

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year ended June 30, 2024



Photo Credit: Sam Greenhill

# **City of Covington, Kentucky**

**Financial Statements  
With Supplementary Information  
Year Ended June 30, 2024  
With Independent Auditors' Report**

CITY OF COVINGTON, KENTUCKY

June 30, 2024

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## OFFICE OF THE CITY MANAGER

February 18, 2025

Mayor, City Commissioners and Citizens of the City of Covington, Kentucky:

We are pleased to present the City of Covington, Kentucky's (City) Annual Comprehensive Financial Report (ACFR), for the fiscal year (FY) that ended on June 30, 2024. This report is intended to provide informative and relevant financial data to the residents of the City, the City Commission, investors, creditors, and any other interested reader. It includes all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities. The reader should pay particular attention to the required Management's Discussion and Analysis (MD&A) - a narrative overview and analysis of the financial statements – included in this document. Any individual with comments or questions concerning this report is encouraged to contact the City's Finance Department at (859) 292-2180. This report may also be found online at [www.covingtonky.gov/financials](http://www.covingtonky.gov/financials)

State law requires that all general-purpose local governments publish each FY a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in accordance with the implementation of Governmental Accounting Standards Board (GASB) Statement 34 and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the ACFR for the City for the FY that ended on June 30, 2024.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement(s). To the best of our knowledge and belief, this financial report is complete and reliable in all material respects and fairly presents the financial position and results of the operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included in this report.

The City's financial statements have been audited by Barnes Dennig Certified Public Accountants, with a local office in Crestview Hills, KY. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year that ended on June 30, 2024, are free of material misstatement(s). The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year that ended on June 30, 2024, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, involving the administration of Federal awards. These reports are available in the City's Single Audit report, attached as an addendum to the ACFR.

GAAP requires management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

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

The City, founded in 1815, is located in the northern most part of the state, situated in Kenton County and is part of the Northern Kentucky Region, which ranks as one of the top growth areas in Kentucky. The City currently occupies a land area of 13.2 square miles and serves an estimated population of 40,956. The City is empowered to levy numerous taxes and fees. Its major revenue sources include an occupational license tax levied on gross wages and net profits of businesses, an insurance premium license fee, and a property tax on both real and personal properties.

The City operates under the City Manager form of government. Executive and Legislative authority is vested in the City's Board of Commissioners (Board), consisting of the Mayor and four Commissioners. The Board is responsible for among other tasks, approving ordinances, adopting the budget, appointing members to various boards, and approving the hiring of all full-time employees. The City Manager reports directly to the Board and is responsible for carrying out its policies and ordinances, the development of short- and long-range planning, capital improvement programs, and the running of the day-to-day operations of the City. The Commissioners are elected on a non-partisan basis. The Mayor serves a four-year term and the Commissioners each serve a two-year term.

The City provides a full range of services including full-time professional police and fire services; advanced life support emergency services; street maintenance and improvement; waste and recyclable materials collection services; a full range of recreational areas and activities; cultural events; planning and zoning; housing rehabilitation and development; and public nuisance and zoning code enforcement. In addition to these services, the governing body is responsible for funding the Employees' Retirement Fund and the Police and Firemen's Retirement Fund. These legacy funds have been closed to new members for around 30 years and are in the runout phase.

The City's annual budget serves as the foundation for financial planning and control. Budget targets are set for each department based on current revenue estimates and adjusted for current trends. All departments are required to submit budget requests for appropriation to the City Manager. The budget requests must be within budget targets. The City Manager uses these requests as the starting point for developing a recommended structurally balanced budget. The City Manager then presents the recommended budget to the Board for review no less than 30 days prior to the end of the fiscal year. A structurally balanced budget is required by State law and the Kentucky Constitution. The final budget is adopted prior to July 1 of each year. The appropriated budget is prepared by fund and department. Department heads may make transfers of appropriations within a department with the approval of the City Manager, or his designee. The City Manager cannot make transfers of appropriations between funds without the approval of the Board. Expenditures may not legally exceed budgeted appropriations at the fund level. Any revisions to the budget that would alter total revenues and total expenditures of any fund must be approved by the Board. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

### ***Information Useful in Assessing the Economic Condition***

The information presented in the financial statements is perhaps best understood when it is considered from the perspective of the environment within which the City operates.

The City has maintained its efforts in developing economic resources in the Greater Cincinnati/Northern Kentucky region and has nurtured important partnerships along the way, including the Catalytic Development Funding Corporation and Northern Kentucky Tri-County Economic Development Corporation. The business-friendly attitude of Covington's elected and appointed officials and other community leaders over the past several years has positioned the City for economic growth in the foreseeable future.

Like all Cities in Kentucky, Covington is reliant on economically sensitive revenue. The City's revenue sources are dictated by the Commonwealth of Kentucky. Occupational license fees (payroll tax and net profit taxes) represent about half of all General Fund Revenue. The City realized an increase in payroll tax revenue of 3.6% versus fiscal year 2023.

As the world continues to recover and readjust from the impacts of the COVID-19 global pandemic, our Economic Development Team continues to attract, retain, and assist our businesses and investors through face-to-face meetings with brokers and developers, conducting business retention visits, and making deals to attract new jobs to Covington. In addition to the traditional economic development activities and in response to the growing demand for talent and workers, we placed an emphasis on workforce development in 2024. Through partnerships with the public workforce development system, the Esperanza Latino Center, the Building Industry Association, and the Covington Academy of Heritage Trades, we invested in initiatives to create a talent pipeline for Covington businesses while helping our residents improve their skills.

Our efforts were recognized nationally and internationally with Money Magazine naming Covington one of the 50 Best Places to Live in 2024 and the International Economic Development Council awarding Covington a Bronze Award for the Spanish version of our Business Guide, silver awards for our annual impact report, economic development website, and the formation of the Covington Academy of Heritage Trades. They awarded us a gold award for Economic Development Innovation for our unique approach to the redevelopment of Covington Central Riverfront (CCR) the 23-acre former IRS site. This project is the subject of a viral podcast on YouTube which has attracted more than 430,000 views.

That award-winning project also saw major construction begin with Phase I of the horizontal infrastructure (including water, sewer, gas, electric, communications, alleys, streets and public spaces) nearing completion by the end of the year. As the public infrastructure is being developed, private developers are signing deals to develop the various blocks within the new neighborhood. 2024 saw the approval of 16 townhomes, 10 single-family detached homes, two mixed-use corner buildings and a one-block complex which includes 257 market rate apartments, a parking garage and retail space. The City is currently negotiating with developers for 8 additional parcels in the neighborhood with deals expected to be announced in Q1 of 2025.

While the Central riverfront may be the most prolific development topic in the region, our team continues to achieve success throughout the city.

The numbers tell the story:

- Attraction of more than 300 new high-wage jobs
- Achieved a 120:1 ROI on new capital investment excluding CCR projects
- \$.5 MM incentives attracted \$60.7 MM announced private investment
- \$82.7 MM private investment announced at CCR
- Unemployment rate of 3.1 percent
- Over 105,000 square feet of vacant commercial space filled/improved
- Issued 882 zoning permits and Certificates of Appropriateness, affirming our new Neighborhood Development Code makes Covington one of the easiest places to invest and do business in the region.

140,000 sf industrial spec building in Latonia (the first in decades) was 100 percent leased less than a year after completion. The three new tenants will bring more than 280 new high-wage jobs and \$60 MM in additional capital investment.

The preparation of the ACFR was made possible by the dedicated service of the entire staff of the Department of Finance and various staff of other departments. Each member has our sincere appreciation for the contributions made in the preparation of this report. We also acknowledge the efforts of Barnes Dennig for their work in preparing this report. Recognition is also given to the Mayor and Commissioners for their unfailing interest, support, and integrity in guiding the City's financial operations.

Respectfully submitted,



Ken Smith  
City Manager



Steve Webb  
Finance Director

**City of Covington, Kentucky  
Elected and Appointed Officials June 30, 2024**

Elected Officials

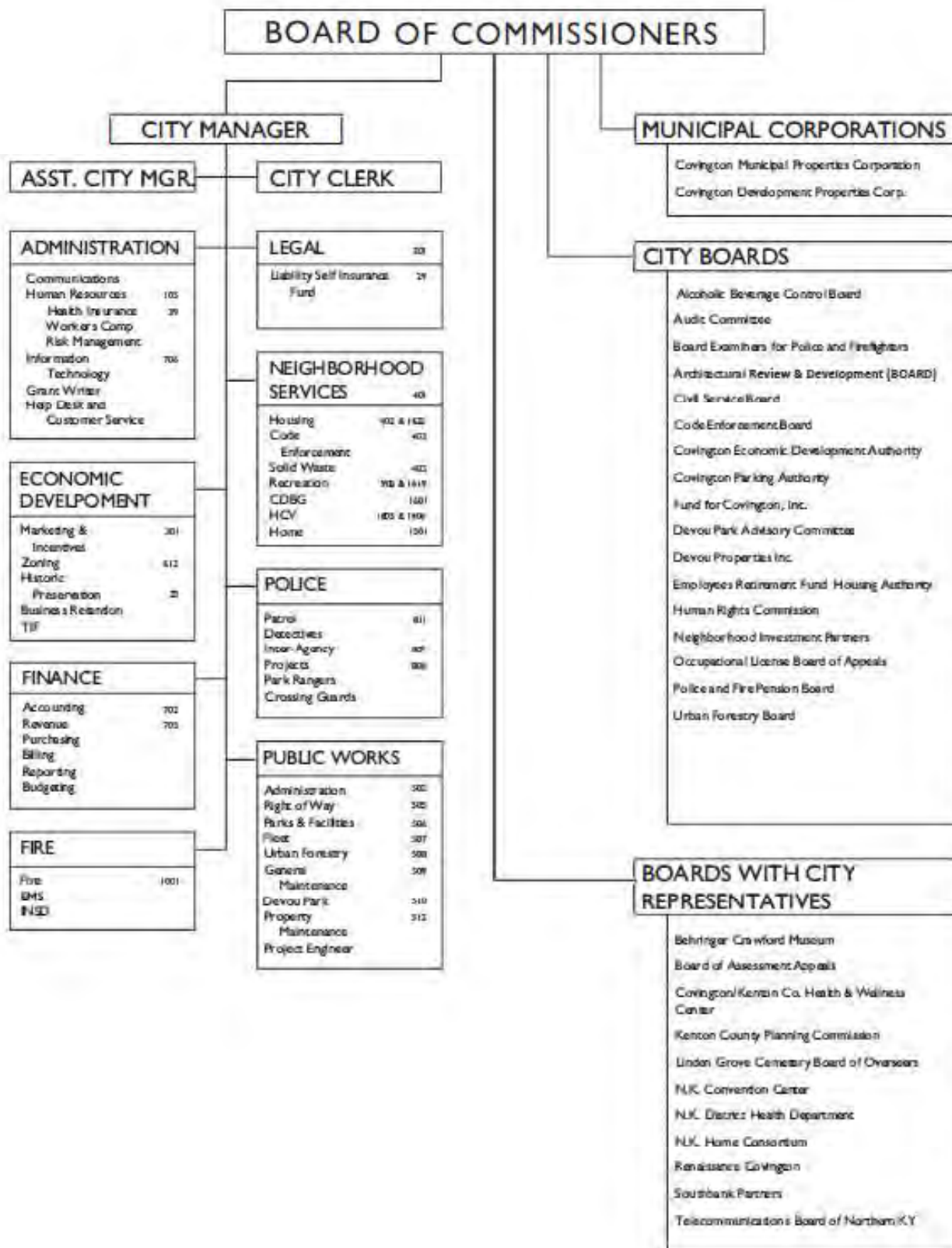
Mayor .....	Joseph Meyer
Commissioner/Mayor Pro Tem.....	Ron Washington
Commissioner .....	Tim Downing
Commissioner .....	Shannon C. Smith
Commissioner .....	Steve Hayden

Appointed Officials

City Manager .....	Ken Smith
City Solicitor.....	Frank Schultz
Finance Director .....	Steve Webb
Neighborhood Services Director .....	Brandon Holmes
City Clerk.....	Susan Ellis
Chief of Police .....	Brian Valenti
Fire Chief.....	Corey Deye
Public Works Director .....	Keith Bales
Economic Development Director .....	Tom West
Human Resources Director .....	Cindy Lewis
Communications Director.....	Dan Hassert

# COVINGTON, KENTUCKY

## ORGANIZATION CHART



## Independent Auditors' Report

To the Mayor, City Commissioners and Citizens  
City of Covington, Kentucky  
Covington, Kentucky

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Covington, Kentucky as of and for the year ended June 30, 2024 and the related notes to the financial statements, which collectively comprise the City of Covington, Kentucky's basic financial statements as listed in the table of contents.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Covington, Kentucky, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Covington, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Emphasis of Matter

As discussed in Note 17 to the financial statements, the City recorded a prior period adjustment as a correction of error for assets that were disposed of in prior years but not recorded as disposed. Our opinion is not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Covington, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Independent Auditors' Report  
(Continued)**

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Covington, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Covington, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (unaudited), budgetary comparison and pension liability and OPEB liability and contributions information on pages 10-22, 89-92, and 96-103 as listed in the table of contents 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.

**Independent Auditors' Report  
(Continued)**

**Other Matters (Continued)**

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Covington, Kentucky's basic financial statements. The combining and individual nonmajor fund financial statements and statement of receipts and disbursements of bonds 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the statement of receipts and disbursements of bonds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the statement of receipts and disbursements of bonds and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2025, on our consideration of the City of Covington, Kentucky'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Covington, Kentucky's internal control over financial reporting and compliance.



Crestview Hills, Kentucky  
February 18, 2025

## CITY OF COVINGTON, KENTUCKY

### Management's Discussion and Analysis (MD&A – Unaudited) Year Ended June 30, 2024

The following is a narrative overview and analysis of the financial activities of the City for the fiscal year (FY) ending on June 30, 2024. This discussion and analysis serve as an introduction to the City's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

#### FINANCIAL HIGHLIGHTS

The City's financial highlights for the FY ended June 30, 2024 include:

- The City's FY 2024 carry-over is \$316,298 resulting in a General Fund balance at year-end of \$23,131,218.
- The City recognized an increase in payroll tax revenue of 3.6% over FY 2024.
- The City recognized an increase in net profit revenue of 2.4% over FY 2024.
- The City's insurance license fee increased to \$11,506,198 in FY 2024, a increase of \$877,337 or 8.3% from the previous year.

#### OVERVIEW OF FINANCIAL STATEMENTS

**Government-wide financial statements.** The *government-wide financial statements* provide readers with a broad overview of the City's finances.

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

The *Statement of Activities* presents information regarding changes to the City's net position during the most recent FY. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include functions of the City, police, fire, public improvements, parks and recreation, and general administration services, that are principally supported by licenses, fees, taxes, and intergovernmental revenues (*governmental activities*).

The government-wide financial statements include the *primary government* and Devou Properties, Inc., a legally separate non-profit organization. Financial information for Devou Properties, Inc. is reported separately from the financial information presented for the primary government itself. The Municipal Properties Corporation and the Covington Motor Vehicle Parking Authority (Parking Authority), although legally separate entities, function as departments of the City and therefore have been included as integral parts of the primary government.

**Fund Financial Statements.** A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

## CITY OF COVINGTON, KENTUCKY

### Management's Discussion and Analysis (MD&A – Unaudited) Year Ended June 30, 2024 (Continued)

**Governmental Funds:** Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements, however, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the FY.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and IRS Site Construction Fund, which are considered major funds. Data from other governmental funds are combined into a single aggregated presentation.

The City adopts an annual appropriation budget for its governmental funds. A budgetary comparison statement is provided for general and special revenue major funds to demonstrate compliance with the adopted budgets.

**Proprietary Funds:** Proprietary funds are used to account for activity when the City charges users for the full cost of the services it provides, whether to outside customers or to other units of the City. Proprietary funds can be classified into two subcategories: enterprise funds and internal service funds. The Parking Authority Fund is the City's only enterprise fund. The enterprise fund is reported as business-type activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of the City's risks and for medical and dental coverage for its employees. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Because both services benefit governmental functions, they have been included within *governmental activities* in the government-wide financial statements.

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City is trustee, or fiduciary, for two retirement funds: the Police and Firemen's Retirement Fund and the Employee's Retirement Fund. Both funds are closed pension funds held solely for trust beneficiaries.

**Notes to the Financial Statements:** The notes to financial statements provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements.

**CITY OF COVINGTON, KENTUCKY**

**Management's Discussion and Analysis (MD&A – Unaudited)  
Year Ended June 30, 2024  
(Continued)**

**Financial Analysis of the Government-Wide Financial Statements**

The *Statement of Net Position* presents information on the City's assets, liabilities, and deferred outflows and inflows of resources. *Net position (deficit)* is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Increases or decreases in net position can serve as a useful indicator of the overall health of the City's financial position.

Net position, over time, may serve as a useful indicator of a government's financial position. In the case of the City's governmental activities, liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$58,209,702, at the close of the most recent FY.

	<b>Governmental Activities</b>		
	<b>2024</b>	<b>2023</b>	<b>Change</b>
Current and other assets	\$ 87,183,005	\$ 73,055,726	\$ 14,127,279
Noncurrent assets	113,399,736	106,024,175	7,375,561
Total assets	200,582,741	179,079,901	21,502,840
Deferred outflows	36,449,537	48,680,648	(12,231,111)
Noncurrent liabilities:			
Net pension liability	101,477,784	127,061,927	(25,584,143)
Net OPEB liability	3,394,497	32,942,518	(29,548,021)
Other long-term liabilities	95,292,938	63,750,134	31,542,804
Other liabilities	32,835,529	35,838,124	(3,002,595)
Total liabilities	233,000,748	259,592,703	(26,591,955)
Deferred inflows	62,241,232	27,307,738	34,933,494
Net position:			
Investment in capital assets (net of debt)	31,218,006	37,739,351	(6,521,345)
Restricted	4,995,687	6,810,667	(1,814,980)
Unrestricted	(94,423,395)	(103,689,910)	9,266,515
Total net position	\$ (58,209,702)	\$ (59,139,892)	\$ 930,190

The largest portion of the City's net position (\$31,218,006) reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings and improvements, machinery and equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

As noted earlier, increases, and decreases of net position can serve as a useful indicator of changes in a government's financial position. In FY 2024, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$58,209,702. Total assets increased from the prior FY (FY 2023) by \$20,582,840 and total liabilities decreased by \$26,591,955.

**CITY OF COVINGTON, KENTUCKY**

**Management's Discussion and Analysis (MD&A – Unaudited)  
Year Ended June 30, 2024  
(Continued)**

**Financial Analysis of the Government-Wide Financial Statements (Continued)**

In the case of the City's business-type activities, assets exceeded liabilities by \$8,714,259, at the close of the FY.

	<b>Business-type Activities</b>		
	<b>2024</b>	<b>2023</b>	<b>Change</b>
Current and other assets	\$ 3,977,867	\$ 2,802,789	\$ 1,175,078
Noncurrent assets	9,404,770	9,441,394	(36,624)
Total assets	13,382,637	12,244,183	1,138,454
Noncurrent liabilities	3,717,383	3,612,019	105,364
Other liabilities	199,403	212,667	(13,264)
Total liabilities	3,916,786	3,824,686	92,100
Deferred inflows	751,592	812,946	(61,354)
Net position:			
Investment in capital assets (net of debt)	7,672,453	7,476,529	195,924
Unrestricted	1,041,806	130,022	911,784
Total net position	\$ 8,714,259	\$ 7,606,551	\$ 1,107,708

Commissioner's Ordinance O-07-18 created the Parking Authority. The Parking Authority has the powers of acquisition, incurring of debt, creation and operation of public street and off-street parking facilities. As of June 30, 2024, this component unit of the City of Covington had \$9,404,770 in parking related assets, which are comprised mostly of surface lots and parking garages and \$3,916,786 in parking related long-term debt.

**CITY OF COVINGTON, KENTUCKY**

**Management's Discussion and Analysis (MD&A – Unaudited)  
Year Ended June 30, 2024  
(Continued)**

**Statement of Activities – Governmental:**

	<b>Governmental Activities</b>		
	<b>2024</b>	<b>2023</b>	<b>Change</b>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 7,232,001	\$ 7,150,053	\$ 81,948
Operating grants	19,461,748	22,660,484	(3,198,736)
Capital grants	2,939,553	1,082,376	1,857,177
Total program revenues	<u>29,633,302</u>	<u>30,892,913</u>	<u>(1,259,611)</u>
General Revenues			
Taxes	57,157,917	54,587,549	2,570,368
Investment income	1,862,926	(357,891)	2,220,817
Interest income	271,563	240,416	31,147
Miscellaneous	(25,711,719)	26,883,224	(52,594,943)
Loss on sale of assets	(815,207)	(527,397)	(287,810)
Total general revenues	<u>32,765,480</u>	<u>80,825,901</u>	<u>(48,060,421)</u>
Total revenues	<u>62,398,782</u>	<u>111,718,814</u>	<u>(49,320,032)</u>
<b>Expenses</b>			
General government	(12,625,222)	36,108,200	(48,733,422)
Police	20,828,152	19,823,132	1,005,020
Fire	22,531,808	19,997,532	2,534,276
Public improvements	14,779,721	13,715,835	1,063,886
Community Development	15,250,833	14,512,942	737,891
Interest on long-term debt	1,811,008	1,754,215	56,793
Total expenses	<u>62,576,300</u>	<u>105,911,856</u>	<u>(43,335,556)</u>
Change in net position	<u>\$ (177,518)</u>	<u>\$ 5,806,958</u>	<u>\$ (5,984,476)</u>

In FY 2024, government-wide revenues decreased compared to FY 2023 by \$49,320,032 and government-wide expenses decreased by \$43,335,556.

The major components of the government-wide revenue increases were:

- Program revenues decreased in FY 2024 compared to FY 2023 due to an decrease in operating grants and contributions.
- General Revenues were lower in FY 2024 than FY 2023 primarily due to a decrease in GASB 68 and GASB 75 deferred outflows.

The major components of changes in government-wide expenses were:

- Police, Fire and Public Works expenses were higher in FY 2024 than FY 2023 primarily due to an increase in personnel costs.
- General expenses were lower in FY 2024 than FY 2023 primarily due to an increase in GASB 68 and GASB 75 deferred inflows.

**CITY OF COVINGTON, KENTUCKY**

**Management's Discussion and Analysis (MD&A – Unaudited)  
Year Ended June 30, 2024  
(Continued)**

**Statement of Activities – Business-type:**

	<b>Business-type Activities</b>		
	<b>2024</b>	<b>2023</b>	<b>Change</b>
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 3,361,190	\$ 3,145,553	\$ 215,637
Total program revenues	<u>3,361,190</u>	<u>3,145,553</u>	<u>215,637</u>
General Revenues			
Interest income	28,161	30,486	(2,325)
Total general revenues	<u>28,161</u>	<u>30,486</u>	<u>(2,325)</u>
Total revenues	<u>3,389,351</u>	<u>3,176,039</u>	<u>213,312</u>
<b>Expenses</b>			
Parking authority	2,281,643	1,791,125	490,518
Total expenses	<u>2,281,643</u>	<u>1,791,125</u>	<u>490,518</u>
Change in net position	<u>\$ 1,107,708</u>	<u>\$ 1,384,914</u>	<u>\$ (277,206)</u>

In FY 2024, the Parking Authority's total revenue from parking related activities were \$3,361,190 while expenses totaled \$2,281,643. Most of the expenses, approximately \$1,512,384 were directly related to the management contract with ABM parking.

## CITY OF COVINGTON, KENTUCKY

### Management's Discussion and Analysis (MD&A – Unaudited) Year Ended June 30, 2024 (Continued)

#### Financial Analysis of the Government's Funds

##### *Governmental Funds*

As of June 30, 2024, the City's governmental funds reported combined fund balances of \$34,478,700, a decrease of \$774,281 from the prior FY. Much of this decrease in the major funds occurred in the IRS Site Construction Fund.

The unassigned fund balance is available for spending at the City's discretion. The other fund balances are non-spendable, restricted, committed, or assigned. Non-spendable fund balance of \$2,298,496 cannot be spent either because it is in non-spendable form or because there are legal or contractual reasons. Restricted funds, totaling \$4,995,687, are amounts that can be spent only for specific purposes e.g. (1) for approved Capital Improvement projects, (2) or restricted by state or federal laws, or (3) restricted by externally imposed conditions by grantors or creditors.

Committed funds, totaling \$11,235,886, are amounts that can be used only for specific purposes as determined by formal action of the Commission by Ordinance or Order. Assigned funds, totaling \$11,250,000, are amounts designated by Commission for a particular purpose but are not spendable until a Budget Ordinance is passed or there is a majority vote approval. Funds in the Committed and Assigned categories include deposits in accounts per the City's General Fund Operating Reserve Fund (GFORF) Ordinance, O-05-19. The City's GFORF Ordinance was created to establish and prioritize fiscal stability, sustainability, and growth. The Ordinance specifically authorizes a process for ensuring that the City's legal and financial obligations are met by specifying deposit accounts such as the (1) GFORF - used to meet the general operating expenses of the City including payroll, benefits and other operating expenses when the City experiences a downturn, (2) the Self-insured Liability Fund – used to manage the City's risk exposure for general liability claims, and (3) the Self-insured Employee Health Plan Fund – used to provide funding for the City's Self-Insured Employees Health Plan.

The GFORF Ordinance also reaffirmed previous Ordinances that established the following specific deposit accounts:

- Fleet, Equipment, Technology, Facilities and Other Capital Projects Fund – used to provide for the City's business needs so that services can be efficiently and effectively maintained and delivered, including fleet, equipment, technology, facilities, and other capital projects as determined by Commission.
- Infrastructure Fund – used to provide funding and investment in the City's infrastructure needs (streets, curbs, sidewalks, streetlights, sewers, and bridges).
- Covington Economic Development Program Fund – used to provide funding for economic development projects, programs, and services as recommended to Commission by the Covington Economic Development Authority.
- Tax Increment Financing (TIF) Fund – used to provide for the City's economic development needs dedicating 80% of the Incremental Revenues from Real Property Ad Valorem and Occupational Taxes generated within the TIF district to economic development activities.

**CITY OF COVINGTON, KENTUCKY**

**Management's Discussion and Analysis (MD&A – Unaudited)  
Year Ended June 30, 2024  
(Continued)**

	<u>General Fund</u>	<u>Housing Voucher Program</u>	<u>American Rescue Plan Act Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 7,519,403	\$ 2,230,534	\$ -	\$ 17,753,568	\$ 5,412,476	\$ 32,915,981
Investments	24,001,682	440,652	-	-	-	24,442,334
Receivables (net of allowance for doubtful accounts):						
Taxes	8,590,498	-	-	-	-	8,590,498
Intergovernmental	-	-	-	-	3,963,931	3,963,931
Notes	2,635,000	-	-	-	3,222,221	5,857,221
Accounts	500,667	-	-	-	4,931,231	5,431,898
Leases	-	-	-	-	936,821	936,821
Due from other funds	11,998,036	-	13,826,390	-	12,682,364	38,506,790
Prepaid items	29,464	-	29,999	-	17,065	76,528
Advances to other funds	2,251,967	-	-	-	-	2,251,967
<b>Total assets</b>	<b>\$ 57,526,717</b>	<b>\$ 2,671,186</b>	<b>\$ 13,856,389</b>	<b>\$ 17,753,568</b>	<b>\$ 31,166,109</b>	<b>\$ 122,973,969</b>
<b>Liabilities</b>						
Accounts payable	\$ 686,424	\$ 38,845	\$ 14,195	\$ -	\$ 3,106,140	\$ 3,845,604
Accrued liabilities	2,245,709	-	-	-	109,467	2,355,176
Notes payable	-	-	-	17,785,000	-	17,785,000
Due to other funds	26,472,952	777,185	-	-	9,073,683	36,323,820
Due to fiduciary funds	1,174,565	-	-	-	-	1,174,565
Unearned Revenue	2,224	115,205	13,842,194	-	1,794,468	15,754,091
<b>Total liabilities</b>	<b>\$ 30,581,874</b>	<b>\$ 931,235</b>	<b>\$ 13,856,389</b>	<b>\$ 17,785,000</b>	<b>\$ 14,083,758</b>	<b>\$ 77,238,256</b>
<b>Deferred Inflow of Resources</b>						
Leases	-	-	-	-	909,794	909,794
Unavailable revenue	3,813,625	-	-	-	6,533,594	10,347,219
<b>Total deferred inflow of resources</b>	<b>\$ 3,813,625</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,443,388</b>	<b>\$ 11,257,013</b>
<b>Fund Balances</b>						
Nonspendable	2,281,431	-	-	-	17,065	2,298,496
Restricted	-	1,739,951	-	-	3,255,736	4,995,687
Committed	-	-	-	-	11,235,886	11,235,886
Assigned	10,000,000	-	-	-	1,250,000	11,250,000
Unassigned	10,849,787	-	-	(31,432)	(6,119,724)	4,698,631
<b>Total fund balances</b>	<b>\$ 23,131,218</b>	<b>\$ 1,739,951</b>	<b>\$ -</b>	<b>\$ (31,432)</b>	<b>\$ 9,638,963</b>	<b>\$ 34,478,700</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 57,526,717</b>	<b>\$ 2,671,186</b>	<b>\$ 13,856,389</b>	<b>\$ 17,753,568</b>	<b>\$ 31,166,109</b>	<b>\$ 122,973,969</b>

**CITY OF COVINGTON, KENTUCKY**

**Management's Discussion and Analysis (MD&A – Unaudited)  
Year Ended June 30, 2024  
(Continued)**

The City recognized an increase in payroll tax revenue of 3.6% compared to FY 2023. The City's FY 2024 adopted budget did not reduce staff or departmental expenditures. The City's General Fund FY 2024 carryover is \$316,298 resulting in a General Fund balance at year-end of \$23,131,218. A significant driver of this year's carry-over is the increased revenue from licenses, investment income and net profit taxes, netted against unrealized investment losses.

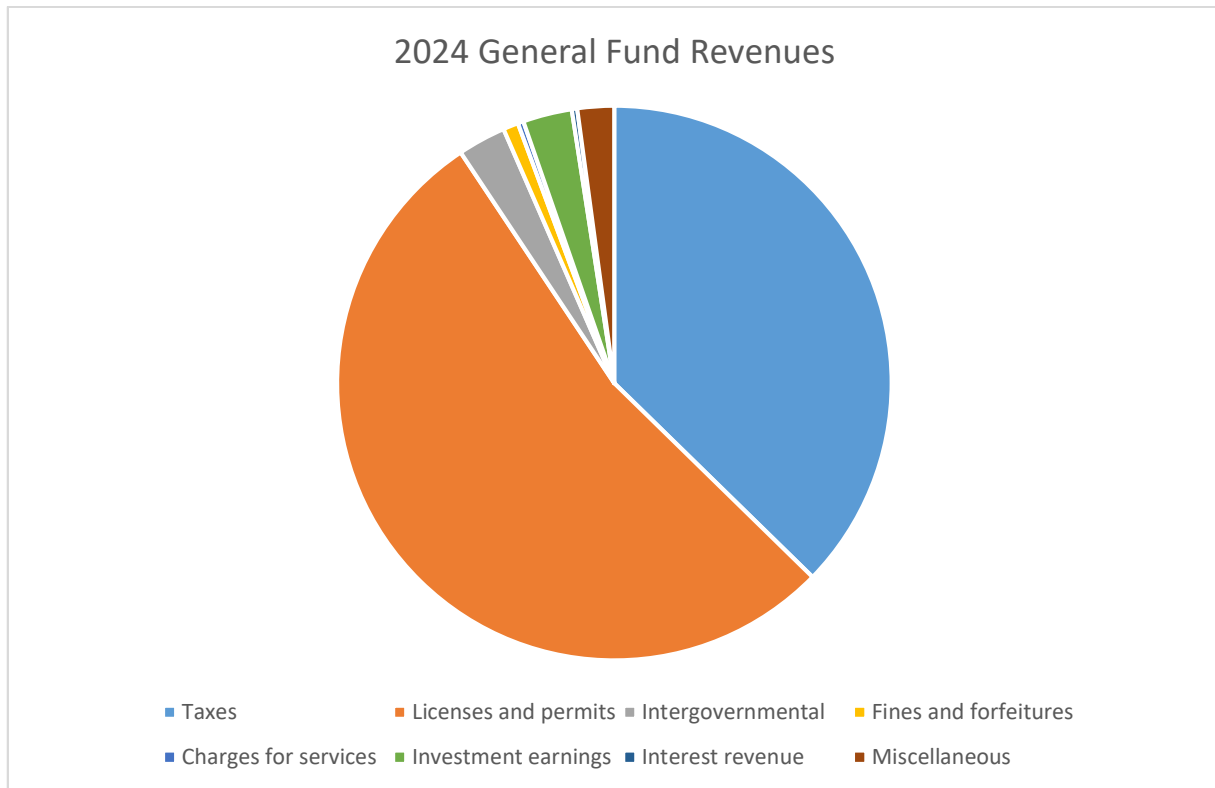
The following schedules present summaries of General Fund revenues and expenditures:

	<b>General Fund</b>	<b>Housing Voucher Program</b>	<b>American Rescue Plan Act Fund</b>	<b>Debt Service Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>						
Taxes	\$ 23,691,913	\$ -	\$ -	\$ -	\$ -	\$ 23,691,913
Licenses and permits	33,831,494	-	-	-	-	33,831,494
Intergovernmental	1,787,940	9,672,683	4,059,118	-	7,291,568	22,811,309
Fines and forfeitures	559,938	-	-	-	-	559,938
Charges for services	207,227	-	-	-	5,159,861	5,367,088
Investment gain	1,826,311	17,958	-	-	18,657	1,862,926
Interest revenue	193,255	-	-	51,004	27,304	271,563
Miscellaneous	1,364,791	25,824	-	-	4,930,617	6,321,232
Total revenues	<u>63,462,869</u>	<u>9,716,465</u>	<u>4,059,118</u>	<u>51,004</u>	<u>17,428,007</u>	<u>94,717,463</u>
<b>Expenditures</b>						
Current:						
General Government	6,419,291	-	289,440	82,436	515,688	7,306,855
Police	19,257,262	-	-	-	823,457	20,080,719
Fire	21,416,026	-	-	-	812,632	22,228,658
Public works	9,083,622	-	-	-	3,015,173	12,098,795
Community development	2,586,733	9,149,518	269,678	-	2,646,704	14,652,633
Debt service:						
Principal	3,498,902	7,640	-	-	346,373	3,852,915
Interest	1,642,793	742	-	-	32,689	1,676,224
Capital outlay	342,700	62,568	-	-	12,895,545	13,300,813
Total expenditures	<u>64,247,329</u>	<u>9,220,468</u>	<u>559,118</u>	<u>82,436</u>	<u>21,088,261</u>	<u>95,197,612</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(784,460)</u>	<u>495,997</u>	<u>3,500,000</u>	<u>(31,432)</u>	<u>(3,660,254)</u>	<u>(480,149)</u>
<b>Other financing sources (uses)</b>						
Transfers in	6,320,159	-	-	-	4,340,155	10,660,314
Transfers out	(5,361,546)	-	(3,500,000)	-	(3,298,768)	(12,160,314)
Issuance of debt	-	-	-	-	1,063,723	1,063,723
Sale of assets	142,145	-	-	-	-	142,145
Total other financing sources (uses)	<u>1,100,758</u>	<u>-</u>	<u>(3,500,000)</u>	<u>-</u>	<u>2,105,110</u>	<u>(294,132)</u>
Net change in fund balance	316,298	495,997	-	(31,432)	(1,555,144)	(774,281)
Fund balance, July 1, 2023	22,814,920	1,243,954	-	-	11,194,107	35,252,981
Fund balance, June 30, 2024	<u>\$ 23,131,218</u>	<u>\$ 1,739,951</u>	<u>\$ -</u>	<u>\$ (31,432)</u>	<u>\$ 9,638,963</u>	<u>\$ 34,478,700</u>

**CITY OF COVINGTON, KENTUCKY**

**Management’s Discussion and Analysis (MD&A – Unaudited)  
Year Ended June 30, 2024  
(Continued)**

<b>General Fund Revenues</b>				
	<b>2024</b>	<b>Percent of Total</b>	<b>2023</b>	<b>Percent Change</b>
Taxes	\$ 23,691,913	37.33%	\$ 22,224,037	6.60%
Licenses and permits	33,831,494	53.31%	32,689,261	3.49%
Intergovernmental	1,787,940	2.82%	1,313,065	36.17%
Fines and forfeitures	559,938	0.88%	779,071	-28.13%
Charges for services	207,227	0.33%	330,729	-37.34%
Investment earnings	1,826,311	2.88%	(351,006)	620.31%
Interest revenue	193,255	0.30%	202,873	-4.74%
Miscellaneous	1,364,791	2.15%	1,274,818	7.06%
<b>Total Revenues</b>	<b>\$ 63,462,869</b>	<b>100.00%</b>	<b>\$ 58,462,848</b>	<b>8.55%</b>

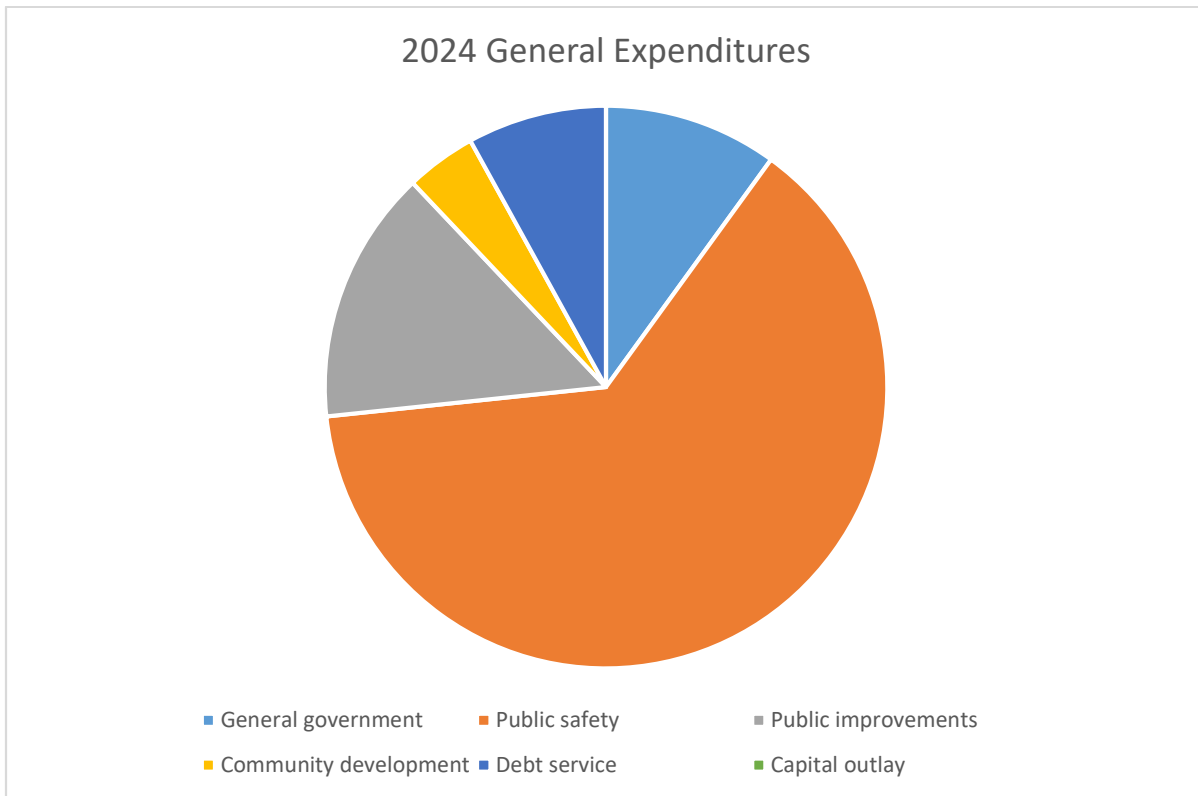


Total General Fund revenues increased by \$5,000,021, or 8.55% year over year due to a substantial increase in unrealized gains on the investment portfolio. Licenses and permits, which include Payroll Taxes and Net Profit Taxes increased by \$1,142,233, or 3.49% compared to the previous FY.

**CITY OF COVINGTON, KENTUCKY**

**Management’s Discussion and Analysis (MD&A – Unaudited)  
Year Ended June 30, 2024  
(Continued)**

	<b>General Fund Expenditures</b>			
	<b>2024</b>	<b>Percent of Total</b>	<b>2023</b>	<b>Percent Change</b>
General government	\$ 6,419,291	9.99%	\$ 6,261,132	2.53%
Public safety	40,673,288	63.31%	37,371,417	8.84%
Public improvements	9,083,622	14.14%	8,097,564	12.18%
Community development	2,586,733	4.03%	2,927,201	-11.63%
Debt service	5,141,695	8.00%	5,321,393	-3.38%
Capital outlay	342,700	0.53%	657,862	-47.91%
<b>Total Expenditures</b>	<b>\$ 64,247,329</b>	<b>100.00%</b>	<b>\$ 60,636,569</b>	<b>5.95%</b>



General Fund expenditures increased by \$3,610,760, or 5.95% compared to FY 2023. The increase is primarily attributable to increases in public safety and public improvements.

*Proprietary Funds*

The City’s proprietary fund financial statements provide the same information found in the government-wide financial statements. See “Business-type Activities” below.

**CITY OF COVINGTON, KENTUCKY**

**Management’s Discussion and Analysis (MD&A – Unaudited)  
Year Ended June 30, 2024  
(Continued)**

**Capital Assets and Debt Administration**

Capital Assets: The city’s investment in capital assets as of June 30, 2024 amounts to \$112,563,975 (net of accumulated depreciation), an increase of \$7,882,288 from the prior FY. This investment includes land and improvements, buildings, machinery and equipment, vehicles, infrastructure, and construction in progress. The total increase in capital assets for the current FY was 7.53% over the prior FY.

	<b>Capital Assets (Net of Depreciation and Amortization)</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Land	\$ 32,901,497	\$ 32,943,997	\$ 2,317,685	\$ 2,317,685	\$ 35,219,182	\$ 35,261,682
Land improvements	2,578,651	2,497,426	-	-	2,578,651	2,497,426
Buildings	14,244,228	14,897,259	5,933,609	6,238,787	20,177,837	21,136,046
Leased buildings	481,204	143,476	-	-	481,204	143,476
Building improvements	931,862	1,050,476	420,320	99,218	1,352,182	1,149,694
Machinery and equipment	676,393	1,296,541	-	-	676,393	1,296,541
Leased equipment	268,005	60,599	-	-	268,005	60,599
Vehicles	3,550,730	2,653,863	-	-	3,550,730	2,653,863
Infrastructure	38,918,983	38,328,368	-	-	38,918,983	38,328,368
Construction in progress	9,340,808	2,153,992	-	-	9,340,808	2,153,992
Total Revenues	<u>\$ 103,892,361</u>	<u>\$ 96,025,997</u>	<u>\$ 8,671,614</u>	<u>\$ 8,655,690</u>	<u>\$ 112,563,975</u>	<u>\$ 104,681,687</u>

**Long term Debt:** At the close of FY 2024, the City had outstanding notes, bonds, and capital leases of \$80,281,595, backed by the full faith and credit of the City.

	<b>Outstanding Long-Term Debt Obligations</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Bonds	\$ 47,948,297	\$ 33,081,267	\$ 999,161	\$ 1,179,161	\$ 48,947,458	\$ 34,260,428
Notes	30,567,017	31,068,915	-	-	30,567,017	31,068,915
Leases	747,120	198,975	-	-	747,120	198,975
Total	<u>\$ 79,262,434</u>	<u>\$ 64,349,157</u>	<u>\$ 999,161</u>	<u>\$ 1,179,161</u>	<u>\$ 80,261,595</u>	<u>\$ 65,528,318</u>

The City issues and incurs debt to fund capital improvement projects, purchase capital equipment and facilities, and to support economic development. The City’s outstanding debt increased by \$14,753,277, or 22.51%, over the prior FY.

**CITY OF COVINGTON, KENTUCKY**

**Management's Discussion and Analysis (MD&A – Unaudited)  
Year Ended June 30, 2024  
(Continued)**

**FY2025 Budget**

The FY2025 Budget was developed and adopted by the Board of Commissioners as a structurally balanced budget per Kentucky Revised Statute, KRS 83A.150(7)(c) and the State's Constitution.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Finance Department, 20 West Pike Street, Covington, KY 41011.

**CITY OF COVINGTON, KENTUCKY**

**Statement of Net Position – City Wide  
As of June 30, 2024**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Devou Properties, Inc.
<b>Assets</b>				
<b>Current:</b>				
Cash and cash equivalents	\$ 33,172,751	\$ 3,742,052	\$ 36,914,803	\$ 2,952,743
Investments	24,442,334	-	24,442,334	-
Receivables (net of allowance for doubtful accounts)				
Taxes	8,590,498	-	8,590,498	-
Intergovernmental	3,963,931	-	3,963,931	-
Notes	5,857,221	-	5,857,221	-
Accounts	5,431,898	183,267	5,615,165	119,880
Leases	936,821	785,704	1,722,525	-
Inventory	-	-	-	56,214
Prepaid expenses	76,528	-	76,528	22,628
Internal balances	626,255	(626,255)	-	-
Advances to (from)	2,251,967	(2,251,967)	-	-
<b>Noncurrent:</b>				
Subscription assets, net	835,761	-	835,761	-
Nondepreciable capital assets	44,820,956	2,317,685	47,138,641	-
Depreciable capital assets, net	58,322,196	6,353,929	64,676,125	485,452
Leased buildings and equipment, net	749,209	-	749,209	-
<b>Total assets</b>	<b>190,078,326</b>	<b>10,504,415</b>	<b>200,582,741</b>	<b>3,636,917</b>
<b>Deferred outflows of Resources</b>				
Deferred outflows - pensions	26,643,631	-	26,643,631	-
Deferred outflows - OPEB	9,805,906	-	9,805,906	-
<b>Total deferred outflows of resources</b>	<b>36,449,537</b>	<b>-</b>	<b>36,449,537</b>	<b>-</b>
<b>Liabilities</b>				
<b>Current:</b>				
Accounts payable	3,861,984	39,403	3,901,387	92,410
Accrued liabilities	2,355,176	-	2,355,176	492,726
Claims payable	1,350,000	-	1,350,000	-
Accrued interest payable	686,528	-	686,528	-
Due to fiduciary activities	1,174,565	-	1,174,565	-
Unearned revenue	17,944,081	-	17,944,081	61,010
Due within one year	5,263,792	160,000	5,423,792	-
<b>Noncurrent:</b>				
Due in more than one year:				
Net pension liability	101,477,784	-	101,477,784	-
Net OPEB liability	3,394,497	-	3,394,497	-
Notes payable	17,785,000	-	17,785,000	-
Claims payable	750,000	-	750,000	-
Subscription liabilities	754,351	-	754,351	-
Other	75,164,426	839,161	76,003,587	-
<b>Total liabilities</b>	<b>231,962,184</b>	<b>1,038,564</b>	<b>233,000,748</b>	<b>646,146</b>
<b>Deferred inflows</b>				
Deferred inflows - pensions	26,855,366	-	26,855,366	-
Deferred inflows - OPEB	33,724,480	-	33,724,480	-
Deferred inflows - leases	909,794	751,592	1,661,386	-
<b>Total deferred inflows of resources</b>	<b>61,489,640</b>	<b>751,592</b>	<b>62,241,232</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	23,545,553	7,672,453	31,218,006	485,452
Restricted for:				
Capital improvements	1,739,951	-	1,739,951	-
HUD programs	644,025	-	644,025	-
Other purposes	2,611,711	-	2,611,711	-
Unrestricted (deficit)	(95,465,201)	1,041,806	(94,423,395)	2,505,319
<b>Total net position</b>	<b>\$ (66,923,961)</b>	<b>\$ 8,714,259</b>	<b>\$ (58,209,702)</b>	<b>\$ 2,990,771</b>

The accompanying notes are an integral part of these financial statements

**CITY OF COVINGTON, KENTUCKY**

**Statement of Activities – City Wide  
For Year Ended June 30, 2024**

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Devou Properties, Inc.
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Primary Government:</b>								
Governmental activities:								
General government	\$ (12,625,222)	\$ 644,466	\$ 1,884,044	\$ -	\$ 15,153,732	\$ -	\$ 15,153,732	\$ -
Police	20,828,152	-	1,492,308	-	(19,335,844)	-	(19,335,844)	-
Fire	22,531,808	1,722,288	697,859	-	(20,111,661)	-	(20,111,661)	-
Public works	14,779,721	2,949,039	20,362	2,939,553	(8,870,767)	-	(8,870,767)	-
Community development	15,250,833	1,916,208	15,367,175	-	2,032,550	-	2,032,550	-
Interest on long-term debt	1,811,008	-	-	-	(1,811,008)	-	(1,811,008)	-
Total governmental activities	62,576,300	7,232,001	19,461,748	2,939,553	(32,942,998)	-	(32,942,998)	-
Business-type activities:								
Parking authority	2,281,643	3,361,190	-	-	-	1,079,547	1,079,547	-
<b>Component Unit</b>								
Devou properties, Inc	2,593,269	2,996,225	-	-	-	-	-	402,956
<b>Total</b>	<b>\$ 67,451,212</b>	<b>\$ 13,589,416</b>	<b>\$ 19,461,748</b>	<b>\$ 2,939,553</b>	<b>(32,942,998)</b>	<b>1,079,547</b>	<b>(31,863,451)</b>	<b>402,956</b>
			<b>General revenues:</b>					
			Taxes:					
			Real property taxes		8,870,245	-	8,870,245	-
			Personal property taxes		622,322	-	622,322	-
			Public service taxes		2,518,404	-	2,518,404	-
			Taxes, levied for bank deposits		174,744	-	174,744	-
			Insurance premium taxes		11,506,198	-	11,506,198	-
			Payroll taxes		27,881,889	-	27,881,889	-
			Net profit taxes		5,584,115	-	5,584,115	-
			Investment income		1,862,926	-	1,862,926	-
			Interest income		271,563	28,161	299,724	-
			Miscellaneous		(25,711,719)	-	(25,711,719)	-
			Loss on sale of assets		(815,207)	-	(815,207)	-
			Total general revenues		32,765,480	28,161	32,793,641	-
			Change in net position		(177,518)	1,107,708	930,190	402,956
			Net position - beginning		(65,826,443)	7,606,551	(58,219,892)	2,587,815
			Prior period adjustment (Note 17)		(920,000)	-	(920,000)	-
			Net position - ending		\$ (66,923,961)	\$ 8,714,259	\$ (58,209,702)	\$ 2,990,771

The accompanying notes are an integral part of these financial statements

**CITY OF COVINGTON, KENTUCKY**

**Balance Sheet – Governmental Funds  
As of June 30, 2024**

	<u>General Fund</u>	<u>Housing Voucher Program</u>	<u>American Rescue Plan Act Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Cash and cash equivalents	\$ 7,519,403	\$ 2,230,534	\$ -	\$ 17,753,568	\$ 5,412,476	\$ 32,915,981
Investments	24,001,682	440,652	-	-	-	24,442,334
Receivables (net of allowance for doubtful accounts):						
Taxes	8,590,498	-	-	-	-	8,590,498
Intergovernmental	-	-	-	-	3,963,931	3,963,931
Notes	2,635,000	-	-	-	3,222,221	5,857,221
Accounts	500,667	-	-	-	4,931,231	5,431,898
Leases	-	-	-	-	936,821	936,821
Due from other funds	11,998,036	-	13,826,390	-	12,682,364	38,506,790
Prepaid items	29,464	-	29,999	-	17,065	76,528
Advances to other funds	2,251,967	-	-	-	-	2,251,967
Total assets	<u>\$ 57,526,717</u>	<u>\$ 2,671,186</u>	<u>\$ 13,856,389</u>	<u>\$ 17,753,568</u>	<u>\$ 31,166,109</u>	<u>\$ 122,973,969</u>
<b>Liabilities</b>						
Accounts payable	\$ 686,424	\$ 38,845	\$ 14,195	\$ -	\$ 3,106,140	\$ 3,845,604
Accrued liabilities	2,245,709	-	-	-	109,467	2,355,176
Notes payable	-	-	-	17,785,000	-	17,785,000
Due to other funds	26,472,952	777,185	-	-	9,073,683	36,323,820
Due to fiduciary funds	1,174,565	-	-	-	-	1,174,565
Unearned Revenue	2,224	115,205	13,842,194	-	1,794,468	15,754,091
Total liabilities	<u>30,581,874</u>	<u>931,235</u>	<u>13,856,389</u>	<u>17,785,000</u>	<u>14,083,758</u>	<u>77,238,256</u>
<b>Deferred Inflow of Resources</b>						
Leases	-	-	-	-	909,794	909,794
Unavailable revenue	3,813,625	-	-	-	6,533,594	10,347,219
Total deferred inflow of resources	<u>3,813,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,443,388</u>	<u>11,257,013</u>
<b>Fund Balances</b>						
Nonspendable	2,281,431	-	-	-	17,065	2,298,496
Restricted	-	1,739,951	-	-	3,255,736	4,995,687
Committed	-	-	-	-	11,235,886	11,235,886
Assigned	10,000,000	-	-	-	1,250,000	11,250,000
Unassigned	10,849,787	-	-	(31,432)	(6,119,724)	4,698,631
Total fund balances	<u>23,131,218</u>	<u>1,739,951</u>	<u>-</u>	<u>(31,432)</u>	<u>9,638,963</u>	<u>34,478,700</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 57,526,717</u>	<u>\$ 2,671,186</u>	<u>\$ 13,856,389</u>	<u>\$ 17,753,568</u>	<u>\$ 31,166,109</u>	<u>\$ 122,973,969</u>

The accompanying notes are an integral part of these financial statements

**CITY OF COVINGTON, KENTUCKY**

**Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Position  
As of June 30, 2024**

Total fund balances - governmental funds		\$ 34,478,700
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		104,728,122
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		8,157,229
Internal service funds are used by management to charge the cost of certain activities, such as liability and medical insurance, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		(3,416,325)
Long-term liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the funds.		
Bonds and notes payable and lease liabilities	79,064,976	
Subscription liabilities	754,351	
Accrued interest payable	686,528	
Unamortized premiums	197,458	
Compensated absences	1,165,784	
Total	(81,869,097)	(81,869,097)
The Net pension and OPEB liabilities are not due and payable in the current period, therefore, the liabilities and related deferred outflows and inflows of resources are not reported in the governmental funds:		
Deferred outflows - pensions and OPEB	(36,449,537)	
Deferred inflows - pensions and OPEB	60,579,846	
Net pension and OPEB liability	104,872,281	
Total	(129,002,590)	(129,002,590)
Total net position - governmental		\$ (66,923,961)

The accompanying notes are an integral part of these financial statements

**CITY OF COVINGTON, KENTUCKY**

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2024**

	<u>General Fund</u>	<u>Housing Voucher Program</u>	<u>American Rescue Plan Act Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Taxes	\$ 23,691,913	\$ -	\$ -	\$ -	\$ -	\$ 23,691,913
Licenses and permits	33,831,494	-	-	-	-	33,831,494
Intergovernmental	1,787,940	9,672,683	4,059,118	-	7,291,568	22,811,309
Fines and forfeitures	559,938	-	-	-	-	559,938
Charges for services	207,227	-	-	-	5,159,861	5,367,088
Investment gain	1,826,311	17,958	-	-	18,657	1,862,926
Interest revenue	193,255	-	-	51,004	27,304	271,563
Miscellaneous	1,364,791	25,824	-	-	4,930,617	6,321,232
Total revenues	<u>63,462,869</u>	<u>9,716,465</u>	<u>4,059,118</u>	<u>51,004</u>	<u>17,428,007</u>	<u>94,717,463</u>
<b>Expenditures</b>						
Current:						
General Government	6,419,291	-	289,440	82,436	515,688	7,306,855
Police	19,257,262	-	-	-	823,457	20,080,719
Fire	21,416,026	-	-	-	812,632	22,228,658
Public works	9,083,622	-	-	-	3,015,173	12,098,795
Community development	2,586,733	9,149,518	269,678	-	2,646,704	14,652,633
Debt service:						
Principal	3,498,902	7,640	-	-	346,373	3,852,915
Interest	1,642,793	742	-	-	32,689	1,676,224
Capital outlay	342,700	62,568	-	-	12,895,545	13,300,813
Total expenditures	<u>64,247,329</u>	<u>9,220,468</u>	<u>559,118</u>	<u>82,436</u>	<u>21,088,261</u>	<u>95,197,612</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(784,460)</u>	<u>495,997</u>	<u>3,500,000</u>	<u>(31,432)</u>	<u>(3,660,254)</u>	<u>(480,149)</u>
<b>Other financing sources (uses)</b>						
Transfers in	6,320,159	-	-	-	4,340,155	10,660,314
Transfers out	(5,361,546)	-	(3,500,000)	-	(3,298,768)	(12,160,314)
Issuance of debt	-	-	-	-	1,063,723	1,063,723
Sale of assets	142,145	-	-	-	-	142,145
Total other financing sources (uses)	<u>1,100,758</u>	<u>-</u>	<u>(3,500,000)</u>	<u>-</u>	<u>2,105,110</u>	<u>(294,132)</u>
Net change in fund balance	316,298	495,997	-	(31,432)	(1,555,144)	(774,281)
Fund balance, July 1, 2023	<u>22,814,920</u>	<u>1,243,954</u>	<u>-</u>	<u>-</u>	<u>11,194,107</u>	<u>35,252,981</u>
Fund balance, June 30, 2024	<u>\$ 23,131,218</u>	<u>\$ 1,739,951</u>	<u>\$ -</u>	<u>\$ (31,432)</u>	<u>\$ 9,638,963</u>	<u>\$ 34,478,700</u>

The accompanying notes are an integral part of these financial statements

**CITY OF COVINGTON, KENTUCKY**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2024**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (774,281)</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense:	
Capital additions	13,300,812
Depreciation and amortization expense	(5,324,521)
Retirement of capital assets	847,425
Amortization of subscription asset	(506,727)
Reduction of Subscription liability	429,950
 Net book value of disposed capital assets is reported as a gain in the statement of activities.	 (957,352)
 Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the governmental funds.	 (659,972)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Compensated absences	406,421
Interest on long-term debt	(134,784)
Amortization of premiums	17,970
 Repayment of bonds, notes and lease principal is an expenditure in the governmental funds, whereas the payments reduce long-term liabilities in the statement of net position.	 3,917,476
 Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	 654,640
 Except for amounts reported as deferred outflows or inflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.	 7,454,148
 Net proceeds issued on debt obligations outstanding is an other financing source in the governmental funds but increases long-term liabilities in the statement of net position.	 <u>(18,848,723)</u>
 Changes in net position of governmental activities	 <u><u>\$ (177,518)</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF COVINGTON, KENTUCKY**

**Statement of Net Position –  
Proprietary Funds  
As of June 30, 2024**

	<b>Business-type Activities Parking Authority</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,742,052	\$ 256,770
Accounts receivable	183,267	-
Leases receivable, current	52,548	-
Total current assets	3,977,867	256,770
<b>Noncurrent Assets</b>		
Lease receivable	733,156	-
Nondepreciable capital assets	2,317,685	-
Depreciable capital assets, net	6,353,929	-
Total noncurrent assets	9,404,770	-
Total assets	13,382,637	256,770
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	39,403	16,380
Claims payable	-	1,350,000
Due to other funds	-	1,556,715
Bonds payable, current	160,000	-
Total current liabilities	199,403	2,923,095
<b>Noncurrent Liabilities</b>		
Advances from other funds	2,878,222	-
Bonds payable, noncurrent	839,161	-
Claims payable	-	750,000
Total noncurrent liabilities	3,717,383	750,000
Total liabilities	3,916,786	3,673,095
<b>Deferred Inflows of Resources</b>		
Leases	751,592	-
<b>Net Position</b>		
Net investment in capital assets	7,672,453	-
Unrestricted	1,041,806	(3,416,325)
Total net position	\$ 8,714,259	\$ (3,416,325)

The accompanying notes are an integral part of these financial statements

**CITY OF COVINGTON, KENTUCKY**

**Statement of Revenues, Expenses, and Changes in Net Position –  
Proprietary Funds  
Year Ended June 30, 2024**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Parking Authority</b>	<b>Internal Service Funds</b>
<b>Operating revenues</b>		
Insurance premiums	\$ -	\$ 8,690,919
Parking revenue	3,361,190	-
Other	-	19,575
Total operating revenues	3,361,190	8,710,494
<b>Operating expenses</b>		
Contractual services	-	1,336,052
Claims and judgments	-	8,219,848
Parking expenses	2,199,971	-
Total operating expenses	2,199,971	9,555,900
Operating income (loss)	1,161,219	(845,406)
<b>Non-operating income (expenses)</b>		
Interest revenue	28,161	46
Interest expense	(81,672)	-
Total nonoperating income (expense)	(53,511)	46
<b>Transfers in</b>	-	1,500,000
Change in net position	1,107,708	654,640
Total net position, July 1, 2023	7,606,551	(4,070,965)
Total net position, June 30, 2024	\$ 8,714,259	\$ (3,416,325)

The accompanying notes are an integral part of these financial statements

**CITY OF COVINGTON, KENTUCKY**

**Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2024**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Parking Authority</b>	<b>Internal Service Funds</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 3,560,604	\$ -
Cash (paid to) received from other funds	2,644,118	8,319,517
Cash received from other income	-	19,575
Cash (paid to) suppliers	(1,859,108)	-
Cash payments for claims	-	(9,582,310)
Net cash provided by (used in) operating activities	4,345,614	(1,243,218)
<b>Cash flows from noncapital financing activities:</b>		
Transfers	-	1,500,000
Interest Revenue	28,161	46
Net cash provided by noncapital financing activities	28,161	1,500,046
<b>Cash flows from capital financing activities</b>		
Purchase of capital assets	(370,051)	-
Principal paid on debt	(180,000)	-
Interest paid on debt	(81,672)	-
Net cash used in capital and related financing activities	(631,723)	-
Net change	3,742,052	256,828
Cash and cash equivalents, beginning of year	-	(58)
Cash and cash equivalents, end of year	\$ 3,742,052	\$ 256,770
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>		
Operating income (loss)	\$ 1,161,219	\$ (845,406)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation expense	354,127	-
Changes in assets and liabilities:		
Accounts receivable	209,985	-
Leases receivable, net	(10,571)	-
Due from/to other funds	2,644,118	(371,402)
Accounts payable	(13,264)	(26,410)
Net cash used in operating activities	\$ 4,345,614	\$ (1,243,218)

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

Statement of Net Position –  
Fiduciary Funds  
Year Ended June 30, 2024

	<u>Combined Pension Trusts</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 54,299
Accounts receivable	818
Equity mutual funds	905,160
Other assets	1,217,051
Due from the primary government	<u>1,174,565</u>
Total assets	<u>3,351,893</u>
<b>Liabilities</b>	
Accrued other	<u>342</u>
Total liabilities	<u>342</u>
<b>Net Position</b>	
Net position restricted for pensions	<u><u>\$ 3,351,551</u></u>

The accompanying notes are an integral part of these financial statements

**CITY OF COVINGTON, KENTUCKY**

**Statement of Revenues, Expenses, and Changes in Net Position –  
Fiduciary Funds  
As of June 30, 2024**

	<u><b>Combined Pension Trusts</b></u>
<b>Additions</b>	
Contributions:	
Employer Contributions	\$ 584,000
Miscellaneous	1,166
Total contributions	<u>585,166</u>
Investment Return	
Interest and dividends	75,671
Net appreciation in fair value of investments	165,085
Total investment return	<u>240,756</u>
Total additions	<u>825,922</u>
<b>Deductions</b>	
Benefit payments	1,374,324
Administration	42,421
Total deductions	<u>1,416,745</u>
Change in net position	(590,823)
Total net position, July 1, 2023	<u>3,942,374</u>
Total net position, June 30, 2024	<u><u>\$ 3,351,551</u></u>

The accompanying notes are an integral part of these financial statements

## CITY OF COVINGTON, KENTUCKY

### Notes to the Financial Statements

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### ***Basis of Presentation***

The basic financial statements of the City have been prepared in conformity with GAAP as applied to government units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

##### ***Financial Reporting Entity***

The City is a municipality that operates under a City Manager form of government. Executive and legislative authority is vested in the elected Mayor and four City Commissioners. As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Financial accountability is defined as the appointment of a voting majority of the component units' board, and either (1) THE City's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City

Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each blended component unit of the City has a June 30 year end. The component units discussed below are included in the City's reporting entity as part of the primary government because of the significance of their operations and/or financial relationship with the City.

##### ***Blended Component Units Included Within the Reporting Entity.***

The City's Municipal Properties Corporation was formed to act as an agent and to be instrumental in the financing of public improvements and projects of a capital nature for the City and for the particular purpose of acquiring real estate located within the City and constructing, acquiring and equipping thereon capital improvements, facilities, buildings, structures and related appurtenances. The Corporation finances these projects by the issuance of debt. These debt issues are secured by (1) first mortgage liens on the projects, (2) lease and option agreements between the Corporation and the City, the construction agreements and pledged receipts. The lease and option agreements require the City to pay rental, on a yearly basis with the option to renew each year, equal to the amount of bonds and interest coupons coming due in that year. If the City renews the leases from year-to-year, and pays the rentals for each year as stipulated, and when the Corporation has fully paid and retired all of the bonds, the Corporation agrees it will convey the properties to the City free and clear.

The Parking Authority was formed during the FY ended June 30, 2019, to manage and conduct the operation of public street and off-street parking facilities. The Parking Authority has the power of acquisition and incurring of debt. The Parking Authority maintains the parking facility capital assets and the related debt. The day-to-day management of the Parking Authority is currently being handled by employees of the City.

##### ***Discretely Presented Component Unit Included Within the Reporting Entity.***

Devou Properties, Inc. (a non-profit organization and its wholly owned subsidiary) is included in the City's financial statements as a discretely presented component unit. Although a legally separate entity, Devou Properties, Inc. is included in these financial statements because of its financial accountability to the City. Devou Properties, Inc. was formed to maintain and operate the Drees pavilion at Devou Memorial Overlook for the City, for the benefit of Devou Park. Devou Properties, Inc. is responsible for renting out the facilities for events, including weddings, receptions and corporate events. Directors of Devou Properties, Inc. are appointed by the City's Board of Commissioners, upon the recommendation of the Mayor. Any excess funds from operations of the facility are to be set aside to be used on Devou Park projects.

## CITY OF COVINGTON, KENTUCKY

### Notes to the Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***Financial Reporting Entity (Continued)***

##### ***Discretely Presented Component Unit Included Within the Reporting Entity (Continued).***

As a discretely presented component unit, the financial statements of Devou Properties, Inc. are only included on the City's government-wide financial statements in a column that makes it clearly separate from the primary government. Devou Properties, Inc. operates on a calendar year-end basis; therefore, the financial statements for the year ended December 31, 2023 are included in the City's current financial statements. Audited financial statements of Devou Properties Inc. are available and may be obtained by contacting the City Manager.

##### ***Basis of Presentation Government-Wide Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements; however, interfund services provided and used are not eliminated. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

##### ***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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 government considers revenues to be available if they are collected within sixty days of the end of the current fiscal year (FY). Significant revenues susceptible to accrual are payroll license fees, insurance fees and grant revenues. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to long-term compensated absences and claims and judgments, are recorded only when payment is due.

## CITY OF COVINGTON, KENTUCKY

### Notes to the Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)***

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government that are not accounted for in the other funds.
- The IRS Site Construction Fund accounts for the debt issuance and proceeds used to acquire and redevelop the site of the former IRS office in Covington.
- The American Rescue Plan Act (ARPA) Fund accounts for funds provided to the City under the American Rescue Plan Act of 2021.

The City reports the following proprietary funds:

- The Parking Authority Fund accounts for the revenues and expenses of the operation of the public street and off-street parking facilities of the City. The assets and liabilities, including capital assets and debt, of the Parking Authority are also accounted for in this fund.
- The City has two internal service funds. One fund is for self-insurance for the City's health and dental insurance program for City employees. The second fund is for the self-insurance of the City's liability claims. Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the City reports two fiduciary funds. The two pension trust funds account for the activities of the Employee's Retirement Fund and the Police and Firemen's Retirement Fund. These funds are for the accumulation of resources for pension benefit payments to qualified retired employees (see Note 11).

##### **Assets, Deferred Inflows, Deferred Outflows, Liabilities and Net Position/Fund Balance**

###### ***Cash and Cash Equivalents***

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City.

The City is authorized by state statute to invest in the following, subject to additional requirements of : KRS 66.480:

- Obligations of the United States and of its Agencies and Instrumentalities
- Certificates of Deposits
- Bankers Acceptances
- Commercial Paper
- Bonds and securities of Other State or Local Governments
- Mutual Funds, Exchange Traded Funds, Individual Equity Securities and High-quality Corporate bonds managed by a professional investment manager

###### ***Property Tax Receivable***

Property taxes are levied as of January 1 on property values assessed as of the same date. The taxes are billed on approximately September 15 and are due and payable on October 15. On October 16, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on October 16.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

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

***Notes Receivable***

Notes receivable are comprised of housing development and small business loans financed by a combination of resources appropriated by the City and allocations from the U.S. Department of Housing and Urban Development (HUD). As of June 30, 2024, the City had housing development and small business loans outstanding of \$14,746,784 and \$1,054,817, respectively. The City has recorded an allowance of \$12,384,018 on housing development and \$195,362 on small business loans. Although some loans are repaid, repayment may be limited to net proceeds after payment of the first mortgage and seller closing costs and; therefore most repayments are minimal. Additionally, many loans have favorable repayments terms to encourage home ownership that include deferral and/or forgiveness if homeowners remain in the home for a specified period of time. The City has a note receivable of \$2,635,000 from 638 Madison LLC, in regards to the Hotel Covington.

***Interfund Receivables/Payables***

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These short-term receivables and payables are classified as "due from/to other funds" on the balance sheet. Long-term interfund loans are classified as "advances to/from".

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2024, are recorded as prepaid items in both the government-wide and fund financial statements. The consumption method is used in the fund statements.

***Capital and Leased Assets***

General capital and leased assets are those assets not specifically related to activities reported in a propriety fund. These assets are reported in the governmental activities column of the government-wide statement of net position.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. When purchased, capital assets are recorded as expenditures in the governmental funds and capitalized on the proprietary fund and government-wide financial statements. Infrastructure, such as streets, traffic signals and signs are capitalized. The valuation basis for capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost. Leased assets are recorded at the amount of initial measurement of the lease liability, plus any payments made at or before commencement of the lease term. Donated capital assets, works of art and similar items and capital assets received in service concession arrangements are reported at acquisition value. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. The City maintains a capitalization threshold of four thousand dollars.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

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

***Capital and Leased Assets (Continued)***

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net position. The range of lives used for depreciation purposes for each capital asset class is as follows:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings	30 years
Buildings and improvements	10 – 20 years
Public domain infrastructure	25 – 35 years
Vehicles	5 – 10 years
Office equipment	3 – 10 years

All leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

***Deferred Outflows of Resources***

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows are reported on the government-wide statement of net position for pension and OPEB related liabilities, and for the unamortized loss on the defeasance of refunding debt.

***Deferred Inflows of Resources***

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include unavailable revenue, items related to lease receivables, and items related to the pension liabilities. Unavailable revenue represents receivables that will not be collected within the available period (typically sixty days after FY-end) and is only reported in the governmental fund financial statements. Deferred inflows of resources related to lease receivables are recorded initially at the value of the lease receivable plus any payments received at or before the commencement of the lease term, and then recognized as revenue in a systemic and rational manner over the life of the lease. Deferred inflows of resources related to pension and OPEB liabilities are reported in the government-wide statement of net position.

***Compensated Absences***

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation. Vested or accumulated vacation leave that has matured and is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Accumulated sick leave lapses when employees leave employment of the City and, upon separation from service; no monetary obligation exists.

## CITY OF COVINGTON, KENTUCKY

### Notes to the Financial Statements (Continued)

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### ***Long Term Obligations***

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. Long-term debt consists of bonds, notes, and lease liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as an other financing source and payment of principal and interest are reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

##### ***Unearned Revenue***

In the statements of financial position, unearned revenue represents the amount for which revenue recognition criteria have not been met. In subsequent periods, when the incurrence of qualifying expenditures has been made, the liability for the unearned revenue is removed and the revenue is recognized.

##### ***Net Position/Fund Balance***

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets is capital assets less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

In the governmental fund financial statements, fund balances are classified as follows:

- **Nonspendable** - Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** - Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed** - Amounts that can be used only for specific purposes determined by a formal action by City Commission ordinance.
- **Assigned** - Amounts that are designated by the Board of Commissioners for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Commission.
- **Unassigned** - All amounts not included in other spendable classifications. The General Fund is the only fund that reports positive unassigned fund balance. Other funds that would typically report fund balance in one of the other spendable classifications, will report negative fund balance as unassigned.

When an expense/expenditure is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense/expenditure toward restricted resources and then toward unrestricted resources. In governmental funds, when both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources - committed, assigned and unassigned - in order as needed.

##### **Revenues and Expenses**

###### ***Operating Revenues and Expenses***

Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. Operating revenues and expenses for the proprietary funds are those that result from the operation of public street and off-street parking and internal insurance premiums.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

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

***Interfund Transactions***

Interfund services provided/used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from a fund that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

***Use of Estimates***

The process of preparing financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

***Budgetary Information***

Annual budgets are adopted on a basis consistent with U.S. GAAP for all governmental funds and for proprietary funds.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of CERS and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

***OPEB***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CERS and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

## CITY OF COVINGTON, KENTUCKY

### Notes to the Financial Statements (Continued)

#### NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

- In accordance with City ordinance, prior to June 1, the City Manager submits to the Board of Commissioners, a proposed operating budget for the FY commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- A public meeting is conducted to obtain taxpayer comment.
- Prior to June 30, the budget is legally enacted through passage of an ordinance. If a budget ordinance is not passed prior to June 30, the budget ordinance from the prior fiscal year is readopted.
- The City Manager is required by Kentucky Revised Statutes to present a quarterly report to the Mayor and Board of Commissioners explaining any variance from the approved budget.
- Appropriations continue in effect until a new budget is adopted.

The Board of Commissioners may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the fund level. Any amendments to the budget that would change fund level totals must be approved by the Board of Commissioners. Encumbrance accounting is not employed by the City. During the year, the Board of Commissioners adopted two supplementary appropriation ordinances. Appropriations lapse at FY end unless a new budget has not been adopted.

#### NOTE 3 DEPOSITS

##### ***Cash and Cash Equivalents***

*Custodial Credit Risk:* For deposits, this is the risk that in the event of a bank failure, the City's deposits will not be returned. The City maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times.

As of June 30, 2024, \$792,076 of the City's deposits are insured by the FDIC, and \$18,612,168 of the City's deposits are collateralized with securities held by the pledging institution's trust department but not in the City's name.

As of December 31, 2023, Devou Properties, Inc. (a component unit of the City) had \$1,429,427 in cash in excess of insured limits.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 3 DEPOSITS (CONTINUED)**

***Investments***

**Governmental Funds**

As of June 30, 2024, the City had \$24,442,334 invested in certificates of deposit, US Government bonds, and municipal bonds. The investments held by the Governmental Funds at June 30, 2024 are summarized as follows:

Investment Type	Fair Value	Investment Maturities			
		Less Than 1 Year	1 to 2 Years	3 to 5 Years	Beyond 5 Years
Certificates of deposit - nonnegotiable	\$ 250,000	\$ 250,000	\$ -	\$ -	\$ -
US Government bonds	10,239,114	-	-	-	10,239,114
Municipal bonds	13,953,220	319,127	1,701,724	1,876,806	10,055,563
	<u>\$ 24,442,334</u>	<u>\$ 569,127</u>	<u>\$ 1,701,724</u>	<u>\$ 1,876,806</u>	<u>\$ 20,294,677</u>

Investments are made by the City as an agent for the City Employees' Retirement Fund and the Police and Firemen's Retirement Fund. The investments held by each fund at June 30, 2024 are summarized as follows:

**City Employees' Retirement Fund**

Investment Type	Fair Value	Investment Maturities			
		Less Than 1 Year	1 to 2 Years	3 to 5 Years	Beyond 5 Years
Cash and cash equivalents	\$ 28,474	\$ 28,474	\$ -	\$ -	\$ -
Mutual funds	555,742	555,742	-	-	-
Exchange traded funds	742,342	742,342	-	-	-
	<u>\$ 1,326,558</u>	<u>\$ 1,326,558</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Police and Firemen's Retirement Fund**

Investment Type	Fair Value	Investment Maturities			
		Less Than 1 Year	1 to 2 Years	3 to 5 Years	Beyond 5 Years
Cash and cash equivalents	\$ 4,106	\$ 4,106	\$ -	\$ -	\$ -
Mutual funds	349,418	349,418	-	-	-
Exchange traded funds	474,709	474,709	-	-	-
	<u>\$ 828,233</u>	<u>\$ 828,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 3 DEPOSITS (CONTINUED)**

*Interest rate risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City and pension systems' investment policies do not contain a formal policy relating to interest rate risk. There are no limits on maturities.

*Credit risk:* It is each pension systems' policy to limit its investments to those which have a volatility (beta) no greater than 1.20 versus the relevant Policy Benchmark. There is no policy regarding credit risk/ratings of bond investments. The City's investment policy limits investments in the following types of investments to securities rated at specific acceptable levels by nationally recognized rating agencies: uncollateralized certificates of deposit, bankers' acceptances, commercial paper, securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and individual high-quality corporate bonds managed by a professional investment manager.

*Custodial credit risk:* Custodial credit risk is the risk that in the event of a failure of a counter party, the pension systems will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. Investments are held in the City's name and investments are made by the City as an agent for the City Employees' Retirement Fund and the Police and Firemen's Retirement Fund. The City maintains investment accounts with brokerage institutions which hold the investments registered in the City's name. As of June 30, 2024, all of the City's and pension systems' investments were virtually entirely covered by FDIC coverage, SIPC coverage or excess SIPC coverage provided by the institution, and are therefore not subject to custodial credit risk.

*Concentration of credit risk:* Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not allow for an investment in uncollateralized certificates of deposit, banker's acceptances, commercial paper, or bonds or certificates of indebtedness of the State of Kentucky in excess of 20% of the total amount of money invested by the City. The pension systems' investment plans place maximum limits on various categories of investments.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 3 DEPOSITS (CONTINUED)**

The following table includes the percentage of each investment type held by Governmental Funds at June 30, 2024:

Investment Type	Governmental Funds	
	Fair Value	Percent of Total
Certificates of deposit - nonnegotiable	\$ 250,000	1%
US Government bonds	10,239,114	42%
Municipal bonds	13,953,220	57%
	\$ 24,442,334	100%

The pension systems' investment policies do not allow for an investment in global equity that is in excess of 75% of the portfolio's fair value, nor does it allow for an investment in global fixed income in excess of 40% of the portfolio's fair value, nor an investment in real assets in excess of 30% of the portfolio's fair value, nor an investment in diversifying strategies in excess of 20% of the portfolio's fair value.

The following table includes the percentage of each investment type held by the pension systems at June 30, 2024:

Investment Type	Police and Firemen's		City Employees'	
	Fair Value	Percent of Total	Fair Value	Percent of Total
Cash and cash equivalents	\$ 4,106	0%	\$ 28,474	2%
Mutual funds	349,418	42%	555,742	42%
Other assets	474,709	57%	742,342	56%
	\$ 828,233	100%	\$ 1,326,558	100%

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 3 DEPOSITS (CONTINUED)**

The credit quality ratings of the municipal bonds are as follows at June 30, 2024:

Municipal Bonds	Rating
Rhode Is St Student	AAA
West Covina Calif Pub	A+
Montgomery County Kans	AA
St Paul Minn Indpt	AAA
Lake Elsinore California	AA
Pike County KY Pub	A1
Manhattan Beach California Pension	AAA
Corona-Norco California Uni Sch Dist Pub	AA-
North Charleston	AA-
Floyd County KY School District	A1
Boone TWP Independent School	AA+
Folsom Cordova California	AA-
Los Angeles Calif Mun Impt	AA-
Benson Ariz Excise Tax	AA-
Azusa California Pension Oblig Taxable	AA-
West Stanislaus California	AA
Tigard Oregon Water System	AA
Central Marin Police Auth California	AAA
Closter NJ GO Bds	AA+
MontClair Calir Pension Obligation	AA-
Oroville Calif Pension Obligation	AA-
Commerce Calif Pension Oblig	AA-
Kentucky Assn of Countys	AA-
El Segundo Calif Pension Obligation	AAA
Regional Transn Auth III Taxable Go	AA
Minnteonka Minn Indpt Sch Dist	Aa1
Pennsylvania St Higher Ed Facs	AA
Jersey City NJ Taxable Go Impt	A1

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 3 DEPOSITS (CONTINUED)**

Fair Value Measured: Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Certificates of deposit that are nonnegotiable are valued at cost and are therefore not included in the fair market summary.

Investments' fair value measurements are as follows at June 30, 2024:

Governmental Funds

Investments	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
US Government bonds	\$ 10,239,114	\$ -	\$ 10,239,114	\$ -
Municipal bonds	13,953,220	-	13,953,220	-
Total Investments	<u>\$ 24,192,334</u>	<u>\$ -</u>	<u>\$ 24,192,334</u>	<u>\$ -</u>

City Employees' Retirement Fund

Investments	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and Cash Equivalents				
Charles Schwab	\$ 28,474	\$ 28,474	\$ -	\$ -
Total Cash and Cash Equivalents	28,474	28,474	-	-
Mutual Funds				
Dodge & Cox Income	277,162	277,162	-	-
Blackrock Event Driven	10,360	10,360	-	-
Gateway	10,823	10,823	-	-
JOHCM International	83,529	83,529	-	-
Lazard Global Listed	18,988	18,988	-	-
Oberweis Micro Cap	8,974	8,974	-	-
PIMCO Rae Emerging	20,841	20,841	-	-
PIMCO Rae International	54,311	54,311	-	-
Principal Real Estate	32,771	32,771	-	-
VIRTUS Alpha Simplex Mana	4,928	4,928	-	-
WCM Focused Emerging Market	33,055	33,055	-	-
Total Equity Mutual Funds	555,742	555,742	-	-
Other Assets				
Ishares Core S&P 500	421,914	421,914	-	-
Ishares Core US	320,428	320,428	-	-
Total Other Assets	742,342	742,342	-	-
Total Investments	<u>\$ 1,326,558</u>	<u>\$ 1,326,558</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 3 DEPOSITS (CONTINUED)**

Police and Firemen's Retirement Fund

Investments	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and Cash Equivalents				
Charles Schwab	\$ 4,106	\$ 4,106	\$ -	\$ -
Total Cash and Cash Equivalents	4,106	4,106	-	-
Mutual Funds				
Dodge & Cox Income	175,397	175,397	-	-
Blackrock Event Driven	6,945	6,945	-	-
Gateway Fund	6,269	6,269	-	-
Johcm Intl Slct Eqty	50,877	50,877	-	-
Lazard Emrg Mkts Eqty	11,867	11,867	-	-
Oberweis Micro Cap Insti	5,806	5,806	-	-
PIMCO Rae Emerging	13,672	13,672	-	-
PIMCO Rae Intl Inst	34,470	34,470	-	-
Principal Real Estate	19,861	19,861	-	-
VIRTUS Alpha Simplex Mana	3,110	3,110	-	-
WCM Focused Emerging Market	21,144	21,144	-	-
Total Equity Mutual Funds	349,418	349,418	-	-
Other Assets				
Ishares Core S&P 500	274,162	274,162	-	-
Ishares Core US	200,547	200,547	-	-
Total Other Assets	474,709	474,709	-	-
Total Investments	\$ 828,233	\$ 828,233	\$ -	\$ -

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2024 was as follows:

<b>Governmental Activities</b>	Balance June 30, 2023	Additions	Deductions	Balance June 30, 2024
Capital assets not being depreciated				
Land	\$ 32,943,997	\$ -	\$ 42,500	\$ 32,901,497
Land improvements	2,497,426	81,225	-	2,578,651
Construction in progress	<u>2,153,992</u>	<u>7,807,899</u>	<u>621,083</u>	<u>9,340,808</u>
Total capital assets not being depreciated	<u>37,595,415</u>	<u>7,889,124</u>	<u>663,583</u>	<u>44,820,956</u>
Depreciable capital assets				
Buildings	22,761,574	-	8,500	22,753,074
Building improvements	13,134,081	140,922	-	13,275,003
Infrastructure	154,345,809	2,816,333	-	157,162,142
Machinery and equipment	7,347,265	32,500	60,137	7,319,628
Vehicles	17,388,381	1,979,294	543,988	18,823,687
Leased buildings	803,018	728,715	701,985	829,748
Leased equipment	<u>206,039</u>	<u>335,007</u>	<u>206,040</u>	<u>335,006</u>
Total depreciable capital assets	<u>215,986,167</u>	<u>6,032,771</u>	<u>1,520,650</u>	<u>220,498,288</u>
Less: accumulated depreciation				
Buildings	7,864,315	648,604	4,073	8,508,846
Building improvements	12,083,605	259,536	-	12,343,141
Infrastructure	116,017,441	2,225,718	-	118,243,159
Machinery and equipment	6,050,724	652,648	60,137	6,643,235
Vehicles	<u>14,734,518</u>	<u>1,080,027</u>	<u>541,588</u>	<u>15,272,957</u>
Total accumulated depreciation	<u>156,750,603</u>	<u>4,866,533</u>	<u>605,798</u>	<u>161,011,338</u>
Less: accumulated amortization				
Leased buildings	659,542	390,987	701,985	348,544
Leased equipment	<u>145,440</u>	<u>67,001</u>	<u>145,440</u>	<u>67,001</u>
Total accumulated amortization	<u>804,982</u>	<u>457,988</u>	<u>847,425</u>	<u>415,545</u>
Total accumulated depreciation and amortization	<u>157,555,585</u>	<u>5,324,521</u>	<u>1,453,223</u>	<u>161,426,883</u>
Total capital assets, net	<u>58,430,582</u>	<u>708,250</u>	<u>67,427</u>	<u>59,071,405</u>
Governmental activities capital assets, net	<u>\$ 96,025,997</u>	<u>\$ 8,597,374</u>	<u>\$ 731,010</u>	<u>\$ 103,892,361</u>

Depreciation expense by function for the fiscal year ended June 30, 2024 was as follows:

Governmental Activities	
General Government	\$ 360,064
Police	744,002
Fire	574,399
Public works	2,674,836
Community development	<u>513,232</u>
Total Governmental Activities depreciation expense	<u>\$ 4,866,533</u>

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

Amortization expense by function for the fiscal year ended June 30, 2024 was as follows:

Governmental Activities	
General Government	\$ 341,878
Police	16,161
Fire	8,891
Public works	6,090
Community development	84,968
	<u>84,968</u>
Total Governmental Activities amortization expense	<u>\$ 457,988</u>

<b>Business - Type Activities</b>	Balance June 30, 2023	Additions	Deductions	Balance June 30, 2024
Capital assets not being depreciated				
Land	2,317,685	-	-	2,317,685
Total Capital assets not being depreciated	<u>2,317,685</u>	<u>-</u>	<u>-</u>	<u>2,317,685</u>
Depreciable capital assets				
Buildings	13,491,200	-	-	13,491,200
Building improvements	2,876,410	370,051	-	3,246,461
Machinery and equipment	130,152	-	-	130,152
Vehicles	8,948	-	-	8,948
Total depreciable capital assets	<u>16,506,710</u>	<u>370,051</u>	<u>-</u>	<u>16,876,761</u>
Less: accumulated depreciation				
Buildings	7,252,413	305,178	-	7,557,591
Building improvements	2,777,192	48,949	-	2,826,141
Machinery and equipment	130,152	-	-	130,152
Vehicles	8,948	-	-	8,948
Total accumulated depreciation	<u>10,168,705</u>	<u>354,127</u>	<u>-</u>	<u>10,522,832</u>
Total depreciable capital assets, net	<u>6,338,005</u>	<u>15,924</u>	<u>-</u>	<u>6,353,929</u>
Business-type Activities capital assets, net	<u>\$ 8,655,690</u>	<u>\$ 15,924</u>	<u>\$ -</u>	<u>\$ 8,671,614</u>

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 5 INTERFUND ACTIVITY**

Interfund transactions at June 30, 2024, consisted of the following due to/from other funds and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ 14,250,003	\$ 27,647,518	\$ 6,320,159	\$ 5,361,546
Housing Voucher Program	-	777,185	-	-
American Rescue Plan Act Fund	13,826,390	-	-	3,500,000
Nonmajor Governmental Funds	12,682,364	9,073,682	4,340,155	3,298,768
Parking Authority	-	2,878,222	-	-
Internal Service Funds	-	1,556,715	1,500,000	-
Fiduciary Funds	1,174,565	-	-	-
	<u>\$ 41,933,322</u>	<u>\$ 41,933,322</u>	<u>\$ 12,160,314</u>	<u>\$ 12,160,314</u>

Due To/From Other Funds

The City's interfund balances are anticipated to be repaid over a period of time. Some of the interfund balances will not be repaid within one year of the date of these financial statements. The City is unable to identify which balances will not be repaid in the next fiscal year. The interfund balances will be repaid as resources become available.

Advances From Primary Government/Due From Enterprise Activities

During the FY ended June 30, 2020, the General Fund provided a long-term advance of \$2,500,000 to the Paring Authority Fund. The advance was used by the Parking Authority to fund a payment to the developer of a parking garage for the allocation of a portion of the garage for public use. The advance to the Parking Authority bears interest at a rate of 2% per annum. As of June 30, 2024, the balance of the advance due from the Parking Authority to the General Fund, including interest, was \$2,251,967. The Parking Authority intends to repay the General Fund with parking revenues.

Interfund Transfers

Transfers are typically used to move unrestricted revenues collected in one fund to finance various programs accounted for in another fund in accordance with budgetary authorizations and to fund debt service payments when they become due. Much of the City's revenue is received in the General Fund and transferred to various other funds in order to fund immediate expenditures.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 6 LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES**

**Governmental Activities**

On June 30, 2021, the City entered into a five-year lease agreement with the Commonwealth of Kentucky to lease out rights to a building owned by the City. Upon adoption of GASB 87, the City recognized both a lease receivable and a deferred inflow of resources related to the lease agreement totaling \$1,315,103. The City calculated the present value of future lease payments based on an incremental borrowing rate of 2.26%. The balance of the lease receivable as of June 30, 2024 totaled \$540,830. The City amortized the deferred inflows of resources on the straight-line method. The balance of deferred inflows of resources as of June 30, 2024 totaled \$526,041.

On July 1, 2021, the City entered into a five-year lease agreement with the Northern Kentucky Area Development District to lease out rights to a building owned by the City. Upon adoption of GASB 87, the City recognized both a lease receivable and a deferred inflow of resources related to the lease agreement totaling \$944,521. The City calculated the present value of future lease payments based on an incremental borrowing rate of 2.26%. The balance of the lease receivable as of June 30, 2024 totaled \$389,915. The City amortized the deferred inflows of resources on the straight-line method. The balance of deferred inflows of resources as of June 30, 2024 totaled \$377,808.

On October 1, 2023, the city entered into a one year sublease agreement with NKUF Properties 10 LLC. The city recognized a lease receivable of \$30,821. The city calculated the present value of future lease payments based on an incremental borrowing rate of 2.26%. The balance of the lease receivable as of June 30, 2024 totaled \$7,771. The city amortized the deferred inflows of resources on the straight-line method. The balance of deferred inflows of resources as of June 30, 2024 totaled \$7,705.

The present value of expected future minimum lease payments are as follows:

Year Ending <u>June 30,</u>	
2025	\$ 483,022
2026	<u>476,915</u>
Total minimum payments	959,937
Less amount representing interest	<u>23,116</u>
Present value of net minimum lease payments	<u>\$ 936,821</u>

The deferred inflows of resources will be recognized over the term of the lease agreements as lease revenue. During 2024, the City recognized \$27,426 of interest revenue and \$476,916 of lease revenue from the lease agreements.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 6 LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES (CONTINUED)**

**Business-type Activities**

On September 12, 2016, the City entered into a twenty-year lease agreement with 638 Madison, LLC to lease out rights to the City Center garage. Upon adoption of GASB 87, the City recognized both a lease receivable and a deferred inflow of resources related to the lease agreement totaling \$935,654. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.42%. The balance of the lease receivable as of June 30, 2024 totaled \$785,703. The City amortized the deferred inflows of resources on the straight-line method. The balance of deferred inflows of resources as of June 30, 2024 totaled \$751,591.

The present value of expected future minimum lease payments are as follows:

Year Ending <u>June 30,</u>	
2025	\$ 78,600
2026	78,600
2027	78,600
2028	78,600
2029	78,600
Thereafter	<u>569,851</u>
Total minimum payments	962,851
Less amount representing interest	<u>177,147</u>
Present value of net minimum lease payments	<u><u>\$ 785,704</u></u>

The deferred inflows of resources will be recognized over the term of the lease agreement as lease revenue. During 2024, the City recognized \$27,817 of interest revenue and \$61,354 of lease revenue from the lease agreement.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 6 LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES (CONTINUED)**

Short Term Lease agreement

In December 2017, the City amended its operating agreement with Devou Properties to include a lease to repay the debt service, incurred by the City, for public project bonds to provide \$5,813,221 for the construction and updating of the Devou Golf and Event Center. The lease is to be repaid over 24 years with an interest rate that varies between 3.00% and 4.00%. The lease calls for annual payments of \$356,391. The lease is considered a short-term lease because it can be cancelled by either party with notice of 180 days. The annual payment of \$356,391 is reported as revenue in the General Fund for the fiscal year ended June 30, 2024. The City will retain ownership of the facilities, equipment, and improvements. Future minimum lease payments to be received under the operating agreement are as follows as of June 30, 2024:

Year Ending <u>June 30,</u>	
2025	\$ 356,391
2026	356,391
2027	356,391
2028	356,391
2029	356,391
Thereafter	<u>4,276,693</u>
Total minimum payments	6,058,648
Less amount representing interest	<u>1,496,643</u>
Present value of net minimum lease payments	<u><u>\$ 4,562,005</u></u>

**NOTE 7 LONG-TERM DEBT**

The City's long-term debt is segregated between the amounts to be repaid from governmental activities and the amount to be repaid from business-type activities.

**Governmental Activities**

The following schedule summarized outstanding long-term bonds and notes payable at June 30, 2024:

	<u>Purpose</u>	<u>Interest Rate</u>	<u>Mature Date June 30,</u>	<u>Issued</u>	<u>Outstanding</u>
Bonds and Notes					
2014 Pension	Pension refunding	2.00-4.00%	2030	\$ 10,960,000	\$ 4,970,000
Series 2016	Refunding	1.40-3.00%	2031	9,185,000	625,839
Series 2014	Capital Improvements	3.00-4.00%	2034	18,635,000	11,705,000
Series 2015	Hotel Covington	3.00-4.50%	2035	4,000,000	2,540,000
HUD Section 108 Loan	Economic Development	2.45%	2041	330,000	273,000
IRS Lease 2020	Capital Improvements	2.04%	2026	30,000,000	29,196,000
Fleet Purchase Notes	Capital Improvements	2.00-2.50%	2029	3,791,168	1,098,017
Series 2021	Refunding	2.00-2.50%	2037	11,625,000	10,125,000
Series 2024 BAN	Infrastructure	4.28%	2027	17,785,000	17,785,000

The bonds may be called prior to maturity at rates and redemption premiums specified in each issue.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

Assuming no issues are called prior to maturity, the minimum obligations of the City's publicly issued bonds at June 30, 2024 are as follows:

Year Ending <u>June 30,</u>	
2025	\$ 4,616,646
2026	4,437,976
2027	21,719,028
2028	3,549,808
2029	2,747,584
Thereafter	<u>17,910,923</u>
Total minimum payments	54,981,965
Less amount representing interest	<u>7,231,126</u>
Present value of net minimum payments	<u><u>\$ 47,750,839</u></u>

Assuming no issues are called prior to maturity, the minimum obligations of the City's directly issued loans at June 30, 2024 are as follows:

Year Ending <u>June 30,</u>	
2025	\$ 1,135,149
2026	29,767,394
2027	260,426
2028	260,363
2029	220,033
Thereafter	<u>187,107</u>
Total minimum payments	31,830,470
Less amount representing interest	<u>1,263,453</u>
Present value of net minimum payments	<u><u>\$ 30,567,017</u></u>

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

Conduit Debt Obligations

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, state, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2024, there was \$171 million outstanding in Industrial Revenue Bonds.

During the fiscal year ended June 30, 2024, the following changes occurred in long-term liabilities:

Debt Issue	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Bonds and notes:					
Publicly issued bonds					
Series 2014	\$ 12,940,000	\$ -	\$ (1,235,000)	\$ 11,705,000	\$ 1,285,000
Series 2016	715,839	-	(90,000)	625,839	250,000
2014 Pension	5,695,000	-	(725,000)	4,970,000	755,000
Series 2015	2,720,000	-	(180,000)	2,540,000	185,000
Series 2021	10,795,000	-	(670,000)	10,125,000	690,000
Premium on issuance	215,428	-	(17,970)	197,458	-
2024	-	17,785,000	-	17,785,000	-
Total publicly issued bonds	<u>33,081,267</u>	<u>17,785,000</u>	<u>(2,917,970)</u>	<u>47,948,297</u>	<u>3,165,000</u>
Direct placement notes					
HUD Section 108 loans	291,000	-	(18,000)	273,000	18,000
IRS Lease 2020	29,469,000	-	(273,000)	29,196,000	273,000
Fleet Purchase Notes	1,308,915	-	(210,898)	1,098,017	210,898
Total direct placement notes	<u>31,068,915</u>	<u>-</u>	<u>(501,898)</u>	<u>30,567,017</u>	<u>501,898</u>
Total Bonds and Notes	<u>64,150,182</u>	<u>17,785,000</u>	<u>(3,419,868)</u>	<u>78,515,314</u>	<u>3,666,898</u>
Net pension liability:					
Kentucky CERS - Nonhazardous	22,288,784	(3,882,195)	-	18,406,589	-
Kentucky CERS - Hazardous	96,267,771	(21,528,980)	-	74,738,791	-
Employees' Retirement	1,549,352	112,480	(100,084)	1,561,748	-
Police & Firemen's Retirement	6,956,020	493,197	(678,561)	6,770,656	-
Total net pension liability	<u>127,061,927</u>	<u>(24,805,498)</u>	<u>(778,645)</u>	<u>101,477,784</u>	<u>-</u>
Net OPEB liability:					
Kentucky CERS - Nonhazardous	6,083,770	(6,479,817)	-	(396,047)	-
Kentucky CERS - Hazardous	26,858,748	(23,068,204)	-	3,790,544	-
Total net OPEB liability	<u>32,942,518</u>	<u>(29,548,021)</u>	<u>-</u>	<u>3,394,497</u>	<u>-</u>
Claims payable	750,000	-	-	750,000	-
Compensated absences	1,572,205	1,572,205	(1,978,626)	1,165,784	1,165,784
Lease liability	198,975	1,063,723	(515,578)	747,120	431,110
Total long-term liabilities	<u>\$ 226,675,807</u>	<u>\$ (33,932,591)</u>	<u>\$ (6,692,717)</u>	<u>\$ 186,050,499</u>	<u>\$ 5,263,792</u>

Compensated absences will be liquidated by the City's general fund. Compensated absences are required to be used within one year; therefore the balance is classified as due within one year.

The General Fund has typically been used in prior years to liquidate pension and OPEB liabilities.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 7 LONG-TERM DEBT (CONTINUED)**

**Business-Type Activities**

The following schedule summarizes outstanding long-term bonds and notes payable at June 30, 2024:

	<u>Purpose</u>	<u>Interest Rate</u>	<u>Mature Date June 30,</u>	<u>Issued</u>	<u>Outstanding</u>
Bonds					
Series 2016	Capital Improvement	1.40-3.00%	2031	\$ 9,185,000	\$ 999,161

The bonds may be called prior to maturity at rates and redemption premiums specified in each issue.

Assuming no issues are called prior to maturity, the minimum obligations of the City at June 30, 2024 are as follows:

Year Ending <u>June 30,</u>	
2025	\$ 186,682
2026	183,338
2027	184,610
2028	180,701
2029	181,075
Thereafter	<u>186,332</u>
Total minimum payments	1,102,738
Less amount representing interest	<u>103,577</u>
Present value of net minimum payments	<u><u>\$ 999,161</u></u>

During the FY ended June 30, 2024, the following changes occurred in long-term liabilities:

<u>Debt Issue</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds and notes: Series 2016	<u>\$ 1,179,161</u>	<u>\$ -</u>	<u>\$ (180,000)</u>	<u>\$ 999,161</u>	<u>\$ 160,000</u>

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 8 LEASE LIABILITIES**

**Governmental Activities**

On October 1, 2023, the City entered into a lease agreement for the City Hall building. The lease calls for monthly payments of \$27,917 over a period of 24 months. Upon adoption of GASB 87, the City recognized both a lease liability and leased buildings related to the lease agreement totaling \$655,722. The City calculated the present value of future lease payments based on an incremental borrowing rate of 2.26%. The balance of the lease liability as of June 30, 2024 totaled \$412,513.

On October 1, 2023, the City entered into a lease agreement for a property as part of an economic development arrangement. The lease calls for monthly payments of \$5,264 over a period of 12 months. Upon adoption of GASB 87, the City recognized both a lease liability and leased buildings related to the lease agreement totaling \$62,517. The City calculated the present value of future lease payments based on an incremental borrowing rate of 2.26%. The balance of the lease liability as of June 30, 2024 totaled \$15,732.

On July 1, 2023, the City entered into a lease agreement for copiers which are utilized by various departments throughout the City. The lease calls for monthly payments of \$5,899 over a period of 60 months. Upon adoption of GASB 87, the City recognized both a lease liability and leased equipment related to the lease agreement totaling \$335,007. The City calculated the present value of future lease payments based on an incremental borrowing rate of 2.26%. The balance of the lease liability as of June 30, 2024 totaled \$270,487.

On October 1, 2021, the City entered into a lease agreement for a property as part of an economic development arrangement. The lease calls for monthly payments of \$1,700 with an annual 2.5% rent escalator over a period of 60 months. The City calculated the present value of future lease payments based on an incremental borrowing rate of 2.26%. The balance of the lease liability as of June 30, 2024 totaled \$48,544.

Annual requirements to maturity for all governmental long-term lease obligations are as follows:

Year Ending <u>June 30,</u>	
2025	\$ 443,418
2026	176,919
2027	76,417
2028	<u>70,633</u>
Total minimum payments	767,387
Less amount representing interest	<u>20,267</u>
Present value of net minimum lease payments	<u><u>\$ 747,120</u></u>

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 9 RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City has established a Liability Self Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Liability Self Insurance Fund provides coverage for all losses. The City purchases commercial insurance for fire and extended coverage losses. For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance coverage.

All funds of the City participate in the program and make payments to the Liability Self Insurance Fund. The payments are intended to establish a reserve based on an estimated liability of future claims. That reserve was \$750,000 at June 30, 2024. Changes in the Liability Self Insurance Fund's claims liability amount during the FYs ended June 30, 2024 and 2023 were as follows:

	2024	2023
Claims liability at July 1	\$ 750,000	\$ 750,000
Change in claims and estimates	89,490	141,056
Claims payments	(89,490)	(141,056)
Claims liability at June 30	\$ 750,000	\$ 750,000

The City has also established a Medical Self Insurance Fund. Employees may elect to participate in this program or certain other medical insurance programs offered by the City. Under this program the first \$125,000 of a participants' medical claims are payable by the Medical Self Insurance Fund. The City purchases insurance for claims in excess of coverage provided by the fund. All funds of the City participate in the program and make payments to the Medical Self Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims. The claims liability reported at June 30, 2024 is \$1,350,000. Of that amount, \$1,350,000 represents current liabilities. Changes in the Medical Self Insurance Fund's claims liability amount during the FYs ended June 30, 2024 and 2023 were as follows:

	2024	2023
Claims liability at July 1	\$ 1,350,000	\$ 1,601,868
Change in claims and estimates	8,130,358	7,574,147
Claims payments	(8,130,358)	(7,826,015)
Claims liability at June 30	\$ 1,350,000	\$ 1,350,000

There have been no significant reductions in insurance coverage from the prior year.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 10 COMBINING FIDUCIARY FUND FINANCIAL STATEMENTS**

The financial statements of the City include the statement of fiduciary net position and the statement of changes in fiduciary net position as of June 30, 2024, and for the year then ended, for the combined pension trusts. The following table presents the combining statement of fiduciary net position as of June 30, 2024:

	<b>Employees' Retirement</b>	<b>Police and Firemen's Retirement</b>	<b>Combined Pension Trusts</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 41,580	\$ 12,719	\$ 54,299
Accounts Receivable	-	818	818
Bond mutual funds	-	-	-
Mutual funds	555,742	349,418	905,160
Other assets	742,342	474,709	1,217,051
Due from the primary government	313,158	861,407	1,174,565
Total assets	<u>1,652,822</u>	<u>1,699,071</u>	<u>3,351,893</u>
<b>Liabilities</b>			
Accrued other	-	342	342
Total liabilities	<u>-</u>	<u>342</u>	<u>342</u>
<b>Net Position</b>			
Net position restricted for pensions	<u>\$ 1,652,822</u>	<u>\$ 1,698,729</u>	<u>\$ 3,351,551</u>

The following table presents the combining statement of changes in fiduciary net position for the fiscal year ended June 30, 2024:

	<b>Employees' Retirement</b>	<b>Police and Firemen's Retirement</b>	<b>Combined Pension Trusts</b>
<b>Additions</b>			
Contributions:			
Employer Contributions	\$ 138,000	\$ 446,000	\$ 584,000
Miscellaneous	-	1,166	1,166
Total contributions	<u>138,000</u>	<u>447,166</u>	<u>585,166</u>
Investment Return			
Interest and dividends	41,658	34,013	75,671
Net appreciation in fair value of investments	98,024	67,061	165,085
Total investment return	<u>139,682</u>	<u>101,074</u>	<u>240,756</u>
Total additions	<u>277,682</u>	<u>548,240</u>	<u>825,922</u>
<b>Deductions</b>			
Benefit payments	374,403	999,921	1,374,324
Administration	20,387	22,034	42,421
Total deductions	<u>394,790</u>	<u>1,021,955</u>	<u>1,416,745</u>
Change in net position	(117,108)	(473,715)	(590,823)
Total net position, July 1, 2023	<u>1,769,930</u>	<u>2,172,444</u>	<u>3,942,374</u>
Total net position, June 30, 2024	<u>\$ 1,652,822</u>	<u>\$ 1,698,729</u>	<u>\$ 3,351,551</u>

## CITY OF COVINGTON, KENTUCKY

### Notes to the Financial Statements (Continued)

#### NOTE 11 EMPLOYEE RETIREMENT PLANS

The City maintains two single employer, defined benefit pension plans: Employees' Retirement Plan and Police and Firemen's Retirement Plan. A separate, audited post-employment benefit plan report prepared in accordance with U.S. GAAP is not available for these plans. The City also participates in CERS.

#### Summary of Significant Accounting Policies

##### Employee's Retirement Plan and Police and Firemen's Retirement Plan

*Basis of Accounting.* The plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

*Method Used to Value Investments.* Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

##### Employees' Retirement Plan

*Plan Description.* The Employees' Retirement Plan is a single-employer defined benefit pension plan that covers substantially all non-public safety employees hired prior to April 1, 1977. The plan is administered by the Board of Trustees, which consists of five members: the Mayor, the City Manager, the Finance Director, the Human Resources Director, and a former employee who is a member of the Plan appointed by the Mayor.

*Benefits Provided.* The plan provides retirement, disability and death benefits to plan members and their beneficiaries. Plan members who retire with 10 years of service at age 50 are eligible to receive a monthly benefit of 2.5% of their average salary for each of the first 20 years of service, 2.0% for the next 5 years of service, and 1.0% for each additional year, with a maximum benefit of 65% of average salary. Plan members who were terminated before age 50, but had 10 years of service are eligible for an accrued benefit as of termination of employment payable upon attainment of age 50. Plan members terminated with less than 10 years of service are entitled to a refund of their contributions without interest.

Plan members eligible for an occupational disability retirement shall receive an annuity equal to 60% of an average of their three highest salary years. Plan members eligible for a non-occupational disability retirement are entitled to an annuity equal to 2.5% of their average salary, subject to a minimum payment of 25% of such average salary, and a maximum payment of 65% of their average salary, if they have at least 10 years of service.

CITY OF COVINGTON, KENTUCKY

Notes to the Financial Statements  
(Continued)

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Employees' Retirement Plan (Continued)

Non-occupational death benefits are equal to the total contributions made to the plan, if the employee had less than 10 years of service, or an annuity equal to 1.5% of their average salary for each year of service, adjusted by 0.50 for the first minor child and by 0.25 for each additional child, with a maximum family benefit of 50% of the average salary if the employee had at least 10 years of service. Occupational death benefits are equal to 50% of average salary, increasing by 10% for each minor child, with a maximum equal to 70% of average salary.

Cost-of-living adjustments (COLA) are provided at the discretion of the Board of Trustees. Benefits are provided and may be amended by City ordinance. There was a COLA of 2% for 2024.

*Contributions.* As of June 30, 2024, there are 24 retirees and beneficiaries currently receiving benefits. The City is required to contribute at an actuarially determined rate. Contribution requirements of the City are established and may be amended by City ordinance. Administrative costs are financed through investment earnings. The plan is closed to new entrants and doesn't have any active plan members.

*Investment Policy.* The plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2024:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Fixed income	50.0%	2.5%
Equity funds	50.0%	7.0%
Total	100%	

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**Employees' Retirement Plan (Continued)**

*Concentrations.* The Employees' Retirement Plan investments concentration as of June 30, 2024:

<b>Investment</b>	<b>Concentration</b>
Cash and money markets	3%
Bond mutual funds	34%
Equity mutual funds	45%
Other assets	19%
	100.0%

*Rate of Return.* For the FY ended June 30, 2024, the annual money-weighted rate of return on the plan investments, net of pension plan investment expense was 11.59%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Net Pension Liability.* The Employees' Retirement net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the City at June 30, 2024, were as follows:

Total pension liability	\$ 3,214,569
Employee's Retirement Plan fiduciary net position	(1,652,821)
City's net pension liability	\$ 1,561,748
Employees' Retirement Plan net position as a percentage of total pension liability	51.42%

*Actuarial Assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	5.5%, net of pension plan investment expense, including inflation
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Mortality rates were based on the RP-2014 Total Mortality Table projected generationally using scale MP-2021.

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2023 – June 30, 2024.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**Employees' Retirement Plan (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 5.5 percent. The projection of cash flows used to determine the discount rate assumed the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. The Fiduciary Net Position is now projected to be solvent based on the City's revised contribution policy. The discount rate is therefore equal to the expected return on assets as provided by the plan's investment managers.

*Changes in Employees' Net Pension Liability.* Changes in the Employees' Retirement net pension liability for the FY ended June 30, 2024 were as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Balance, July 1, 2023	\$ 3,319,282	\$ 1,769,930	\$ 1,549,352
Changes for the year:			
Interest	172,403	-	172,403
Benefit changes	15,758	-	15,758
Difference between expected and actual experience	81,529	-	81,529
Changes of assumptions	-	-	-
Benefit payments	(374,403)	-	(374,403)
Contributions - employer	-	138,000	(138,000)
Net investment income	-	139,681	(139,681)
Benefit payments	-	(374,403)	374,403
Administrative expense	-	(20,387)	20,387
Net changes	<u>(104,713)</u>	<u>(117,109)</u>	<u>12,396</u>
Balance, June 30, 2024	<u>\$ 3,214,569</u>	<u>\$ 1,652,821</u>	<u>\$ 1,561,748</u>

	<b>Deferred Outflows of Resources</b>
	<u>          </u>
Net difference between projected and actual earnings on pension plan investments	\$ 14,855
	<u>\$ 14,855</u>

Amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2025	\$ (13,710)
2026	53,361
2027	(15,047)
2028	(9,749)

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**Employees' Retirement Plan (Continued)**

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the City, calculated using the discount rate of 5.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.5%) or 1-percentagepoint higher (6.5%) than the current rate:

	<b>Discount Rate</b>	<b>Net Pension Liability</b>
1% decrease	4.50%	\$ 1,778,520
Current discount rate	5.50%	\$ 1,561,748
1% increase	6.50%	\$ 1,368,904

*Pension expense.* For the fiscal year ended June 30, 2024, the City recognized pension expense of \$191,908.

**Police and Firemen's Retirement Plan**

*Plan Description.* The Police and Firemen's Retirement Plan is a single-employer defined benefit pension plan that covers all retired police and firemen who were receiving benefits prior to August 1, 1989. The plan is administered by the Board of Trustees, which consists of five members: the Mayor, the City Manager, the Finance Director, and two retired members of the police and fire department.

*Benefits Provided.* The plan provides retirement, disability and death benefits to plan members and their beneficiaries as provided under Kentucky Revised Statutes (KRS) 95.852 to 95.991. Plan members who retire with 20 years of service at age 50 are eligible to receive a monthly benefit of 2.5% of their average salary for each of the first 30 years of service, with a maximum benefit of 75% of average salary and a minimum monthly benefit of \$512.50. Plan members who were terminated before age 50 but had 20 years of service are eligible for an accrued benefit as of termination of employment payable upon attainment of age 50. Plan members terminating with less than 20 years of service are entitled to a refund of their contributions without interest.

Plan members eligible for an occupational disability retirement shall receive an annuity equal to 70% of the last salary, with a maximum benefit, including basic Workers' Compensation, equal to 100% of the last salary, and a minimum of the greater of \$512.50 monthly benefit or 2.5% of average salary of each year of service. Plan members eligible for a non-occupational disability retirement are entitled to an annuity equal to 2.5% of their average salary, subject to a minimum monthly benefit of \$512.50, and a maximum payment of 50% of their average salary, if they have at least 10 years of service.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**Police and Firemen's Retirement Plan (Continued)**

Beneficiaries are entitled to non-occupational death benefits for employees who had 3 years of service and died from causes other than in the performance of duty. Benefits include 1.5% of average salary for each year of service plus total COLA, retired members may have received in their annuity for beneficiaries who are at least age 45. If the beneficiary becomes totally disabled before age 45 or has a minor child or children, payments will begin immediately. If there are minor children under the age of 18, the annuity percentage credit shall be increased by a factor of 0.50 on account of the first child and by a factor of 0.25 on account of each additional child, subject to a maximum combined payment of 75% of average salary. If the pensioner is not survived by a widow and there are minor children a benefit of 50% of average salary plus total COLA for the first minor child, plus 15% additional for the second minor child, plus 10% additional if there are 3 or more minor children, to a maximum payment of 75% of average salary (excluding COLA). These benefits will be payable until age 18 or, in the case of a full-time student, until age 23. In the situation of an occupational death, monthly benefits are equal to 50% of the last rate of salary plus total COLA, payable to the survivor until they die or remarry. If there are minor children under age 18, an additional 25% shall be paid until the last child reaches age 18, to a combined maximum benefit of 75% of the final rate of salary (excluding COLA). If the pensioner is not survived by a widow and there are minor children, a benefit of 50% of average salary plus total COLA for the first minor child, plus 15% additional for the second minor child, plus 10% additional if there are 3 or more minor children, to a maximum payment of 75% of average salary (excluding COLA). These benefits will be payable until age 18 or, in the case of a full-time student, until age 23. If neither a widow nor minor children survive the member, each dependent parent shall be entitled to an annuity equal to 25% of the member's last rate of salary.

COLA are provided at the discretion of the Board of Trustees. Benefits are provided and may be amended by City ordinance. There was a COLA of 2% for 2024.

*Contributions.* As of June 30, 2024, there are 38 retirees and beneficiaries currently receiving benefits. The City is required to contribute at an actuarially determined rate. Contribution requirements of the City are established under KRS 95.868. Administrative costs are financed through investment earnings. The plan is closed to new entrants and doesn't have any active plan members.

*Investment Policy.* The plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**Police and Firemen’s Retirement Plan (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2024:

<b>Asset Class</b>	<b>Allocation</b>	<b>Real Rate of Return</b>
Fixed income	50.0%	2.5%
Equity funds	50.0%	7.0%
Total	100%	

*Concentrations.* The Police and Firemen’s Retirement Plan investments concentration as of June 30, 2024:

<b>Investment</b>	<b>Concentration</b>
Cash and money markets	1%
Bond mutual funds	21%
Equity mutual funds	28%
Other assets	51%
	100.0%

*Rate of Return.* For the FY ended June 30, 2024, the annual money-weighted rate of return on the plan investments, net of pension plan investment expense was 7.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*Net Pension Liability.* The Police and Firemen’s Retirement net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the City at June 30, 2024, were as follows:

Total pension liability	\$ 8,469,383
Employee’s Retirement Plan fiduciary net position	(1,698,727)
City’s net pension liability	\$ 6,770,656
Employees’ Retirement Plan net position as a percentage of total pension liability	20.06%



**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**Police and Firemen’s Retirement Plan (Continued)**

	<b>Deferred Outflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 69,262
	\$ 69,262

Amounts reported as deferred outflows of resources will be recognized in pension expense as follows:

Year ended June 30:	
2025	\$ (21,896)
2026	95,074
2027	(4,361)
2028	445

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the City, calculated using the discount rate of 5.5%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.5%) or 1-percentagepoint higher (6.5%) than the current rate:

	<b>Discount Rate</b>	<b>Net Pension Liability</b>
1% decrease	4.50%	\$ 7,362,488
Current discount rate	5.50%	\$ 6,770,656
1% increase	6.50%	\$ 6,246,169

*Pension Revenue/Expense.* For the FY ended June 30, 2024, the City recognized pension expense of \$249,906.

**CERS**

City Employees who work at least 100 hours per month participate in CERS. Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems (KRS) administers the CERS.

The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**CERS (Continued)**

*General Information about the Pension Plan*

*Plan Description* – Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits Provided* – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

		Non-Hazardous
Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available
		Hazardous
Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	20 years service or 55 years old
	Reduced retirement	At least 15 years service and 50 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 60 years old At least 25 years service and any age
	Reduced retirement	At least 15 years service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 60 years old At least 25 years service and any age
	Reduced retirement	Not available

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**CERS (Continued)**

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. One month's service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent's monthly average. Any dependent child will receive 50% of the decedent's monthly final rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

*Contributions* – Required contributions by the employee are based on the following tier:

	Non-Hazardous Required contribution	Hazardous Required contribution
Tier 1	5%	8%
Tier 2	5% + 1% for insurance	8% + 1% for insurance
Tier 3	5% + 1% for insurance	8% + 1% for insurance

For the FY ended June 30, 2024, the City contributed \$1,994,061, or 100% of the required contribution for non-hazardous job classifications to the pension trust.

For the FY ended June 30, 2024, the City contributed \$9,333,986, or 100% of the required contribution for hazardous job classifications to the pension trust.

*Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2024, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability were as follows:

City's proportionate share of the CERS net pension liability:

Non-hazardous	\$ 18,406,589
Hazardous	74,738,791
	\$ 93,145,380

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**CERS (Continued)**

The net pension liability for each plan was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2023, the City's proportion was 0.29% for non-hazardous 2.77% for hazardous classifications.

For the year ended June 30, 2024, the City recognized pension expense of \$1,725,974 for non-hazardous and \$4,860,020 for hazardous classifications. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	NON-HAZARDOUS		HAZARDOUS		TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 952,874	\$ 50,016	\$ 3,416,751	\$ -	\$ 4,369,625	\$ 50,016
Net difference between projected and actual earnings on pension plan investments	1,988,433	2,239,509	6,655,774	7,405,544	8,644,207	9,645,053
Changes of assumptions	-	1,686,977	-	5,836,886	-	7,523,863
Changes in proportion and differences between employer contributions and proportionate share of contributions	602,453	1,023,462	2,166,376	8,612,972	2,768,829	9,636,434
City contributions subsequent to the measurement date	1,994,061	-	8,782,792	-	10,776,853	-
<b>Total</b>	<b>\$ 5,537,821</b>	<b>\$ 4,999,964</b>	<b>\$ 21,021,693</b>	<b>\$ 21,855,402</b>	<b>\$ 26,559,514</b>	<b>\$ 26,855,366</b>

\$10,776,853 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2024. Other amounts reported as deferred inflows and deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Non-Hazardous	Hazardous	Total
2025	\$ (528,932)	\$ (2,416,514)	\$ (2,945,446)
2026	(1,159,988)	(3,592,652)	(4,752,640)
2027	410,910	(2,157,052)	(1,746,142)
2028	(178,194)	(1,450,283)	(1,628,477)

*Actuarial Assumptions* – The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Non-Hazardous	Hazardous
Inflation	2.30%	2.30%
Projected salary increases	3.3 - 10.3%	3.55 - 19.05%
Investment rate of return, net of investment expense and inflation	6.50%	6.50%

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**CERS (Continued)**

Mortality rates used for active members for PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for disabled members was PUB-2010 Disabled Mortality table, with a 4-year set forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2018 through 2022, is outlined in a report dated May 9, 2023. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of real rates of return for each major asset class, as provided by CERS' investment consultant, are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
US equity	50.0%	5.90%
Core Fixed Income	10.0%	2.45%
Private equity	10.0%	11.73%
Specialty Credit	10.0%	3.65%
Real estate	7.0%	4.99%
Real return	13.0%	5.15%
Cash	0.0%	1.39%
Total	<u>100%</u>	

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)**

**CERS (Continued)**

*Discount Rate* – The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* – The following table presents the net pension liability of the City, calculated using the discount rates selected by each pension system, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

		1% Decrease 5.50%		Current Discount Rate 6.50%		1% Increase 7.50%
	\$	23,239,430	\$	18,406,589	\$	14,390,316
Non-hazardous						
Hazardous	\$	94,375,563	\$	74,738,791	\$	58,700,005

*Pension Plan Fiduciary Net Position* – Detailed information about the plan’s fiduciary net position is available in the separately issued CERS financial report.

*Payable to the Pension Plan* – At June 30, 2024, the City reported a payable of \$1,513,496 for the outstanding amount of contributions to the pension plan required for the FY ended June 30, 2024. The payable includes both the pension and insurance contribution allocation.

**NOTE 12 OPEB**

*Plan Description* – Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS.

*Benefits provided* – CERS provides health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date. See Note 11 for tier classifications.

*Contributions* – Required contributions by the employee are based on the tier disclosed in Note 11.

For the FY ended June 30, 2024, the City contributed \$0, or 100% of the required contribution for non-hazardous job classifications, and \$0, or 100% of the required contribution for hazardous job classifications.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 12 OPEB (CONTINUED)**

*OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs*

At June 30, 2024, the City reported a liability for its proportionate share of the net OPEB liability as follows:

City's proportionate share of the CERS net OPEB liability:

Non-hazardous	\$	(396,047)
 Hazardous		 <u>3,790,544</u>
	 \$	 <u><u>3,394,497</u></u>

The collective net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the City's proportion decreased 0.021 percent from 0.308 percent at June 30, 2022 to 0.287 percent for non-hazardous and decreased 0.38 percent from 3.15 percent at June 30, 2022 to 2.77 percent for hazardous classifications.

For the year ended June 30, 2024, the City recognized OPEB expense of \$2,185,226. At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	NON-HAZARDOUS		HAZARDOUS		TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual performance	\$ 276,105	\$ 5,623,473	\$ 342,845	\$ 15,627,279	\$ 618,950	\$ 21,250,752
Net difference between projected and actual earnings on OPEB plan investments	779,393	543,159	3,449,843	3,971,872	4,229,236	4,515,031
Change of assumptions	741,187	833,102	2,588,201	3,951,463	3,329,388	4,784,565
Changes in proportion and differences between employer contributions and proportionate share of contributions	498,383	376,196	578,755	2,797,936	1,077,138	3,174,132
District contributions subsequent to the measurement date	-	-	551,194	-	551,194	-
Total	<u>\$ 2,295,068</u>	<u>\$ 7,375,930</u>	<u>\$ 7,510,838</u>	<u>\$ 26,348,550</u>	<u>\$ 9,805,906</u>	<u>\$ 33,724,480</u>

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 12 OPEB (CONTINUED)**

\$551,194 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2024. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

Year ended June 30:	<u>Non-Hazardous</u>	<u>Hazardous</u>	<u>Total</u>
2025	\$ (1,149,224)	\$ (3,829,471)	\$ (4,978,695)
2026	(1,512,441)	(4,308,345)	(5,820,786)
2027	(1,253,370)	(3,362,447)	(4,615,817)
2028	(1,165,827)	(4,704,203)	(5,870,030)
2029	-	(3,184,440)	(3,184,440)

*Actuarial Assumptions* – The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Non-Hazardous</u>	<u>Hazardous</u>
Investment rate of return	6.25%	6.25%
Projected salary increases	3.30% to 10.30%, varies by service	3.55% to 19.05%, varies by service
Inflation rate	2.30%	2.30%
Healthcare cost trend rates		
Under 65	Initial trend starting at 6.4% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years	Initial trend starting at 6.4% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Ages 65 and Older	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Municipal Bond Index Rate	3.86%	3.86%
Discount Rate	5.93%	5.97%

Mortality rates used for active members was PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2022 valuation.

The long-term expected rate of return was determined by using a building-block method in which best estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 12 OPEB (CONTINUED)**

The target allocation and best estimates of arithmetic real rate of return for each major asset class, as provided by CERS' investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Large Cap U.S. Equity	35.4%	5.0%
Small Cap U.S. Equity	2.6%	5.5%
Developed International Equity	15.0%	5.5%
Emerging Markets Equity	5.0%	6.1%
Fixed Income	9.0%	1.9%
High Yield Bonds	8.0%	3.8%
Other Additional Categories	9.0%	3.7%
Real Estate	6.5%	8.0%
Private Equity	8.5%	8.0%
Cash	1.0%	1.6%
Total	<u>100.0%</u>	

*Discount Rate* – The discount rate used to measure the total OPEB liability was 5.93% and 5.97% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>CERS</u>	<u>1% Decrease (4.93%)</u>	<u>Current Discount Rate (5.93%)</u>	<u>1% Increase (6.93%)</u>
Non-hazardous	\$ 743,229	\$ (396,047)	\$ (1,350,051)
<u>CERS</u>	<u>1% Decrease (4.97%)</u>	<u>Current Discount Rate (5.97%)</u>	<u>1% Increase (6.97%)</u>
Hazardous	\$ 9,586,346	\$ 3,790,544	\$ (1,038,904)

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 12 OPEB (CONTINUED)**

*Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate*

The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>CERS</u>	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Non-hazardous	\$ (1,269,400)	\$ (396,047)	\$ 676,785
Hazardous	\$ 43,188	\$ 3,790,544	\$ 8,316,248

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

**NOTE 13 FUND BALANCE**

Fund balance is classified as non-spendable, restricted, committed, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>IRS Site Construction</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable</b>					
Prepaid items	\$ 29,464	\$ -	\$ -	\$ 17,065	\$ 46,529
Advances to other funds	2,251,967	-	-	-	2,251,967
Total nonspendable	<u>2,281,431</u>	<u>-</u>	<u>-</u>	<u>17,065</u>	<u>2,298,496</u>
<b>Restricted</b>					
Capital projects	-	1,739,951	-	-	1,739,951
Debt service	-	-	-	-	-
HUD programs	-	-	-	644,025	644,025
Other grant programs	-	-	-	2,611,711	2,611,711
Total restricted	<u>-</u>	<u>1,739,951</u>	<u>-</u>	<u>3,255,736</u>	<u>4,995,687</u>
<b>Committed</b>					
Infrastructure	-	-	-	-	-
Ambulance	-	-	-	736,998	736,998
Fleet, equipment & technology	-	-	-	1,161,804	1,161,804
EDF	-	-	-	936,397	936,397
TIF	-	-	-	5,960,964	5,960,964
Leased properties	-	-	-	1,557,418	1,557,418
Stormwater maintenance	-	-	-	882,305	882,305
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,235,886</u>	<u>11,235,886</u>
<b>Assigned</b>					
Capital project reserve	-	-	-	1,250,000	1,250,000
Operating reserve	10,000,000	-	-	-	10,000,000
Total assigned	<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>1,250,000</u>	<u>11,250,000</u>
<b>Unassigned</b>	<u>10,849,787</u>	<u>-</u>	<u>(31,432)</u>	<u>(6,119,724)</u>	<u>4,698,631</u>
<b>Total Fund Balance</b>	<u>\$ 23,131,218</u>	<u>\$ 1,739,951</u>	<u>\$ (31,432)</u>	<u>\$ 9,638,963</u>	<u>\$ 34,478,700</u>

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 13 FUND BALANCE (CONTINUED)**

At June 30, 2024, the following non-major governmental funds had a deficit fund balance:

Federal & State Grants	\$ 1,844,347
City Hall Operations	596,544
Infrastructure Fund	194,644
Waste	2,751,768
Devou Park Master Plan	111,909
Public Works Facility Construction	698,573

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

During the FY ended June 30, 2019, the City established a GFORF Policy, O-05-19. The policy specifies that the General Fund Operative Reserve should be equivalent to at least three months of budgeted operating revenues to meet the general operating expenses of the City during periods of economic uncertainty. The GFORF was determined to be \$10,000,000 as of June 30, 2024. It is the intent of the City to limit use of the GFORF to address unanticipated, non-recurring needs. The Fund shall not normally be applied to annual operating expenditures. In the event the Fund is used, resulting in a balance below the three-month minimum, a comprehensive plan shall be developed and included in the formulation of the five-year forecast presented during the annual budget process.

**NOTE 14 CONTINGENCIES**

The City is a defendant in a number of lawsuits pertaining to matters that are incidental to performing routine governmental activities. Management anticipates that any potential claims against the City would be covered by the self-insurance reserve and would not materially affect the City's financial position.

Amounts grantor agencies pay to the City are subject to audit and adjustments by the grantor, principally the federal government. The grantor may require refunding by the City for any disallowed costs. Management cannot determine amounts grantors may disallow in future periods. However, based on prior experience, management believes any refunds would be immaterial to its financial statement as of June 30, 2024.

**NOTE 15 TAX ABATEMENTS**

The City is authorized by Kentucky Revised Statutes and City Chapter 116 of the Covington Code of Ordinances to enter into payroll tax abatement agreements to provide incentives for the creation or retention of businesses in the City; for the rehabilitation of vacant properties for retail, office, or commercial use; and to establish uniform timelines for the disbursement of job development incentive funds. The City Commission determines the percentage amount and duration of the tax incentives. The amount of the abatement is refunded to businesses each year once they have successfully applied for the incentive and met all the requirements to participate in the program.

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 15 TAX ABATEMENTS (CONTINUED)**

For the ended June 30, 2024, the City abated payroll taxes totaling \$736,371 under this program, including the following tax abatements agreements that each exceeded 10 percent of the total, which is the percentage the City considers to be material for purposes of individual disclosure:

Type of Business	Purpose	Percent Abated	Amount Abated
CTI-Clinical Trial Services	Covington Jobs Development Retention Incentive	51%	\$ 382,175
Gravity Diagnostics, LLC	Covington Jobs Development Retention Incentive	40%	\$ 74,959
Richard Allen Haehnle	Vacant Property Rehabilitation Incentive	50 - 75%	\$ 138,208

The City is authorized by Kentucky Revised Statutes to enter into property tax abatement agreements for the purpose of attracting new development. Developers can acquire land located in Covington for the purpose of development. The City can agree to abatement of certain real estate ad valorem taxes based upon specific provisions and the developer can agree to make Payments in Lieu of Taxes (PILOT) and enter into an agreement in Lieu of Taxes. The City Commission determines the percentage amount and duration of the tax incentive. The amount of the abatement is automatically deducted from the property owner's PILOT bill.

For the FY ended June 30, 2024, the City abated property taxes totaling \$262,233 under this program, including the following tax abatements agreements that each exceeded 10 percent of the total, which is the percentage the City considers to be material for purposes of individual disclosure:

Type of Business	Purpose	Percent Abated	Amount Abated
Ascent at Roebling's Bridge Condominiums	Built Luxury Condominiums	41%	\$ 71,104
Covington West 7th, LLC	Built Luxury Condominiums	77%	\$ 60,032
Covington FC III, LLC	Built Luxury Condominiums	76%	\$ 42,254
303 Court (Al Neyer)	Built Luxury Condominiums	80%	\$ 32,088
730 Washington, LLC	Built Luxury Condominiums	77%	\$ 30,680

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 16 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

The City has various subscription-based information technology arrangements (SBITAs) which are used for administrative purposes. These arrangements grant licenses to use the underlying IT assets of the vendors for periods expiring between June 2024 and June 2029. The City recognized an intangible asset and a corresponding liability for the value of the licenses during the term of the arrangements. These assets are amortized on a straight-line basis over the subscription term. The following table shows the City's change in subscription asset and liability accounts for the year ended June 30, 2024:

<b>Governmental Activities</b>	Balance July 1, 2023	Additions	Deductions	Balance June 30, 2024
Subscription assets	\$ 1,789,397	\$ -	\$ -	\$ 1,789,397
Accumulated amortization	\$ 446,909	\$ 506,727	\$ -	\$ 953,636
Subscription liabilities	\$ 1,184,301	\$ -	\$ (429,950)	\$ 754,351

**NOTE 17 CORRECTION OF ERROR**

During fiscal year 2024, the City of Covington determined that a building recorded in the capital assets was actually sold in 2020 and should no longer be recorded as a capital asset for the city. Therefore, capital assets, net of accumulated depreciation, was overstated by \$920,000 for the fiscal year ended June 30, 2023. A prior period adjustment was made to beginning net position balances to restate the prior period ending net position balance. The following table shows the change in the prior period:

	As Previously Stated 2023	Error Correction	As Restated 2023
Current and other assets	\$ 73,055,726	\$ -	\$ 73,055,726
Noncurrent assets	106,944,175	(920,000)	106,024,175
Total assets	179,999,901	(920,000)	179,079,901
Deferred outflows	48,680,648	-	48,680,648
Noncurrent liabilities:			
Net pension liability	127,061,927	-	127,061,927
Net OPEB liability	32,942,518	-	32,942,518
Other long-term liabilities	63,750,134	-	63,750,134
Other liabilities	35,838,124	-	35,838,124
Total liabilities	259,592,703	-	259,592,703
Deferred inflows	27,307,738	-	27,307,738
Net position:			
Investment in capital assets (net of debt)	38,659,351	(920,000)	37,739,351
Restricted	6,810,667	-	6,810,667
Unrestricted	(103,689,910)	-	(103,689,910)
Total net position	\$ (58,219,892)	\$ (920,000)	\$ (59,139,892)

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Financial Statements  
(Continued)**

**NOTE 18 SUBSEQUENT EVENT**

Subsequent to year end, the City issued 2024A and 2024B refunding bonds in the amount of \$11,720,000 and \$5,225,000, respectively. The bonds were issued on October 22, 2024.

Subsequent to year end, the Commonwealth of Kentucky appropriated \$10 million to the City to use in fiscal year 2024/2025 for the infrastructure of the Covington Central Riverfront site.

SUPPLEMENTARY  
INFORMATION

## CITY OF COVINGTON, KENTUCKY

### Nonmajor Funds

#### Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes. The following are descriptions of each Special Revenue Fund:

##### *Nonmajor Special Revenue Funds:*

The Federal & State Grants Fund accounts for the revenues and expenditures related to grants awarded by Federal and State agencies.

The Community Development Block Grant Fund accounts for entitlements to the City under the provisions of Title I of the Housing and Development Act of 1974. Resources include a combination of block and other entitlement grants. Resources may only be used for activities which are directed toward developing urban communities and economic opportunities for low and moderate-income persons.

The City Hall Operations accounts for entitlements to the City under the provisions of Title I of the Housing and Development Act of 1974. Resources include a combination of block and other entitlement grants. Resources may only be used for activities which are directed toward developing urban communities and economic opportunities for low and moderate-income persons.

The Lead Hazard Reduction Fund accounts for the revenues and expenditures related to a grant awarded to reduce lead hazards.

The HOME Program Fund accounts for resources provided by the U.S. Department of Housing and Urban Development (H.U.D) under the HOME Program. Proceeds are used to provide financial assistance to income eligible individuals or families interested in purchasing a new home or rehabbing their existing home. These housing development activities, in conjunction with Community Housing Development Organizations, are offered in the Northern Kentucky cities of Covington, Newport, Bellevue, Dayton, Ludlow, and Bromley.

The Leased Properties Fund accounts for revenue and expenditures generated at the Kentucky Career Center, with rent collected committed to debt service for economic development.

The National Opioid Settlement Fund accounts for revenue and expenditures related to national lawsuits surrounding the opioid epidemic.

The Capital Improvement Fund was established to account for funds provided to the City by Federal and State governments and public financing for the acquisition and/or construction of capital improvements and equipment.

The Police Forfeiture Justice Fund accounts for the resources provided for by police forfeitures.

The Housing Voucher Program Fund accounts for funds provided to the City by the U.S. department of Housing and Urban Development Section 8 rent subsidy program. Resources are used for the payment of rent subsidies to landlords on behalf of qualified tenants.

The Infrastructure Fund was established to provide for more reliable funding and reinvestment in the City's infrastructure needs.

The Covington Economic Development Program (EDF) Fund was established to provide for more reliable funding of economic development, projects, programs, and services in the City.

## CITY OF COVINGTON, KENTUCKY

### Nonmajor Funds (Continued)

#### Special Revenue Funds (Continued)

##### *Nonmajor Special Revenue Funds (Continued):*

The City Center Covington Development Area Tax Increment Fund (TIF Fund) was established to account for contributions from the General Fund, Kenton County and Planning and Development Services of Kenton County (PDS) which are pledged to cover the TIF liability.

The Police & Fire Supplemental Pay Fund accounts for entitlements received under the State of Kentucky's Policemen and Firemen's Supplemental Pay Programs.

The Fleet, Equipment, Technology, Facilities, and other Capital Projects Fund was established to provide for the City's business needs so that services can be efficiently and effectively maintained and delivered, including fleet, equipment, technology, facilities, and other capital projects as determined by the Board of Commissioners.

The Waste Fund accounts for revenues and expenditures related to the City's waste management contract.

The Neighborhood Stabilization Program Fund was established to account for U.S. Department of Housing and Urban Development funds, passed through from the State, to develop low income rental units and owner occupied homes purchased out of foreclosure.

The Ambulance Fund accounts for revenues and expenditures related to the City's ambulance service.

The Devou Park Maintenance Fund accounts for all transactions related to the maintenance of roadways and streets within Devou Park.

The Devou Park Master Plan Fund accounts for revenues and expenditures of funds allocated for use in Devou Park, from proceeds of the operation of the Drees Pavilion.

The Stormwater Maintenance Fund accounts for all revenues and expenses associated with Storm Water Management per Order 233-20, a termination of an interlocal agreement and transfer of storm water assets with Sanitation District No. 1.

#### Capital Projects Fund

Capital Projects Funds are used to account for the financial resources to be used for the acquisition, construction or improvement of major capital assets.

##### *Nonmajor Capital Projects Fund:*

The Public Works Facility Construction Fund accounts for all revenues and expenses associated with the sale of the Latonia Public Works Facility and Transfer Station and the acquisition and rehabilitation of a new Public Works Facility. Any excess funds not needed will be transferred to the General Fund.

**CITY OF COVINGTON, KENTUCKY**

**Nonmajor Funds (Continued)**

**Internal Service Funds**

Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

*Internal Service Funds:*

The Liability Self Insurance Fund accounts for the City's self-insurance of liability claims.

The Medical Self Insurance Fund accounts for the City's health and dental insurance programs for City employees.

**CITY OF COVINGTON, KENTUCKY**  
**Combining Balance Sheet – Nonmajor Governmental Funds**  
**As of June 30, 2024**

	Nonmajor Special Revenue Funds											Subtotal	
	Federal & State Grants	Community Development Block Grant	City Hall Operations	Lead hazard Reduction Fund	HOME Program	Leased Properties	National Opioid Settlement	Capital Improvement Fund	Police Forfeiture Justice	IRS Site Construction	Infrastructure Fund		EDF
<b>Assets</b>													
<b>Current:</b>													
Cash and cash equivalents	\$ -	\$ 556,119	\$ -	\$ -	\$ 123,072	\$ 268,382	\$ -	\$ -	\$ 557,241	\$ -	\$ -	\$ -	\$ 1,504,814
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	17,383	-	-	-	-	-	-	-	3,796,357
Intergovernmental	3,555,084	223,890	-	-	-	-	-	-	-	-	-	-	3,796,357
Notes	-	312,848	-	-	-	-	-	-	-	-	546,607	-	859,455
Accounts	-	-	-	-	-	-	-	-	-	-	-	-	-
Leases	-	-	-	-	-	930,744	-	-	-	-	-	6,077	936,821
Due from other funds	-	-	-	-	81,657	1,262,141	1,615,644	-	-	1,335,684	-	945,626	5,240,752
Prepaid items	-	-	-	-	-	-	-	-	-	-	-	17,065	17,065
<b>Total assets</b>	<b>\$ 3,555,084</b>	<b>\$ 1,092,857</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 222,112</b>	<b>\$ 2,461,267</b>	<b>\$ 1,615,644</b>	<b>\$ -</b>	<b>\$ 557,241</b>	<b>\$ 1,335,684</b>	<b>\$ -</b>	<b>\$ 1,515,375</b>	<b>\$ 12,355,264</b>
<b>Liabilities:</b>													
Accounts payable	\$ 1,171,609	\$ 89,628	\$ 29,611	\$ -	\$ 3,338	\$ -	\$ -	\$ -	\$ 67	\$ 1,021,605	\$ -	\$ 9,361	\$ 2,325,219
Accrued liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	2,809,166	579,209	566,933	-	-	-	-	-	70,953	-	194,644	-	4,220,905
Unearned revenue	-	-	-	-	-	-	-	-	85,046	-	-	-	85,046
<b>Total liabilities</b>	<b>3,980,775</b>	<b>668,837</b>	<b>596,544</b>	<b>-</b>	<b>3,338</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>156,066</b>	<b>1,021,605</b>	<b>194,644</b>	<b>9,361</b>	<b>6,631,170</b>
<b>Deferred Inflow of Resources:</b>													
Leases	-	-	-	-	-	903,849	-	-	-	-	-	5,945	909,794
Unavailable revenue	1,418,656	312,848	-	-	-	-	-	-	-	-	-	546,607	2,278,111
<b>Total deferred inflow of resources</b>	<b>1,418,656</b>	<b>312,848</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>903,849</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>552,552</b>	<b>3,187,905</b>
<b>Fund Balances:</b>													
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	17,065	17,065
Restricted	-	111,172	-	-	218,774	-	1,615,644	-	401,175	314,079	-	-	2,660,844
Committed	-	-	-	-	-	1,557,418	-	-	-	-	-	936,397	2,493,815
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	(1,844,347)	-	(596,544)	-	-	-	-	-	-	-	(194,644)	-	(2,635,535)
<b>Total fund balance</b>	<b>(1,844,347)</b>	<b>111,172</b>	<b>(596,544)</b>	<b>-</b>	<b>218,774</b>	<b>1,557,418</b>	<b>1,615,644</b>	<b>-</b>	<b>401,175</b>	<b>314,079</b>	<b>(194,644)</b>	<b>953,462</b>	<b>2,536,189</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,555,084</b>	<b>\$ 1,092,857</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 222,112</b>	<b>\$ 2,461,267</b>	<b>\$ 1,615,644</b>	<b>\$ -</b>	<b>\$ 557,241</b>	<b>\$ 1,335,684</b>	<b>\$ -</b>	<b>\$ 1,515,375</b>	<b>\$ 12,355,264</b>

CITY OF COVINGTON, KENTUCKY

Combining Balance Sheet – Nonmajor Governmental Funds (Continued)  
As of June 30, 2024

	Subtotal from prior page	Nonmajor Special Revenue Funds								Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds	
		TIF	Police & Fire Supplemental Pay	Fleet Equipment & Technology	Waste	Neighborhood Stabilization Program Fund	Ambulance	Devou Park Maintenance	Devou Park Master Plan	Stormwater Maintenance		Public Works Facility Construction
<b>Assets</b>												
<b>Current:</b>												
Cash and cash equivalents	\$ 1,504,814	\$ 3,298,541	\$ 221,252	\$ -	\$ -	\$ -	\$ 251,857	\$ 136,012	\$ -	\$ -	\$ -	\$ 5,412,476
Investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables:												
Intergovernmental	3,796,357	-	167,574	-	-	-	-	-	-	-	-	3,963,931
Notes	859,455	175,000	-	-	2,187,766	-	-	-	-	-	-	3,222,221
Accounts	-	-	-	-	2,998,664	-	17,798	-	-	414,769	1,500,000	4,931,231
Leases	936,821	-	-	-	-	-	-	-	-	-	-	936,821
Due from other funds	5,240,752	2,939,049	-	1,179,434	-	-	467,343	525,521	-	2,330,265	-	12,682,364
<b>Total assets</b>	<b>\$ 12,355,264</b>	<b>\$ 6,412,590</b>	<b>\$ 388,826</b>	<b>\$ 1,179,434</b>	<b>\$ 2,998,664</b>	<b>\$ 2,187,766</b>	<b>\$ 736,998</b>	<b>\$ 661,533</b>	<b>\$ -</b>	<b>\$ 2,745,034</b>	<b>\$ 1,500,000</b>	<b>\$ 31,166,109</b>
<b>Liabilities:</b>												
Accounts payable	\$ 2,325,219	\$ 276,626	\$ -	\$ 17,630	\$ 410,095	\$ -	\$ -	\$ 66,641	\$ 676	\$ 9,253	\$ -	\$ 3,106,140
Accrued liabilities	-	-	109,467	-	-	-	-	-	-	-	-	109,467
Due to other funds	4,220,905	-	201,298	-	2,341,674	-	-	-	111,233	-	2,198,573	9,073,683
Unearned revenue	85,046	-	-	-	1,364,809	-	-	-	-	344,613	-	1,794,468
<b>Total liabilities</b>	<b>6,631,170</b>	<b>276,626</b>	<b>310,765</b>	<b>17,630</b>	<b>4,116,578</b>	<b>-</b>	<b>-</b>	<b>66,641</b>	<b>111,909</b>	<b>353,866</b>	<b>2,198,573</b>	<b>14,083,758</b>
<b>Deferred Inflow of Resources:</b>												
Leases	909,794	-	-	-	-	-	-	-	-	-	-	909,794
Unavailable revenue	2,278,111	175,000	-	-	1,633,854	2,187,766	-	-	-	258,863	-	6,533,594
<b>Total deferred inflow of resources</b>	<b>3,187,905</b>	<b>175,000</b>	<b>-</b>	<b>-</b>	<b>1,633,854</b>	<b>2,187,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>258,863</b>	<b>-</b>	<b>7,443,388</b>
<b>Fund Balances:</b>												
Restricted	2,660,844	-	-	-	-	-	-	594,892	-	-	-	3,255,736
Committed	2,493,815	5,960,964	-	1,161,804	-	-	736,998	-	-	882,305	-	11,235,886
Assigned	-	-	-	-	-	-	-	-	-	1,250,000	-	1,250,000
Unassigned	(2,635,535)	-	78,061	-	(2,751,768)	-	-	-	(111,909)	-	(698,573)	(6,119,724)
<b>Total fund balance</b>	<b>2,538,189</b>	<b>5,960,964</b>	<b>78,061</b>	<b>1,161,804</b>	<b>(2,751,768)</b>	<b>-</b>	<b>736,998</b>	<b>594,892</b>	<b>(111,909)</b>	<b>2,132,305</b>	<b>(698,573)</b>	<b>9,638,963</b>
Total liabilities, deferred inflows of resources and fund balances	\$ 12,355,264	\$ 6,412,590	\$ 388,826	\$ 1,179,434	\$ 2,998,664	\$ 2,187,766	\$ 736,998	\$ 661,533	\$ -	\$ 2,745,034	\$ 1,500,000	\$ 31,166,109

**CITY OF COVINGTON, KENTUCKY**  
**Combining Statement of Revenues, Expenditures and Changes**  
**In Fund Balances – Nonmajor Governmental Funds**  
**Year Ended June 30, 2024**

	Nonmajor Special Revenue Funds											Subtotal	
	Federal & State Grants Fund	Community Development Block Grant	City Hall Operations	Lead Hazard Reduction Fund	HOME Program	Leased Properties	National Opioid Settlement	Capital Improvement Fund	Police Forfeiture Justice	IRS Site Construction	Infrastructure Fund		EDF
<b>Revenues:</b>													
Intergovernmental	\$ 2,951,647	\$ 1,745,811	\$ -	\$ -	\$ 375,266	\$ -	\$ -	\$ -	\$ 128,652	\$ -	\$ 8,315	\$ -	\$ 5,209,691
Charges for services	-	-	-	-	-	471,249	-	-	-	-	-	33,885	505,134
Investment (loss)	-	-	-	-	-	96	-	-	491	-	-	-	587
Interest Revenue	-	-	-	-	-	27,053	-	-	-	-	-	251	27,304
Miscellaneous	15,000	234,779	-	-	426,426	-	1,615,644	-	-	-	-	-	2,291,849
<b>Total revenues</b>	<b>2,966,647</b>	<b>1,980,590</b>	<b>-</b>	<b>-</b>	<b>801,692</b>	<b>498,398</b>	<b>1,615,644</b>	<b>-</b>	<b>129,143</b>	<b>-</b>	<b>8,315</b>	<b>34,136</b>	<b>8,034,565</b>
<b>Expenditures:</b>													
Current:													
General government	(14,770)	-	9,525	-	-	-	-	-	-	-	-	-	(5,245)
Police	53,559	-	-	-	-	-	-	74,456	-	-	-	-	128,015
Fire	91,104	-	-	-	-	-	-	-	-	-	-	-	91,104
Public works	19,516	143,895	-	-	-	-	-	-	-	(152,088)	-	-	11,323
Community development	65,214	828,513	-	-	742,388	114,284	-	-	-	326,372	-	232,768	2,309,539
Debt service:													
Principal	-	53,009	-	-	-	-	-	-	-	-	-	82,466	135,475
Interest	-	-	-	-	-	-	-	-	-	-	-	1,992	1,992
Capital Outlay	3,123,630	964,009	515,685	-	-	43,500	-	-	46,173	3,374,148	1,066,436	1,084,698	10,218,479
<b>Total expenditures</b>	<b>3,338,453</b>	<b>1,989,426</b>	<b>525,210</b>	<b>-</b>	<b>742,388</b>	<b>157,784</b>	<b>-</b>	<b>-</b>	<b>120,629</b>	<b>3,700,520</b>	<b>914,348</b>	<b>1,401,924</b>	<b>12,890,682</b>
Excess (deficit) of revenues over (under) expenditures	(371,806)	(8,836)	(525,210)	-	59,304	340,614	1,615,644	-	8,514	(3,700,520)	(906,033)	(1,367,788)	(4,856,117)
<b>Other Financing Sources (Uses):</b>													
Transfers in	-	-	-	-	-	-	-	-	-	-	996,953	110,000	1,106,953
Transfers out	-	(60,145)	-	-	-	(110,000)	-	(368,608)	-	-	-	-	(538,753)
Issuance of debt	-	-	-	-	-	-	-	-	-	-	-	1,063,723	1,063,723
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(60,145)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(110,000)</b>	<b>-</b>	<b>(368,608)</b>	<b>-</b>	<b>-</b>	<b>996,953</b>	<b>1,173,723</b>	<b>1,631,923</b>
Net change in fund balance	(371,806)	(68,981)	(525,210)	-	59,304	230,614	1,615,644	(368,608)	8,514	(3,700,520)	90,920	(194,065)	(3,224,194)
Fund balance, July 1, 2023	(1,472,541)	180,153	(71,334)	-	159,470	1,326,804	-	368,608	392,661	4,014,599	(285,564)	1,147,527	5,760,383
Fund balance, June 30, 2024	<u>\$ (1,844,347)</u>	<u>\$ 111,172</u>	<u>\$ (596,544)</u>	<u>\$ -</u>	<u>\$ 218,774</u>	<u>\$ 1,557,418</u>	<u>\$ 1,615,644</u>	<u>\$ -</u>	<u>\$ 401,175</u>	<u>\$ 314,079</u>	<u>\$ (194,644)</u>	<u>\$ 953,462</u>	<u>\$ 2,536,189</u>

**CITY OF COVINGTON, KENTUCKY**  
**Combining Statement of Revenues, Expenditures and Changes**  
**In Fund Balances – Nonmajor Governmental Funds (Continued)**  
**Year Ended June 30, 2024**

	Subtotal from prior page	Nonmajor Special Revenue Funds								Nonmajor Capital Projects Fund		
		TIF	Police & Fire Supplemental Pay	Fleet Equipment & Technology	Waste	Neighborhood Stabilization Program Fund	Ambulance	Devou Park Maintenance	Devou Park Master Plan	Stormwater Maintenance	Facility Construction	Subtotal
<b>Revenues:</b>												
Intergovernmental	\$ 5,209,691	\$ -	\$ 1,363,656	\$ -	\$ 20,362	\$ -	\$ 697,859	\$ -	\$ -	\$ -	\$ -	\$ 7,291,568
Charges for services	505,134	-	-	-	1,688,399	-	1,722,288	-	-	1,244,040	-	5,159,861
Investment (loss)	587	18,023	20	-	-	-	15	12	-	-	-	18,657
Interest Revenue	27,304	-	-	-	-	-	-	-	-	-	-	27,304
Miscellaneous	2,291,849	786,722	-	50,000	16,600	-	-	285,446	-	-	1,500,000	4,930,617
Total revenues	8,034,565	804,745	1,363,676	50,000	1,725,361	-	2,420,162	285,458	-	1,244,040	1,500,000	17,428,007
<b>Expenditures:</b>												
<b>Current:</b>												
General government	(5,245)	-	-	17,630	37,413	-	465,890	-	-	-	-	515,688
Police	128,015	-	631,389	64,053	-	-	-	-	-	-	-	823,457
Fire	91,104	-	721,528	-	-	-	-	-	-	-	-	812,632
Public works	11,323	-	-	399	2,570,147	-	-	-	-	433,304	-	3,015,173
Community development	2,309,539	200,001	-	-	-	-	-	60,563	76,601	-	-	2,646,704
<b>Debt service:</b>												
Principal	135,475	-	-	210,898	-	-	-	-	-	-	-	346,373
Interest	1,992	-	-	30,697	-	-	-	-	-	-	-	32,689
Capital Outlay	10,218,479	781,242	-	1,540,716	-	-	-	81,225	27,465	246,418	-	12,895,545
Total expenditures	12,890,682	981,243	1,352,917	1,864,393	2,607,560	-	465,890	141,788	104,066	679,722	-	21,088,261
Excess (deficit) of revenues over (under) expenditures	(4,856,117)	(176,498)	10,759	(1,814,393)	(882,199)	-	1,954,272	143,670	(104,066)	564,318	1,500,000	(3,660,254)
<b>Other Financing Sources (Uses):</b>												
Transfers in	1,106,953	1,414,239	-	1,818,963	-	-	-	-	-	-	-	4,340,155
Transfers out	(538,753)	(874,168)	-	-	(25,000)	-	(1,840,847)	-	-	(20,000)	-	(3,298,768)
Issuance of debt	1,063,723	-	-	-	-	-	-	-	-	-	-	1,063,723
Total other financing sources (uses)	1,631,923	540,071	-	1,818,963	(25,000)	-	(1,840,847)	-	-	(20,000)	-	2,105,110
Net change in fund balance	(3,224,194)	363,573	10,759	4,570	(907,199)	-	113,425	143,670	(104,066)	544,318	1,500,000	(1,555,144)
Fund balance, July 1, 2023	5,760,383	5,597,391	67,302	1,157,234	(1,844,569)	-	623,573	451,222	(7,843)	1,587,987	(2,198,573)	11,194,107
Fund balance, June 30, 2024	\$ 2,536,189	\$ 5,960,964	\$ 78,061	\$ 1,161,804	\$ (2,751,768)	\$ -	\$ 736,998	\$ 594,892	\$ (111,909)	\$ 2,132,305	\$ (698,573)	\$ 9,638,963

**CITY OF COVINGTON, KENTUCKY**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – General Fund  
Year Ended June 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes:				
Real property	\$ 9,399,710	\$ 9,399,710	\$ 9,667,311	\$ 267,601
Franchise	2,616,037	2,616,037	2,518,404	(97,633)
Insurance Premium	9,400,000	9,450,000	11,506,198	2,056,198
Licenses and permits:				
Payroll license fees	24,485,054	25,649,054	27,881,889	2,232,835
Net profits license fees	4,914,398	4,914,398	5,584,115	669,717
Liquor and beer licenses	250,000	250,000	185,718	(64,282)
Other licenses and permits	150,500	150,500	179,772	29,272
Intergovernmental	1,712,438	1,712,438	1,787,940	75,502
Fines and forfeitures	634,162	634,162	559,938	(74,224)
Charges for services:				
Rental property	43,798	43,798	50,303	6,505
Other	38,000	38,000	156,924	118,924
Investment earnings (loss)	620,000	620,000	1,826,311	1,206,311
Interest income	210,000	210,000	193,255	(16,745)
Miscellaneous	532,055	532,055	1,364,791	832,736
<b>Total revenues</b>	<b>55,006,152</b>	<b>56,220,152</b>	<b>63,462,869</b>	<b>7,242,717</b>
<b>Expenditures</b>				
Current:				
General government:				
Administration department:				
Payroll	1,595,447	1,535,447	1,318,624	216,823
Pension benefits	363,108	363,108	258,852	104,256
Health Insurance	273,543	273,543	262,768	10,775
Other Benefits	127,803	127,803	104,571	23,232
Contractual services	1,228,857	1,288,857	741,716	547,141
Materials and supplies	77,500	77,500	56,789	20,711
Miscellaneous	187,820	187,820	136,263	51,557
<b>Total Administrative</b>	<b>3,854,078</b>	<b>3,854,078</b>	<b>2,879,583</b>	<b>974,495</b>
Legal department:				
Payroll	525,049	525,049	524,942	107
Pension benefits	120,450	120,450	121,451	(1,001)
Health insurance	57,770	57,770	57,770	-
Other benefits	47,054	47,054	41,084	5,970
Contractual services	48,792	48,792	25,853	22,939
Materials and supplies	3,800	3,800	1,591	2,209
Miscellaneous	18,605	18,605	17,926	679
<b>Total Legal</b>	<b>821,520</b>	<b>821,520</b>	<b>790,617</b>	<b>30,903</b>
Finance department:				
Payroll	1,142,371	1,142,371	1,100,008	42,363
Pension benefits	232,656	232,656	216,373	16,283
Health insurance	254,020	254,020	254,020	-
Other benefits	87,481	87,481	80,876	6,605
Contractual services	697,220	697,220	503,518	193,702
Materials and supplies	10,000	10,000	5,032	4,968
Miscellaneous	8,500	8,500	5,264	3,236
<b>Total finance</b>	<b>2,432,247</b>	<b>2,432,247</b>	<b>2,165,091</b>	<b>267,157</b>
Legacy pension contributions:				
City employee	138,000	138,000	138,000	-
Police and fire	446,000	446,000	446,000	-
<b>Total pension contributions</b>	<b>584,000</b>	<b>584,000</b>	<b>584,000</b>	<b>-</b>
<b>Total general government</b>	<b>7,691,846</b>	<b>7,691,846</b>	<b>6,419,291</b>	<b>1,272,555</b>

**CITY OF COVINGTON, KENTUCKY**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – General Fund (Continued)  
Year Ended June 30, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures - continued</b>				
Current - continued:				
Police:				
Payroll	11,143,052	11,143,052	11,014,663	128,389
Pension Benefits	4,452,347	4,452,347	4,197,900	254,447
Health insurance	2,456,956	2,456,956	2,484,537	(27,581)
Other benefits	853,954	853,954	587,392	266,562
Contractual services	619,453	619,453	456,341	163,112
Materials and supplies	561,603	561,603	511,074	50,529
Miscellaneous	8,000	8,000	5,355	2,645
Total police	<u>20,095,364</u>	<u>20,095,364</u>	<u>19,257,262</u>	<u>838,102</u>
Fire:				
Payroll	9,972,733	11,136,733	11,387,552	(250,819)
Pension benefits	4,750,767	4,750,767	4,869,349	(118,582)
Health insurance	3,598,434	3,598,434	3,598,434	-
Other benefits	910,055	910,055	590,228	319,827
Contractual services	526,879	526,879	496,530	30,349
Materials and supplies	498,150	498,150	455,459	42,691
Miscellaneous	20,985	20,985	18,474	2,511
Total fire	<u>20,278,002</u>	<u>21,442,002</u>	<u>21,416,026</u>	<u>25,977</u>
Public works:				
Payroll	4,074,983	4,074,983	3,689,581	385,402
Pension benefits	723,695	723,695	743,388	(19,693)
Health insurance	1,251,045	1,251,045	1,251,046	(1)
Other benefits	404,496	404,496	337,882	66,614
Contractual services	1,794,323	1,794,323	1,579,333	214,990
Materials and supplies	1,683,338	1,683,338	1,482,232	201,106
Miscellaneous	1,000	1,000	160	840
Total public works	<u>9,932,880</u>	<u>9,932,880</u>	<u>9,083,622</u>	<u>849,258</u>
Community development:				
Economic Development:				
Payroll	605,466	605,466	538,222	67,244
Pension Benefits	136,602	136,602	119,109	17,493
Health insurance	75,035	75,035	68,257	6,778
Other benefits	51,602	51,602	43,914	7,688
Contractual services	338,600	338,600	221,465	117,135
Materials and supplies	3,000	3,000	533	2,467
Miscellaneous	65,725	65,725	51,198	14,527
Total economic development	<u>1,276,031</u>	<u>1,276,031</u>	<u>1,042,698</u>	<u>233,333</u>
Recreation:				
Payroll	163,419	163,419	147,663	15,756
Pension benefits	40,709	40,709	28,896	11,813
Health insurance	70,075	70,075	70,075	-
Other benefits	12,982	12,982	11,585	1,397
Contractual services	282,451	282,451	249,140	33,311
Materials and supplies	27,600	27,600	21,734	5,866
Miscellaneous	11,450	11,450	9,884	1,566
Total recreation	<u>608,686</u>	<u>608,686</u>	<u>538,977</u>	<u>69,709</u>

**CITY OF COVINGTON, KENTUCKY**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – General Fund (Continued)  
Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures - continued</b>				
Neighborhood Services:				
Payroll	565,794	565,794	532,479	33,315
Pension benefits	115,527	115,527	117,835	(2,308)
Health insurance	162,173	162,173	162,173	-
Other benefits	50,936	50,936	46,838	4,098
Contractual services	185,430	185,430	109,189	76,241
Materials and supplies	79,570	79,570	35,135	44,435
Miscellaneous	4,000	4,000	1,409	2,591
Total neighborhood services	<u>1,163,430</u>	<u>1,163,430</u>	<u>1,005,058</u>	<u>158,372</u>
Total community development	<u>3,048,147</u>	<u>3,048,147</u>	<u>2,586,733</u>	<u>461,414</u>
Debt Service:				
Principal	2,005,614	2,005,614	3,498,902	(1,493,288)
Interest	3,080,391	3,080,391	1,642,793	1,437,598
Total debt service	<u>5,086,005</u>	<u>5,086,005</u>	<u>5,141,695</u>	<u>(55,690)</u>
Total expenditures	<u>66,132,245</u>	<u>67,296,245</u>	<u>64,247,329</u>	<u>3,048,916</u>
Excess (deficiency) of revenues				
Over (under) expenditures	<u>(11,126,093)</u>	<u>(11,076,093)</u>	<u>(784,460)</u>	<u>4,193,801</u>
<b>Other Financing Sources (uses)</b>				
Transfers in	15,868,649	15,868,649	6,320,159	9,548,490
Transfers out	4,992,556	5,042,556	(5,361,546)	10,404,102
Proceeds on sale of assets	250,000	250,000	142,145	107,855
Total other financing sources (uses)	<u>21,111,205</u>	<u>21,161,205</u>	<u>1,100,758</u>	<u>20,060,447</u>
Net change in fund balance	9,985,112	10,085,112	316,298	<u>\$ 24,254,248</u>
Fund balance, July 1, 2023	<u>18,685,422</u>	<u>18,587,637</u>	<u>22,814,920</u>	
Fund balance, June 30, 2024	<u>28,670,534</u>	<u>28,672,749</u>	<u>\$ 23,131,218</u>	

**CITY OF COVINGTON, KENTUCKY**

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual – American Rescue Plan Act Fund  
Year Ended June 30, 2024**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	<u>\$ 17,000,000</u>	<u>\$ 17,000,000</u>	<u>\$ 4,059,118</u>	<u>\$ (12,940,882)</u>
Total revenues	<u>17,000,000</u>	<u>17,000,000</u>	<u>4,059,118</u>	<u>(12,940,882)</u>
<b>Expenditures</b>				
Current:				
General government	732,243	732,243	289,440	442,803
Fire	-	-	-	-
Public Works	-	-	-	-
Community Development	440,926	440,926	269,678	171,248
Capital Outlay	<u>64,716</u>	<u>64,716</u>	<u>-</u>	<u>64,716</u>
Total Expenditures	<u>1,237,885</u>	<u>1,237,885</u>	<u>559,118</u>	<u>678,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,762,115</u>	<u>15,762,115</u>	<u>3,500,000</u>	<u>12,262,115</u>
<b>Other financing sources (uses):</b>				
Transfers out	<u>(15,762,115)</u>	<u>(15,762,115)</u>	<u>(3,500,000)</u>	<u>(12,262,115)</u>
Total other financing sources (uses)	<u>(15,762,115)</u>	<u>(15,762,115)</u>	<u>(3,500,000)</u>	<u>(12,262,115)</u>
Net change in fund balances	-	-	-	<u>\$ -</u>
Fund balance, beginning of year	-	-	-	
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

**CITY OF COVINGTON, KENTUCKY**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**As of June 30, 2024**

	<b>Liability Self Insurance</b>	<b>Medical Self Insurance</b>	<b>Total Internal Service Funds</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ -	\$ 256,770	\$ 256,770
Total assets	-	256,770	256,770
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	316	16,064	16,380
Claims payable	-	1,350,000	1,350,000
Due to other funds	923,146	633,569	1,556,715
Total current liabilities	923,462	1,999,633	2,923,095
<b>Noncurrent Liabilities</b>			
Claims payable	750,000	-	750,000
Total noncurrent liabilities	750,000	-	750,000
Total liabilities	1,673,462	1,999,633	3,673,095
<b>Net Position</b>			
Unrestricted	(1,673,462)	(1,742,863)	(3,416,325)
Total net position	\$ (1,673,462)	\$ (1,742,863)	\$ (3,416,325)

**CITY OF COVINGTON, KENTUCKY**

**Combining Statement of Revenues, Expenses and  
Changes in Net Position – Internal Service Funds  
Year Ended June 30, 2024**

	<b>Liability Self Insurance</b>	<b>Medical Self Insurance</b>	<b>Total Internal Service Funds</b>
<b>Operating revenues</b>			
Insurance premiums	\$ -	\$ 8,690,919	\$ 8,690,919
Other	-	19,575	19,575
Total operating revenues	-	8,710,494	8,710,494
<b>Operating expenses</b>			
Contractual services	608,847	727,205	1,336,052
Claims and judgments	89,490	8,130,358	8,219,848
Total operating expenses	698,337	8,857,563	9,555,900
Operating loss	(698,337)	(147,069)	(845,406)
<b>Non-operating income (expenses)</b>			
Interest revenue	-	46	46
Total nonoperating revenues	-	46	46
<b>Transfers in (out)</b>	1,000,000	500,000	1,500,000
Change in net position	301,663	352,977	654,640
Total net position, July 1, 2023	(1,975,125)	(2,095,840)	(4,070,965)
Total net position, June 30, 2024	\$ (1,673,462)	\$ (1,742,863)	\$ (3,416,325)

**CITY OF COVINGTON, KENTUCKY**

**Combining Statement Cash Flows  
Internal Service Funds  
Year Ended June 30, 2024**

	<b>Liability Self Insurance</b>	<b>Medical Self Insurance</b>	<b>Total Internal Service Funds</b>
<b>Cash flows from operating activities:</b>			
Cash received from other funds	\$ (278,795)	\$ 8,598,312	\$ 8,319,517
Cash received from other income	-	19,575	19,575
Cash payments for claims	<u>(721,205)</u>	<u>(8,861,105)</u>	<u>(9,582,310)</u>
Net cash used in operating activities	<u>(1,000,000)</u>	<u>(243,218)</u>	<u>(1,243,218)</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers	1,000,000	500,000	1,500,000
Interest Revenue	<u>-</u>	<u>46</u>	<u>46</u>
Net cash provided by noncapital financing activities	<u>1,000,000</u>	<u>500,046</u>	<u>1,500,046</u>
Net change	-	256,828	256,828
Cash and cash equivalents, beginning of year	<u>-</u>	<u>(58)</u>	<u>(58)</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 256,770</u>	<u>\$ 256,770</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>			
Operating loss	\$ (698,337)	\$ (147,069)	\$ (845,406)
Adjustments to reconcile operating loss to net cash (used by) operating activities:			
Changes in assets and liabilities:			
Due from/to other funds	(278,795)	(92,607)	(371,402)
Accounts payable	<u>(22,868)</u>	<u>(3,542)</u>	<u>(26,410)</u>
Net cash used in operating activities	<u>\$ (1,000,000)</u>	<u>\$ (243,218)</u>	<u>\$ (1,243,218)</u>

**CITY OF COVINGTON, KENTUCKY**

**Employees' Retirement Plan**

	Last 10 fiscal years									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Schedule of City Contributions</b>										
Actuarially determined contribution	\$ 185,980	\$ 169,363	\$ 169,363	\$ 169,393	\$ 169,363	\$ 169,363	\$ 203,351	\$ 203,351	\$ 183,493	\$ 183,493
Contributions in relation to the actuarially determined contribution	138,000	138,000	138,000	138,000	138,000	709,424	187,000	195,000	127,078	127,078
Contribution deficiency (excess)	\$ 47,980	\$ 31,363	\$ 31,363	\$ 31,393	\$ 31,363	\$ (540,061)	\$ 16,351	\$ 8,351	\$ 56,415	\$ 56,415
Covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
Actual contribution as a percentage of covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
<b>Schedule of Changes in the Net position Liability and Related Ratios</b>										
Total pension liability										
Interest	\$ 172,403	\$ 166,285	\$ 170,998	\$ 178,468	\$ 188,620	\$ 199,494	\$ 214,819	\$ 155,134	\$ 264,726	\$ 330,480
Benefit changes	15,758	65,087	93,573	64,616	-	-	-	80,924	-	-
Difference between expected and actual experience	81,529	(29,805)	20,306	30,533	(48,297)	24,929	(21,834)	(54,286)	(444,003)	(185,296)
Changes of assumptions	-	288,828	10,395	(25,747)	71,170	(8,423)	(34,982)	(1,049,356)	875,460	1,028,917
Benefit payments	(374,403)	(383,828)	(378,133)	(389,132)	(402,842)	(424,269)	(448,698)	(488,931)	(503,390)	(568,978)
Net change in total pension liability	(104,713)	106,567	(82,861)	(141,262)	(191,349)	(208,269)	(290,695)	(1,356,515)	192,793	605,123
Total pension liability - beginning	3,319,282	3,212,715	3,295,576	3,436,838	3,628,187	3,836,456	4,127,151	5,483,666	5,290,873	4,685,750
Total pension liability - ending	\$ 3,214,569	\$ 3,319,282	\$ 3,212,715	\$ 3,295,576	\$ 3,436,838	\$ 3,628,187	\$ 3,836,456	\$ 4,127,151	\$ 5,483,666	\$ 5,290,873
Plan fiduciary net position										
Contributions - employer	\$ 138,000	\$ 138,000	\$ 138,000	\$ 138,000	\$ 138,000	\$ 709,423	\$ 187,000	\$ 195,000	\$ 127,078	\$ 127,078
Other	-	-	-	-	-	-	-	-	-	-
Net investment income	139,681	124,616	(217,694)	449,414	91,778	144,125	262,030	301,655	(129,228)	(132,623)
Benefit payments	(374,403)	(383,828)	(378,133)	(389,132)	(402,841)	(424,269)	(448,698)	(488,931)	(503,390)	(568,978)
Administrative expense	(20,387)	(14,252)	(16,028)	(16,762)	(17,187)	(7,310)	(3,900)	(18,024)	(6,800)	-
Net change in plan fiduciary net position	(117,109)	(135,464)	(473,855)	181,520	(190,250)	421,969	(3,568)	(10,300)	(512,340)	(574,523)
Plan fiduciary net position - beginning	1,769,930	1,905,394	2,379,249	2,197,729	2,387,979	1,966,010	1,969,578	1,979,878	2,492,218	3,066,741
Plan fiduciary net position - ending	\$ 1,652,821	\$ 1,769,930	\$ 1,905,394	\$ 2,379,249	\$ 2,197,729	\$ 2,387,979	\$ 1,966,010	\$ 1,969,578	\$ 1,979,878	\$ 2,492,218
Net pension liability	\$ 1,561,748	\$ 1,549,352	\$ 1,307,321	\$ 916,327	\$ 1,239,109	\$ 1,240,208	\$ 1,870,446	\$ 2,157,573	\$ 3,503,788	\$ 2,798,655
Plan fiduciary net position as percentage of the total pension liability	51.42%	53.32%	59.31%	72.20%	63.95%	65.82%	51.25%	47.72%	36.11%	47.10%
Covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
Net pension liability as a percentage of covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
<b>Schedule of Investment Returns</b>										
Annual money-weighted rate of return, net of investment expense	11.59%	7.50%	-11.80%	20.60%	3.90%	5.90%	9.90%	5.70%	-3.74%	-3.70%

\* No active employees participating in the plan.

**CITY OF COVINGTON, KENTUCKY**  
**Police and Firemen's Retirement Plan**

Last 10 fiscal years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Schedule of City Contributions</b>										
Actuarially determined contribution	\$ 713,641	\$ 512,699	\$ 512,699	\$ 512,699	\$ 512,699	\$ 512,699	\$ 577,711	\$ 577,711	\$ 445,224	\$ 445,224
Contributions in relation to the actuarially determined contribution	446,000	446,000	446,000	451,477	451,021	365,078	551,000	573,000	269,327	269,327
Contribution deficiency (excess)	\$ 267,641	\$ 66,699	\$ 66,699	\$ 61,222	\$ 61,678	\$ 147,621	\$ 26,711	\$ 4,711	\$ 175,897	\$ 175,897
Covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
Actual contribution as a percentage of covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
<b>Schedule of Changes in the Net position Liability and Related Ratios</b>										
Total pension liability										
Interest	\$ 474,936	\$ 457,316	\$ 475,834	\$ 530,439	\$ 528,193	\$ 552,986	\$ 595,322	\$ 385,334	\$ 628,379	\$ 726,953
Benefit changes	41,514	178,989	250,197	179,994	-	-	209,181	146,022	-	-
Difference between expected and actual experience	(175,610)	(119,375)	(47,684)	(521,342)	238,320	256,919	(218,038)	123,207	57,418	124,618
Changes of assumptions	-	810,269	27,501	(76,642)	456,557	(26,062)	(102,614)	(3,069,911)	2,400,570	3,678,886
Benefit payments	(999,921)	(1,013,578)	(1,070,710)	(1,138,940)	(1,224,369)	(1,244,618)	(1,262,330)	(1,348,765)	(1,382,618)	(1,406,659)
Net change in total pension liability	(659,081)	313,621	(364,862)	(1,026,491)	(1,299)	(460,775)	(778,479)	(3,764,113)	1,703,749	3,123,798
Total pension liability - beginning	9,128,464	8,814,843	9,179,705	10,206,196	10,207,495	10,668,270	11,446,749	15,210,862	13,507,113	10,383,315
Total pension liability - ending	\$ 8,469,383	\$ 9,128,464	\$ 8,814,843	\$ 9,179,705	\$ 10,206,196	\$ 10,207,495	\$ 10,668,270	\$ 11,446,749	\$ 15,210,862	\$ 13,507,113
Plan fiduciary net position										
Contributions - employer	\$ 446,000	\$ 446,000	\$ 446,000	\$ 451,477	\$ 451,021	\$ 365,078	\$ 551,000	\$ 573,000	\$ 269,327	\$ 269,327
Other	-	-	-	-	-	-	-	-	-	2,578
Net investment income	102,238	152,038	(317,620)	760,081	142,078	261,260	753,872	592,661	(240,496)	(253,088)
Benefit payments	(999,921)	(1,013,578)	(1,070,710)	(1,138,940)	(1,224,369)	(1,244,618)	(1,262,330)	(1,348,765)	(1,382,618)	(1,403,457)
Administrative expense	(22,034)	(19,745)	(22,648)	(24,976)	(25,116)	(40,951)	(4,000)	(7,080)	(7,200)	(7,869)
Net change in plan fiduciary net position	(473,717)	(435,285)	(964,978)	47,642	(656,386)	(659,231)	38,542	(190,184)	(1,360,987)	(1,392,509)
Plan fiduciary net position - beginning	2,172,444	2,607,729	3,572,707	3,525,065	4,181,451	4,840,682	4,802,140	4,992,324	6,353,311	7,745,820
Plan fiduciary net position - ending	\$ 1,698,727	\$ 2,172,444	\$ 2,607,729	\$ 3,572,707	\$ 3,525,065	\$ 4,181,451	\$ 4,840,682	\$ 4,802,140	\$ 4,992,324	\$ 6,353,311
Net pension liability	\$ 6,770,656	\$ 6,956,020	\$ 6,207,114	\$ 5,606,998	\$ 6,681,131	\$ 6,026,044	\$ 5,827,588	\$ 6,644,609	\$ 10,218,538	\$ 7,153,802
Plan fiduciary net position as percentage of the total pension liability	20.06%	23.80%	29.58%	38.92%	34.54%	40.96%	45.37%	41.95%	32.82%	47.04%
Covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
Net pension liability as a percentage of covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
<b>Schedule of Investment Returns</b>										
Annual money-weighted rate of return, net of investment expense	11.75%	7.80%	-11.90%	20.60%	3.60%	5.80%	9.90%	10.90%	-3.56%	-3.95%

\* No active employees participating in the plan.

**CITY OF COVINGTON, KENTUCKY**  
**Notes to the Required Supplementary Information**  
**For the Year Ended June 30, 2024**

**NOTE 1 VALUATION DATE**

Actuarially determined contribution rates are calculated as of July 1<sup>st</sup> preceding the fiscal year end in which contributions are reported.

**NOTE 2 BENEFIT CHANGES**

The City granted an ad hoc COLA increase of 1.5% effective as of January 1, 2014, for participants of the Employees' Retirement Plan. The City also granted ad hoc COLA increases of 2.0%, effective July 1, 2013, 2.0% effective July 1, 2014, 2.0% effective July 1, 2017, 2.0% effective January 1, 2018, 2.0% effective July 1, 2021, 3.0% effective July 1, 2022, 2% effective July 1, 2023, and 2% effective July 1, 2024 for participants of the Police and Firemen's Retirement Plan.

**NOTE 3 CHANGES IN ASSUMPTIONS**

In 2016, the discount rate was revised in accordance with the City's investment policy statement. The mortality table was updated to the current table and projection to better reflect anticipated future mortality experience under the plan.

**NOTE 4 METHODS USED AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES**

	Employees' Retirement Plan	Police and Firemen's Retirement Plan
Actuarial cost method	Entry age	Entry Age
Amortization method	20-year closed amortization	20-year closed amortization
Asset valuation method	Market Value	Market Value
Investment rate of return	5.5%, compounded annually net of investment expenses, including inflation	5.5%, compounded annually net of investment expenses, including inflation
Retirement age	Immediate	Immediate
Mortality	General Employees Mortality Table Pub-2010 projected generationally using Scale MP-2021.	Public Safety Mortality Table Pub-2010 projected generationally using Scale MP-2021.

**CITY OF COVINGTON, KENTUCKY**

**Schedule of the Proportionate Share of the Net Pension Liability  
Non-hazardous and Hazardous County Employee Retirement System**

Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Non-hazardous:</b>										
City's proportion of the net pension liability	0.287%	0.308%	0.284%	0.262%	0.258%	0.240%	0.242%	0.240%	0.242%	0.260%
City's proportionate share of the net pension liability	\$ 18,406,589	\$ 22,288,784	\$ 18,090,714	\$ 20,071,176	\$ 18,135,760	\$ 14,558,021	\$ 14,147,444	\$ 11,836,501	\$ 10,425,611	\$ 8,401,100
City's covered payroll	\$ 8,460,015	\$ 8,578,128	\$ 7,305,612	\$ 6,744,019	\$ 6,544,282	\$ 5,977,993	\$ 5,933,424	\$ 5,732,547	\$ 5,670,221	\$ 5,942,202
City's proportionate share of the net pension liability as a percentage of its covered payroll	217.57%	259.83%	247.63%	297.61%	277.12%	243.53%	238.44%	206.48%	183.87%	141.38%
Plan fiduciary as a percentage of the total pension liability	57.5%	52.4%	57.3%	47.8%	50.5%	53.5%	53.3%	55.5%	60.0%	66.8%
<b>Hazardous:</b>										
City's proportion of the net pension liability	2.77%	3.15%	3.04%	3.02%	3.02%	2.91%	2.96%	2.81%	2.91%	2.85%
City's proportionate share of the net pension liability	\$ 74,738,791	\$ 96,267,771	\$ 80,814,982	\$ 91,152,690	\$ 83,420,630	\$ 70,413,204	\$ 66,320,811	\$ 48,235,603	\$ 44,623,090	\$ 34,207,001
City's covered payroll	\$ 19,653,175	\$ 20,705,732	\$ 18,305,399	\$ 17,795,103	\$ 17,284,115	\$ 16,290,175	\$ 16,096,264	\$ 14,877,913	\$ 14,814,779	\$ 14,427,951
City's proportionate share of the net pension liability as a percentage of its covered payroll	380.29%	464.93%	441.48%	512.23%	482.64%	432.24%	412.03%	324.21%	301.21%	237.09%
Plan fiduciary as a percentage of the total pension liability	53.0%	47.1%	52.3%	44.1%	46.6%	49.3%	49.8%	54.0%	57.5%	63.4%

*Changes of benefit terms:* The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

*Changes of assumption:* The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.

2015: The assumed rate of inflation was reduced from 3.50% to 3.25%.

2015: The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

2015: Payroll growth assumption was reduced from 4.50% to 4.00%.

2015: The mortality table used for active members is RP-2000 Combined Mortality table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

2015: For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

2015: The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017: The assumed investment rate of return was decreased from 7.50% to 6.25%.

2017: The assumed rate of inflation was reduced from 3.25% to 2.30%.

2017: The assumed rate of salary growth was reduced from 4.00% to 3.05%.

2023: The assumed investment rate of return increased from 6.25% to 6.50%.

**CITY OF COVINGTON, KENTUCKY**  
**Schedule of City Pension Contributions**

Last 10 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Non-Hazardous:</b>										
Contractually required contribution	\$ 1,994,061	\$ 1,989,872	\$ 1,815,990	\$ 1,409,983	\$ 1,301,596	\$ 1,061,483	\$ 865,621	\$ 827,713	\$ 710,807	\$ 722,953
Contributions in relation to the contractually required contribution	<u>1,994,061</u>	<u>1,989,872</u>	<u>1,815,990</u>	<u>1,409,983</u>	<u>1,301,596</u>	<u>1,061,483</u>	<u>865,621</u>	<u>827,713</u>	<u>710,807</u>	<u>722,953</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 8,892,166	\$ 8,460,015	\$ 8,578,128	\$ 7,305,612	\$ 6,744,019	\$ 6,544,282	\$ 5,977,993	\$ 5,933,424	\$ 5,732,547	\$ 5,670,221
Contributions as a percentage of covered payroll	22.42%	23.52%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.40%	12.75%
<b>Hazardous:</b>										
Contractually required contribution	\$ 8,782,792	\$ 8,558,018	\$ 7,010,691	\$ 5,502,603	\$ 5,349,208	\$ 4,298,559	\$ 3,616,419	\$ 3,494,499	\$ 3,014,265	\$ 3,071,104
Contributions in relation to the contractually required contribution	<u>8,782,792</u>	<u>8,558,018</u>	<u>7,010,691</u>	<u>5,502,603</u>	<u>5,349,208</u>	<u>4,298,559</u>	<u>3,616,419</u>	<u>3,494,499</u>	<u>3,014,265</u>	<u>3,071,104</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 21,919,396	\$ 19,653,175	\$ 20,705,732	\$ 18,305,399	\$ 17,795,103	\$ 17,284,115	\$ 16,290,175	\$ 16,096,264	\$ 14,877,913	\$ 14,814,779
Contributions as a percentage of covered payroll	40.07%	43.55%	33.86%	30.06%	30.06%	24.87%	22.20%	21.71%	20.26%	20.73%

**CITY OF COVINGTON, KENTUCKY**

**Schedule of the Proportionate Share of the Net OPEB Liability  
Non-hazardous and Hazardous County Employee Retirement System**

Last 10 Fiscal Years\*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Non-hazardous:</b>										
City's proportion of the net OPEB liability	0.287%	0.308%	0.284%	0.262%	0.258%	0.240%	0.242%	0.240%	*	*
City's proportionate share of the net OPEB liability	\$ (396,047)	\$ 6,083,770	\$ 5,430,816	\$ 6,317,110	\$ 4,337,392	\$ 4,244,161	\$ 4,858,997	\$ 3,811,252	*	*
City's covered payroll	\$ 8,460,015	\$ 8,578,128	\$ 7,305,612	\$ 6,744,019	\$ 6,544,282	\$ 5,977,993	\$ 5,933,424	\$ 5,732,547	*	*
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	-4.68%	70.92%	74.34%	93.67%	66.28%	71.00%	81.89%	66.48%	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	104.2%	70.0%	62.9%	51.7%	60.4%	57.6%	52.4%	N/A	*	*
<b>Hazardous:</b>										
City's proportion of the net OPEB liability	2.77%	3.15%	3.04%	3.02%	3.02%	2.91%	2.96%	2.81%	*	*
City's proportionate share of the net OPEB liability	\$ 3,790,544	\$ 26,858,748	\$ 24,545,306	\$ 27,930,859	\$ 22,340,089	\$ 20,758,934	\$ 24,505,455	\$ 14,642,905	*	*
City's covered payroll	\$ 19,653,175	\$ 20,705,732	\$ 18,305,399	\$ 17,795,103	\$ 17,284,115	\$ 16,290,175	\$ 16,096,264	\$ 14,877,913	*	*
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	19.29%	129.72%	134.09%	156.96%	129.25%	127.43%	152.24%	98.42%	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	92.3%	64.1%	66.80%	58.80%	64.40%	64.20%	59.00%	N/A	*	*

\* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None.

2018: Updated health care trend rates were implemented.

2023: The health care trend rates were increased to reflect future anticipated experience.

**CITY OF COVINGTON, KENTUCKY**  
**Schedule of the City OPEB Contributions**

Last 10 Fiscal Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Non-Hazardous:</b>										
Contractually required contribution	\$ -	\$ 288,276	\$ 495,816	\$ 347,747	\$ 321,015	\$ 344,229	\$ 280,968	\$ 280,651	\$ 265,551	\$ 278,975
Contributions in relation to the contractually required contribution	-	288,276	495,816	347,747	321,015	344,229	280,968	280,651	265,551	278,975
Contribution excess (deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 8,892,166	\$ 8,460,015	\$ 8,578,128	\$ 7,305,612	\$ 6,744,019	\$ 6,544,282	\$ 5,977,993	\$ 5,933,424	\$ 5,732,547	\$ 5,670,221
Contributions as a percentage of covered payroll	0.00%	3.41%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%	4.63%	4.92%
<b>Hazardous:</b>										
Contractually required contribution	\$ 551,194	\$ 1,239,815	\$ 2,167,890	\$ 1,742,674	\$ 1,694,094	\$ 1,809,647	\$ 1,523,131	\$ 1,505,001	\$ 1,888,007	\$ 2,011,847
Contributions in relation to the contractually required contribution	551,194	1,239,815	2,167,890	1,742,674	1,694,094	1,809,647	1,523,131	1,505,001	1,888,007	2,011,847
Contribution excess (deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 21,919,396	\$ 19,653,175	\$ 20,705,732	\$ 18,305,399	\$ 17,795,103	\$ 17,284,115	\$ 16,290,175	\$ 16,096,264	\$ 14,877,913	\$ 14,814,779
Contributions as a percentage of covered payroll	2.51%	6.31%	10.47%	9.52%	9.52%	10.47%	9.35%	9.35%	12.69%	13.58%

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Required Supplementary Information  
For the Year Ended June 30, 2024**

**NOTE 1 GENERAL INFORMATION**

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to CERS but allocated to the insurance fund of CERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The City's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the City's fiscal year payroll as reported on the Schedule of Contributions for Pension and OPEB.

Expense

The City's pension expense for all plans for the year ended June 30, 2024, totaled \$6,585,994. The City's OPEB expense for all plans for the year ended June 30, 2024, totaled \$2,185,226.

## **CITY OF COVINGTON, KENTUCKY**

### **Statistical Section**

The Statistical Section of the ACFR presents detailed information as a context for understanding the information in the financial statements, notes and supplementary information as it pertains to the overall financial health of the City.

#### **Section 1 – Financial Trend Data:**

These tables contain trend information to help the reader understand how the City's financial status has changed in recent years.

#### **Section 2 – Revenue Capacity:**

These tables contain information to help the reader assess the City's most significant local sources of revenue.

#### **Section 3 – Debt Capacity:**

These tables include information to help the reader assess the affordability of the City's current outstanding debt and its ability to issue additional debt in the future.

#### **Section 4 – Demographic and Economic Information:**

These tables show demographic and economic indicators to help the reader understand the local environment in which the City's financial activities take place.

#### **Section 5 – Operating Information:**

These tables contain service and infrastructure data to help the reader understand how the information contained in this report relates to the City's services and activities.

**CITY OF COVINGTON, KENTUCKY**  
**Schedule 1 – Net Position by Component**  
**Current and Past Nine Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year									
	2024	(as restated) 2023	2022	2021	2020	(as restated) 2019	(as restated) 2018	(as restated) 2017	2016	(as restated) 2015
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 23,545,553	\$ 30,262,822	\$ 41,855,830	\$ 36,210,108	\$ 27,799,625	\$ 23,743,357	\$ 27,309,024	\$ 23,790,740	\$ 26,724,688	\$ 27,899,604
Restricted for Capital Improvements	1,739,951	4,014,599	372,039	352,785	27,305,688	2,555,939	2,924,098	4,376,137	-	-
Restricted for Debt Service	-	-	-	468,774	469,574	462,321	421,769	401,000	401,000	401,000
Restricted for HUD Programs	644,025	1,583,577	1,553,692	865,701	1,047,342	915,720	922,485	651,007	632,116	2,938,475
Restricted for other purposes	2,611,711	1,212,491	840,103	1,162,301	954,176	1,004,081	623,989	426,695	1,620,898	-
Unrestricted (deficit)	(95,465,201)	(103,819,932)	(116,255,065)	(111,360,427)	(122,345,513)	(81,316,610)	(72,524,243)	(66,127,088)	(56,738,795)	(59,904,755)
<b>Total Governmental Activities Net Position</b>	<b>\$ (66,923,961)</b>	<b>\$ (66,746,443)</b>	<b>\$ (71,633,401)</b>	<b>\$ (72,300,758)</b>	<b>\$ (64,769,108)</b>	<b>\$ (52,635,192)</b>	<b>\$ (40,322,878)</b>	<b>\$ (36,481,509)</b>	<b>\$ (27,360,093)</b>	<b>\$ (28,665,676)</b>
<b>Business-type Activities</b>										
Net Investment in Capital Assets	\$ 7,672,453	\$ 7,476,529	\$ 7,430,383	\$ 7,353,593	\$ 7,467,344	\$ 5,022,418	\$ -	\$ -	\$ -	\$ -
Unrestricted (deficit)	1,041,806	130,022	(1,208,746)	(2,014,799)	(2,352,028)	196,788	-	-	-	-
<b>Total Governmental Activities Net Position</b>	<b>\$ 8,714,259</b>	<b>\$ 7,606,551</b>	<b>\$ 6,221,637</b>	<b>\$ 5,338,794</b>	<b>\$ 5,115,316</b>	<b>\$ 5,219,206</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Note:** The City implemented GASB Statement Nos. 67 and 68 in fiscal year 2014, restating fiscal year 2013. The City implemented GASB Statement No. 75 in fiscal year 2018, restating fiscal year 2017.

**Note:** In FY 2020, the City restated governmental activities net position to remove capital assets that were believed to be owned by the City but were actually owned by other federal or local governmental entities. FY 2019 net position has been restated to reflect the change.

**Note:** In FY 2024, the city restated governmental activities net position to remove capital assets that were believed to be owned by the City but was sold to another entity. FY2023 net position has been restated to reflect the change.

CITY OF COVINGTON, KENTUCKY

Schedule 2 – Changes in Net Position  
Current and Past Nine Fiscal Years  
(accrual basis of accounting)

	Fiscal Year									(as restated) 2015
	2024	2023	2022	2021	2020	2019	2018	2017	2016	
<b>Governmental Activities</b>										
<b>Expenses</b>										
General Government	\$ (12,625,222)	\$ 36,108,200	\$ 8,506,292	\$ 9,537,832	\$ 9,443,391	\$ 7,243,552	\$ 7,944,679	\$ 6,604,320	\$ 10,612,219	\$ 12,474,158
Police	20,828,152	19,823,132	20,177,159	22,864,540	23,704,389	21,111,281	20,397,256	14,453,789	16,091,991	13,287,449
Fire	22,531,808	19,997,532	21,564,434	24,583,443	25,325,490	21,221,513	19,695,653	13,174,016	15,301,811	12,882,790
Public Improvements	14,779,721	13,715,835	14,862,875	15,714,874	12,709,620	11,206,541	10,382,962	8,784,729	7,806,788	14,691,139
Community Development	15,250,833	14,512,942	12,554,194	11,889,364	11,168,156	10,806,389	10,371,116	10,312,912	9,789,169	9,179,648
Parking Garage	-	-	-	-	-	-	900,712	868,353	774,460	738,147
Interest on Long-term Debt	1,811,008	1,754,215	2,154,136	2,010,596	1,471,171	1,510,745	1,654,623	1,984,708	2,171,812	3,000,362
Total Governmental Activities Expenses	62,576,300	105,911,856	79,819,090	86,600,649	83,822,217	73,100,021	71,347,001	56,184,827	62,548,250	66,253,693
<b>Program Revenues</b>										
General Government	644,466	636,217	517,805	158,027	763,145	2,183,781	2,197,465	2,640,012	1,815,216	1,028,301
Police	-	-	5,231	100,000	60,000	80,000	-	-	-	3,891
Fire	1,722,288	1,532,856	1,360,780	1,785,248	1,284,170	-	-	11,029	1,449,356	1,238,640
Public Improvements	2,949,039	3,728,922	3,650,474	2,663,594	2,163,962	2,271,448	1,245,706	1,098,612	2,852,715	1,292,573
Community Development	1,916,208	1,252,058	1,193,820	2,260,648	1,481,571	1,471,895	1,603,315	1,085,948	1,065,050	1,389,251
Parking Garage	-	-	-	-	-	-	1,845,342	2,078,859	2,032,348	1,806,791
Operating Grants and Contributions	19,461,748	22,660,484	18,440,881	16,688,868	11,553,487	10,876,303	11,087,041	10,178,394	9,564,948	8,898,601
Capital Grants and Contributions	2,939,553	1,082,376	2,643,766	4,047,867	3,513,632	1,518,820	1,711,776	456,927	867,341	1,143,363
Total Governmental Activities Revenues	29,633,302	30,892,913	27,812,757	27,704,252	20,839,967	18,400,247	19,690,645	17,550,781	19,746,974	16,801,411
Program Revenues Over (Under) Expenses	(32,942,998)	(75,018,943)	(52,006,333)	(58,896,397)	(62,982,250)	(54,699,774)	(51,656,356)	(38,634,046)	(42,801,276)	(49,452,282)
<b>Business-type Activities</b>										
<b>Expenses</b>										
Parking Authority	2,281,643	1,791,125	1,334,287	1,349,481	1,546,899	1,504,763	-	-	-	-
<b>Program revenues</b>										
Parking Authority	3,361,190	3,145,553	2,188,591	1,572,916	1,443,009	1,679,612	-	-	-	-
Program Revenues Over (Under) Expenses	1,079,547	1,354,428	854,304	223,435	(103,890)	174,849	-	-	-	-
<b>Governmental Activities</b>										
<b>General Revenues and Changes in Net Assets</b>										
Taxes										
Real Property-Levied for General Purposes	8,870,245	8,202,476	7,341,680	7,424,000	7,158,077	6,845,272	7,101,877	6,566,434	6,701,787	6,392,706
Personal Property-Levied for General Purposes	622,322	582,475	963,071	809,369	819,557	732,222	600,376	676,397	706,359	654,885
Public Services	2,518,404	2,653,341	2,539,841	2,133,952	2,280,841	2,362,740	2,229,746	2,110,822	1,946,897	2,141,952
Taxes-Levied for Bank Deposits	174,744	156,884	157,069	122,205	86,840	68,619	84,652	73,367	82,872	72,843
Insurance Premium	11,506,198	10,628,861	8,010,764	8,567,805	8,066,151	7,613,448	7,592,489	7,909,903	6,932,552	5,430,601
Payroll	27,881,889	26,911,246	31,217,496	26,660,836	26,719,778	27,039,037	26,291,746	25,097,302	24,216,488	22,791,569
Net Profit	5,584,115	5,452,266	4,659,654	3,879,759	4,080,042	3,597,615	2,980,516	3,325,037	2,924,268	3,161,057
Investment Earnings (Loss)	1,862,926	(357,891)	(4,294,468)	560,021	543,726	750,298	208,636	222,575	164,973	3,932
Interest Income	271,563	240,416	248,750	-	-	-	-	-	-	-
Miscellaneous	(25,711,719)	26,883,224	1,733,454	997,524	1,071,293	1,018,066	664,949	368,406	430,663	497,752
Special Item	(815,207)	(527,397)	85,379	200,276	22,029	-	-	-	-	-
<b>Business-type Activities</b>										
<b>General Revenues and Changes in Net Assets</b>										
Investment Earnings	-	-	-	43	-	-	-	-	-	-
Interest Income	28,161	30,486	28,539	-	-	-	-	-	-	-
Total General Revenues and Transfers	32,793,641	80,856,387	52,711,229	51,355,790	50,848,334	50,027,317	47,814,987	46,350,243	44,106,859	41,147,297
Restatement	-	-	-	-	-	-	-	-	-	(982,647)
<b>Change in Net Position</b>	\$ 930,190	\$ 7,191,872	\$ 1,559,200	\$ (7,317,172)	\$ (12,237,806)	\$ (4,697,608)	\$ (3,841,369)	\$ 7,716,197	\$ 1,305,583	\$ (8,304,985)

**CITY OF COVINGTON, KENTUCKY**  
**Schedule 3 – Fund Balances, Governmental Funds**  
**Current and Past Nine Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016 <small>(as restated)</small>	2015
<b>General Fund</b>										
Nondisposable	\$ 2,281,431	\$ 2,620,485	\$ 3,019,587	\$ 2,705,603	\$ 2,663,497	\$ 155,908	\$ 128,902	\$ 157,023	\$ 139,181	\$ 123,378
Restricted	-	-	-	468,774	469,574	462,321	421,769	-	-	-
Committed	-	-	-	-	-	7,390,770	5,530,433	3,761,124	4,076,011	-
Assigned	10,000,000	10,000,000	10,000,000	10,000,000	9,400,000	-	-	-	-	-
Unassigned	10,849,787	10,194,435	8,057,082	7,160,237	7,200,197	9,327,450	8,514,395	9,035,883	4,676,717	4,037,235
<b>Total General Fund</b>	<b>23,131,218</b>	<b>22,814,920</b>	<b>21,076,669</b>	<b>20,334,614</b>	<b>19,733,268</b>	<b>17,336,449</b>	<b>14,595,499</b>	<b>12,954,030</b>	<b>8,891,909</b>	<b>4,160,613</b>
<b>All Other Governmental Funds</b>										
Nondisposable	17,065	-	19,516	2,331	2,130	1,000	-	-	-	-
Restricted	4,995,687	6,810,667	7,970,023	8,754,128	29,307,206	4,475,740	4,470,572	5,854,839	12,814,908	15,785,120
Committed	11,235,886	10,690,516	9,912,605	8,584,293	5,257,361	5,447,465	5,168,294	2,955,845	2,489,140	348,076
Assigned	1,250,000	750,000	500,000	-	-	-	-	-	-	-
Unassigned (deficit)	(6,151,156)	(5,813,122)	(9,435,578)	(5,746,328)	(2,989,298)	(825,075)	(437,511)	(437,055)	(287,536)	282,855
<b>Total All Other Governmental Funds</b>	<b>11,347,482</b>	<b>12,438,061</b>	<b>8,966,566</b>	<b>11,594,424</b>	<b>31,577,399</b>	<b>9,099,130</b>	<b>9,201,355</b>	<b>8,373,629</b>	<b>15,016,512</b>	<b>16,416,051</b>
<b>Total Governmental Funds</b>	<b>\$ 34,478,700</b>	<b>\$ 35,252,981</b>	<b>\$ 30,043,235</b>	<b>\$ 31,929,038</b>	<b>\$ 51,310,667</b>	<b>\$ 26,435,579</b>	<b>\$ 23,796,854</b>	<b>\$ 21,327,659</b>	<b>\$ 23,908,421</b>	<b>\$ 20,576,664</b>

**CITY OF COVINGTON, KENTUCKY**

**Schedule 4 – Changes in Fund Balances, Governmental Funds  
Current and Past Nine Fiscal Years  
(modified accrual basis of accounting)**

	Fiscal Year									(as restated)
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Revenues</b>										
Taxes	\$ 23,691,913	\$ 22,224,037	\$ 18,979,995	\$ 18,697,799	\$ 18,175,073	\$ 17,735,156	\$ 17,119,584	\$ 17,071,793	\$ 16,042,423	\$ 14,237,675
Licenses and Permits	33,831,494	32,689,261	36,260,481	30,610,205	31,108,770	30,955,990	29,590,400	28,674,704	27,465,856	26,245,715
Intergovernmental	22,811,309	23,923,997	20,843,628	20,098,634	13,896,126	12,503,550	12,809,096	10,616,507	9,862,919	10,022,321
Charges for Services	559,938	779,071	5,580,851	5,505,042	4,393,449	4,593,760	5,413,149	6,028,757	7,863,434	5,409,631
Fines and Forfeitures	5,367,088	6,134,062	490,664	326,440	397,934	337,821	221,225	309,267	304,473	271,735
Investment Earnings	1,862,926	(357,891)	(4,294,468)	356,907	326,974	571,433	208,636	222,575	165,050	3,932
Interest Revenue	271,563	240,416	248,750	203,114	216,752	178,867	-	-	-	-
Miscellaneous	6,321,232	6,856,959	2,364,977	2,204,339	1,959,256	1,937,046	1,916,084	1,189,471	1,556,718	1,474,692
<b>Total Revenues</b>	<b>94,717,463</b>	<b>92,489,912</b>	<b>80,474,878</b>	<b>78,002,480</b>	<b>70,474,334</b>	<b>68,813,623</b>	<b>67,278,174</b>	<b>64,113,074</b>	<b>63,260,873</b>	<b>57,665,701</b>
<b>Expenditures</b>										
General Government	7,306,855	8,157,477	6,186,416	5,876,054	6,024,385	5,898,144	6,015,240	5,846,967	6,583,585	4,405,392
Police	20,080,719	19,141,678	18,139,281	16,430,002	16,084,590	15,382,419	15,296,168	14,333,931	13,393,476	13,537,543
Fire	22,228,658	19,724,581	19,299,020	17,179,503	16,546,025	15,104,657	14,355,370	13,333,336	12,897,000	13,190,569
General Service	12,098,795	11,254,204	12,011,366	12,046,457	9,719,958	9,166,811	8,116,595	6,752,337	5,863,844	12,877,279
Community Development (includes recreation in 2014)	14,652,633	13,982,394	11,622,857	11,714,752	10,609,180	10,128,614	9,623,457	9,856,641	9,397,002	9,162,917
Parking Garage	-	-	-	-	-	-	900,712	868,353	774,460	738,147
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	3,852,915	3,912,000	3,660,406	3,226,422	3,500,011	3,689,017	3,932,977	12,233,087	3,103,572	16,910,676
Interest and Other Charges	1,676,224	1,774,782	1,779,958	1,746,281	1,443,955	1,533,222	1,682,726	1,788,432	2,116,885	1,968,945
Bond Issuance Costs	13,300,813	7,667,281	315,355	31,662	-	-	-	252,629	-	852,255
Capital Outlay	-	-	9,288,351	28,599,684	10,266,703	4,850,317	4,603,398	13,487,402	5,209,330	1,760,569
<b>Total Expenditures</b>	<b>95,197,612</b>	<b>85,614,397</b>	<b>82,303,010</b>	<b>96,850,817</b>	<b>74,194,807</b>	<b>65,753,201</b>	<b>64,526,643</b>	<b>78,753,115</b>	<b>59,339,154</b>	<b>75,404,292</b>
Excess (Deficit) of Revenues Over Expenditures	(480,149)	6,875,515	(1,828,132)	(18,848,337)	(3,720,473)	3,060,422	2,751,531	(14,640,041)	3,921,719	(17,738,591)
<b>Other Financing Sources (Uses)</b>										
Proceeds From Issuance of Debt	1,063,723	250,619	101,381	300,000	30,030,000	-	-	12,976,165	4,000,000	15,070,295
Proceeds From Bond Refinancing	-	-	11,723,726	-	-	-	-	-	-	14,524,705
Premiums on the Issuance of Debt	-	-	-	-	-	-	-	-	-	230,696
Bond refunding	-	-	(11,977,497)	-	-	-	-	-	-	-
Transfers In	10,660,314	13,350,681	9,891,158	10,348,269	7,221,148	4,871,026	6,907,113	6,743,730	3,168,184	799,305
Transfer Out	(12,160,314)	(15,350,681)	(9,991,158)	(11,436,820)	(8,866,148)	(5,342,983)	(7,257,113)	(7,802,207)	(4,533,184)	(1,909,786)
Lending	-	-	-	-	-	-	-	-	(4,000,000)	-
Proceeds from Sale of Assets	142,145	83,612	194,719	255,259	210,561	50,260	67,664	141,591	775,038	299,127
<b>Total Other Financing Sources (Uses)</b>	<b>(294,132)</b>	<b>(1,665,769)</b>	<b>(57,671)</b>	<b>(533,292)</b>	<b>28,595,561</b>	<b>(421,697)</b>	<b>(282,336)</b>	<b>12,059,279</b>	<b>(589,962)</b>	<b>29,014,342</b>
<b>Special Item</b>	-	-	-	-	-	-	-	-	-	-
<b>Restatement</b>	-	-	-	-	-	-	-	-	-	387,988
<b>Increase (Decrease) in Fund Balance</b>	<b>\$ (774,281)</b>	<b>\$ 5,209,746</b>	<b>\$ (1,885,803)</b>	<b>\$ (19,381,629)</b>	<b>\$ 24,875,088</b>	<b>\$ 2,638,725</b>	<b>\$ 2,469,195</b>	<b>\$ (2,580,762)</b>	<b>\$ 3,331,757</b>	<b>\$ 11,663,739</b>
Debt Service as a Percentage of Non-Capital Expenditures	19.78%	15.60%	7.88%	7.33%	7.73%	8.57%	9.37%	21.48%	9.74%	27.06%

**CITY OF COVINGTON, KENTUCKY**

**Schedule 5 – Occupational License Fees, Payroll Withholding  
Current and Past Nine Fiscal Years**

<b>Fiscal Year</b>	<b>Total Gross Taxable Wages</b>	<b>Total Withholding Fees</b>	<b>Total Direct Rate</b>
2024	\$ 1,168,092,245	\$ 28,618,260	2.45%
2023	1,139,492,449	27,917,565	2.45%
2022	1,343,748,286	32,921,833	2.45%
2021	1,149,322,776	28,158,408	2.45%
2020	1,122,425,452	27,499,424	2.45%
2019	1,103,634,163	27,039,037	2.45%
2018	1,073,132,490	26,291,746	2.45%
2017	1,047,293,224	25,658,684	2.45%
2016	1,010,486,122	24,756,910	2.45%
2015	952,288,327	23,331,064	2.45%

**CITY OF COVINGTON, KENTUCKY**

**Schedule 6 – Principal Occupational Payroll Tax Payers  
Current and Past Nine Fiscal Years**

<b>Taxpayer</b>	
<b>2024</b>	<b>2015</b>
Atkins & Pearce Manufacturing	Ashland Inc.
Covington Board of Education	Atkins & Pearce Manufacturing
CTI- Clinical Trial Services	Club Chef
Current HR LLC	Commonwealth of Kentucky
Erigo Inc.	Covington Board of Education
Fidelity Investments	Diocese of Covington
Gravity Diagnostics LLC	Fidelity Investments
Internal Revenue Service	Internal Revenue Service
St. Elizabeth Medical Center Inc.	Rosedale Manor
Surge Staffing LLC	St. Elizabeth Medical Center Inc.

**Notes:** Taxpayer information is listed alphabetically.

**Source:** City of Covington Finance Department

**CITY OF COVINGTON, KENTUCKY**

**Schedule 7 – Assessed Value and Estimated Actual Value of Taxable Property  
Current and Past Nine Fiscal Years**

Fiscal Year	Real Property	Personal Property	Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2024	\$ 4,068,533	\$ 155,956	\$ 949,129	\$ 3,275,360	0.2770
2023	3,845,718	146,812	943,929	3,048,601	0.2710
2022	3,160,371	130,605	908,441	2,382,535	0.3270
2021	3,051,147	133,187	892,239	2,292,095	0.3270
2020	2,912,743	139,040	825,929	2,225,854	0.3270
2019	2,857,305	132,986	793,226	2,197,065	0.3270
2018	2,823,972	137,040	779,986	2,181,026	0.3270
2017	2,810,306	138,635	782,178	2,166,763	0.3130
2016	2,797,036	130,602	797,055	2,130,583	0.3130
2015	2,744,855	139,733	782,683	2,101,905	0.3045

**Notes:** Property in Covington is reassessed once every four years. City property was reassessed in 2022. The next reassessment will occur in 2026. The reassessment is conducted by the Kenton County Property Value Administrator. The property is assessed at 100% of value.

Values are stated in thousands of dollars

Tax rates are per \$100 of assessed value.

**CITY OF COVINGTON, KENTUCKY**

**Schedule 8 – Direct and Overlapping Property Tax Rates  
Current and Past Nine Fiscal Years  
(rate per \$100 of assessed value)**

Fiscal Year	City Direct Rate	School Districts			County	State	Other	Totals	
		Covington Independent	Kenton County	County				Covington Schools Area	Kenton County Schools Area
2024	0.2770	0.925	0.659	0.1330	0.114	0.1600	1.5920	1.3630	
2023	0.2710	0.895	0.666	0.1440	0.115	0.1670	1.5920	1.3630	
2022	0.3270	0.895	0.666	0.1440	0.115	0.1670	1.5920	1.3630	
2021	0.3270	1.081	0.671	0.1540	0.119	0.1715	1.8525	1.4425	
2020	0.3270	1.061	0.671	0.1590	0.122	0.1756	1.8446	1.4546	
2019	0.3270	1.076	0.672	0.1590	0.122	0.1529	1.8369	1.4329	
2018	0.3270	1.084	0.659	0.1550	0.122	0.1758	1.8638	1.4388	
2017	0.3130	1.118	0.638	0.1480	0.122	0.1719	1.8869	1.4069	
2016	0.3130	1.099	0.621	0.1480	0.122	0.1715	1.8535	1.3755	
2015	0.3045	1.111	0.609	0.1480	0.122	0.1713	1.8653	1.3633	

**Notes:** Portions of the City of Covington are located in the Kenton County Common School District and taxes are paid to that entity instead of Covington Independent School District. Consequently both rates are shown.

The City's basic property tax may be increased up to the compensating rate plus 4% without being subject to a voter referendum. The compensating rate is defined as that rate which when applied to the current years assessment of property subject to taxation excluding new property and personal property produces an amount of revenue equal to that produced in the preceding year.

CITY OF COVINGTON, KENTUCKY

Schedule 9 – Principal Real Property Tax Payers  
Current and Past Nine Fiscal Years

Taxpayer	2024		2023		2022		2021		2020						
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value			
Fidelity Properties Inc	\$ 128,618,200	1	4.13%	\$ 128,283,300	1	5.10%	\$ 148,302,761	1	5.11%	\$ 128,618,200	1	5.71%	\$ 128,693,700	1	5.96%
CPX-Rivercenter Development Corp	95,846,800	2	3.08%	94,808,000	2	2.80%	83,911,618	2	2.89%	70,497,500	3	3.13%	51,000,000	3	2.36%
ARCP OFC Covington LLC	82,625,000	3	2.65%	82,625,000	3	2.85%	82,625,000	3	2.85%	82,625,000	2	3.67%	82,625,000	2	3.83%
AHIP KY Covington	27,285,000	4	0.88%	27,285,000	4	0.78%	22,500,000	5	0.78%	22,500,000	5	1.00%	22,500,000	5	1.04%
EHP Rivercenter Landmark	25,297,600	5	0.81%	25,297,600	5	0.87%	25,297,600	4	0.87%	25,297,600	4	1.12%	33,578,000	4	1.56%
Elevation 800 LLC	24,210,000	6	0.78%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
OH-16 FO Cincinnati	16,850,400	7	0.54%	16,850,400	6	0.58%	16,850,400	6	0.58%	16,850,400	6	0.75%	19,964,000	6	0.92%
Cambridge Preservation LP	16,510,000	8	0.53%	16,500,000	7	0.57%	16,500,000	7	0.57%	-	-	0.00%	-	-	0.00%
J & S Latonia Centre Ky LLC	12,488,400	9	0.40%	10,895,000	10	0.38%	10,895,000	10	0.38%	10,895,000	9	0.48%	10,895,000	9	0.50%
Atkins & Pearce Manufacturing	11,937,900	10	0.38%	11,937,900	8	0.41%	11,937,900	8	0.41%	11,937,900	7	0.53%	11,937,900	7	0.55%
FMR Kentucky I LLC	-	-	0.00%	11,381,800	9	0.39%	11,381,800	9	0.39%	11,381,800	8	0.51%	11,381,800	8	0.53%
638 Madison LLC	-	-	0.00%	-	-	0.00%	-	-	0.00%	10,774,000	10	0.48%	10,774,000	10	0.50%
<b>Total</b>	<b>\$ 441,669,300</b>		<b>14.18%</b>	<b>\$ 425,864,000</b>		<b>14.72%</b>	<b>\$ 430,202,079</b>		<b>14.83%</b>	<b>\$ 391,377,400</b>		<b>17.38%</b>	<b>\$ 383,349,400</b>		<b>17.76%</b>

Taxpayer	2019		2018		2017		2016		2015						
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value			
Fidelity Properties Inc	\$ 129,618,200	1	6.21%	\$ 204,181,958	1	9.29%	\$ 184,387,500	1	9.01%	\$ 184,246,829	1	9.08%	\$ 184,387,500	1	9.22%
ARCP OFC Covington LLC	82,625,000	2	3.96%	82,625,000	2	3.76%	82,625,000	2	4.04%	82,625,000	2	4.07%	-	-	0.00%
CPX-Rivercenter Development Corp	51,000,000	3	2.44%	58,055,000	3	2.64%	76,991,700	3	3.76%	76,340,000	3	3.76%	82,842,400	2	4.14%
EHP Rivercenter Landmark	33,578,000	4	1.61%	33,578,000	4	1.53%	33,578,000	4	1.64%	33,578,000	4	1.66%	33,578,000	3	1.68%
AHIP KY Covington	-	-	0.00%	-	-	0.00%	-	-	0.00%	21,783,300	5	1.07%	-	-	0.00%
OH-16 FO Cincinnati	21,783,300	5	1.04%	21,783,300	5	0.99%	21,783,300	5	1.06%	-	-	0.00%	-	-	0.00%
Cambridge Preservation LP	-	-	0.00%	-	-	0.00%	18,000,000	6	0.88%	18,000,000	6	0.89%	11,460,000	8	0.57%
Northern Kentucky Assisted Living LLC	-	-	0.00%	-	-	0.00%	11,460,000	7	0.56%	10,482,000	8	0.52%	12,314,000	7	0.62%
Atkins & Pearce Manufacturing	11,937,920	6	0.57%	-	-	0.00%	12,454,000	8	0.61%	11,460,000	7	0.57%	9,550,000	9	0.48%
J & S Latonia Centre Ky LLC	10,895,000	7	0.52%	-	-	0.00%	9,550,000	9	0.47%	9,550,000	9	0.47%	-	-	0.00%
FMR Kentucky I LLC	10,482,000	9	0.50%	10,482,000	9	0.48%	7,916,000	10	0.39%	6,824,500	10	0.34%	15,174,000	5	0.76%
Truss Latonia Plaza KY LLC	-	-	0.00%	9,550,000	10	0.43%	-	-	0.00%	-	-	0.00%	32,965,500	4	1.65%
CIP II Buckeye Hotel	-	-	0.00%	20,340,000	6	0.93%	-	-	0.00%	-	-	0.00%	14,960,900	6	0.75%
Scott Street Land Co. Inc	-	-	0.00%	10,917,884	8	0.50%	-	-	0.00%	-	-	0.00%	7,916,000	10	0.40%
Trustees Latonia Plaza KY LLC	-	-	0.00%	16,229,962	7	0.74%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Stronghaven Inc.	8,944,500	10	0.43%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
638 Madison LLC	10,774,000	8	0.52%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
<b>Total</b>	<b>\$ 371,637,920</b>		<b>17.81%</b>	<b>\$ 467,743,104</b>		<b>21.29%</b>	<b>\$ 458,745,500</b>		<b>22.41%</b>	<b>\$ 454,889,629</b>		<b>22.43%</b>	<b>\$ 405,148,300</b>		<b>20.26%</b>

Prior year data has been restated to correct for errors identified by the City

Source: City of Covington Finance Department

**CITY OF COVINGTON, KENTUCKY**

**Schedule 10 – Property Tax Levies and Collections  
Current and Past Nine Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2024	\$ 9,024,002	\$ 8,120,984	89.99%	\$ 502,502	\$ 8,623,486	95.56%
2023	8,455,735	8,054,636	95.26%	\$ 23,298	8,077,934	95.53%
2022	7,974,171	7,093,676	88.96%	\$ 451,493	7,545,169	94.62%
2021	7,655,452	6,685,932	87.34%	\$ 279,547	6,965,479	90.99%
2020	7,415,494	6,992,813	94.30%	\$ 405,361	7,398,174	99.77%
2019	7,314,474	6,790,766	92.84%	\$ 557,708	7,348,474	100.46%
2018	7,145,767	6,925,324	96.92%	\$ 122,554	7,047,878	98.63%
2017	7,062,522	6,673,927	94.50%	\$ 54,328	6,728,255	95.27%
2016	7,064,377	6,922,314	97.99%	\$ 69,552	6,991,866	98.97%
2015	6,924,630	6,423,314	92.76%	\$ 473,261	6,896,575	99.59%

Source: City of Covington Finance Department

**CITY OF COVINGTON, KENTUCKY**

**Schedule 11 – Ratios of Outstanding Debt by Type  
Current and Past Nine Fiscal Years  
(dollars in thousands, except per capita)**

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Notes</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income (a)</b>	<b>Per Capita (a)</b>
2024	\$ 48,947	\$ 30,567	\$ 79,514	5.73%	\$ 1,941
2023	34,260	31,069	65,329	5.36%	1,595
2022	37,749	31,561	69,310	5.84%	1,697
2021	28,958	43,948	72,905	6.86%	1,780
2020	31,629	44,657	76,286	7.77%	1,881
2019	34,600	15,610	50,210	5.39%	1,229
2018	37,602	16,786	54,388	6.02%	1,334
2017	40,540	17,791	58,331	6.45%	1,430
2016	35,952	21,648	57,600	6.84%	1,405
2015	33,584	23,131	56,715	6.79%	1,385

**Note:** Details of city's outstanding debt can be found in the notes to the financial statements.

(a) See Schedule 14 for personal income and population data.

**CITY OF COVINGTON, KENTUCKY**

**Schedule 12 – Ratios of General Bonded Debt Outstanding  
Current and Past Nine Fiscal Years**  
*(dollars in thousands, except per capita)*

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>	<b>Debt Service Payments Per Capita</b>
2024	\$ 48,947	1.49%	\$ 1,194.65	\$ 134.95
2023	34,260	1.12%	836.51	138.85
2022	37,749	1.58%	924.39	125.34
2021	28,958	1.26%	706.95	123.45
2020	31,629	1.44%	780.72	124.49
2019	34,600	1.61%	847.10	129.52
2018	37,602	1.78%	922.38	137.75
2017	40,540	1.93%	993.70	343.69
2016	35,952	1.60%	813.56	126.72
2015	33,584	1.60%	814.62	126.88

**Source:** City of Covington Finance Department

**CITY OF COVINGTON, KENTUCKY**  
**Schedule 13 – Legal Debt Margin Information**  
**Current and Past Nine Fiscal Years**  
*(dollars in thousands)*

<b>Legal Debt Margin Calculation for Fiscal Year 2024</b>	
Assessed value	\$ 3,275,360
Debt limit (10% of assessed value)	\$ 327,536
Debt applicable to limit:	
General Obligation	\$ 79,514
Total debt applicable to limit	\$ 79,514
Legal debt margin	\$ 248,022

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Debt limit	\$ 327,536	\$ 304,860	\$ 238,254	\$ 229,235	\$ 229,210	\$ 214,326	\$ 211,372	\$ 210,304	\$ 216,662	\$ 213,044
Total net debt applicable to limit	79,514	65,329	69,310	72,906	76,287	50,209	54,388	58,331	57,600	56,715
Legal debt margin	\$ 248,022	\$ 239,531	\$ 168,944	\$ 156,329	\$ 152,923	\$ 164,117	\$ 156,984	\$ 151,973	\$ 159,062	\$ 156,329
Total net debt applicable to the limit as a percentage of debt limit	24.28%	21.43%	29.09%	31.80%	33.28%	23.43%	25.73%	27.74%	26.59%	26.62%

Source: City of Covington Finance Department

**CITY OF COVINGTON, KENTUCKY**

**Schedule 14 – Demographic and Economic Statistics  
Current and Past Nine Fiscal Years**

<b>Fiscal Year</b>	<b>Population (a)</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capita Personal Income (b)</b>	<b>Median Age (c)</b>	<b>School Enrollment (d)</b>	<b>Unemployment Rate (e)</b>
2024	40,972	\$ 1,387,640	\$ 33,868	37.8	3,743	5.0%
2023	40,956	1,219,383	29,773	36.7	3,642	4.4%
2022	40,837	1,185,825	29,038	36.7	3,796	4.3%
2021	40,961	1,062,569	25,941	36.0	4,119	3.7%
2020	40,552	982,210	24,221	36.0	3,950	5.6%
2019	40,845	931,715	22,811	35.8	4,073	4.0%
2018	40,766	903,008	22,151	35.6	3,910	3.6%
2017	40,797	903,694	22,151	33.1	3,799	5.3%
2016	40,997	842,406	20,548	35.5	4,165	4.4%
2015	40,944	841,931	20,563	33.1	4,165	5.1%

**Sources:**

- (a) <https://www.census.gov/quickfacts/fact/table/covingtoncitykentucky#>
- (b) <https://www.neighborhoodscout.com/ky/covington/demographics>
- (c) <https://datausa.io/profile/geo/covington-ky/>
- (d) <nces.ed.gov>
- (e) [https://ycharts.com/indicators/covington\\_ky\\_unemployment\\_rate](https://ycharts.com/indicators/covington_ky_unemployment_rate)

**CITY OF COVINGTON, KENTUCKY**

**Schedule 15 – Principal Employers  
Current and Past Nine Fiscal Years**

Employer	2024			2023			2022			2021			2020		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fidelity Investments	5,646	1	10.80%	6,553	1	10.37%	4,957	1	8.65%	4,837	1	8.44%	4,729	1	12.49%
Internal Revenue Service	2,592	2	4.96%	2,592	2	4.10%	2,592	2	4.52%	1,993	2	3.48%	1,993	2	5.26%
United States Postal Service	678	3	1.30%	678	4	1.07%	678	4	1.18%	678	5	1.18%	658	4	1.74%
Covington Board of Education	563	4	1.08%	687	3	1.09%	691	3	1.21%	914	3	1.59%	914	3	2.41%
Commonwealth of Kentucky	471	5	0.90%	505	6	0.80%	437	7	0.76%	553	6	0.96%	512	7	1.35%
St. Elizabeth Hospital	389	6	0.74%	427	9	0.68%	387	9	0.67%				402	10	1.06%
Diocese of Covington Bd of Ed	388	7	0.74%										427	8	1.13%
CTI-Clinical Trial Services Inc	328	8	0.63%	427	8	0.68%	404	8	0.70%						
Gravity Diagnostics LLC	275	9	0.53%				466	5	0.81%						
Blair Technology Group LLC	281	10	0.54%												
Erigo				517	5	0.82%	450	6	0.78%	400	10	0.70%			
RDI Corporation				489	7	0.77%				802	4	1.40%			
Kroger LTD Partnership I				406	10	0.64%	374	10	0.65%	405	9	0.71%			
Taylor Farms Tennessee										550	7	0.96%	550	5	1.45%
Ngroup Inc.										537	8	0.94%			
Crown Services Inc.													549	6	1.45%
Kenton County Fiscal Court													421	9	1.11%
<b>Total</b>	<b>11,611</b>		<b>22.21%</b>	<b>13,281</b>		<b>21.01%</b>	<b>11,436</b>		<b>19.94%</b>	<b>11,669</b>		<b>20.35%</b>	<b>11,155</b>		<b>29.46%</b>

Employer	2019			2018			2017			2016			2015		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Internal Revenue Service	3,951	1	11.21%	4,046	1	15.10%	4,088	1	15.25%	4,046	1	15.10%	4,500	1	16.79%
Fidelity Investments	2,069	2	5.87%	3,923	2	14.64%	4,028	2	15.03%	3,923	2	14.64%	3,923	2	14.64%
Club Chef	1,039	3	2.95%	1,270	3	4.74%			0.00%	1,281	3	4.78%	408	7	1.52%
Covington Board of Education	914	4	2.59%	914	4	3.41%	940	3	3.51%	914	4	3.41%	760	3	2.84%
Commonwealth of Kentucky	477	7	1.35%	561	5	2.09%	487	5	1.82%	561	5	2.09%	501	5	1.87%
Diocese of Covington Bd of Ed	403	9	1.14%	404	6	1.51%	398	7	1.49%						
St. Elizabeth Hospital	408	8	1.16%	397	7	1.48%	414	6	1.54%	445	6	1.66%	431	6	1.61%
Rosedale Manor	488	6	1.38%	488	8	1.82%			0.00%	414	7	1.54%	173	9	0.65%
Atkins & Pearce Mftg	339	10	0.96%	329	9	1.23%	233	9	0.87%	329	8	1.23%			
CTI-Clinical Trial Services Inc				220	10	0.82%									
Ashland Inc							742	4	2.77%	81	10	0.30%	94	10	0.35%
Kenton County Fiscal Court							351	8	1.31%						
A.C. Nielsen							220	10	0.82%						
KY Community & Tech College							-		0.00%				659	4	2.46%
No. KY MH-MR Board									0.00%				220	8	0.82%
Crown Services Inc.	524	5	1.49%							89	9	0.33%			
<b>Total</b>	<b>10,612</b>		<b>30.10%</b>	<b>12,552</b>		<b>46.84%</b>	<b>11,901</b>		<b>44.41%</b>	<b>12,083</b>		<b>45.09%</b>	<b>11,669</b>		<b>43.54%</b>

Source: City of Covington Finance Department

**CITY OF COVINGTON, KENTUCKY**

**Schedule 16 – Full-Time Equivalent City Government Employees by Function/Program  
Current and Past Nine Fiscal Years**

<b>Function/Program</b>	<b>Full-time-Equivalent Employees as of June 30</b>									
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>General Government</b>										
Management Services	27	25	22	18	15	15	15	16	16	16
Finance	15	13	11	13	12	13	10	7	9	9
Economic Development/Neighborhood	9	14	11	12	10	9	8	12	12	8
Code Enforcement	7	6	6	6	2	2	2	1	0	7
Housing	11	6	6	6	6	6	6	7	7	7
Waste	2	3	2	2	2	2	0	0	0	0
<b>Police</b>										
Officers	118	118	107	112	111	111	110	102	102	104
Civilians	11	10	10	10	11	11	8	7	7	7
<b>Fire</b>										
Firefighters and Officers	126	152	118	122	119	119	121	114	114	108
Civilians	3	1	1	1	1	1	1	0	0	0
<b>Other</b>										
Public Improvements	63	48	47	51	45	32	30	30	30	47
Parks and Recreation	5	21	4	4	4	19	19	19	19	0
<b>Total</b>	<b>397</b>	<b>417</b>	<b>345</b>	<b>357</b>	<b>338</b>	<b>340</b>	<b>330</b>	<b>315</b>	<b>316</b>	<b>313</b>

Source: City of Covington Finance Department

**CITY OF COVINGTON, KENTUCKY**  
**Schedule 17 – Operating Indicators by Function/Program**  
**Current and Past Nine Fiscal Years**

Function/Program	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Police</b>										
Physical arrests	4,640	2,986	2,885	3,413	4,013	4,018	4,016	3,943	4,141	4,047
Parking violations *	21,861	20,643	14,703	7,659	13,230	11,233	12,352	11,637	13,333	13,847
Traffic violation *	8,914	7,451	8,143	7,781	5,421	6,341	3,606	2,925	5,097	5,979
<b>Fire</b>										
Fire responses	2,311	2,322	2,193	2,262	2,522	2,450	2,346	2,413	2,620	3,930
Ambulance runs	9,125	9,389	9,219	8,704	9,052	9,515	9,420	9,449	9,604	9,603
Inspections	1,211	1,160	912	818	1,566	2,307	2,909	2,465	2,310	1,481

\*Note this number is the number of citations issued but there may be multiple violations to one citation

**Source:** City of Covington Police and Fire Record Management System

**CITY OF COVINGTON, KENTUCKY**  
**Schedule 18 – Capital Assets Statistics by Function/Program**  
**Current and Past Nine Fiscal Years**

Function/Program	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-Stations	2	2	2	2	2	2				
Patrol units	114	114	114	114	114	114	114	118	126	126
<b>Fire stations</b>	5	5	5	5	5	5	5	5	5	5
<b>Other Public Works</b>										
Streets (miles)	260	260	260	260	260	260	260	235	235	235
Streetlights	3,535	3,535	3,231	3,231	3,231	3,231	3,231	3,785	3,785	3,785
Miles of Sidewalks	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545
<b>Parks and recreation</b>										
Parks	24	24	27	27	27	27	24	24	24	24
Acreage	859	859	859	859	859	859	859	859	859	859
Playgrounds	14	14	14	14	14	14	14	13	13	13
Baseball/softball diamonds	6	6	7	7	7	7	7	9	7	7
Soccer/football fields	3	3	3	3	3	3	2	2	2	2
Swimming pools	2	2	2	2	2	2	2	2	2	2
Water Park	1	1	1	1	1	1	1	1	1	1
Golf Courses	1	1	1	1	1	1	1	1	1	1
Disc Golf Course	1	1	-	-	-	-	-	-	-	-

**Source:** City of Covington Police Department  
City of Covington Fire Department  
City of Covington Recreation Department  
City of Covington Public Works

**CITY OF COVINGTON, KENTUCKY**

**Schedule 19 – Direct and Overlapping Governmental Activities Debt  
June 30, 2024**

*(amounts in thousands)*

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable (3)</b>	<b>Estimated Share of Overlapping Debt</b>
Kenton County	\$ 87,442 (1)	24.16%	\$ 21,126
Covington Independent School District	<u>22,960 (2)</u>	100.00%	<u>22,960</u>
Subtotal, overlapping debt	<u><u>\$ 110,402</u></u>		<u><u>44,086</u></u>
City of Covington direct debt			<u>79,514</u>
Total direct and overlapping			<u><u>\$ 123,600</u></u>

**Source:** Kentucky local Debt 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 responsible for repaying the debt, of each overlapping government.

(1) Kenton County Treasurer's office

(2) Covington Independent School District, Finance Department

(3) The percentage of overlapping debt applicable to the City of Covington is estimated using the percentage of Covington residents in each of the overlapping districts by the 2020 U.S. Census

**CITY OF COVINGTON, KENTUCKY**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2024**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal Assistance Listing Number</b>	<b>Agreement Number</b>	<b>Revenues for FYE June 30, 2024</b>	<b>Expenditures for FYE June 30, 2024</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Section 8 Housing Choice Voucher	14.871	KY-133-VO-0054-0F04	\$ 9,219,908	\$ 9,219,908
Community Development Block Grants/Entitlement Grants (see Note 4)	14.218	B-21-MC-21-0001	1,996,562	1,996,562
Community Development Block Grants/Entitlement Grants	14.218	Loans Outstanding	-	150,000
Total Community Development Block Grants/Entitlement Grants			1,996,562	2,146,562
HOME Investment Partnership Programs	14.239	M-20-DC-21-0200	742,387	742,387
		Loans Outstanding	-	378,717
Total Home Investment Partnership Programs			742,387	1,121,104
<b>Total U.S. Department of Housing and Urban Development</b>			<b>11,958,857</b>	<b>12,487,574</b>
<b><u>Department of Justice</u></b>				
Bulletproof Vest Partnership Program	16.607	N/A	15,912	15,912
<b><i>Pass through from Kenton County</i></b>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0159	11,553	11,553
<b>Total U.S. Department of Justice</b>			<b>27,465</b>	<b>27,465</b>
<b><u>Department of Transportation</u></b>				
<b><i>Pass through from Kentucky Transportation Cabinet</i></b>				
Highway Planning and Construction - 7th Street Streetscape	20.205	3002-340	1,166,292	1,166,292
Highway Planning and Construction - Madison Avenue Streetscape	20.205	3002-340	1,498,675	1,498,675
Total Highway Planning and Construction			2,664,967	2,664,967
State and Community Highway Safety	20.600	AL-2019-09-00-00	38,590	35,590
<b><i>Pass through from City of Erlanger</i></b>				
State and Community Highway Safety	20.600	AL-2019-09-00-00	104,857	104,857
Total State and Community Highway Safety			143,447	140,447
<b>Total Department of Transportation</b>			<b>2,808,414</b>	<b>2,805,414</b>
<b><u>Department of the Interior</u></b>				
<b><i>Pass through from the Kentucky Heritage Council</i></b>				
Historic Preservation Fund Grants-in-Aid	15.904	N/A	\$ 52,894	\$ 52,894
<b>Total Department of Interior</b>			<b>52,894</b>	<b>52,894</b>
<b><u>Department of Homeland Security</u></b>				
FEMA Port Security Grant Program	97.056	EMW-2018-PU-0036	26,094	26,094
FEMA Assistance to Firefighters Grant	97.044	EMW-2021-FF-01943	637,965	637,965
FEMA Pointe Benton	97.039	DR 4239-0017	40,180	40,180
FEMA Port Security Grant Program	97.056	EMW-2018-PU-0036	121,286	121,286
Total FEMA Port Security Grant Program			825,525	825,525
<b>Total Department of Homeland Security</b>			<b>825,525</b>	<b>825,525</b>
<b><u>Department of the Treasury</u></b>				
COVID-19 - Coronavirus State Fiscal Recovery Fund	21.027	P0 1122100000770	4,059,118	4,059,118
<b>Total Department of the Treasury</b>			<b>4,059,118</b>	<b>4,059,118</b>
<b><u>Department of Commerce</u></b>				
Economic Adjustment Program for Covington Central Riverfront Development	11.307	4-79-07697	296,305	296,305
<b>Total Department of Commerce</b>			<b>296,305</b>	<b>296,305</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 20,028,578</b>	<b>\$ 20,554,295</b>

**CITY OF COVINGTON, KENTUCKY**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2024**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Covington, Kentucky under programs of the federal government for the year ended June 30, 2024 and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the City of Covington, Kentucky, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 INDIRECT COST RATE**

The City has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

**NOTE 4 PASSTHROUGH ENTITIES**

Passthrough entity numbers were presented when available.

**NOTE 5 SUBRECIPIENTS**

The City passed through \$25,000 of Community Development Block Grant (14.218) funds to subrecipients during the year ended June 30, 2024.

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

To the Mayor, City Commissioners and Citizens  
City of Covington, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Covington, Kentucky, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Covington, Kentucky's basic financial statements, and have issued our report thereon dated February 18, 2025.

**Report on Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Covington, Kentucky's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances 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 items 2024-001.

**INDEPENDENT AUDITORS' 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  
(CONTINUED)**

**City of Covington, Kentucky's Response to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on the City of Covington, Kentucky's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Covington, Kentucky's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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

*Barnes, Dennig & Co., Ltd.*

Crestview Hills, Kentucky  
February 18, 2025

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Mayor, City Commissioners and Citizens  
City of Covington, Kentucky

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

***Opinion on Each Major Federal Program***

We have audited the City of Covington, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Covington, Kentucky's major federal programs for the year ended June 30, 2024. The City of Covington, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Covington, Kentucky complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Covington, Kentucky and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Covington, Kentucky's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Covington, Kentucky's federal programs.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
(CONTINUED)**

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Covington, Kentucky's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Covington, Kentucky's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Covington, Kentucky's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Covington, Kentucky's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Covington, Kentucky's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2024-002. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on City of Covington, Kentucky's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Covington, Kentucky's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
(CONTINUED)**

**Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Barnes, Dennig & Co., Ltd.*

Crestview Hills, Kentucky  
February 18, 2025

**CITY OF COVINGTON, KENTUCKY**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024**

**SECTION I -SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  X  Yes   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   Yes  X  None noted
- Noncompliance material to financial statements noted?   Yes  X  No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?   Yes  X  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  X  Yes   None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)?   Yes  X  No

***Identification of major programs***

ALN No.	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Voucher
14.239	Home Investment Partnerships Program
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?   Yes  X  No

**CITY OF COVINGTON, KENTUCKY**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2024**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**2024-001: Disposal of capital assets**

Criteria – Disposals of capital assets for the City should be recorded in the year that property is no longer considered city property.

Condition – During the audit, it was identified that a building was disposed of in the current year that should've been disposed of in FY20.

Effect – A prior period adjustment related to the disposal of building that affected the net position of the City.

Cause – Internal controls around recording capital assets disposals were not properly implemented or executed.

Recommendation – We recommend that the City periodically and/or regularly review property records and city ordinances to determine when property has been sold or transferred and should be disposed of on the financial records of the City.

Management's Response: We agree with the auditors' recommendations, and the following action will be taken to improve the situation. The finance department of the City will review property records and city ordinances to accurately and timely report capital asset disposals.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST**

**2024-002: Section 8 Housing Examination of Family Income and Composition**

Criteria – Per requirement by the United States Department of Housing and Urban Development, Section 8 Housing program participants should have their income and family composition examined by the public local housing authority every 12 months.

Condition – During the testing of eligibility for the program, it was noted that documentation of family income and composition could not be provided for one program participant.

Effect – HUD compliance procedures were not properly followed.

Cause – Record retention procedures were not properly followed as designed by the public housing authority.

Recommendation – We recommend the public housing authority design and implement internal controls to have the Section 8 Housing program participants income and family composition examination every 12 months. Additionally, such examination should be documented and retained in the Section 8 Housing program participant files.

Management's Response: We agree with the auditors' recommendations, and the following action will be taken to improve the situation. The public housing authority will review procedures around record retention and adjust as necessary to ensure compliance with HUD requirements.

**CITY OF COVINGTON, KENTUCKY**

**Schedule of Prior Year Findings and Questioned Costs  
Year Ended June 30, 2024**

**SECTION I – SUMMARY OF PRIOR YEAR AUDITOR’S RESULTS**

No matters are reportable

**SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS**

No matters are reportable

**SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST**

No matters are reportable