

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year ended June 30, 2025



Photo Credit: Sam Greenhill

City of Covington, Kentucky

**Financial Statements
With Supplementary Information
Year Ended June 30, 2025
With Independent Auditors' Report**

CITY OF COVINGTON, KENTUCKY

June 30, 2025

Table of Contents

	<u>Page(s)</u>
Letter of Transmittal	1-4
List of Elected and Appointed Officials	5
Organizational Chart	6
Independent Auditors' Report	7-9
Management's Discussion and Analysis (MD&A - Unaudited)	10-22
Basic Financial Statements:	
City Wide Financial Statements:	
Statement of Net Position - City Wide	23
Statement of Activities - City Wide	24
Fund Financial Statements:	
Balance Sheet - Governmental Funds	25
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	26
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Net Position – Proprietary Funds	29
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	30
Statement of Cash Flows – Proprietary Funds	31
Statement of Net Position – Fiduciary Funds	32
Statement of Revenues, Expenses, and Changes in Net Position – Fiduciary Funds	33
Notes to the Financial Statements	34-79

CITY OF COVINGTON, KENTUCKY

June 30, 2025

Table of Contents (Continued)

Required Supplementary Information and Other Information:	<u>Page(s)</u>
Combining Statements – Nonmajor Funds:	
Description of Nonmajor Funds	80-82
Combining Balance Sheet - Nonmajor Governmental Funds	83-84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	85-86
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund	87-89
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Debt Service Fund	90
Combining Statement of Net Position – Internal Service Funds	91
Combining Statement of Revenues, Expenditures and Changes in Net Position – Internal Service Funds	92
Combining Statement of Cash Flows – Internal Service Funds	93
Employees' Retirement Plan	94
Police and Firemen's Retirement Plan	95
Notes to the Required Supplementary Information	96
Schedule of the Proportionate Share of the Net Pension Liability	97
Schedule of City Pension Contributions	98
Schedule of the City's Proportionate Share of the Net OPEB Liability	99
Schedule of City OPEB Contributions	100
Notes to the Required Supplementary Information	101
Statistical Section:	
Statistical Section Narrative	102
Schedule 1 – Net Position by Component	103
Schedule 2 – Changes in Net Position	104
Schedule 3 – Fund Balances, Governmental Funds	105
Schedule 4 – Changes in Fund Balances, Governmental Funds	106
Schedule 5 – Occupational License Fees, Payroll Withholding	107

CITY OF COVINGTON, KENTUCKY

June 30, 2025

Table of Contents (Continued)

Required Supplementary Information and Other Information (Continued):	<u>Page(s)</u>
Statistical Section (Continued):	
Schedule 6 – Principal Occupational Payroll Tax Payers	108
Schedule 7 – Assessed Value and Estimated Actual Value of Taxable Property	109
Schedule 8 – Direct and Overlapping Property Tax Rates	110
Schedule 9 – Principal Real Property Tax Payers	111
Schedule 10 – Property Tax Levies and Collections	112
Schedule 11 – Ratios of Outstanding Debt by Type	113
Schedule 12 – Ratios of General Bonded Debt Outstanding	114
Schedule 13 – Legal Debt Margin Information	115
Schedule 14 – Demographic and Economic Statistics	116
Schedule 15 – Principal Employers	117
Schedule 16 – Full-Time Equivalent City Government Employees by Function/Program	118
Schedule 17 - Operating Indicators by Function/Program	119
Schedule 18 – Capital Assets Statistics by Function/Program	120
Schedule 19 – Direct and Overlapping Governmental Activities Debt	121
Schedule of Expenditures of Federal Awards	122
Notes to the Schedule of Expenditures of Federal Awards	123
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 <i>Government Auditing Standards</i>	124-125
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	126-128
Schedule of Findings and Questioned Costs	129-130
Schedule of Prior Year Findings and Questioned Costs	131



OFFICE OF THE CITY MANAGER

February 18, 2026

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, 2025. 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 <https://www.covingtonky.gov/government/departments/finance>

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) and audited 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 (GAGAS) issued by the Comptroller General of the United States. Pursuant to that requirement, we hereby issue the ACFR for the City for the FY that ended on June 30, 2025.

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 information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework which is designed to protect both 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, 2025, 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, 2025, 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 requirements 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 internal control over financial reporting and compliance with applicable laws, regulations, and 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 14.9% versus fiscal year 2024.

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 2025. Through partnerships with the public workforce development system, the Northern Kentucky Area Development District, 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.

The Covington Central Riverfront project, one of the City's largest redevelopment efforts and a central component of our long-term economic strategy, continued to advance during FY25. The City successfully transferred three development blocks to private ownership, representing 324 new housing units and approximately 17,000 square feet of planned commercial space. Additional development blocks were released through new Requests for Proposals, with selections anticipated in early 2026. These efforts fully establish the Riverfront as a future hub of mixed-use growth, employment, and public engagement.

The City's sustained investments in local amenities, public spaces, and neighborhood vitality continue to attract national attention. In 2025, *Food & Wine* named Covington among the Top 11 Small U.S. Cities for Food and Drink while HGTV recognized downtown Covington as one of the Top 40 Most Charming Small Downtowns in America. These accolades align with our ongoing commitment to strengthen small business activity, including through the City's Small Business Incentive Program, which offsets rental costs and assists with façade improvements. Since its inception in 2017, the program has awarded 177 incentives to local businesses and helped activate 35 previously vacant commercial buildings.

Other key economic development accomplishments during FY25 include:

- 800+ new high-paying jobs supported directly by City initiatives.
- \$4 million in City incentives leveraged to attract over \$60 million in private capital investment.
- A 3.5:1 return on investment in new payroll tax revenues for every \$1 of incentive awarded.
- An average unemployment rate of 4.4%, consistent with local leadership and regional expectations.
- 594 zoning permits and 172 Certificates of Appropriateness approved and issued.
- 88,952 square feet of commercial space leased citywide.

The preparation of the ACFR was made possible through the dedicated service of the entire Finance Department team, as well as the invaluable support from across other City departments. Each member has our sincere appreciation for their contributions to this report. We also acknowledge and thank Barnes Dennig for their work in preparing this report. In addition, we extend our gratitude to the Mayor and City Commissioners for their unwavering interest, support, and integrity in guiding the City's financial operations.

Respectfully submitted,



City Manager



Finance Director

**City of Covington, Kentucky
Elected and Appointed Officials June 30, 2025**

Elected Officials

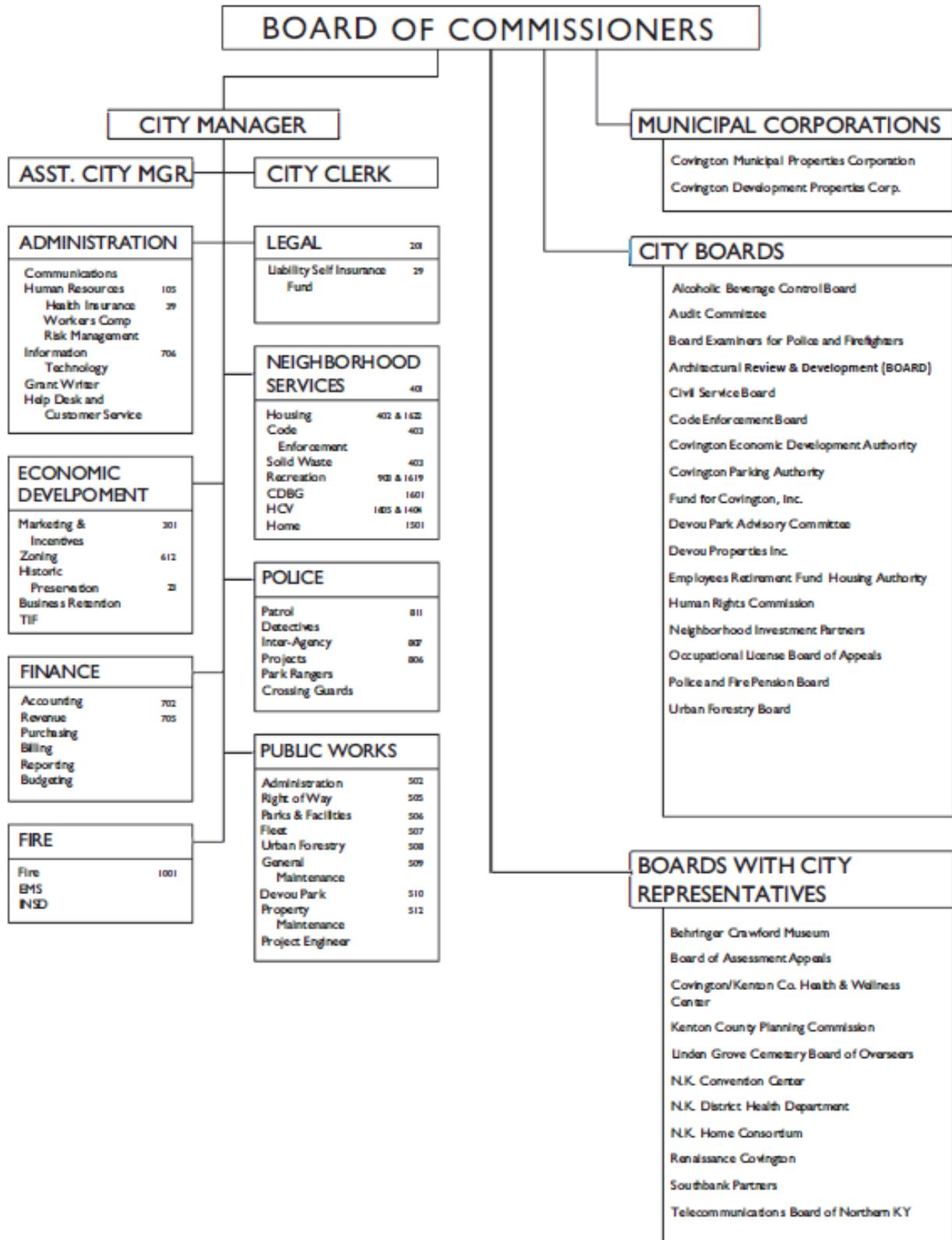
Mayor	Ronald Washington
Commissioner/Mayor Pro Tem.....	Shannon C. Smith
Commissioner	Tim Downing
Commissioner	Tim Acri
Commissioner	James Toebe

Appointed Officials

City Manager	Ken Smith
City Solicitor.....	Frank Schultz
Finance Director	Breanna Gaffney
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 Wohler

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, 2025 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, 2025, 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 Auditors' 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.

Effect of Adopting New Accounting Standard

As discussed in Note 17 to the financial statements, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated Absences*, effective as of July 1, 2024. The implementation of this accounting standard resulted in a restatement of prior year net position. 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, 87-90, and 97-101 as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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)

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2026, 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, 2026

CITY OF COVINGTON, KENTUCKY

Management's Discussion and Analysis (MD&A – Unaudited) Year Ended June 30, 2025

The following is a narrative overview and analysis of the financial activities of the City for the fiscal year (FY) ending on June 30, 2025. 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, 2025 include:

- The City's FY 2025 carry-over is \$10,086,453 resulting in a General Fund balance at year-end of \$33,217,671.
- The City recognized an increase in payroll tax revenue of 14.9% over FY2024.
- The City recognized a decrease in net profit revenue of 2.3% over FY2024.
- The City's insurance license fee increased to \$12,575,723 in FY 2025, a increase of \$1,069,525 or 9.3% 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, although a legally separate entity, functions as a department of the City and therefore have been included as an integral part 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, 2025 (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 was the City's only enterprise fund. The enterprise fund is reported as business-type activities in the government-wide financial statements. The Parking Authority Fund is considered close as of June 30, 2025. 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, 2025
(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 \$14,240,524, at the close of the most recent FY.

	Governmental Activities		
	2025	2024	Change
Current and other assets	\$ 113,480,846	\$ 87,183,005	\$ 26,297,841
Noncurrent assets	122,985,962	113,399,736	9,586,226
Total assets	236,466,808	200,582,741	35,884,067
Deferred outflows	31,134,341	36,449,537	(5,315,196)
Noncurrent liabilities:			
Net pension liability	96,882,772	101,477,784	(4,595,012)
Net OPEB liability	2,968,184	3,394,497	(426,313)
Other long-term liabilities	76,073,970	77,507,938	(1,433,968)
Other liabilities	56,039,317	32,835,529	23,203,788
Total liabilities	231,964,243	215,215,748	16,748,495
Deferred inflows	49,877,430	62,241,232	(12,363,802)
Net position:			
Investment in capital assets (net of debt)	33,456,606	49,003,006	(15,546,400)
Restricted	3,345,910	4,995,687	(1,649,777)
Unrestricted	(51,043,040)	(94,423,395)	43,380,355
Total net position	\$ (14,240,524)	\$ (40,424,702)	\$ 26,184,178

The largest portion of the City's net position, \$33,456,606, 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 2025, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$14,240,524. Total assets increased from the prior FY (FY 2024) by \$35,884,067 and total liabilities increased by \$16,748,495.

CITY OF COVINGTON, KENTUCKY

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2025
(Continued)**

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

In the case of the City's business-type activities, the Parking Activity moved to the Parking Authority in fiscal year 2025.

	Business-type Activities		
	2025	2024	Change
Current and other assets	\$ -	\$ 3,977,867	\$ (3,977,867)
Noncurrent assets	-	9,404,770	(9,404,770)
Total assets	-	13,382,637	(13,382,637)
Noncurrent liabilities	-	3,717,383	(3,717,383)
Other liabilities	-	199,403	(199,403)
Total liabilities	-	3,916,786	(3,916,786)
Deferred inflows	-	751,592	(751,592)
Net position:			
Investment in capital assets (net of debt)	-	7,672,453	(7,672,453)
Unrestricted	-	1,041,806	(1,041,806)
Total net position	\$ -	\$ 8,714,259	\$ (8,714,259)

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, 2025, the City of Covington had \$-0- in parking related assets, which are comprised mostly of surface lots and parking garages and \$-0- in parking related long-term debt.

CITY OF COVINGTON, KENTUCKY

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2025
(Continued)**

Statement of Activities – Governmental:

	Governmental Activities		
	2025	2024	Change
Revenues			
Program revenues			
Charges for services	\$ 9,221,131	\$ 7,232,001	\$ 1,989,130
Operating grants	20,477,583	19,461,748	1,015,835
Capital grants	<u>12,555,031</u>	<u>2,939,553</u>	<u>9,615,478</u>
Total program revenues	<u>42,253,745</u>	<u>29,633,302</u>	<u>12,620,443</u>
General Revenues			
Taxes	63,108,703	57,157,917	5,950,786
Investment income	2,545,271	1,862,926	682,345
Interest income	984,991	271,563	713,428
Miscellaneous	(505,497)	(7,926,719)	7,421,222
Loss on sale of assets	<u>46,412</u>	<u>(815,207)</u>	<u>861,619</u>
Total general revenues	<u>66,179,880</u>	<u>50,550,480</u>	<u>15,629,400</u>
Total revenues	<u>108,433,625</u>	<u>80,183,782</u>	<u>28,249,843</u>
Expenses			
General government	(6,457,863)	(12,625,222)	6,167,359
Police	21,434,217	20,828,152	606,065
Fire	21,778,291	22,531,808	(753,517)
Public improvements	15,371,468	14,779,721	591,747
Community Development	16,920,242	15,250,833	1,669,409
Interest on long-term debt	<u>3,001,818</u>	<u>1,811,008</u>	<u>1,190,810</u>
Total expenses	<u>72,048,173</u>	<u>62,576,300</u>	<u>9,471,873</u>
Change in net position	<u>\$ 36,385,452</u>	<u>\$ 17,607,482</u>	<u>\$ 18,777,970</u>

In FY 2025, government-wide revenues increased compared to FY 2024 by \$28,249,843 and government-wide expenses increased by \$9,471,873.

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

- Program revenues increased in FY 2025 compared to FY 2024 due to an increase in capital grants.
- General Revenues were higher in FY 2025 than FY 2024 primarily due to an increase in GASB 68 and GASB 75 deferred outflows and tax revenue.

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

- Police and Public Works expenses were higher in FY 2025 than FY 2024 primarily due to an increase in personnel costs.
- General expenses were higher in FY 2025 than FY 2024 primarily due to a decrease in GASB 68 and GASB 75 deferred inflows.

CITY OF COVINGTON, KENTUCKY

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2025
(Continued)**

Statement of Activities – Business-type:

	Business-type Activities		
	2025	2024	Change
Revenues			
Program revenues			
Charges for services	\$ 294,196	\$ 3,361,190	\$ (3,066,994)
Total program revenues	<u>294,196</u>	<u>3,361,190</u>	<u>(3,066,994)</u>
General Revenues			
Interest income	100,154	28,161	71,993
Other revenues	<u>2,514,894</u>	<u>-</u>	<u>2,514,894</u>
Total general revenues	<u>2,615,048</u>	<u>28,161</u>	<u>71,993</u>
Total revenues	<u>2,909,244</u>	<u>3,389,351</u>	<u>(2,995,001)</u>
Expenses			
Parking authority	<u>11,623,503</u>	<u>2,281,643</u>	<u>9,341,860</u>
Total expenses	<u>11,623,503</u>	<u>2,281,643</u>	<u>9,341,860</u>
Change in net position	<u>\$ (8,714,259)</u>	<u>\$ 1,107,708</u>	<u>\$ (12,336,861)</u>

In FY 2025, the Parking Authority's total revenue from parking related activities were \$2,909,244 while expenses totaled \$11,623,503. Most of the expenses, approximately \$11,559,439 were directly related to transition of operations and management from the City to the Parking Authority.

CITY OF COVINGTON, KENTUCKY

Management's Discussion and Analysis (MD&A – Unaudited) Year Ended June 30, 2025 (Continued)

Financial Analysis of the Government's Funds

Governmental Funds

As of June 30, 2025, the City's governmental funds reported combined fund balances of \$63,922,736, an increase of \$29,444,036 from the prior FY. Much of this increase in the major funds occurred in the Debt Service 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 \$26,742 cannot be spent either because it is in non-spendable form or because there are legal or contractual reasons. Restricted funds, totaling \$3,345,910, 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 \$12,658,775, 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, 2025
(Continued)**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 36,980,971	\$ 27,673,704	\$ 1,286,648	\$ 65,941,323
Investments	24,774,471	-	-	24,774,471
Receivables (net of allowance for doubtful accounts):				
Taxes	8,737,233	-	-	8,737,233
Intergovernmental	-	-	4,473,421	4,473,421
Notes	2,460,850	-	3,934,709	6,395,559
Accounts	975,089	-	1,676,148	2,651,237
Leases	-	-	470,618	470,618
Due from other funds	4,795,344	8,760,775	25,446,157	39,002,276
Prepaid items	25,517	-	1,225	26,742
Total assets	<u>\$ 78,749,475</u>	<u>\$ 36,434,479</u>	<u>\$ 37,288,926</u>	<u>\$ 152,472,880</u>
Liabilities				
Accounts payable	\$ 1,120,829	\$ -	\$ 3,533,397	\$ 4,654,226
Accrued liabilities	4,594,880	-	110,786	4,705,666
Notes payable	-	17,785,000	-	17,785,000
Due to other funds	35,857,714	-	4,852,653	40,710,367
Due to fiduciary funds	-	-	-	-
Unearned Revenue	3,958,381	-	9,591,081	13,549,462
Total liabilities	<u>45,531,804</u>	<u>17,785,000</u>	<u>18,087,917</u>	<u>81,404,721</u>
Deferred Inflow of Resources				
Leases	-	-	451,925	451,925
Unavailable revenue	-	-	6,693,498	6,693,498
Total deferred inflow of resources	<u>-</u>	<u>-</u>	<u>7,145,423</u>	<u>7,145,423</u>
Fund Balances				
Nonspendable	25,517	-	1,225	26,742
Restricted	-	-	3,345,910	3,345,910
Committed	-	-	12,658,775	12,658,775
Assigned	10,000,000	-	1,250,000	11,250,000
Unassigned	23,192,154	18,649,479	(5,200,324)	36,641,309
Total fund balances	<u>33,217,671</u>	<u>18,649,479</u>	<u>12,055,586</u>	<u>63,922,736</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 78,749,475</u>	<u>\$ 36,434,479</u>	<u>\$ 37,288,926</u>	<u>\$ 152,472,880</u>

CITY OF COVINGTON, KENTUCKY

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2025
(Continued)**

The City recognized an increase in payroll tax revenue of 14.9% compared to FY 2024. The City's FY 2025 adopted budget did not reduce staff or departmental expenditures. The City's General Fund FY 2025 carryover is \$23,131,218 resulting in a General Fund balance at year-end of \$33,217,671. 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.

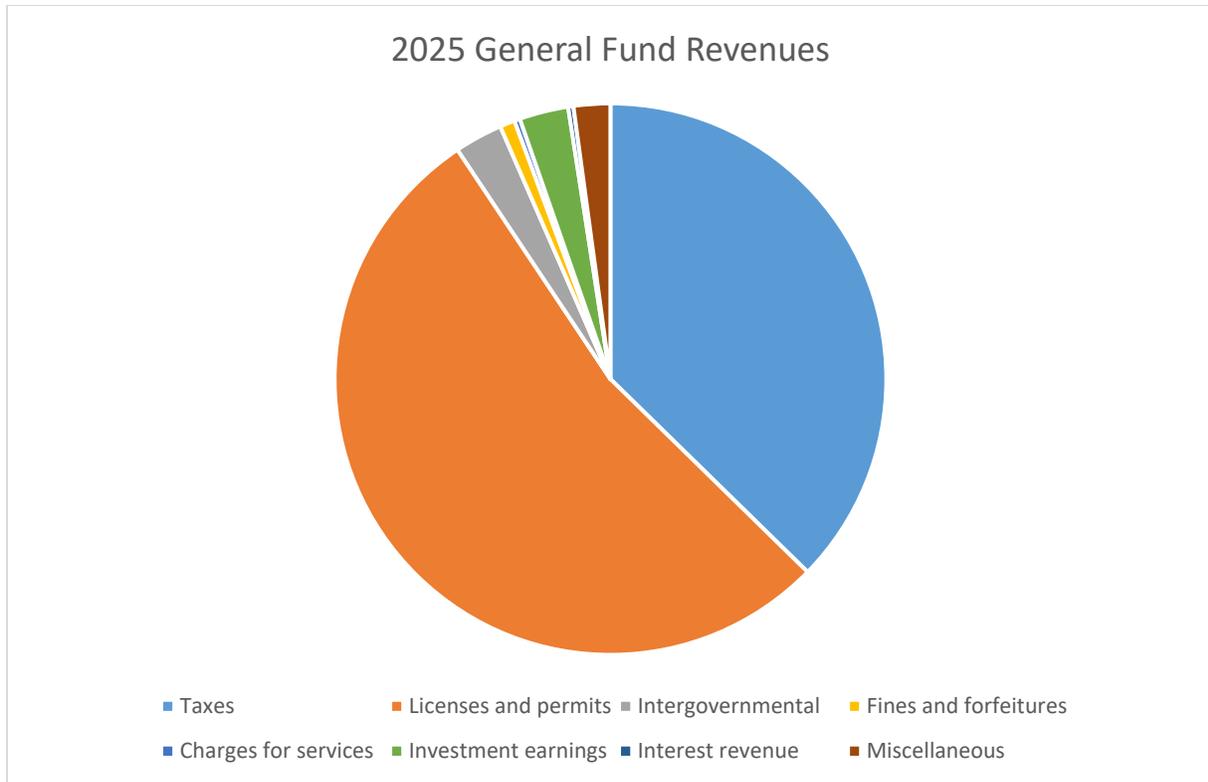
The following schedules present summaries of General Fund revenues and expenditures:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 25,617,886	\$ -	\$ -	\$ 25,617,886
Licenses and permits	37,925,834	-	-	37,925,834
Intergovernmental	1,216,151	-	32,349,590	33,565,741
Fines and forfeitures	515,118	-	-	515,118
Charges for services	171,692	-	7,607,086	7,778,778
Investment gain	2,566,319	-	(21,048)	2,545,271
Interest revenue	133,394	810,967	40,630	984,991
Miscellaneous	1,262,200	-	3,636,802	4,899,002
Total revenues	<u>69,408,594</u>	<u>810,967</u>	<u>43,613,060</u>	<u>113,832,621</u>
Expenditures				
Current:				
General Government	7,163,407	683,604	1,193,876	9,040,887
Police	19,932,605	-	707,712	20,640,317
Fire	20,079,222	-	1,294,060	21,373,282
Public works	8,948,905	-	3,806,564	12,755,469
Community development	2,843,738	-	13,530,515	16,374,253
Debt service:				
Principal	1,699,237	16,830,083	295,067	18,824,387
Interest	2,154,401	680,849	28,386	2,863,636
Capital outlay	272,910	-	23,411,015	23,683,925
Total expenditures	<u>63,094,425</u>	<u>18,194,536</u>	<u>44,267,195</u>	<u>125,556,156</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,314,169</u>	<u>(17,383,569)</u>	<u>(654,135)</u>	<u>(11,723,535)</u>
Other financing sources (uses)				
Transfers in	10,179,247	-	11,692,784	21,872,031
Transfers out	(6,516,925)	(7,449,625)	(10,479,248)	(24,445,798)
Issuance of debt	-	43,814,659	117,271	43,931,930
Cost of issuance	-	(300,554)	-	(300,554)
Sale of assets	109,962	-	-	109,962
Total other financing sources (uses)	<u>3,772,284</u>	<u>36,064,480</u>	<u>1,330,807</u>	<u>41,167,571</u>
Net change in fund balance	10,086,453	18,680,911	676,672	29,444,036
Fund balance, July 1, 2024	23,131,218	(31,432)	11,378,914	34,478,700
Fund balance, June 30, 2025	<u>\$ 33,217,671</u>	<u>\$ 18,649,479</u>	<u>\$ 12,055,586</u>	<u>\$ 63,922,736</u>

CITY OF COVINGTON, KENTUCKY

**Management’s Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2025
(Continued)**

General Fund Revenues				
	2025	Percent of Total	2024	Percent Change
Taxes	\$ 25,617,886	36.91%	\$ 23,691,913	8.13%
Licenses and permits	37,925,834	54.64%	33,831,494	12.10%
Intergovernmental	1,216,151	1.75%	1,787,940	-31.98%
Fines and forfeitures	515,118	0.74%	559,938	-8.00%
Charges for services	171,692	0.25%	207,227	-17.15%
Investment earnings	2,566,319	3.70%	1,826,311	-40.52%
Interest revenue	133,394	0.19%	193,255	-30.98%
Miscellaneous	1,262,200	1.82%	1,364,791	-7.52%
Total Revenues	\$ 69,408,594	100.00%	\$ 63,462,869	9.37%

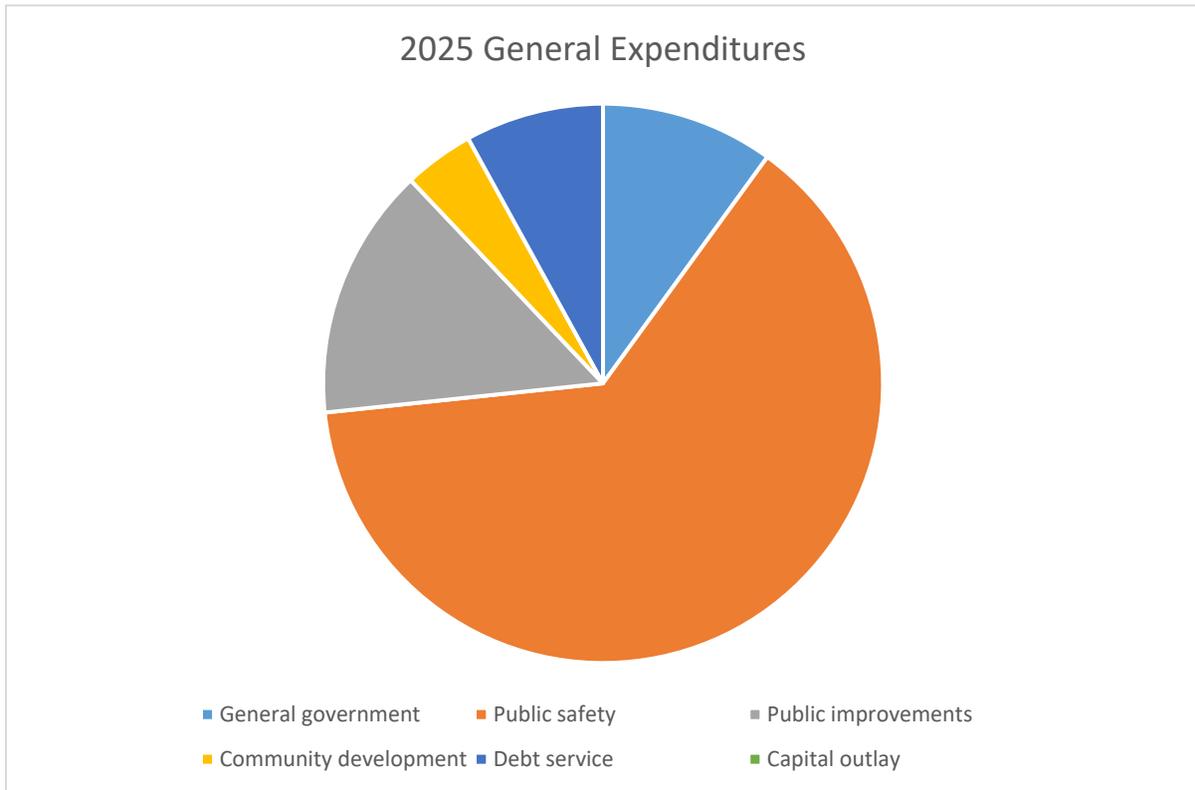


Total General Fund revenues increased by \$5,945,725, or 9.37% year over year due to a substantial increase in tax and license collections. Licenses and permits, which include Payroll Taxes and Net Profit Taxes increased by \$4,094,340, or 12.10% compared to the previous FY.

CITY OF COVINGTON, KENTUCKY

**Management’s Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2025
(Continued)**

	General Fund Expenditures			
	2025	Percent of Total	2024	Percent Change
General government	\$ 7,163,407	11.35%	\$ 6,419,291	11.59%
Public safety	40,011,827	63.42%	40,673,288	-1.63%
Public improvements	8,948,905	14.18%	9,083,622	-1.48%
Community development	2,843,738	4.51%	2,586,733	9.94%
Debt service	3,853,638	6.11%	5,141,695	-25.05%
Capital outlay	272,910	0.43%	342,700	-20.36%
Total Expenditures	\$ 63,094,425	100.00%	\$ 64,247,329	-1.79%



General Fund expenditures decreased by \$1,152,904, or 1.79% compared to FY 2024. The decrease is primarily attributable to decrease in debt service payments in the current year.

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, 2025
(Continued)**

Capital Assets and Debt Administration

Capital Assets: The city’s investment in capital assets as of June 30, 2025 amounts to \$122,638,464 (net of accumulated depreciation), an increase of \$10,074,489 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 8.95% over the prior FY.

	Capital Assets (Net of Depreciation and Amortization)					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 32,901,497	\$ 32,901,497	\$ -	\$ 2,317,685	\$ 32,901,497	\$ 35,219,182
Land improvements	2,893,811	2,578,651	-	-	2,893,811	2,578,651
Buildings	13,753,023	14,244,228	-	5,933,609	13,753,023	20,177,837
Leased buildings	190,735	481,204	-	-	190,735	481,204
Building improvements	794,964	931,862	-	420,320	794,964	1,352,182
Machinery and equipment	585,853	676,393	-	-	585,853	676,393
Leased equipment	201,005	268,005	-	-	201,005	268,005
Vehicles	3,668,200	3,550,730	-	-	3,668,200	3,550,730
Infrastructure	40,750,972	38,918,983	-	-	40,750,972	38,918,983
Construction in progress	26,898,404	9,340,808	-	-	26,898,404	9,340,808
Total Revenues	<u>\$ 122,638,464</u>	<u>\$ 103,892,361</u>	<u>\$ -</u>	<u>\$ 8,671,614</u>	<u>\$ 122,638,464</u>	<u>\$ 112,563,975</u>

Long term Debt: At the close of FY 2025, the City had outstanding notes, bonds, and capital leases of \$104,322,397, backed by the full faith and credit of the City.

	Outstanding Long-Term Debt Obligations					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Bonds	\$ 74,135,461	\$ 47,948,297	\$ -	\$ 999,161	\$ 74,135,461	\$ 48,947,458
Notes	29,798,717	30,567,017	-	-	29,798,717	30,567,017
Leases	388,219	747,120	-	-	388,219	747,120
Total	<u>\$ 104,322,397</u>	<u>\$ 79,262,434</u>	<u>\$ -</u>	<u>\$ 999,161</u>	<u>\$ 104,322,397</u>	<u>\$ 80,261,595</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 \$24,060,802, or 29.98%, over the prior FY.

CITY OF COVINGTON, KENTUCKY

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2025
(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, 2025**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Devou Properties, Inc.
Assets				
Current:				
Cash and cash equivalents	\$ 65,942,084	\$ -	\$ 65,942,084	\$ 3,348,006
Investments	24,774,471	-	24,774,471	-
Receivables (net of allowance for doubtful accounts)				
Taxes	8,737,233	-	8,737,233	-
Intergovernmental	4,473,421	-	4,473,421	-
Notes	6,395,559	-	6,395,559	-
Accounts	2,651,237	-	2,651,237	163,314
Leases	470,618	-	470,618	-
Inventory	-	-	-	54,192
Prepaid expenses	26,742	-	26,742	39,194
Due from fiduciary funds	9,481	-	9,481	-
Noncurrent:				
Subscription assets, net	347,498	-	347,498	-
Nondepreciable capital assets	62,693,712	-	62,693,712	-
Depreciable capital assets, net	59,553,012	-	59,553,012	470,581
Leased buildings and equipment, net	391,740	-	391,740	-
Total assets	236,466,808	-	236,466,808	4,075,287
Deferred outflows of Resources				
Deferred outflows - pensions	23,225,786	-	23,225,786	-
Deferred outflows - OPEB	7,908,555	-	7,908,555	-
Total deferred outflows of resources	31,134,341	-	31,134,341	-
Liabilities				
Current:				
Accounts payable	5,068,246	-	5,068,246	98,767
Accrued liabilities	4,705,666	-	4,705,666	490,694
Claims payable	1,667,611	-	1,667,611	-
Accrued interest payable	824,710	-	824,710	-
Unearned revenue	11,782,698	-	11,782,698	64,860
Due within one year	31,990,386	-	31,990,386	-
Noncurrent:				
Due in more than one year:				
Net pension liability	96,882,772	-	96,882,772	-
Net OPEB liability	2,968,184	-	2,968,184	-
Notes payable	17,785,000	-	17,785,000	-
Claims payable	750,000	-	750,000	-
Subscription liabilities	318,771	-	318,771	-
Other	57,220,199	-	57,220,199	-
Total liabilities	231,964,243	-	231,964,243	654,321
Deferred inflows				
Deferred inflows - pensions	22,004,463	-	22,004,463	-
Deferred inflows - OPEB	27,421,042	-	27,421,042	-
Deferred inflows - leases	451,925	-	451,925	-
Total deferred inflows of resources	49,877,430	-	49,877,430	-
Net Position				
Net investment in capital assets	33,456,606	-	33,456,606	470,581
Restricted for:				
HUD programs	531,931	-	531,931	-
Other purposes	2,813,979	-	2,813,979	-
Unrestricted (deficit)	(51,043,040)	-	(51,043,040)	2,950,385
Total net position	\$ (14,240,524)	\$ -	\$ (14,240,524)	\$ 3,420,966

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

**Statement of Activities – City Wide
Year Ended June 30, 2025**

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Devou Properties, Inc.	
					Governmental Activities	Business-type Activities		
Primary Government:								
Governmental activities:								
General government	\$ (6,457,863)	\$ 481,199	\$ 1,287,763	\$ -	\$ 8,226,825	\$ -	\$ 8,226,825	\$ -
Police	21,434,217	-	1,506,310	-	(19,927,907)	-	(19,927,907)	-
Fire	21,778,291	1,785,729	800,961	-	(19,191,601)	-	(19,191,601)	-
Public works	15,371,468	5,190,781	26,369	2,555,031	(7,599,287)	-	(7,599,287)	-
Community development	16,920,242	1,763,422	16,856,180	10,000,000	11,699,360	-	11,699,360	-
Interest on long-term debt	3,001,818	-	-	-	(3,001,818)	-	(3,001,818)	-
Total governmental activities	<u>72,048,173</u>	<u>9,221,131</u>	<u>20,477,583</u>	<u>12,555,031</u>	<u>(29,794,428)</u>	<u>-</u>	<u>(29,794,428)</u>	<u>-</u>
Business-type activities:								
Parking authority	11,623,503	294,196	-	-	-	(11,329,307)	(11,329,307)	-
Component Unit								
Devou properties, Inc	2,818,949	3,249,144	-	-	-	-	-	430,195
Total	<u>\$ 86,490,625</u>	<u>\$ 12,764,471</u>	<u>\$ 20,477,583</u>	<u>\$ 12,555,031</u>	<u>(29,794,428)</u>	<u>(11,329,307)</u>	<u>(41,123,735)</u>	<u>430,195</u>
			General revenues:					
			Taxes:					
			Real property taxes		9,413,601	-	9,413,601	-
			Personal property taxes		561,096	-	561,096	-
			Public service taxes		2,925,584	-	2,925,584	-
			Taxes, levied for bank deposits		141,882	-	141,882	-
			Insurance premium taxes		12,575,723	-	12,575,723	-
			Payroll taxes		32,034,489	-	32,034,489	-
			Net profit taxes		5,456,328	-	5,456,328	-
			Investment income		2,545,271	-	2,545,271	-
			Interest income		984,991	100,154	1,085,145	-
			Miscellaneous		(505,497)	2,514,894	2,009,397	-
			Gain (loss) on sale of assets		46,412	-	46,412	-
			Total general revenues		<u>66,179,880</u>	<u>2,615,048</u>	<u>68,794,928</u>	<u>-</u>
			Change in net position		36,385,452	(8,714,259)	27,671,193	430,195
			Net position - beginning		(49,138,961)	8,714,259	(40,424,702)	2,990,771
			Prior period adjustment (Note 17)		(1,487,015)	-	(1,487,015)	-
			Net position - ending		<u>\$ (14,240,524)</u>	<u>\$ -</u>	<u>\$ (14,240,524)</u>	<u>\$ 3,420,966</u>

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

**Balance Sheet – Governmental Funds
As of June 30, 2025**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 36,980,971	\$ 27,673,704	\$ 1,286,648	\$ 65,941,323
Investments	24,774,471	-	-	24,774,471
Receivables (net of allowance for doubtful accounts):				
Taxes	8,737,233	-	-	8,737,233
Intergovernmental	-	-	4,473,421	4,473,421
Notes	2,460,850	-	3,934,709	6,395,559
Accounts	975,089	-	1,676,148	2,651,237
Leases	-	-	470,618	470,618
Due from other funds	4,795,344	8,760,775	25,446,157	39,002,276
Prepaid items	25,517	-	1,225	26,742
Total assets	<u>\$ 78,749,475</u>	<u>\$ 36,434,479</u>	<u>\$ 37,288,926</u>	<u>\$ 152,472,880</u>
Liabilities				
Accounts payable	\$ 1,120,829	\$ -	\$ 3,533,397	\$ 4,654,226
Accrued liabilities	4,594,880	-	110,786	4,705,666
Notes payable	-	17,785,000	-	17,785,000
Due to other funds	35,857,714	-	4,852,653	40,710,367
Due to fiduciary funds	-	-	-	-
Unearned Revenue	3,958,381	-	9,591,081	13,549,462
Total liabilities	<u>45,531,804</u>	<u>17,785,000</u>	<u>18,087,917</u>	<u>81,404,721</u>
Deferred Inflow of Resources				
Leases	-	-	451,925	451,925
Unavailable revenue	-	-	6,693,498	6,693,498
Total deferred inflow of resources	<u>-</u>	<u>-</u>	<u>7,145,423</u>	<u>7,145,423</u>
Fund Balances				
Nonspendable	25,517	-	1,225	26,742
Restricted	-	-	3,345,910	3,345,910
Committed	-	-	12,658,775	12,658,775
Assigned	10,000,000	-	1,250,000	11,250,000
Unassigned	23,192,154	18,649,479	(5,200,324)	36,641,309
Total fund balances	<u>33,217,671</u>	<u>18,649,479</u>	<u>12,055,586</u>	<u>63,922,736</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 78,749,475</u>	<u>\$ 36,434,479</u>	<u>\$ 37,288,926</u>	<u>\$ 152,472,880</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, 2025**

Total fund balances - governmental funds		\$ 63,922,736
<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.		122,985,962
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		8,460,262
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.		(1,113,298)
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	86,781,936	
Subscription liabilities	318,771	
Accrued interest payable	824,710	
Unamortized premiums	(244,539)	
Compensated absences	2,673,188	
Total		(90,354,066)
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	(31,134,341)	
Deferred inflows - pensions and OPEB	49,425,505	
Net pension and OPEB liability	99,850,956	
Total		(118,142,120)
Total net position - governmental		<u>\$ (14,240,524)</u>

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, 2025**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 25,617,886	\$ -	\$ -	\$ 25,617,886
Licenses and permits	37,925,834	-	-	37,925,834
Intergovernmental	1,216,151	-	32,349,590	33,565,741
Fines and forfeitures	515,118	-	-	515,118
Charges for services	171,692	-	7,607,086	7,778,778
Investment gain	2,566,319	-	(21,048)	2,545,271
Interest revenue	133,394	810,967	40,630	984,991
Miscellaneous	1,262,200	-	3,636,802	4,899,002
Total revenues	<u>69,408,594</u>	<u>810,967</u>	<u>43,613,060</u>	<u>113,832,621</u>
Expenditures				
Current:				
General Government	7,163,407	683,604	1,193,876	9,040,887
Police	19,932,605	-	707,712	20,640,317
Fire	20,079,222	-	1,294,060	21,373,282
Public works	8,948,905	-	3,806,564	12,755,469
Community development	2,843,738	-	13,530,515	16,374,253
Debt service:				
Principal	1,699,237	16,830,083	295,067	18,824,387
Interest	2,154,401	680,849	28,386	2,863,636
Capital outlay	272,910	-	23,411,015	23,683,925
Total expenditures	<u>63,094,425</u>	<u>18,194,536</u>	<u>44,267,195</u>	<u>125,556,156</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,314,169</u>	<u>(17,383,569)</u>	<u>(654,135)</u>	<u>(11,723,535)</u>
Other financing sources (uses)				
Transfers in	10,179,247	-	11,692,784	21,872,031
Transfers out	(6,516,925)	(7,449,625)	(10,479,248)	(24,445,798)
Issuance of debt	-	43,814,659	117,271	43,931,930
Cost of issuance	-	(300,554)	-	(300,554)
Sale of assets	109,962	-	-	109,962
Total other financing sources (uses)	<u>3,772,284</u>	<u>36,064,480</u>	<u>1,330,807</u>	<u>41,167,571</u>
Net change in fund balance	10,086,453	18,680,911	676,672	29,444,036
Fund balance, July 1, 2024	<u>23,131,218</u>	<u>(31,432)</u>	<u>11,378,914</u>	<u>34,478,700</u>
Fund balance, June 30, 2025	<u>\$ 33,217,671</u>	<u>\$ 18,649,479</u>	<u>\$ 12,055,586</u>	<u>\$ 63,922,736</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, 2025**

Net change in fund balances - total governmental funds	\$ 29,444,036
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	23,683,925
Depreciation and amortization expense	(4,921,160)
Retirement of capital assets	46,888
Amortization of subscription asset	(488,263)
Reduction of Subscription liability	435,580
Net book value of disposed capital assets is reported as a gain in the statement of activities.	(63,550)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the governmental funds.	303,033
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	(20,389)
Interest on long-term debt	(138,182)
Amortization of premiums	114,652
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.	18,796,474
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.	2,303,027
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.	10,860,470
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>(43,971,089)</u>
Changes in net position of governmental activities	<u><u>\$ 36,385,452</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, 2025**

	Business-type Activities Parking Authority	Governmental Activities Internal Service Funds
Assets		
Current Assets		
Cash and cash equivalents	\$ -	\$ 761
Accounts receivable	-	-
Leases receivable, current	-	-
Due from other funds	-	1,717,572
Total current assets	-	1,718,333
Noncurrent Assets		
Lease receivable	-	-
Nondepreciable capital assets	-	-
Depreciable capital assets, net	-	-
Total noncurrent assets	-	-
Total assets	-	1,718,333
Liabilities		
Current Liabilities		
Accounts payable	-	414,020
Claims payable	-	1,667,611
Due to other funds	-	-
Bonds payable, current	-	-
Total current liabilities	-	2,081,631
Noncurrent Liabilities		
Advances from other funds	-	-
Bonds payable, noncurrent	-	-
Claims payable	-	750,000
Total noncurrent liabilities	-	750,000
Total liabilities	-	2,831,631
Deferred Inflows of Resources		
Leases	-	-
Net Position		
Net investment in capital assets	-	-
Unrestricted	-	(1,113,298)
Total net position	\$ -	\$ (1,113,298)

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, 2025**

	Business-Type Activities Parking Authority	Governmental Activities Internal Service Funds
Operating revenues		
Insurance premiums	\$ -	\$ 9,411,605
Parking revenue	294,175	-
Other	21	35,812
Total operating revenues	294,196	9,447,417
Operating expenses		
Contractual services	-	1,568,068
Claims and judgments	-	8,150,251
Total operating expenses	-	9,718,319
Operating income (loss)	294,196	(270,902)
Non-operating income (expenses)		
Loss on disposal of operations	(11,559,439)	-
Miscellaneous income	2,514,894	-
Interest revenue	100,154	163
Interest expense	(64,064)	-
Total nonoperating income (expenses)	(9,008,455)	163
Transfers in	-	2,573,766
Change in net position	(8,714,259)	2,303,027
Total net position, July 1, 2024	8,714,259	(3,416,325)
Total net position, June 30, 2025	\$ -	\$ (1,113,298)

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, 2025**

	Business-type Activities	Governmental Activities
	Parking Authority	Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	\$ 511,554	\$ -
Cash (paid to) received from other funds	(519,468)	6,137,318
Cash received from other income	21	35,812
Cash (paid to) suppliers	(39,403)	-
Cash payments for claims	-	(9,003,068)
Net cash used in operating activities	(47,296)	(2,829,938)
Cash flows from noncapital financing activities:		
Loss on disposal of operations	(3,730,846)	-
Transfers	-	2,573,766
Interest revenue	100,154	163
Net cash provided by (used in) noncapital financing activities	(3,630,692)	2,573,929
Cash flows from capital financing activities		
Interest paid on debt	(64,064)	-
Net cash used in capital and related financing activities	(64,064)	-
Net change	(3,742,052)	(256,009)
Cash and cash equivalents, beginning of year	3,742,052	256,770
Cash and cash equivalents, end of year	\$ -	\$ 761
Reconciliation of operating income (loss) to net cash used in operating activities		
Operating income (loss)	\$ 294,196	\$ (270,902)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Changes in assets and liabilities:		
Accounts receivable	183,267	-
Leases receivable, net	34,112	-
Due from/to other funds	(519,468)	(3,274,287)
Accounts payable	(39,403)	397,640
Net cash used in operating activities	\$ (47,296)	\$ (2,829,938)

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, 2025**

	Combined Pension Trusts
Assets	
Cash and cash equivalents	\$ 189,002
Accounts receivable	-
Equity mutual funds	1,168,613
Other assets	1,651,973
Due from the primary government	-
Total assets	<u>3,009,588</u>
Liabilities	
Due to primary government	9,481
Accrued other	<u>165</u>
Total liabilities	<u>9,646</u>
Net Position	
Net position restricted for pensions	<u><u>\$ 2,999,942</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, 2025**

	<u>Combined Pension Trusts</u>
Additions	
Contributions:	
Employer Contributions	\$ 706,000
Miscellaneous	594
Total contributions	<u>706,594</u>
Investment Return	
Interest and dividends	73,477
Net appreciation in fair value of investments	196,174
Total investment return	<u>269,651</u>
Total additions	<u>976,245</u>
Deductions	
Benefit payments	1,295,949
Administration	31,905
Total deductions	<u>1,327,854</u>
Change in net position	(351,609)
Total net position, July 1, 2024	<u>3,351,551</u>
Total net position, June 30, 2025	<u><u>\$ 2,999,942</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 generally accepted accounting principles (GAAP) as applied to government units. Governmental Accounting Standards Board (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 is currently handled by the Parking Authority's own management and vendors. Operations and record keeping were moved from the City to the Parking Authority during fiscal year end June 30, 2025 and the Parking Authority is no longer considered a blended of component unit 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.

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).

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. 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, 2024 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.

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 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.

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 Debt Service fund is the government fund type used to account for the accumulation of resources and payment of principal and interest on general long-term debt.

The City reports the following proprietary funds:

- 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, 2025, 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 \$11,335,792 on housing development and \$278,270 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 \$2,455,000 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, 2025, 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 proprietary 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. However, sick leave accumulates indefinitely and can be utilized in future years of employment. Expected sick leave usage is accrued on the city wide financial statements.

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, 2025, \$506,628 of the City's deposits are insured by the FDIC, and \$67,434,975 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, 2024, Devou Properties, Inc. (a component unit of the City) had \$1,582,824 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, 2025, the City had \$24,774,471 invested in certificates of deposit, US Government bonds, and municipal bonds. The investments held by the Governmental Funds at June 30, 2025 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	\$ -	\$ -	\$ -	\$ -	\$ -
US Government bonds	10,750,501	-	-	-	10,750,501
Municipal bonds	14,023,970	319,127	1,701,724	1,876,806	10,126,313
	<u>\$ 24,774,471</u>	<u>\$ 319,127</u>	<u>\$ 1,701,724</u>	<u>\$ 1,876,806</u>	<u>\$ 20,876,814</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, 2025 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	\$ 6,760	\$ 6,760	\$ -	\$ -	\$ -
Mutual funds	604,533	604,533	-	-	-
Exchange traded funds	857,000	857,000	-	-	-
	<u>\$ 1,468,293</u>	<u>\$ 1,468,293</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	\$ 6,857	\$ 6,857	\$ -	\$ -	\$ -
Mutual funds	564,080	564,080	-	-	-
Exchange traded funds	794,973	794,973	-	-	-
	<u>\$ 1,365,910</u>	<u>\$ 1,365,910</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, 2025, 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, 2025:

Investment Type	Governmental Funds	
	Fair Value	Percent of Total
Certificates of deposit - nonnegotiable	\$ -	0%
US Government bonds	10,750,501	43%
Municipal bonds	14,023,970	57%
	<u>\$ 24,774,471</u>	<u>100%</u>

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, 2025:

Investment Type	Police and Firemen's		City Employees'	
	Fair Value	Percent of Total	Fair Value	Percent of Total
Cash and cash equivalents	\$ 6,857	1%	\$ 6,760	0%
Mutual funds	564,080	41%	604,533	41%
Other assets	794,973	58%	857,000	58%
	<u>\$ 1,365,910</u>	<u>100%</u>	<u>\$ 1,468,293</u>	<u>100%</u>

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, 2025:

Municipal Bonds	Rating
West Covina Calif Pub	A+
Montgomery County Kans	AA
St Paul Minn Indpt	AAA
Lake Elsinore California	AA
Pike County KY Pub	Aa3
Manhattan Beach California Pension	AAA
Corona-Norco California Uni Sch Dist Pub	AA-
North Charleston	AA-
Floyd County KY School District	Aa3
Boone TWP Independent School	AA+
Folsom Cordova California	AA-
Los Angeles Calif Mun Impt	A+
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 Calif 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 Ill 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, 2025:

Governmental Funds

Investments	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
US Government bonds	\$ 10,750,501	\$ -	\$ 10,750,501	\$ -
Municipal bonds	14,023,970	-	14,023,970	-
Total Investments	<u>\$ 24,774,471</u>	<u>\$ -</u>	<u>\$ 24,774,471</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	\$ 6,760	\$ 6,760	\$ -	\$ -
Total Cash and Cash Equivalents	<u>6,760</u>	<u>6,760</u>	<u>-</u>	<u>-</u>
Mutual Funds				
Dodge & Cox Income	290,498	290,498	-	-
Blackrock Event Driven	11,759	11,759	-	-
Gateway	8,919	8,919	-	-
JOHCM International	90,887	90,887	-	-
Lazard Global Listed	22,157	22,157	-	-
Oberweis Micro Cap	24,173	24,173	-	-
PIMCO Rae Emerging	25,775	25,775	-	-
PIMCO Rae International	73,280	73,280	-	-
Principal Real Estate	21,993	21,993	-	-
VIRTUS Alpha Simplex Mana	7,593	7,593	-	-
WCM Focused Emerging Market	27,499	27,499	-	-
Total Equity Mutual Funds	<u>604,533</u>	<u>604,533</u>	<u>-</u>	<u>-</u>
Other Assets				
Ishares Core S&P 500	498,583	498,583	-	-
Ishares Core US	319,920	319,920	-	-
Virtus Seix Senior Loan	38,497	38,497	-	-
Total Other Assets	<u>857,000</u>	<u>857,000</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 1,468,293</u>	<u>\$ 1,468,293</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	\$ 6,857	\$ 6,857	\$ -	\$ -
Total Cash and Cash Equivalents	6,857	6,857	-	-
Mutual Funds				
Dodge & Cox Income	270,146	270,146	-	-
Blackrock Event Driven	10,715	10,715	-	-
Gateway Fund	8,199	8,199	-	-
Johcm Intl Slct Eqty	81,456	81,456	-	-
Lazard Emrg Mkts Eqty	20,038	20,038	-	-
Oberweis Micro Cap Insti	21,355	21,355	-	-
PIMCO Rae Emerging	23,733	23,733	-	-
PIMCO Rae Intl Inst	76,301	76,301	-	-
Principal Real Estate	20,172	20,172	-	-
VIRTUS Alpha Simplex Mana	7,529	7,529	-	-
WCM Focused Emerging Market	24,436	24,436	-	-
Total Equity Mutual Funds	564,080	564,080	-	-
Other Assets				
Ishares Core S&P 500	450,773	450,773	-	-
Ishares Core US	307,917	307,917	-	-
Virtus Seix Senior Loan	36,283	36,283	-	-
Total Other Assets	794,973	794,973	-	-
Total Investments	\$ 1,365,910	\$ 1,365,910	\$ -	\$ -

CITY OF COVINGTON, KENTUCKY

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

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2025 was as follows:

Governmental Activities	Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025
Capital assets not being depreciated				
Land	\$ 32,901,497	\$ -	\$ -	\$ 32,901,497
Land improvements	2,578,651	315,160	-	2,893,811
Construction in progress	9,340,808	17,954,571	396,975	26,898,404
Total capital assets not being depreciated	<u>44,820,956</u>	<u>18,269,731</u>	<u>396,975</u>	<u>62,693,712</u>
Depreciable capital assets				
Buildings	22,753,074	15,901	-	22,768,975
Building improvements	13,275,003	-	-	13,275,003
Infrastructure	157,162,142	4,080,927	-	161,243,069
Machinery and equipment	7,319,628	224,610	10,961	7,533,277
Vehicles	18,823,687	1,372,458	480,678	19,715,467
Leased buildings	829,748	117,273	62,517	884,504
Leased equipment	335,006	-	-	335,006
Total depreciable capital assets	<u>220,498,288</u>	<u>5,811,169</u>	<u>554,156</u>	<u>225,755,301</u>
Less: accumulated depreciation				
Buildings	8,508,846	507,106	-	9,015,952
Building improvements	12,343,141	136,898	-	12,480,039
Infrastructure	118,243,159	2,248,938	-	120,492,097
Machinery and equipment	6,643,235	315,150	10,961	6,947,424
Vehicles	15,272,957	1,253,955	479,645	16,047,267
Total accumulated depreciation	<u>161,011,338</u>	<u>4,462,047</u>	<u>490,606</u>	<u>164,982,779</u>
Less: accumulated amortization				
Leased buildings	348,544	392,113	46,888	693,769
Leased equipment	67,001	67,000	-	134,001
Total accumulated amortization	<u>415,545</u>	<u>459,113</u>	<u>46,888</u>	<u>827,770</u>
Total accumulated depreciation and amortization	<u>161,426,883</u>	<u>4,921,160</u>	<u>537,494</u>	<u>165,810,549</u>
Total capital assets, net	<u>59,071,405</u>	<u>890,009</u>	<u>16,662</u>	<u>59,944,752</u>
Governmental activities capital assets, net	<u>\$ 103,892,361</u>	<u>\$ 19,159,740</u>	<u>\$ 413,637</u>	<u>\$ 122,638,464</u>

Depreciation expense by function for the fiscal year ended June 30, 2025 was as follows:

Governmental Activities	
General Government	\$ 342,939
Police	694,408
Fire	337,412
Public works	2,608,554
Community development	478,734
Total governmental activities depreciation expense	<u>\$ 4,462,047</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, 2025 was as follows:

Governmental Activities	
General Government	\$ 355,714
Police	18,511
Fire	10,188
Public works	7,445
Community development	<u>67,255</u>
Total governmental activities amortization expense	<u><u>\$ 459,113</u></u>

Business - Type Activities	Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025
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>2,317,685</u>	<u>-</u>
Depreciable capital assets				
Buildings	13,491,200	-	13,491,200	-
Building improvements	3,246,461	-	3,246,461	-
Machinery and equipment	130,152	-	130,152	-
Vehicles	8,948	-	8,948	-
Total depreciable capital assets	<u>16,876,761</u>	<u>-</u>	<u>16,876,761</u>	<u>-</u>
Less: accumulated depreciation				
Buildings	7,557,591	-	7,557,591	-
Building improvements	2,826,141	-	2,826,141	-
Machinery and equipment	130,152	-	130,152	-
Vehicles	8,948	-	8,948	-
Total accumulated depreciation	<u>10,522,832</u>	<u>-</u>	<u>10,522,832</u>	<u>-</u>
Total depreciable capital assets, net	<u>6,353,929</u>	<u>-</u>	<u>6,353,929</u>	<u>-</u>
Business-type Activities capital assets, net	<u><u>\$ 8,671,614</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,671,614</u></u>	<u><u>\$ -</u></u>

CITY OF COVINGTON, KENTUCKY

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

NOTE 5 INTERFUND ACTIVITY

Interfund transactions at June 30, 2025, consisted of the following due to/from other funds and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ 4,795,344	\$ 35,857,714	\$ 10,179,247	\$ 6,516,925
Federal and State Grants	-	4,207,454	-	-
Debt Service Fund	8,760,775	-	-	7,449,625
Nonmajor Governmental Funds	25,446,157	645,199	11,692,784	10,479,248
Internal Service Funds	1,717,572	-	2,573,767	-
Fiduciary Funds	-	9,481	-	-
	<u>\$ 40,719,848</u>	<u>\$ 40,719,848</u>	<u>\$ 24,445,798</u>	<u>\$ 24,445,798</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 Parking 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, 2025, the balance of the advance due from the Parking Authority to the General Fund, including interest, was \$-0-.

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, 2025 totaled \$273,460. The City amortized the deferred inflows of resources on the straight-line method. The balance of deferred inflows of resources as of June 30, 2025 totaled \$263,021.

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, 2025 totaled \$197,158. The City amortized the deferred inflows of resources on the straight-line method. The balance of deferred inflows of resources as of June 30, 2025 totaled \$188,904.

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

Year Ending <u>June 30,</u>	
2026	\$ 476,913
Total minimum payments	476,913
Less amount representing interest	<u>6,295</u>
Present value of net minimum lease payments	<u><u>\$ 470,618</u></u>

The deferred inflows of resources will be recognized over the term of the lease agreements as lease revenue. During 2025, the City recognized \$16,821. of interest revenue and \$466,203 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)

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, 2025. 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, 2025:

Year Ending <u>June 30,</u>	
2026	\$ 356,391
2027	356,391
2028	356,391
2029	356,391
2030	356,391
Thereafter	<u>4,039,898</u>
Total minimum payments	5,821,853
Less amount representing interest	<u>1,460,676</u>
Present value of net minimum lease payments	<u><u>\$ 4,361,177</u></u>

CITY OF COVINGTON, KENTUCKY

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

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, 2025:

	Purpose	Interest Rate	Mature Date June 30,	Issued	Outstanding
Bonds and Notes					
2014 Pension	Pension refunding	2.00-4.00%	2030	\$ 10,960,000	\$ -
Series 2016	Refunding	1.40-3.00%	2031	9,185,000	1,395,000
Series 2014	Capital Improvements	3.00-4.00%	2034	18,635,000	-
Series 2015	Hotel Covington	3.00-4.50%	2035	4,000,000	2,355,000
IRS Lease 2020	Capital Improvements	2.04%	2026	30,000,000	28,917,000
Fleet Purchase Notes	Capital Improvements	2.00-2.50%	2029	3,791,168	881,717
Series 2021	Refunding	2.00-2.50%	2037	11,625,000	9,435,000
Series 2024 BAN	Infrastructure	4.28%	2027	17,785,000	17,785,000
2024A	Refunding	4.00%	2044	11,720,000	11,720,000
2024B	Refunding	4.50-4.80%	2039	5,225,000	5,175,000
2024C	Refunding	4.00-5.00%	2054	26,515,000	26,515,000

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, 2025 are as follows:

Year Ending <u>June 30,</u>	
2026	\$ 4,150,842
2027	21,582,497
2028	3,442,194
2029	3,470,108
2030	3,650,943
Thereafter	<u>74,932,641</u>
Total minimum payments	111,229,224
Less amount representing interest	<u>36,849,224</u>
Present value of net minimum payments	<u><u>\$ 74,380,000</u></u>

Assuming no issues are called prior to maturity, the minimum obligations of the City's directly issued loans at June 30, 2025 are as follows:

Year Ending <u>June 30,</u>	
2026	\$ 29,748,502
2027	241,596
2028	241,596
2029	201,329
2030	-
Thereafter	<u>-</u>
Total minimum payments	30,433,023
Less amount representing interest	<u>634,306</u>
Present value of net minimum payments	<u><u>\$ 29,798,717</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, 2025, there was \$171 million outstanding in Industrial Revenue Bonds.

During the fiscal year ended June 30, 2025, the following changes occurred in long-term liabilities:

Debt Issue	Beginning Balance	Issued	Redeemed	Transferred/ Adjusted	Ending Balance
Bonds and notes:					
Publicly issued bonds					
Series 2014	\$ 11,705,000	\$ -	\$ (11,705,000)	\$ -	\$ -
Series 2016	625,839	-	(250,000)	1,019,161	1,395,000
2014 Pension	4,970,000	-	(4,970,000)	-	-
Series 2015	2,540,000	-	(185,000)	-	2,355,000
Series 2021	10,125,000	-	(690,000)	-	9,435,000
Net premium (discount) on issuance	197,458	(327,345)	(114,652)	-	(244,539)
2024 BAN	17,785,000	-	-	-	17,785,000
2024A	-	11,720,000	-	-	11,720,000
2024B	-	5,200,000	(25,000)	-	5,175,000
2024C	-	26,515,000	-	-	26,515,000
Total publicly issued bonds	<u>47,948,297</u>	<u>43,107,655</u>	<u>(17,939,652)</u>	<u>1,019,161</u>	<u>74,135,461</u>
Direct placement notes					
HUD Section 108 loans	273,000	-	-	(273,000)	-
IRS Lease 2020	29,196,000	-	(279,000)	-	28,917,000
Fleet Purchase Notes	1,098,017	-	(216,300)	-	881,717
Total direct placement notes	<u>30,567,017</u>	<u>-</u>	<u>(495,300)</u>	<u>(273,000)</u>	<u>29,798,717</u>
Total Bonds and Notes	<u>78,515,314</u>	<u>43,107,655</u>	<u>(18,434,952)</u>	<u>746,161</u>	<u>103,934,178</u>
Net pension liability:					
Kentucky CERS - Nonhazardous	18,406,589	(2,094,804)	-	-	16,311,785
Kentucky CERS - Hazardous	74,738,791	(1,805,146)	-	-	72,933,645
Employees' Retirement	1,561,748	38,771	(120,919)	-	1,479,600
Police & Firemen's Retirement	6,770,656	34,098	(647,012)	-	6,157,742
Total net pension liability	<u>101,477,784</u>	<u>(3,827,081)</u>	<u>(767,931)</u>	<u>-</u>	<u>96,882,772</u>
Net OPEB liability:					
Kentucky CERS - Nonhazardous	(396,047)	(76,213)	-	-	(472,260)
Kentucky CERS - Hazardous	3,790,544	(350,100)	-	-	3,440,444
Total net OPEB liability	<u>3,394,497</u>	<u>(426,313)</u>	<u>-</u>	<u>-</u>	<u>2,968,184</u>
Claims payable	750,000	-	-	-	750,000
Compensated absences	2,652,799	20,389	-	-	2,673,188
Lease liability	747,120	117,273	(476,174)	-	388,219
Total long-term liabilities	<u>\$ 187,537,514</u>	<u>\$ 38,991,923</u>	<u>\$ (19,679,057)</u>	<u>\$ 746,161</u>	<u>\$ 207,596,541</u>

* The change in the compensated absences liability is presented as a net change.

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 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, 2025 totaled \$83,437.

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 24 months. Upon adoption of GASB 87, the City recognized both a lease liability and leased buildings related to the lease agreement totaling \$117,273. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.5%. The balance of the lease liability as of June 30, 2025 totaled \$72,106.

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, 2025 totaled \$205,138.

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, 2025 totaled \$27,591.

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

Year Ending <u>June 30,</u>	
2026	\$ 240,086
2027	86,945
2028	<u>70,735</u>
Total minimum payments	397,766
Less amount representing interest	<u>9,547</u>
Present value of net minimum lease payments	<u><u>\$ 388,219</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, 2025. Changes in the Liability Self Insurance Fund's claims liability amount during the FYs ended June 30, 2025 and 2024 were as follows:

	2025	2024
Claims liability at July 1	\$ 750,000	\$ 750,000
Change in claims and estimates	484,874	89,490
Claims payments	(484,874)	(89,490)
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, 2025 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, 2025 and 2024 were as follows:

	2025	2024
Claims liability at July 1	\$ 1,350,000	\$ 1,350,000
Change in claims and estimates	7,982,988	8,130,358
Claims payments	(7,665,377)	(8,130,358)
Claims liability at June 30	\$ 1,667,611	\$ 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, 2025, 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, 2025:

	<u>Employees' Retirement</u>	<u>Police and Firemen's Retirement</u>	<u>Combined Pension Trusts</u>
Assets			
Cash and cash equivalents	\$ 69,151	\$ 119,851	\$ 189,002
Accounts Receivable	-	-	-
Bond mutual funds	-	-	-
Mutual funds	604,533	564,080	1,168,613
Other assets	857,000	794,973	1,651,973
Due from the primary government	-	-	-
	<u>1,530,684</u>	<u>1,478,904</u>	<u>3,009,588</u>
Liabilities			
Due to the primary government	4,896	4,585	9,481
Accrued other	1	164	165
	<u>4,897</u>	<u>4,749</u>	<u>9,646</u>
Net Position			
Net position restricted for pensions	<u>\$ 1,525,787</u>	<u>\$ 1,474,155</u>	<u>\$ 2,999,942</u>

The following table presents the combining statement of changes in fiduciary net position for the fiscal year ended June 30, 2025:

	<u>Employees' Retirement</u>	<u>Police and Firemen's Retirement</u>	<u>Combined Pension Trusts</u>
Additions			
Contributions:			
Employer Contributions	\$ 118,000	\$ 588,000	\$ 706,000
Miscellaneous	-	594	594
	<u>118,000</u>	<u>588,594</u>	<u>706,594</u>
Investment Return			
Interest and dividends	41,109	32,368	73,477
Net appreciation in fair value of investments	106,593	89,581	196,174
	<u>147,702</u>	<u>121,949</u>	<u>269,651</u>
Total additions	<u>265,702</u>	<u>710,543</u>	<u>976,245</u>
Deductions			
Benefit payments	376,020	919,929	1,295,949
Administration	16,717	15,188	31,905
	<u>392,737</u>	<u>935,117</u>	<u>1,327,854</u>
Change in net position	(127,035)	(224,574)	(351,609)
Total net position, July 1, 2024	<u>1,652,822</u>	<u>1,698,729</u>	<u>3,351,551</u>
Total net position, June 30, 2025	<u>\$ 1,525,787</u>	<u>\$ 1,474,155</u>	<u>\$ 2,999,942</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 2025.

Contributions. As of June 30, 2025, 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, 2025:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	50.0%	2.5%
Equity funds	50.0%	8.5%
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, 2025:

Investment	Concentration
Cash and money markets	5%
Bond mutual funds	39%
Equity mutual funds	56%
Other assets	0%
	100.0%

Rate of Return. For the FY ended June 30, 2025, 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, 2025, 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, 2025, were as follows:

Total pension liability	\$	3,005,361
Employee's Retirement Plan fiduciary net position		(1,525,761)
City's net pension liability	\$	1,479,600
Employees' Retirement Plan net position as a percentage of total pension liability		50.77%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2025, 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
---------------------------	---

Mortality rates were based on the RP-2016 Total Mortality Table projected generationally using scale MP-2021.

The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actuarial experience study for the period July 1, 2024 – June 30, 2025.

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, 2025 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, July 1, 2024	\$ 3,214,569	\$ 1,652,821	\$ 1,561,748
Changes for the year:			
Interest	166,599	-	166,599
Benefit changes	-	-	-
Difference between expected and actual experience	71,758	-	71,758
Changes of assumptions	(71,546)	-	(71,546)
Benefit payments	(376,019)	-	(376,019)
Contributions - employer	-	118,000	(118,000)
Net investment income	-	147,702	(147,702)
Benefit payments	-	(376,019)	376,019
Administrative expense	-	(16,743)	16,743
Net changes	<u>(209,208)</u>	<u>(127,060)</u>	<u>(82,148)</u>
Balance, June 30, 2025	<u>\$ 3,005,361</u>	<u>\$ 1,525,761</u>	<u>\$ 1,479,600</u>

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	<u>\$ (22,473)</u>
	<u>\$ (22,473)</u>

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

Year ended June 30:	
2026	\$ 40,602
2027	(27,806)
2028	(22,508)
2029	(12,761)
2030	-

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:

	Discount Rate	Net Pension Liability
1% decrease	4.50%	\$ 1,670,508
Current discount rate	5.50%	\$ 1,479,600
1% increase	6.50%	\$ 1,308,882

Pension expense. For the fiscal year ended June 30, 2025, the City recognized pension expense of \$73,180.

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 2025.

Contributions. As of June 30, 2025, there are 36 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, 2025:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income	50.0%	2.5%
Equity funds	50.0%	8.5%
Total	100%	

Concentrations. The Police and Firemen’s Retirement Plan investments concentration as of June 30, 2025:

Investment	Concentration
Cash and money markets	8%
Bond mutual funds	38%
Equity mutual funds	54%
Other assets	0%
	100.0%

Rate of Return. For the FY ended June 30, 2025, 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, 2025, 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, 2025, were as follows:

Total pension liability	\$ 7,631,895
Employee's Retirement Plan fiduciary net position	(1,474,153)
City's net pension liability	\$ 6,157,742
Employees' Retirement Plan net position as a percentage of total pension liability	19.32%

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Police and Firemen’s Retirement Plan (Continued)

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2025, 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

Mortality rates were based on the RP-2016 Total Mortality Table projected generationally using scale MP- 2021.

The actuarial assumptions used in the June 30, 2025 valuation were based on the results of an actuarial experience study for the period July 1, 2024 – June 30, 2025.

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 Police and Firemen’s Net Pension Liability. Changes in the Police and Firemen’s net pension liability for the FY ended June 30, 2025 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, July 1, 2024	\$ 8,469,383	\$ 1,698,727	\$ 6,770,656
Changes for the year:			
Interest	440,857	-	440,857
Benefit changes	-	-	-
Difference between expected and actual experience	(183,128)	-	(183,128)
Changes of assumptions	(175,288)	-	(175,288)
Benefit payments	(919,929)	-	(919,929)
Contributions - employer	-	588,000	(588,000)
Net investment income	-	122,543	(122,543)
Benefit payments	-	(919,929)	919,929
Administrative expense	-	(15,188)	15,188
Net changes	<u>(837,488)</u>	<u>(224,574)</u>	<u>(612,914)</u>
Balance, June 30, 2025	<u>\$ 7,631,895</u>	<u>\$ 1,474,153</u>	<u>\$ 6,157,742</u>

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Police and Firemen’s Retirement Plan (Continued)

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 60,663
	\$ 60,663

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

Year ended June 30:	
2026	\$ 87,450
2027	(11,985)
2028	(7,179)
2029	(7,623)
2030	-

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:

	Discount Rate	Net Pension Liability
1% decrease	4.50%	\$ 6,667,625
Current discount rate	5.50%	\$ 6,157,742
1% increase	6.50%	\$ 5,703,741

Pension Revenue/Expense. For the FY ended June 30, 2025, the City recognized pension benefit of \$16,315.

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, 2025, the City contributed \$1,795,781, or 100% of the required contribution for non-hazardous job classifications to the pension trust.

For the FY ended June 30, 2025, the City contributed \$8,501,815, 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, 2025, 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	\$ 16,311,785
Hazardous	72,933,645
	\$ 89,245,430

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, 2024, 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, 2024, the City's proportion was 0.27% for non-hazardous 2.84% for hazardous classifications.

For the year ended June 30, 2025, the City recognized pension expense of \$556,338 for non-hazardous and \$4,362,323 for hazardous classifications. At June 30, 2025, 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	\$ 789,520	\$ -	\$ 4,739,037	\$ -	\$ 5,528,557	\$ -
Net difference between projected and actual earnings on pension plan investments	1,120,253	2,169,013	4,034,378	7,927,026	5,154,631	10,096,039
Changes of assumptions	-	736,972	-	4,116,243	-	4,853,215
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,117,073	2,206,812	5,938,136	2,206,812	7,055,209
City contributions subsequent to the measurement date	1,795,781	-	8,501,815	-	10,297,596	-
Total	\$ 3,705,554	\$ 4,023,058	\$ 19,482,042	\$ 17,981,405	\$ 23,187,596	\$ 22,004,463

\$10,297,596 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, 2025. 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
2026	\$ (1,527,632)	\$ (3,293,233)	\$ (4,820,865)
2027	51,230	(1,808,957)	(1,757,727)
2028	(403,155)	(1,128,590)	(1,531,745)
2029	(233,728)	(770,398)	(1,004,126)

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	2.50%	2.50%
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-2020 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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for disabled members was PUB-2010 Disabled Mortality table, with rates multiplied 150% for both male and female rates, projected with the ultimate rates from the MP-2020 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	50.0%	4.15%
Core Fixed Income	10.0%	2.85%
Private equity	10.0%	9.10%
Specialty Credit	10.0%	3.82%
Real estate	7.0%	4.90%
Real return	13.0%	5.35%
Cash	0.0%	1.70%
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%
Non-hazardous	\$ 21,028,556	\$ 16,311,785	\$ 12,398,108
Hazardous	\$ 93,894,448	\$ 72,933,645	\$ 55,820,297

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, 2025, the City reported a payable of \$1,412,796 for the outstanding amount of contributions to the pension plan required for the FY ended June 30, 2025. 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, 2025, 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, 2025, 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	\$	(472,260)
Hazardous		3,440,444
	\$	2,968,184

The collective net OPEB liability was measured as of June 30, 2024, 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, 2024, the City's proportion decreased 0.014 percent from 0.287 percent at June 30, 2023 to 0.273 percent for non-hazardous and increased 0.07 percent from 2.77 percent at June 30, 2023 to 2.84 percent for hazardous classifications.

For the year ended June 30, 2025, the City recognized OPEB expense of \$4,318,608. At June 30, 2025, 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	\$ 262,004	\$ 3,715,756	\$ 931,651	\$ 12,592,807	\$ 1,193,655	\$ 16,308,563
Net difference between projected and actual earnings on OPEB plan investments	415,129	846,094	2,049,024	4,210,955	2,464,153	5,057,049
Change of assumptions	427,925	333,229	2,333,621	3,027,812	2,761,546	3,361,041
Changes in proportion and differences between employer contributions and proportionate share of contributions	262,575	479,385	759,808	2,215,004	1,022,383	2,694,389
District contributions subsequent to the measurement date	-	-	466,818	-	466,818	-
Total	\$ 1,367,633	\$ 5,374,464	\$ 6,540,922	\$ 22,046,578	\$ 7,908,555	\$ 27,421,042

CITY OF COVINGTON, KENTUCKY

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

NOTE 12 OPEB (CONTINUED)

\$466,818 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, 2025. 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:	Non-Hazardous	Hazardous	Total
2026	\$ (1,498,053)	\$ (4,487,873)	\$ (5,985,926)
2027	(1,256,564)	(3,519,660)	(4,776,224)
2028	(1,176,333)	(4,892,606)	(6,068,939)
2029	(75,881)	(3,335,999)	(3,411,880)
2030	-	263,664	263,664

Actuarial Assumptions – The total OPEB 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
Investment rate of return	6.50%	6.50%
Projected salary increases	3.30% to 10.30%, varies by service	3.55% to 19.05%, varies by service
Inflation rate	2.50%	2.50%
Healthcare cost trend rates		
Under 65	Initial trend starting at 7.1% and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years	Initial trend starting at 7.1% and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years
Ages 65 and Older	Initial trend starting at 8.00% and gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years	Initial trend starting at 8.00% and gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years
Municipal Bond Index Rate	3.97%	3.97%
Discount Rate	5.99%	6.02%

Mortality rates used for active members was PUB-2010 General Mortality table projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. For non-disabled retired members and beneficiaries, the mortality table used is the system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

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, 2023 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:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
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%	3.2%
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 5.99% and 6.02% 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:

CERS	1% Decrease (4.99%)	Current Discount Rate (5.99%)	1% Increase (6.99%)
Non-hazardous	\$ 638,549	\$ (472,260)	\$ (1,406,230)
CERS	1% Decrease (5.02%)	Current Discount Rate (6.02%)	1% Increase (7.02%)
Hazardous	\$ 9,507,777	\$ 3,440,444	\$ (1,629,991)

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	\$ (1,136,200)	\$ (472,260)	\$ 301,184
Hazardous	\$ (533,339)	\$ 3,440,444	\$ 8,084,928

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>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Prepaid items	\$ 25,517	\$ -	\$ 1,225	\$ 26,742
Advances to other funds	-	-	-	-
Total nonspendable	<u>25,517</u>	<u>-</u>	<u>1,225</u>	<u>26,742</u>
Restricted				
Capital projects	-	-	-	-
Debt service	-	-	-	-
HUD programs	-	-	531,931	531,931
Other grant programs	-	-	2,813,979	2,813,979
Total restricted	<u>-</u>	<u>-</u>	<u>3,345,910</u>	<u>3,345,910</u>
Committed				
Infrastructure	-	-	-	-
Ambulance	-	-	845,628	845,628
Fleet, equipment & technology	-	-	1,398,360	1,398,360
EDF	-	-	913,294	913,294
TIF	-	-	6,611,565	6,611,565
Leased properties	-	-	1,691,310	1,691,310
Stormwater maintenance	-	-	1,198,618	1,198,618
Total committed	<u>-</u>	<u>-</u>	<u>12,658,775</u>	<u>12,658,775</u>
Assigned				
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>1,250,000</u>	<u>11,250,000</u>
Unassigned	<u>23,192,154</u>	<u>18,649,479</u>	<u>(5,200,324)</u>	<u>36,641,309</u>
Total Fund Balance	<u>\$ 33,217,671</u>	<u>\$ 18,649,479</u>	<u>\$ 12,055,586</u>	<u>\$ 63,922,736</u>

CITY OF COVINGTON, KENTUCKY

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

NOTE 13 FUND BALANCE (CONTINUED)

At June 30, 2025, the following non-major governmental funds had a deficit fund balance:

Federal & State Grants	\$ 2,980,112
City Hall Operations	596,544
Infrastructure Fund	170,312
Waste	1,521,803
Devou Park Master Plan	28,421
Internal Service Funds	1,113,298

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, 2025. 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, 2025.

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, 2025, the City abated payroll taxes totaling \$949,764 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:

<u>Type of Business</u>	<u>Purpose</u>	<u>Percent Abated</u>	<u>Amount Abated</u>
CTI-Clinical Trial Services	Covington Jobs Development Retention Incentive	13%	\$ 411,983
Richard Allen Haehnle	Vacant Property Rehabilitation Incentive	50 - 75%	\$ 192,270
Tier1 Performance Solutions	Covington Jobs Development Retention Incentive	10%	\$ 96,983

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, 2025, the City abated property taxes totaling \$280,721 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:

<u>Type of Business</u>	<u>Purpose</u>	<u>Percent Abated</u>	<u>Amount Abated</u>
Covington West 7th, LLC	Built Luxury Condominiums	78%	\$ 62,876
303 Court (Al Neyer)	Built Luxury Condominiums	80%	\$ 48,078
Covington FC III, LLC	Built Luxury Condominiums	77%	\$ 44,254
730 Washington, LLC	Built Luxury Condominiums	78%	\$ 32,120

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 2025 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, 2025:

Governmental Activities	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Subscription assets	\$ 1,789,397	\$ -	\$ -	\$ 1,789,397
Accumulated amortization	\$ 953,636	\$ 488,263	\$ -	\$ 1,441,899
Subscription liabilities	\$ 754,351	\$ -	\$ (435,580)	\$ 318,771

NOTE 17 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2024, the City adopted Government Accounting Standards Board ("GASB") Statement No. 101, Compensated Absences as it relates to the measurement and recognition of accrued compensated absences. GASB 101 required retrospective application. Since the City only presents one year of financial information, the beginning net position balance was adjusted to reflect the retrospective application. The adjustment resulted in a \$1,487,015 reduction to the beginning net position on the Statement of Activities – City Wide.

NOTE 18 SUBSEQUENT EVENT

Subsequent to year end, the City issued 2025A refunding bonds in the amount of \$29,395,000. The bonds were issued on December 15, 2025.

SUPPLEMENTARY
INFORMATION

CITY OF COVINGTON, KENTUCKY

Nonmajor Funds (Continued)

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 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 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.

CITY OF COVINGTON, KENTUCKY

Nonmajor Funds (Continued)

Special Revenue Funds (Continued)

Nonmajor Special Revenue Funds (Continued):

The American Rescue Plan Act (ARPA) Fund accounts for funds provided to the City under the American Rescue Plan Act of 2021.

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.

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, 2025**

	Nonmajor Special Revenue Funds												Subtotal	
	Federal & State Grants	Housing Voucher Program	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
Assets														
Current:														
Cash and cash equivalents	\$ -	\$ -	\$ 280	\$ -	\$ -	\$ -	\$ 659,123	\$ -	\$ -	\$ 627,224	\$ -	\$ -	\$ -	\$ 1,286,627
Receivables														
Intergovernmental	4,112,894	-	144,358	-	-	105,546	-	-	-	-	-	-	-	4,362,798
Notes	-	-	320,416	-	-	-	-	-	-	-	-	-	468,586	789,002
Accounts	-	-	-	-	-	-	-	-	6,092	-	-	-	-	6,092
Leases	-	-	-	-	-	-	470,618	-	-	-	-	-	-	470,618
Due from other funds	-	-	6,230	992,021	-	130,279	1,013,494	1,994,320	-	1,101,933	-	-	965,363	6,203,640
Prepaid items	-	-	-	-	-	-	-	-	400	-	-	-	-	400
Total assets	<u>\$ 4,112,894</u>	<u>\$ -</u>	<u>\$ 471,284</u>	<u>\$ 992,021</u>	<u>\$ -</u>	<u>\$ 235,825</u>	<u>\$ 2,143,235</u>	<u>\$ 1,994,320</u>	<u>\$ -</u>	<u>\$ 633,716</u>	<u>\$ 1,101,933</u>	<u>\$ -</u>	<u>\$ 1,433,949</u>	<u>\$ 13,119,177</u>
Liabilities:														
Accounts payable	\$ 331,129	\$ -	\$ 65,707	\$ 1,588,565	\$ -	\$ 103,134	\$ -	\$ -	\$ -	\$ 18,630	\$ 787,854	\$ 14,768	\$ 52,069	\$ 2,961,856
Accrued liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	4,207,454	-	-	-	-	-	-	-	-	106,325	-	155,544	-	4,469,323
Unearned revenue	-	-	-	-	-	-	-	-	-	70,555	-	-	-	70,555
Total liabilities	<u>4,538,583</u>	<u>-</u>	<u>65,707</u>	<u>1,588,565</u>	<u>-</u>	<u>103,134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,510</u>	<u>787,854</u>	<u>170,312</u>	<u>52,069</u>	<u>7,501,734</u>
Deferred Inflow of Resources:														
Leases	-	-	-	-	-	-	451,925	-	-	-	-	-	-	451,925
Unavailable revenue	2,554,423	-	320,416	-	-	-	-	-	-	-	-	-	468,586	3,343,425
Total deferred inflow of resources	<u>2,554,423</u>	<u>-</u>	<u>320,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>451,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>468,586</u>	<u>3,795,350</u>
Fund Balances:														
Nonspendable	-	-	-	-	-	-	-	-	-	400	-	-	-	400
Restricted	-	-	85,161	-	-	132,691	-	1,994,320	-	437,806	314,079	-	-	2,964,057
Committed	-	-	-	-	-	-	1,691,310	-	-	-	-	-	913,294	2,604,604
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	(2,980,112)	-	-	(596,544)	-	-	-	-	-	-	-	(170,312)	-	(3,746,968)
Total fund balance	<u>(2,980,112)</u>	<u>-</u>	<u>85,161</u>	<u>(596,544)</u>	<u>-</u>	<u>132,691</u>	<u>1,691,310</u>	<u>1,994,320</u>	<u>-</u>	<u>438,206</u>	<u>314,079</u>	<u>(170,312)</u>	<u>913,294</u>	<u>1,822,093</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,112,894</u>	<u>\$ -</u>	<u>\$ 471,284</u>	<u>\$ 992,021</u>	<u>\$ -</u>	<u>\$ 235,825</u>	<u>\$ 2,143,235</u>	<u>\$ 1,994,320</u>	<u>\$ -</u>	<u>\$ 633,716</u>	<u>\$ 1,101,933</u>	<u>\$ -</u>	<u>\$ 1,433,949</u>	<u>\$ 13,119,177</u>

CITY OF COVINGTON, KENTUCKY

**Combining Balance Sheet – Nonmajor Governmental Funds (Continued)
As of June 30, 2025**

	Subtotal from prior page	Nonmajor Special Revenue Funds									Nonmajor Capital Projects Fund Public Works Facility Construction	Total Nonmajor Governmental Funds	
		TIF	American Rescue Plan Act Fund	Police & Fire Supplemental Pay	Fleet Equipment & Technology	Waste	Neighborhood Stabilization Program Fund	Ambulance	Devou Park Maintenance	Devou Park Master Plan			Stormwater Maintenance
Assets													
Current:													
Cash and cash equivalents	\$ 1,286,627	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ -	\$ -	\$ -	\$ 1,286,648
Receivables:													
Intergovernmental	4,362,798	-	-	110,623	-	-	-	-	-	-	-	-	4,473,421
Notes	789,002	954,090	-	-	-	2,191,617	-	-	-	-	-	-	3,934,709
Accounts	6,092	-	-	-	1,248,776	-	24,594	-	-	396,686	-	-	1,676,148
Leases	470,618	-	-	-	-	-	-	-	-	-	-	-	470,618
Due from other funds	6,203,640	5,843,122	7,828,953	97,031	1,398,360	-	821,034	456,810	66,789	2,730,418	-	-	25,446,157
Prepaid items	400	-	-	-	-	-	-	-	-	825	-	-	1,225
Total assets	<u>\$ 13,119,177</u>	<u>\$ 6,797,212</u>	<u>\$ 7,828,953</u>	<u>\$ 207,654</u>	<u>\$ 1,398,360</u>	<u>\$ 1,248,776</u>	<u>\$ 2,191,617</u>	<u>\$ 845,628</u>	<u>\$ 456,831</u>	<u>\$ 66,789</u>	<u>\$ 3,127,929</u>	<u>\$ -</u>	<u>\$ 37,288,926</u>
Liabilities:													
Accounts payable	\$ 2,961,856	\$ 10,647	\$ 18,446	\$ -	\$ -	\$ 405,401	\$ -	\$ -	\$ 8,189	\$ 55,435	\$ 73,423	\$ -	\$ 3,533,397
Accrued liabilities	-	-	-	110,786	-	-	-	-	-	-	-	-	110,786
Due to other funds	4,469,323	-	-	-	-	276,766	-	-	66,789	39,775	-	-	4,852,653
Unearned revenue	70,555	-	7,810,507	-	-	1,365,592	-	-	-	-	344,427	-	9,591,081
Total liabilities	<u>7,501,734</u>	<u>10,647</u>	<u>7,828,953</u>	<u>110,786</u>	<u>-</u>	<u>2,047,759</u>	<u>-</u>	<u>-</u>	<u>74,978</u>	<u>95,210</u>	<u>417,850</u>	<u>-</u>	<u>18,087,917</u>
Deferred Inflow of Resources:													
Leases	451,925	-	-	-	-	-	-	-	-	-	-	-	451,925
Unavailable revenue	3,343,425	175,000	-	-	-	722,820	2,191,617	-	-	-	260,636	-	6,693,498
Total deferred inflow of resources	<u>3,795,350</u>	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>722,820</u>	<u>2,191,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>260,636</u>	<u>-</u>	<u>7,145,423</u>
Fund Balances:													
Nonspendable	400	-	-	-	-	-	-	-	-	-	825	-	1,225
Restricted	2,964,057	-	-	-	-	-	-	381,853	-	-	-	-	3,345,910
Committed	2,604,604	6,611,565	-	-	1,398,360	-	845,628	-	-	-	1,198,618	-	12,658,775
Assigned	-	-	-	-	-	-	-	-	-	-	1,250,000	-	1,250,000
Unassigned	(3,746,968)	-	-	96,868	-	(1,521,803)	-	-	(28,421)	-	-	-	(5,200,324)
Total fund balance	<u>1,822,093</u>	<u>6,611,565</u>	<u>-</u>	<u>96,868</u>	<u>1,398,360</u>	<u>(1,521,803)</u>	<u>-</u>	<u>845,628</u>	<u>381,853</u>	<u>(28,421)</u>	<u>2,449,443</u>	<u>-</u>	<u>12,055,586</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,119,177</u>	<u>\$ 6,797,212</u>	<u>\$ 7,828,953</u>	<u>\$ 207,654</u>	<u>\$ 1,398,360</u>	<u>\$ 1,248,776</u>	<u>\$ 2,191,617</u>	<u>\$ 845,628</u>	<u>\$ 456,831</u>	<u>\$ 66,789</u>	<u>\$ 3,127,929</u>	<u>\$ -</u>	<u>\$ 37,288,926</u>

CITY OF COVINGTON, KENTUCKY

**Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2025**

	Nonmajor Special Revenue Funds												Subtotal	
	Federal & State Grants Fund	Housing Voucher Program	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
Revenues:														
Intergovernmental	\$ 2,530,469	\$ 8,906,594	\$ 1,680,944	\$ -	\$ -	\$ 866,256	\$ -	\$ -	\$ -	\$ 150,180	\$ 10,000,000	\$ -	\$ -	\$ 24,134,443
Charges for services	-	-	-	-	-	-	494,145	-	-	-	-	-	33,841	527,986
Investment (loss)	-	(21,048)	-	-	-	-	-	-	-	-	-	-	-	(21,048)
Interest Revenue	-	12,608	-	-	-	-	17,239	-	463	-	-	-	23	30,333
Miscellaneous	24,562	12,659	148,784	-	-	145,522	-	378,676	-	-	-	-	-	710,203
Total revenues	2,555,031	8,910,813	1,829,728	-	-	1,011,778	511,384	378,676	-	150,643	10,000,000	-	33,864	25,381,917
Expenditures:														
Current:														
General government	598,713	-	-	4,001	-	-	-	-	-	-	-	-	-	602,714
Police	44,833	-	-	-	-	-	-	-	38,621	-	-	-	-	83,454
Fire	500,825	-	-	-	-	-	-	-	-	-	-	-	-	500,825
Public works	6,446	-	296,776	-	-	-	-	-	-	-	-	(1)	-	303,221
Community development	23,541	10,650,764	854,868	-	-	1,097,861	127,492	-	-	104,340	-	-	254,823	13,113,689
Debt service:														
Principal	-	-	12,649	-	-	-	-	-	-	-	-	-	66,119	78,768
Interest	-	-	-	-	-	-	-	-	-	-	-	-	3,090	3,090
Capital Outlay	2,516,438	-	641,547	4,757,053	-	-	-	-	74,991	12,584,231	525,669	-	117,271	21,217,200
Total expenditures	3,690,796	10,650,764	1,805,840	4,761,054	-	1,097,861	127,492	-	113,612	12,688,571	525,668	-	441,303	35,902,961
Excess (deficit) of revenues over (under) expenditures	(1,135,765)	(1,739,951)	23,888	(4,761,054)	-	(86,083)	383,892	378,676	-	37,031	(2,688,571)	(525,668)	(407,439)	(10,521,044)
Other Financing Sources (Uses):														
Transfers in	-	-	-	4,761,054	-	-	-	-	-	-	2,688,571	550,000	250,000	8,249,625
Transfers out	-	-	(49,899)	-	-	-	(250,000)	-	-	-	-	-	-	(299,899)
Issuance of debt	-	-	-	-	-	-	-	-	-	-	-	-	117,271	117,271
Total other financing sources (uses)	-	-	(49,899)	4,761,054	-	-	(250,000)	-	-	2,688,571	550,000	-	367,271	8,066,997
Net change in fund balance	(1,135,765)	(1,739,951)	(26,011)	-	-	(86,083)	133,892	378,676	-	37,031	-	24,332	(40,168)	(2,454,047)
Fund balance, July 1, 2024	(1,844,347)	1,739,951	111,172	(596,544)	-	218,774	1,557,418	1,615,644	-	401,175	314,079	(194,644)	953,462	4,276,140
Fund balance, June 30, 2025	\$ (2,980,112)	\$ -	\$ 85,161	\$ (596,544)	\$ -	\$ 132,691	\$ 1,691,310	\$ 1,994,320	\$ -	\$ 438,206	\$ 314,079	\$ (170,312)	\$ 913,294	\$ 1,822,093

CITY OF COVINGTON, KENTUCKY

**Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2025**

	Subtotal from prior page	Nonmajor Special Revenue Funds									Nonmajor Capital Projects Fund	Subtotal		
		TIF	American Rescue Plan Act Fund	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	
Revenues:														
Intergovernmental	\$ 24,134,443	\$ -	\$ 6,031,687	\$ 1,356,130	\$ -	\$ 26,369	\$ -	\$ 800,961	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,349,590
Charges for services	527,986	-	-	-	-	3,961,001	-	1,785,729	-	102,590	1,229,780	-	-	7,607,086
Investment (loss)	(21,048)	-	-	-	-	-	-	-	-	-	-	-	-	(21,048)
Interest Revenue	30,333	9,689	-	170	-	-	-	339	99	-	-	-	-	40,630
Miscellaneous	710,203	793,315	-	-	50,000	-	-	-	83,359	-	-	-	1,999,925	3,636,802
Total revenues	25,381,917	803,004	6,031,687	1,356,300	50,000	3,987,370	-	2,587,029	83,458	102,590	1,229,780	-	1,999,925	43,613,060
Expenditures:														
Current:														
General government	602,714	-	-	-	10,000	102,763	-	478,399	-	-	-	-	-	1,193,876
Police	83,454	-	-	624,258	-	-	-	-	-	-	-	-	-	707,712
Fire	500,825	-	-	713,235	80,000	-	-	-	-	-	-	-	-	1,294,060
Public works	303,221	-	-	-	1	2,654,642	-	-	-	-	848,700	-	-	3,806,564
Community development	13,113,689	165,987	138,288	-	-	-	-	-	98,884	13,667	-	-	-	13,530,515
Debt service:														
Principal	78,768	-	-	-	216,299	-	-	-	-	-	-	-	-	295,067
Interest	3,090	-	-	-	25,296	-	-	-	-	-	-	-	-	28,386
Capital Outlay	21,217,200	650,650	-	-	1,336,175	-	-	-	87,613	55,435	63,942	-	-	23,411,015
Total expenditures	35,902,961	816,637	138,288	1,337,493	1,667,771	2,757,405	-	478,399	186,497	69,102	912,642	-	-	44,267,195
Excess (deficit) of revenues over (under) expenditures	(10,521,044)	(13,633)	5,893,399	18,807	(1,617,771)	1,229,965	-	2,108,630	(103,039)	33,488	317,138	-	1,999,925	(654,135)
Other Financing Sources (Uses):														
Transfers in	8,249,625	1,538,832	-	1,854,327	-	-	-	-	-	50,000	-	-	-	11,692,784
Transfers out	(299,899)	(874,598)	(5,893,399)	-	-	-	-	(2,000,000)	(110,000)	-	-	(1,301,352)	-	(10,479,248)
Issuance of debt	117,271	-	-	-	-	-	-	-	-	-	-	-	-	117,271
Total other financing sources (uses)	8,066,997	664,234	(5,893,399)	-	1,854,327	-	-	(2,000,000)	(110,000)	50,000	-	(1,301,352)	-	1,330,807
Net change in fund balance	(2,454,047)	650,601	-	18,807	236,556	1,229,965	-	108,630	(213,039)	83,488	317,138	-	698,573	676,672
Fund balance, July 1, 2024	4,276,140	5,960,964	-	78,061	1,161,804	(2,751,768)	-	736,998	594,892	(111,909)	2,132,305	-	(698,573)	11,378,914
Fund balance, June 30, 2025	\$ 1,822,093	\$ 6,611,565	\$ -	\$ 96,868	\$ 1,398,360	\$ (1,521,803)	\$ -	\$ 845,628	\$ 381,853	\$ (28,421)	\$ 2,449,443	\$ -	\$ -	\$ 12,055,586

CITY OF COVINGTON, KENTUCKY

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Real property	\$ 9,911,680	\$ 9,911,680	\$ 10,116,579	\$ 204,899
Franchise	2,681,242	2,681,242	2,925,584	244,342
Insurance Premium	10,345,961	10,345,961	12,575,723	2,229,762
Licenses and permits:				
Payroll license fees	28,072,795	28,072,795	32,034,489	3,961,694
Net profits license fees	5,463,853	5,463,853	5,456,328	(7,525)
Liquor and beer licenses	250,000	250,000	208,801	(41,199)
Other licenses and permits	275,250	275,250	226,216	(49,034)
Intergovernmental	1,410,000	1,410,000	1,216,151	(193,849)
Fines and forfeitures	1,310,400	1,310,400	515,118	(795,282)
Charges for services:				
Rental property	120,200	120,200	121,282	1,082
Other	37,000	37,000	50,410	13,410
Investment earnings (loss)	150,000	150,000	2,566,319	2,416,319
Interest income	50,303	50,303	133,394	83,091
Miscellaneous	486,980	486,980	1,262,200	775,220
Total revenues	60,565,664	60,565,664	69,408,594	8,842,930
Expenditures				
Current:				
General government:				
Administration department:				
Payroll	1,581,914	1,581,914	1,503,462	78,452
Pension benefits	290,886	290,886	277,119	13,767
Health Insurance	381,766	381,766	381,766	-
Other Benefits	133,549	133,549	131,179	2,370
Contractual services	826,615	826,615	725,255	101,360
Materials and supplies	54,512	54,512	33,011	21,501
Miscellaneous	446,944	446,944	145,907	301,037
Total Administrative	3,716,186	3,716,186	3,197,699	518,487
Legal department:				
Payroll	541,122	541,122	485,945	55,177
Pension benefits	14,606	14,606	93,565	(78,959)
Health insurance	14,197	14,197	85,179	-
Other benefits	136,259	136,259	40,069	96,190
Contractual services	52,765	52,765	29,033	23,732
Materials and supplies	2,162	2,162	1,309	853
Miscellaneous	165,294	165,294	92,350	72,944
Total Legal	926,405	926,405	827,450	169,937
Finance department:				
Payroll	1,258,862	1,258,862	1,109,880	148,982
Pension benefits	232,826	232,826	203,499	29,327
Health insurance	571,187	571,187	571,187	-
Other benefits	101,825	101,825	93,793	8,032
Contractual services	651,874	651,874	446,666	205,208
Materials and supplies	6,415	6,415	4,889	1,526
Miscellaneous	3,419	3,419	2,344	1,075
Total finance	2,826,408	2,826,408	2,432,258	394,150
Legacy pension contributions:				
City employee	118,000	118,000	118,000	-
Police and fire	588,000	588,000	588,000	-
Total pension contributions	706,000	706,000	706,000	-
Total general government	8,174,999	8,174,999	7,163,407	1,082,574

CITY OF COVINGTON, KENTUCKY

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund (Continued)
Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures - continued				
Current - continued:				
Police:				
Payroll	11,973,546	11,973,546	11,569,753	403,793
Pension Benefits	4,059,161	4,059,161	3,830,151	229,010
Health insurance	2,744,943	2,744,943	2,775,802	(30,859)
Other benefits	1,006,897	1,006,897	633,226	373,671
Contractual services	624,064	624,064	597,444	26,620
Materials and supplies	580,840	580,840	520,626	60,214
Miscellaneous	7,000	7,000	5,603	1,397
Total police	<u>20,996,451</u>	<u>20,996,451</u>	<u>19,932,605</u>	<u>1,063,846</u>
Fire:				
Payroll	10,689,322	10,689,322	10,756,874	(67,552)
Pension benefits	4,066,264	4,066,264	4,134,142	(67,878)
Health insurance	3,678,505	3,678,505	3,678,505	-
Other benefits	847,608	847,608	580,880	266,728
Contractual services	565,581	565,581	495,168	70,413
Materials and supplies	467,093	467,093	334,280	132,813
Miscellaneous	8,487,587	11,467,987	99,373	11,368,614
Total fire	<u>28,801,960</u>	<u>31,782,360</u>	<u>20,079,222</u>	<u>11,703,138</u>
Public works:				
Payroll	3,826,107	3,826,107	3,721,550	104,557
Pension benefits	668,883	668,883	652,979	15,904
Health insurance	959,861	959,861	972,587	(12,726)
Other benefits	391,316	391,316	383,387	7,929
Contractual services	1,656,390	1,656,390	1,641,162	15,228
Materials and supplies	1,926,605	1,926,605	1,577,046	349,559
Miscellaneous	1,064	1,064	194	870
Total public works	<u>9,430,226</u>	<u>9,430,226</u>	<u>8,948,905</u>	<u>481,321</u>
Community development:				
Economic Development:				
Payroll	538,547	538,547	571,774	(33,227)
Pension Benefits	97,052	97,052	105,178	(8,126)
Health insurance	64,096	64,096	57,830	6,266
Other benefits	10,217	10,217	53,954	(43,737)
Contractual services	343,340	343,340	271,949	71,391
Materials and supplies	3,000	3,000	221	2,779
Miscellaneous	45,274	45,274	1,704	43,570
Total economic development	<u>1,101,526</u>	<u>1,101,526</u>	<u>1,062,610</u>	<u>38,916</u>
Recreation:				
Payroll	193,130	193,130	141,219	51,911
Pension benefits	33,527	33,527	25,013	8,514
Health insurance	111,818	111,818	111,818	-
Other benefits	15,533	15,533	12,376	3,157
Contractual services	274,891	274,891	198,539	76,352
Materials and supplies	6,534	6,534	3,630	2,904
Miscellaneous	25,246	25,246	1,421	23,825
Total recreation	<u>660,679</u>	<u>660,679</u>	<u>494,016</u>	<u>166,663</u>

CITY OF COVINGTON, KENTUCKY

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund (Continued)
Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures - continued				
Neighborhood Services:				
Payroll	611,654	611,654	705,550	(93,896)
Pension benefits	118,785	118,785	143,773	(24,988)
Health insurance	209,960	209,960	209,960	-
Other benefits	32,839	32,839	63,388	(30,549)
Contractual services	139,540	139,540	125,661	13,879
Materials and supplies	41,010	41,010	34,491	6,519
Miscellaneous	27,202	27,202	4,289	22,913
Total neighborhood services	<u>1,180,990</u>	<u>1,180,990</u>	<u>1,287,112</u>	<u>(106,122)</u>
Total community development	<u>2,943,195</u>	<u>2,943,195</u>	<u>2,843,738</u>	<u>99,457</u>
Debt Service:				
Principal	10,500	10,500	1,699,237	(1,688,737)
Interest	41,900	41,900	2,154,401	(2,112,501)
Total debt service	<u>52,400</u>	<u>52,400</u>	<u>3,853,638</u>	<u>(3,801,238)</u>
Total expenditures	<u>70,399,231</u>	<u>73,379,631</u>	<u>63,094,425</u>	<u>10,356,188</u>
Excess (deficiency) of revenues				
Over (under) expenditures	<u>(9,833,567)</u>	<u>(12,813,967)</u>	<u>6,314,169</u>	<u>(1,513,258)</u>
Other Financing Sources (uses)				
Transfers in	9,276,112	12,625,112	10,179,247	2,445,865
Transfers out	(5,600)	(5,600)	(6,516,925)	6,511,325
Proceeds on sale of assets	563,047	563,047	109,962	453,085
Total other financing sources (uses)	<u>9,833,559</u>	<u>13,182,559</u>	<u>3,772,284</u>	<u>9,410,275</u>
Net change in fund balance	(8)	368,592	10,086,453	<u>\$ 7,897,017</u>
Fund balance, July 1, 2024	<u>28,670,534</u>	<u>28,672,749</u>	<u>23,131,218</u>	
Fund balance, June 30, 2025	<u>28,670,526</u>	<u>29,041,341</u>	<u>\$ 33,217,671</u>	

CITY OF COVINGTON, KENTUCKY

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Debt Service Fund
Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest Rev	\$ 60,000	\$ 60,000	\$ 810,967	\$ 750,967
Total revenues	60,000	60,000	810,967	750,967
Expenditures				
Current:				
General government	2,704,887	2,704,887	683,604	2,021,283
Debt Service	16,830,083	16,830,083	17,510,932	(680,849)
Total Expenditures	19,534,970	19,534,970	18,194,536	1,340,434
Excess (deficiency) of revenues over (under) expenditures	(19,474,970)	(19,474,970)	(17,383,569)	(2,091,401)
Other financing sources (uses):				
Transfers in	10,000,000	10,000,000	-	10,000,000
Transfers Out	(24,487,914)	(24,487,914)	(7,449,625)	(17,038,289)
Issuance of debt	44,630,000	44,630,000	43,814,659	815,341
Cost of issuance	(667,118)	(667,118)	(300,554)	(366,564)
Total other financing sources (uses)	29,474,968	29,474,968	36,064,480	(366,564)
Net change in fund balances	9,999,998	9,999,998	18,680,911	\$ (2,457,965)
Fund balance, beginning of year	-	-	(31,432)	
Fund balance, end of year	\$ 9,999,998	\$ 9,999,998	\$ 18,649,479	

CITY OF COVINGTON, KENTUCKY

**Combining Statement of Net Position
Internal Service Funds
As of June 30, 2025**

	<u>Liability Self Insurance</u>	<u>Medical Self Insurance</u>	<u>Total Internal Service Funds</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ -	\$ 761	\$ 761
Due from other funds	-	1,717,572	1,717,572
	<u>-</u>	<u>1,718,333</u>	<u>1,718,333</u>
Total assets	<u>-</u>	<u>1,718,333</u>	<u>1,718,333</u>
Liabilities			
Current Liabilities			
Accounts payable	364,175	49,845	414,020
Claims payable	-	1,667,611	1,667,611
Due to other funds	-	-	-
	<u>364,175</u>	<u>1,717,456</u>	<u>2,081,631</u>
Total current liabilities	<u>364,175</u>	<u>1,717,456</u>	<u>2,081,631</u>
Noncurrent Liabilities			
Claims payable	<u>750,000</u>	<u>-</u>	<u>750,000</u>
Total noncurrent liabilities	<u>750,000</u>	<u>-</u>	<u>750,000</u>
Total liabilities	<u>1,114,175</u>	<u>1,717,456</u>	<u>2,831,631</u>
Net Position			
Unrestricted	<u>(1,114,175)</u>	<u>877</u>	<u>(1,113,298)</u>
Total net position	<u>\$ (1,114,175)</u>	<u>\$ 877</u>	<u>\$ (1,113,298)</u>

CITY OF COVINGTON, KENTUCKY

**Combining Statement of Revenues, Expenses and
Changes in Net Position – Internal Service Funds
Year Ended June 30, 2025**

	<u>Liability Self Insurance</u>	<u>Medical Self Insurance</u>	<u>Total Internal Service Funds</u>
Operating revenues			
Insurance premiums	\$ -	\$ 9,411,605	\$ 9,411,605
Other	14,299	21,513	35,812
Total operating revenues	<u>14,299</u>	<u>9,433,118</u>	<u>9,447,417</u>
Operating expenses			
Contractual services	724,904	843,164	1,568,068
Claims and judgments	484,874	7,665,377	8,150,251
Total operating expenses	<u>1,209,778</u>	<u>8,508,541</u>	<u>9,718,319</u>
Operating income (loss)	<u>(1,195,479)</u>	<u>924,577</u>	<u>(270,902)</u>
Non-operating income			
Interest revenue	-	163	163
Total nonoperating revenues	<u>-</u>	<u>163</u>	<u>163</u>
Transfers in	<u>1,754,766</u>	<u>819,000</u>	<u>2,573,766</u>
Change in net position	559,287	1,743,740	2,303,027
Total net position, July 1, 2024	<u>(1,673,462)</u>	<u>(1,742,863)</u>	<u>(3,416,325)</u>
Total net position, June 30, 2025	<u><u>\$ (1,114,175)</u></u>	<u><u>\$ 877</u></u>	<u><u>\$ (1,113,298)</u></u>

CITY OF COVINGTON, KENTUCKY

**Combining Statement Cash Flows
Internal Service Funds
Year Ended June 30, 2025**

	Liability Self Insurance	Medical Self Insurance	Total Internal Service Funds
Cash flows from operating activities:			
Cash received from other funds	\$ (923,146)	\$ 7,060,464	\$ 6,137,318
Cash received from other income	14,299	21,513	35,812
Cash payments for claims	<u>(845,919)</u>	<u>(8,157,149)</u>	<u>(9,003,068)</u>
Net cash used in operating activities	<u>(1,754,766)</u>	<u>(1,075,172)</u>	<u>(2,829,938)</u>
Cash flows from noncapital financing activities:			
Transfers	1,754,766	819,000	2,573,766
Interest Revenue	<u>-</u>	<u>163</u>	<u>163</u>
Net cash provided by noncapital financing activities	<u>1,754,766</u>	<u>819,163</u>	<u>2,573,929</u>
Net change	-	(256,009)	(256,009)
Cash and cash equivalents, beginning of year	<u>-</u>	<u>256,770</u>	<u>256,770</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 761</u>	<u>\$ 761</u>
Reconciliation of operating income (loss) to net cash used in operating activities			
Operating income (loss)	\$ (1,195,479)	\$ 924,577	\$ (270,902)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Changes in assets and liabilities:			
Due from/to other funds	(923,146)	(2,351,141)	(3,274,287)
Accounts payable	<u>363,859</u>	<u>33,781</u>	<u>397,640</u>
Net cash used in operating activities	<u>\$ (1,754,766)</u>	<u>\$ (1,075,172)</u>	<u>\$ (2,829,938)</u>

CITY OF COVINGTON, KENTUCKY

Employees' Retirement Plan

	Last 10 fiscal years									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Schedule of City Contributions										
Actuarially determined contribution	\$ 185,980	\$ 185,980	\$ 169,363	\$ 169,363	\$ 169,393	\$ 169,363	\$ 169,363	\$ 203,351	\$ 203,351	\$ 183,493
Contributions in relation to the actuarially determined contribution	118,000	138,000	138,000	138,000	138,000	138,000	709,424	187,000	195,000	127,078
Contribution deficiency (excess)	<u>\$ 67,980</u>	<u>\$ 47,980</u>	<u>\$ 31,363</u>	<u>\$ 31,363</u>	<u>\$ 31,393</u>	<u>\$ 31,363</u>	<u>\$ (540,061)</u>	<u>\$ 16,351</u>	<u>\$ 8,351</u>	<u>\$ 56,415</u>
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 *
Schedule of Changes in the Net position Liability and Related Ratios										
Total pension liability										
Interest	\$ 166,599	\$ 172,403	\$ 166,285	\$ 170,998	\$ 178,468	\$ 188,620	\$ 199,494	\$ 214,819	\$ 155,134	\$ 264,726
Benefit changes	-	15,758	65,087	93,573	64,616	-	-	-	80,924	-
Difference between expected and actual experience	71,758	81,529	(29,805)	20,306	30,533	(48,297)	24,929	(21,834)	(54,286)	(444,003)
Changes of assumptions	(71,546)	-	288,828	10,395	(25,747)	71,170	(8,423)	(34,982)	(1,049,356)	875,460
Benefit payments	(376,019)	(374,403)	(383,828)	(378,133)	(389,132)	(402,842)	(424,269)	(448,698)	(488,931)	(503,390)
Net change in total pension liability	(209,208)	(104,713)	106,567	(82,861)	(141,262)	(191,349)	(208,269)	(290,695)	(1,356,515)	192,793
Total pension liability - beginning	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
Total pension liability - ending	<u>\$ 3,005,361</u>	<u>\$ 3,214,569</u>	<u>\$ 3,319,282</u>	<u>\$ 3,212,715</u>	<u>\$ 3,295,576</u>	<u>\$ 3,436,838</u>	<u>\$ 3,628,187</u>	<u>\$ 3,836,456</u>	<u>\$ 4,127,151</u>	<u>\$ 5,483,666</u>
Plan fiduciary net position										
Contributions - employer	\$ 118,000	\$ 138,000	\$ 138,000	\$ 138,000	\$ 138,000	\$ 138,000	\$ 709,423	\$ 187,000	\$ 195,000	\$ 127,078
Other	-	-	-	-	-	-	-	-	-	-
Net investment income	147,702	139,681	124,616	(217,694)	449,414	91,778	144,125	262,030	301,655	(129,228)
Benefit payments	(376,019)	(374,403)	(383,828)	(378,133)	(389,132)	(402,841)	(424,269)	(448,698)	(488,931)	(503,390)
Administrative expense	(16,743)	(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	(127,060)	(117,109)	(135,464)	(473,855)	181,520	(190,250)	421,969	(3,568)	(10,300)	(512,340)
Plan fiduciary net position - beginning	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
Plan fiduciary net position - ending	<u>\$ 1,525,761</u>	<u>\$ 1,652,821</u>	<u>\$ 1,769,930</u>	<u>\$ 1,905,394</u>	<u>\$ 2,379,249</u>	<u>\$ 2,197,729</u>	<u>\$ 2,387,979</u>	<u>\$ 1,966,010</u>	<u>\$ 1,969,578</u>	<u>\$ 1,979,878</u>
Net pension liability	<u>\$ 1,479,600</u>	<u>\$ 1,561,748</u>	<u>\$ 1,549,352</u>	<u>\$ 1,307,321</u>	<u>\$ 916,327</u>	<u>\$ 1,239,109</u>	<u>\$ 1,240,208</u>	<u>\$ 1,870,446</u>	<u>\$ 2,157,573</u>	<u>\$ 3,503,788</u>
Plan fiduciary net position as percentage of the total pension liability	50.77%	51.42%	53.32%	59.31%	72.20%	63.95%	65.82%	51.25%	47.72%	36.11%
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 *
Schedule of Investment Returns										
Annual money-weighted rate of return, net of investment expense	10.40%	7.50%	-11.80%	20.60%	3.90%	5.90%	9.90%	5.70%	-3.74%	-3.70%

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

	Last 10 fiscal years									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Schedule of City Contributions										
Actuarially determined contribution	\$ 713,641	\$ 713,641	\$ 512,699	\$ 512,699	\$ 512,699	\$ 512,699	\$ 512,699	\$ 577,711	\$ 577,711	\$ 445,224
Contributions in relation to the actuarially determined contribution	588,000	446,000	446,000	451,477	451,021	365,078	551,000	573,000	269,327	269,327
Contribution deficiency (excess)	<u>\$ 125,641</u>	<u>\$ 267,641</u>	<u>\$ 66,699</u>	<u>\$ 61,222</u>	<u>\$ 61,678</u>	<u>\$ 147,621</u>	<u>\$ (38,301)</u>	<u>\$ 4,711</u>	<u>\$ 308,384</u>	<u>\$ 175,897</u>
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 *
Schedule of Changes in the Net position Liability and Related Ratios										
Total pension liability										
Interest	\$ 440,857	\$ 474,936	\$ 457,316	\$ 475,834	\$ 530,439	\$ 528,193	\$ 552,986	\$ 595,322	\$ 385,334	\$ 628,379
Benefit changes	-	41,514	178,989	250,197	179,994	-	-	209,181	146,022	-
Difference between expected and actual experience	(183,128)	(175,610)	(119,375)	(47,684)	(521,342)	238,320	256,919	(218,038)	123,207	57,418
Changes of assumptions	(175,288)	-	810,269	27,501	(76,642)	456,557	(26,062)	(102,614)	(3,069,911)	2,400,570
Benefit payments	<u>(919,929)</u>	<u>(999,921)</u>	<u>(1,013,578)</u>	<u>(1,070,710)</u>	<u>(1,138,940)</u>	<u>(1,224,369)</u>	<u>(1,244,618)</u>	<u>(1,262,330)</u>	<u>(1,348,765)</u>	<u>(1,382,618)</u>
Net change in total pension liability	(837,488)	(659,081)	313,621	(364,862)	(1,026,491)	(1,299)	(460,775)	(778,479)	(3,764,113)	1,703,749
Total pension liability - beginning	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
Total pension liability - ending	<u>\$ 7,631,895</u>	<u>\$ 8,469,383</u>	<u>\$ 9,128,464</u>	<u>\$ 8,814,843</u>	<u>\$ 9,179,705</u>	<u>\$ 10,206,196</u>	<u>\$ 10,207,495</u>	<u>\$ 10,668,270</u>	<u>\$ 11,446,749</u>	<u>\$ 15,210,862</u>
Plan fiduciary net position										
Contributions - employer	\$ 588,000	\$ 446,000	\$ 446,000	\$ 446,000	\$ 451,477	\$ 451,021	\$ 365,078	\$ 551,000	\$ 573,000	\$ 269,327
Other	-	-	-	-	-	-	-	-	-	-
Net investment income	122,543	102,238	152,038	(317,620)	760,081	142,078	261,260	753,872	592,661	(240,496)
Benefit payments	(919,929)	(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)
Administrative expense	(15,188)	(22,034)	(19,745)	(22,648)	(24,976)	(25,116)	(40,951)	(4,000)	(7,080)	(7,200)
Net change in plan fiduciary net position	(224,574)	(473,717)	(435,285)	(964,978)	47,642	(656,386)	(659,231)	38,542	(190,184)	(1,360,987)
Plan fiduciary net position - beginning	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
Plan fiduciary net position - ending	<u>\$ 1,474,153</u>	<u>\$ 1,698,727</u>	<u>\$ 2,172,444</u>	<u>\$ 2,607,729</u>	<u>\$ 3,572,707</u>	<u>\$ 3,525,065</u>	<u>\$ 4,181,451</u>	<u>\$ 4,840,682</u>	<u>\$ 4,802,140</u>	<u>\$ 4,992,324</u>
Net pension liability	<u>\$ 6,157,742</u>	<u>\$ 6,770,656</u>	<u>\$ 6,956,020</u>	<u>\$ 6,207,114</u>	<u>\$ 5,606,998</u>	<u>\$ 6,681,131</u>	<u>\$ 6,026,044</u>	<u>\$ 5,827,588</u>	<u>\$ 6,644,609</u>	<u>\$ 10,218,538</u>
Plan fiduciary net position as percentage of the total pension liability	19.32%	20.06%	23.80%	29.58%	38.92%	34.54%	40.96%	45.37%	41.95%	32.82%
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 *
Schedule of Investment Returns										
Annual money-weighted rate of return, net of investment expense	10.60%	7.80%	-11.90%	20.60%	3.60%	5.80%	9.90%	10.90%	-3.56%	-3.95%

CITY OF COVINGTON, KENTUCKY
Notes to the Required Supplementary Information
For the Year Ended June 30, 2025

NOTE 1 VALUATION DATE

Actuarially determined contribution rates are calculated as of July 1st 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

	<u>Employees' Retirement Plan</u>	<u>Police and Firemen's Retirement Plan</u>
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-2016 projected generationally using Scale MP-2021.	Public Safety Mortality Table Pub-2016 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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Non-hazardous:										
City's proportion of the net pension liability	0.273%	0.287%	0.308%	0.284%	0.262%	0.258%	0.240%	0.242%	0.240%	0.242%
City's proportionate share of the net pension liability	\$ 16,311,785	\$ 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
City's covered payroll	\$ 9,111,015	\$ 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
City's proportionate share of the net pension liability as a percentage of its covered payroll	179.03%	207.00%	263.46%	210.89%	274.74%	268.92%	222.45%	236.66%	199.49%	181.87%
Plan fiduciary as a percentage of the total pension liability	61.6%	57.5%	57.5%	52.4%	57.3%	47.8%	50.5%	53.5%	53.3%	55.5%
Hazardous:										
City's proportion of the net pension liability	2.84%	2.77%	3.15%	3.04%	3.02%	3.02%	2.91%	2.96%	2.81%	2.91%
City's proportionate share of the net pension liability	\$ 72,933,645	\$ 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
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	\$ 14,814,779
City's proportionate share of the net pension liability as a percentage of its covered payroll	371.10%	360.96%	525.90%	454.14%	527.38%	512.09%	437.45%	445.77%	325.59%	301.21%
Plan fiduciary as a percentage of the total pension liability	57.1%	53.0%	47.1%	52.3%	44.1%	46.6%	49.3%	49.8%	54.0%	57.5%

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									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Non-Hazardous:										
Contractually required contribution	\$ 1,795,781	\$ 1,994,061	\$ 1,989,872	\$ 1,815,990	\$ 1,409,983	\$ 1,301,596	\$ 1,061,483	\$ 865,621	\$ 827,713	\$ 710,807
Contributions in relation to the contractually required contribution	<u>1,795,781</u>	<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>
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	\$ 9,111,015	\$ 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
Contributions as a percentage of covered payroll	19.71%	22.42%	23.52%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.40%
Hazardous:										
Contractually required contribution	\$ 8,501,815	\$ 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
Contributions in relation to the contractually required contribution	<u>8,501,815</u>	<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>
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	\$ 22,019,723	\$ 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	38.61%	44.69%	41.33%	38.30%	30.92%	30.95%	26.39%	22.47%	23.49%	20.35%

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*

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Non-hazardous:										
City's proportion of the net OPEB liability	0.273%	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	\$ (472,260)	\$ (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	\$ 9,111,015	\$ 8,892,166	\$ 8,460,015	\$ 8,578,128	\$ 7,305,612	\$ 6,744,019	\$ 6,544,282	\$ 5,977,993	\$ 5,933,424	*
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	-5.18%	-4.45%	71.91%	63.31%	86.47%	64.31%	64.85%	81.28%	64.23%	*
Plan fiduciary net position as a percentage of the total OPEB liability	104.9%	104.2%	70.0%	62.9%	51.7%	60.4%	57.6%	52.4%	N/A	*
Hazardous:										
City's proportion of the net OPEB liability	2.77%	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	\$ 3,440,444	\$ 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	\$ 14,814,779	*
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	17.51%	18.31%	146.73%	137.93%	161.60%	137.14%	128.97%	164.71%	98.84%	*
Plan fiduciary net position as a percentage of the total OPEB liability	93.5%	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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Non-Hazardous:										
Contractually required contribution	\$ -	\$ -	\$ 288,276	\$ 495,816	\$ 347,747	\$ 321,015	\$ 344,229	\$ 280,968	\$ 280,651	\$ 265,551
Contributions in relation to the contractually required contribution	-	-	288,276	495,816	347,747	321,015	344,229	280,968	280,651	265,551
Contribution excess (deficiency)	<u>\$ -</u>									
City's covered payroll	\$ 9,111,015	\$ 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
Contributions as a percentage of covered payroll	0.00%	0.00%	3.41%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%	4.63%
Hazardous:										
Contractually required contribution	\$ 466,818	\$ 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
Contributions in relation to the contractually required contribution	466,818	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
Contribution excess (deficiency)	<u>\$ -</u>									
City's covered payroll	\$ 22,019,723	\$ 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	2.12%	2.80%	5.99%	11.84%	9.79%	9.80%	11.11%	9.46%	10.12%	12.74%

CITY OF COVINGTON, KENTUCKY

Notes to the Required Supplementary Information For the Year Ended June 30, 2025

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, 2025, totaled \$4,918,661. The City's OPEB expense for all plans for the year ended June 30, 2025, totaled \$4,318,608.

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									
	2025	<i>(as restated)</i> 2024	<i>(as restated)</i> 2023	2022	2021	2020	<i>(as restated)</i> 2019	<i>(as restated)</i> 2018	<i>(as restated)</i> 2017	2016
Governmental Activities										
Net Investment in Capital Assets	\$ 33,456,606	\$41,330,553	\$30,262,822	\$41,855,830	\$36,210,108	\$27,799,625	\$23,743,357	\$27,309,024	\$23,790,740	\$26,724,688
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
Restricted for HUD Programs	531,931	644,025	1,583,577	1,553,692	865,701	1,047,342	915,720	922,485	651,007	632,116
Restricted for other purposes	2,813,979	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)	(51,043,040)	(96,952,216)	(103,819,932)	(116,255,065)	(111,360,427)	(122,345,513)	(81,316,610)	(72,524,243)	(66,127,088)	(56,738,795)
Total Governmental Activities Net Position	\$ (14,240,524)	\$ (50,625,976)	\$ (66,746,443)	\$ (71,633,401)	\$ (72,300,758)	\$ (64,769,108)	\$ (52,635,192)	\$ (40,322,878)	\$ (36,481,509)	\$ (27,360,093)
Business-type Activities										
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	-	-	-
Total Governmental Activities Net Position	\$ -	\$ 8,714,259	\$ 7,606,551	\$ 6,221,637	\$ 5,338,794	\$ 5,115,316	\$ 5,219,206	\$ -	\$ -	\$ -

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.

Note: The City implemented GASB Statement No.101, restating fiscal year 2024.

CITY OF COVINGTON, KENTUCKY

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

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental Activities										
Expenses										
General Government	\$ (6,457,863)	\$ (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
Police	21,434,217	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
Fire	21,778,291	22,531,808	19,997,532	21,564,434	24,583,443	25,325,490	21,221,513	19,695,653	13,176,016	15,301,811
Public Improvements	15,371,468	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
Community Development	16,920,242	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
Parking Garage	-	-	-	-	-	-	-	900,712	868,353	774,460
Interest on Long-term Debt	3,001,818	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
Total Governmental Activities Expenses	72,048,173	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
Program Revenues										
General Government	481,199	644,466	636,217	517,805	158,027	763,145	2,183,781	2,197,465	2,640,012	1,815,216
Police	-	-	-	5,231	100,000	60,000	80,000	-	-	-
Fire	1,785,729	1,722,288	1,532,856	1,360,780	1,785,248	1,284,170	-	-	11,029	1,449,356
Public Improvements	5,190,781	2,949,039	3,728,922	3,650,474	2,663,594	2,183,962	2,271,448	1,245,706	1,098,612	2,952,715
Community Development	1,763,422	1,916,208	1,252,058	1,193,820	2,260,648	1,481,571	1,471,895	1,603,315	1,086,948	1,065,050
Parking Garage	-	-	-	-	-	-	-	1,845,342	2,078,859	2,032,348
Operating Grants and Contributions	20,477,583	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
Capital Grants and Contributions	12,555,031	2,939,553	1,082,376	2,643,766	4,047,867	3,513,632	1,516,820	1,711,776	456,927	867,341
Total Governmental Activities Revenues	42,253,745	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
Program Revenues Over (Under) Expenses	(29,794,428)	(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)
Business-type Activities										
Expenses										
Parking Authority	11,623,503	2,281,643	1,791,125	1,334,287	1,349,481	1,546,899	1,504,763	-	-	-
Program revenues										
Parking Authority	294,196	3,361,190	3,145,553	2,188,591	1,572,916	1,443,009	1,679,612	-	-	-
Program Revenues Over (Under) Expenses	(11,329,307)	1,079,547	1,354,428	854,304	223,435	(103,890)	174,849	-	-	-
Governmental Activities										
General Revenues and Changes in Net Assets										
Taxes										
Real Property-Levied for General Purposes	9,413,601	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
Personal Property-Levied for General Purposes	561,096	622,322	582,475	983,071	809,369	819,557	732,222	660,376	676,397	706,359
Public Services	2,925,584	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
Taxes-Levied for Bank Deposits	141,882	174,744	156,884	157,069	122,205	86,840	68,619	84,652	73,367	82,872
Insurance Premium	12,575,723	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
Payroll	32,034,489	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
Net Profit	5,456,328	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
Investment Earnings (Loss)	2,545,271	1,862,926	(357,891)	(4,294,468)	560,021	543,726	750,298	208,636	222,575	164,973
Interest Income	984,991	271,563	240,416	248,750	-	-	-	-	-	-
Miscellaneous	(505,497)	(7,926,719)	26,883,224	1,733,454	997,524	1,071,293	1,018,066	664,949	368,406	430,663
Special Item	46,412	(815,207)	(527,397)	85,379	200,276	22,029	-	-	-	-
Business-type Activities										
General Revenues and Changes in Net Assets										
Investment Earnings	-	-	-	-	43	-	-	-	-	-
Interest Income	100,154	28,161	30,486	28,539	-	-	-	-	-	-
Total General Revenues and Transfers	66,280,034	50,578,641	80,856,387	52,711,229	51,355,790	50,848,334	50,027,317	47,814,987	46,350,243	44,106,859
Restatement	-	-	-	-	-	-	-	-	-	-
Change in Net Position	<u>\$ 25,156,299</u>	<u>\$ 18,715,190</u>	<u>\$ 7,191,872</u>	<u>\$ 1,559,200</u>	<u>\$ (7,317,172)</u>	<u>\$ (12,237,806)</u>	<u>\$ (4,497,608)</u>	<u>\$ (3,841,369)</u>	<u>\$ 7,716,197</u>	<u>\$ 1,305,583</u>

CITY OF COVINGTON, KENTUCKY

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

	Fiscal Year									(as restated)
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Fund										
Nonspendable	\$ 25,517	\$2,281,431	\$2,620,485	\$3,019,587	\$2,705,603	\$2,663,497	\$155,908	\$128,902	\$157,023	\$139,181
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	10,000,000	9,400,000	-	-	-	-
Unassigned	23,192,154	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
Total General Fund	33,217,671	23,131,218	22,814,920	21,076,669	20,334,614	19,733,268	17,336,449	14,595,499	12,954,030	8,891,909
All Other Governmental Funds										
Nonspendable	1,225	17,065	-	19,516	2,331	2,130	1,000	-	-	-
Restricted	3,345,910	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
Committed	12,658,775	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
Assigned	1,250,000	1,250,000	750,000	500,000	-	-	-	-	-	-
Unassigned (deficit)	13,449,155	(6,151,156)	(5,813,122)	(9,435,578)	(5,746,328)	(2,989,298)	(825,075)	(437,511)	(437,055)	(287,536)
Total All Other Governmental Funds	30,705,065	11,347,482	12,438,061	8,966,566	11,594,424	31,577,399	9,099,130	9,201,355	8,373,629	15,016,512
Total Governmental Funds	\$ 63,922,736	\$ 34,478,700	\$ 35,252,981	\$ 30,043,235	\$ 31,929,038	\$ 51,310,667	\$ 26,435,579	\$ 23,796,854	\$ 21,327,659	\$ 23,908,421

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									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Revenues										
Taxes	\$ 25,617,886	\$ 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
Licenses and Permits	37,925,834	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
Intergovernmental	33,565,741	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
Charges for Services	515,118	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
Fines and Forfeitures	7,778,778	5,367,088	6,134,062	490,664	326,440	397,934	337,821	221,225	309,267	304,473
Investment Earnings	2,545,271	1,862,926	(357,891)	(4,294,468)	356,907	326,974	571,433	208,636	222,575	165,050
Interest Revenue	984,991	271,563	240,416	248,750	203,114	216,752	178,867	-	-	-
Miscellaneous	4,899,002	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
Total Revenues	113,832,621	94,717,463	92,489,912	80,474,878	78,002,480	70,474,334	68,813,623	67,278,174	64,113,074	63,260,873
Expenditures										
General Government	9,040,887	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
Police	20,640,317	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
Fire	21,373,282	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
General Service	12,755,469	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
Community Development (includes recreation in 2014)	16,374,253	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
Parking Garage	-	-	-	-	-	-	-	900,712	868,353	774,460
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	18,824,387	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
Interest and Other Charges	2,863,636	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
Bond Issuance Costs	23,683,925	13,300,813	7,667,281	315,355	31,662	-	-	-	252,629	-
Capital Outlay	-	-	-	9,288,351	28,599,684	10,266,703	4,850,317	4,603,398	13,487,402	5,209,330
Total Expenditures	125,556,156	95,197,612	85,614,397	82,303,010	96,850,817	74,194,807	65,753,201	64,526,643	78,753,115	59,339,154
Excess (Deficit) of Revenues Over Expenditures	(11,723,535)	(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
Other Financing Sources (Uses)										
Proceeds From Issuance of Debt	43,931,930	1,063,723	250,619	101,381	300,000	30,030,000	-	-	12,976,165	4,000,000
Proceeds From Bond Refinancing	-	-	-	11,723,726	-	-	-	-	-	-
Premiums on the Issuance of Debt	-	-	-	-	-	-	-	-	-	-
Bond refunding	-	-	-	(11,977,497)	-	-	-	-	-	-
Transfers In	21,872,031	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
Transfer Out	(24,445,798)	(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)
Cost of issuance	(300,554)	-	-	-	-	-	-	-	-	-
Lending	-	-	-	-	-	-	-	-	-	(4,000,000)
Proceeds from Sale of Assets	109,962	142,145	83,612	194,719	255,259	210,561	50,260	67,664	141,591	775,038
Total Other Financing Sources (Uses)	41,167,571	(294,132)	(1,665,769)	(57,671)	(533,292)	28,595,561	(421,697)	(282,336)	12,059,279	(589,962)
Special Item	-	-	-	-	-	-	-	-	-	-
Restatement	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Fund Balance	\$ 29,444,036	\$ (774,281)	\$ 5,209,746	\$ (1,885,803)	\$ (19,381,629)	\$ 24,875,088	\$ 2,638,725	\$ 2,469,195	\$ (2,580,762)	\$ 3,331,757
Debt Service as a Percentage of Non-Capital Expenditures	36.14%	19.78%	15.60%	7.88%	7.33%	7.73%	8.57%	9.37%	21.48%	9.74%

CITY OF COVINGTON, KENTUCKY

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

Fiscal Year	Total Gross Taxable Wages	Total Withholding Fees	Total Direct Rate
2025	\$ 1,346,296,041	\$ 32,984,253	2.45%
2024	1,139,492,449	28,618,260	2.45%
2023	1,343,748,286	27,917,565	2.45%
2022	1,149,322,776	32,921,833	2.45%
2021	1,122,425,452	28,158,408	2.45%
2020	1,103,634,163	27,499,424	2.45%
2019	1,073,132,490	27,039,037	2.45%
2018	1,047,293,224	26,291,746	2.45%
2017	1,010,486,122	25,658,684	2.45%
2016	952,288,327	24,756,910	2.45%

CITY OF COVINGTON, KENTUCKY

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

Taxpayer	
2025	2016
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 Board of Education
Internal Revenue Service	Fidelity Investments
Kenton County Treasurer	Internal Revenue Service
Kentucky State Treasury	Rosedale Manor
St. Elizabeth Physicians	St. Elizabeth Hospital

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
2025	\$ 4,349,434	\$ 135,420	\$ 1,161,246	\$ 3,323,608	0.2870
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	0.3270
2016	2,797,036	130,602	797,055	2,130,583	0.3130

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
2025	0.2877	0.951	0.617	0.1150	0.106	0.1993	1.6590	1.3250	
2024	0.2770	0.925	0.659	0.1330	0.114	0.1600	1.6090	1.3430	
2023	0.2710	0.895	0.666	0.1440	0.115	0.1670	1.5920	1.3630	
2022	0.3270	1.081	0.671	0.1540	0.119	0.1715	1.8525	1.4425	
2021	0.3270	1.061	0.671	0.1590	0.122	0.1756	1.8446	1.4546	
2020	0.3270	1.076	0.672	0.1590	0.122	0.1529	1.8369	1.4329	
2019	0.3270	1.084	0.659	0.1550	0.122	0.1758	1.8638	1.4388	
2018	0.3270	1.118	0.638	0.1480	0.122	0.1719	1.8869	1.4069	
2017	0.3130	1.099	0.621	0.1480	0.122	0.1715	1.8535	1.3755	
2016	0.3130	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	2025			2024			2023			2022			2021		
	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	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Fidelity Properties Inc	\$ 128,618,200	1	4.03%	\$ 128,618,200	1	4.13%	\$ 128,283,300	1	5.10%	\$ 148,302,761	1	5.11%	\$ 128,618,200	1	5.71%
CPX-Rivercenter Development Corp	99,436,800	2	3.12%	95,846,800	2	3.08%	94,808,000	2	2.80%	83,911,618	2	2.89%	70,497,500	3	3.13%
ARCP OFC Covington LLC	82,625,000	3	2.59%	82,625,000	3	2.65%	82,625,000	3	2.85%	82,625,000	3	2.85%	82,625,000	2	3.67%
AHIP KY Covington	27,285,000	4	0.86%	27,285,000	4	0.88%	27,285,000	4	0.78%	22,500,000	5	0.78%	22,500,000	5	1.00%
EHP Rivercenter Landmark	25,297,600	5	0.79%	25,297,600	5	0.81%	25,297,600	5	0.87%	25,297,600	4	0.87%	25,297,600	4	1.12%
Elevation 800 LLC	24,210,000	6	0.76%	24,210,000	6	0.78%	-	-	0.00%	-	-	-	-	-	-
OH-16 FO Cincinnati	16,850,400	7	0.53%	16,850,400	7	0.54%	16,850,400	6	0.58%	16,850,400	6	0.58%	16,850,400	6	0.75%
Cambridge Preservation LP	16,510,000	8	0.52%	16,510,000	8	0.53%	16,500,000	7	0.57%	16,500,000	7	0.57%	-	-	0.00%
J & S Latonia Centre Ky LLC	12,488,400	9	0.39%	12,488,400	9	0.40%	10,895,000	10	0.38%	10,895,000	10	0.38%	10,895,000	9	0.48%
Atkins & Pearce Manufacturing	11,937,900	10	0.37%	11,937,900	10	0.38%	11,937,900	8	0.41%	11,937,900	8	0.41%	11,937,900	7	0.53%
FMR Kentucky I LLC	-	-	0.00%	-	-	0.00%	11,381,800	9	0.38%	11,381,800	9	0.39%	11,381,800	8	0.51%
638 Madison LLC	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	10,774,000	10	0.48%
Total	\$ 445,259,300		13.96%	\$ 441,669,300		14.18%	\$ 425,864,000		14.72%	\$ 430,202,079		14.83%	\$ 391,377,400		17.38%

Taxpayer	2020			2019			2018			2017			2016		
	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	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Fidelity Properties Inc	\$ 128,693,700	1	5.96%	\$ 129,618,200	1	6.21%	\$ 204,181,958	1	9.29%	\$ 184,387,500	1	9.01%	\$ 184,246,829	1	9.08%
ARCP OFC Covington LLC	82,625,000	2	3.83%	82,625,000	2	3.96%	82,625,000	2	3.76%	82,625,000	2	4.04%	82,625,000	2	4.07%
CPX-Rivercenter Development Corp	51,000,000	3	2.36%	51,000,000	3	2.44%	58,055,000	3	2.64%	76,991,700	3	3.76%	76,340,000	3	3.76%
EHP Rivercenter Landmark	33,578,000	4	1.56%	33,578,000	4	1.61%	33,578,000	4	1.53%	33,578,000	4	1.64%	33,578,000	4	1.66%
AHIP KY Covington	22,500,000	5	1.04%	-	-	0.00%	-	-	0.00%	-	-	0.00%	21,783,300	5	1.07%
OH-16 FO Cincinnati	19,964,000	6	0.92%	21,783,300	5	1.04%	21,783,300	5	0.99%	21,783,300	5	1.06%	-	-	0.00%
Cambridge Preservation LP	-	-	0.00%	-	-	0.00%	-	-	0.00%	18,000,000	6	0.88%	18,000,000	6	0.89%
Northern Kentucky Assisted Living LLC	-	-	0.00%	-	-	0.00%	-	-	0.00%	11,460,000	7	0.56%	10,482,000	8	0.52%
Atkins & Pearce Manufacturing	11,937,900	7	0.55%	11,937,920	6	0.57%	-	-	0.00%	12,454,000	8	0.61%	11,460,000	7	0.57%
J & S Latonia Centre Ky LLC	10,895,000	9	0.50%	10,895,000	7	0.52%	-	-	0.00%	9,550,000	9	0.47%	9,550,000	9	0.47%
FMR Kentucky I LLC	11,381,800	8	0.54%	10,482,000	9	0.50%	10,482,000	9	0.48%	7,916,000	10	0.38%	6,824,500	10	0.34%
Truss Latonia Plaza KY LLC	-	-	0.00%	-	-	0.00%	9,550,000	10	0.43%	-	-	0.00%	-	-	0.00%
CIP II Buckeye Hotel	-	-	0.00%	-	-	0.00%	20,340,000	6	0.93%	-	-	0.00%	-	-	0.00%
Scott Street Land Co. Inc	-	-	0.00%	-	-	0.00%	10,917,884	8	0.50%	-	-	0.00%	-	-	0.00%
Trustees Latonia Plaza KY LLC	-	-	0.00%	-	-	0.00%	16,229,962	7	0.74%	-	-	0.00%	-	-	0.00%
Stronghaven Inc.	-	-	0.00%	8,944,500	10	0.43%	-	-	0.00%	-	-	0.00%	-	-	0.00%
638 Madison LLC	10,774,000	10	0.50%	10,774,000	8	0.53%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Total	\$ 383,349,400		17.76%	\$ 371,637,920		17.81%	\$ 467,743,104		21.29%	\$ 458,745,500		22.41%	\$ 454,889,629		22.43%

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
2025	\$ 9,133,754	\$ 8,849,978	96.89%	\$ 302,330	\$ 9,152,308	100.20%
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%

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)**

Fiscal Year	General Obligation Bonds	Notes	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2025	\$ 74,135	\$ 29,799	\$ 103,934	6.96%	\$ 2,535
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

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)

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita	Debt Service Payments Per Capita
2025	\$ 74,135	2.23%	\$ 1,808.35	\$ 529.03
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

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)**

Legal Debt Margin Calculation for Fiscal Year 2025

Assessed value	\$ 3,323,608
Debt limit (10% of assessed value)	\$ 332,361
Debt applicable to limit:	
General Obligation	\$ 103,934
Total debt applicable to limit	\$ 103,934
Legal debt margin	\$ 228,427

Fiscal Year

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Debt limit	\$ 332,361	\$327,536	\$304,860	\$238,254	\$229,235	\$229,210	\$214,326	\$211,372	\$210,304	\$216,662
Total net debt applicable to limit	103,934	79,514	65,329	69,310	72,906	76,287	50,209	54,388	58,331	57,600
Legal debt margin	\$ 228,427	\$ 248,022	\$ 239,531	\$ 168,944	\$ 156,329	\$ 152,923	\$ 164,117	\$ 156,984	\$ 151,973	\$ 159,062
Total net debt applicable to the limit as a percentage of debt limit	31.27%	24.28%	21.43%	29.09%	31.80%	33.28%	23.43%	25.73%	27.74%	26.59%

Source: City of Covington Finance Department

CITY OF COVINGTON, KENTUCKY

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

Fiscal Year	Population (a)	Personal Income (thousands of dollars)	Per Capita Personal Income (b)	Median Age (c)	School Enrollment (d)	Unemployment Rate (e)
2025	40,996	\$ 1,492,664	\$ 36,410	37.6	3,330	3.8%
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	3,734	4.3%
2021	40,961	1,062,569	25,941	36.0	3,729	3.7%
2020	40,552	982,210	24,221	36.0	4,002	5.6%
2019	40,845	931,715	22,811	35.8	3,957	4.0%
2018	40,766	903,008	22,151	35.6	3,907	3.6%
2017	40,797	903,694	22,151	33.1	4,044	5.3%
2016	40,997	842,406	20,548	35.5	4,062	4.4%

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

CITY OF COVINGTON, KENTUCKY

Schedule 15 – Principal Employers Current and Past Nine Fiscal Years

Employer	2025			2024			2023			2022			2021		
	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	6,184	1	9.70%	5,646	1	10.80%	6,553	1	10.37%	4,957	1	8.65%	4,837	1	8.44%
Internal Revenue Service	2,592	2	4.07%	2,592	2	4.96%	2,592	2	4.10%	2,592	2	4.52%	1,993	2	3.48%
Surge Staffing LLC	771	3	1.21%			0.00%			0.00%			0.00%			0.00%
Covington Board of Education	722	4	1.13%	563	4	1.08%	687	3	1.09%	691	3	1.21%	914	3	1.59%
United States Postal Service	678	5	1.06%	678	3	1.30%	678	4	1.07%	678	4	1.18%	678	5	1.18%
Commonwealth of Kentucky	563	6	0.88%	471	5	0.90%	505	6	0.80%	437	7	0.76%	553	6	0.96%
St. Elizabeth Hospital	481	7	0.75%	389	6	0.74%	427	9	0.68%	387	9	0.67%			0.00%
Kroger LTD Partnership I	454	8	0.71%			0.00%	406	10	0.64%	374	10	0.65%	405	9	0.71%
Atkins & Pearce Mfg Co	395	9	0.62%			0.00%			0.00%			0.00%			0.00%
Diocese of Covington Bd of Ed	372	10	0.58%	388	7	0.74%			0.00%			0.00%			0.00%
Blair Technology Group LLC			0.00%	281	10	0.54%									
CTI-Clinical Trial Services Inc			0.00%	328	8	0.63%	427	8	0.68%	404	8	0.70%			0.00%
Erigo			0.00%			0.00%	517	5	0.82%	450	6	0.78%	400	10	0.70%
Gravity Diagnostics LLC			0.00%	275	9	0.53%			0.00%	466	5	0.81%			
Ngroup Inc.			0.00%			0.00%			0.00%			0.00%	537	8	0.94%
RDI Corporation			0.00%			0.00%	489	7	0.77%			0.00%	802	4	1.40%
Taylor Farms Tennessee			0.00%			0.00%			0.00%			0.00%	550	7	0.96%
Total	13,212		20.71%	11,611		22.22%	13,281		21.02%	11,436		19.93%	11,669		20.36%

Employer	2020			2019			2018			2017			2016		
	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	1,993	2	5.26%	3,951	1	11.21%	4,046	1	15.10%	4,088	1	15.25%	4,046	1	15.10%
Fidelity Investments	4,729	1	12.49%	2,069	2	5.87%	3,923	2	14.64%	4,028	2	15.03%	3,923	2	14.64%
Club Chef				1,039	3	2.95%	1,270	3	4.74%			0.00%	1,281	3	4.78%
Covington Board of Education	914	3	2.41%	914	4	2.59%	914	4	3.41%	940	3	3.51%	914	4	3.41%
Commonwealth of Kentucky	512	7	1.35%	477	7	1.35%	561	5	2.09%	487	5	1.82%	561	5	2.09%
Diocese of Covington Bd of Ed	427	8	1.13%	403	9	1.14%	404	6	1.51%	398	7	1.49%			
St. Elizabeth Hospital	402	10	1.06%	408	8	1.16%	397	7	1.48%	414	6	1.54%	445	6	1.66%
Rosedale Manor				488	6	1.38%	488	8	1.82%			0.00%	414	7	1.54%
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%
Kenton County Fiscal Court	421	9	1.11%							351	8	1.31%			
A.C. Nielsen										220	10	0.82%			
Taylor Farms Tennessee	550	5	1.45%							-		0.00%			
No. KY MH-MR Board												0.00%	89	9	0.33%
Crown Services Inc.	549	6	1.45%	524	5	1.49%									
United States Postal Service	658	4	1.74%												
Total	11,155		29.45%	10,612		30.10%	12,552		46.84%	11,901		44.41%	12,083		45.08%

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**

Full-time-Equivalent Employees as of June 30										
<u>Function/Program</u>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Government										
Management Services	27	27	25	22	18	15	15	15	16	16
Finance	15	15	13	11	13	12	13	10	7	9
Economic Development/Neighborhood	13	9	14	11	12	10	9	8	12	12
Code Enforcement	8	7	6	6	6	2	2	2	1	0
Housing	0	11	6	6	6	6	6	6	7	7
Waste	2	2	3	2	2	2	2			
Police										
Officers	110	118	118	107	112	111	111	110	102	102
Civilians	13	11	10	10	10	11	11	8	7	7
Fire										
Firefighters and Officers	111	126	152	118	122	119	119	121	114	114
Civilians	3	3	1	1	1	1	1	1	0	0
Other										
Public Works	60	63	48	47	51	45	32	30	30	30
Parks and Recreation	5	5	21	4	4	4	19	19	19	19
Total	367	397	417	345	357	338	340	330	315	316

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									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Police										
Physical arrests	2,775	4,640	2,986	2,885	3,413	4,013	4,018	4,016	3,943	4,141
Parking violations *	29,257	21,861	20,643	14,703	7,659	13,230	11,233	12,352	11,637	13,333
Traffic violation *	10,386	8,914	7,451	8,143	7,781	5,421	6,341	3,606	2,925	5,097
Fire										
Fire responses	2,437	2,311	2,322	2,193	2,262	2,522	2,450	2,346	2,413	2,620
Ambulance runs	8,837	9,125	9,389	9,219	8,704	9,052	9,515	9,420	9,449	9,604
Inspections	1,984	1,211	1,160	912	818	1,566	2,307	2,909	2,465	2,310

*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**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-Stations	2	2	2	2	2	2	2	2		
Patrol units	114	114	114	114	114	114	114	114	118	126
Fire stations	5	5	5	5	5	5	5	5	5	5
Other Public Works										
Streets (miles)	260	260	260	260	260	260	260	260	235	235
Streetlights	3,535	3,535	3,535	3,231	3,231	3,231	3,231	3,231	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
Parks and recreation										
Parks	24	24	24	27	27	27	27	24	24	24
Acreage	859	859	859	859	859	859	859	859	859	859
Playgrounds	14	14	14	14	14	14	14	14	13	13
Baseball/softball diamonds	6	6	6	7	7	7	7	7	9	7
Soccer/football fields	3	3	3	3	3	3	3	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	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, 2025
(amounts in thousands)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (3)	Estimated Share of Overlapping Debt
Kenton County	\$ 81,241 (1)	24.16%	\$ 19,628
Covington Independent School District	34,370 (2)	100.00%	34,370
Subtotal, overlapping debt	<u>\$ 115,611</u>		<u>53,998</u>
City of Covington direct debt			103,934
Total direct and overlapping			<u>\$ 157,932</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, 2025**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Agreement Number	Revenues for FYE June 30, 2025	Expenditures for FYE June 30, 2025
<u>U.S. Department of Housing and Urban Development</u>				
Section 8 Housing Choice Voucher	14.871	KY-133-VO-0054-0F04	\$ -	\$ -
Community Development Block Grants/Entitlement Grants (see Note 4)	14.218	B-21-MC-21-0001	1,843,086	1,843,086
Community Development Block Grants/Entitlement Grants	14.218	Loans Outstanding	-	150,000
Total Community Development Block Grants/Entitlement Grants			1,843,086	1,993,086
HOME Investment Partnership Programs	14.239	M-20-DC-21-0200	1,097,861	1,097,861
		Loans Outstanding	-	378,717
Total Home Investment Partnership Programs			1,097,861	1,476,578
Total U.S. Department of Housing and Urban Development			2,940,947	3,469,664
<u>Department of Justice</u>				
Bulletproof Vest Partnership Program	16.607	N/A	13,690	13,690
Equitable Sharing Funds	16.922	N/A	41,231	41,231
<i>Pass through from Kenton County</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0159	-	-
Total U.S. Department of Justice			54,921	54,921
<u>Department of Transportation</u>				
<i>Pass through from Kentucky Transportation Cabinet</i>				
Highway Planning and Construction - 7th Street Streetscape	20.205	3002-340	1,289,690	1,289,690
Highway Planning and Construction - Scott & Greenup Two Way	20.205	3002-340	284,069	284,069
Highway Planning and Construction - Madison Avenue Streetscape	20.205	3002-340	778,667	778,667
<i>Pass through from Commonwealth of Kentucky</i>				
Highway Planning and Construction - Brent Spence Bridge Project	20.205	N/A	126,954	126,954
Total Highway Planning and Construction			2,479,380	2,479,380
State and Community Highway Safety	20.600	AL-2019-09-00-00	85,647	85,647
<i>Pass through from City of Erlanger</i>				
State and Community Highway Safety	20.600	AL-2019-09-00-00	169,434	169,434
Total State and Community Highway Safety			255,081	255,081
Total Department of Transportation			2,734,461	2,734,461
<u>Department of the Interior</u>				
<i>Pass through from the Kentucky Heritage Council</i>				
Historic Preservation Fund Grants-in-Aid	15.904	N/A	\$ 23,541	\$ 23,541
Total Department of Interior			23,541	23,541
<u>Department of Homeland Security</u>				
FEMA Port Security Grant Program	97.056	EMW-2020-FG-10960	6,581	6,581
FEMA Port Security Grant Program	97.056	EMW-2021-FG-00086	3,311	3,311
FEMA Port Security Grant Program	97.056	EMW-2022-FG-03438	142,218	142,218
FEMA Assistance to Firefighters Grant	97.044	EMW-2021-FF-01943	453,795	453,795
Total FEMA Port Security Grant Program			605,905	605,905
Total Department of Homeland Security			605,905	605,905
<u>Department of the Treasury</u>				
COVID-19 - Coronavirus State Fiscal Recovery Fund	21.027	P0 1122100000770	6,031,687	6,031,687
Total Department of the Treasury			6,031,687	6,031,687
<u>Department of Commerce</u>				
Economic Adjustment Program for Covington Central Riverfront Development	11.307	4-79-07697	35,887	35,887
Total Department of Commerce			35,887	35,887
Total Expenditures of Federal Awards			\$ 12,427,349	\$ 12,956,066

CITY OF COVINGTON, KENTUCKY

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025**

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, 2025 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.

**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, 2025, 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, 2026.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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*.

**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)**

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.



Crestview Hills, Kentucky
February 18, 2026

**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, 2025. The City of Covington, Kentucky's major federal programs are identified in the summary of auditors' 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, 2025.

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 Auditors' 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)**

Auditors' 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.

**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 Auditors' 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, 2026

CITY OF COVINGTON, KENTUCKY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

SECTION I -SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X 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? _____ Yes X None noted

Type of auditors' 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
21.027	Coronavirus State and Local Fiscal Recovery Program
14.218	Community Development Block Grant

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, 2025**

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

CITY OF COVINGTON, KENTUCKY

**Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2025**

SECTION I – SUMMARY OF PRIOR YEAR AUDITOR’S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

2024-001: Disposal of capital assets

Statement of prior year deficiency: During the audit, it was identified that a building was disposed of in the current year that should’ve been disposed of in FY2020. A prior period adjustment related to the disposal of building that affected the net position of the City.

Current year status: Resolved during the year ended June 30, 2024. The City finance department reviews property records and city ordinances to accurately and timely report capital asset disposals.

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

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

Statement of prior year deficiency: 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.

Current year status: The public housing authority separated from the City during FY25.