

CITY OF COVINGTON, LOUISIANA**COMPREHENSIVE ANNUAL
FINANCIAL REPORT****For the Year Ended December 31, 2011**

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 **JUN 13 2012**

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, 2011**

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INTRODUCTORY SECTION

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MIKE COOPER
Mayor

CITY OF COVINGTON

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Covington, Louisiana 70454
phone 985 892 1811
fax 985 898 4725
www.cityofcovingtonla.com

May 25, 2012

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, 2011

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, 2011. 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.

SAUL S. ... Councilman-at-Large
R. S. ... Councilman-at-Large
B. ... Councilman District A
D. ... Councilman District B
W. ... Councilman District C
vii
I. ... Councilman District D
R. ... Councilman District E

Profile of the Government

The City of Covington 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 22nd 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 57 to 67.

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. The City is optimistic that the sales taxes will continue to increase in 2012.

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:

- 2012 Streets Resurfacing Program
- Downtown Pipelining Project
- Effluent Pump Renovation at the Covington Sewer Treatment Plant
- 2012 River Forest Drainage Project
- Waterline extension from Park Lane into Bogue Falaya Park
- 11th Avenue Bridge Renovation
- Upgrading of Sewer Lift Station #10
- Boston Street Beautification Project
- Boston Street Signals Project

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 believe that our current CAFR will meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

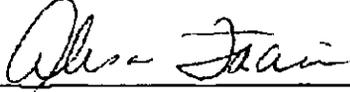
We would like to thank the City Council, especially Council President Lee Alexius, for their unfailing support for elevating and maintaining the highest standards of professionalism in the management of the city's finances

Finally, and most importantly, we would like to thank Mayor Michael B. "Mike" Cooper for his leadership and confidence in us during his first year in office. We look forward to assisting 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

**CITY OF COVINGTON
PRINCIPAL ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2011**

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

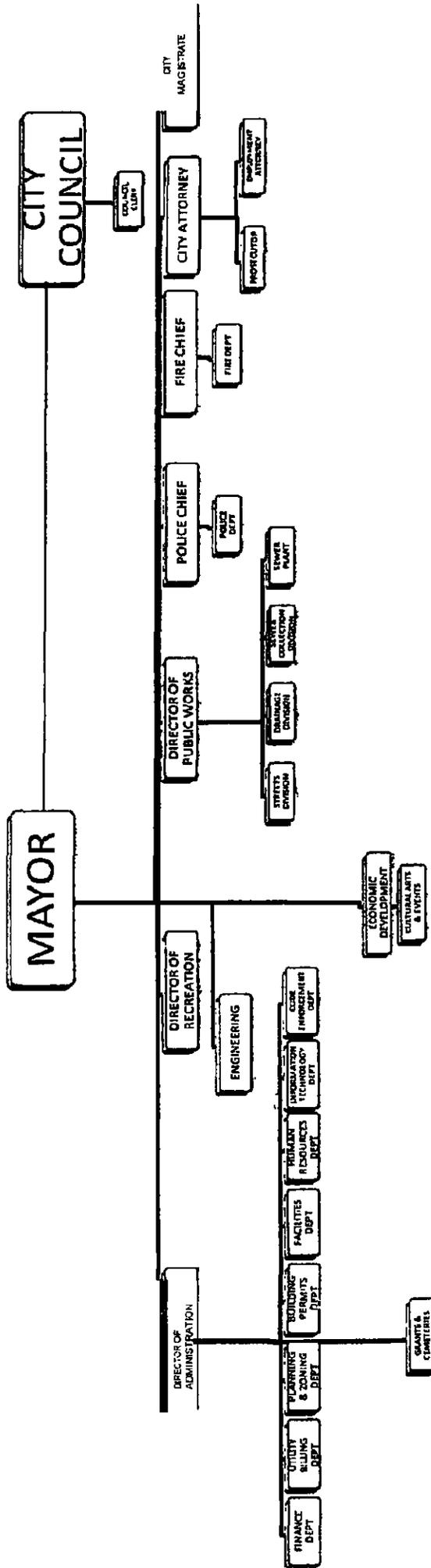
CHIEF OF POLICE

Richard Palmisano – Chief of Police

FIRE CHIEF

Richard Badon – Fire Chief

The City of Covington, Louisiana
 Organization Chart
 December 31, 2011



FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 20 to the financial statements, certain errors resulting in understatement of previously reported expenses as of December 31, 2010, were discovered by management of the City of Covington during the current year. Accordingly, an adjustment of 29,317 was made to the beginning fund balance, of a non-major governmental fund, to correct the errors.

As described in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ending December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other

matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 5 through 14 and 57 through 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining nonmajor fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The combining nonmajor fund statements and schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it

Carr, Riggs & Ingram, LLC

May 25, 2012

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011**

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, 2011. Please review in conjunction with the Transmittal Letter on page vii and the City's Basic Financial Statements, which begin on page 17

Reviewing the Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 17 and 19) 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 20. 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 Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 7. 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 Assets 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 assets and changes in them. You can think of the City's net assets—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 assets are 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 Assets 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, 2011**

- **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 10. The fund financial statements begin on page 20 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 Assets and the Statement of Activities) and governmental funds in reconciliations on page 21 and 23 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 Assets 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 27 of this report.

**CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2011**

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 57 to 68 of this report.

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 71 to 73 of this report.

Financial Highlights

After this year's operations, the City's ending net assets are as follows: Net assets of business-type activities were \$24,106,711 and net assets of governmental activities were \$15,965,097

- The current year's expense total was \$13,199,839 as compared to the \$14,653,253 generated in fees and charges, grants, general revenues, and taxes for governmental programs (before special items). In the previous year, expenses were \$12,807,909 as compared to the \$13,703,141 generated in tax and other revenues for governmental programs (before special items)
- For business-type activities. City revenues were \$3,330,125. Expenses were \$4,298,443
- The annual cost of all City programs was \$17,498,282. The previous year's cost was \$16,739,165

Table 1
Net Assets
(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 | \$ 11,218 | \$ 12,970 | \$ 1,180 | \$ 917 | \$ 12,398 | \$ 13,887 |
| Capital Assets, net | 19,202 | 18,340 | 23,282 | 22,965 | 42,484 | 41,304 |
| Total Assets | 30,420 | 31,310 | 24,462 | 23,882 | 54,882 | 55,192 |
| Long-term liabilities | 12,357 | 12,732 | - | - | 12,357 | 12,73 |
| Other liabilities | 2,098 | 2,514 | 355 | 330 | 2,453 | 2,844 |
| Total Liabilities | 14,455 | 15,246 | 355 | 330 | 14,810 | 15,576 |
| Net Assets | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 8,541 | 9,004 | 23,282 | 22,965 | 31,823 | 31,968 |
| Restricted | 6,336 | 4,407 | - | - | 6,336 | 4,407 |
| Unrestricted | 1,088 | 2,653 | 825 | 587 | 1,913 | 3,240 |
| Total Net Assets | \$ 15,965 | \$ 16,064 | \$ 24,107 | \$ 23,552 | \$ 40,072 | \$ 39,616 |

CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2011

Government-Wide Financial Analysis

The City's combined net assets from the previous year were \$39,586,712 as compared to \$40,071,808 this year. However, net assets and expenses from governmental and business-type activities must be reviewed separately. Table 1 focuses on the net assets and Table 2 focuses on changes in the net assets of the City's governmental and business-type activities.

The City's net assets for governmental activities were \$15,965,097 this year as compared to \$16,064,217 last year. Unrestricted net assets were \$1,088,416 this year as compared to \$2,653,185 last year. Unrestricted net assets are 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 assets 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 assets.

The net assets of the City's business-type activities were \$24,106,711 this year as compared to \$23,551,812 last year.

By far the largest portion of the City's net assets 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 assets, 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 \$17,983,378 as compared to \$16,893,046 in the previous year. The total yearly cost of all programs and services was \$17,498,282 as compared to \$16,739,165 in the previous year.

CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2011

Table 2
Changes in Net Assets
(in Thousands)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|-------------------------|---------------|--------------------------|---------------|--------------------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 172 | \$ 174 | \$ 3,298 | \$ 3,190 | \$ 3,470 | \$ 3,364 |
| Restricted Operating Grants | 373 | 343 | - | - | 373 | 343 |
| Restricted Capital Grants | 594 | 112 | - | - | 594 | 112 |
| General Revenues | | | | | | |
| Property Taxes | 2,321 | 2,337 | - | - | 2,321 | 2,337 |
| Sales Taxes | 8,897 | 8,330 | - | - | 8,897 | 8,330 |
| Other Taxes | 690 | 663 | - | - | 690 | 663 |
| Interest and Investment Income | 44 | 71 | - | - | 44 | 71 |
| Other General Revenues | 1,562 | 1,674 | 32 | - | 1,594 | 1,674 |
| Total Revenues | 14,653 | 13,704 | 3,330 | 3,190 | 17,983 | 16,894 |
| Program Expenses | | | | | | |
| General Government | 4,109 | 3,994 | - | - | 4,109 | 3,994 |
| Public Safety | 5,845 | 5,785 | - | - | 5,845 | 5,785 |
| Public Works | 1,869 | 1,731 | - | - | 1,869 | 1,731 |
| Culture and Recreation | 902 | 829 | - | - | 902 | 829 |
| Interest on Long-Term Debt | 475 | 469 | - | - | 475 | 469 |
| Water and Sewer | - | - | 3,580 | 3,176 | 3,580 | 3,176 |
| Other Utilities | - | - | 718 | 755 | 718 | 755 |
| Total Expenses | 13,200 | 12,808 | 4,298 | 3,931 | 17,498 | 16,739 |
| Excess (Deficit) Before Special Items and Transfers | 1,453 | 896 | (968) | (741) | 485 | 155 |
| Capital Contributions | (1,523) | (1,196) | 1,523 | 1,196 | - | - |
| Special Items | - | 40 | - | - | - | 40 |
| Change in Net Assets | (70) | (260) | 555 | 455 | 485 | 195 |
| Net Assets - Beginning | 16,064 | 16,324 | 23,552 | 23,097 | 39,616 | 39,421 |
| Prior Period Adjustment | (29) | - | - | - | (29) | - |
| Net Assets - Beginning Restated | 16,035 | 16,324 | 23,552 | 23,097 | 39,587 | 39,421 |
| Net Assets - Ending | \$ 15,965 | \$ 16,064 | \$ 24,107 | \$ 23,552 | \$ 40,072 | \$ 39,616 |

Governmental Activities

This year's governmental activities revenues were \$14,653,253 as compared to \$13,703,141 last year. Total revenues increased by \$950,112 or 7%. The key elements of the increase are as follows:

- Revenue from restricted operating grants increased \$511,757 or 113% primarily due to state and federal grants for the Hazard Mitigation Projects for elevating homes and planning, grants from the Community Development Block Grants for Disaster Recovery and repairs to Pineview Sidewalk
- Property taxes decreased \$16,486 or less than 1% primarily due to a slight decline in collections

This year's governmental activities cost was \$13,199,839 as compared to \$12,807,909 in the previous year. Total expenses increased by \$391,930 or 3%.

**CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2011**

Business-Type Activities

This year's business-type activities revenues were \$3,330,125 as compared to \$3,189,905 last year. Total expenses increased by \$140,220 or 4%. The key element of the increase is an increase in the water and sewer rates to customers in 2011.

This year's expenses were \$4,298,443 as compared to \$3,931,256 in the previous year. Total expenses increased by \$367,187 or 9%.

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 | \$ 4,102 | \$ 4,182 | \$ 3,988 | \$ 4,146 |
| Fire Department | 1,743 | 1,603 | 1,701 | 1,554 |
| Public Works | 1,869 | 1,731 | 1,413 | 1,677 |
| Parks and Recreation | 902 | 829 | 726 | 666 |
| All Others | 4,584 | 4,463 | 4,234 | 4,136 |
| Totals | \$ 13,200 | \$ 12,808 | \$ 12,062 | \$ 12,179 |

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 \$10,308,584, a decrease of \$1,158,923 in comparison with the prior year.

Approximately 9% ending fund balance of \$10,308,584 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 29% is committed, 61% is restricted and 1% is nonspendable.

**CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2011**

The fund balance of the general fund decreased by \$2,502,969 in the current year, and \$1,430,555 in the prior year.

Total revenue in the general fund decreased by \$104,110 or 2%. Revenue from fines and forfeitures decreased \$119,082 primarily due to a decline in the number of police officers.

Expenditures in the general fund increased \$125,388 or 1%. In the current year the general fund had \$78,898 in capital outlay or a 100% increase when compared to prior year.

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 increased by \$2,408,566. This increase is due to the City in the current year keeping unspent 1957 sales proceeds in the 1957 sales tax fund. In the prior year, the City would transfer the majority of the 1957 sales tax proceeds to the general fund. The fund balance of the 1982 sales tax fund decreased by \$463,579 or 15%. This decrease is due to an increase in capital outlay, which included purchase of new vehicles for the police department, repairs to sidewalks, streets, drainages and bridges and the purchase of an excavator and dump truck, from \$760,203 in the prior year to \$2,726,434 or a 259% increase.

Total revenues in the 1957 sales tax fund increased \$174,752 or 5% and the 1982 sales tax fund increased by \$611,698 or 18% due to the City receiving state and federal funding for approximately \$436,947.

The A3 Sales Tax Fund accounts for the special annexation sales tax. Total revenues increased \$217,938 or 16.25% due to the an increase in sales tax in the City's annexation area.

General Fund Budgetary Statements

The City Council revised the 2011 original adopted budget numerous times throughout the year as revenues and expenditures changed. The original budget was voted and approved on November 6, 2010 and the amended budget was voted and approved on November 15, 2011. The budget amendment added \$105,251 to revenues and increased expenditures by \$354,751.

By budgetary policy, revenue estimates are prepared with a conservative bias. Overall, general fund revenue in 2011 experienced a positive variance of \$234,629 from the amount in the final adopted budget. Actual revenues were \$339,610 (8%) more than the original adopted budget and \$234,629 (5%) more than the amended budget.

The final budget for expenditures increased \$354,751 (3%) from the original budget for 2011. Actual expenditures were \$1,083,739 (9%) less than the original adopted budget and \$1,438,490 (12%) less than the final adopted budget.

CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2011

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 | \$ 580 | \$ 580 | \$ - | \$ - | \$ 580 | \$ 580 |
| Building and Improvements | 9,827 | 10,100 | - | 3,385 | 9,827 | 13,485 |
| Equipment | 2,291 | 1,058 | 5,178 | 1,113 | 7,469 | 2,171 |
| Infrastructure | 5,662 | 4,275 | 18,104 | 18,250 | 23,766 | 22,525 |
| Construction in Progress | 842 | 974 | - | 217 | 842 | 1,191 |
| Other | - | 1,352 | - | - | - | 1,352 |
| Total | \$ 19,202 | \$ 18,339 | \$ 23,282 | \$ 22,965 | \$ 42,484 | \$ 41,304 |

At the close of the year; the City had invested \$42,484,001 in capital assets such as land, buildings and improvements, equipment or infrastructure (see Table 4). \$41,304,492 was invested in similar assets last year.

The current year's primarily capital asset additions included

- **Governmental Activities.** Capital asset additions included 9 vehicles, a flatbed trailer, an excavator, drainage improvements, street repairs and various training equipment for the fire and police departments.
- **Business-Type Activities:** Capital asset additions included various pumps, improvements to lift stations, SCADA system, sewer improvements and pipe repairs, a pipe-hunter, and one new vehicle

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 \$10,697,900 in outstanding bonds and notes as compared to \$11,165,900 in the previous year (see Table 5) This decrease in debt of \$468,000 is due refinancing and regular scheduled bond payments

**CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2011**

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) | \$ 6,122 | \$ 6,360 | \$ - | \$ - | \$ 6,122 | \$ 6,360 |
| Revenue Bonds and Notes (Backed by Specific Tax and Fee Revenues) | 2,775 | 3,005 | - | - | 2,775 | 3,005 |
| Federal Community Disaster Loan | 1,801 | 1,801 | - | - | 1,801 | 1,801 |
| Total | \$ 10,698 | \$ 11,166 | \$ - | \$ - | \$ 10,698 | \$ 11,166 |

The City defeased \$745,000 of the General Obligation Bonds and refund \$2,737,878 in Revenue Bonds in 2011. More detailed information about the City's long-term liabilities is presented in Note 15 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 61% of the City's operating revenues are derived from sales taxes. We are projecting \$9,182,000 in sales tax collections for 2012, a 3.0% increase from 2011. 41% of sales tax collections are collected under the 1982 sales tax proposition and dedicate funding for, approximately 40%, construction and operations for recreation facilities and equipment, street drainage, central business district municipal services and capital improvements and police facilities and equipment. The remaining 60% will be allocated for constructing, acquiring, extending and improving the sewerage facilities and systems, city hall improvements, sanitary landfill improvements, police stations, drainage improvements, streets and bridges, firefighting facilities and equipment, recreational facilities and equipment and other capital improvements as needed. 41% of sales tax collections are collected under the 1957 sales tax proposition with dedicates the use of funding for the purposes of construction, improving, extending and maintaining playgrounds and recreational facilities, public roads, streets, bridges and crossings, sewerage, garbage disposal, water works, fire protection and other works of permanent public improvements in the City. 18% of sales tax collected will be dedicated under GMA.

Ad valorem tax is anticipated to generate \$1,883,668 in revenue for the General Fund. This is an increase of approximately 2% over 2011 and is based upon an assessed valuation of \$108,000,000. The City has not yet received an official assessment figure from the Tax Assessor as of the publication of this CAFR. It should be noted that property taxes represent 16% of the 2012 Operating Budget. The City of Covington currently has the following ad valorem tax assessments: 22.04 mills comprised of 4.50 mills for retiring general obligation bonds, 7.54 mills to general fund revenues, and 10.00 mills for operation and maintenance of the Fire Department.

**CITY OF COVINGTON, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended December 31, 2011**

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

BASIC FINANCIAL STATEMENTS

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CITY OF COVINGTON, LOUISIANA
STATEMENT OF NET ASSETS
December 31, 2011

| | <u>GOVERNMENTAL ACTIVITIES</u> | <u>BUSINESS-TYPE ACTIVITIES</u> | <u>TOTAL</u> |
|--|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 4,908,002 | \$ 200 | \$ 4,908,202 |
| Investments | 3,996,213 | - | 3,996,213 |
| Certificates of deposits | 302,455 | - | 302,455 |
| Receivables, net | 2,923,068 | 268,474 | 3,191,542 |
| Internal balances | (911,297) | 911,297 | - |
| Capital assets not being depreciated | 1,421,946 | - | 1,421,946 |
| Capital assets being depreciation net of accumulated depreciation | 17,780,199 | 23,281,856 | 41,062,055 |
| TOTAL ASSETS | <u>30,420,586</u> | <u>24,461,827</u> | <u>54,882,413</u> |
| LIABILITIES | | | |
| Accounts payable | 568,086 | 49,456 | 617,542 |
| Accrued payroll expenses | 204,377 | 28,251 | 232,628 |
| Customer deposits | - | 277,042 | 277,042 |
| Accrued interest | 360,865 | - | 360,865 |
| Deferred revenues | 137,394 | 367 | 137,761 |
| Compensated absences | 827,770 | - | 827,770 |
| Litigation settlement | | | |
| Due within one year | 30,000 | - | 30,000 |
| Due in more than one year | 180,000 | - | 180,000 |
| Revenue bonds payable | | | |
| Due within one year | 230,000 | - | 230,000 |
| Due in more than one year | 2,486,510 | - | 2,486,510 |
| General obligations bond payable | | | |
| Due within one year | 295,000 | - | 295,000 |
| Due in more than one year | 5,816,898 | - | 5,816,898 |
| Community disaster loan | | | |
| Due within one year | 144,927 | - | 144,927 |
| Due in more than one year | 1,655,973 | - | 1,655,973 |
| Net other post-employment benefit obligation | 1,517,689 | - | 1,517,689 |
| TOTAL LIABILITIES | <u>14,455,489</u> | <u>355,116</u> | <u>14,810,605</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 8,540,837 | 23,281,856 | 31,822,693 |
| Restricted for | | | |
| Debt service | 1,077,557 | - | 1,077,557 |
| Perpetual care | 33,056 | - | 33,056 |
| FHA loan program | 233,632 | - | 233,632 |
| Fire department | 9,161 | - | 9,161 |
| 1957 sales tax dedication | 2,405,754 | - | 2,405,754 |
| Capital outlay | 2,576,684 | - | 2,576,684 |
| Unrestricted | 1,088,416 | 824,855 | 1,913,271 |
| TOTAL NET ASSETS | <u>\$ 15,965,097</u> | <u>\$ 24,106,711</u> | <u>\$ 40,071,808</u> |

The accompanying notes are an integral part of this statement

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CITY OF COVINGTON, LOUISIANA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

| Function/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|----------------------|-------------------------|--|-------------------|--|-----------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | | Governmental Activities | Business-type Activities | Total |
| | | | Capital Grants & Contributions | | | | |
| Governmental Activities | | | | | | | |
| General government | \$ 4,108,782 | \$ - | \$ 210,263 | \$ 139,152 | \$ (3,759,367) | \$ - | \$ (3,759,367) |
| Public safety - Police | 4,101,809 | - | 96,332 | 17,761 | (3,987,716) | - | (3,987,716) |
| Public safety - Fire | 1,742,454 | - | 40,965 | - | (1,701,489) | - | (1,701,489) |
| Public Works | 1,869,449 | 19,785 | - | 436,947 | (1,412,717) | - | (1,412,717) |
| Culture and recreation | 902,326 | 151,813 | 25,000 | - | (725,513) | - | (725,513) |
| Interest on long-term debt | 475,019 | - | - | - | (475,019) | - | (475,019) |
| Total Governmental Activities | 13,199,839 | 171,598 | 372,560 | 593,860 | (12,061,821) | - | (12,061,821) |
| Business-Type Activities | | | | | | | |
| Water | 1,776,889 | 1,287,180 | - | - | - | (489,709) | (489,709) |
| Sewer | 1,803,094 | 1,281,408 | - | - | - | (521,686) | (521,686) |
| Garbage | 718,460 | 729,122 | - | - | - | 10,662 | 10,662 |
| Total Business-Type Activities | 4,298,443 | 3,297,710 | - | - | (1,000,733) | (1,000,733) | (1,000,733) |
| Total | \$ 17,498,282 | \$ 3,469,308 | \$ 372,560 | \$ 593,860 | (12,061,821) | (1,000,733) | (13,062,554) |
| General Revenues | | | | | | | |
| Taxes | | | | | | | |
| Sales taxes | | | | | 8,896,937 | - | 8,896,937 |
| Property taxes | | | | | 2,320,671 | - | 2,320,671 |
| Franchise taxes | | | | | 690,328 | - | 690,328 |
| Licenses and permits | | | | | 1,265,372 | - | 1,265,372 |
| Other general revenues | | | | | 156,450 | 32,415 | 188,865 |
| Fines and forfeitures | | | | | 141,773 | - | 141,773 |
| Interest and penalties | | | | | 43,704 | - | 43,704 |
| Capital contributions | | | | | (1,523,217) | 1,523,217 | - |
| Total General Revenues and transfers | | | | | 11,992,018 | 1,555,632 | 13,547,650 |
| Change in net assets | | | | | (69,803) | 554,899 | 485,096 |
| Net assets - beginning of year | | | | | 16,064,217 | 23,551,812 | 39,616,029 |
| Prior Period Adjustments | | | | | (29,317) | - | (29,317) |
| Net assets, beginning of year restated | | | | | 16,034,900 | 23,551,812 | 39,586,712 |
| Net assets - end of year | | | | | \$ 15,965,097 | \$ 24,106,711 | \$ 40,071,808 |

The accompanying notes are an integral part of this statement

**CITY OF COVINGTON
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011**

| | <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> |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 4,440,411 | \$ - | \$ - | \$ - | \$ 467,591 | \$ 4,908,002 |
| Equity in pooled cash | - | 2,963,996 | 2,405,754 | 1,284,028 | - | 6,653,778 |
| Investments | 3,996,213 | - | - | - | - | 3,996,213 |
| Certificates of deposits | - | - | - | - | 302,455 | 302,455 |
| Receivables | | | | | | |
| Taxes | 2,086,800 | - | - | - | 474,849 | 2,561,649 |
| Notes receivable | 76,748 | - | - | - | - | 76,748 |
| Grant receivable | 56,947 | - | - | - | - | 56,947 |
| Accrued interest | - | - | - | - | 427 | 427 |
| Other | 195,798 | - | - | - | 31,499 | 227,297 |
| Due from other funds | 149,613 | 20,000 | - | - | - | 169,613 |
| TOTAL ASSETS | \$ 11,002,530 | \$ 2,983,996 | \$ 2,405,754 | \$ 1,284,028 | \$ 1,276,821 | \$ 18,953,129 |
| LIABILITIES AND FUND BALANCE | | | | | | |
| Accounts payable | \$ 151,798 | \$ 407,312 | \$ - | \$ 8,976 | \$ - | \$ 568,086 |
| Equity in pooled cash | 7,544,848 | - | - | - | - | 7,544,848 |
| Accrued payroll expenses | 204,377 | - | - | - | - | 204,377 |
| Due to other funds | 24,654 | - | - | 20,000 | 145,186 | 189,840 |
| Deferred revenues | 137,394 | - | - | - | - | 137,394 |
| TOTAL LIABILITIES | 8,063,071 | 407,312 | - | 28,976 | 145,186 | 8,644,545 |
| Fund balance | | | | | | |
| Nonspendable | | | | | | |
| Permanent fund | - | - | - | - | 24,955 | 24,955 |
| Restricted | | | | | | |
| Perpetual care | - | - | - | - | 33,056 | 33,056 |
| Capital Outlay | - | 2,576,684 | - | - | - | 2,576,684 |
| Debt services | 3,983 | - | - | - | 1,073,574 | 1,077,557 |
| FHA loan program | 233,632 | - | - | - | - | 233,632 |
| 1957 sales tax dedication | - | - | 2,405,754 | - | - | 2,405,754 |
| Fire department (dedication) | 9,161 | - | - | - | - | 9,161 |
| Committed | | | | | | |
| Capital Outlay | - | - | - | 1,255,052 | 50 | 1,255,102 |
| 2012 operating budget | 1,711,997 | - | - | - | - | 1,711,997 |
| Cemetery | 826 | - | - | - | - | 826 |
| Unassigned | 979,860 | - | - | - | - | 979,860 |
| TOTAL FUND BALANCE | 2,939,459 | 2,576,684 | 2,405,754 | 1,255,052 | 1,131,635 | 10,308,584 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 11,002,530 | \$ 2,983,996 | \$ 2,405,754 | \$ 1,284,028 | \$ 1,276,821 | \$ 18,953,129 |

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 ASSETS
December 31, 2011**

| | | |
|---|--------|-----------------------|
| Fund Balances - Total Governmental Funds | \$ | 10,308,584 |
| <i>Amounts reported for governmental activities in the Statement of Net Assets are different because</i> | | |
| <i>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds</i> | | |
| Governmental capital assets | | 27,773,857 |
| Less accumulated depreciation | | (8,571,712) |
| <i>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds</i> | | |
| Accrued interest on bonds and community disaster loan | | (360,865) |
| Compensated absences | | (827,770) |
| Contingent liabilities | | (210,000) |
| Revenue bonds, net | | (2,716,510) |
| General obligations bonds, net | | (6,111,898) |
| Community disaster loan | | (1,800,900) |
| Net other post-employment benefit obligation | | (1,517,689) |
| | | (15,755,532) |
| Net Assets of Governmental Activities | \$ | <u>15,965,097</u> |

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, 2011

| REVENUES | Special Revenue Funds | | | | Non-Major Governmental Funds | Total Governmental Funds |
|---|-----------------------|------------------------|------------------------|----------------------|------------------------------------|--------------------------------|
| | General Fund | 1982 Sales Tax Fund | 1957 Sales Tax Fund | A3 Sales Tax Fund | | |
| Taxes | | | | | | |
| Sales taxes | \$ - | \$ 3,669,307 | \$ 3,669,308 | \$ 1,558,322 | \$ - | \$ 8,896,937 |
| Property taxes | 1,847,652 | - | - | - | 473,019 | 2,320,671 |
| Franchise taxes | 690,328 | - | - | - | - | 690,328 |
| Licenses and permits | 1,265,372 | - | - | - | - | 1,265,372 |
| Other revenues | 139,638 | - | - | - | - | 139,638 |
| Fines and forfeitures | 141,773 | - | - | - | - | 141,773 |
| Charges for services | 171,598 | - | - | - | - | 171,598 |
| Intergovernmental revenues | 177,735 | - | - | - | - | 177,735 |
| Interest and penalties | 40,994 | - | - | - | 2,710 | 43,704 |
| Assessments | 16,812 | - | - | - | - | 16,812 |
| State and federal grants | 290,058 | 436,947 | - | - | 61,680 | 788,685 |
| Total Revenues | 4,781,960 | 4,106,254 | 3,669,308 | 1,558,322 | 537,409 | 14,653,253 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General government | 3,235,675 | 89,477 | 23 | - | 7,073 | 3,332,248 |
| Public safety - Police | 3,768,050 | 43,843 | - | - | - | 3,811,893 |
| Public safety - Fire | 1,631,566 | 10,516 | - | - | - | 1,642,082 |
| Public works | 1,487,797 | 11,580 | - | 12,190 | - | 1,511,567 |
| Culture and recreation | 632,270 | 54,068 | - | - | - | 686,338 |
| Capital outlay | 78,898 | 1,203,217 | - | 811,627 | - | 2,093,742 |
| Capital outlay - utility | - | 1,523,217 | - | - | - | 1,523,217 |
| Debt service | | | | | | |
| Principal | - | - | - | - | 500,000 | 500,000 |
| Interest | - | - | - | - | 397,210 | 397,210 |
| Refunding bond issuance costs | - | - | - | - | 69,755 | 69,755 |
| Total Expenditures | 10,834,256 | 2,935,918 | 23 | 823,817 | 974,038 | 15,568,052 |
| Excess (Deficiency) of Revenues | | | | | | |
| Over Expenditures | (6,052,296) | 1,170,336 | 3,669,285 | 734,505 | (436,629) | (914,799) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds of refunding bonds | - | - | - | - | 3,552,000 | 3,552,000 |
| Debt service - principal | - | - | - | - | (2,775,000) | (2,775,000) |
| Payment to refunded bond escrow agent | - | - | - | - | (761,807) | (761,807) |
| Payments on contingent liabilities | (30,000) | - | - | (200,000) | - | (230,000) |
| Transfers in | 6,007,133 | - | 2,405,754 | - | 276,987 | 8,689,874 |
| Transfers out | (2,427,806) | (1,633,915) | (3,666,473) | (900,000) | (61,680) | (8,689,874) |
| Total Other Financing Sources (Uses) | 3,549,327 | (1,633,915) | (1,260,719) | (1,100,000) | 230,500 | (214,807) |
| Changes in Fund Balance | (2,502,969) | (463,579) | 2,408,566 | (365,495) | (206,129) | (1,129,606) |
| Fund Balance, Beginning of Year | 5,442,428 | 3,040,263 | (2,812) | 1,620,547 | 1,367,081 | 11,467,507 |
| Prior Period Adjustments | - | - | - | - | (29,317) | (29,317) |
| Fund Balance, Beginning of Year Restated | 5,442,428 | 3,040,263 | (2,812) | 1,620,547 | 1,337,764 | 11,438,190 |
| Fund Balance, End of Year | \$ 2,939,459 | \$ 2,576,684 | \$ 2,405,754 | \$ 1,255,052 | \$ 1,131,635 | \$ 10,308,584 |

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, 2011

| | |
|---|----------------|
| Changes in Fund Balances - Total Governmental Funds | \$ (1,129,606) |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because</p> | |
| <p>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.</p> | 862,662 |
| <p>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 assets. 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.</p> | |
| Change in compensated absences | 59,377 |
| Contingencies paid | 230,000 |
| Proceeds of refunding bonds | (3,552,000) |
| Debt principal payments | 3,275,000 |
| Payments to escrow - debt refunding | 761,807 |
| Bond issuance cost on new debt | 69,755 |
| Amortization of bond issuance costs | (697) |
| Amortization of loss on refunding | (466) |
| Change in net other post-employment benefit obligation | (568,989) |
| Difference in interest expense on the modified accrual basis as reported in the fund statements versus interest expense on the full accrual basis | (76,646) |
| Changes in Net Assets of Governmental Activities | \$ (69,803) |

The accompanying notes are an integral part of this statement

CITY OF COVINGTON, LOUISIANA
STATEMENTS OF NET ASSETS
PROPRIETARY FUND
December 31, 2011 and 2010

| | 2011 | 2010 |
|---|----------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 200 | \$ 714,627 |
| Equity in pooled cash | 891,070 | - |
| Receivables | | |
| Accounts receivable, net of uncollectible | 268,474 | 202,607 |
| Due from other funds | 24,654 | 22,000 |
| Total current assets | 1,184,398 | 939,234 |
| Capital Assets, net | 23,281,856 | 22,965,009 |
| TOTAL ASSETS | 24,466,254 | 23,904,243 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 49,456 | 57,259 |
| Accrued payroll expense | 28,251 | 32,759 |
| Customer deposits | 277,042 | 259,262 |
| Due to other funds | 4,427 | 3,151 |
| Deferred revenues | 367 | - |
| TOTAL CURRENT LIABILITIES | 359,543 | 352,431 |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 23,281,856 | 22,965,009 |
| Unrestricted net assets | 824,855 | 586,803 |
| TOTAL NET ASSETS | \$ 24,106,711 | \$ 23,551,812 |

The accompanying notes are an integral part of this statement

CITY OF COVINGTON, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
For the Years Ended December 31, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|--|----------------------|----------------------|
| OPERATING REVENUES | | |
| Sewer maintenance fees | \$ 1,261,831 | \$ 1,134,637 |
| Water revenues | 1,179,369 | 1,067,950 |
| Garbage collection fees | 729,122 | 762,522 |
| Miscellaneous | 2,430 | 85,625 |
| Connection fees | 54,254 | 53,594 |
| Water installations | 51,127 | 71,329 |
| DHH fee | 14,627 | 14,198 |
| Sewer installations | 4,950 | 50 |
| Total Operating Revenues | <u>3,297,710</u> | <u>3,189,905</u> |
| OPERATING EXPENSES | | |
| Sewer department expenses | 1,447,939 | 1,255,905 |
| Water department expenses | 1,008,950 | 873,103 |
| Garbage department expenses | 718,460 | 754,995 |
| Depreciation | 1,123,094 | 1,047,253 |
| Total Operating Expenses | <u>4,298,443</u> | <u>3,931,256</u> |
| Operating Loss | <u>(1,000,733)</u> | <u>(741,351)</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| State grant | 32,415 | - |
| Total Non-Operating Expenses, net | <u>32,415</u> | <u>-</u> |
| Loss Before Contributions and Transfers | (968,318) | (741,351) |
| Operating transfers | - | - |
| Capital contributions | 1,523,217 | 1,195,646 |
| Total Operating Transfers and Contributions | <u>1,523,217</u> | <u>1,195,646</u> |
| Changes in Net Assets | 554,899 | 454,295 |
| Net Assets, Beginning of Year | <u>23,551,812</u> | <u>23,097,517</u> |
| Net Assets, End of Year | <u>\$ 24,106,711</u> | <u>\$ 23,551,812</u> |

The accompanying notes are an integral part of this statement

CITY OF COVINGTON, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Years Ended December 31, 2011 and 2010

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Receipts from customers and users | \$ 3,242,243 | \$ 3,191,843 |
| Other receipts | 6,002 | 85,675 |
| Payments to suppliers | (4,073,855) | (2,868,784) |
| Payments to employees | (4,508) | 11,989 |
| | <u>(830,118)</u> | <u>420,723</u> |
| Cash Flows from Non-Capital Financing Activities | | |
| Operating grant | 32,415 | - |
| Net interfund borrowings from other funds | - | 430 |
| | <u>32,415</u> | <u>430</u> |
| Cash Flows from Capital and Related Financing Activities | | |
| Purchase of capital assets | (1,439,941) | (1,454,119) |
| Capital contribution | 1,523,217 | 1,195,646 |
| Principal paid on capital debt | - | - |
| Interest paid on capital debt | - | - |
| | <u>83,276</u> | <u>(258,473)</u> |
| Net increase (decrease) in cash and cash equivalents | (714,427) | 162,680 |
| Cash and cash equivalents, beginning of year | <u>714,627</u> | <u>551,947</u> |
| Cash and cash equivalents, end of year | <u>\$ 200</u> | <u>\$ 714,627</u> |
| Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities | | |
| Operating loss | \$ (1,000,733) | \$ (741,351) |
| Adjustments to reconcile operating loss to net cash provided by (used in) operating activities | | |
| Depreciation | 1,123,094 | 1,047,253 |
| Changes in assets and Liabilities | | |
| (Increase) Decrease in | | |
| Equity in pooled cash | (891,070) | - |
| Accounts receivable | (65,867) | 64,648 |
| Due from other funds | (2,654) | - |
| Increase (decrease) in | | |
| Accounts payable | (7,803) | 15,219 |
| Accrued payroll expenses | (4,508) | 11,989 |
| Customer deposits | 17,780 | 22,965 |
| Due to other funds | 1,276 | - |
| Deferred revenues | 367 | - |
| | <u>\$ (830,118)</u> | <u>\$ 420,723</u> |

The accompanying notes are an integral part of this statement

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of City of Covington, Louisiana 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 (the City) 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 Assets and the Statement of Activities) report information on all of the non-fiduciary 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, 2011

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 segments are 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.

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.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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 is dedicated for the purpose of constructing, improving, extending and maintaining playgrounds and recreational facilities, public roads, streets, bridges and crossings, sewer, garbage disposal, waterworks, and other works of permanent public improvement in the City, title to which shall be in the public's name.
- *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.

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.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 1st, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1st. 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.
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.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Assets

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

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 is \$63,275 at December 31, 2011.

At December 31, 2011, the aging of utility receivables is as follows:

| | |
|------------------|-------------------|
| Under 30 | \$ 242,771 |
| Over 31 under 60 | 3,445 |
| Over 61 under 90 | 1,934 |
| Over 91 | 83,599 |
| Less Allowance | <u>(63,275)</u> |
| Total | <u>\$ 268,474</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

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2011 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.

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, 2011, is \$827,770.

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 Assets. 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 31st and delinquent if not paid by January 1st. 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.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and remits taxes to the City as collected. Total property tax revenue for the year ended December 31, 2011, was \$2,320,671 and is recorded in the funds as follows

| | |
|-------------------|---------------------|
| General Fund | \$ 1,847,652 |
| Debt Service Fund | <u>473,019</u> |
| Total | <u>\$ 2,320,671</u> |

N. NET ASSET CLASSIFICATIONS

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

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets
- b. Restricted net assets - consists of net assets 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 Assets consist of grant related cash and workers compensation investments
- c. Unrestricted net assets - all other net assets 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, 2011

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 includes the ordinances and resolutions 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 or resolution) 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, 2011

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, 2011.

Compliance with Debt Covenants

As of December 31, 2011, 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, 2011:

| | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|-------------------------|------------------------|---------------------|
| Demand Deposits | \$ 4,908,202 | \$ 5,232,749 |
| Certificates of Deposit | 302,455 | 302,455 |
| Total | \$ 5,210,657 | \$ 5,535,204 |

These deposits are stated at cost, which approximates market

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, 2011, \$5,535,204 of the City's bank balance was not exposed to custodial credit risk. \$558,011 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 market 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 \$3,996,213, which are stated at market using published market quotes at December 31, 2011, consist of shares in the Louisiana Asset Management Pool, Inc (LAMP), a local government investment pool.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 4 – INVESTMENTS (CONTINUED)

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.
- 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.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 5 – RETIREMENT PLANS

Substantially all employees of the City are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, and 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 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.

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 16.75% 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.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 5 – RETIREMENT PLANS (CONTINUED)

The City's contributions to the System under Plan A for the years ending December 31, 2011, 2010, and 2009, were \$558,909, \$582,234, and \$579,037, respectively, equal to the required contributions for each year

B 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.

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 26.5% 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, 2011, 2010, and 2009, were \$595,610, \$482,245, and \$338,725, respectively, equal to the required contributions for each year

C 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,

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 5 – RETIREMENT PLANS (CONTINUED)

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.lafirefightersretcom.

Members are required by 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, 2011, was 23.25%. The City's contributions to the Firefighters' System for the years ending December 31, 2011, 2010, and 2009, were \$262,133, \$209,545, and \$137,936, 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.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 6 – RESTRICTED ASSETS (CONTINUED)

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, \$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

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> |
|-------------------------------------|---------------------|----------------------|
| Major Governmental Funds | | |
| General Fund | \$ 6,007,133 | \$ 2,427,806 |
| 1982 Sales Tax Fund | - | 1,633,915 |
| 1957 Sales Tax Fund | 2,405,754 | 3,666,473 |
| A3 Sales Tax Fund | - | 900,000 |
| Non-Major Governmental Funds | | |
| LCDBG | - | 61,680 |
| Sales Tax Bond Fund | 276,987 | - |
| | <u>\$ 8,689,874</u> | <u>\$ 8,689,874</u> |
| Total | \$ 8,689,874 | \$ 8,689,874 |

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

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, 2011, are as follows

| | <u>Inter-fund Receivables</u> | <u>Inter-fund Payables</u> |
|---------------------------------|-----------------------------------|--------------------------------|
| Governmental Activities | | |
| General Fund | \$ 149,613 | \$ 24,654 |
| Special Revenue Funds | | |
| 1982 Sales Tax Fund | 20,000 | - |
| A3 Sales Tax Fund | - | 20,000 |
| Debt Service Funds | | |
| Sales Tax Bond Fund | - | 41,703 |
| General Obligation Fund | - | 41,703 |
| LCDBG Capital Project Fund | - | 61,780 |
| | <u>169,613</u> | <u>189,840</u> |
| Business-Type Activities | | |
| Proprietary Fund | <u>24,654</u> | <u>4,427</u> |
| Total | <u>\$ 194,267</u> | <u>\$ 194,267</u> |

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

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, 2011, is as follows

| | <u>Equity in Pooled Cash</u> |
|---------------------------------|----------------------------------|
| Governmental Activities | |
| General Fund | \$ (7,544,848) |
| Special Revenue. | |
| A3 Sales Tax | 1,284,028 |
| 1957 Sales Tax | 2,405,754 |
| 1982 Sales Tax | <u>2,963,996</u> |
| | (891,070) |
| Business-Type Activities | |
| Proprietary Fund | <u>891,070</u> |
| Total | <u>\$ -</u> |

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 10 – INTERNAL BALANCES

In the Government-Wide Statement of Net Assets, 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 Assets for internal balance:

| | 2011 |
|-------------------------------------|------------|
| Governmental Activities | |
| Due from other funds | \$ 169,613 |
| Due to other funds | (189,840) |
| Equity in pooled cash | (891,070) |
| | (911,297) |
| Business-Type Activities | |
| Due from other funds | 26,654 |
| Due to other funds | (4,427) |
| Equity in pooled cash | 891,070 |
| | 911,297 |
| Total | \$ - |

NOTE 11 – DEFERRED REVENUES

At December 31, 2011, the City has deferred revenues, a liability, as follows.

| | |
|---|------------|
| Governmental Activities | |
| Business Licenses and Other Deferred Revenues | \$ 95,150 |
| Sewer Assessments to be Collected | 25,369 |
| Paving Assessments to be Collected | 16,875 |
| Business-Type Activities | |
| Deferred Revenues | 367 |
| Total | \$ 137,761 |

NOTE 12 - ALLOWANCE FOR DOUBTFUL ACCOUNTS

The water, sewerage and garbage receivable balance of \$268,474 in the Utility Fund is net of an allowance for doubtful accounts of \$63,275

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 13 - CAPITAL ASSETS

The following is a summary of the changes in capital assets for the fiscal year ended December 31, 2011

| Governmental Activities | <u>Balance</u> <u>12/31/2010</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> <u>12/31/2011</u> |
|--|-------------------------------------|---------------------|-----------------------|-------------------------------------|
| Capital Assets Not Depreciated | | | | |
| Land | \$ 580,097 | \$ - | \$ - | \$ 580,097 |
| Construction in Progress | 974,495 | 1,213,193 | (1,345,839) | 841,849 |
| Total Capital Assets Not Depreciated | <u>1,554,592</u> | <u>1,213,193</u> | <u>(1,345,839)</u> | <u>1,421,946</u> |
| Capital Assets Being Depreciated | | | | |
| Building | 8,828,366 | 5,000 | - | 8,833,366 |
| Improvements | 4,485,613 | 51,863 | - | 4,537,476 |
| Vehicles | 2,926,486 | 310,768 | - | 3,237,254 |
| Tools and Equipment | 2,787,138 | 180,251 | (16,420) | 2,950,969 |
| Leased Assets | 86,731 | - | (86,731) | - |
| Infrastructure | <u>5,114,340</u> | <u>1,678,506</u> | <u>-</u> | <u>6,792,846</u> |
| Total Capital Assets Being Depreciated | <u>24,228,674</u> | <u>2,226,388</u> | <u>(103,151)</u> | <u>26,351,911</u> |
| Less Accumulated Depreciation | | | | |
| Building | (1,685,342) | (188,011) | - | (1,873,353) |
| Improvements | (1,528,551) | (141,993) | - | (1,670,544) |
| Vehicles | (1,584,100) | (329,393) | - | (1,913,493) |
| Tools and Equipment | (1,728,968) | (271,647) | 16,420 | (1,984,195) |
| Leased Assets | (76,967) | (9,764) | 86,731 | - |
| Infrastructure | <u>(839,855)</u> | <u>(290,272)</u> | <u>-</u> | <u>(1,130,127)</u> |
| Total Accum Depreciation | <u>(7,443,783)</u> | <u>(1,231,080)</u> | <u>103,151</u> | <u>(8,571,712)</u> |
| Total Capital Assets being Depreciated, Net | <u>16,784,891</u> | <u>995,308</u> | <u>-</u> | <u>17,780,199</u> |
| Total Capital Assets | <u>\$ 18,339,483</u> | <u>\$ 2,208,501</u> | <u>\$ (1,345,839)</u> | <u>\$ 19,202,145</u> |

As of December 31, 2011, Construction in Progress consists of the following:

| Project | <u>Amount</u> |
|-----------------------|-------------------|
| 19th Avenue Bridge | \$ 550,468 |
| River Forest Drainage | 279,378 |
| 11th Avenue Bridge | <u>12,003</u> |
| Total | <u>\$ 841,849</u> |

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 13 - CAPITAL ASSETS (CONTINUED)

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended December 31, 2011

| Business Activities | <u>Balance</u> 12/31/2010 | <u>Increases</u> | <u>Decreases</u> | <u>Balance</u> 12/31/2011 |
|--|------------------------------|--------------------|---------------------|------------------------------|
| Capital Assets Not Depreciated | | | | |
| Construction in Progress | \$ 246,379 | \$ - | \$ (246,379) | \$ - |
| Capital Assets Being Depreciated | | | | |
| Sewer Plant and Lines | 23,950,001 | 1,578,359 | - | 25,528,360 |
| Water Wells, Tanks, and Lines | 8,385,141 | 107,961 | - | 8,493,102 |
| Total Capital Assets Being Depreciated | <u>32,335,142</u> | <u>1,686,320</u> | <u>-</u> | <u>34,021,462</u> |
| Less Accumulated Depreciation. | | | | |
| Sewer Plant and Lines | (6,656,823) | (767,939) | - | (7,424,762) |
| Water Wells, Tanks, and Lines | (2,959,689) | (355,155) | - | (3,314,844) |
| Total Accum Depreciation | <u>(9,616,512)</u> | <u>(1,123,094)</u> | <u>-</u> | <u>(10,739,606)</u> |
| Total Capital Assets Being Depreciated, Net | <u>22,718,630</u> | <u>563,226</u> | <u>-</u> | <u>23,281,856</u> |
| Total Capital Assets | <u>\$ 22,965,009</u> | <u>\$ 563,226</u> | <u>\$ (246,379)</u> | <u>\$ 23,281,856</u> |

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

| | |
|-----------------------------------|---------------------|
| <u>Governmental activities</u> | |
| General Government | \$ 266,922 |
| Public Safety – Police | 289,916 |
| Public Safety – Fire | 100,372 |
| Public Works | 357,882 |
| Culture and Recreation | <u>215,988</u> |
| Total – governmental activities | <u>\$ 1,231,080</u> |
| <u>Business-type activities</u> | |
| Sewer department | \$ 767,939 |
| Water department | <u>355,155</u> |
| Total – business-type activities. | <u>\$ 1,123,094</u> |

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 14 - CONTINGENCIES

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 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:

| | Payment Dates | Annual Principal Payments |
|---|------------------|---------------------------------|
| Liability as a result of settlement | 2/26/2012 | \$ 30,000 |
| of the lawsuit <i>Brown vs. City of Covington</i> | 2/26/2013 | 30,000 |
| payable in annual installments of \$30,000 | 2/26/2014 | 30,000 |
| for ten years beginning on February 26, 2009. | 2/26/2015 | 30,000 |
| | 2/26/2016 | 30,000 |
| | 2/26/2017 | 30,000 |
| | 2/26/2018 | 30,000 |
| Total Liability | | \$ 210,000 |

NOTE 15 – 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, 2011:

| | Balance at 12/31/10 | Additions | Retirements | Balance at 12/31/11 | Due Within One Year |
|--------------------------------|------------------------|--------------|----------------|------------------------|------------------------|
| Governmental Activities | | | | | |
| General obligation bonds | \$ 6,360,000 | \$ 777,000 | \$ (1,015,000) | \$ 6,122,000 | \$ 295,000 |
| Sales tax revenue bonds | 3,005,000 | 2,775,000 | (3,005,000) | 2,775,000 | 230,000 |
| Community disaster loan | 1,800,900 | - | - | 1,800,900 | 144,927 |
| Net OPEB obligation | 948,700 | 568,989 | - | 1,517,689 | - |
| Litigation settlements | 440,000 | - | (230,000) | 210,000 | 30,000 |
| Less def loss | - | (27,950) | 466 | (27,484) | - |
| Less def bond costs | - | (41,805) | 697 | (41,108) | - |
| Total governmental | \$ 12,554,600 | \$ 4,051,234 | \$ (4,248,837) | \$ 12,356,997 | \$ 699,927 |

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 15 – LONG TERM LIABILITIES (CONTINUED)

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

| Governmental Activities | <u>Date of Issuance</u> | <u>Authorized & Issued</u> | <u>Interest Rate %</u> | <u>Maturity Date</u> | <u>Principal Outstanding</u> |
|---|-------------------------|--------------------------------|------------------------|----------------------|------------------------------|
| General obligation bonds | | | | | |
| Series 2002 | 1/14/2002 | \$ 1,240,000 | 4 00-5 50 | 3/1/2012 | \$ 60,000 |
| Series 2007 | 1/16/2007 | 5,800,000 | 3 88-5 00 | 9/1/2027 | 5,285,000 |
| Series 2011 – Refunding | 9/20/2011 | 777,000 | 2 09 | 9/1/2021 | 777,000 |
| Unamortized related bond issuance costs | | | | | (10,102) |
| Series 2011 – Sales tax refunding | 11/2/2011 | 2,775,000 | 2 09 | 11-1-2021 | 2,775,000 |
| Unamortized related bond issuance costs | | | | | (31,006) |
| Unamortized related bond deferred loss | | | | | (27,484) |
| Community disaster loan | 8/29/2006 | 1,800,900 | 2 93 | 8/27/2016 | <u>1,800,900</u> |
| Total | | | | | <u>\$ 10,629,308</u> |

Total future principal and interest 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> |
|--|---------------------------------|--------------------------------|--------------------------------|-----------------------------|
| 2012 | \$ 295,000 | \$ 230,000 | \$ 144,927 | \$ 669,927 |
| 2013 | 306,000 | 245,000 | 396,236 | 947,236 |
| 2014 | 325,000 | 250,000 | 407,846 | 982,846 |
| 2015 | 340,000 | 260,000 | 419,796 | 1,019,796 |
| 2016 | 354,000 | 270,000 | 432,095 | 1,056,095 |
| 2017 to 2021 | 2,037,000 | 1,520,000 | - | 3,557,000 |
| 2022 to 2026 | 2,005,000 | - | - | 2,005,000 |
| 2027 | <u>460,000</u> | <u>-</u> | <u>-</u> | <u>460,000</u> |
| | <u>6,122,000</u> | <u>2,775,000</u> | <u>1,800,900</u> | <u>10,697,900</u> |
| Plus amounts representing interest: | | | | |
| 2012 | 258,099 | 57,836 | 299,829 | 615,764 |
| 2013 | 213,589 | 53,191 | 48,520 | 315,300 |
| 2014 | 201,033 | 48,070 | 36,910 | 286,013 |
| 2015 | 188,894 | 42,845 | 24,960 | 256,699 |
| 2016 | 176,370 | 37,411 | 12,661 | 226,442 |
| 2017 to 2021 | 679,581 | 97,498 | - | 777,079 |
| 2022 to 2026 | 300,100 | - | - | 300,100 |
| 2027 | <u>9,200</u> | <u>-</u> | <u>-</u> | <u>9,200</u> |
| | <u>2,026,866</u> | <u>336,851</u> | <u>422,880</u> | <u>2,786,597</u> |
| Total | <u>\$ 8,148,866</u> | <u>\$ 3,111,851</u> | <u>\$ 2,223,780</u> | <u>\$ 13,484,497</u> |

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 15 – LONG TERM LIABILITIES (CONTINUED)

As of December 31, 2011, there is \$1,073,574 in reserved fund balances 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, 2011, the City had not exceeded this statutory limit.

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.

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, 2011, \$745,000 of bonds outstanding is considered defeased.

NOTE 16 – 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, 2010 | \$ 147,856 |
| Additions | |
| Principal Payments on Notes | 18,951 |
| Interest Payments on Notes | 3,622 |
| Interest on Cash Account | 203 |
| Loan application fee | 300 |
| Change in due to/due from other funds | 23,086 |
| Reductions | |
| Loan issued | <u>(25,000)</u> |
| Cash Balance – December 31, 2011 | <u>\$ 169,018</u> |
| Notes Receivable Balance – December 31, 2011 | <u>\$ 76,748</u> |

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 17 - 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> |
|---|------------------|
| 2012 | \$ 20,308 |
| 2013 | 14,783 |
| | <u>\$ 35,091</u> |

Total payments charged to copier lease expense for the year ended December 31, 2011 was \$34,530.

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 18 - 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, 2011, other than those disclosed in Note 14, no significant claims were owed and no liability has been recorded.

NOTE 19 - OTHER 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.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 19 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Fund Policy - Until Fiscal Year Ending December 31, 2008, 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. Effective with the year beginning January 1, 2008, 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). The funding policy is not to fund the ARC except to the extent of the current year's retiree funding costs.

In year ending December 31, 2011, the City's portion of health care funding cost for retired employees totaled \$110,970. These amounts were applied toward the Net OPEB Benefit Obligation as shown in the table on the following page.

Annual Required Contribution - The City's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). 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 total ARC for the year beginning January 1, 2011 is \$696,874, as set forth below.

| | | <u>Medical</u> |
|------------------------------------|----|----------------|
| Normal Cost | \$ | 401,094 |
| 30-year UAL amortization amount | | 295,780 |
| | | |
| Annual required contribution (ARC) | \$ | <u>696,874</u> |

Net Post-employment Benefit Obligation (Asset) - The table below shows the City's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for year ending December 31, 2011.

| | | <u>Medical</u> |
|--|----|------------------|
| Beginning Net OPEB Obligation @ 12/31/10 | \$ | 948,700 |
| | | |
| Annual required contribution | | 696,874 |
| Interest on Net OPEB Obligation | | 37,948 |
| ARC Adjustment | | (54,863) |
| OPEB Cost | | <u>679,959</u> |
| Contribution | | - |
| Current year retiree premium | | <u>(110,970)</u> |
| Change in Net OPEB Obligation | | <u>568,989</u> |
| | | |
| Ending Net OPEB Obligation @ 12/31/11 | \$ | <u>1,517,689</u> |

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 19 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The following table shows the City's annual other post-employment benefits (OPEB) cost, percentage of the cost contributed, and the net unfunded other post-employment benefits (OPEB) liability (asset):

| Post- Employment Benefit | Fiscal Year Ended December 31, | Annual OPEB Cost | Percentage of Annual Cost Contributed | Net OPEB Obligation (Asset) |
|--------------------------------|--------------------------------------|---------------------|--|-----------------------------------|
| Medical | 2011 | \$ 679,959 | 16.32% | \$ 1,517,689 |
| Medical | 2010 | 555,352 | 16.00% | 948,700 |
| Medical | 2009 | 555,352 | 15.20% | 482,125 |

Funded Status and Funding Progress - In the year ending December 31, 2011, the City made no contributions to its post-employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of January 1, 2011, the most recent valuation, the Actuarial Accrued Liability (AAL) was \$5,114,676, 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. Since the plan was not funded in 2011, the entire actuarial accrued liability of \$5,114,676 was unfunded.

| | |
|---|---------------------|
| | <u>Medical</u> |
| Actuarial Accrued Liability (AAL) | \$ 5,114,676 |
| Actuarial Value of Plan Assets | 0 |
| Unfunded Act. Accrued Liability (UAAL) | 5,114,676 |
| Funded Ratio (Act. Val. Assets/AAL) | 0% |
| | |
| Covered Payroll (active plan members) | <u>\$ 5,469,476</u> |
| UAAL as a percentage of covered payroll | <u>93.51%</u> |

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.

**CITY OF COVINGTON, LOUISIANA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 December 31, 2011**

NOTE 19 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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 - Since the OPEB obligation has not as yet been funded, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board Actuarial Standards of Practice Number 6 (ASOP 6), as provided in paragraph number 125 of GASB Statement 45 will be used.

Turnover Rate - An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 10.3%. The rates for each age are below.

| Age | Percent Turnover |
|---------|------------------|
| 18 - 25 | 14.0% |
| 26 - 40 | 12.0% |
| 41 - 54 | 10.0% |
| 55+ | 6.0% |

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.

CITY OF COVINGTON, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
December 31, 2011

NOTE 19 - OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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. Since the ARC is not currently being funded and not expected to be funded in the near future, we have performed this valuation using a 4% annual investment return assumption.

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). "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. The trend rate includes an inflation factor of 2.50% annually.

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. 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.

NOTE 20 – PRIOR PERIOD ADJUSTMENT

During the preparation of the financial statements for the year ended December 31, 2011, management of the City determined \$29,317 of expenses were categorized improperly for the year ended December 31, 2010 in the 2007 Capital Project Fund. Accordingly, a prior period adjustment of \$29,317 has been recorded to the beginning fund balance of the 2007 Capital Project Fund to correct this prior period error.

NOTE 21 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 25, 2012, the date the financial statements were available to be issued.

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**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, 2011

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive/(Negati</u> |
|---|----------------------------|---------------------|---------------------------|--|
| REVENUES | | | | |
| Taxes | | | | |
| Property taxes | \$ 1,886,480 | \$ 1,886,480 | \$ 1,847,652 | \$ (38,828) |
| Franchise taxes | 710,000 | 710,000 | 690,328 | (19,672) |
| Licenses and permits | 1,115,000 | 1,115,000 | 1,265,372 | 150,372 |
| Other revenues | 12,000 | 32,286 | 139,638 | 107,352 |
| Fines and forfeitures | 285,300 | 290,923 | 141,773 | (149,150) |
| Charges for services | 217,000 | 217,000 | 171,598 | (45,402) |
| Intergovernmental revenues | 155,000 | 155,000 | 177,735 | 22,735 |
| Interest and penalties | 37,500 | 37,500 | 40,994 | 3,494 |
| Assessments | 5,800 | 5,800 | 16,812 | 11,012 |
| State and federal grants | 18,000 | 97,342 | 290,058 | 192,716 |
| Total Revenues | <u>4,442,080</u> | <u>4,547,331</u> | <u>4,781,960</u> | <u>234,629</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 3,753,120 | 4,051,511 | 3,235,675 | 815,836 |
| Public safety - Police | 4,243,125 | 4,269,425 | 3,768,050 | 501,375 |
| Public safety - Fire | 1,616,850 | 1,625,295 | 1,631,566 | (6,271) |
| Public works | 1,586,600 | 1,603,979 | 1,487,797 | 116,182 |
| Culture and recreation | 718,300 | 722,536 | 632,270 | 90,266 |
| Capital Outlay | - | - | 78,898 | (78,898) |
| Total Expenditures | <u>11,917,995</u> | <u>12,272,746</u> | <u>10,834,256</u> | <u>1,438,490</u> |
| Deficiency of Revenues Over Expenditures | <u>(7,475,915)</u> | <u>(7,725,415)</u> | <u>(6,052,296)</u> | <u>(1,203,861)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Payments on contingent liabilities | - | - | (30,000) | (30,000) |
| Transfers in | 5,708,971 | 5,708,971 | 6,007,133 | 298,162 |
| Transfers out | (255,660) | (255,660) | (2,427,806) | (2,172,146) |
| Total Other Financing Sources | <u>5,453,311</u> | <u>5,453,311</u> | <u>3,549,327</u> | <u>(1,903,984)</u> |
| Change in Fund Balance | <u>(2,022,604)</u> | <u>(2,272,104)</u> | <u>(2,502,969)</u> | <u>(3,107,845)</u> |
| Fund Balance, beginning of year | <u>5,442,428</u> | <u>5,442,428</u> | <u>5,442,428</u> | <u>-</u> |
| Fund Balance, end of year | <u>\$ 3,419,824</u> | <u>\$ 3,170,324</u> | <u>\$ 2,939,459</u> | <u>\$ (3,107,845)</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, 2011

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive/(Negative)</u> |
|-----------------------------------|----------------------------|---------------------|---------------------------|---|
| TAXES | | | | |
| Ad valorem | \$ 1,886,480 | \$ 1,886,480 | \$ 1,847,652 | \$ (38,828) |
| Franchise | 710,000 | 710,000 | 690,328 | (19,672) |
| Total Taxes | <u>2,596,480</u> | <u>2,596,480</u> | <u>2,537,980</u> | <u>(58,500)</u> |
| LICENSES AND PERMITS | | | | |
| Insurance | 650,000 | 650,000 | 635,860 | (14,140) |
| Occupational | 350,000 | 350,000 | 387,670 | 37,670 |
| Building | 90,000 | 90,000 | 210,737 | 120,737 |
| Liquor and beer | 15,000 | 15,000 | 15,636 | 636 |
| Chain store | 10,000 | 10,000 | 15,469 | 5,469 |
| Total Licenses and Permits | <u>1,115,000</u> | <u>1,115,000</u> | <u>1,265,372</u> | <u>150,372</u> |
| OTHER REVENUES | | | | |
| Other revenues | - | 20,286 | 97,398 | 77,112 |
| Donations | - | - | 17,000 | 17,000 |
| Accident reports | 6,000 | 6,000 | 6,230 | 230 |
| Rent income | 5,000 | 5,000 | 6,430 | 1,430 |
| Impact fees | - | - | 11,330 | 11,330 |
| Cemetery plot sale | 1,000 | 1,000 | 1,250 | 250 |
| Total Other Revenues | <u>12,000</u> | <u>32,286</u> | <u>139,638</u> | <u>107,352</u> |
| FINES AND FORFEITURES | | | | |
| Court fines | 215,000 | 215,000 | 110,136 | (104,864) |
| DWI fines | 2,300 | 2,300 | 1,050 | (1,250) |
| Parking fines | 6,000 | 6,000 | 2,145 | (3,855) |
| Drug forfeitures | - | 5,623 | 5,622 | (1) |
| City court fee | 62,000 | 62,000 | 20,820 | (41,180) |
| Code enforcement fines | - | - | 2,000 | 2,000 |
| Total Fines and Forfeitures | <u>285,300</u> | <u>290,923</u> | <u>141,773</u> | <u>(149,150)</u> |
| INTEREST AND PENALTIES | | | | |
| Interest on CDs | 20,000 | 20,000 | 12,725 | (7,275) |
| Interest on LAMP | 7,000 | 7,000 | 4,436 | (2,564) |
| Interest on ad valorem taxes | - | - | 13,461 | 13,461 |
| Penalties | 10,000 | 10,000 | 4,038 | (5,962) |
| Interest on assessments | - | - | 970 | 970 |
| Interest on FHA loans | - | - | 3,622 | 3,622 |
| Interest on Occupational licenses | 500 | 500 | 1,742 | 1,242 |
| Total Interest and Penalties | <u>37,500</u> | <u>37,500</u> | <u>40,994</u> | <u>3,494</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, 2011

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive/(Negative) |
|-----------------------------------|-------------------------|-------------------------|-------------------------|--|
| CHARGES FOR SERVICES | | | | |
| Greater Covington center rentals | \$ 80,000 | \$ 80,000 | \$ 52,515 | \$ (27,485) |
| Greater Covington center leases | 72,000 | 72,000 | 72,000 | - |
| Basketball registration | 11,000 | 11,000 | 6,078 | (4,922) |
| Baseball registration | 25,000 | 25,000 | 14,956 | (10,044) |
| Football registration | 10,000 | 10,000 | 5,964 | (4,036) |
| Zoning revenue | 15,000 | 15,000 | 12,835 | (2,165) |
| Park rental | 4,000 | 4,000 | 6,950 | 2,950 |
| Total Charges for Services | <u>217,000</u> | <u>217,000</u> | <u>171,298</u> | <u>(45,702)</u> |
| STATE AND FEDERAL GRANTS | | | | |
| New Orleans Jazz and Heritage | - | 2,500 | 2,500 | - |
| Symphony in the Pines | - | 73,028 | 10,450 | (62,578) |
| Grant revenue - Byrne Jag | - | 590 | 55,709 | 55,119 |
| 2010 Bullet Proof Vest | - | 3,224 | 2,750 | (474) |
| St Tammany Community Grant | - | - | 22,500 | 22,500 |
| Old City Renovations | - | - | 15,761 | 15,761 |
| HMGP Grant | - | - | 127,287 | 127,287 |
| DARE grant | 18,000 | 18,000 | - | (18,000) |
| FEMA Disaster Grant | - | - | 53,101 | 53,101 |
| Total State Grants | <u>18,000</u> | <u>97,342</u> | <u>290,058</u> | <u>192,716</u> |
| INTERGOVERNMENTAL REVENUES | | | | |
| 911 revenue | 33,000 | 33,000 | 37,873 | 4,873 |
| Fire insurance premium tax | 30,000 | 30,000 | 31,095 | 1,095 |
| School resource officer | 47,000 | 47,000 | 47,084 | 84 |
| District court witness fees | - | - | 3,300 | 3,300 |
| Beer tax | 30,000 | 30,000 | 30,013 | 13 |
| District 12 dispatch | 15,000 | 15,000 | 9,870 | (5,130) |
| Crossing Guard | - | - | 18,500 | 18,500 |
| Total Intergovernmental Revenues | <u>155,000</u> | <u>155,000</u> | <u>177,735</u> | <u>22,735</u> |
| ASSESSMENTS | | | | |
| 2009 Monroe St paving | 3,000 | 3,000 | 2,051 | (949) |
| Lucie Lane paving assessment | 2,800 | 2,800 | 14,761 | 11,961 |
| Total Assessments | <u>5,800</u> | <u>5,800</u> | <u>16,812</u> | <u>11,012</u> |
| TOTAL REVENUES | <u><u>4,442,080</u></u> | <u><u>4,547,331</u></u> | <u><u>4,781,660</u></u> | <u><u>234,329</u></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, 2011

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive/(Negative)</u> |
|-------------------------------------|----------------------------|---------------------|---------------------------|---|
| GENERAL GOVERNMENT | | | | |
| ADMINISTRATION - COUNCIL | | | | |
| Salaries | \$ 103,000 | \$ 103,000 | \$ 100,941 | \$ (2,059) |
| Payroll related benefits and taxes | 89,550 | 89,550 | 80,551 | (8,999) |
| Contract services | 15,000 | 20,500 | 27,489 | 6,989 |
| Dues and subscription | 2,000 | 2,000 | 503 | (1,497) |
| Meetings and conventions | 10,000 | 10,000 | 8,373 | (1,627) |
| Office supplies general | 4,000 | 4,000 | 4,256 | 256 |
| Repairs and maintenance | 2,500 | 2,500 | 1,000 | (1,500) |
| Training and education | 1,000 | 1,000 | - | (1,000) |
| Computer equipment | - | 34 | - | (34) |
| Total Administration Council | 227,050 | 232,584 | 223,113 | (9,471) |
| GENERAL GOVERNMENT | | | | |
| ADMINISTRATION - MAYOR | | | | |
| Salaries | 68,640 | 68,640 | 72,532 | 3,892 |
| Payroll related benefits and taxes | 30,300 | 30,300 | 23,231 | (7,069) |
| Fuel - gasoline | 1,900 | 1,900 | 2,618 | 718 |
| Meetings and conventions | 4,750 | 4,750 | 3,424 | (1,326) |
| Repairs and maintenance | 1,000 | 1,000 | - | (1,000) |
| Total Administration Mayor | 106,590 | 106,590 | 101,805 | (4,785) |
| GENERAL GOVERNMENT | | | | |
| ADMINISTRATION - LEGAL | | | | |
| Salaries | 4,000 | 4,000 | - | (4,000) |
| Materials and supplies | 2,500 | 2,500 | 79 | (2,421) |
| Professional services | 238,000 | 216,400 | 162,997 | (53,403) |
| Settlement payment | 30,000 | 30,000 | 30,000 | - |
| Total Legal | 274,500 | 252,900 | 193,076 | (59,824) |
| GENERAL GOVERNMENT | | | | |
| ADMINISTRATION | | | | |
| Salaries | 474,000 | 461,000 | 461,148 | 148 |
| Professional services | 158,250 | 177,945 | 210,814 | 32,869 |
| Payroll related benefits and taxes | 233,500 | 233,500 | 217,339 | (16,161) |
| Repairs and maintenance | 84,000 | 101,000 | 84,906 | (16,094) |
| Insurance | 164,500 | 164,820 | 74,513 | (90,307) |
| Office supplies | 101,200 | 119,572 | 68,746 | (50,826) |
| Contract services | 57,500 | 71,450 | 56,958 | (14,492) |
| Service charges and fees | 22,800 | 22,800 | 23,478 | 678 |
| Utilities | 35,500 | 35,500 | 32,435 | (3,065) |
| Advertising | 20,000 | 20,000 | 21,804 | 1,804 |

(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, 2011

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive/(Negative)</u> |
|------------------------------------|----------------------------|---------------------|---------------------------|---|
| GENERAL GOVERNMENT | | | | |
| ADMINISTRATION (CONTINUED) | | | | |
| Training and education | \$ 32,500 | \$ 47,910 | \$ 21,313 | \$ (26,597) |
| Materials and supplies | 1,000 | 1,300 | - | (1,300) |
| Meetings and conventions | 2,500 | 2,500 | 1,166 | (1,334) |
| Dues and subscriptions | 10,000 | 11,314 | 10,401 | (913) |
| Election expense | 10,000 | 32,000 | 33,444 | 1,444 |
| Contract labor | 2,000 | 2,000 | - | (2,000) |
| Community Disaster loan principal | 378,000 | 378,000 | - | (378,000) |
| Community Disaster loan interest | 22,000 | 22,000 | - | (22,000) |
| Gasoline | 850 | 850 | 356 | (494) |
| Bank charges | 1,000 | 1,000 | - | (1,000) |
| Total Administration | <u>1,811,100</u> | <u>1,906,461</u> | <u>1,318,821</u> | <u>(587,640)</u> |
| GENERAL GOVERNMENT | | | | |
| PLANNING AND ZONING | | | | |
| Salaries | 88,000 | 88,000 | 89,825 | 1,825 |
| Payroll related benefits and taxes | 39,825 | 39,825 | 41,497 | 1,672 |
| Professional services | 44,730 | 96,742 | 84,215 | (12,527) |
| Office supplies | 7,800 | 9,570 | 6,484 | (3,086) |
| Contract services | 5,000 | 5,000 | 3,575 | (1,425) |
| Service charges and fees | 1,400 | 1,400 | 996 | (404) |
| Advertising | 14,400 | 24,400 | 16,357 | (8,043) |
| Training and education | 4,500 | 6,000 | 2,511 | (3,489) |
| Meetings and conventions | 4,500 | 6,476 | 3,569 | (2,907) |
| Dues and subscriptions | 1,300 | 1,300 | 542 | (758) |
| Contract labor | 2,000 | 2,000 | 1,639 | (361) |
| Gasoline | 900 | 900 | 487 | (413) |
| Total Planning and Zoning | <u>214,355</u> | <u>281,613</u> | <u>251,697</u> | <u>(29,916)</u> |
| GENERAL GOVERNMENT | | | | |
| CODE ENFORCEMENT | | | | |
| Salaries | - | 46,840 | 45,729 | (1,111) |
| Payroll related benefits and taxes | - | 19,238 | 15,892 | (3,346) |
| Training and education | - | 1,500 | - | (1,500) |
| Gasoline | - | - | 1,464 | 1,464 |
| Service charges and fees | - | - | 140 | 140 |
| Insurance | - | - | 429 | 429 |
| Materials and supplies | - | - | 481 | 481 |
| Utilities | - | - | 811 | 811 |
| Office supplies | - | - | 391 | 391 |
| Repairs and maintenance | - | - | 1,209 | 1,209 |
| Total Code Enforcement | <u>-</u> | <u>67,578</u> | <u>66,546</u> | <u>(1,032)</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, 2011

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive/(Negative)</u> |
|------------------------------------|----------------------------|---------------------|---------------------------|---|
| GENERAL GOVERNMENT | | | | |
| BUILDING PERMITS | | | | |
| Salaries | \$ 94,000 | \$ 94,000 | \$ 90,686 | \$ (3,314) |
| Payroll related benefits and taxes | 43,025 | 43,025 | 44,775 | 1,750 |
| Professional services | 28,500 | 28,500 | 19,740 | (8,760) |
| Repairs and maintenance | 700 | 700 | 110 | (590) |
| Insurance | 700 | 700 | 511 | (189) |
| Office supplies | 5,985 | 5,985 | 7,397 | 1,412 |
| Utilities | 1,000 | 1,000 | 899 | (101) |
| Training and education | 3,000 | 3,000 | 235 | (2,765) |
| Meetings and conventions | 4,500 | 4,500 | 1,779 | (2,721) |
| Dues and subscriptions | 1,425 | 1,425 | 953 | (472) |
| Gasoline | 2,550 | 2,550 | 1,512 | (1,038) |
| Total Building Permits | <u>185,385</u> | <u>185,385</u> | <u>168,597</u> | <u>(16,788)</u> |
| GENERAL GOVERNMENT | | | | |
| ECONOMIC DEVELOPMENT | | | | |
| Capital outlay | - | 36,345 | 8,057 | (28,288) |
| Salaries | 260,000 | 284,200 | 282,327 | (1,873) |
| Payroll related benefits and taxes | 149,425 | 149,425 | 149,647 | 222 |
| Farmers market | 10,000 | 10,000 | 9,960 | (40) |
| Contract services | 118,000 | 135,036 | 136,485 | 1,449 |
| Utilities | 85,500 | 84,900 | 85,182 | 282 |
| Repairs and maintenance | 61,750 | 62,003 | 43,900 | (18,103) |
| Professional services | 175 | 527 | 100 | (427) |
| Insurance | 99,600 | 99,600 | 81,705 | (17,895) |
| Advertising | 50,500 | 48,400 | 36,556 | (11,844) |
| Office supplies | 21,700 | 24,739 | 19,114 | (5,625) |
| Materials and supplies | 14,000 | 16,500 | 17,734 | 1,234 |
| Contract labor | 27,500 | 29,135 | 21,705 | (7,430) |
| Rent | 7,750 | 7,750 | 4,674 | (3,076) |
| Gasoline | 8,000 | 8,000 | 8,003 | 3 |
| Garbage collection | 6,940 | 6,940 | 4,267 | (2,673) |
| Small tools and equipment | 6,000 | 6,000 | 4,172 | (1,828) |
| Dues and subscriptions | 1,750 | 2,250 | 2,010 | (240) |
| Meetings and conventions | 1,800 | 2,000 | 1,996 | (4) |
| Training and education | 3,750 | 4,650 | 4,477 | (173) |
| Total Economic Development | <u>934,140</u> | <u>1,018,400</u> | <u>922,071</u> | <u>(96,329)</u> |
| Total General Government | <u>3,753,120</u> | <u>4,051,511</u> | <u>3,245,726</u> | <u>(805,785)</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, 2011

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive/(Negative)</u> |
|------------------------------------|----------------------------|---------------------|---------------------------|---|
| PUBLIC SAFETY - POLICE | | | | |
| Salaries | \$ 2,135,500 | \$ 2,136,090 | \$ 1,966,810 | \$ (169,280) |
| Payroll related taxes and benefits | 1,348,850 | 1,348,850 | 1,174,763 | (174,087) |
| Capital outlay | 8,000 | 8,600 | 5,833 | (2,767) |
| Materials and supplies | 90,675 | 107,614 | 40,909 | (66,705) |
| Gasoline | 100,000 | 100,000 | 108,501 | 8,501 |
| Insurance | 134,700 | 135,060 | 132,101 | (2,959) |
| Repairs and maintenance | 92,000 | 95,520 | 84,992 | (10,528) |
| Utilities | 92,500 | 92,500 | 78,340 | (14,160) |
| Office supplies | 50,800 | 48,826 | 28,007 | (20,819) |
| Training and education | 55,000 | 55,000 | 51,388 | (3,612) |
| Small tools and equipment | 60,200 | 64,434 | 34,758 | (29,676) |
| Professional services | 8,000 | 10,266 | 3,710 | (6,556) |
| Garbage collection | 1,500 | 1,500 | 1,400 | (100) |
| Rent | 12,000 | 12,000 | 10,825 | (1,175) |
| Contract services | 46,500 | 46,140 | 45,654 | (486) |
| Dues and subscriptions | 5,500 | 5,625 | 5,234 | (391) |
| Advertising | 400 | 400 | 57 | (343) |
| Contract labor | 1,000 | 1,000 | 600 | (400) |
| Total Public Safety - Police | <u>4,243,125</u> | <u>4,269,425</u> | <u>3,773,882</u> | <u>(495,543)</u> |
| PUBLIC SAFETY - FIRE | | | | |
| Salaries | 906,000 | 906,000 | 903,888 | (2,112) |
| Payroll related taxes and benefits | 489,000 | 489,000 | 528,934 | 39,934 |
| Capital outlay | 4,000 | 4,100 | - | (4,100) |
| Utilities | 40,200 | 40,200 | 34,654 | (5,546) |
| Small tools and equipment | 16,500 | 16,985 | 16,080 | (905) |
| Insurance | 41,000 | 34,500 | 35,727 | 1,227 |
| Repairs and maintenance | 37,400 | 37,618 | 29,906 | (7,712) |
| Gasoline | 20,000 | 20,000 | 28,833 | 8,833 |
| Contract services | 5,000 | 16,500 | 16,500 | - |
| Rent | 13,000 | 8,000 | 825 | (7,175) |
| Office supplies | 15,000 | 15,349 | 9,619 | (5,730) |
| Materials and supplies | 14,000 | 14,370 | 12,775 | (1,595) |
| Garbage collection | 2,000 | 2,000 | 1,400 | (600) |
| Training and education | 8,000 | 12,968 | 9,710 | (3,258) |
| Dues and subscriptions | 2,750 | 2,750 | 2,315 | (435) |
| Professional services | 3,000 | 4,955 | 400 | (4,555) |
| Total Public Safety - Fire | <u>1,616,850</u> | <u>1,625,295</u> | <u>1,631,566</u> | <u>6,271</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, 2011

| | Original Budget | Final Budget | Actual Amounts | Variance with Final Budget Positive/(Negative) |
|------------------------------------|--------------------|-------------------|-------------------|--|
| PUBLIC WORKS | | | | |
| Capital outlay | \$ 500 | \$ 8,200 | \$ - | \$ (8,200) |
| Salaries | 576,000 | 576,000 | 539,461 | (36,539) |
| Payroll related taxes and benefits | 373,300 | 373,300 | 323,078 | (50,222) |
| Professional services | 90,500 | 121,985 | 123,588 | 1,603 |
| Utilities | 156,000 | 154,000 | 153,878 | (122) |
| Repairs and maintenance | 111,800 | 73,445 | 64,644 | (8,801) |
| Materials and supplies | 123,500 | 131,849 | 130,119 | (1,730) |
| Gasoline | 56,000 | 72,200 | 74,310 | 2,110 |
| Insurance | 46,000 | 42,000 | 37,862 | (4,138) |
| Office supplies | 20,500 | 20,500 | 20,966 | 466 |
| Contract services | 9,500 | 9,500 | 7,548 | (1,952) |
| Small tools and equipment | 8,500 | 8,500 | 3,298 | (5,202) |
| Garbage collection | 11,000 | 9,000 | 7,489 | (1,511) |
| Dues and subscriptions | 800 | 800 | 600 | (200) |
| Training and education | 1,200 | 1,200 | 863 | (337) |
| Rent | 1,500 | 1,500 | 94 | (1,406) |
| Total Public Works | <u>1,586,600</u> | <u>1,603,979</u> | <u>1,487,798</u> | <u>(116,181)</u> |
| CULTURE AND RECREATION | | | | |
| Salaries | 316,000 | 303,000 | 275,608 | (27,392) |
| Payroll related taxes and benefits | 137,800 | 137,800 | 108,395 | (29,405) |
| Materials and supplies | 72,800 | 75,391 | 72,362 | (3,029) |
| Utilities | 40,800 | 40,800 | 37,845 | (2,955) |
| Contract labor | 37,000 | 50,000 | 48,168 | (1,832) |
| Professional services | 1,100 | 2,000 | 1,470 | (530) |
| Repairs and maintenance | 30,000 | 30,060 | 22,720 | (7,340) |
| Insurance | 25,600 | 25,600 | 20,513 | (5,087) |
| Gasoline | 12,000 | 12,000 | 10,218 | (1,782) |
| Office supplies | 11,500 | 12,160 | 8,958 | (3,202) |
| Contract services | 4,000 | 4,000 | 3,852 | (148) |
| Service charges and fees | 5,200 | 5,200 | 4,058 | (1,142) |
| Training and education | 3,000 | 3,000 | 400 | (2,600) |
| Garbage collection | 9,000 | 9,000 | 6,347 | (2,653) |
| Meetings and conventions | 2,000 | 2,000 | 1,215 | (785) |
| Pool operations | 6,000 | 6,000 | 5,832 | (168) |
| Small tools and equipment | 4,000 | 4,025 | 3,843 | (182) |
| Rent | 500 | 500 | 466 | (34) |
| Total Culture and Recreation | <u>718,300</u> | <u>722,536</u> | <u>632,270</u> | <u>(90,266)</u> |
| CAPITAL OUTLAY | | | | |
| Capital outlay | - | - | 78,898 | 78,898 |
| Total Capital Outlay | <u>-</u> | <u>-</u> | <u>78,898</u> | <u>78,898</u> |
| Total Expenditures | <u>11,917,995</u> | <u>12,272,746</u> | <u>10,850,140</u> | <u>(1,422,606)</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, 2011

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive/(Negative)</u> |
|--|----------------------------|---------------------|---------------------------|---|
| REVENUES | | | | |
| Taxes | | | | |
| Sales taxes | \$ 3,550,000 | \$ 3,550,000 | \$ 3,669,307 | \$ 119,307 |
| Fines and forfeitures | 5,000 | 5,000 | - | (5,000) |
| State and federal grants | - | 241,603 | 436,947 | 195,344 |
| Total Revenues | <u>3,555,000</u> | <u>3,796,603</u> | <u>4,106,254</u> | <u>309,651</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 187,500 | 696,851 | 89,477 | 607,374 |
| Public safety - Police | 176,200 | 257,313 | 43,843 | 213,470 |
| Public safety - Fire | 30,000 | 63,080 | 10,516 | 52,564 |
| Public works | 1,463,577 | 3,927,919 | 11,580 | 3,916,339 |
| Culture and recreation | 85,000 | 173,522 | 54,068 | 119,454 |
| Sewer department | - | - | - | - |
| Water department | - | - | - | - |
| Capital outlay | - | - | 1,203,217 | (1,203,217) |
| Capital outlay - utility | - | - | 1,523,217 | (1,523,217) |
| Total Expenditures | <u>1,942,277</u> | <u>5,118,685</u> | <u>2,935,918</u> | <u>2,182,767</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 1,612,723 | (1,322,082) | 1,170,336 | 151,746 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(1,612,723)</u> | <u>(1,612,723)</u> | <u>(1,633,915)</u> | <u>21,192</u> |
| Total Other Financing Sources (Uses) | <u>(1,612,723)</u> | <u>(1,612,723)</u> | <u>(1,633,915)</u> | <u>21,192</u> |
| Changes in Fund Balance | <u>-</u> | <u>(2,934,805)</u> | <u>(463,579)</u> | <u>172,938</u> |
| Fund Balance, Beginning of Year | 3,040,263 | 3,040,263 | 3,040,263 | - |
| Prior Period Adjustments | - | - | - | - |
| Fund Balance, Beginning of Year Restated | <u>3,040,263</u> | <u>3,040,263</u> | <u>3,040,263</u> | - |
| Fund Balance, End of Year | <u>\$ 3,040,263</u> | <u>\$ 105,458</u> | <u>\$ 2,576,684</u> | <u>\$ 2,471,226</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, 2011

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive/(Negative)</u> |
|--|----------------------------|---------------------|---------------------------|---|
| REVENUES | | | | |
| Taxes | | | | |
| Sales taxes | \$ 3,550,000 | \$ 3,550,000 | \$ 3,669,308 | \$ 119,308 |
| Fines and forfeitures | 5,000 | 5,000 | - | (5,000) |
| Total Revenues | <u>3,555,000</u> | <u>3,555,000</u> | <u>3,669,308</u> | <u>114,308</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | - | - | 23 | (23) |
| Total Expenditures | <u>-</u> | <u>-</u> | <u>23</u> | <u>(23)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>3,555,000</u> | <u>3,555,000</u> | <u>3,669,285</u> | <u>114,331</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 2,405,754 | (2,405,754) |
| Transfers out | <u>(3,555,000)</u> | <u>(3,555,000)</u> | <u>(3,666,473)</u> | <u>111,473</u> |
| Total Other Financing Sources (Uses) | <u>(3,555,000)</u> | <u>(3,555,000)</u> | <u>(1,260,719)</u> | <u>(2,294,281)</u> |
| Changes in Fund Balance | - | - | 2,408,566 | 2,408,566 |
| Fund Balance, Beginning of Year | <u>(2,812)</u> | <u>(2,812)</u> | <u>(2,812)</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ (2,812)</u> | <u>\$ (2,812)</u> | <u>\$ 2,405,754</u> | <u>\$ 2,408,566</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, 2011

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive/ (Negative)</u> |
|--|----------------------------|---------------------|---------------------------|--|
| REVENUES | | | | |
| Taxes | | | | |
| Sales taxes | \$ 1,231,082 | \$ 1,231,082 | \$ 1,558,322 | \$ 327,240 |
| Total Revenues | <u>1,231,082</u> | <u>1,231,082</u> | <u>1,558,322</u> | <u>327,240</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public works | 320,000 | 1,319,482 | 823,817 | 495,665 |
| Culture and recreation | - | 68,000 | - | 68,000 |
| Total Expenditures | <u>320,000</u> | <u>1,387,482</u> | <u>823,817</u> | <u>563,665</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>911,082</u> | <u>(156,400)</u> | <u>734,505</u> | <u>(236,425)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Refunds | (200,000) | (200,000) | (200,000) | - |
| Transfers out | <u>(900,000)</u> | <u>(900,000)</u> | <u>(900,000)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>(1,100,000)</u> | <u>(1,100,000)</u> | <u>(1,100,000)</u> | <u>-</u> |
| Changes in Fund Balance | (188,918) | (1,256,400) | (365,495) | 890,905 |
| Fund Balance, Beginning of Year | <u>1,620,547</u> | <u>1,620,547</u> | <u>1,620,547</u> | <u>-</u> |
| Fund Balance, End of Year | <u>\$ 1,431,629</u> | <u>\$ 364,147</u> | <u>\$ 1,255,052</u> | <u>\$ 890,905</u> |

CITY OF COVINGTON, LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2011

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.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF COVINGTON, LOUISIANA
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011**

CAPITAL PROJECT FUNDS

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

2007 Capital Project – This fund was created in 2007 to fund various capital projects throughout the City.

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, 2011**

| | <u>Capital Project</u> | | <u>Debt Service</u> | | <u>Permanent</u> | <u>Total Non-Major Governmental</u> |
|---|-----------------------------|-------------------------------|---|---|----------------------------------|-------------------------------------|
| | <u>2007 Capital Project</u> | <u>LCDBG Capital Projects</u> | <u>General Obligation Debt Service Fund</u> | <u>Sales Tax Bond Debt Service Fund</u> | <u>Garden of Pines Permanent</u> | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ - | \$ 30,331 | \$ 271,022 | \$ 133,182 | \$ 33,056 | \$ 467,591 |
| Pooled Cash | - | - | - | - | - | - |
| Certificates of deposits | - | - | - | 277,500 | 24,955 | 302,455 |
| Receivables | | | | | | |
| Taxes | - | - | 474,849 | - | - | 474,849 |
| Other | - | 31,499 | - | - | - | 31,499 |
| Accrued interest | - | - | - | 427 | - | 427 |
| TOTAL ASSETS | \$ - | \$ 61,830 | \$ 745,871 | \$ 411,109 | \$ 58,011 | \$ 1,276,821 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | 61,780 | 41,703 | 41,703 | - | 145,186 |
| TOTAL LIABILITIES | - | 61,780 | 41,703 | 41,703 | - | 145,186 |
| Fund balance | | | | | | |
| Nonspendable | - | - | - | - | 24,955 | 24,955 |
| Restricted | | | | | | |
| Perpetual care | - | - | - | - | 33,056 | 33,056 |
| Debt services | - | - | 704,168 | 369,406 | - | 1,073,574 |
| Committed | | | | | | |
| Capital assets | - | 50 | - | - | - | 50 |
| Unassigned | - | - | - | - | - | - |
| TOTAL FUND BALANCE | - | 50 | 704,168 | 369,406 | 58,011 | 1,131,635 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ - | \$ 61,830 | \$ 745,871 | \$ 411,109 | \$ 58,011 | \$ 1,276,821 |

CITY OF COVINGTON
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

| | <u>Capital Project</u> | | <u>Debt Service</u> | | <u>Permanent</u> | <u>Total Non-Major Governmental</u> |
|--|-------------------------------------|---------------------------------------|---|---|--|---|
| | <u>2007 Capital Project</u> | <u>LCDBG Capital Projects</u> | <u>General Obligation Debt Service Fund</u> | <u>Sales Tax Bond Debt Service Fund</u> | <u>Garden of Pines Permanent</u> | |
| REVENUES | | | | | | |
| Taxes | | | | | | |
| Sales taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Property taxes | - | - | 473,019 | - | - | 473,019 |
| Grant revenue | - | 61,680 | - | - | - | 61,680 |
| Interest and penalties | 112 | - | 216 | 1,917 | 465 | 2,710 |
| Total Revenues | 112 | 61,680 | 473,235 | 1,917 | 465 | 537,409 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General government | - | - | 3,959 | 3,114 | - | 7,073 |
| Public works - streets | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Capital outlay - utility | - | - | - | - | - | - |
| Debt service | | | | | | |
| Principal | - | - | 270,000 | 230,000 | - | 500,000 |
| Interest | - | - | 258,429 | 138,781 | - | 397,210 |
| Refunding bond issuance costs | - | - | 10,273 | 59,482 | - | 69,755 |
| Total Expenditures | - | - | 542,661 | 431,377 | - | 974,038 |
| Excess (Deficiency) of Revenues Over Expenditures | 112 | 61,680 | (69,426) | (429,460) | 465 | (436,629) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds of refunding bonds | - | - | 777,000 | 2,775,000 | - | 3,552,000 |
| Debt Service - principal | - | - | - | (2,775,000) | - | (2,775,000) |
| Payments on escrow | - | - | (761,807) | - | - | (761,807) |
| Payments on contingent liabilities | - | - | - | - | - | - |
| Transfers in | - | - | - | 276,987 | - | 276,987 |
| Transfers out | - | (61,680) | - | - | - | (61,680) |
| Total Other Financing Sources (Uses) | - | (61,680) | 15,193 | 276,987 | - | 230,500 |
| Changes in Fund Balance | 112 | - | (54,233) | (152,473) | 465 | (206,129) |
| Fund Balance, Beginning of Year | 29,205 | 50 | 758,401 | 521,879 | 57,546 | 1,367,081 |
| Prior Period Adjustments | (29,317) | - | - | - | - | (29,317) |
| Fund Balance, Beginning of Year Restated | (112) | 50 | 758,401 | 521,879 | 57,546 | 1,337,764 |
| Fund Balance, End of Year | \$ - | \$ 50 | \$ 704,168 | \$ 369,406 | \$ 58,011 | \$ 1,131,635 |

**CITY OF COVINGTON, LOUISIANA
SCHEDULE OF COUNCIL COMPENSATION
For the Year Ended December 31, 2011**

| <u>Council Members</u> | <u>Term of Office</u> | <u>Compensation</u> |
|------------------------|-----------------------|---------------------|
| Lee S Alexius | July 2011 - July 2015 | \$ 9,000 |
| R S "Sam" O'Keefe | July 2011 - July 2015 | 4,500 |
| John Callahan | July 2011 - July 2015 | 4,500 |
| Jerry Coner | July 2011 - July 2015 | 4,500 |
| Mark Wright | July 2011 - July 2015 | 4,500 |
| Larry Rolling | July 2011 - July 2015 | 4,500 |
| Rick Smith | July 2011 - July 2015 | <u>4,500</u> |
| | | <u>\$ 36,000</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

| <u>Contents</u> | <u>Tables</u> |
|---|----------------------|
| Financial Trends | 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 | |
| Revenue Capacity | 6 - 10 |
| These schedules contain information to help the reader assess the City's property tax | |
| Debt Capacity | 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 | |
| Demographic and Economic Information | 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 | |
| Operating Information | 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

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TABLE 1

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

| | Fiscal Year | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Governmental Activities | | | | | | | | |
| Invested in capital assets, net of related debt | \$ (732,729) | \$ 320,714 | \$ 1,942,725 | \$ 1,482,742 | \$ 621,414 | \$ 7,999,710 | \$ 9,003,688 | \$ 8,540,837 |
| Restricted | 4,274,051 | 4,051,705 | 4,670,562 | 5,292,260 | 6,991,802 | 4,082,723 | 4,407,344 | 6,335,844 |
| Unrestricted | 2,711,050 | 4,544,319 | 8,047,265 | 9,385,128 | 6,986,129 | 4,242,371 | 2,653,185 | 1,088,416 |
| Total governmental activities net assets | \$ 6,252,372 | \$ 8,916,738 | \$ 14,660,552 | \$ 16,160,130 | \$ 14,599,345 | \$ 16,324,804 | \$ 16,064,217 | \$ 15,965,097 |
| Business-Type Activities | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 15,331,721 | \$ 15,427,671 | \$ 16,101,193 | \$ 19,793,170 | \$ 22,807,610 | \$ 22,458,143 | \$ 22,965,009 | \$ 23,281,856 |
| Restricted | 345,677 | 334,026 | 308,348 | 308,487 | 312,422 | - | - | - |
| Unrestricted | 671,555 | 1,652,210 | 1,637,819 | 983,390 | 231,856 | 539,374 | 586,803 | 824,855 |
| Total business-type activities net assets | \$ 16,348,953 | \$ 17,413,907 | \$ 18,047,360 | \$ 21,085,047 | \$ 23,351,888 | \$ 23,097,517 | \$ 23,551,812 | \$ 24,106,711 |
| Primary Government | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 14,598,992 | \$ 15,748,385 | \$ 18,043,918 | \$ 21,275,912 | \$ 23,429,024 | \$ 30,557,853 | \$ 31,968,697 | \$ 31,822,693 |
| Restricted | 4,619,728 | 4,385,731 | 4,978,910 | 5,600,747 | 7,304,224 | 4,082,723 | 4,407,344 | 6,335,844 |
| Unrestricted | 3,382,605 | 6,196,529 | 9,685,084 | 10,368,518 | 7,217,985 | 4,781,745 | 3,239,988 | 1,913,271 |
| Total primary government net assets | \$ 22,601,325 | \$ 26,330,645 | \$ 32,707,912 | \$ 37,245,177 | \$ 37,951,233 | \$ 39,422,321 | \$ 39,616,029 | \$ 40,071,808 |

TABLE 2

CITY OF COVINGTON, LOUISIANA
 CHANGES IN NET ASSETS
 LAST EIGHT FISCAL YEARS
 (ACCURAL BASIS OF ACCOUNTING)
 (UNAUDITED)

| Expenses | Fiscal Year | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Governmental activities | | | | | | | | |
| General government | \$ 1,873,806 | \$ 2,114,440 | \$ 2,543,463 | \$ 2,649,743 | \$ 3,037,128 | \$ 3,543,490 | \$ 3,994,184 | \$ 4,108,782 |
| Public safety - Police | 2,354,052 | 2,589,192 | 2,263,245 | 3,307,484 | 3,561,038 | 4,070,684 | 4,181,956 | 4,101,809 |
| Public safety - Fire | 679,743 | 786,376 | 858,909 | 1,106,398 | 1,406,254 | 1,461,511 | 1,603,010 | 1,742,454 |
| Public works | 1,626,390 | 1,803,865 | 2,174,291 | 1,972,845 | 2,597,475 | 1,906,012 | 1,730,586 | 1,869,449 |
| Culture and recreation | 365,953 | 484,495 | 472,288 | 621,388 | 829,015 | 996,333 | 829,061 | 902,326 |
| Interest on long-term debt | 393,366 | 359,680 | 326,242 | 519,344 | 493,613 | 559,762 | 469,112 | 475,019 |
| Total governmental activities expenses | 7,293,310 | 8,138,048 | 8,638,438 | 10,177,202 | 11,924,523 | 12,537,792 | 12,807,909 | 13,199,839 |
| Business-type activities | | | | | | | | |
| Water | 1,156,688 | 1,018,625 | 1,056,246 | 1,306,176 | 1,248,381 | 1,231,623 | 1,217,823 | 1,776,889 |
| Sewer | 1,054,293 | 1,285,814 | 1,724,036 | 2,107,232 | 2,262,346 | 1,818,321 | 1,958,438 | 1,803,094 |
| Garbage | 568,633 | 519,604 | 671,551 | 726,224 | 729,880 | 747,879 | 754,995 | 718,460 |
| Interest on long-term debt | 12,331 | 14,708 | 8,395 | 6,440 | 4,370 | 2,243 | - | - |
| Total business-type activities expenses | 2,791,945 | 2,838,751 | 3,460,228 | 4,146,072 | 4,244,977 | 3,800,066 | 3,931,256 | 4,298,443 |
| Total primary government expenses | \$ 10,085,255 | \$ 10,976,799 | \$ 12,098,666 | \$ 14,323,274 | \$ 16,169,500 | \$ 16,337,858 | \$ 16,739,165 | \$ 17,498,282 |
| Program Revenues | | | | | | | | |
| Governmental activities | | | | | | | | |
| Charges for services | \$ 198,491 | \$ 178,197 | \$ 296,323 | \$ - | \$ - | \$ - | \$ - | \$ - |
| General government | 5,582 | 2,175 | 6,775 | - | - | - | - | - |
| Public safety - Police | 69,779 | - | - | - | - | - | - | - |
| Public safety - Fire | 8,914 | 8,914 | - | 33,797 | 22,685 | 6,700 | 10,909 | 19,785 |
| Public works | 57,345 | 47,020 | 64,320 | 208,206 | 197,564 | 159,153 | 163,132 | 151,813 |
| Culture and recreation | - | - | - | - | - | - | - | - |
| Operating grants and contribution | - | 667,124 | 241,679 | 158,177 | 294,880 | 144,960 | 215,333 | 210,263 |
| General government | 35,874 | 104,696 | - | 10,690 | 32,716 | 34,352 | 36,067 | 96,332 |
| Public safety - Police | 10,199 | 110,901 | 100,879 | 33,736 | 52,156 | 47,718 | 49,371 | 40,965 |
| Public safety - Fire | - | 322,464 | - | - | - | - | 42,376 | - |
| Public works | - | 8,704 | - | - | - | - | - | 25,000 |
| Culture and recreation | - | - | - | - | - | - | - | - |
| Capital grants and contributions | - | 36,619 | - | 386,074 | - | 811,125 | 111,516 | 139,152 |
| General government | 31,762 | - | - | 131,956 | - | - | - | 17,761 |
| Public safety - Police | - | 47,703 | 115,520 | 119,817 | - | - | - | - |
| Public safety - Fire | - | - | - | - | - | - | - | - |
| Public works | 375,677 | 171,941 | 37,291 | 426,565 | - | - | - | 436,947 |
| Total governmental activities program revenues | 793,623 | 1,706,458 | 862,787 | 1,509,018 | 600,001 | 1,204,008 | 628,704 | 1,138,018 |
| Business-type activities | | | | | | | | |
| Charges for services | 870,164 | 984,364 | 1,072,246 | 1,079,383 | 1,090,177 | 1,203,705 | 1,278,548 | 1,287,180 |
| Water | 933,048 | 994,730 | 1,058,888 | 1,100,771 | 1,064,385 | 1,077,679 | 1,148,835 | 1,281,408 |
| Sewer | 529,612 | 563,863 | 614,863 | 676,253 | 718,143 | 734,338 | 762,522 | 729,122 |
| Garbage | - | - | - | - | - | - | - | - |
| (continued) | | | | | | | | |

TABLE 2

CITY OF COVINGTON, LOUISIANA
 CHANGES IN NET ASSETS (CONTINUED)
 LAST EIGHT FISCAL YEARS
 (ACCURAL BASIS OF ACCOUNTING)
 (UNAUDITED)

| | Fiscal Year | | | | | | | |
|---|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Operating grants and contribution | | | | | | | | |
| Sewer | \$ - | \$ 200,000 | \$ 86,695 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total business-type activities program revenues | \$ 2,332,824 | \$ 2,742,957 | \$ 2,832,692 | \$ 2,856,407 | \$ 2,872,705 | \$ 3,015,722 | \$ 3,189,905 | \$ 3,297,710 |
| Total primary government program revenues | \$ 3,126,447 | \$ 4,449,415 | \$ 3,695,479 | \$ 4,365,425 | \$ 3,472,706 | \$ 4,219,730 | \$ 3,818,609 | \$ 4,435,728 |
| Net (expense)/revenue | | | | | | | | |
| Governmental activities | \$ (6,499,687) | \$ (6,431,590) | \$ (7,775,651) | \$ (8,668,184) | \$ (11,324,522) | \$ (11,333,784) | \$ (12,179,205) | \$ (12,061,821) |
| Business-type activities | (459,121) | (95,794) | (627,536) | (1,289,665) | (1,372,272) | (784,344) | (741,351) | (1,000,733) |
| Total primary government net expense | \$ (6,958,808) | \$ (6,527,384) | \$ (8,403,187) | \$ (9,957,849) | \$ (12,696,794) | \$ (12,118,128) | \$ (12,920,556) | \$ (13,062,554) |
| General Revenues and Other Changes in Net Assets | | | | | | | | |
| Governmental activities | | | | | | | | |
| Taxes | | | | | | | | |
| Property | \$ 1,445,337 | \$ 1,461,599 | \$ 1,900,362 | \$ 2,079,196 | \$ 2,289,053 | \$ 2,466,358 | \$ 2,337,157 | \$ 2,320,671 |
| Sales | 5,848,068 | 6,841,791 | 9,314,419 | 9,520,918 | 9,462,653 | 8,523,983 | 8,329,496 | 8,896,937 |
| Franchise | 589,045 | 623,689 | 1,554,462 | 741,320 | 753,137 | 644,819 | 663,240 | 690,328 |
| Other | 27,349 | - | - | - | - | - | - | - |
| Licenses and permits | 870,572 | 922,936 | 1,060,577 | 1,168,083 | 1,103,856 | 1,206,703 | 1,177,394 | 1,265,372 |
| Fines and forfeitures | 139,579 | 163,597 | 187,598 | 217,535 | 231,297 | 270,616 | 260,855 | 141,773 |
| Investment | 61,375 | 113,791 | 295,684 | 558,108 | 304,195 | 104,932 | 70,946 | 43,704 |
| Other general revenues | 106,858 | 128,553 | 465,574 | 326,367 | 439,755 | 374,857 | 235,349 | 156,450 |
| Special item - loss/gain on disposed assets | - | - | - | (118,356) | - | (3,370) | - | - |
| Special item - repayment of taxes to parish | - | - | - | - | (600,000) | - | - | - |
| Special item - lawsuit settlement | - | - | - | - | (300,000) | - | - | - |
| Transfers | (709,300) | (1,160,000) | (1,110,461) | (1,354,278) | (698,240) | (442,184) | - | - |
| Capital contributions | (807,309) | - | (148,750) | (2,971,131) | (2,939,880) | (87,471) | (1,195,646) | (1,523,217) |
| Total governmental activities | \$ 7,571,574 | \$ 9,095,956 | \$ 13,519,465 | \$ 10,167,762 | \$ 10,045,826 | \$ 13,029,243 | \$ 11,918,618 | \$ 11,992,018 |
| Business-type activities | | | | | | | | |
| Investment | 619 | 748 | 1,778 | 1,943 | 993 | 318 | - | - |
| Other general revenues | 29,743 | - | - | - | - | - | - | 32,415 |
| Transfers | 709,300 | 1,160,000 | 1,110,461 | 1,354,278 | 698,240 | 442,184 | - | - |
| Capital contributions | 807,309 | - | 148,750 | 2,971,131 | 2,939,880 | 87,471 | 1,195,646 | 1,523,217 |
| Total business-type activities | \$ 1,546,971 | \$ 1,160,748 | \$ 1,260,989 | \$ 4,327,352 | \$ 3,639,113 | \$ 529,973 | \$ 1,195,646 | \$ 1,555,632 |
| Total primary government | \$ 9,118,545 | \$ 10,256,704 | \$ 14,780,454 | \$ 14,495,114 | \$ 13,684,939 | \$ 13,589,216 | \$ 13,114,264 | \$ 13,547,650 |
| Changes in Net Assets | | | | | | | | |
| Governmental activities | \$ 1,071,887 | \$ 2,664,366 | \$ 5,743,814 | \$ 1,499,578 | \$ (1,278,696) | \$ 1,725,459 | \$ (260,587) | \$ (69,803) |
| Business-type activities | 1,087,850 | 1,064,954 | 633,453 | 3,037,687 | 2,266,841 | (254,371) | 454,295 | 554,899 |
| Total primary government | \$ 2,159,737 | \$ 3,729,320 | \$ 6,377,267 | \$ 4,537,265 | \$ 988,145 | \$ 1,471,088 | \$ 193,708 | \$ 485,096 |

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

TABLE 3

| Fiscal Year | Sales Tax | Property Tax | Total |
|----------------|--------------|-----------------|--------------|
| 2002 | \$ 5,168,419 | \$ 902,666 | \$ 6,071,085 |
| 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 |

TABLE 4

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

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| General fund | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - | - | - | - | - | - | 246,776 |
| Committed | - | - | - | - | - | - | - | - | - | 1,712,823 |
| Assigned | - | - | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - | - | 979,860 |
| Reserved (1) | 1,488,748 | 1,506,642 | 2,354,498 | 2,301,454 | 2,377,730 | 1,600 | 4,637,884 | 2,322,755 | - | - |
| Unreserved (1) | 3,515,509 | 3,566,574 | 2,864,159 | 4,292,342 | 9,430,551 | 11,408,312 | 5,565,225 | 6,872,983 | 5,442,428 | - |
| Total general fund | \$ 5,004,257 | \$ 5,073,216 | \$ 5,218,657 | \$ 6,593,796 | \$ 11,808,281 | \$ 11,409,912 | \$ 10,203,109 | \$ 9,195,738 | \$ 5,442,428 | \$ 2,939,459 |
| All other governmental funds | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 24,955 |
| Restricted | - | - | - | - | - | - | - | - | - | 6,089,068 |
| Committed | - | - | - | - | - | - | - | - | - | 1,255,102 |
| Assigned | - | - | - | - | - | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - | - | - |
| Reserved (1) | 5,447,410 | 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) | (352) | 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 | - | - |
| Total all other governmental funds | \$ 5,447,058 | \$ 3,629,456 | \$ 2,753,719 | \$ 2,942,913 | \$ 3,700,007 | \$ 5,509,149 | \$ 2,713,359 | \$ 3,642,448 | \$ 6,025,079 | \$ 7,369,125 |

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 | | | | | | | | | |
|--|---------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|--------------------|-----------------------|-----------------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Revenues | | | | | | | | | | |
| Property taxes | \$ 1,212,753 | \$ 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 |
| Sales tax | 4,375,894 | 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 |
| Franchise tax | 482,438 | 556,878 | 589,045 | 623,689 | 1,534,462 | 741,320 | 753,137 | 644,819 | 663,240 | 690,328 |
| Licenses and permits | 759,505 | 790,397 | 870,572 | 922,936 | 1,060,537 | 1,168,083 | 1,103,856 | 1,206,703 | 1,177,394 | 1,265,372 |
| Intergovernmental revenue | 115,905 | 100,298 | 104,904 | 175,771 | 200,513 | 131,266 | 114,217 | 112,959 | 160,538 | 177,735 |
| Charges for service | 209,363 | 235,409 | 262,556 | 236,306 | 367,416 | 242,003 | 220,249 | 165,853 | 174,041 | 171,598 |
| Fines and forfeitures | 155,268 | 153,009 | 139,579 | 163,597 | 187,598 | 217,535 | 231,297 | 270,616 | 260,855 | 141,773 |
| Interest | 116,227 | 70,525 | 61,375 | 113,791 | 295,684 | 558,108 | 304,195 | 104,932 | 70,946 | 43,704 |
| Assessments | - | - | - | - | - | - | - | - | - | 16,812 |
| Federal and state grants | 736,790 | 107,332 | 453,510 | 1,294,381 | 294,855 | 1,135,749 | 265,535 | 925,196 | 294,125 | 788,685 |
| Other | 320,161 | 882,632 | 106,860 | 128,553 | 465,574 | 376,367 | 439,755 | 374,857 | 235,349 | 139,638 |
| Total revenues | 8,484,304 | 9,123,042 | 9,881,806 | 11,962,414 | 15,641,460 | 16,120,545 | 15,183,947 | 14,796,276 | 13,703,141 | 14,653,253 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| General government | 1,669,469 | 1,787,283 | 1,814,988 | 2,131,794 | 2,609,915 | 3,479,091 | 4,716,375 | 3,379,749 | 3,348,206 | 3,332,748 |
| Public safety - Police | 2,005,571 | 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 |
| Public safety - Fire | 536,474 | 612,009 | 616,671 | 766,505 | 952,596 | 1,221,326 | 1,533,908 | 1,322,598 | 1,753,287 | 1,642,082 |
| Public works | 1,732,204 | 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 |
| Culture and recreation | 396,224 | 373,183 | 413,436 | 440,960 | 565,629 | 3,741,918 | 1,446,689 | 946,927 | 644,444 | 686,338 |
| Debt service | | | | | | | | | | |
| Principal | 555,000 | 695,000 | 685,000 | 725,000 | 770,000 | 810,000 | 860,000 | 750,000 | 515,000 | 500,000 |
| Interest | 353,351 | 467,922 | 400,758 | 367,619 | 334,751 | 417,212 | 501,850 | 463,565 | 422,507 | 397,210 |
| Refunding bond issuance costs | - | - | - | - | - | - | - | - | - | 69,755 |
| Capital outlay | - | - | - | - | - | - | - | - | - | 2,093,742 |
| Capital outlay - utility | 2,083,526 | 1,645,037 | 911,875 | 56,805 | 148,750 | 2,971,131 | 2,939,880 | 87,471 | 1,195,646 | 1,523,217 |
| Total expenditures | 9,331,819 | 10,139,089 | 9,952,346 | 9,238,081 | 10,360,320 | 19,155,494 | 18,488,300 | 14,232,590 | 14,917,185 | 15,568,052 |
| Excess of revenues over (under) expenditures | (847,515) | (1,016,047) | (70,540) | 2,724,333 | 5,281,140 | (3,034,949) | (3,304,353) | 563,686 | (1,214,044) | (914,799) |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 4,693,842 | 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 |
| Transfers out | (5,053,842) | (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) |
| Transfer to agency fund | (50,000) | (92,633) | - | - | - | - | - | - | - | - |
| Proceeds from the sale of capital assets | - | - | - | - | - | - | - | 30,217 | 43,364 | - |
| Cost of issuance | (56,924) | - | - | - | - | - | - | - | - | - |
| Proceeds on debt issuance | 5,690,000 | - | - | - | - | - | - | - | - | 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 | - | - | - | - |
| Payments on contingent liabilities | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | 5,223,076 | (732,596) | (709,300) | (1,160,000) | 690,439 | 4,445,722 | (698,240) | (641,967) | (230,000) | (230,000) |
| Net change in fund balances | \$ 4,375,561 | \$ (1,748,643) | \$ (779,840) | \$ 1,564,333 | \$ 5,971,579 | \$ 1,410,773 | \$ (4,002,593) | \$ (78,281) | \$ (1,370,680) | \$ (1,129,606) |
| Debt service as a percentage of noncapital expenditures | 12.53% | 13.69% | 12.01% | 11.90% | 10.82% | 7.58% | 8.76% | 8.58% | 6.83% | 6.39% |

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

TABLE 6

| Fiscal Year | Real Property Assessed Value | Other Property Assessed Value | Total Taxable Assessed Value | Total Direct Tax Rate |
|----------------|------------------------------------|-------------------------------------|---------------------------------------|-----------------------------|
| 2002 | * | * | * | * |
| 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 |

NOTE * Information is not available for the fiscal year 2002
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 | Total School Millage | |
| | Operating Millage | Debt Service Millage | Total City Millage | Operating Millage | Total Parish Millage | Operating Millage | Debt Service Millage | Total School District Millage | | | |
| 2002 | 21 50 | 2 65 | 24 15 | 32 82 | 32 82 | 61 20 | 25 90 | 87 10 | 45 99 | 87 10 | 190 06 |
| 2003 | 21 50 | 2 65 | 24 15 | 32 82 | 32 82 | 61 20 | 25 90 | 87 10 | 45 99 | 87 10 | 190 06 |
| 2004 | 18 16 | 2 65 | 20 81 | 32 82 | 32 82 | 61 20 | 25 90 | 87 10 | 48 49 | 87 10 | 189 22 |
| 2005 | 18 16 | 2 65 | 20 81 | 27 71 | 27 71 | 50 69 | 23 90 | 74 59 | 47 02 | 74 59 | 170 13 |
| 2006 | 18 16 | 3 46 | 21 62 | 31 71 | 31 71 | 55 94 | 21 90 | 77 84 | 56 02 | 77 84 | 187 19 |
| 2007 | 18 16 | 6 11 | 24 27 | 34 05 | 34 05 | 55 94 | 21 90 | 77 84 | 56 34 | 77 84 | 192 50 |
| 2008 | 17 54 | 5 50 | 23 04 | 35 98 | 35 98 | 55 94 | 21 90 | 77 84 | 56 34 | 77 84 | 193 20 |
| 2009 | 17 54 | 5 50 | 23 04 | 35 98 | 35 98 | 47 55 | 21 90 | 69 45 | 48 71 | 69 45 | 177 18 |
| 2010 | 17 54 | 5 50 | 23 04 | 32 47 | 32 47 | 47 55 | 20 90 | 68 45 | 49 71 | 68 45 | 173 67 |
| 2011 | 17 54 | 4 50 | 22 04 | 34 00 | 34 00 | 47 55 | 20 90 | 68 45 | 49 71 | 68 45 | 174 20 |

Source: St Tammany Parish Council

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

TABLE 8

| <u>Taxpayer</u> | <u>2011</u> | | | <u>2002</u> | | |
|---------------------------------|-----------------------------|------|--|------------------------|------|--|
| | 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 | \$ 3,223,204 | 1 | 2 96% | * | * | * |
| CLECO | 2,803,600 | 2 | 2 57% | * | * | * |
| Whitney National Bank (Hancock) | 867,310 | 3 | 0 80% | * | * | * |
| Delta Supply Chain Operations | 853,660 | 4 | 0 78% | * | * | * |
| Capital One, N A | 829,430 | 5 | 0 76% | * | * | * |
| Atmos Energy Corp | 655,555 | 6 | 0 60% | * | * | * |
| Resource Bank | 626,640 | 7 | 0 58% | * | * | * |
| Forest Manor Corp | 593,170 | 8 | 0 54% | * | * | * |
| Testiga Properties, LLC | 580,597 | 9 | 0 53% | * | * | * |
| Rouse Land Co | <u>554,605</u> | 10 | <u>0 51%</u> | * | * | * |
| TOTALS | <u><u>\$ 11,587,771</u></u> | | <u><u>10 63%</u></u> | <u><u>\$ -</u></u> | | <u><u>0 00%</u></u> |

* Information is not available for fiscal year 2002
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) |
| 2002 | * | * | * | * | * | * |
| 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 | 2,466,358 | 102% | * | 2,466,358 | 102% |
| 2010 | 2,369,066 | 2,337,157 | 99% | * | 2,337,157 | 99% |
| 2011 | 2,397,632 | 2,320,671 | 97% | \$ 7,250 | 2,327,921 | 97% |

(1) Total collections include redemptions
* Information not available

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

TABLE 10

| Taxpayer | 2011 | | | 2002 | | |
|-------------------|-----------------------|------|---|-----------------------|------|---|
| | Sales Tax Collections | Rank | Percentage of Total Sales Tax Collections | Sales Tax Collections | Rank | Percentage of Total Sales Tax Collections |
| Grocery Vendor 1 | \$ 413,976 | 1 | 4 65% | * | * | * |
| Auto Vendor 1 | 334,991 | 2 | 3 77% | * | * | * |
| Grocery Vendor 2 | 321,515 | 3 | 3 61% | * | * | * |
| Grocery Vendor 3 | 311,593 | 4 | 3 50% | * | * | * |
| Pharmacy Vendor 1 | 226,343 | 5 | 2 54% | * | * | * |
| Retail Vendor 1 | 191,374 | 6 | 2 15% | * | * | * |
| Pharmacy Vendor 2 | 147,928 | 7 | 1 66% | * | * | * |
| Pharmacy Vendor 3 | 146,081 | 8 | 1 64% | * | * | * |
| Retail Vendor 2 | 112,638 | 9 | 1 27% | * | * | * |
| Grocery Vendor 4 | 103,320 | 10 | 1 16% | * | * | * |
| TOTALS | \$ 2,309,759 | | 25 95% | \$ - | | 0 00% |

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

Note The sales tax rate is calculated at 8 75%

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

TABLE 11

| Fiscal Year | <u>Governmental Activities</u> | | | Total Primary Government | Percentage of Personal Income (1) | Per Capita (1) |
|-------------|--------------------------------|-------------------------|-------------------------|--------------------------|-----------------------------------|----------------|
| | General Obligation Bonds | Sales Tax Revenue Bonds | Community Disaster Loan | | | |
| 2002 | \$ 9,375,000 | \$ 404,684 | \$ - | \$ 9,779,684 | 0.17% | \$ 50.55 |
| 2003 | 8,680,000 | 299,066 | - | 8,979,066 | 0.14% | 44.57 |
| 2004 | 2,320,000 | 5,852,000 | - | 8,172,000 | 0.13% | 40.41 |
| 2005 | 2,040,000 | 5,376,000 | - | 7,416,000 | 0.11% | 35.26 |
| 2006 | 1,740,000 | 4,862,000 | 1,800,900 | 8,402,900 | 0.13% | 38.14 |
| 2007 | 7,220,000 | 4,346,000 | 1,800,900 | 13,366,900 | 0.17% | 58.98 |
| 2008 | 6,880,000 | 3,789,000 | 1,800,900 | 12,469,900 | 0.13% | 54.02 |
| 2009 | 6,675,000 | 3,205,000 | 1,800,900 | 11,680,900 | 0.12% | 50.03 |
| 2010 | 6,360,000 | 3,005,000 | 1,800,900 | 11,165,900 | 0.11% | 47.49 |
| 2011 | 6,122,000 | 2,775,000 | 1,800,900 | 10,697,900 | * | 45.77 |

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

| <u>Fiscal Year</u> | <u>General Obligation Bonds (2)</u> | <u>Less Amounts Available in Debt Service Fund (3)</u> | <u>Total</u> | <u>Percentage of Estimated Actual Taxable (1) Value of Property</u> | <u>Per Capita (4)</u> |
|--------------------|-------------------------------------|--|--------------|---|-----------------------|
| 2002 | \$ 9,375,000 | \$ 2,138,475 | \$ 7,236,525 | * | \$ 831 78 |
| 2003 | 8,680,000 | 2,042,413 | 6,637,587 | 12 20% | 762 94 |
| 2004 | 2,320,000 | 951,047 | 1,368,953 | 1 95% | 156 72 |
| 2005 | 2,040,000 | 759,704 | 1,280,296 | 1 76% | 145 16 |
| 2006 | 1,740,000 | 853,116 | 886,884 | 1 12% | 110 54 |
| 2007 | 7,220,000 | 867,229 | 6,352,771 | 7 22% | 697 49 |
| 2008 | 6,880,000 | 781,738 | 6,098,262 | 5 70% | 663 72 |
| 2009 | 6,675,000 | 870,128 | 5,804,872 | 5 53% | 629 32 |
| 2010 | 6,360,000 | 758,401 | 5,601,599 | 5 21% | 639 09 |
| 2011 | 6,122,000 | 698,510 | 5,423,490 | 4 98% | 621 03 |

(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> |
|-----------------------------------|-----------------------------|--|--|
| Debt repaid with property taxes | | | |
| St Tammany Parish | \$ 161,230,487 | 5% | \$ 8,061,524 |
| St Tammany Parish School Board | 315,057,583 | 5% | <u>15,752,879</u> |
| Subtotal, overlapping debt | | | 23,814,403 |
| City of Covington direct debt | | 100% | <u>6,122,000</u> |
| Total direct and overlapping debt | | | <u>\$ 29,936,403</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.

TABLE 14
CITY OF COVINGTON, LOUISIANA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

| | Fiscal Year | | | | | | | | | |
|---|-------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| 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 |
| Total net debt applicable to limit | * | (6,637,587) | (1,368,953) | (1,280,296) | (886,884) | (6,352,771) | (6,098,262) | (5,804,872) | (5,601,599) | (5,423,490) |
| Legal debt margin | * | \$ 12,406,135 | \$ 23,264,184 | \$ 24,230,504 | \$ 26,904,874 | \$ 24,460,873 | \$ 31,342,809 | \$ 30,966,453 | \$ 32,044,104 | \$ 32,706,848 |
| Total net debt applicable to the limit as a percentage of debt limit | * | 34.85% | 5.56% | 5.02% | 3.19% | 20.62% | 16.29% | 15.79% | 14.88% | 14.22% |

| Legal debt margin calculation for fiscal year 2011 | |
|--|----------------|
| Assessed value | \$ 108,943,823 |
| Debt Limit - 35% of \$108,943,823 (1) | \$ 38,130,338 |
| Debt applicable to the limit | |
| General obligation bonds | \$ 6,122,000 |
| Less Amount set aside for repayment of general obligation debt | (698,510) |
| Total net debt applicable to limit | 5,423,490 |
| Legal debt margin | \$ 32,706,848 |

* 2002 information was not available
(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 | | | |
| 2002 | \$ 5,168,419 | \$ 87,000 | \$ 38,415 | \$ 125,415 | 41 21 | |
| 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 | |

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) | St Tammany Parish Total Personal Income (1) | St Tammany Parish Per Capita Personal Income (1) | Unemployment Rate (3) | St Tammany Parish School Enrollment (4) | Median Age (2) |
|-------------|-------------------------------------|-------------------------------------|--|---|--------------------------|--|-------------------|
| 2002 | 8,700 | 193,466 | \$ 5,898,786,000 | \$ 30,097 | 4.5% | 33,202 | 36 |
| 2003 | 8,700 | 201,462 | 6,234,985,000 | 30,899 | 4.4% | 34,500 | 35 |
| 2004 | 8,735 | 202,203 | 6,565,576,000 | 31,639 | 4.5% | 35,239 | 35 |
| 2005 | 8,820 | 210,296 | 7,027,647,000 | 32,886 | 3.9% | 36,162 | 35 |
| 2006 | 8,023 | 220,295 | 6,214,212,000 | 28,270 | 4.2% | 32,983 | 35 |
| 2007 | 9,108 | 226,625 | 7,794,222,000 | 34,760 | 4.0% | 35,281 | 37 |
| 2008 | 9,188 | 230,846 | 9,973,932,276 | 43,206 | 2.9% | 35,534 | 37 |
| 2009 | 9,224 | 233,475 | 10,036,623,300 | 42,988 | 3.5% | 35,878 | 37 |
| 2010 | 8,765 | 235,133 | 10,568,933,217 | 44,949 | 5.3% | 36,441 | 37 |
| 2011 | 8,733 | 233,740 | * | * | 5.8% | 37,112 | * |

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 | 2011 | | | 2002 | | |
|------------------------------------|------------|---------------|------|--|--------------|------|--|
| | | Employees | Rank | % of Total St Tammany Parish Employment | Employees | Rank | % of Total St Tammany Parish Employment |
| St Tammany Parish Public Schools | Covington | 5,587 | 1 | 4.89% | 4,646 | 1 | 5.03% |
| St Tammany Parish Hospital | Covington | 1,679 | 2 | 1.44% | 1,083 | 2 | 1.16% |
| Wal-Mart | Parishwide | 1,125 | 3 | 0.97% | | | |
| Slidell Memorial Hospital | Slidell | 1,100 | 4 | 0.94% | 926 | 3 | 1.00% |
| Hornbeck Offshore Services, Inc | Covington | 1,025 | 5 | 0.88% | | | |
| Lakeview Regional Medical Center | Covington | 788 | 6 | 0.68% | 567 | 5 | 0.61% |
| St Tammany Parish Government | Parishwide | 722 | 7 | 0.62% | 429 | 7 | 0.46% |
| St Tammany Parish Sheriff's Office | Parishwide | 693 | 8 | 0.60% | 491 | 6 | 0.53% |
| Southeast Louisiana Hospital | Mandeville | 667 | 9 | 0.57% | | | |
| Ochsner Health Center | Slidell | 622 | 10 | 0.53% | | | |
| Northshore Regional Medical Center | Slidell | - | - | - | 545 | 4 | 0.59% |
| Gilsbar Inc | Covington | - | - | - | 349 | 8 | 0.38% |
| City of Slidell | Slidell | - | - | - | 342 | 9 | 0.37% |
| Bell South Communications | Parishwide | - | - | - | 215 | 10 | 0.23% |
| TOTAL | | <u>14,008</u> | | <u>12.12%</u> | <u>9,593</u> | | <u>10.36%</u> |

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

Sources

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

2002 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, | | | | | | | | | |
|-------------------------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| General Government | | | | | | | | | | |
| Council | * | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Administrative (1) | * | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Permits | * | 15 | 15 | 15 | 15 | 2 | 2 | 2 | 2 | 2 |
| Planning | * | 15 | 15 | 15 | 15 | 2 | 2 | 2 | 2 | 2 |
| Economic Development | * | 6 | 6 | 6 | 6 | 7 | 7 | 8 | 8 | 8 |
| Public Safety - Police | | | | | | | | | | |
| Police Employees | * | 42 | 45 | 45 | 46 | 46 | 51 | 52 | 53 | 53 |
| Public Safety - Fire | | | | | | | | | | |
| Firefighters | * | 8 | 8 | 8 | 8 | 9 | 10 | 16 | 16 | 16 |
| Dispatchers | * | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 |
| Public Works | | | | | | | | | | |
| Public Operations (2) | * | 21 | 21 | 21 | 21 | 21 | 19 | 20 | 20 | 17 |
| Public Utility (3) | * | 20 | 21 | 20 | 24 | 24 | 27 | 26 | 26 | 26 |
| Recreation and Culture | * | 4 | 4 | 4 | 4 | 4 | 7 | 7 | 7 | 7 |
| Total | * | <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> |

Source Adopted 2003 - 2011 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

* 2002 information was not available

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

TABLE 19

| Function | Fiscal Year | | | | | | | | | |
|--------------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Public Safety - Police | | | | | | | | | | |
| Total arrests | 662 | 909 | 596 | 645 | 965 | 1,478 | 1,670 | 1,470 | 833 | 612 |
| Parking tickets | * | * | * | * | * | 1,997 | 1,953 | 2,363 | 1,864 | 803 |
| Traffic violations (1) | 2,812 | 2,135 | 2,264 | 2,342 | 2,372 | 335 | 356 | 551 | 274 | 58 |
| Public Safety - Fire | | | | | | | | | | |
| Number of calls | * | * | * | 1,317 | 1,284 | 1,243 | 1,237 | 1,163 | 1,350 | 1,534 |
| Average Response times | * | * | * | 3 18 | 3 32 | 3 09 | 3 14 | 3 10 | 3 14 | 3 18 |
| Public Works | | | | | | | | | | |
| Potholes repaired | * | * | * | * | * | * | * | * | 376 | 409 |
| Trees cut | * | * | * | * | * | * | * | 145 | 75 | 141 |
| Public Utility | | | | | | | | | | |
| Water & Sewer | | | | | | | | | | |
| Number of billed accounts | * | * | * | * | * | * | 4,278 | 4,368 | 4,471 | 4,572 |
| New meter connections | * | * | * | * | * | * | 246 | 27 | 86 | 97 |
| Building Permits | | | | | | | | | | |
| New residential | * | 55 | 86 | 104 | 110 | 75 | 27 | 19 | 81 | 80 |
| Residential additions | * | 15 | 14 | 24 | 30 | 35 | 15 | 6 | 15 | 13 |
| Residential renovations | * | 27 | 26 | 26 | 68 | 22 | 17 | 15 | 11 | 21 |
| New commercial | * | 9 | 10 | 13 | 15 | 19 | 14 | 16 | 9 | 11 |
| Commercial additions | * | 8 | 2 | 5 | 7 | 11 | 2 | 1 | 3 | 2 |
| Commercial renovations | * | 24 | 21 | 28 | 26 | 18 | 11 | 14 | 15 | 10 |
| Recreation and Culture | | | | | | | | | | |
| Number of teams in softball league | * | * | * | * | * | * | * | * | 6 | 7 |
| Number of teams in baseball league | * | * | * | * | * | * | * | * | 13 | 14 |
| Number of teams in basketball league | * | * | * | * | * | * | * | * | 26 | 29 |
| Number of teams in football league | * | * | * | * | * | * | * | * | 9 | 7 |

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 | | | | | | | | | |
|-------------------------------------|-------------|------|------|------|------|------|------|------|------|------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| General Government | | | | | | | | | | |
| Vehicles | * | * | * | * | * | 4 | 4 | 5 | 6 | 6 |
| Office Furniture & Equipment | * | * | * | * | * | 18 | 18 | 21 | 28 | 28 |
| Tools & Equipment | * | * | * | * | * | 2 | 2 | 9 | 9 | 9 |
| Cemetery | * | * | * | * | * | 1 | 1 | 1 | 1 | 1 |
| Public Safety - Police | | | | | | | | | | |
| Vehicles | * | * | * | * | * | 47 | 47 | 52 | 51 | 56 |
| Office Furniture & Equipment | * | * | * | * | * | 14 | 14 | 18 | 22 | 24 |
| Tools & Equipment | * | * | * | * | * | 15 | 15 | 25 | 29 | 33 |
| Stations | * | * | * | * | * | 1 | 1 | 1 | 1 | 1 |
| Public Safety - Fire | | | | | | | | | | |
| Vehicles | * | * | * | * | * | 12 | 12 | 12 | 12 | 12 |
| Office Furniture & Equipment | * | * | * | * | * | 1 | 1 | 1 | 1 | 1 |
| Tools & Equipment | * | * | * | * | * | 20 | 20 | 24 | 25 | 25 |
| Fire houses | * | * | * | * | * | 2 | 2 | 2 | 2 | 2 |
| Public Works | | | | | | | | | | |
| Vehicles | * | * | * | * | * | 29 | 29 | 26 | 26 | 30 |
| Office Furniture & Equipment | * | * | * | * | * | 2 | 2 | 3 | 2 | 2 |
| Tools & Equipment | * | * | * | * | * | 38 | 38 | 41 | 44 | 51 |
| Public Utility | | | | | | | | | | |
| Water | | | | | | | | | | |
| Vehicles | * | * | * | * | * | 5 | 6 | 6 | 6 | 7 |
| Machinery & Equipment | * | * | * | * | * | 67 | 62 | 74 | 75 | 81 |
| Water tower | * | * | * | * | * | 1 | 1 | 1 | 1 | 1 |
| Pumping stations | * | * | * | * | * | 9 | 10 | 10 | 10 | 10 |
| Sewer | | | | | | | | | | |
| Vehicles | * | * | * | * | * | 6 | 6 | 8 | 9 | 9 |
| Machinery & Equipment | * | * | * | * | * | 120 | 115 | 128 | 128 | 131 |
| Recreation and Cultural Arts | | | | | | | | | | |
| Vehicles | * | * | * | * | * | 2 | 2 | 4 | 4 | 4 |
| Office Furniture & Equipment | * | * | * | * | * | 3 | 3 | 3 | 3 | 2 |
| Tools & Equipment | * | * | * | * | * | 11 | 11 | 24 | 25 | 25 |
| Number of parks | * | * | * | * | * | 10 | 10 | 10 | 10 | 10 |

Source Various city departments

* Information not available

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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 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 25, 2012. 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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified in internal control over financial reporting that we consider to be a material weakness and a deficiency

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness, 2011-01.

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.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City of Covington's financial statements are free of 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 an 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 2011-01.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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

May 25, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Covington, Louisiana (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have direct and material effect on each of the City of Covington's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in item 2011-01 in the accompanying schedule of findings and questioned costs, the City, did not comply with requirements regarding OMB Circular A-133 that are applicable to its Schedule of Federal Awards. This compliance is necessary, in our opinion, for the City to comply with the requirements applicable to each program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and no other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-01 to be a material weakness.

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.

The City response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

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

May 25, 2012

CITY OF COVINGTON, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

| DESCRIPTION | CFDA NUMBER | GRANT NUMBER | TOTAL GRANT AWARD | FEDERAL AND OTHER EXPENDITURES |
|---|----------------|---------------------|-------------------------|--------------------------------------|
| DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | |
| Pass through the State of Louisiana | | | | |
| Office of Community Service | | | | |
| Community Development Block Grant Resiliency Pilot Program | 14 228 | 702601 | \$ 135,863 | \$ 60,383 |
| Community Development Block Grant Disaster Recovery Program | 14 228 | 682254 | 226,071 | <u>226,071</u> |
| TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | | <u><u>\$ 286,454</u></u> |
| DEPARTMENT OF JUSTICE | | | | |
| Direct | | | | |
| Bureau of Justice Assistance | | | | |
| Bulletproof Vest Partnership Grant | 16 607 | - | 22,817 | \$ 5,499 |
| Pass through the State of Louisiana | | | | |
| Bureau of Justice Assistance | | | | |
| Criminal Patrols | 16 738 | B09-7-004 | 10,000 | <u>2,899</u> |
| TOTAL DEPARTMENT OF JUSTICE | | | | <u><u>\$ 8,398</u></u> |
| DEPARTMENT OF URBAN AND COMMUNITY FORESTRY | | | | |
| Pass through the State of Louisiana | | | | |
| Department of Agriculture and Forestry | | | | |
| Urban and Community Forestry Program | 10 675 | 10-DB11083122-003 | 5,450 | <u>\$ 5,450</u> |
| TOTAL DEPARTMENT OF URBAN AND COMMUNITY FORESTRY | | | | <u><u>\$ 5,450</u></u> |
| DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT | | | | |
| Pass through the State of Louisiana | | | | |
| Department of Public Safety and Corrections LA Highway Safety Commission | | | | |
| State and Community Highway Safety | 20 600 | 2011-30-36 | 9,675 | \$ 9,675 |
| State and Community Highway Safety | 20 600 | 2012-30-23 | 8,192 | - |
| Alcohol Open Container Requirements | 20 607 | 2011-30-36 | 9,030 | 7,430 |
| Alcohol Open Container Requirements | 20 607 | 2012-30-23 | 14,835 | 590 |
| Highway Planning and Construction | 20 205 | 2011-30-36 | 3,225 | 585 |
| Highway Planning and Construction | 20 205 | 2012-30-23 | 9,998 | - |
| Pass through the State of Louisiana | | | | |
| Department of Transportation and Development | N/A | ENH-5207(500) | 227,000 | <u>191,950</u> |
| TOTAL DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT | | | | <u><u>\$ 210,230</u></u> |
| DEPARTMENT OF HOMELAND SECURITY | | | | |
| 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 | \$ 88,051 |
| Hazard Mitigation Plan Update, Planning Program | 97 039 | HMGP-1603N-103-0058 | 48,750 | <u>39,236</u> |
| TOTAL DEPARTMENT OF HOMELAND SECURITY | | | | <u><u>\$ 127,287</u></u> |
| TOTAL FEDERAL FINANCIAL ASSISTANCE | | | | <u><u>\$ 637,819</u></u> |

See Notes to Schedule of Expenditures of Federal Awards

CITY OF COVINGTON, LOUISIANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2011

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, 2011**

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 | Yes |
| b | Significant deficiencies identified not considered to be material weaknesses | No |
| c. | Noncompliance material to the financial statements noted | No |

Federal Awards

| | | |
|----|---|------------------------|
| 3 | Internal control over major programs | |
| a | Material weakness identified | Yes |
| b. | Significant deficiencies identified not considered to be material weaknesses | No |
| 4. | Type of auditor's report issued on compliance for each major fund | Qualified |
| 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 programs | CFDA Number |
| a. | Community Development Block Grants | <u>97 039</u> |
| b. | Hazard Mitigation Grants Programs | 14.228 |
| 7 | Dollar threshold used to distinguish between Type A and B programs | \$300,000 |
| 8 | Auditee qualified as a low-risk auditee | Yes |

CITY OF COVINGTON, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2011

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

MATERIAL WEAKNESS

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

Finding:

Through review of the City's grant activity and the process of gathering information for required reporting, we determined that there is a need for improvement in the procedures related to the preparation of the Schedule of Expenditures of Federal Awards ("SEFA"), including the accuracy and completeness of expenditure amounts reported on the SEFA. The City does not have a centralized process to gather the information required to be reported under OMB Circular A-133. As a result, there is a risk that the schedule could contain material errors and omissions.

Recommendation

We recommend that the City create a process and designate an employee to track, account for and accurately report all information required to be included on the SEFA and that the City also designate an employee to periodically verify the accuracy of the SEFA.

CITY OF COVINGTON, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended December 31, 2011

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

MATERIAL WEAKNESS

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

Finding.

Through review of the City's grant activity and the process of gathering information for required reporting, we determined that there is a need for improvement in the procedures related to the preparation of the Schedule of Expenditures of Federal Awards ("SEFA"), including the accuracy and completeness of expenditure amounts reported on the SEFA. The City does not have a centralized process to gather the information required to be reported under OMB Circular A-133. As a result, there is a risk that the schedule could contain material errors and omissions.

Recommendation

We recommend that the City create a process and designate an employee to track, account for and accurately report all information required to be included on the SEFA and that the City also designate an employee to periodically verify the accuracy of the SEFA.

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

SECTION I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings related to the financial statement audit in the prior year.

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

N/A

SECTION III - MANAGEMENT LETTER

N/A.

**CITY OF COVINGTON, LOUISIANA
CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2011**

FINDING 2011-01

Management's Response

The City has assigned an employee to track, account for, and regularly report the status of the grants to the Finance Director. In addition, the City has established a Grants Fund, within the City's financial records, to more effectively monitor and track expenditures of each grant in the future.