714 as compared to \$3,330,125 last year. Total revenues decreased by \$9,411 or less than 1%.

This year's expenses were \$4,271,676 as compared to \$4,298,443 in the previous year. Total expenses decreased by \$26,767 or 1%.

Table 3 details the cost of the City's major programs as well as each program's net cost (total cost less revenues generated by the program). The net cost indicates the financial burden that was shifted to the City's taxpayers by each of these programs:

Table 3  
Governmental Activities  
*(in Thousands)*

	Total Cost of Services		Net Cost of Services	
	Current Year	Previous Year	Current Year	Previous Year
Police Department	\$ 3,946	\$ 4,102	\$ 3,777	\$ 3,988
Fire Department	1,771	1,743	1,421	1,701
Public Works	2,180	1,869	2,172	1,413
Parks and Recreation	804	902	629	726
All Others	4,319	4,584	4,095	4,234
<b>Totals</b>	<b><u>\$ 13,020</u></b>	<b><u>\$ 13,200</u></b>	<b><u>\$ 12,094</u></b>	<b><u>\$ 12,062</u></b>

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,361,598, an increase of \$1,053,014 in comparison with the prior year.

Approximately 10% of the ending fund balance of \$11,361,598 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending. Approximately 18% is assigned, 29% is committed, 41% is restricted and 1% is nonspendable.

**CITY OF COVINGTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended December 31, 2012**

The fund balance of the general fund increased by \$2,532,912 in the current year, and decreased by \$2,502,969 in the prior year.

Total revenue in the general fund decreased by \$119,510 or 2%. Revenue from fines and forfeitures decreased \$35,917 primarily due to a decline in the number of police officers. Franchise taxes decreased by \$34,334 primarily due to a decrease in cost of gas.

Expenditures in the general fund increased \$1,058,669 or 10%. In the current year, the general fund had \$1,500,000 in capital outlay due to a donation of infrastructure to the City.

Operating transfers between funds consist primarily of sales tax revenues transferred out of the 1957 and 1982 Sales Tax Funds to the particular funds for which the sales tax revenue was used. Most of the monies are deposited into the general fund.

The fund balance of the 1957 sales tax decreased by \$2,405,754. This decrease is due to the rededication by the voters in 2012 of the usage of the 1957 sales tax and most funding transferred out to the General Fund. In the prior year, the City would keep all unused funding within the 1957 sales tax fund. The fund balance of the 1982 sales tax fund increased by \$946,840 or 37%. This increase is primarily due to a decrease in capital outlay from \$2,726,434 in the prior year to \$554,763 or a 80% decrease.

Total revenues in the 1957 sales tax fund increased \$78,816 or 2% and the 1982 sales tax fund decreased by \$351,795 or 9% due to the City receiving state and federal funding for approximately \$436,947 in prior year and \$6,336 in the current year.

The A3 Sales Tax Fund accounts for the special annexation sales tax. Total revenues increased \$157,088 or 10% due to the an increase in sales tax in the City's annexation area.

#### **General Fund Budgetary Statements**

The City Council revised the 2012 original adopted budget numerous times throughout the year as revenues and expenditures changed. The original budget was voted and approved on November 15, 2011 and the amended budget was voted and approved on November 13, 2012 and March 5, 2013. The budget amendment added \$159,572 to revenues and increased expenditures by \$186,981.

By budgetary policy, revenue estimates are prepared with a conservative bias. Overall, general fund revenue in 2012 experienced a positive variance of \$26,432 from the amount in the final adopted budget. Actual revenues were \$186,004 (4%) more than the original adopted budget and \$26,432 (1%) more than the amended budget.

The final budget for expenditures increased \$186,981 (2%) from the original budget for 2012. Actual expenditures were \$416,604 (3%) less than the original adopted budget and \$229,623 (2%) less than the final adopted budget. The decrease in expenditures between the final adopted budget and actual expenditures is due to the Community Disaster Loan extension of payment.

**CITY OF COVINGTON, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**For the Year Ended December 31, 2012**

The City did not have to make the first payment of approximately \$500,000 in 2012. The City had a slight decrease in health insurance premiums for all departments and the number of Police department personnel was less than budgeted in 2012.

**Capital Assets**

Table 4  
 Capital Assets at Year-End  
 (Net of Depreciation, in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Land	\$ 617	\$ 580	\$ -	\$ -	\$ 617	\$ 580
Building and Improvements	9,563	9,827	-	-	9,563	9,827
Equipment	1,851	2,291	4,906	5,178	6,757	7,469
Infrastructure	7,942	5,662	17,544	18,104	25,486	23,766
Construction in Progress	1,101	842	150	-	1,251	842
Other	-	-	-	-	-	-
<b>Total</b>	<b>\$ 21,074</b>	<b>\$ 19,202</b>	<b>\$ 22,600</b>	<b>\$ 23,282</b>	<b>\$ 43,674</b>	<b>\$ 42,484</b>

At the close of the year; the City had invested \$43,674,177 in capital assets such as land, buildings and improvements, equipment or infrastructure (see Table 4). \$42,484,001 was invested in similar assets last year.

The current year's capital asset additions included:

- **Governmental Activities:** Capital asset additions included a flatbed trailer, restroom building, storm evacuation shelter, computer software, roadway improvements and overlays, Boston Street beautification, sidewalk improvements, drainage improvements, and land.
- **Business-Type Activities:** Capital asset additions included various pumps, improvements to lift stations, valve replacements, sewer improvements and pipe repairs.

More detailed information about the City's capital assets is presented in Note 13 to the financial statements.

**Debt Management**

At the close of the year, the City had \$10,172,900 in outstanding bonds and notes as compared to \$10,697,900 in the previous year (see Table 5). This decrease in debt of \$525,000 is due to regularly scheduled principal payments.

**CITY OF COVINGTON, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**For the Year Ended December 31, 2012**

**Debt Management**

Table 5  
 Outstanding Debt at Year-End  
 (in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
General Obligation Bonds (Backed by the City)	\$ 5,827	\$ 6,122	\$ -	\$ -	\$ 5,827	\$ 6,122
Revenue Bonds and Notes (Backed by Specific Tax and Fee Revenues)	2,545	2,775	-	-	2,545	2,775
Federal Community Disaster Loan	1,801	1,801	-	-	1,801	1,801
<b>Total</b>	<b>\$ 10,173</b>	<b>\$ 10,698</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,173</b>	<b>\$ 10,698</b>

The City defeased \$745,000 of the General Obligation Bonds and refunded \$2,737,878 in Revenue Bonds in 2011. More detailed information about the City's long-term liabilities is presented in Note 14 to the financial statements.

**Economic Issues/Upcoming Yearly Budgets**

City public officials considered many issues when establishing the upcoming year's budget, tax rates, and fees.

Over 49% of the City's operating revenues are derived from sales taxes. We are projecting \$9,400,000 in sales tax collections for 2013, which represents 1% increase from 2012. Approximately \$5,200,000 will go directly to the General Fund for the purpose of providing public safety, public works improvements, the maintenance thereof, and for the administration of all municipal services. \$2,000,000 is dedicated to the Capital Improvements Fund, \$297,670 will go to the Sales Tax Bond Sinking Fund for bond payments and the \$1,677,293 balance is "shared revenue" provided by St. Tammany Parish through the City/Parish Growth Management Agreement. The shared revenue is dedicated to the construction and maintenance of roads, bridges and drainage projects in St. Tammany Sales Tax District 3 or where it benefits the residents of St. Tammany Parish Sales Tax District 3.

Ad Valorem Tax is anticipated to generate just over \$1,851,253 in revenue for the General Fund. This represents about a 1.7% decrease from 2012 and is based upon an assessed valuation of \$109,329,386. It should be noted that property taxes represent 15% of the 2013 Operating Budget. The City of Covington currently has the following ad valorem tax assessments: 22.00 mills comprised of 4.5 mills for retiring general obligation bonds, 7.5 mills to general fund revenues, and 10.00 mills for operation and maintenance of the Fire Department. It is important to note that the Fire Department millage for operation and maintenance of the Fire Department will be up for renewal by the voters in 2013.

The administration recognizes that the amount of revenues generated does not cover the amount of expenses proposed in the operating budget. In order to subsidize this difference, funds are taken from the General Fund Balance. The City's General Fund Balance has an accumulated

**CITY OF COVINGTON, LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
For the Year Ended December 31, 2012**

balance that provides a cushion for operating expenses. This budget, while balanced, provides for a \$2,763,770 General Fund Balance. This current General Fund Balance is above the GFOA recommended 2 months of operating expenditures or revenue range to cover emergencies and unexpected expenditures. However, the General Fund Balance has been steadily decreasing, and the practice of using this money to subsidize operating expenditures cannot be sustained. Should expenses continue to increase at a pace faster than revenue, the General Fund Balance will eventually be depleted, forcing the reduction of services and personnel. To that end, certain measures are being taken to curtail expenses now while maintaining a high level of service to our citizens.

**Contact Information**

The financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Gina Hayes  
317 N. Jefferson Ave.  
Covington, LA 70433  
Phone: 985-892-1811  
Fax: 985-898-4723  
[ghayes@covla.com](mailto:ghayes@covla.com)

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF COVINGTON, LOUISIANA**  
**STATEMENT OF NET POSITION**  
**December 31, 2012**

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,640,461	\$ 400	\$ 6,640,861
Certificates of deposit	302,455	-	302,455
Investments	4,002,008	-	4,002,008
Receivables, net	3,242,769	249,335	3,492,104
Internal balances	(1,375,328)	1,375,328	-
Prepaid expense	365	-	365
Capital assets not being depreciated	1,717,831	150,205	1,868,036
Capital assets being depreciated net of accumulated depreciation	19,356,496	22,449,666	41,806,162
<b>TOTAL ASSETS</b>	<b>33,887,057</b>	<b>24,224,934</b>	<b>58,111,991</b>
<b>LIABILITIES</b>			
Accounts payable	1,062,314	106,020	1,168,334
Accrued payroll expenses	202,489	32,509	234,998
Customer deposits	-	296,465	296,465
Accrued interest	391,444	-	391,444
Compensated absences	799,598	-	799,598
Claims and judgements:			
Due within one year	137,410	-	137,410
Due in more than one year	257,410	-	257,410
Revenue bonds payable:			
Due within one year	245,000	-	245,000
Due in more than one year	2,247,458	-	2,247,458
General obligations bond payable:			
Due within one year	306,000	-	306,000
Due in more than one year	5,511,925	-	5,511,925
Community disaster loan:			
Due within one year	209,320	-	209,320
Due in more than one year	1,591,580	-	1,591,580
Net other post-employment benefit obligation	2,095,529	-	2,095,529
<b>TOTAL LIABILITIES</b>	<b>15,057,477</b>	<b>434,994</b>	<b>15,492,471</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenues	99,104	367	99,471
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	10,963,044	22,599,871	33,562,915
Restricted for:			
Debt service	1,008,986	-	1,008,986
Perpetual care	33,348	-	33,348
FHA loan program	237,182	-	237,182
Fire department	9,212	-	9,212
Capital outlay	3,523,524	-	3,523,524
Unrestricted	2,955,180	1,189,702	4,144,882
<b>TOTAL NET POSITION</b>	<b>\$ 18,730,476</b>	<b>\$ 23,789,573</b>	<b>\$ 42,520,049</b>

The accompanying notes are an integral part of this statement.

**CITY OF COVINGTON, LOUISIANA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2012**

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 4,000,021	\$ -	\$ 204,253	\$ 20,048	\$ (3,775,720)	\$ -	\$ (3,775,720)
Public safety - Police	3,946,313	-	168,375	1,070	(3,776,868)	-	(3,776,868)
Public safety - Fire	1,770,518	-	63,850	285,532	(1,421,136)	-	(1,421,136)
Public Works	2,180,001	-	-	7,795	(2,172,206)	-	(2,172,206)
Culture and recreation	803,635	172,124	2,753	-	(628,758)	-	(628,758)
Interest on long-term debt	319,774	-	-	-	(319,774)	-	(319,774)
Total Governmental Activities	13,020,262	172,124	439,231	314,445	(12,094,462)	-	(12,094,462)
<b>Business-Type Activities</b>							
Water	1,823,929	1,262,419	-	-	-	(561,510)	(561,510)
Sewer	1,719,964	1,375,189	-	-	-	(344,775)	(344,775)
Garbage	727,783	683,106	-	-	-	(44,677)	(44,677)
Total Business-Type Activities	4,271,676	3,320,714	-	-	-	(950,962)	(950,962)
Total	\$ 17,291,938	\$ 3,492,838	\$ 439,231	\$ 314,445	(12,094,462)	(950,962)	(13,045,424)
<b>General Revenues</b>							
<b>Taxes:</b>							
Sales taxes					9,211,667	-	9,211,667
Property taxes					2,433,574	-	2,433,574
Franchise taxes					655,994	-	655,994
Licenses and permits					1,248,790	-	1,248,790
Other general revenues					269,047	-	269,047
Fines and forfeitures					105,856	-	105,856
Interest and penalties					44,530	-	44,530
Proceeds on sale of equipment					24,207	-	24,207
Capital contributions					1,500,000	-	1,500,000
Transfers					(633,824)	633,824	-
Total General Revenues and transfers					14,859,841	633,824	15,493,665
Change in net position					2,765,379	(317,138)	2,448,241
Net position - beginning of year					15,965,097	24,106,711	40,071,808
Net position - end of year					\$ 18,730,476	\$ 23,789,573	\$ 42,520,049

The accompanying notes are an integral part of this statement.

**CITY OF COVINGTON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2012**

	<u>Special Revenue Funds</u>			<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>	
	<u>General Fund</u>	<u>1982 Sales Tax Fund</u>	<u>1957 Sales Tax Fund</u>			<u>A3 Sales Tax Fund</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 6,282,801	\$ -	\$ -	\$ -	\$ 357,660	\$ 6,640,461
Equity in pooled cash	-	3,741,682	-	1,892,598	-	5,634,280
Investments	4,002,008	-	-	-	-	4,002,008
Certificates of deposits	-	-	-	-	302,455	302,455
Receivables:						
Taxes	2,143,659	-	-	-	488,608	2,632,267
Notes receivable	57,444	-	-	-	-	57,444
Grant receivable	88,394	-	-	-	285,240	373,634
Accrued interest	-	-	-	-	286	286
Other	145,096	-	-	-	34,042	179,138
Prepaid expense	365	-	-	-	-	365
Due from other funds	124,704	20,000	-	-	27,537	172,241
<b>TOTAL ASSETS</b>	<b>\$ 12,844,471</b>	<b>\$ 3,761,682</b>	<b>\$ -</b>	<b>\$ 1,892,598</b>	<b>\$ 1,495,828</b>	<b>\$ 19,994,579</b>
<b>LIABILITIES AND FUND BALANCE</b>						
Accounts payable	\$ 151,628	\$ 210,621	\$ -	\$ 570,088	\$ 129,977	\$ 1,062,314
Equity in pooled cash	6,895,589	-	-	-	83,926	6,979,515
Accrued payroll expenses	202,489	-	-	-	-	202,489
Customer deposits	-	-	-	-	-	-
Deficit in pooled cash	-	-	-	-	-	-
Due to other funds	24,654	27,537	-	20,000	130,143	202,334
Deferred revenues	97,740	-	-	-	88,589	186,329
<b>TOTAL LIABILITIES</b>	<b>7,372,100</b>	<b>238,158</b>	<b>-</b>	<b>590,088</b>	<b>432,635</b>	<b>8,632,981</b>
Fund balance:						
Nonspendable:						
Prepaid expense	365	-	-	-	-	365
Permanent fund	-	-	-	-	24,955	24,955
Restricted:						
Perpetual care	-	-	-	-	33,348	33,348
Capital Outlay	-	3,523,524	-	-	-	3,523,524
Debt service	4,146	-	-	-	1,004,840	1,008,986
FHA loan program	237,182	-	-	-	-	237,182
Fire department (dedication)	9,212	-	-	-	-	9,212
Committed:						
Capital Outlay	-	-	-	1,302,510	50	1,302,560
2013 operating budget	2,004,594	-	-	-	-	2,004,594
Assigned:						
Contingency	2,090,993	-	-	-	-	2,090,993
Unassigned:	1,125,879	-	-	-	-	1,125,879
<b>TOTAL FUND BALANCE</b>	<b>5,472,371</b>	<b>3,523,524</b>	<b>-</b>	<b>1,302,510</b>	<b>1,063,193</b>	<b>11,361,598</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 12,844,471</b>	<b>\$ 3,761,682</b>	<b>\$ -</b>	<b>\$ 1,892,598</b>	<b>\$ 1,495,828</b>	<b>\$ 19,994,579</b>

The accompanying notes are an integral part of this statement.

**CITY OF COVINGTON, LOUISIANA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
December 31, 2012**

Fund Balances - Total Governmental Funds \$ 11,361,598

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 capital assets	30,748,217
Less: accumulated depreciation	(9,673,890)

Long-term liabilities, including bonds payable, are not due and payable in the  
current period and, therefore, are not reported in the governmental funds.

Accrued interest on bonds and community disaster loan	(391,444)
Compensated absences	(799,598)
Contingent liabilities	(394,820)
Revenue bonds, net	(2,492,458)
General obligations bonds, net	(5,817,925)
Community disaster loan	(1,800,900)
Net other post-employment benefit obligation	(2,095,529)

Deferred revenues	87,225
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Net Position of Governmental Activities	\$ 18,730,476
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The accompanying notes are an integral part of this statement.

**CITY OF COVINGTON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2012**

	Special Revenue Funds			Non-Major Governmental Funds	Total Governmental Funds	
	General Fund	1982 Sales Tax Fund	1957 Sales Tax Fund			A3 Sales Tax Fund
<b>REVENUES</b>						
Taxes						
Sales taxes	\$ -	\$ 3,748,123	\$ 3,748,124	\$ 1,715,420	\$ -	\$ 9,211,667
Property taxes	1,937,921	-	-	-	495,653	2,433,574
Franchise taxes	655,994	-	-	-	-	655,994
Licenses and permits	1,248,790	-	-	-	-	1,248,790
Other revenues	258,948	-	-	-	-	258,948
Fines and forfeitures	105,856	-	-	-	-	105,856
Charges for services	172,124	-	-	-	-	172,124
Intergovernmental revenues	184,718	-	-	-	-	184,718
Interest and penalties	43,270	-	-	-	1,260	44,530
Assessments	10,099	-	-	-	-	10,099
State and federal grants	44,730	6,336	-	-	430,667	481,733
Total Revenues	<u>4,662,450</u>	<u>3,754,459</u>	<u>3,748,124</u>	<u>1,715,420</u>	<u>927,580</u>	<u>14,808,033</u>
<b>EXPENDITURES</b>						
Current						
General government	2,829,441	21,567	-	-	13,064	2,864,072
Public safety - Police	3,601,007	-	-	-	90,872	3,691,879
Public safety - Fire	1,639,849	-	-	-	35,435	1,675,284
Public works	1,741,812	1,975	-	-	12,392	1,756,179
Culture and recreation	580,816	-	-	-	2,753	583,569
Sewer department	-	-	-	-	-	-
Water department	-	-	-	-	-	-
Garbage department	-	-	-	-	-	-
Capital outlay	1,500,000	554,763	-	767,962	307,064	3,129,789
Debt service	-	-	-	-	-	-
Principal	-	-	-	-	525,000	525,000
Interest	-	-	-	-	282,220	282,220
Payments on claims and judgements	30,000	53,705	53,705	-	-	137,410
Total Expenditures	<u>11,922,925</u>	<u>632,010</u>	<u>53,705</u>	<u>767,962</u>	<u>1,268,800</u>	<u>14,645,402</u>
Excess (Deficiency) of Revenues						
Over Expenditures	<u>(7,260,475)</u>	<u>3,122,449</u>	<u>3,694,419</u>	<u>947,458</u>	<u>(341,220)</u>	<u>162,631</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds of sale of equipment	24,207	-	-	-	-	24,207
Capital contributions	1,500,000	-	-	-	-	1,500,000
Transfers in	8,533,131	66,800	-	-	468,818	9,068,749
Transfers out	(263,951)	(2,242,409)	(6,100,173)	(900,000)	(196,040)	(9,702,573)
Total Other Financing Sources (Uses)	<u>9,793,387</u>	<u>(2,175,609)</u>	<u>(6,100,173)</u>	<u>(900,000)</u>	<u>272,778</u>	<u>890,383</u>
Changes in Fund Balance	2,532,912	946,840	(2,405,754)	47,458	(68,442)	1,053,014
Fund Balance, Beginning of Year	2,939,459	2,576,684	2,405,754	1,255,052	1,131,635	10,308,584
Fund Balance, End of Year	<u>\$ 5,472,371</u>	<u>\$ 3,523,524</u>	<u>\$ -</u>	<u>\$ 1,302,510</u>	<u>\$ 1,063,193</u>	<u>\$ 11,361,598</u>

The accompanying notes are an integral part of this statement.

**CITY OF COVINGTON, LOUISIANA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2012**

Changes in Fund Balances - Total Governmental Funds \$ 1,053,014

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

Governmental funds report capital outlays as expenditures; however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives through depreciation expense. This is the amount by which capital outlay charged exceeded depreciation in the current period.

Capital outlay	3,129,789
Depreciation expense	(1,257,607)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. Also, governmental funds report the effect of issuance costs and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Change in compensated absences	28,172
Claims & judgements paid	137,410
Claims & judgements incurred	(322,230)
Debt principal payments	525,000
Reversal of deferred revenue	87,225
Amortization of bond issuance costs	(4,180)
Amortization of loss on refunding	(2,795)
Change in net other post-employment benefit obligation	(577,840)

Difference in interest expense on the modified accrual basis as reported in the fund statements versus interest expense on the full accrual basis.	(30,579)
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Changes in Net Position of Governmental Activities	\$ 2,765,379
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The accompanying notes are an integral part of this statement.

**CITY OF COVINGTON, LOUISIANA**  
**STATEMENTS OF NET POSITION**  
**PROPRIETARY FUND**  
**December 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 400	\$ 200
Equity in pooled cash	1,345,235	891,070
Receivables		
Accounts receivable, net of uncollectible \$66,949	249,335	268,474
Due from other funds	34,939	24,654
Total current assets	1,629,909	1,184,398
Capital Assets, net of accumulated depreciation	22,599,871	23,281,856
<b>TOTAL ASSETS</b>	<b>24,229,780</b>	<b>24,466,254</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	106,020	49,456
Accrued payroll expense	32,509	28,251
Customer deposits	296,465	277,042
Due to other funds	4,846	4,427
<b>TOTAL CURRENT LIABILITIES</b>	<b>439,840</b>	<b>359,176</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred revenues	367	367
<b>NET POSITION</b>		
Net position, invested in capital assets	22,599,871	23,281,856
Unrestricted net position	1,189,702	824,855
<b>TOTAL NET POSITION</b>	<b>\$ 23,789,573</b>	<b>\$ 24,106,711</b>

The accompanying notes are an integral part of this statement.

**CITY OF COVINGTON, LOUISIANA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**For the Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>OPERATING REVENUES</b>		
Sewer maintenance fees	\$ 1,353,948	\$ 1,261,831
Water revenues	1,108,285	1,179,369
Garbage collection fees	683,106	729,122
Miscellaneous	52,454	2,430
Connection fees	51,787	54,254
Water installations	49,893	51,127
DHH fee	15,126	14,627
Sewer installations	6,115	4,950
<b>Total Operating Revenues</b>	<u>3,320,714</u>	<u>3,297,710</u>
<b>OPERATING EXPENSES</b>		
Sewer department expenses	1,375,943	1,447,939
Water department expenses	1,012,891	1,008,950
Garbage department expenses	727,783	718,460
Depreciation	1,155,059	1,123,094
<b>Total Operating Expenses</b>	<u>4,271,676</u>	<u>4,298,443</u>
<b>Operating Loss</b>	<u>(950,962)</u>	<u>(1,000,733)</u>
<b>NON-OPERATING REVENUES</b>		
State grant	-	32,415
<b>Total Non-Operating Revenues</b>	<u>-</u>	<u>32,415</u>
<b>Loss Before Contributions and Transfers</b>	<u>(950,962)</u>	<u>(968,318)</u>
Operating transfers	633,824	1,523,217
<b>Total Operating Transfers and Contributions</b>	<u>633,824</u>	<u>1,523,217</u>
<b>Changes in Net Position</b>	(317,138)	554,899
<b>Net Position, Beginning of Year</b>	<u>24,106,711</u>	<u>23,551,812</u>
<b>Net Position, End of Year</b>	<u>\$ 23,789,573</u>	<u>\$ 24,106,711</u>

The accompanying notes are an integral part of this statement.

**CITY OF COVINGTON, LOUISIANA**  
**STATEMENTS OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Years Ended December 31, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 3,300,707	\$ 3,242,243
Other (payments) receipts	48,703	6,002
Payments to suppliers	(3,060,053)	(3,182,785)
Receipts from (Payments to) employees	4,258	(4,508)
	<b>293,615</b>	<b>60,952</b>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Operating grant	-	32,415
	<b>-</b>	<b>32,415</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(473,074)	(1,439,941)
Transfer in	633,824	1,523,217
	<b>160,750</b>	<b>83,276</b>
Net increase in cash and cash equivalents	454,365	176,643
Cash and cash equivalents, beginning of year	891,270	714,627
Cash and cash equivalents, end of year	<b>\$ 1,345,635</b>	<b>\$ 891,270</b>
<b>Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities</b>		
Operating loss	\$ (950,962)	\$ (1,000,733)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Depreciation	1,155,059	1,123,094
Changes in assets and Liabilities		
(Increase) Decrease in:		
Accounts receivable	19,139	(65,867)
Due from other funds	(10,285)	(2,654)
Increase (decrease) in:		
Accounts payable	56,564	(7,803)
Accrued payroll expenses	4,258	(4,508)
Customer deposits	19,423	17,780
Due to other funds	419	1,276
Deferred revenues	-	367
	<b>293,615</b>	<b>60,952</b>
Net Provided by Operating Activities	<b>\$ 293,615</b>	<b>\$ 60,952</b>

The accompanying notes are an integral part of this statement.

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**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of City of Covington, Louisiana (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP); these financial statements present the City as the primary government. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. REPORTING ENTITY**

The City of Covington, Louisiana adopted the Home Rule Charter on November 7, 1978, under the provisions of Article VI, Section 5, of the Louisiana Constitution of 1974. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety, highways and streets, sanitation and utilities, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The City has seven council members which serve four year terms ending in 2015. The council members are elected by majority vote. The City covers an approximately seven square mile area and has approximately 8,733 residents. The city has approximately 180 employees who encompass police, fire, public works and general administration employees. The City operates a water department and a sewerage department.

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name).
- The City holds the corporate powers of the organization.
- The City appoints a voting majority of the organization's board.
- The City is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the City.
- There is a fiscal dependency by the organization on the City.

Based on the aforementioned criteria, the City has no component units.

**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. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 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.

**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 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 are recorded only when payment is due.

Revenues from taxes consist primarily of sales and use and property taxes. Property tax revenues are recognized as revenue primarily as received except at year end when they are accrued for a period not exceeding 60 days. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Generally, investment earnings are recorded as earned since they are measurable and available.

Grant funds are considered to be earned when qualifying expenditures are made and all other grant requirements have been met and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City reports the following major governmental funds:

- *General Fund* - The General Fund is the general operating fund of the City. This fund is used to account for all financial transactions and resources except those that are required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal grants, licenses, permits, charges for service, and interest income. At December 31, 2012 there was a minimum fund balance of \$2,090,993 which consists of approximately two months of expenditures.
- *1982 Sales Tax Special Revenue Fund* - The 1982 Sales Tax Special Revenue Fund is used to account for the proceeds of the 1982 sales tax. The 1% 1982 sales tax is used to retire the 1997 Sales Tax Refunding Bonds and the 2002 Sales Tax Bonds. Any proceeds remaining in the 1982 Sales Tax Fund on the last day of each month after satisfying all sinking and reserve fund requirements are dedicated as follows:

Capital Improvements	60%
Recreation Facilities and Equipment	15%
Street and Drainage Maintenance	10%
Central Business District Municipal Services and Capital Improvements	10%
Police Facilities and Equipment	5%

- *1957 Sales Tax Special Revenue Fund* - The 1957 Sales Tax Special Revenue Fund is used to account for the receipt and use of proceeds of the City's 1957 1% sales and use tax. This tax was rededicated by the voters on November 6, 2012 for the purpose of any lawful corporate purpose of the City, including, but not limited to, funding into bonds as authorized at the election held on July 21, 2001, constructing, improving, extending and maintaining and/or operating: playgrounds and recreational facilities, public roads, streets, bridges and crossings, sewer, garbage disposal, waterworks, public safety operations and facilities and other public improvement and facilities in the City, title to which shall be in the public's name. The City Council passed a resolution declaring the result of the special election held and to authorize the rededication on December 4, 2012.
- *A3 Special Revenue Sales Tax* - The A3 Special Revenue Sales Tax fund was created to track the revenues and expenditures of the annexation sales taxes.

The City has one proprietary fund to account for the water, sewer, and garbage services it provides to the residents and businesses of the City. It is reported as a major fund.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989. Generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues for the City's proprietary fund consist of charges to customers and users of its water, sewer and garbage services. Operating expenses for the City's proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. BUDGETARY ACCOUNTING**

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

1. Prior to December 1<sup>st</sup>, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1<sup>st</sup>. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall.
3. Prior to the last meeting of the current fiscal year, the budget is legally enacted through passage of an ordinance.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4. The Mayor may transfer part or all of any unencumbered appropriation balance among programs within a department, office or agency. An unencumbered appropriation balance may be transferred from one department, office, or agency to another only upon action of the City Council by ordinance.
5. Formal budgetary integration is employed as a measurement control device during the year for the General Fund, Special Revenue Funds, Enterprise Fund, and the Debt Service Funds.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Debt Service Funds. Budgeted amounts are as originally adopted, or as amended by the City Council.
7. Budgets are amended as necessary throughout the year.
8. All unencumbered appropriations, except capital outlay, lapse at year end.

**E. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary accounting in the General Fund, Special Revenue Funds, and Capital Project Funds. Encumbrances lapse at year-end, however, it is the City's intention to honor these encumbrances under authority provided in the subsequent year's budget.

<b>Major Funds</b>	
General Fund	\$ 37,923
1982 Sales Tax Fund	411,201
A3 Sales Tax Fund	519,169
<b>Non-Major Funds</b>	<u>256,853</u>
<b>Total</b>	<u>\$ 1,225,146</u>

**F. CASH AND CASH EQUIVALENTS**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The City is authorized under state law to deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the United States, or laws of the United States. Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. State Law R.S. 39:1225 provides that the amount of the security shall at all times be equal to 100% of the amount on deposit to the credit of each depositing authority, except that portion of the deposits insured by United States.

**G. INVESTMENTS**

State Law R.S. 33:2955 allows the investment in direct United States Treasury obligations; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies or U.S. government instrumentalities, which are federally sponsored; direct security repurchase agreements of any federal book-entry-only securities guaranteed by the U.S. government; time certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana; savings accounts or shares of certain savings and loan associations and savings banks; certain accounts of federally or state chartered credit unions, and certain mutual or trust fund institutions.

Investments are stated at fair value in accordance with the Governmental Accounting Standards Board Statement (GASB) No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

**H. INTERFUND TRANSACTIONS**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds". Short-term interfund loans are reported as "inter-fund receivables and payables". Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

The permanent reallocations of resources between funds of the City are classified as inter-fund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated. Interfund services provided and used are not eliminated in the process of consolidation.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. ACCOUNTS RECEIVABLE**

Uncollectible amounts due for customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available that would indicate the uncollectibility of the particular receivable. The allowance for doubtful accounts is \$66,949 at December 31, 2012.

At December 31, 2012, the aging of utility receivables is as follows:

Under 30 days	\$ 237,802
Over 31 under 60 days	3,415
Over 61 under 90 days	3,586
Over 91 days	71,481
Less Allowance	<u>(66,949)</u>
Total	<u>\$ 249,335</u>

**J. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost, if historical costs are not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$2,500 or more for capitalizing capital assets.

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.

Capital outlays are recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide and proprietary fund financial statements, to the extent that the City's capitalization threshold is met. In accordance with GASB Statement No. 34, the City has elected to not capitalize infrastructure retroactively. Interest incurred during construction will be capitalized on a government-wide basis. Interest attributable to capitalized assets as of December 31, 2012 was immaterial to the financial statements. Depreciation is recorded on capital assets on a government-wide basis. Capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the fund basis and the government-wide basis.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Asset Description</u>	<u>Asset Life in Years</u>
Roads, Bridges, and Infrastructure	20 to 40
Utility System	30 to 40
Buildings and Building Improvements	20 to 40
Furniture and Fixtures	5 to 10
Vehicles	5 to 10
Equipment	5 to 15

**K. COMPENSATED ABSENCES**

City employees are not allowed to carry over vacation time but are allowed to carry over sick time up to a maximum of 720 hours. Civil service employees of the City are allowed to accrue both vacation and sick time up to a maximum of 500 hours of each. Sick time is only paid out to civil service employees if they retire or pass away while still employed. At termination, employees are paid for any accumulated annual leave. The amount of accumulated annual leave payable in the government-wide financial statements at December 31, 2012, is \$799,598.

**L. LONG-TERM DEBT**

In the government-wide and proprietary fund financial statements, debt principal payments are reported as decreases in the balance of the liability on the Statement of Net Position. In the governmental fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

**M. AD VALOREM TAXES**

Ad Valorem taxes are due on December 31<sup>st</sup> and delinquent if not paid by January 1<sup>st</sup>. Ad Valorem taxes are recorded as revenues when levied. Tax liens are filed on all unpaid bills. The City bills property taxes using the assessed values determined by the tax assessor of St. Tammany Parish. The St. Tammany Parish Sheriff collects property taxes and remits taxes to the City as collected. Total property tax revenue for the year ended December 31, 2012, was \$2,433,574 and is recorded in the funds as follows:

General Fund	\$ 1,937,921
Debt Service Fund	<u>495,653</u>
Total	<u>\$ 2,433,574</u>

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. NET POSITION CLASSIFICATIONS**

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflow of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflow of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
- b. Restricted net position - consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation. Restricted for other purposes on the Statement of Net Position consist of grant related cash and workers compensation investments.
- c. Unrestricted net position - all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

**O. FUND BALANCE**

On January 1, 2011, the City adopted GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which significantly changed the reporting of fund balance in the balance sheets of governmental type funds. In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

1. Nonspendable - This component includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

2. **Restricted** – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.
3. **Committed** - This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority which include the ordinances of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action ordinance) it employed previously to commit those amounts.
4. **Assigned** - This component consists of amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the City Council, Mayor, or their designee as established in the City's Fund Balance Policy.
5. **Unassigned** – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the general fund. When both restricted and unrestricted resources are available for use, it is the City Council's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the City Council's policy to use committed resources first, then assigned, and then unassigned as they are needed.

**P. ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from these estimates.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**Q. ACCOUNTING PRONOUNCEMENTS**

The following statement of the Governmental Accounting Standards Board is effective for the City's 2012 fiscal year.

1. Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.*

The City has adopted and implemented GASB Statement No. 63 in preparation of the City's financial statements for the year ended December 31, 2012.

The following statements of the Governmental Accounting Standards Board will be effective for the City's 2014 and 2015 fiscal years:

1. Statement No. 67 – *Financial Reporting for Pension Plans* (2014).
2. Statement No. 68 – *Accounting and Financial Reporting for Pensions* (2015).

The City is currently evaluating the effects that these statements will have in its financial statements for the years ended December 31, 2014 and 2015.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Deposits and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. The City was in compliance with the deposit and investment laws and regulations as of December 31, 2012.

Compliance with Debt Covenants

As of December 31, 2012, the City was in compliance with all debt covenants.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The City's deposits are categorized as follows at December 31, 2012:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand Deposits	\$ 6,640,861	\$ 6,878,984
Certificates of Deposit	302,455	302,455
Total	\$ 6,943,316	\$ 7,181,439

These deposits are stated at cost, which approximates fair value.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 3 - CASH AND CASH EQUIVALENTS (CONTIUNED)**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. As of December 31, 2012, \$7,181,439 of the City's bank balance was not exposed to custodial credit risk. \$524,955 of deposits was secured by federal deposit insurance coverage, while the remaining deposits were secured by the pledge of securities owned by the fiscal agent bank.

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

**NOTE 4 – INVESTMENTS**

Investments of \$4,002,008, which are stated at market value using published market quotes at December 31, 2012, consist of shares in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool.

LAMP is a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33:2955.

GASB Statement No. 40, Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk and foreign currency risk for all public entity investments.

LAMP is a money market like investment pool. The following facts are relevant for money market like investment pools:

- Credit risk: LAMP is rated AAA by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 4 – INVESTMENTS (CONTINUED)**

- Interest rate risk: Money market-like investment pools are excluded from this disclosure requirement, per paragraph 15 of GASB Statement No. 40.
- Foreign currency risk: Not applicable to money market-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the State Treasurer and the Board of Directors. LAMP is not registered with the SEC as an investment company. If you have any questions, please feel free to contact the LAMP administrative office at 800-249-5267.

**NOTE 5 – RETIREMENT PLANS**

Substantially all employees of the City are members of one of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or the Firefighters' Retirement System of Louisiana. These systems are cost-sharing multiple-employer, defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

- A. Municipal Employees Retirement System of Louisiana (the System) - The System is composed of two distinct plans. Plan A and Plan B, with separate assets and benefit provisions. All employees of the City, other than Police and Fire, are members of Plan A.

Plan Description

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, or at any age with at least 25 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 5 – RETIREMENT PLANS (CONTINUED)**

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809 or by calling (225) 925-4810.

Funding Policy

Under Plan A, members are required by State statute to contribute 9.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 17% of annual covered payroll. Contributions to the System also include one-fourth of one percent (except in Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The City's contributions to the System under Plan A for the years ending December 31, 2012, 2011, and 2010, were \$586,780, \$558,909, and \$582,234, respectively, equal to the required contributions for each year.

**A. Municipal Police Employees Retirement System of Louisiana (the Police System)**

Plan Description

All full-time police department employees engaged in law enforcement are required to participate in the Police System. Employees who retire at 25 years at any age, or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3.33% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated, and do not withdraw their employee contributions, may retire at the ages specified previously and receive the benefit accrued to their date of termination. The Police System also provides death and disability benefits. Benefits are established by state statute.

The Police System issues an annual publicly available financial report that includes financial statements and required supplementary information for the Police System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 7722 Office Park Boulevard, Suite 200, Baton Rouge, Louisiana 70809-2250, or by calling (225) - 929-7411.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 5 – RETIREMENT PLANS (CONTINUED)**

Funding Policy

Members are required by State statute to contribute 10.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 31.0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the Police System for the years ending December 31, 2012, 2011, and 2010, were \$611,075, \$595,610, and \$482,245, respectively, equal to the required contributions for each year.

**B. Firefighters' Retirement System of Louisiana (the Firefighters' System)**

All full-time fire department employees are members of the Firefighters' Retirement System. The Firefighters' System' is a cost sharing, multiple-employer, nonqualified defined benefit pension plan covering firefighters employed by any municipality, parish, or fire protection district of the State of Louisiana, under the provisions of Louisiana Revised Statutes 11:2251-2269, effective January 1, 1990. The Firefighters' System is not a qualified plan as defined by the Internal Revenue Code, nor is it subject to the Employee Retirement Income Security Act of 1984.

Employees with 20 or more years of service who have attained age 50, or employees who have 12 years of service who have attained age 55 or 25 years of service at any age are entitled to annual pension benefits equal to 3% of their average final compensation based on the 36 consecutive months of highest pay multiplied by their total years of service, not to exceed 100%. Employees may elect to receive their pension benefits in the form of a joint and survivor annuity.

If employees terminate before rendering 12 years of service, they forfeit the right to receive the portion of their accumulated Plan benefits attributable to their employer's contributions. Benefits are payable over the employees' lives in the form of a monthly annuity. Employees may elect an unreduced benefit or any of four options at retirement.

The Firefighters' System issues an annual publicly available financial report that includes financial statements and required supplementary information for the Firefighters' System. That report may be obtained by writing to the Firefighters' Retirement System, P.O. Box 94095, Capital Station, Baton Rouge, Louisiana 70804-9095, or by calling (225) - 925-4060 or online at [www.lafirefightersret.com](http://www.lafirefightersret.com).

Members are required by State statute to contribute 10% of their covered compensation, and the City is required to contribute at an actuarially determined rate. The rate at December 31, 2012, was 24%. The City's contributions to the Firefighters' System for the

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 5 – RETIREMENT PLANS (CONTINUED)**

years ending December 31, 2012, 2011, and 2010, were \$284,684, \$262,133, and \$209,545, respectively, equal to the required contributions for each year.

**NOTE 6 – RESTRICTED ASSETS**

Sales Tax Restricted Assets

An ordinance authorizing the issuance of a \$4,450,000 Sales Tax Bonds dated February 1, 2002, provides for certain restrictions on assets of the General Fund. The bonds were redeemed on November 2, 2011 and issued refunding Sales Tax Bonds, series 2011 in the amount of \$2,775,000. The bond funding requirements provide that the issuer deposit the daily receipts of sales tax in a designated fund for the maintenance of the Sales Tax Revenue Bonds. The remainder of the balance of the revenues of tax shall constitute a dedicated fund of the Issuer from which appropriations and expenditures by the Issuer shall be made solely for the purposes designated in the proposition authorizing the levy of the tax. The 1982 Sales Tax Special Revenue Fund in Note 1 gives a description of how the remaining levy can be used.

General Obligation Bond Restricted Assets

An ordinance authorizing the issuance of a \$1,240,000 General Obligation Bonds dated February 1, 2002, which were defeased on November 2, 2011 for the issuance of a \$777,000 General Obligation Bonds, along with \$5,285,000 General Obligation Bonds dated January 1, 2007 together provide for certain restrictions on assets of the General Fund. The bond funding requirements provide that upon receipt of the proceeds of the ad valorem tax, the Issuer has the responsibility for the deposit of such receipts in a debt service fund and such proceeds will be used to pay the principal and interest of the bonds' payments.

Garden of Pines (Perpetual Care)

The Ordinance requires the establishment of a trust responsible for the general maintenance and care of the mausoleum. The original deposit of \$24,955 must be kept intact in an income earning trust and the income can be used to make disbursements of \$100 per month to the City for the care and maintenance of the mausoleum.

Capital Outlay

*2007 Capital Projects Fund*

The ordinance calls for the use of the 2007 General Obligation Bonds for the purpose of constructing, acquiring, improving and extending the City's sewers and sewerage disposal works, including necessary sites and furnishings.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 7 – INTERFUND TRANSFERS**

Operating transfers between funds consist primarily of sales tax revenues transferred out of the 1957 and 1982 Sales Tax Funds to the particular funds for which, the sales tax revenue is to be used:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Activities:</b>		
General Fund	\$ 8,533,131	\$ 263,951
Special Revenue Funds:		
1982 Sales Tax Fund	66,800	2,242,409
1957 Sales Tax Fund	-	6,100,173
A3 Sales Tax Fund	-	900,000
State and Federal Grants Fund	224,689	130,423
LCDBG Capital Project Fund	-	65,617
Sales Tax Bond Debt Service Fund	244,129	-
	<u>9,068,749</u>	<u>9,702,573</u>
<b>Business-Type Activities:</b>		
Utility Fund	633,824	-
	<u>633,824</u>	<u>-</u>
<b>Total</b>	<u>\$ 9,702,573</u>	<u>\$ 9,702,573</u>

**NOTE 8 – DUE TO/FROM OTHER FUNDS**

Due to/from other funds

The primary purpose of inter-fund receivables/payables is to loan funds from the General Fund to individual funds to cover current expenditures. Individual fund balances due from/to other funds at December 31, 2012, are as follows:

	<u>Inter-fund Receivables</u>	<u>Inter-fund Payables</u>
<b>Governmental Activities</b>		
General Fund	\$ 124,704	\$ 24,654
Special Revenue Funds:		
1982 Sales Tax Fund	20,000	27,537
A3 Sales Tax Fund	-	20,000
State and Federal Grants Fund	27,537	10,285
Debt Service Funds:		
Sales Tax Bond Fund	-	42,552
General Obligation Fund	-	43,164
LCDBG Capital Project Fund	-	34,142
	<u>172,241</u>	<u>202,334</u>
<b>Business-Type Activities</b>		
Proprietary Fund	34,939	4,846
Total	<u>\$ 207,180</u>	<u>\$ 207,180</u>

The above due to/from other funds were short-term receivables or payables resulting from the normal course of the City's operations.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 9 – EQUITY IN POOLED CASH**

To the extent possible, cash is pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose funds are deposited in the pooled cash accounts has equity therein. Pooled cash at December 31, 2012, is as follows:

	Equity in Pooled Cash
<b>Governmental Activities</b>	
General Fund	\$ (6,979,515)
Special Revenue:	
A3 Sales Tax	1,892,598
1982 Sales Tax	3,741,682
	(1,345,235)
<b>Business-Type Activities</b>	
Proprietary Fund	1,345,235
<b>Total</b>	<b>\$ -</b>

**NOTE 10 – INTERNAL BALANCES**

In the Government-Wide Statement of Net Position, the balances of the due to/from other funds (Note 8) and the equity in pooled cash (Note 9) are combined into a single line, internal balances. The following is the reconciliation for the amount shown on the Statement of Net Position for internal balance:

	2012
<b>Governmental Activities</b>	
Due from other funds	\$ 4,846
Due to other funds	(34,939)
Deficit in pooled cash	(1,345,235)
	(1,375,328)
<b>Business-Type Activities</b>	
Due from other funds	34,939
Due to other funds	(4,846)
Equity in pooled cash	1,345,235
	1,375,328
<b>Total</b>	<b>\$ -</b>

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 11 – DEFERRED REVENUES**

At December 31, 2012, the City has deferred revenues, a liability, as follows:

<b>Governmental Activities</b>	
Business Licenses and Other Deferred Revenues	\$ 61,785
Sewer Assessments to be Collected	19,080
Paving Assessments to be Collected	16,875
State and Federal Grants	<u>88,589</u>
Total Governmental Funds	<u>186,329</u>
Disaster Grant recognized as revenue on the Government-wide	(87,225)
Total Government-wide	<u>99,104</u>
<b>Business-Type Activities</b>	
Deferred Revenues	<u>367</u>
Total	<u>\$ 99,471</u>

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 12 - CAPITAL ASSETS**

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2012:

<b>Governmental Activities</b>	<u>Balance 12/31/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2012</u>
<b>Capital Assets Not Depreciated:</b>				
Land	\$ 580,097	\$ 36,355	\$ -	\$ 616,452
Construction in Progress	<u>841,849</u>	<u>1,101,379</u>	<u>(841,849)</u>	<u>1,101,379</u>
Total Capital Assets Not Depreciated	<u>1,421,946</u>	<u>1,137,734</u>	<u>(841,849)</u>	<u>1,717,831</u>
<b>Capital Assets Being Depreciated:</b>				
Building	8,833,366	38,195	-	8,871,561
Improvements	4,537,476	30,744	-	4,568,220
Vehicles	3,237,254	7,930	(119,170)	3,126,014
Tools and Equipment	2,950,969	138,314	(60,049)	3,029,234
Infrastructure	<u>6,792,846</u>	<u>2,642,511</u>	<u>-</u>	<u>9,435,357</u>
Total Capital Assets Being Depreciated	<u>26,351,911</u>	<u>2,857,694</u>	<u>(179,219)</u>	<u>29,030,386</u>
<b>Less Accumulated Depreciation:</b>				
Building	(1,873,353)	(190,412)	-	(2,063,765)
Improvements	(1,670,544)	(142,460)	-	(1,813,004)
Vehicles	(1,913,493)	(317,098)	98,208	(2,132,383)
Tools and Equipment	(1,984,195)	(244,623)	57,199	(2,171,619)
Infrastructure	<u>(1,130,127)</u>	<u>(362,992)</u>	<u>-</u>	<u>(1,493,119)</u>
Total Accumulated Depreciation	<u>(8,571,712)</u>	<u>(1,257,585)</u>	<u>155,407</u>	<u>(9,673,890)</u>
Total Capital Assets being Depreciated, Net	<u>17,780,199</u>	<u>1,600,109</u>	<u>(23,812)</u>	<u>19,356,496</u>
Total Capital Assets	<u>\$ 19,202,145</u>	<u>\$ 2,737,843</u>	<u>\$ (865,661)</u>	<u>\$ 21,074,327</u>

As of December 31, 2012, Construction in Progress consists of the following:

<b>Governmental Activities</b>	
<u>Project</u>	<u>Amount</u>
GCC Roof Improvements	\$ 7,500
River Forest Drainage	19,230
2012 Roadway Improvements	764,045
Boston Street Beautification	309,854
Columbia Street Side Walk Project	<u>750</u>
Total CIP	<u>\$ 1,101,379</u>

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 12 - CAPITAL ASSETS (CONTINUED)**

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended December 31, 2012:

<b>Business Activities</b>	<u>Balance 12/31/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 12/31/2012</u>
<b>Capital Assets Not Depreciated</b>				
Construction in Progress	\$ -	\$ 150,205	\$ -	\$ 150,205
<b>Capital Assets Being Depreciated</b>				
Sewer Plant and Lines	25,528,360	369,013	(147,251)	25,750,122
Water Wells, Tanks, and Lines	8,493,102	71,418	(35,346)	8,529,174
<b>Total Capital Assets     Being Depreciated</b>	<u>34,021,462</u>	<u>440,431</u>	<u>(182,597)</u>	<u>34,279,296</u>
<b>Less Accumulated Depreciation:</b>				
Sewer Plant and Lines	(7,424,762)	(811,038)	29,690	(8,206,110)
Water Wells, Tanks, and Lines	(3,314,844)	(344,021)	35,345	(3,623,520)
<b>Total Accumulated     Depreciation</b>	<u>(10,739,606)</u>	<u>(1,155,059)</u>	<u>65,035</u>	<u>(11,829,630)</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>23,281,856</u>	<u>(714,628)</u>	<u>117,562</u>	<u>22,449,666</u>
<b>Total Capital Assets</b>	<u>\$ 23,281,856</u>	<u>\$ (564,423)</u>	<u>\$ (117,562)</u>	<u>\$ 22,599,871</u>

As of December 31, 2012, Construction in Progress consists of the following:

<u>Business-Type Activities</u>	
<u>Project</u>	<u>Amount</u>
19 <sup>th</sup> Avenue and Tyler Lift station	\$ 120,990
Bogue Falaya Water Line	9,025
Public Works Effluent Pumps	20,190
<b>Total CIP</b>	<u>\$ 150,205</u>

In 2012, the City Council voted and approved ordinance 2012-19 in which the City would receive a donation of infrastructure in the amount \$1,500,000. Included in the donation were certain streets, street lights, drainage facilities, water distribution and sewerage collection lines.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 12 - CAPITAL ASSETS (CONTINUED)**

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

<u>Governmental activities:</u>	
General Government	\$ 264,029
Public Safety – Police	254,434
Public Safety – Fire	95,234
Public Works	423,822
Culture and Recreation	<u>220,066</u>
<b>Total – governmental activities:</b>	<b><u>\$ 1,257,585</u></b>
<u>Business-type activities:</u>	
Sewer department	\$ 811,038
Water department	<u>344,021</u>
<b>Total – business-type activities:</b>	<b><u>\$ 1,155,059</u></b>

**NOTE 13 – CLAIMS AND JUDGEMENTS**

The City is a defendant in several lawsuits, which are currently pending. The City persists in its vigorous defense of these lawsuits and maintains that the defenses available should shield the City from liability or, at a minimum, preclude the amount of damages sought by the plaintiffs. The majority of the cases are covered by insurance and, in the opinion of legal counsel for the City, the ultimate resolution of this litigation will not result in a significant liability to the City.

The St. Tammany Parish Sheriff's Office placed the City on notice for a potential tax overpayment to the City of sales taxes by certain taxpayers in St. Tammany Parish. On December 19, 2012, the City and the Parish reached an agreement which would repay the Parish \$322,230 over the next three years in equal annual installments of \$107,410 due no later than December 31, of the year. The conclusion of this agreement resolves the matter and no further liability will be assessed. The schedule of payments to the Parish is as follows:

	<u>Payment Dates</u>	<u>Annual Principal Payments</u>
Contingent liability to the Parish	12/31/2013	\$ 107,410
Payable in three annual installments of \$107,410 beginning December 31, 2012	12/31/2014	<u>107,410</u>
<b>Total Liability</b>		<b><u>\$ 214,820</u></b>

The City settled a lawsuit, Brown v. City of Covington, on February 27, 2009. Beginning February 26, 2009, the City must make ten annual payments of \$30,000 resulting in a total payment of \$300,000. If the City is delinquent in any payments, it will be responsible for the entire obligation at that point and interest will accrue at 8% per day until the obligation is paid in full. The schedule of payments is as follows:

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 13 – CLAIMS AND JUDGMENTS**

	<u>Payment Dates</u>	<u>Annual Principal Payments</u>
Liability as a result of settlement	2/26/2013	\$ 30,000
of the lawsuit Brown vs. City of Covington	2/26/2014	30,000
payable in annual installments of \$30,000	2/26/2015	30,000
for ten years beginning on February 26, 2009.	2/26/2016	30,000
	2/26/2017	30,000
	2/26/2018	<u>30,000</u>
Total Liability		<u>\$ 180,000</u>

**NOTE 14 – LONG TERM LIABILITIES**

The following is a summary of long-term liability transactions and total long-term liabilities of the City for the year ended December 31, 2012:

	<u>Balance at 12/31/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at 12/31/12</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 6,122,000	\$ -	\$ (295,000)	\$ 5,827,000	\$ 306,000
Sales tax revenue bonds	2,775,000	-	(230,000)	2,545,000	245,000
Community disaster loan	1,800,900	-	-	1,800,900	209,320
Net OPEB obligation	1,517,689	577,840	-	2,095,529	-
Litigation settlements	210,000	322,230	(137,410)	394,820	137,410
Less deferred loss	(27,484)	-	2,795	(24,689)	-
Less deferred bond costs	<u>(41,108)</u>	<u>-</u>	<u>4,180</u>	<u>(36,928)</u>	<u>-</u>
Total governmental	<u>\$ 12,356,997</u>	<u>\$ 900,070</u>	<u>\$ (655,435)</u>	<u>\$ 12,601,632</u>	<u>\$ 897,730</u>

General Obligation Bonds, Revenue Bonds and other long-term debt are comprised of the following individual issues:

	<u>Date of Issuance</u>	<u>Authorized &amp; Issued</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Principal Outstanding</u>
<b>Governmental Activities:</b>					
General obligation bonds					
Series 2007	1/16/2007	\$ 5,800,000	3.88-5.00	9/1/2027	\$ 5,060,000
Series 2011 – Refunding	9/20/2011	777,000	2.09	9/1/2021	767,000
Unamortized related bond issuance costs					(9,075)
Series 2011 – Sales tax refunding	11/2/2011	2,775,000	2.09	11-1-2021	2,545,000
Unamortized related bond issuance costs					(27,853)
Unamortized related bond deferred loss					(24,689)
Community disaster loan	8/29/2006	1,800,900	2.93	8/27/2016	<u>1,800,900</u>
Total					<u>\$ 10,111,283</u>

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 14 – LONG TERM LIABILITIES (CONTINUED)**

Total future principal payments are as follows:

<u>Maturity</u>	<u>General Obligation Bonds</u>	<u>Sales Tax Revenue Bonds</u>	<u>Community Disaster Loan</u>	<u>Total</u>
2013	\$ 306,000	\$ 245,000	\$ 209,320	\$ 760,320
2014	325,000	250,000	515,282	1,090,282
2015	340,000	260,000	530,379	1,130,379
2016	354,000	270,000	545,919	1,169,919
2017	368,000	285,000	-	653,000
2018 to 2022	2,034,000	1,235,000	-	3,269,000
2023 to 2027	<u>2,100,000</u>	<u>-</u>	<u>-</u>	<u>2,100,000</u>
	<u>5,827,000</u>	<u>2,545,000</u>	<u>1,800,900</u>	<u>10,172,900</u>

Plus amounts representing interest:

2013	213,589	53,191	352,595	619,375
2014	201,033	48,070	46,633	295,736
2015	188,894	42,845	31,536	263,275
2016	176,370	37,411	15,995	229,776
2017	163,655	31,768	-	195,423
2018 to 2022	607,225	65,730	-	672,955
2023 to 2027	<u>218,000</u>	<u>-</u>	<u>-</u>	<u>218,000</u>
	<u>1,768,766</u>	<u>279,015</u>	<u>446,759</u>	<u>2,494,540</u>
<b>Total</b>	<u>\$ 7,595,766</u>	<u>\$ 2,824,015</u>	<u>\$ 2,247,659</u>	<u>\$ 12,667,440</u>

As of December 31, 2012, there is \$1,004,840 in restricted fund balance available in the Debt Service Funds to service the governmental activity bonds.

General obligation bonds are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the City is legally restricted from incurring long term bonded debt in excess of 35% of the assessed value of taxable property in the City. At December 31, 2012, the City had not exceeded this statutory limit.

On August 16, 2012, the City executed a revised repayment schedule for its Federal Emergency Management Agency (FEMA) CDL Loan, as noted in the above table. As of December 31, 2012, no payments have been made on the loan.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 14 – LONG TERM LIABILITIES (CONTINUED)**

**Defeasance of Debts**

In 2011, the Council defeased \$745,000 of General Obligation Bonds by issuing \$777,000 in General Obligation Refunding Bonds, Series 2011. The Council placed the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments of the defeased bonds.

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

At December 31, 2012, \$745,000 of bonds outstanding is considered defeased.

**NOTE 15 – FHA REVOLVING LOAN FUND**

In prior years, the City was awarded grant funds under the Rural Business Enterprise Grant (CFDA #10.769) for the purpose of making loans to area businesses at low interest rates to promote economic development. The grant funds were to form a revolving loan fund where notes would be collected and new loans would be made.

The following is a recap of the cash flows of the revolving loan fund which is accounted for in the City's General Fund:

Cash Balance – December 31, 2011	\$ 169,018
Additions	
Principal Payments on Notes	19,258
Interest Payments on Notes	3,416
Interest on Cash Account	<u>180</u>
Cash Balance – December 31, 2012	<u>\$ 191,872</u>
Notes Receivable Balance – December 31, 2012	<u>\$ 57,444</u>

**NOTE 16 - OPERATING LEASE**

The City leases copier equipment for a period of 36 to 60 months. The City also leases a storage facility for the Police Department and lease a right of way from Cleco. Future minimum lease payments due under these leases are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2013	\$ 31,283
2014	16,500
2015	16,500
2016	10,163
2017	<u>2,800</u>
	<u>\$ 77,246</u>

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 16 - OPERATING LEASE (CONTINUED)**

Total payments charged to copier lease expense for the year ended December 31, 2012 were \$27,995.

The City also leases parking lots for public use on a month to month and yearly basis. Therefore there are no future minimum payments noted.

**NOTE 17 - RISK MANAGEMENT**

The City has contracted with a commercial insurance company to provide liability coverage for general acts, law enforcement, and public officials' errors and omissions. The policy requires the City to pay for claims and costs up to \$25,000 with maximum aggregate payments limited to \$200,000. At December 31, 2012, other than those disclosed in Note 14, no significant claims were owed and no liability has been recorded.

**NOTE 18 - OTHER POST EMPLOYMENT BENEFITS**

**Post-employment benefits**

**Plan Description** – The City's medical and dental benefits are provided through a fully-insured medical plan and are made available to employees upon actual retirement.

The employees are covered by one of three retirement systems: first, the Municipal Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service; second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service; and, third, the Firefighters' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service. Complete plan provisions are included in the official plan documents.

**Contribution Rates** – Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

**Fund Policy** – Until 2009, the City recognized the cost of providing post-employment medical benefits (the City's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. In 2012 and 2011, the City's portion of health care funding cost for retired employees totaled \$119,848 and \$110,970, respectively.

Effective January 1, 2009, the City implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45). This amount was applied toward the Net OPEB Benefit Obligation as shown in the following table.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 18 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Annual Required Contribution** – The City’s Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC is the sum of the Normal Cost plus the contribution to amortize the Unfunded Actuarial Accrued Liability (UAAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The actuarially computed ARC is as follows:

	<b>2012</b>	<b>2011</b>
Normal cost	\$ 417,138	\$ 401,094
30-year UAL amortization amount	307,611	295,780
Annual required contribution (ARC)	\$ 724,749	\$ 696,874

**Net Post-employment Benefit Obligation (Asset)** – The table below shows the City’s Net Other Post-employment Benefit (OPEB) Obligation for fiscal years ending December 31:

	<b>2012</b>	<b>2011</b>
Beginning Net OPEB Obligation	\$ 1,517,689	\$ 948,700
Annual required contribution	724,749	696,874
Interest on Net OPEB Obligation	60,707	37,948
ARC Adjustment	(87,768)	(54,863)
OPEB Cost	697,688	679,959
Contribution	-	-
Current year retiree premium	(119,848)	(110,970)
Change in Net OPEB Obligation	577,840	568,989
Ending Net OPEB Obligation	\$ 2,095,529	\$ 1,517,689

The following table shows the City’s annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability for last year and this year:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual Cost Contributed</b>	<b>Net OPEB Liability (Asset)</b>
December 31, 2012	\$ 697,688	17.18%	\$ 2,095,529
December 31, 2011	679,959	16.32%	1,517,689

**Funded Status and Funding Progress** – In 2012 and 2011, the City made no contributions to its post employment benefits plan. The plan is not funded, has no assets, and hence has a funded ratio of zero. Based on the January 1, 2011 actuarial valuation, the most recent valuation, the Actuarial Accrued Liability (AAL) at the end of the year December 31, 2012 was \$5,319,263

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 18 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

which is defined as that portion, as determined by a particular actuarial cost method (the City uses the Projected Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost.

	<b>2012</b>	<b>2011</b>
Actuarial Accrued Liability (AAL)	\$ 5,319,263	\$ 5,114,676
Actuarial Value of Plan Assets (AVP)	-	-
Unfunded Act. Accrued Liability (UAAL)	\$ 5,319,263	\$ 5,114,676
Funded Ratio (AVP/AAL)	0.00%	0.00%
Covered Payroll (active plan members)	\$ 5,589,020	\$ 5,469,476
UAAL as a percentage of covered payroll	95.17%	93.51%

**Actuarial Methods and Assumptions** – Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

**Actuarial Cost Method** – The ARC is determined using the Projected Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover.

**Actuarial Value of Plan Assets** – There are not any plan assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 18 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

**Turnover Rate** – An age-related turnover scale based on actual experience has been used. The rates, when applied to the active employee census, produce a composite average annual turnover of approximately 10.3%.

**Post employment Benefit Plan Eligibility Requirements** – Based on past experience, it has been assumed that entitlement to benefits will commence six years after retirement eligibility (D.R.O.P. entry). The six years represents a three year delay plus the three years in D.R.O.P. Medical benefits are provided to employees upon actual retirement. The employees are covered by one of three retirement systems: first, the Municipal Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; or, age 60 and 10 years of service; second, the Municipal Police Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service; and, third, the Firefighters' Retirement System of Louisiana, whose retirement eligibility

(D.R.O.P. entry) provisions are as follows: 25 years of service at any age; age 50 and 20 years of service; or, age 55 and 12 years of service.

**Investment Return Assumption (Discount Rate)** – GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation.

**Health Care Cost Trend Rate** – The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

**Mortality Rate** - The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rate and 50% of the unloaded female mortality rates, was used. This is a published mortality table which was designed to be used in determining the value of accrued benefits in defined benefit pension plans.

**Method of Determining Value of Benefits** – The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The rates provided are "blended" rates. Since GASB 45 mandates that "unblended" rates be used, we have estimated the total "unblended" rates for retired before Medicare eligibility to be 130% of the blended rate, and for retired after Medicare eligibility to be 80% of the blended rate.

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2012**

**NOTE 18 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)**

The employer pays 75% of the blended single rate after retirement and the retiree pays the difference between the total blended rate and the employer contribution. Thus, the unblended employer rate used in the valuation is the difference between the foregoing estimated "unblended" rate and the retiree contribution.

**Inflation Rate** - Included in both the Investment Return Assumption and the Healthcare Cost Trend rates above is an implicit inflation assumption of 2.50% annually.

**Projected Salary Increases** - This assumption is not applicable since neither the benefit structure nor the valuation methodology involves salary.

**Post-retirement Benefit Increases** - The plan benefit provisions in effect for retirees as of the valuation date have been used and it has been assumed for valuation purposes that there will not be any changes in the future.

Below is a summary of OPEB cost and contributions for the last three fiscal calendar years.

OPEB Costs and Contributions			
	<u>2010</u>	<u>2011</u>	<u>2012</u>
OPEB Cost	\$ 555,352	\$ 679,959	\$ 697,688
Contribution	-	-	-
Retiree premium	<u>88,777</u>	<u>110,970</u>	<u>119,848</u>
Total contribution and premium	<u>88,777</u>	<u>110,970</u>	<u>119,848</u>
Change in net OPEB obligation	<u>\$ 466,575</u>	<u>\$ 568,989</u>	<u>\$ 577,840</u>
% of contribution to cost	0.00%	0.00%	0.00%
% of contribution plus premium to cost	16.00%	16.32%	17.18%

**NOTE 19 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 22, 2013, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CITY OF COVINGTON, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
<b>REVENUES</b>				
<b>TAXES</b>				
Property taxes	\$ 1,883,668	\$ 1,883,668	\$ 1,937,921	\$ 54,253
Franchise taxes	710,000	710,000	655,994	(54,006)
Total Taxes	<u>2,593,668</u>	<u>2,593,668</u>	<u>2,593,915</u>	<u>247</u>
<b>LICENSES AND PERMITS</b>				
Insurance	650,000	650,000	591,690	(58,310)
Occupational	380,000	380,000	427,339	47,339
Building	120,000	120,000	200,286	80,286
Liquor and beer	15,000	15,000	16,640	1,640
Chain store	15,000	15,000	12,835	(2,165)
Total Licenses and Permits	<u>1,180,000</u>	<u>1,180,000</u>	<u>1,248,790</u>	<u>68,790</u>
<b>OTHER REVENUES</b>				
Insurance claim revenue	-	94,942	104,598	9,656
Other revenues	-	-	78,936	78,936
Donations	16,000	16,000	20,737	4,737
Accident reports	6,000	6,000	5,269	(731)
Rent income	5,000	5,000	4,544	(456)
Impact fees	-	-	43,364	43,364
Cemetery plot sale	1,000	1,000	1,500	500
Total Other Revenues	<u>28,000</u>	<u>122,942</u>	<u>258,948</u>	<u>136,006</u>
<b>FINES AND FORFEITURES</b>				
Court fines	170,000	170,000	83,180	(86,820)
DWI fines	2,000	2,000	900	(1,100)
Parking fines	4,000	4,000	1,295	(2,705)
Drug forfeitures	-	4,646	4,261	(385)
City court fee	30,000	30,000	15,770	(14,230)
Code enforcement fines	-	-	450	450
Total Fines and Forfeitures	<u>206,000</u>	<u>210,646</u>	<u>105,856</u>	<u>(104,790)</u>
<b>CHARGES FOR SERVICES</b>				
Greater Covington center rentals	65,000	65,000	54,720	(10,280)
Greater Covington center leases	72,000	72,000	72,000	-
Basketball registration	6,500	6,500	2,595	(3,905)
Baseball registration	15,000	15,000	10,629	(4,371)
Football registration	7,000	7,000	4,190	(2,810)
Zoning revenue	15,000	15,000	21,790	6,790
Park rental	4,000	4,000	6,200	2,200
Total Charges for Services	<u>184,500</u>	<u>184,500</u>	<u>172,124</u>	<u>(12,376)</u>

(Continued)

**CITY OF COVINGTON, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND (CONTINUED)**  
**For the Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
911 revenue	\$ 40,000	\$ 40,000	\$ 39,769	\$ (231)
Fire insurance premium tax	30,000	30,000	30,795	795
School resource officer	47,000	47,000	51,793	4,793
Beer tax	30,000	30,000	34,861	4,861
District 12 dispatch	15,000	15,000	16,500	1,500
Crossing Guard	-	-	11,000	11,000
Total Intergovernmental Revenues	<u>162,000</u>	<u>162,000</u>	<u>184,718</u>	<u>22,718</u>
<b>INTEREST AND PENALTIES</b>				
Interest on CDs	10,000	10,000	7,974	(2,026)
Interest on LAMP	5,000	5,000	5,795	795
Interest on ad valorem taxes	-	-	14,082	14,082
Penalties	7,000	7,000	10,945	3,945
Interest on assessments	-	-	852	852
Interest on FHA loans	-	-	3,416	3,416
Interest on Occupational licenses	2,000	2,000	206	(1,794)
Total Interest and Penalties	<u>24,000</u>	<u>24,000</u>	<u>43,270</u>	<u>19,270</u>
<b>ASSESSMENTS</b>				
2009 Monroe St. paving	1,100	1,100	4,185	3,085
1993 sewer assess	-	-	5,914	5,914
Total Assessments	<u>1,100</u>	<u>1,100</u>	<u>10,099</u>	<u>8,999</u>
<b>STATE AND FEDERAL GRANTS</b>				
LRA Grant	68,381	69,881	-	(69,881)
HMGP Grant	-	14,500	14,412	(88)
Grant revenue - DAF	-	4,050	11,550	7,500
2010 Bullet Proof Vest	-	-	585	585
Grant revenue - PFI Wayfind	-	7,500	-	(7,500)
Old City Renovations	-	-	1,070	1,070
DARE grant	28,797	61,231	17,113	(44,118)
Total State Grants	<u>97,178</u>	<u>157,162</u>	<u>44,730</u>	<u>(112,432)</u>
<b>TOTAL REVENUES</b>	<u><u>4,476,446</u></u>	<u><u>4,636,018</u></u>	<u><u>4,662,450</u></u>	<u><u>26,432</u></u>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
<b>ADMINISTRATION - COUNCIL</b>				
Salaries	104,200	104,200	105,039	(839)
Payroll related benefits and taxes	95,150	95,150	67,270	27,880
Advertising	18,000	18,000	10,775	7,225
Contract services	27,000	27,000	29,687	(2,687)
Dues and subscription	2,000	2,000	1,290	710

(Continued)

**CITY OF COVINGTON, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND (CONTINUED)**  
**For the Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
<b>GENERAL GOVERNMENT</b>				
<b>ADMINISTRATION - COUNCIL</b>				
<b>(CONTINUED)</b>				
Meetings and conventions	\$ 10,000	\$ 10,000	\$ 8,253	\$ 1,747
Office supplies general	4,000	4,000	2,717	1,283
Repairs and maintenance	2,500	2,500	1,137	1,363
Training and education	1,000	1,000	-	1,000
Small tools and equipment	-	-	6,780	(6,780)
Total Administration Council	<u>263,850</u>	<u>263,850</u>	<u>232,948</u>	<u>30,902</u>
<b>GENERAL GOVERNMENT</b>				
<b>ADMINISTRATION - MAYOR</b>				
Salaries	75,000	75,000	75,289	(289)
Payroll related benefits and taxes	18,350	18,350	15,512	2,838
Fuel - gasoline	3,000	3,000	1,957	1,043
Vehicle	500	500	515	(15)
Meetings and conventions	4,750	4,886	2,091	2,795
Repairs and maintenance	1,000	1,000	-	1,000
Small tools and equipment	-	-	1,833	(1,833)
Cell phone	600	600	600	-
Total Administration Mayor	<u>103,200</u>	<u>103,336</u>	<u>97,797</u>	<u>5,539</u>
<b>GENERAL GOVERNMENT</b>				
<b>ADMINISTRATION - LEGAL</b>				
Professional services	<u>193,000</u>	<u>193,000</u>	<u>93,176</u>	<u>99,824</u>
Total Legal	<u>193,000</u>	<u>193,000</u>	<u>93,176</u>	<u>99,824</u>
<b>GENERAL GOVERNMENT</b>				
<b>ADMINISTRATION</b>				
Salaries	412,000	412,000	400,721	11,279
Professional services	82,700	103,210	115,795	(12,585)
Payroll related benefits and taxes	228,450	228,450	171,788	56,662
Repairs and maintenance	74,000	75,078	74,515	563
Insurance	110,000	110,000	56,059	53,941
Office supplies	85,000	83,485	62,840	20,645
Contract services	72,000	86,502	57,046	29,456
Service charges and fees	32,500	32,500	27,539	4,961
Utilities	37,000	37,000	31,064	5,936
Advertising	2,000	2,000	1,645	355
Training and education	30,000	26,575	10,094	16,481
Materials and supplies	-	-	103	(103)
Meetings and conventions	2,500	2,500	1,742	758
Dues and subscriptions	11,000	11,000	9,613	1,387

(Continued)

**CITY OF COVINGTON, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND (CONTINUED)**  
**For the Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
<b>GENERAL GOVERNMENT</b>				
<b>ADMINISTRATION (CONTINUED)</b>				
Small tools and equipment	\$ -	\$ 18,000	\$ 1,054	\$ 16,946
Election expense	20,000	20,000	1,536	18,464
Community Disaster loan principal	144,927	144,927	-	144,927
Community Disaster loan interest	299,829	299,829	-	299,829
Settlement payment	30,000	30,000	30,000	-
Gasoline	1,600	1,600	1,865	(265)
Computer	-	-	17,493	(17,493)
Bank charges	300	300	2,266	(1,966)
Total Administration	<u>1,675,806</u>	<u>1,724,956</u>	<u>1,074,778</u>	<u>650,178</u>
<b>GENERAL GOVERNMENT</b>				
<b>ENGINEER</b>				
Salary	100,000	100,000	51,295	48,705
Payroll related benefits and taxes	42,000	42,000	16,624	25,376
Office supplies	4,000	4,000	1,694	2,306
Training and education	5,000	5,000	75	4,925
Meetings and conventions	4,500	4,500	190	4,310
Dues and subscriptions	1,500	1,500	90	1,410
Insurance	500	500	-	500
Utilities	-	-	240	(240)
Gasoline	2,500	2,500	2,745	(245)
Total Engineer	<u>160,000</u>	<u>160,000</u>	<u>72,953</u>	<u>87,047</u>
<b>GENERAL GOVERNMENT</b>				
<b>PLANNING AND ZONING</b>				
Salaries	90,500	90,500	87,142	3,358
Payroll related benefits and taxes	45,925	45,925	39,959	5,966
Professional services	10,500	20,188	12,724	7,464
Office supplies	7,800	7,800	6,635	1,165
Contract services	5,000	5,000	2,250	2,750
Service charges and fees	1,500	1,500	500	1,000
Advertising	16,800	16,800	4,128	12,672
Training and education	5,000	5,000	579	4,421
Meetings and conventions	5,000	5,599	2,875	2,724
Dues and subscriptions	1,300	1,300	1,075	225
Contract labor	45,000	40,000	2,580	37,420
Gasoline	900	900	1,000	(100)
Total Planning and Zoning	<u>235,225</u>	<u>240,512</u>	<u>161,447</u>	<u>79,065</u>

(Continued)

**CITY OF COVINGTON, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND (CONTINUED)**  
**For the Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
<b>GENERAL GOVERNMENT</b>				
<b>CODE ENFORCEMENT</b>				
<b>(CONTINUED)</b>				
Salaries	\$ 53,912	\$ 53,912	\$ 55,744	\$ (1,832)
Payroll related benefits and taxes	20,125	20,125	19,107	1,018
Training and education	400	1,900	1,612	288
Contract services	75,000	75,000	7,950	67,050
Gasoline	2,800	2,800	1,559	1,241
Service charges and fees	3,750	3,750	-	3,750
Insurance	500	500	515	(15)
Materials and supplies	1,000	1,000	643	357
Small tools and equipment	-	-	710	(710)
Utilities	1,100	1,100	1,369	(269)
Office supplies	2,000	2,000	1,291	709
Repairs and maintenance	2,500	2,500	199	2,301
Total Code Enforcement	<u>163,087</u>	<u>164,587</u>	<u>90,699</u>	<u>73,888</u>
<b>GENERAL GOVERNMENT</b>				
<b>BUILDING PERMITS</b>				
Salaries	94,500	94,500	93,151	1,349
Payroll related benefits and taxes	51,920	51,920	45,114	6,806
Professional services	28,500	28,500	24,120	4,380
Repairs and maintenance	700	700	1,258	(558)
Insurance	500	500	515	(15)
Office supplies	5,985	5,985	10,829	(4,844)
Utilities	1,000	1,000	940	60
Training and education	3,000	3,000	761	2,239
Meetings and conventions	4,500	4,500	762	3,738
Dues and subscriptions	1,425	1,425	540	885
Gasoline	2,550	2,550	1,690	860
Total Building Permits	<u>194,580</u>	<u>194,580</u>	<u>179,680</u>	<u>14,900</u>
<b>GENERAL GOVERNMENT</b>				
<b>ECONOMIC DEVELOPMENT</b>				
Capital outlay	-	-	-	-
Salaries	263,300	263,300	266,352	(3,052)
Payroll related benefits and taxes	147,645	147,646	127,409	20,237
Farmers market	10,000	10,000	9,960	40
Cemetery	-	-	826	(826)
Contract services	104,000	116,450	103,003	13,447
Utilities	85,400	85,400	74,906	10,494
Repairs and maintenance	52,000	62,187	41,759	20,428
Professional services	-	-	50	(50)
Insurance	91,500	91,500	81,765	9,735

(Continued)

**CITY OF COVINGTON, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND (CONTINUED)**  
**For the Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
<b>GENERAL GOVERNMENT</b>				
<b>ECONOMIC DEVELOPMENT</b>				
<b>(CONTINUED)</b>				
Advertising	\$ 36,500	\$ 52,515	\$ 48,939	\$ 3,576
Office supplies	20,200	31,078	25,093	5,985
Contract labor	26,600	26,600	25,487	1,113
Materials and supplies	42,000	28,981	27,429	1,552
Rent	7,750	7,750	5,232	2,518
Gasoline	4,500	4,500	4,900	(400)
Garbage collection	4,300	4,300	4,317	(17)
Small tools and equipment	6,000	6,205	4,688	1,517
Dues and subscriptions	2,250	2,477	3,078	(601)
Meetings and conventions	2,000	2,000	99	1,901
Training and education	5,250	5,250	671	4,579
<b>Total Economic Development</b>	<u>911,195</u>	<u>948,139</u>	<u>855,963</u>	<u>92,176</u>
 <b>Total General Government</b>	 <u>3,899,943</u>	 <u>3,992,960</u>	 <u>2,859,441</u>	 <u>1,133,519</u>
 <b>PUBLIC SAFETY - POLICE</b>				
Salaries	2,012,100	2,044,534	1,844,655	199,879
Payroll related taxes and benefits	1,395,125	1,388,300	1,148,864	239,436
Materials and supplies	63,000	73,838	55,056	18,782
Gasoline	110,000	110,000	103,963	6,037
Insurance	138,700	138,700	151,874	(13,174)
Repairs and maintenance	101,000	96,520	63,660	32,860
Utilities	86,500	86,500	63,328	23,172
Office supplies	58,300	48,822	39,849	8,973
Training and education	50,000	52,623	52,801	(178)
Small tools and equipment	21,500	36,894	32,617	4,277
Professional services	-	8,000	2,717	5,283
Garbage collection	1,500	1,500	1,400	100
Rent	12,000	18,825	16,950	1,875
Contract services	46,500	46,500	18,023	28,477
Dues and subscriptions	5,500	5,500	3,974	1,526
Advertising	400	400	668	(268)
Contract labor	1,000	1,000	608	392
<b>Total Public Safety - Police</b>	<u>4,103,125</u>	<u>4,158,456</u>	<u>3,601,007</u>	<u>557,449</u>
 <b>PUBLIC SAFETY - FIRE</b>				
Salaries	916,500	916,500	906,270	10,230
Payroll related taxes and benefits	553,400	553,400	500,245	53,155
Utilities	36,280	36,980	33,708	3,272

(Continued)

**CITY OF COVINGTON, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND (CONTINUED)**  
**For the Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
<b>PUBLIC SAFETY - FIRE</b>				
<b>(CONTINUED)</b>				
Small tools and equipment	\$ 28,700	\$ 31,152	\$ 30,366	\$ 786
Insurance	40,000	40,000	38,666	1,334
Repairs and maintenance	49,300	58,922	50,855	8,067
Gasoline	25,000	25,000	25,307	(307)
Contract services	6,000	6,000	-	6,000
Rent	1,000	1,000	-	1,000
Office supplies	17,000	18,578	14,132	4,446
Materials and supplies	27,600	17,786	13,754	4,032
Garbage collection	1,500	1,500	1,400	100
Training and education	12,000	23,809	20,654	3,155
Dues and subscriptions	4,200	4,200	3,062	1,138
Professional services	-	10,000	1,430	8,570
Total Public Safety - Fire	<u>1,718,480</u>	<u>1,744,827</u>	<u>1,639,849</u>	<u>104,978</u>
<b>PUBLIC WORKS</b>				
Salaries	680,000	680,000	670,950	9,050
Payroll related taxes and benefits	449,300	449,300	373,311	75,989
Professional services	100,500	100,500	92,814	7,686
Contract labor	43,000	43,000	37,694	5,306
Utilities	153,000	162,000	162,806	(806)
Repairs and maintenance	89,800	92,321	85,310	7,011
Materials and supplies	145,000	135,000	124,825	10,175
Gasoline	72,000	82,000	93,683	(11,683)
Insurance	43,000	43,000	45,957	(2,957)
Office supplies	22,800	22,800	24,410	(1,610)
Contract services	22,000	22,000	10,112	11,888
Small tools and equipment	12,000	12,000	10,695	1,305
Garbage collection	9,000	9,000	8,594	406
Dues and subscriptions	1,000	1,000	425	575
Training and education	1,200	1,200	-	1,200
Rent	1,500	1,500	226	1,274
Total Public Works	<u>1,845,100</u>	<u>1,856,621</u>	<u>1,741,812</u>	<u>114,809</u>
<b>CULTURE AND RECREATION</b>				
Salaries	246,000	246,000	244,736	1,264
Payroll related taxes and benefits	95,300	95,300	81,888	13,412
Materials and supplies	82,300	71,565	69,585	1,980
Utilities	39,800	39,800	31,914	7,886
Contract labor	36,500	36,500	36,000	500
Professional services	1,000	1,000	1,100	(100)
Repairs and maintenance	24,600	24,600	38,168	(13,568)

(Continued)

**CITY OF COVINGTON, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND (CONTINUED)**  
**For the Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
<b>CULTURE AND RECREATION (CONTINUED)</b>				
Insurance	\$ 22,100	\$ 22,100	\$ 39,266	\$ (17,166)
Gasoline	8,000	8,000	11,123	(3,123)
Office supplies	-	9,500	6,171	3,329
Contract services	4,800	4,800	3,443	1,357
Service charges and fees	6,000	6,000	2,518	3,482
Training and education	2,000	2,000	150	1,850
Garbage collection	9,000	9,000	6,459	2,541
Meetings and conventions	-	2,000	-	2,000
Pool operations	6,000	6,000	5,884	116
Small tools and equipment	2,000	2,000	1,908	92
Rent	500	500	503	(3)
<b>Total Culture and Recreation</b>	<u>585,900</u>	<u>586,665</u>	<u>580,816</u>	<u>5,849</u>
<b>CAPITAL OUTLAY</b>				
Capital outlay	-	-	1,500,000	(1,500,000)
<b>Total Capital Outlay</b>	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>(1,500,000)</u>
<b>Total Expenditures</b>	<u>12,152,548</u>	<u>12,339,529</u>	<u>11,922,925</u>	<u>416,604</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of sale of equipment	\$ -	\$ -	\$ 24,207	\$ 24,207
Capital contributions	-	-	1,500,000	1,500,000
Transfers in	5,964,105	5,930,626	8,533,131	2,602,505
Transfers out	-	(73,991)	(263,951)	(337,942)
<b>Total Other Financing Sources</b>	<u>\$ 5,964,105</u>	<u>\$ 5,856,635</u>	<u>\$ 9,793,387</u>	<u>\$ 3,788,770</u>

**CITY OF COVINGTON, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**1982 SALES TAX FUND**  
**For the Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
<b>REVENUES</b>				
Taxes				
Sales taxes	\$ 3,750,000	\$ 3,750,000	\$ 3,748,123	\$ (1,877)
Fines and forfeitures	10,000	10,000	-	(10,000)
State and federal grants	-	-	6,336	6,336
Total Revenues	<u>3,760,000</u>	<u>3,760,000</u>	<u>3,754,459</u>	<u>(5,541)</u>
<b>EXPENDITURES</b>				
Current				
General government	542,140	922,898	21,567	901,331
Public safety - Police	21,000	85,167	-	85,167
Public safety - Fire	74,200	174,080	-	174,080
Public works	866,500	1,039,287	1,975	1,037,312
Culture and recreation	33,000	88,771	-	88,771
Sewer department	475,500	1,299,035	-	1,299,035
Water department	475,000	503,904	-	503,904
Capital outlay	-	-	554,763	(554,763)
Capital outlay - utility	-	-	-	-
Payments on claims and judgments	-	53,705	53,705	-
Total Expenditures	<u>2,487,340</u>	<u>4,166,847</u>	<u>632,010</u>	<u>3,534,837</u>
Excess (Deficiency) of Revenues Over Expenditures	1,272,660	(406,847)	3,122,449	(2,715,602)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	66,800	66,800	-
Transfers out	<u>(1,695,741)</u>	<u>(1,682,199)</u>	<u>(2,242,409)</u>	<u>560,210</u>
Total Other Financing Sources (Uses)	<u>(1,695,741)</u>	<u>(1,615,399)</u>	<u>(2,175,609)</u>	<u>560,210</u>
Changes in Fund Balance	<u>(423,081)</u>	<u>(2,022,246)</u>	<u>946,840</u>	<u>(2,155,392)</u>
Fund Balance, Beginning of Year	2,576,684	2,576,684	2,576,684	-
Fund Balance, End of Year	<u>\$ 2,153,603</u>	<u>\$ 554,438</u>	<u>\$ 3,523,524</u>	<u>\$ (2,155,392)</u>

**CITY OF COVINGTON, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**1957 SALES TAX FUND**  
**For the Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
<b>REVENUES</b>				
Taxes				
Sales taxes	\$ 3,750,000	\$ 3,750,000	\$ 3,748,124	\$ (1,876)
Fines and forfeitures	10,000	10,000	-	(10,000)
Total Revenues	<u>3,760,000</u>	<u>3,760,000</u>	<u>3,748,124</u>	<u>(11,876)</u>
<b>EXPENDITURES</b>				
Current				
General government	43,240	43,240	-	43,240
Payments on claims and judgments	-	53,705	53,705	-
Total Expenditures	<u>43,240</u>	<u>96,945</u>	<u>53,705</u>	<u>43,240</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,716,760</u>	<u>3,663,055</u>	<u>3,694,419</u>	<u>(55,116)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(3,716,760)</u>	<u>(3,663,055)</u>	<u>(6,100,173)</u>	<u>2,437,118</u>
Total Other Financing Sources (Uses)	<u>(3,716,760)</u>	<u>(3,663,055)</u>	<u>(6,100,173)</u>	<u>2,437,118</u>
Changes in Fund Balance	-	-	(2,405,754)	(2,405,754)
Fund Balance, Beginning of Year	<u>2,405,754</u>	<u>2,405,754</u>	<u>2,405,754</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,405,754</u>	<u>\$ 2,405,754</u>	<u>\$ -</u>	<u>\$ (2,405,754)</u>

**CITY OF COVINGTON, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**ANNEXATION AREA SALES TAX FUND**  
**For the Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
<b>REVENUES</b>				
Taxes				
Sales taxes	<u>\$ 1,662,000</u>	<u>\$ 1,662,000</u>	<u>\$ 1,715,420</u>	<u>\$ 53,420</u>
Total Revenues	<u>1,662,000</u>	<u>1,662,000</u>	<u>1,715,420</u>	<u>53,420</u>
<b>EXPENDITURES</b>				
Current				
Public works	<u>1,399,113</u>	<u>1,829,013</u>	<u>767,962</u>	<u>1,061,051</u>
Total Expenditures	<u>1,399,113</u>	<u>1,829,013</u>	<u>767,962</u>	<u>1,061,051</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>262,887</u>	<u>(167,013)</u>	<u>947,458</u>	<u>(1,007,631)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(900,000)</u>	<u>(900,000)</u>	<u>(900,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(900,000)</u>	<u>(900,000)</u>	<u>(900,000)</u>	<u>-</u>
Changes in Fund Balance	<u>(637,113)</u>	<u>(1,067,013)</u>	<u>47,458</u>	<u>1,114,471</u>
Fund Balance, Beginning of Year	<u>1,255,052</u>	<u>1,255,052</u>	<u>1,255,052</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 617,939</u>	<u>\$ 188,039</u>	<u>\$ 1,302,510</u>	<u>\$ 1,114,471</u>

**CITY OF COVINGTON, LOUISIANA**  
**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
12/31/2012	\$ -	\$ 5,319,263	\$ 5,319,263	0%	\$ 5,589,020	95%
12/31/2011	-	5,114,676	5,114,676	0%	5,469,476	94%
12/31/2010	-	4,535,628	4,535,628	0%	5,605,839	81%

**CITY OF COVINGTON, LOUISIANA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2012**

**NOTE A – BUDGETARY BASIS OF ACCOUNTING**

Budgets for the General Fund and each major Special Revenue Fund are adopted on the modified accrual basis of accounting. Therefore, GAAP serves as the budgetary basis of accounting.

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## **OTHER SUPPLEMENTARY INFORMATION**

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**CITY OF COVINGTON, LOUISIANA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**STATE AND FEDERAL GRANTS FUND**  
**For the Year Ended December 31, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
<b>REVENUES</b>				
State and federal grants	\$ -	\$ 758,794	\$ 365,050	\$ (393,744)
Total Revenues	<u>-</u>	<u>758,794</u>	<u>365,050</u>	<u>(393,744)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	-	10,360	10,800	(440)
Public safety - Police	-	129,910	90,872	39,038
Public safety - Fire	-	34,650	35,435	(785)
Public works	-	12,600	12,392	208
Culture and recreation	-	3,000	2,753	247
Sewer department	-	27,000	-	27,000
Water department	-	6,260	-	6,260
Garbage department	-	-	-	-
Capital outlay	-	569,742	307,064	262,678
Total Expenditures	<u>-</u>	<u>793,522</u>	<u>459,316</u>	<u>334,206</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>(34,728)</u>	<u>(94,266)</u>	<u>(727,950)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	34,728	224,689	189,961
Transfers out	<u>-</u>	<u>-</u>	<u>(130,423)</u>	<u>(130,423)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>34,728</u>	<u>94,266</u>	<u>59,538</u>
Changes in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF COVINGTON, LOUISIANA  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2012**

***SPECIAL REVENUE FUND***

**State and Federal Grants Fund** – This fund was created in 2012 to account for all resources and expenditures in connection with the State and Federal funding.

***CAPITAL PROJECT FUND***

Capital project funds are used to account for all resources and expenditures in connection with the acquisition, renovation, and improvements of capital facilities other than those financed by propriety funds.

**LCDBG Capital Project** – This fund was created to track Community Development Block Grant revenues and expenditures for capital projects.

***DEBT SERVICE FUNDS***

Debt service funds are used to accumulate monies for the payment of principal, interest, and fiscal charges for the City's outstanding bonded debt.

**General Obligation Debt Service Fund** – This fund was created to account for the annual principal and interest of the general obligation bonded debt.

**Sales Tax Bond Debt Service Fund** – This fund was created to account for the annual principal and interest of the sales tax secured debt.

***PERMANENT FUND***

Permanent funds are used to account for funds that are required to be kept in perpetual trust.

**Garden of Pines Permanent** – This fund was created to account for the trust responsible for the general maintenance and care of the mausoleum. The original deposit must be kept intact.

**CITY OF COVINGTON  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
December 31, 2012**

	<u>Capital Project</u>	<u>Debt Service</u>		<u>Permanent</u>	<u>Special Revenue</u>	
		<u>General Obligation</u>	<u>Sales Tax Bond Debt</u>	<u>Garden of Pines Permanent</u>	<u>State and Federal Grants</u>	<u>Total Non- Major Governmental</u>
	<u>LCDBG Capital Projects</u>	<u>Debt Service Fund</u>	<u>Service Fund</u>	<u>Permanent</u>	<u>Grants</u>	<u>Governmental</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 150	\$ 233,634	\$ 90,528	\$ 33,348	\$ -	\$ 357,660
Pooled Cash	-	-	-	-	-	-
Certificates of deposits	-	-	277,500	24,955	-	302,455
Receivables						-
Taxes	-	488,608	-	-	-	488,608
Grants	-	-	-	-	285,240	285,240
Other	34,042	-	-	-	-	34,042
Accrued interest	-	-	286	-	-	286
Due from other funds	-	-	-	-	27,537	27,537
<b>TOTAL ASSETS</b>	<b>\$ 34,192</b>	<b>\$ 722,242</b>	<b>\$ 368,314</b>	<b>\$ 58,303</b>	<b>\$ 312,777</b>	<b>\$ 1,495,828</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 129,977	\$ 129,977
Equity in pooled cash	-	-	-	-	83,926	83,926
Due to other funds	34,142	43,164	42,552	-	10,285	130,143
Deferred revenues	-	-	-	-	88,589	88,589
<b>TOTAL LIABILITIES</b>	<b>34,142</b>	<b>43,164</b>	<b>42,552</b>	<b>-</b>	<b>312,777</b>	<b>432,635</b>
Fund balance:						
Nonspendable:	-	-	-	24,955	-	24,955
Restricted:						
Perpetual care	-	-	-	33,348	-	33,348
Debt services	-	679,078	325,762	-	-	1,004,840
Committed:						
Capital assets	50	-	-	-	-	50
<b>TOTAL FUND BALANCE</b>	<b>50</b>	<b>679,078</b>	<b>325,762</b>	<b>58,303</b>	<b>-</b>	<b>1,063,193</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 34,192</b>	<b>\$ 722,242</b>	<b>\$ 368,314</b>	<b>\$ 58,303</b>	<b>\$ 312,777</b>	<b>\$ 1,495,828</b>

**CITY OF COVINGTON**  
**COMBINING SCHEDULE OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2012**

	Capital	Debt Service		Permanent	Special	Total
	Project				Revenue	
	LCDBG	General	Sales Tax	Garden of	State and	Non-Major
	Capital	Obligation	Bond Debt	Pines	Federal	Governmental
	Projects	Debt Service	Service	Permanent	Grants	
		Fund	Fund			
<b>REVENUES</b>						
Taxes						
Property taxes	\$ -	\$ 495,653	\$ -	\$ -	\$ -	\$ 495,653
Grant revenue	65,617	-	-	-	365,050	430,667
Interest and penalties	-	102	866	292	-	1,260
<b>Total Revenues</b>	<b>65,617</b>	<b>495,755</b>	<b>866</b>	<b>292</b>	<b>365,050</b>	<b>927,580</b>
<b>EXPENDITURES</b>						
Current						
General government	-	1,461	803	-	10,800	13,064
Public safety - Police	-	-	-	-	90,872	90,872
Public safety - Fire	-	-	-	-	35,435	35,435
Public works	-	-	-	-	12,392	12,392
Culture and recreation	-	-	-	-	2,753	2,753
Capital outlay	-	-	-	-	307,064	307,064
Capital outlay - utility	-	-	-	-	-	-
Debt service:						
Principal	-	295,000	230,000	-	-	525,000
Interest	-	224,384	57,836	-	-	282,220
<b>Total Expenditures</b>	<b>-</b>	<b>520,845</b>	<b>288,639</b>	<b>-</b>	<b>459,316</b>	<b>1,268,800</b>
Excess (Deficiency) of Revenues						
Over Expenditures	65,617	(25,090)	(287,773)	292	(94,266)	(341,220)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	244,129	-	224,689	468,818
Transfers out	(65,617)	-	-	-	(130,423)	(196,040)
<b>Total Other Financing Sources (Uses)</b>	<b>(65,617)</b>	<b>-</b>	<b>244,129</b>	<b>-</b>	<b>94,266</b>	<b>272,778</b>
Changes in Fund Balance	-	(25,090)	(43,644)	292	-	(68,442)
Fund Balance, Beginning of Year	50	704,168	369,406	58,011	-	1,131,635
<b>Fund Balance, End of Year</b>	<b>\$ 50</b>	<b>\$ 679,078</b>	<b>\$ 325,762</b>	<b>\$ 58,303</b>	<b>\$ -</b>	<b>\$ 1,063,193</b>

**CITY OF COVINGTON, LOUISIANA  
SCHEDULE OF COUNCIL COMPENSATION  
For the Year Ended December 31, 2012**

<u>Council Members</u>	<u>Term of Office</u>	<u>2012 Compensation</u>
Lee S. Alexius	July 2011 - July 2015	\$ 9,000
R.S. "Sam" O'Keefe	July 2011 - July 2015	9,000
John Callahan	July 2011 - July 2015	9,000
Jerry Coner	July 2011 - July 2015	9,000
Mark Wright	July 2011 - July 2015	9,000
Larry Rolling	July 2011 - July 2015	9,000
Rick Smith	July 2011 - July 2015	<u>9,000</u>
		<u>\$ 63,000</u>

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## **STATISTICAL SECTION**

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## 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 says about the City's overall financial health.

<b><u>Contents</u></b>	<b><u>Tables</u></b>
<b>Financial Trends</b>	1 - 5
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	6 - 10
These schedules contain information to help the reader assess the City's property tax.	
<b>Debt Capacity</b>	11 - 15
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	16 - 17
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	18 - 20
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2004; tables presenting government-wide information include information beginning in that year.

TABLE 1

**CITY OF COVINGTON, LOUISIANA  
NET POSITION BY COMPONENT  
LAST EIGHT FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities</b>								
Invested in capital assets, net of related debt	\$ 320,714	\$ 1,942,725	\$ 1,482,742	\$ 621,414	\$ 7,999,710	\$ 9,003,688	\$ 8,540,837	\$ 10,963,044
Restricted	4,051,705	4,670,562	5,292,260	6,991,802	4,082,723	4,407,344	6,335,844	4,812,252
Unrestricted	4,544,319	8,047,265	9,385,128	6,986,129	4,242,371	2,653,185	1,088,416	2,955,180
<b>Total governmental activities net position</b>	<b>\$ 8,916,738</b>	<b>\$ 14,660,552</b>	<b>\$ 16,160,130</b>	<b>\$ 14,599,345</b>	<b>\$ 16,324,804</b>	<b>\$ 16,064,217</b>	<b>\$ 15,965,097</b>	<b>\$ 18,730,476</b>
<b>Business-Type Activities</b>								
Invested in capital assets, net of related debt	\$ 15,427,671	\$ 16,101,193	\$ 19,793,170	\$ 22,807,610	\$ 22,558,143	\$ 22,965,009	\$ 23,281,856	\$ 22,599,871
Restricted	334,026	308,348	308,487	312,422	-	-	-	-
Unrestricted	1,652,210	1,637,819	983,390	231,856	539,374	586,803	824,855	1,189,702
<b>Total business-type activities net position</b>	<b>\$ 17,413,907</b>	<b>\$ 18,047,360</b>	<b>\$ 21,085,047</b>	<b>\$ 23,351,888</b>	<b>\$ 23,097,517</b>	<b>\$ 23,551,812</b>	<b>\$ 24,106,711</b>	<b>\$ 23,789,573</b>
<b>Primary Government</b>								
Invested in capital assets, net of related debt	\$ 15,748,385	\$ 18,043,918	\$ 21,275,912	\$ 23,429,024	\$ 30,557,853	\$ 31,968,697	\$ 31,822,693	\$ 33,562,915
Restricted	4,385,731	4,978,910	5,600,747	7,304,224	4,082,723	4,407,344	6,335,844	4,812,252
Unrestricted	6,196,529	9,685,084	10,368,518	7,217,985	4,781,745	3,239,988	1,913,271	4,144,882
<b>Total primary government net position</b>	<b>\$ 26,330,645</b>	<b>\$ 32,707,912</b>	<b>\$ 37,245,177</b>	<b>\$ 37,951,233</b>	<b>\$ 39,422,321</b>	<b>\$ 39,616,029</b>	<b>\$ 40,071,808</b>	<b>\$ 42,520,049</b>

TABLE 2

**CITY OF COVINGTON, LOUISIANA  
CHANGES IN NET POSITION  
LAST EIGHT FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

Expenses	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities:</b>								
General government	\$ 2,114,440	\$ 2,543,463	\$ 2,649,743	\$ 3,037,128	\$ 3,543,490	\$ 3,994,184	\$ 4,108,782	\$ 4,000,021
Public safety - Police	2,589,192	2,263,245	3,307,484	3,561,038	4,070,684	4,181,956	4,101,809	3,946,313
Public safety - Fire	786,376	858,909	1,106,398	1,406,254	1,461,511	1,603,010	1,742,454	1,770,518
Public works	1,803,865	2,174,291	1,972,845	2,597,475	1,906,012	1,730,586	1,869,449	2,180,001
Culture and recreation	484,495	472,288	621,388	829,015	996,333	829,061	902,326	803,635
Interest on long-term debt	359,680	326,242	519,344	493,613	559,762	469,112	475,019	319,774
<b>Total governmental activities expenses</b>	<b>8,138,048</b>	<b>8,638,438</b>	<b>10,177,202</b>	<b>11,924,523</b>	<b>12,537,792</b>	<b>12,807,909</b>	<b>13,199,839</b>	<b>13,020,262</b>
<b>Business-type activities:</b>								
Water	1,018,625	1,056,246	1,306,176	1,248,381	1,231,623	1,217,823	1,776,889	1,823,929
Sewer	1,285,814	1,724,036	2,107,232	2,262,346	1,818,321	1,958,438	1,803,094	1,719,964
Garbage	519,604	671,551	726,224	729,880	747,879	754,995	718,460	727,783
Interest on long-term debt	14,708	8,395	6,440	4,370	2,243	-	-	-
<b>Total business-type activities expenses</b>	<b>2,838,751</b>	<b>3,460,228</b>	<b>4,146,072</b>	<b>4,244,977</b>	<b>3,800,066</b>	<b>3,931,256</b>	<b>4,298,443</b>	<b>4,271,676</b>
<b>Total primary government expenses</b>	<b>\$ 10,976,799</b>	<b>\$ 12,098,666</b>	<b>\$ 14,323,274</b>	<b>\$ 16,169,500</b>	<b>\$ 16,337,858</b>	<b>\$ 16,739,165</b>	<b>\$ 17,498,282</b>	<b>\$ 17,291,938</b>
<b>Program Revenues</b>								
<b>Governmental activities:</b>								
Charges for services:								
General government	\$ 178,197	\$ 296,323	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety - Police	2,175	6,775	-	-	-	-	-	-
Public safety - Fire	-	-	-	-	-	-	-	-
Public works	8,914	-	33,797	22,685	6,700	10,909	19,785	172,124
Culture and recreation	47,020	64,320	208,206	197,564	159,153	163,132	151,813	-
Operating grants and contribution								
General government	667,124	241,679	158,177	294,880	144,960	215,333	210,263	204,253
Public safety - Police	104,696	-	10,690	32,716	34,352	36,067	96,332	168,375
Public safety - Fire	110,901	100,879	33,736	52,156	47,718	49,371	40,965	63,850
Public works	322,464	-	-	-	-	42,376	-	-
Culture and recreation	8,704	-	-	-	-	-	25,000	2,753
Capital grants and contributions								
General government	36,619	-	386,074	-	811,125	111,516	139,152	20,048
Public safety - Police	-	-	131,956	-	-	-	17,761	1,070
Public safety - Fire	47,703	115,520	119,817	-	-	-	-	285,532
Public works	171,941	37,291	426,565	-	-	-	436,947	7,795
<b>Total governmental activities program revenues</b>	<b>1,706,458</b>	<b>862,787</b>	<b>1,509,018</b>	<b>600,001</b>	<b>1,204,008</b>	<b>628,704</b>	<b>1,138,018</b>	<b>925,800</b>
<b>Business-type activities:</b>								
Charges for services:								
Water	984,364	1,072,246	1,079,383	1,090,177	1,203,705	1,278,548	1,287,180	1,262,419
Sewer	994,730	1,058,888	1,100,771	1,064,385	1,077,679	1,148,835	1,281,408	1,375,189
Garbage	563,863	614,863	676,253	718,143	734,338	762,522	729,122	683,106

(continued)

TABLE 2

**CITY OF COVINGTON, LOUISIANA**  
**CHANGES IN NET POSITION (CONTINUED)**  
**LAST EIGHT FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

	Fiscal Year							
	2005	2006	2007	2008	2009	2010	2011	2012
Operating grants and contribution								
Sewer	\$ 200,000	\$ 86,695	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total business-type activities program revenues	<u>2,742,957</u>	<u>2,832,692</u>	<u>2,856,407</u>	<u>2,872,705</u>	<u>3,015,722</u>	<u>3,189,905</u>	<u>3,297,710</u>	<u>3,320,714</u>
Total primary government program revenues	<u>\$ 4,449,415</u>	<u>\$ 3,695,479</u>	<u>\$ 4,365,425</u>	<u>\$ 3,472,706</u>	<u>\$ 4,219,730</u>	<u>\$ 3,818,609</u>	<u>\$ 4,435,728</u>	<u>\$ 4,246,514</u>
Net (expense)/revenue								
Governmental activities	\$ (6,431,590)	\$ (7,775,651)	\$ (8,668,184)	\$ (11,324,522)	\$ (11,333,784)	\$ (12,179,205)	\$ (12,061,821)	\$ (12,094,462)
Business-type activities	(95,794)	(627,536)	(1,289,665)	(1,372,272)	(784,344)	(741,351)	(1,000,733)	(950,962)
Total primary government net expense	<u>\$ (6,527,384)</u>	<u>\$ (8,403,187)</u>	<u>\$ (9,957,849)</u>	<u>\$ (12,696,794)</u>	<u>\$ (12,118,128)</u>	<u>\$ (12,920,556)</u>	<u>\$ (13,062,554)</u>	<u>\$ (13,045,424)</u>
<b>General Revenues and Other Changes in Net Position</b>								
Governmental activities:								
Taxes:								
Property	\$ 1,461,599	\$ 1,900,362	\$ 2,079,196	\$ 2,289,053	\$ 2,466,358	\$ 2,337,157	\$ 2,320,671	\$ 2,433,574
Sales	6,841,791	9,314,419	9,520,918	9,462,653	8,523,983	8,329,496	8,896,937	9,211,667
Franchise	623,689	1,554,462	741,320	753,137	644,819	663,240	690,328	655,994
Licenses and permits	922,936	1,060,577	1,168,083	1,103,856	1,206,703	1,177,394	1,265,372	1,248,790
Fines and forfeitures	163,597	187,598	217,535	231,297	270,616	260,855	141,773	105,856
Investment	113,791	295,684	558,108	304,195	104,932	70,946	43,704	44,530
Other general revenues	128,553	465,574	326,367	439,755	374,857	235,349	156,450	269,047
Special item - loss/gain on disposed assets	-	-	(118,356)	-	(3,370)	39,827	-	24,207
Special item - repayment of taxes to parish	-	-	-	(600,000)	-	-	-	-
Special item - lawsuit settlement	-	-	-	(300,000)	-	-	-	-
Transfers	(1,160,000)	(1,110,461)	(1,354,278)	(698,240)	(442,184)	-	-	(633,824)
Capital contributions	-	(148,750)	(2,971,131)	(2,939,880)	(87,471)	(1,195,646)	(1,523,217)	1,500,000
Total governmental activities	<u>9,095,956</u>	<u>13,519,465</u>	<u>10,167,762</u>	<u>10,045,826</u>	<u>13,059,243</u>	<u>11,918,618</u>	<u>11,992,018</u>	<u>14,859,841</u>
Business-type activities:								
Investment	748	1,778	1,943	993	318	-	-	-
Other general revenues	-	-	-	-	-	-	32,415	-
Transfers	1,160,000	1,110,461	1,354,278	698,240	442,184	-	-	633,824
Capital contributions	-	148,750	2,971,131	2,939,880	87,471	1,195,646	1,523,217	-
Total business-type activities	<u>1,160,748</u>	<u>1,260,989</u>	<u>4,327,352</u>	<u>3,639,113</u>	<u>529,973</u>	<u>1,195,646</u>	<u>1,555,632</u>	<u>633,824</u>
Total primary government	<u>\$ 10,256,704</u>	<u>\$ 14,780,454</u>	<u>\$ 14,495,114</u>	<u>\$ 13,684,939</u>	<u>\$ 13,589,216</u>	<u>\$ 13,114,264</u>	<u>\$ 13,547,650</u>	<u>\$ 15,493,665</u>
<b>Changes in Net Position</b>								
Governmental activities	\$ 2,664,366	\$ 5,743,814	\$ 1,499,578	\$ (1,278,696)	\$ 1,725,459	\$ (260,587)	\$ (69,803)	\$ 2,765,379
Business-type activities	1,064,954	633,453	3,037,687	2,266,841	(254,371)	454,295	554,899	(317,138)
Total primary government	<u>\$ 3,729,320</u>	<u>\$ 6,377,267</u>	<u>\$ 4,537,265</u>	<u>\$ 988,145</u>	<u>\$ 1,471,088</u>	<u>\$ 193,708</u>	<u>\$ 485,096</u>	<u>\$ 2,448,241</u>

**CITY OF COVINGTON, LOUISIANA**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**  
**(UNAUDITED)**

**TABLE 3**

<u>Fiscal Year</u>	<u>Sales Tax</u>	<u>Property Tax</u>	<u>Total</u>
2003	\$ 5,830,555	\$ 952,885	\$ 6,783,440
2004	5,848,068	1,445,337	7,293,405
2005	6,841,791	1,461,599	8,303,390
2006	9,314,419	1,900,382	11,214,801
2007	9,520,918	2,079,193	11,600,111
2008	9,462,653	2,289,053	11,751,706
2009	8,523,983	2,466,358	10,990,341
2010	8,329,496	2,338,157	10,667,653
2011	8,896,937	2,320,671	11,217,608
2012	9,211,667	2,433,574	11,645,241

**TABLE 4**

**CITY OF COVINGTON, LOUISIANA  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General fund</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 365
Restricted	-	-	-	-	-	-	-	-	246,776	250,540
Committed	-	-	-	-	-	-	-	-	1,712,823	2,004,594
Assigned	-	-	-	-	-	-	-	-	-	2,090,993
Unassigned	-	-	-	-	-	-	-	-	979,860	1,125,879
Reserved (1)	1,506,642	2,354,498	2,301,454	2,377,730	1,600	4,637,884	2,322,755	-	-	-
Unreserved (1)	3,566,574	2,864,159	4,292,342	9,430,551	11,408,312	5,565,225	6,872,983	5,442,428	-	-
<b>Total general fund</b>	<b>\$ 5,073,216</b>	<b>\$ 5,218,657</b>	<b>\$ 6,593,796</b>	<b>\$ 11,808,281</b>	<b>\$ 11,409,912</b>	<b>\$ 10,203,109</b>	<b>\$ 9,195,738</b>	<b>\$ 5,442,428</b>	<b>\$ 2,939,459</b>	<b>\$ 5,472,371</b>
<b>All other governmental funds</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,955	\$ 24,955
Restricted	-	-	-	-	-	-	-	-	6,089,068	4,561,712
Committed	-	-	-	-	-	-	-	-	1,255,102	1,302,560
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Reserved (1)	3,627,587	2,598,593	1,750,251	2,292,832	5,290,660	2,353,918	2,222,288	4,407,344	-	-
Unreserved, reported in:										
Special Revenue (1)	1,869	155,126	567,338	1,407,175	218,489	359,441	1,388,289	1,617,735	-	-
Capital Projects (1)	-	-	625,324	-	-	-	-	-	-	-
Debt Service (1)	-	-	-	-	-	-	-	-	-	-
Permanent (1)	-	-	-	-	-	-	31,871	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 3,629,456</b>	<b>\$ 2,753,719</b>	<b>\$ 2,942,913</b>	<b>\$ 3,700,007</b>	<b>\$ 5,509,149</b>	<b>\$ 2,713,359</b>	<b>\$ 3,642,448</b>	<b>\$ 6,025,079</b>	<b>\$ 7,369,125</b>	<b>\$ 5,889,227</b>

Note (1): In 2011, the City implemented GASB Statement No. 54 which changed the classification of fund balances. Amounts prior to 2011 have not been restated to reflect the new classifications.

TABLE 5

**CITY OF COVINGTON, LOUISIANA  
CHANGES IN FUNDS BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Property taxes	\$ 1,284,154	\$ 1,445,337	\$ 1,461,599	\$ 1,900,382	\$ 2,079,196	\$ 2,289,053	\$ 2,466,358	\$ 2,337,157	\$ 2,320,671	\$ 2,433,574
Sales tax	4,942,408	5,848,068	6,841,791	9,314,419	9,520,918	9,462,653	8,523,983	8,329,496	8,896,937	9,211,667
Franchise tax	556,878	589,045	623,689	1,554,462	741,320	753,137	644,819	663,240	690,328	655,994
Licenses and permits	790,397	870,572	922,936	1,060,557	1,168,083	1,103,856	1,206,703	1,177,394	1,265,372	1,248,790
Intergovernmental revenue	100,298	104,904	175,771	200,513	131,266	114,217	112,959	160,538	177,735	184,718
Charges for service	235,409	262,556	236,306	367,416	242,003	220,249	165,853	174,041	171,598	172,124
Fines and forfeitures	153,009	139,579	163,597	187,598	217,535	231,297	270,616	260,855	141,773	105,856
Interest	70,525	61,375	113,791	295,684	558,108	304,195	104,932	70,946	43,704	44,530
Assessments	-	-	-	-	-	-	-	-	16,812	10,099
Federal and state grants	107,332	453,510	1,294,381	294,855	1,135,749	265,535	925,196	294,125	788,685	480,663
Other	882,632	106,860	128,553	465,574	326,367	439,755	374,857	235,349	139,638	260,018
<b>Total revenues</b>	<b>9,123,042</b>	<b>9,881,806</b>	<b>11,962,414</b>	<b>15,641,460</b>	<b>16,120,545</b>	<b>15,183,947</b>	<b>14,796,276</b>	<b>13,703,141</b>	<b>14,653,253</b>	<b>14,808,033</b>
<b>Expenditures</b>										
Current:										
General government	1,787,283	1,814,988	2,131,794	2,609,915	3,479,091	4,716,375	3,379,749	3,348,206	3,332,248	2,864,072
Public safety - Police	2,208,476	2,324,648	2,517,775	2,507,927	3,408,649	3,578,732	3,934,725	4,280,914	3,811,893	3,691,879
Public safety - Fire	612,009	616,671	766,505	952,596	1,221,326	1,533,908	1,322,598	1,753,287	1,642,082	1,675,284
Public works	2,350,179	2,784,970	2,231,623	2,470,752	3,106,167	2,910,866	3,347,555	2,757,181	1,511,567	1,756,179
Culture and recreation	373,183	413,436	440,960	565,629	3,741,918	1,446,689	946,927	644,444	686,338	583,569
Debt service:										
Principal	695,000	685,000	725,000	770,000	810,000	860,000	750,000	515,000	500,000	525,000
Interest	467,922	400,758	367,619	334,751	417,212	501,850	463,565	422,507	397,210	282,220
Refunding bond issuance costs	-	-	-	-	-	-	-	-	69,755	-
Payments on claims and judgements	-	-	-	-	-	-	230,000	200,000	230,000	137,410
Capital outlay	-	-	-	-	-	-	-	-	2,093,742	3,129,789
Capital outlay - utility	1,645,037	911,875	56,805	148,750	2,971,131	2,939,880	87,471	1,195,646	1,523,217	-
<b>Total expenditures</b>	<b>10,139,089</b>	<b>9,952,346</b>	<b>9,238,081</b>	<b>10,360,320</b>	<b>19,155,494</b>	<b>18,488,300</b>	<b>14,462,590</b>	<b>15,117,185</b>	<b>15,798,052</b>	<b>14,645,402</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,016,047)</b>	<b>(70,540)</b>	<b>2,724,333</b>	<b>5,281,140</b>	<b>(3,034,949)</b>	<b>(3,304,353)</b>	<b>333,686</b>	<b>(1,414,044)</b>	<b>(1,144,799)</b>	<b>162,631</b>
<b>Other financing sources (uses)</b>										
Transfers in	4,927,073	5,694,804	6,429,579	8,474,582	10,831,878	9,921,701	7,286,972	4,942,379	8,689,874	9,068,749
Transfers out	(5,567,036)	(6,404,104)	(7,589,579)	(9,585,043)	(12,186,156)	(10,619,941)	(7,729,156)	(4,942,379)	(8,689,874)	(9,702,573)
Transfer to agency fund	(92,633)	-	-	-	-	-	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-	-	-	30,217	43,364	-	24,207
Cost of issuance	-	-	-	-	-	-	-	-	-	-
Proceeds on debt issuance	-	-	-	-	-	-	-	-	3,552,000	-
Debt service - principal	-	-	-	-	-	-	-	-	(2,775,000)	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	(761,807)	-
Premium on debt issuance	-	-	-	1,800,900	5,800,000	-	-	-	-	-
Capital contributions	-	-	-	-	-	-	-	-	-	1,500,000
<b>Total other financing sources (uses)</b>	<b>(732,596)</b>	<b>(709,300)</b>	<b>(1,160,000)</b>	<b>690,439</b>	<b>4,445,722</b>	<b>(698,240)</b>	<b>(411,967)</b>	<b>43,364</b>	<b>15,193</b>	<b>890,383</b>
<b>Net change in fund balances</b>	<b>\$ (1,748,643)</b>	<b>\$ (779,840)</b>	<b>\$ 1,564,333</b>	<b>\$ 5,971,579</b>	<b>\$ 1,410,773</b>	<b>\$ (4,002,593)</b>	<b>\$ (78,281)</b>	<b>\$ (1,370,680)</b>	<b>\$ (1,129,606)</b>	<b>\$ 1,053,014</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>13.69%</b>	<b>12.01%</b>	<b>11.90%</b>	<b>10.82%</b>	<b>7.58%</b>	<b>8.76%</b>	<b>8.44%</b>	<b>6.73%</b>	<b>6.29%</b>	<b>5.51%</b>

**CITY OF COVINGTON, LOUISIANA** **TABLE 6**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Fiscal Year	Real Property Assessed Value	Other Property Assessed Value	Total Taxable Assessed Value	Total Direct Tax Rate
2003	\$ 36,845,800	\$ 17,564,833	\$ 54,410,633	24.15
2004	51,657,510	18,722,881	70,380,391	20.81
2005	53,548,865	19,339,134	72,887,999	20.81
2006	57,855,712	21,549,311	79,405,023	21.62
2007	63,272,771	24,766,213	88,038,984	24.27
2008	83,014,814	23,959,674	106,974,488	23.04
2009	81,830,758	23,230,170	105,060,928	23.04
2010	84,827,413	22,731,737	107,559,150	23.04
2011	88,352,206	20,591,617	108,943,823	22.04
2012	93,846,399	20,191,745	114,038,144	22.00

Source: Information obtained from St. Tammany Parish Assessors Office

**TABLE 7**

**CITY OF COVINGTON, LOUISIANA  
PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Fiscal Year	Overlapping Rates									Total Direct & Overlapping Rates
	City of Covington			Parish		School District			Special Districts	
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Total Parish Millage	Operating Millage	Debt Service Millage	Total School Millage		
2003	21.50	2.65	24.15	32.82	32.82	61.20	25.90	87.10	45.99	190.06
2004	18.16	2.65	20.81	32.82	32.82	61.20	25.90	87.10	48.49	189.22
2005	18.16	2.65	20.81	27.71	27.71	50.69	23.90	74.59	47.02	170.13
2006	18.16	3.46	21.62	31.71	31.71	55.94	21.90	77.84	56.02	187.19
2007	18.16	6.11	24.27	34.05	34.05	55.94	21.90	77.84	56.34	192.50
2008	17.54	5.50	23.04	35.98	35.98	55.94	21.90	77.84	56.34	193.20
2009	17.54	5.50	23.04	35.98	35.98	47.55	21.90	69.45	48.71	177.18
2010	17.54	5.50	23.04	32.47	32.47	47.55	20.90	68.45	49.71	173.67
2011	17.54	4.50	22.04	34.00	34	47.55	20.90	68.45	49.71	174.20
2012	17.50	4.50	22.00	34.87	34.87	47.28	20.90	68.18	49.71	174.76

Source: St. Tammany Parish Council

**CITY OF COVINGTON, LOUISIANA  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)**

**TABLE 8**

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
AT&T Southeast Tax Department	\$ 3,067,537	1	2.69%	*	*	*
CLECO	3,058,810	2	2.68%	\$ 2,007,000	2	3.69%
Delta Supply Chain Operations	1,023,700	3	0.90%	*	*	*
Capital One, N.A.	949,890	4	0.83%	*	*	*
Covington Commons, LLC	737,416	5	0.65%	*	*	*
Medstate, LLC	691,669	6	0.61%	*	*	*
Atmos Energy Corp.	673,048	7	0.59%	529,245	6	0.97%
Testiga Properties, LLC	611,752	8	0.54%	*	*	*
Forset Manor Corp.	593,168	9	0.52%	*	*	*
Rouse Land Co.	554,609	10	0.49%	*	*	*
Bellsouth Telecommunications	*	*	-	3,507,210	1	6.45%
Parish National Bank	*	*	-	1,535,710	3	2.82%
Hibernia National Bank	*	*	-	1,183,670	4	2.18%
Citizens Bank & Trust	*	*	-	538,450	5	0.99%
Phoenix Covington Associates	*	*	-	485,460	7	0.89%
Whitney National Bank	*	*	-	444,920	8	0.82%
Bank One Management Corp.	*	*	-	441,640	9	0.81%
Dependable Glass Works, Inc.	*	*	-	411,470	10	0.76%
<b>TOTALS</b>	<u><u>\$ 11,961,599</u></u>		<u><u>10.49%</u></u>	<u><u>\$ 11,084,775</u></u>		<u><u>20.37%</u></u>

Source: Information obtained from St. Tammany Parish Assessors Office

**CITY OF COVINGTON, LOUISIANA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

**TABLE 9**

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections for Previous Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy (1)
2003	1,311,931	\$ 1,284,154	98%	*	\$ 1,284,154	98%
2004	1,462,870	1,445,337	99%	*	1,445,337	99%
2005	1,515,252	1,461,599	96%	*	1,461,599	96%
2006	1,925,439	1,900,382	99%	*	1,900,382	99%
2007	2,136,708	2,079,196	97%	*	2,079,196	97%
2008	2,462,968	2,289,053	93%	*	2,289,053	93%
2009	2,418,998	2,398,998	99%	67,360	2,466,358	99%
2010	2,369,066	2,329,683	98%	7,474	2,337,157	99%
2011	2,397,632	2,313,421	96%	7,250	2,320,671	97%
2012	2,508,839	2,428,858	97%	4,716	2,433,574	97%

(1) Total collections include redemptions.

**CITY OF COVINGTON, LOUISIANA  
PRINCIPAL SALES TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)**

**TABLE 10**

Taxpayer	2012			2003		
	Sales Tax Collections	Rank	Percentage of Total Sales Tax Collections	Sales Tax Collections	Rank	Percentage of Total Sales Tax Collections
Grocery/Discount Retailer 1	\$ 418,210	1	4.54%	*	*	*
Motor Vehicles 1	357,413	2	3.88%	*	*	*
Grocery/Discount Retailer 2	338,068	3	3.67%	*	*	*
Grocery/Discount Retailer 3	329,778	4	3.58%	*	*	*
Grocery/Discount Retailer 4	203,578	5	2.21%	*	*	*
Retail Pharmacies and Drug Stores 1	194,366	6	2.11%	*	*	*
Full-Service Restaurants 1	138,175	7	1.50%	*	*	*
Retail Pharmacies and Drug Stores 2	122,515	8	1.33%	*	*	*
Grocery/Discount Retailer 5	121,594	9	1.32%	*	*	*
Retail Pharmacies and Drug Stores 3	120,673	10	1.31%	*	*	*
<b>TOTALS</b>	<b>\$ 2,344,370</b>		<b>25.45%</b>	<b>\$ -</b>		<b>0.00%</b>

Source: Based on Sales Tax Collections, compiled by St. Tammany Parish Sherriff's Office.

Note: The sales tax rate is calculated at 8.75%

\* Information not available

**CITY OF COVINGTON, LOUISIANA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

**TABLE 11**

Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Sales Tax Revenue Bonds	Community Disaster Loan			
2003	\$ 8,680,000	\$ 299,066	\$ -	\$ 8,979,066	0.14%	\$ 43.61
2004	2,320,000	5,852,000	-	8,172,000	0.12%	38.63
2005	2,040,000	5,376,000	-	7,416,000	0.12%	34.11
2006	1,740,000	4,862,000	1,800,900	8,402,900	0.11%	37.67
2007	7,220,000	4,346,000	1,800,900	13,366,900	0.14%	59.06
2008	6,880,000	3,789,000	1,800,900	12,469,900	0.13%	54.36
2009	6,675,000	3,205,000	1,800,900	11,680,900	0.11%	50.46
2010	6,360,000	3,005,000	1,800,900	11,165,900	0.10%	47.77
2011	6,122,000	2,775,000	1,800,900	10,697,900	*	45.18
2012	5,827,000	2,545,000	1,800,900	10,172,900	*	42.66

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics, Table 16, for personal income and population data.

**CITY OF COVINGTON, LOUISIANA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

**TABLE 12**

Fiscal Year	General Obligation Bonds (2)	Less: Amounts Available in Debt Service Fund (3)	Total	Percentage of Estimated Actual Taxable (1) Value of Property	Per Capita (4)
2003	\$ 8,680,000	\$ 2,138,475	\$ 6,541,525	12.02%	\$ 751.73
2004	2,320,000	2,042,413	277,587	0.39%	31.25
2005	2,040,000	951,047	1,088,953	1.49%	116.50
2006	1,740,000	759,704	980,296	1.23%	116.16
2007	7,220,000	853,116	6,366,884	7.23%	709.32
2008	6,880,000	867,229	6,012,771	5.62%	700.79
2009	6,675,000	781,738	5,893,262	5.61%	707.13
2010	6,360,000	870,128	5,489,872	5.10%	626.34
2011	6,122,000	758,401	5,363,599	4.92%	614.18
2012	5,827,000	698,510	5,128,490	4.50%	620.43

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property, Table 6, for property value data.

(2) Amount does not include special assessment, sales tax or revenue bonds.

(3) Amount available for repayment of general obligation bonds.

(4) 2000 and 2002-2008 population is based on research Division, College of Administration and Business, Louisiana Tech University. 2001 population is based on the 2000 census. 2009 information is based on estimates of U.S. Census Bureau.

\* Information not available

**CITY OF COVINGTON, LOUISIANA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF DECEMBER 31, 2011**  
**(UNAUDITED)**

**TABLE 13**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes:</b>			
St. Tammany Parish	\$ 116,053,385	5%	\$ 5,802,669
St. Tammany Parish School Board	296,309,350	5%	<u>14,815,468</u>
<b>Subtotal, overlapping debt</b>			<b>20,618,137</b>
<b>City of Covington direct debt</b>		<b>100%</b>	<u><b>10,111,283</b></u>
<b>Total direct and overlapping debt</b>			<u><u><b>\$ 30,729,420</b></u></u>

Source: St. Tammany Parish School Board officials and St. Tammany Parish Comprehensive Financial Annual Report.

NOTE: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Covington. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and, therefore, is responsible for repaying the debt of each overlapping government.

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

**CITY OF COVINGTON, LOUISIANA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

**TABLE 14**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 19,043,722	\$ 24,633,137	\$ 25,510,800	\$ 27,791,758	\$ 30,813,644	\$ 37,441,071	\$ 36,771,325	\$ 37,645,703	\$ 38,130,338	\$ 39,913,350
Total net debt applicable to limit	<u>(6,541,525)</u>	<u>(277,587)</u>	<u>(1,088,953)</u>	<u>(980,296)</u>	<u>(6,366,884)</u>	<u>(6,012,771)</u>	<u>(5,893,262)</u>	<u>(5,489,872)</u>	<u>(5,363,599)</u>	<u>(5,128,490)</u>
Legal debt margin	<u>\$ 12,502,197</u>	<u>\$ 24,355,550</u>	<u>\$ 24,421,847</u>	<u>\$ 26,811,462</u>	<u>\$ 24,446,760</u>	<u>\$ 31,428,300</u>	<u>\$ 30,878,063</u>	<u>\$ 32,155,831</u>	<u>\$ 32,766,739</u>	<u>\$ 34,784,860</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>34.35%</u>	<u>1.13%</u>	<u>4.27%</u>	<u>3.53%</u>	<u>20.66%</u>	<u>16.06%</u>	<u>16.03%</u>	<u>14.58%</u>	<u>14.07%</u>	<u>12.85%</u>

Legal debt margin calculation for fiscal year 2012

	Assessed value	<u>\$ 114,038,144</u>
	Debt Limit - 35% of \$114,038,144 (1)	\$ 39,913,350
	Debt applicable to the limit:	
	General obligation bonds	\$ 5,827,000
	Less: Amount set aside for repayment of general obligation debt	<u>(698,510)</u>
	Total net debt applicable to limit	<u>5,128,490</u>
	Legal debt margin	<u>\$ 34,784,860</u>

(1) State law allows a maximum of 35% of assessed valuation for total bonded general obligation debt.

**CITY OF COVINGTON, LOUISIANA  
 PLEDGED - REVENUE COVERAGE  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)**

**TABLE 15**

Fiscal Year	Sales Tax Bonds					Coverage
	Sales Tax Revenue	Debt Service		TOTAL		
		Principal	Interest			
2003	\$ 5,830,555	\$ 140,000	\$ 22,317	\$ 162,317	35.92	
2004	5,848,068	425,000	284,223	709,223	8.25	
2005	6,841,791	445,000	263,353	708,353	9.66	
2006	9,314,419	470,000	241,313	711,313	13.09	
2007	9,520,918	490,000	210,901	700,901	13.58	
2008	9,462,653	520,000	196,051	716,051	13.22	
2009	8,523,983	545,000	172,481	717,481	11.88	
2010	8,329,496	200,000	147,423	347,423	23.98	
2011	8,896,937	210,000	138,423	348,423	25.53	
2012	9,211,667	230,000	57,836	287,836	32.00	

NOTE: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF COVINGTON, LOUISIANA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

**TABLE 16**

Fiscal Year	City of Covington Population (1)	St. Tammany Parish Population (1)	City of Covington Total Personal Income (1)	City of Covington Per Capita Personal Income (1)	Unemployment Rate (3)	St. Tammany Parish School Enrollment (4)	Median Age (2)
2003	8,702	205,883	\$ 277,505,391	\$ 31,890	4.4%	34,500	35
2004	8,882	211,529	295,087,485	33,223	4.5%	35,239	35
2005	9,347	217,407	267,168,212	28,583	3.9%	36,162	35
2006	8,439	223,062	294,875,144	34,942	4.2%	32,983	35
2007	8,976	226,315	387,723,499	43,196	4.0%	35,281	37
2008	8,580	229,384	368,837,437	42,988	2.9%	35,534	37
2009	8,334	231,495	374,606,667	44,949	3.5%	35,878	37
2010	8,765	233,740	400,806,305	45,728	5.3%	36,441	37
2011	8,733	236,785	*	*	5.8%	37,112	*
2012	8,266	238,478	*	*	5.2%	37,926	*

NOTE: The City of Covington is located within St. Tammany Parish.

\* Information not available / no current information

Sources:

- (1) St. Tammany Parish Economic Development Foundation
- (2) Estimates - Louisiana Tech University for the U.S. Bureau of Census
- (3) Louisiana Department of Labor
- (4) St. Tammany Parish School Board - October 1 enrollment

**CITY OF COVINGTON, LOUISIANA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)**

**TABLE 17**

Employer	Location	2012			2003		
		Employees	Rank	% of Total St. Tammany Parish Employment	Employees	Rank	% of Total St. Tammany Parish Employment
St. Tammany Parish Public Schools	Covington	5,063	1	4.81%	4,649	1	4.98%
St. Tammany Parish Hospital	Covington	1,324	2	1.28%	1,083	2	1.14%
Slidell Memorial Hospital	Slidell	1,150	3	1.09%	926	3	0.99%
Ochsner Health Center	Slidell	816	4	0.77%	*	*	-
St. Tammany Parish Sheriff's Office	Parishwide	715	5	0.68%	491	6	0.53%
St. Tammany Parish Government	Parishwide	702	6	0.67%	429	7	0.46%
Textron Marine & Land Systems	Slidell	619	7	0.59%	*	*	-
Southeast Louisiana Hospital	Mandeville	558	8	0.53%	*	*	-
Lakeview Regional Medical Center	Covington	498	9	0.47%	567	5	0.61%
City of Slidell	Slidell	332	10	0.32%	342	9	0.37%
Northshore Regional Medical Center	Slidell	*	*	-	545	4	0.58%
Gilsbar Inc.	Covington	*	*	-	349	8	0.38%
Bell South Communications	Parishwide	*	*	-	215	10	0.23%
<b>TOTAL</b>		<u>11,777</u>		<u>11.21%</u>	<u>9,596</u>		<u>10.27%</u>

NOTE: Information is only available for St. Tammany Parish, in which the City of Covington is located.

Sources:

2012 information: Book of Lists 2011-2012, New Orleans City Business

2003 information: Book of Lists 2001-2002, New Orleans City Business

**CITY OF COVINGTON, LOUISIANA**  
**FULL - TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

**TABLE 18**

Function	December 31,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Government</b>										
Council	8	8	8	8	8	8	8	8	8	8
Administrative (1)	11	11	11	11	11	11	11	11	11	9
Permits	1.5	1.5	1.5	1.5	2	2	2	2	2	2
Planning	1.5	1.5	1.5	1.5	2	2	2	2	2	2
Economic Development	6	6	6	6	7	7	8	8	8	7
Engineer	*	*	*	*	*	*	*	*	*	1
Code Enforcement	*	*	*	*	*	*	*	*	*	1
<b>Public Safety - Police</b>										
Police Employees	42	45	45	46	46	51	52	53	53	49
<b>Public Safety - Fire</b>										
Firefighters	8	8	8	8	9	10	16	16	16	16
Dispatchers	3	3	3	3	4	4	4	4	4	4
<b>Public Works</b>										
Public Operations (2)	21	21	21	21	21	19	20	20	17	20
<b>Public Utility (3)</b>	20	21	20	24	24	27	26	26	26	27
<b>Recreation and Culture</b>	4	4	4	4	4	7	7	7	7	4
<b>Total</b>	<u>126</u>	<u>130</u>	<u>129</u>	<u>134</u>	<u>138</u>	<u>148</u>	<u>156</u>	<u>157</u>	<u>154</u>	<u>150</u>

Source: Adopted 2003 - 2012 Budgets City of Covington

Note: Includes Elected, Unclassified, and Classified full time employees.

(1) Includes Finance Administration, Accounts Payable, Purchasing, and Payroll

(2) Streets, Bridges, Drainage, General Maintenance

(3) Includes Public Utility Administration, Wastewater Treatment Plant, Wastewater Collection & Water maintenance.

**CITY OF COVINGTON, LOUISIANA  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

**TABLE 19**

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Public Safety - Police</b>										
Total arrests	909	596	645	965	1,478	1,670	1,470	833	612	682
Parking tickets	*	*	*	*	1,997	1,953	2,363	1,864	803	103
Traffic violations (1)	2,135	2,264	2,342	2,372	335	356	551	274	58	797
<b>Public Safety - Fire</b>										
Number of calls	*	*	1,317	1,284	1,243	1,237	1,163	1,350	1,534	1,444
Average Response times	*	*	3:18	3:32	3:09	3:14	3:10	3:14	3:18	3:36
<b>Public Works</b>										
Potholes repaired	*	*	*	*	*	*	*	376	409	300
Trees cut	*	*	*	*	*	*	145	75	141	125
<b>Public Utility</b>										
<b>Water &amp; Sewer</b>										
Number of billed accounts	*	*	*	*	*	4,278	4,368	4,471	4,572	4,648
New meter connections	*	*	*	*	*	246	27	86	97	111
<b>Building Permits</b>										
New residential	55	86	104	110	75	27	19	81	80	122
Residential additions	15	14	24	30	35	15	6	15	13	7
Residential renovations	27	26	26	68	22	17	15	11	21	21
New commercial	9	10	13	15	19	14	16	9	11	7
Commercial additions	8	2	5	7	11	2	1	3	2	1
Commercial renovations	24	21	28	26	18	11	14	15	10	18
<b>Recreation and Culture</b>										
Number of teams in softball league	*	*	*	*	*	*	*	6	7	5
Number of teams in baseball league	*	*	*	*	*	*	*	13	14	13
Number of teams in basketball league	*	*	*	*	*	*	*	26	29	14
Number of teams in football league	*	*	*	*	*	*	*	9	7	5

Note: Indicators are not available for the general government function

\* Information not available

(1) Traffic violations include parking tickets for 2002 - 2006

Source: Various City of Covington departments

**CITY OF COVINGTON, LOUISIANA  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

**TABLE 20**

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Government</b>										
Vehicles	*	*	*	*	4	4	5	6	6	6
Office Furniture & Equipment	*	*	*	*	18	18	21	28	28	30
Tools & Equipment	*	*	*	*	2	2	9	9	9	14
Cemetery	*	*	*	*	1	1	1	1	1	1
<b>Public Safety - Police</b>										
Vehicles	*	*	*	*	47	47	52	51	56	51
Office Furniture & Equipment	*	*	*	*	14	14	18	22	24	25
Tools & Equipment	*	*	*	*	15	15	25	29	33	35
Stations	*	*	*	*	1	1	1	1	1	1
<b>Public Safety - Fire</b>										
Vehicles	*	*	*	*	12	12	12	12	12	12
Office Furniture & Equipment	*	*	*	*	1	1	1	1	1	1
Tools & Equipment	*	*	*	*	20	20	24	25	25	30
Fire houses	*	*	*	*	2	2	2	2	2	2
<b>Public Works</b>										
Vehicles	*	*	*	*	29	29	26	26	30	30
Office Furniture & Equipment	*	*	*	*	2	2	3	2	2	2
Tools & Equipment	*	*	*	*	38	38	41	44	51	52
<b>Public Utility</b>										
<b>Water</b>										
Vehicles	*	*	*	*	5	6	6	6	7	13
Machinery, Equipment & Improvements	*	*	*	*	67	62	74	75	81	96
Water tower	*	*	*	*	1	1	1	1	1	1
Pumping stations	*	*	*	*	9	10	10	10	10	10
<b>Sewer</b>										
Vehicles	*	*	*	*	6	6	8	9	9	7
Machinery, Equipment & Improvements	*	*	*	*	120	115	128	128	131	152
<b>Recreation and Cultural Arts</b>										
Vehicles	*	*	*	*	2	2	4	4	4	4
Office Furniture & Equipment	*	*	*	*	3	3	3	3	2	0
Tools & Equipment	*	*	*	*	11	11	24	25	25	21
Number of parks	*	*	*	*	10	10	10	10	10	10

Source: Various city departments.

\* Information not available

**SINGLE AUDIT SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Covington, Louisiana, (the "City"), 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, and have issued our report thereon dated May 22, 2013.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-01.

## **Purpose of this Report**

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

This report is intended solely for the information and use of the City's management, the Legislative Auditor of the State of Louisiana, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Carr, Riggs & Ingram, LLC*

Metairie, LA  
May 22, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB  
CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audit the City of Covington's, Louisiana (the "City") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City's major federal program is identified in the summary of auditor's results section of the accompanying Scheduling of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance of the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on attest basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provided a legal determination of the City's compliance.

**Opinion on Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

## **Report on Internal Control Over Compliance**

Management of the Parish is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Parish's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Parish's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose.

This report is intended solely for the information and use of the City's management, the Legislative Auditor of the State of Louisiana, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Carr, Riggs & Ingram, LLC*

Metairie, LA  
May 22, 2013

**CITY OF COVINGTON, LOUISIANA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2012**

DESCRIPTION	CFDA NUMBER	GRANT NUMBER	TOTAL GRANT AWARD	FEDERAL AND OTHER EXPENDITURES
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Pass through the State of Louisiana:				
Office of Community Service				
Community Development Block Grant Resiliency Pilot Program	14.228	702601	\$ 135,863	\$ 65,617
<b>TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				<u>65,617</u>
<b>DEPARTMENT OF JUSTICE</b>				
Direct:				
Bureau of Justice Assistance				
Bulletproof Vest Partnership Grant	16.607	-	15,320	1,775
Pass through the State of Louisiana:				
Bureau of Justice Assistance				
Criminal Patrols	16.738	B10-07-005	9,311	9,018
Criminal Patrols	16.738	B11-07-005	12,000	5,447
The Office of Alcohol and Tobacco Control, Louisiana				
Department of Revenue				
Enforcing Underage Drinking Laws Program	16.727	-	3,159	2,129
<b>TOTAL DEPARTMENT OF JUSTICE</b>				<u>18,369</u>
<b>ENVIRONMENTAL PROTECTION AGENCY</b>				
Pass through the University of New Orleans Research and Technology Foundation, Inc:				
Lake Pontchartrain Basin Restoration Program	66.125	BR-00F63101	131,539	-
<b>TOTAL DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>				<u>-</u>
<b>DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT</b>				
Pass through the State of Louisiana:				
Department of Public Safety and Corrections LA Highway				
Safety Commission				
State and Community Highway Safety	20.600	2012-30-23	8,191	465
State and Community Highway Safety	20.600	2012-30-23 FFY13	8,191	157
Alcohol Open Container Requirements	20.607	2012-30-23	14,835	9,527
Alcohol Open Container Requirements	20.607	2012-30-23 FFY13	14,835	2,930
Highway Planning and Construction	* 20.205	2012-30-22	9,998	7,121
Highway Planning and Construction	* 20.205	2012-30-30 FFY13	9,998	3,287
Pass through the State of Louisiana:				
Department of Transportation and Development				
Highway Planning and Construction	* 20.205	ENH-5210(500)	932,000	293,890
<b>TOTAL DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT</b>				<u>317,377</u>
<b>DEPARTMENT OF HOMELAND SECURITY</b>				
Pass through the State of Louisiana:				
Governor's Office of Homeland Security and Emergency				
Preparedness				
Hazard Mitigation Grant	97.039	HMGP-1607-103-0011	252,460	14,412
Disaster Grants - Public Assistance	97.036	-	165,363	165,363
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>				<u>179,775</u>
<b>DEPARTMENT OF THE INTERIOR</b>				
Pass through the State of Louisiana:				
Office of the Lieutenant Governor Department of				
Culture, Recreation and Tourism				
Historic Preservation Fund Grants-In-Aid	15.904	11-HP-10	5,000	5,000
<b>TOTAL DEPARTMENT OF THE INTERIOR</b>				<u>5,000</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				<u>\$ 586,138</u>

\* Tested as a major program in the current year.

See Notes to Schedule of Expenditures of Federal Awards

**CITY OF COVINGTON, LOUISIANA**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the City has met the qualifications for the respective grants.

**2. ACCRUED REIMBURSEMENT**

Various reimbursement procedures are used for federal awards received by the City. Consequently, timing differences between expenditures and program reimbursements can exist at the beginning and end of the year.

**CITY OF COVINGTON, LOUISIANA**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2012**

**A. SUMMARY OF AUDIT RESULTS**

*Financial Statements*

1. Type of auditor's report issued	Unqualified
2. Internal control over financial reporting	
a. Material weakness identified	No
b. Significant deficiencies identified not considered to be material weaknesses	No
c. Noncompliance material to the financial statements noted	Yes

*Federal Awards*

3. Internal control over major programs	
a. Material weakness identified	No
b. Significant deficiencies identified not considered to be material weaknesses	No
4. Type of auditor's report issued on compliance for each major fund	Unqualified
5. Audit findings disclosed that are required to be reported in accordance with section 501(a) of OMB Circular A-133	No
6. Identification of major program	<b>CFDA</b>
Highway Planning and Construction	<b>Number</b>
	<hr style="width: 100%; border: 0; border-top: 1px solid black; margin-bottom: 5px;"/> 20.205
7. Dollar threshold used to distinguish between Type A and B programs	\$300,000
8. Auditee qualified as a low-risk auditee	No

**CITY OF COVINGTON, LOUISIANA**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**For the Year Ended December 31, 2012**

**B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**2012-01: NONCOMPLIANCE WITH LOUISIANA PUBLIC BID LAW**

**Classification:** Compliance

**Observation:** Louisiana Revised Statute 38:2212 states if there is an emergency and such emergency has been certified by the public entity, the Public Bid Law may be waived provided that notice was given to the public by publishing in the Official Journal within ten days of declaring such public emergency. We noted one emergency where Public Bid Law had been waived; however, there was no required published notice to the public.

**Recommendation:** We recommend the City follow Public Bid Law for emergencies and provide notice to the public by publishing in the Official Journal within ten days of declaring such public emergency.

**C. FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL  
AWARD PROGRAMS**

N/A

**CITY OF COVINGTON, LOUISIANA**  
**SUMMARY OF PRIOR YEAR SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended December 31, 2011**

**SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**MATERIAL WEAKNESS**

2011-01 Material Weakness with preparation of Schedule of Expenditures of Federal Awards.

**RESOLVED**

**SECTION II - FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR  
FEDERAL AWARD PROGRAMS**

2011-01 Material Weakness with preparation of Schedule of Expenditures of Federal Awards.

**RESOLVED**

**SECTION III - MANAGEMENT LETTER**

N/A.

**CITY OF COVINGTON, LOUISIANA  
CORRECTIVE ACTION PLAN  
For the Year Ended December 31, 2012**

**2012-01: NONCOMPLIANCE WITH LOUISIANA PUBLIC BID LAW**

**Classification:** Compliance

**Corrective Action Plan:**

The City of Covington will publish the appropriate public notices in order to fully comply with Louisiana Public Bid Law.