



COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

CITY OF COVINGTON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED June 30, 2019

Issued by:
Finance Department

Muhammed Owusu
Finance Director

Prepared by:
Finance Department

CITY OF COVINGTON, KENTUCKY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED June 30, 2019

Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal	1
List of Elected and Appointed Officials	8
Organizational Chart	9
GFOA Certificate of Achievement	10

FINANCIAL SECTION

Independent Auditors' Report	11
Management's Discussion and Analysis.....	13

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position.....	26
Statement of Activities.....	27

Fund Financial Statements:

Balance Sheet – Governmental Funds	28
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	29
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities	31
Statement of Net Position – Proprietary Funds	32
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds.....	34
Statement of Fiduciary Net Position – Fiduciary Funds	35
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	36
Notes to the Basic Financial Statements.....	37

Table of Contents (con't.)

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	81
RSI – Employees’ Retirement Plan	85
RSI – Police and Firemen’s Retirement Plan	86
Notes to Required Supplementary Information	87
RSI – Schedule of the Proportionate Share of Net Pension Liability.....	88
RSI – Schedule of City Contributions - Pension.....	89
RSI – Schedule of the Proportionate Share of Net OPEB Liability.....	90
RSI – Schedule of City Contributions - OPEB.....	91
Notes to Required Supplementary Information	92

Combining Statements and Individual Fund Schedules:

Description of Funds	93
Combining Balance Sheet – Nonmajor Governmental Funds.....	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	97

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –	
Federal & State Grants Fund	98
Community Development Block Grant Fund	99
Lead Hazard Reduction Fund	100
HOME Program Fund.....	101
One Stop Shop Fund.....	102
Police Forfeiture Justice Fund.....	103
HOME Consortium Fund	104
Housing Voucher Program Fund.....	105
Infrastructure Fund	106
EDF Fund.....	107
TIF Fund.....	108
Police & Fire Supplemental Pay Fund	109
Fleet, Equipment, Technology, Facilities, & Other Capital Projects Fund	110
Waste Fund.....	111
Ambulance Fund	112
Devou Park Maintenance Fund.....	113
Devou Park Master Plan Fund	114
Capital Improvement Fund	115

Table of Contents (con't.)

Combining Statement of Net Position – Internal Service Funds	116
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds	117
Combining Statement of Cash Flows – Internal Service Funds	118
Statement of Changes in Fiduciary Net Position – Agency Funds.....	119
 <u>STATISTICAL SECTION</u>	
Statistical Section Narrative	120
Schedule 1 - Net Position by Component	121
Schedule 2 - Changes in Net Position	122
Schedule 3 - Fund Balances, Governmental Funds	123
Schedule 4 - Changes in Fund Balances – Governmental Funds	124
Schedule 5 - Occupational License Fees – Payroll Withholding	125
Schedule 6 - Principal Occupational Payroll Tax Payers	126
Schedule 7 - Assessed Value and Estimated Actual Value of Taxable Property...	127
Schedule 8 - Direct and Overlapping Property Tax Rates	128
Schedule 9 - Principal Real Property Tax Payers	129
Schedule 10 - Property Tax Levies and Collections	130
Schedule 11 - Ratios of Outstanding Debt by Type	131
Schedule 12 - Ratio of General Bonded Debt Outstanding	132
Schedule 13 - Legal Debt Margin Information.....	133
Schedule 14 - Demographic and Economic Statistics	134
Schedule 15 - Principal Employers	135
Schedule 16 - Full-Time Equivalent City Government Employees by Function/Program.....	136
Schedule 17 - Operating Indicators by Function/Program	137
Schedule 18 - Capital Assets Statistics by Function/Program	138
Schedule 19 - Direct and Overlapping Governmental Activities Debt.....	139
 Addendum A – Single Audit Report	 140

INTRODUCTORY SECTION



OFFICE OF THE CITY MANAGER

November 26, 2019

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

We are pleased to present the City of Covington, Kentucky's (City) Comprehensive Annual Financial Report (CAFR), for the fiscal year (FY) ended June 30, 2019. This report is intended to provide informative and relevant financial data to the residents of the City, the City Commissioners, 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 - a narrative overview and analysis of the financial statements – included in this document. Any individual with comments or questions concerning this report is encouraged to contact the City's Finance Department at (859) 292-2180. This report may also be found online at www.covingtonky.gov/financials

State law requires that all general-purpose local governments publish by February 1st immediately following the close of each FY a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in accordance with the implementation of Governmental Accounting Standards Board (GASB) Statement 34, and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the CAFR for the City for the FY ended June 30, 2019.

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

of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included in this report.

The City's financial statements have been audited by RFH Certified Public Accountants, with a local office in Lexington, KY. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2019, 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 ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

GAAP requires management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (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 13.1 square miles and serves an estimated population of 40,845 based on the 2019 population estimates (<https://livability.com/ky/covington>). 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 property tax on both real and personal properties.

The City operates under the Commission/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 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 non-staggering 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; solid 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.

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 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 Kentucky Constitution. The final budget is adopted prior to July 1 of each year. The appropriated budget is prepared by fund and department (e.g., police). Department heads may make transfers of appropriations within personal service (PS) and non-personal service (NPS) in a department with the approval of the City Manager, or his designee. The City Manager cannot make transfers of appropriations between funds, or between PS and NPS without the Board approval. 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, Northern Kentucky Tri-County Economic Development Corporation, and the Northern Kentucky Chamber of Commerce. The business-friendly attitude of Covington's elected and appointed officials and other community leaders over the past three 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 59% of all General Fund Revenue.

Since 2014, total taxable property assessed value has increased by 2.1%. The City recognized an increase in total taxable assessed value of 1.4% over fiscal year 2018. The City also recognized an increase in payroll tax revenue of 2.84% over fiscal year 2018.

The City's unemployment rate is 4.0%, which is 0.3% higher than the US rate of 3.7%. The City is taking steps to attract prospective businesses that will help grow local jobs.

The City is re-examining operations including the use of tax incentives to foster development, best use for the vacant IRS site and reducing the stable of dilapidated buildings to put those properties back on the tax rolls. All these actions are fueling a renewed sense of excitement in the City. Once considered a place whose best days were in its gritty past, Covington has established a new narrative as a rebounding city crackling with energy throughout its urban core. Busy sidewalks, "quirky" restaurants and nightspots, engaged citizenry, and cultural opportunities have combined to make Covington a renewed choice for businesses and young talent who like how the City has sought to take advantage of its major metropolitan geography while retaining its historic character and small-town charm.

For the first time ever, America's largest art and light show, BLINK came to the City. The biennial event centered in downtown Cincinnati attracted more than 1.25 million visitors over four days to marvel at public art and light installations. Organizers pointed to the rebirth of the City's core and the numerous public art installations by world-renowned artists as reasons to expand BLINK south of the river.

The historic Hannaford building now houses luxury loft apartments, retail shops and a popular downtown night spot. The former YMCA building which sat vacant for nearly a decade now has a development in the pipeline that will restore the building, create more than 100 new jobs and attract more visitors to the downtown core.

Wanting to accelerate the economic momentum and establish the rebirth narrative, City officials have spent the last year taking tangible steps to grow its economy while laying the foundation for future growth with strategic planning.

Recognizing that entrepreneurs, small businesses, and startups provide the energy that drive the economies of cities, City leaders have invested over a quarter of a million dollars in the City's Small Business Program over the last three years. These direct incentives have in turn leveraged over \$2.2 million of private investment, attracted new businesses, enhanced the narrative of a vibrant economy undergoing rebirth, attracted an array of visitors and shoppers (many for the first time), and have energized business corridors throughout the City.

The City has seen immense success in attracting businesses that increase its tax base and fill vacant office spaces. The City currently boasts a 4% vacancy rate in the Class A & B space and struggles to fill demand from businesses looking to take advantage of the City's urban, walkable amenities.

The City continues to invest in its infrastructure that include but are not limited to streetscape improvements, free Wi-Fi in downtown, a \$6.5 million redevelopment of the riverfront that will reconnect the City to the Ohio River and add a 1,350-seat amphitheater, walking trails, and a fishing pier.

To build on its successes in a thoughtful and efficient manner, the City hired Atlanta-based Garner Economics in December 2018 to craft a multi-year, economic development strategy. Examining the City through the eyes of a professional site selector, Garner Economics analyzed the City's "assets" and "challenges" and devised 15 recommendations and three target sectors that prioritize resources and focus on sectors in which the City holds a competitive advantage. Making clear that the report represented an action plan, the City Commission unanimously adopted the plan as the City's Economic Development Strategy in September 2019, and staff has begun work to implement its strategic recommendations.

The City has hired a team headed by consultant Kendig Keast Collaborative to draft a new form-based Neighborhood Development Code, to modernize the existing Zoning Ordinance. The City's new Zoning Ordinance will provide greater flexibility and certainty in obtaining building permits, allow greater ease when readapting historic properties, and respond better to urban market desires. The City is currently working with stakeholders and the consultant on a first draft and anticipate adopting a new code in the summer of 2020.

The City is in the final stages of creating and adopting a conceptual master plan for a 23-acre site, a block south of the Ohio River that a national commercial developer has described as one of the most unique and sizable redevelopment opportunities "between Baltimore and New Orleans." City officials have been working with Atlanta-based, global architecture/design firm Cooper Carry for over a year on the site, which was home to the IRS paper-processing facility until September 2019. Currently, the City is negotiating a purchase agreement with the federal General Services Administration and hopes to have control over the site by early 2020. The City is also working with Cooper Carry to solidify a conceptual master plan that will include multiple uses for the site and will seek to develop it with multiple companies in stages.

Many exciting residential and commercial developments are either under construction or planned throughout the City, and employers are once again moving their operations to take advantage of the City's charm and urban living options. With nearly 1,135 apartments either planned, under construction, or completed in 2019, the City continues to partner with community organizations, business stakeholders, and the development community to spur its renaissance.

The following is a listing of projects completed or started in 2019:

Completed projects in 2019:

The Bradford: The Bradford on Scott is a \$2.3 million adaptive re-use of a 14,800 SF, three-story historic building into five condominium units and five street-level commercial spaces. The units range in size from 1,800-2,500 SF and all units offer two bedrooms

with a study and roof decks. Completed in Summer 2019, four units have already been sold and four of the commercial spaces leased.

Bavarian Brewery: This is a \$25 million redevelopment of the former Bavarian Brewing property into 80,000 SF of office space for Kenton County government's administrative campus. After completing the Bavarian Brewery site in Summer 2019, the developer is transforming the County's existing office building at 303 Court Street into 100+ residential units with first-floor retail space.

The Madison Flats: The Madison Flats includes the renovation of 13 one-bedroom apartments and 5 commercial storefronts. All units are leased.

Projects under construction/in design in 2019 or in early 2020:

Duveneck Square Phase II: The \$40 million Phase II will complement Phase I, completed in 2018 and bring 84,000 SF Class A Office building, 700-space public parking garage, and streetscape & plaza improvements to the Pike Street corridor. Discussions are ongoing to land office users at the site and bring 300-400 jobs to City.

Riverfront Commons: A contractor hired by the City in autumn 2019 began construction of the \$6.54 million phase II of the City's portion of the Riverfront Commons, a six-city plan to reconnect Northern Kentucky to its riverfront. Phase II will include a 1,350-seat amphitheater, a cobblestone pier for anglers and paddlers, upgraded overlooks, and two concrete paths totaling 2,800 feet for hikers and bikers. The path will stretch along the Ohio River throughout Northern Kentucky, connecting riverfront communities and helping to attract new residents and employers. Phase II will be completed in the fall of 2020.

501 Main: The \$50 million RiverHaus broke ground in Fall 2017 and will add 189 luxury apartments, a parking garage and 4,000 square feet of commercial space into MainStrasse Village. This premier development will allow residents excellent walkability to MainStrasse. Many units are already pre-leased.

John R Green: This \$36 million, 182-unit Urban-style, Class A, multifamily community will be located in the center of MainStrasse Village. In addition to bringing new residents and businesses to the neighborhood, it will provide the public with 90 new parking spaces for visitors and businesses alike.

Covington Yard: An entertainment spot that will include a bar and ocean containers outfitted for food operations. The former garage on the property will be converted into a bar with a covered patio. The site will have green space, outdoor games, and containers for different food vendors. Covington Yard is scheduled to open March 1, 2020.

The Firehouse: Conversion of a historic firehouse into cool, creative office space. The project will have a total of about 14,000 square feet of rentable office space. Construction on this project is expected to start before the end of 2019 and be completed in the second quarter of 2020.

303 Court: A 10-story office tower that has been about half vacant for almost a decade will be converted into 100 apartments and ground-floor restaurant/retail space with some on-site parking.

ICON Marketing: ICON Marketing Communications, is one of greater Cincinnati's fastest growing marketing agencies. The Fort Mitchell-based company has grown rapidly and now has 38 employees and expected to add 10 additional employees. To continue their growth, the company began searching for a larger space in the City. They have an agreement to purchase the Road iD building at 35 W. 8th Street. The total investment for ICON is about \$4.13 million.

Road iD: The company moved to the City in 2018 after a \$4.35 million investment in acquisition, renovation, and equipment. As part of the purchase agreement with ICON, Road iD will remain in the City but relocate into a vacant warehouse space directly behind its current offices that it owns, and will sell 35 W 8th Street to ICON Marketing. The new investment by ROAD iD is in excess of \$1 million.

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

Respectfully submitted,


David W. Johnston
City Manager


Muhammed K. Owusu
Finance Director

City of Covington, Kentucky
Elected and Appointed Officials
June 30, 2019

Elected Officials

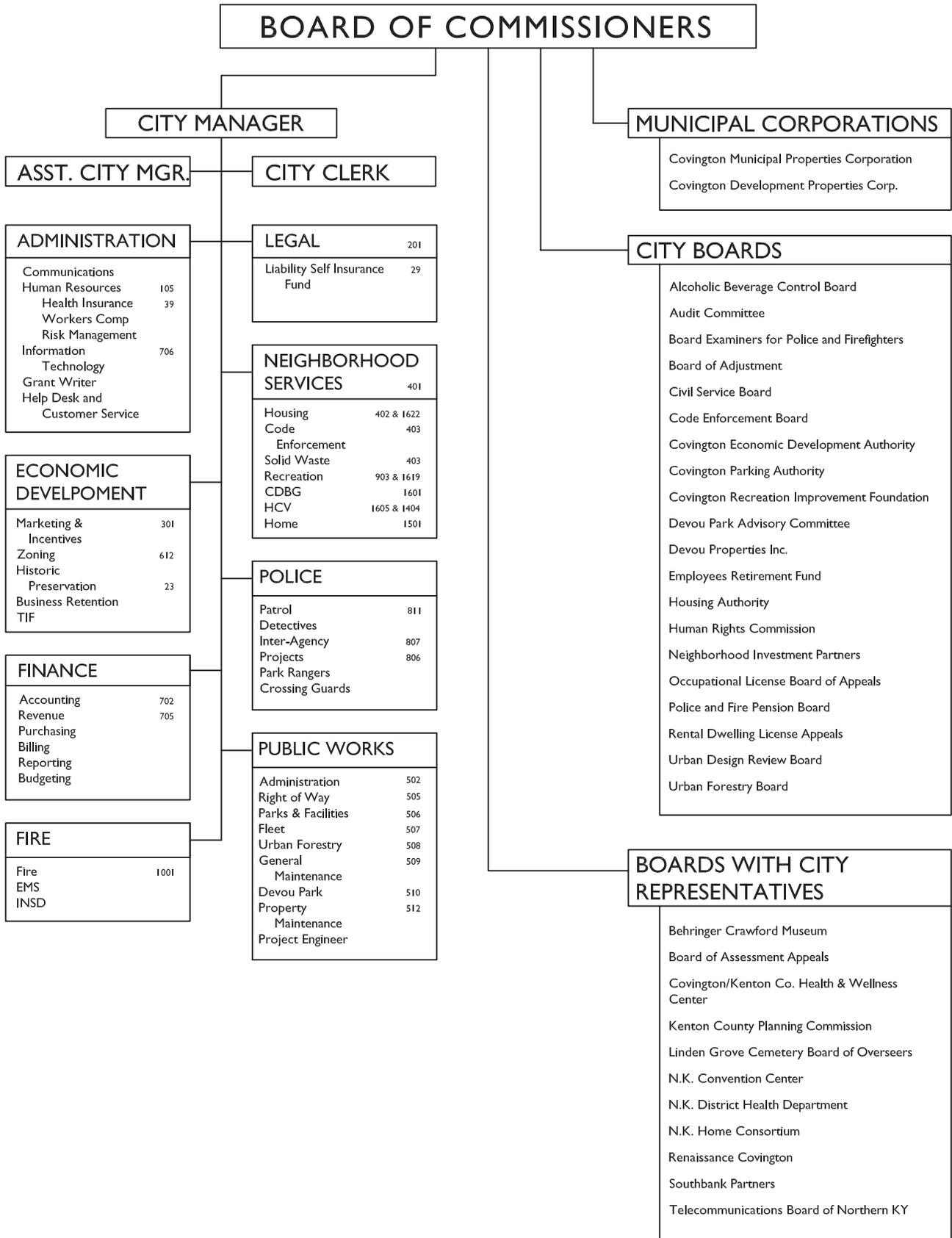
Mayor	Joseph Meyer
Commissioner/Mayor Pro Tem.....	Michelle Williams
Commissioner	Tim Downing
Commissioner	Shannon Smith
Commissioner	Denny Bowman

Appointed Officials

City Manager	David Johnston
City Solicitor.....	Michael Bartlett
Finance Director	Muhammed Owusu
Neighborhood Services Director	Ken Smith
City Clerk.....	Margaret Nyhan
Chief of Police	Robert Nader
Fire Chief.....	Mark Pierce
Public Services Director	Rick Davis
Economic Development Director	Tom West
Human Resources Director	Jo Ann Simpson
Communications Director.....	Dan Hassert

COVINGTON, KENTUCKY

ORGANIZATION CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Covington
Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

**FINANCIAL
SECTION**



INDEPENDENT AUDITORS' REPORT

To the Mayor and City Commissioners
City of Covington, Kentucky

Report on the Financial Statements

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, 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules and OPEB schedules on pages 13–25 and 81–92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Covington, Kentucky's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Covington, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Covington, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
November 26, 2019

**City of Covington, Kentucky
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019**

(Unaudited)

The following is a narrative overview and analysis of the financial activities of the City of Covington, Kentucky for the Fiscal Year ending June 30, 2019. This discussion and analysis serves 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 fiscal year ended June 30, 2019 include:

- The City's fiscal year 2019 carry-over is \$2,740,950 resulting in a General Fund balance at year-end of \$17,336,449.
- The City recognized an increase in payroll tax revenue of 2.84% over fiscal year 2018.
- The City recognized an increase in net profit revenue of 20.70% over fiscal year 2018.
- The City's insurance license fee increased to \$7,613,448 in fiscal year 2019, an increase of \$20,959 or 0.28% over the previous year.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to 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 of 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 fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

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

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

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

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 fiscal year.

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, Neighborhood Stabilization Program Fund, and the Capital Improvement Fund, which are considered to be 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 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 Covington Motor Vehicle Parking Authority (Parking Authority) Fund is the City's only enterprise fund. The enterprise fund is reported as business-type activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of the City's risks and for medical and dental coverage for its employees. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Because both of these 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 of these 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.

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 \$50,039,692, at the close of the most recent fiscal year.

Statement of Net Position

	Governmental Activities		
	2019	2018	Change
Current and other assets	\$ 42,449,275	\$ 41,681,039	\$ 768,236
Capital assets	<u>61,766,311</u>	<u>69,071,859</u>	<u>(7,305,548)</u>
Total assets	<u>104,215,586</u>	<u>110,752,898</u>	<u>(6,537,312)</u>
Deferred outflows of resources	<u>30,824,776</u>	<u>37,376,491</u>	<u>(6,551,715)</u>
<i>Long-term liabilities</i>			
Net pension liability	92,237,476	88,166,289	4,071,187
Net OPEB liability	25,003,095	29,364,452	(4,361,357)
Other long-term amounts	50,107,569	57,257,196	(7,149,627)
Other liabilities	<u>9,531,456</u>	<u>10,407,791</u>	<u>(876,335)</u>
Total liabilities	<u>176,879,596</u>	<u>185,195,728</u>	<u>(8,316,132)</u>
Deferred Inflow of Resources:	<u>8,200,458</u>	<u>3,256,539</u>	<u>4,943,919</u>
Net position:			
Net investment in capital assets	26,338,857	27,309,024	(970,167)
Restricted	4,938,061	4,892,341	45,720
Unrestricted (deficit)	<u>(81,316,610)</u>	<u>(72,524,243)</u>	<u>(8,792,367)</u>
Total net position	<u>\$ (50,039,692)</u>	<u>\$ (40,322,878)</u>	<u>\$ (9,716,814)</u>

By far, the largest portion of the City's net position (\$26,338,857) 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.

An additional portion of the City's net position (\$4,938,061) represents resources that are subject to use restrictions from external sources. The remaining balance is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

As noted earlier, increases and decreases of net position can serve as a useful indicator of changes in a government's financial position. In Fiscal Year 2019, liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by \$50.0 million. Total assets decreased from the prior fiscal year (FY 2018) by \$6,537,312, total liabilities also decreased by \$8,316,132.

In the case of the City's business-type activities, assets exceeded liabilities by \$5,219,206, at the close of the most recent fiscal year.

Statement of Net Position

	Business-type Activities		
	2019	2018	Change
Current and other assets	\$ 252,609	\$ -	\$ 252,609
Capital assets	<u>7,984,366</u>	-	<u>7,984,366</u>
Total assets	<u>8,236,975</u>	-	<u>8,236,975</u>
<i>Long-term liabilities</i>			
Other long-term amounts	2,961,948	-	2,961,948
Other liabilities	<u>55,821</u>	-	<u>55,821</u>
Total liabilities	<u>3,017,769</u>	-	<u>3,017,769</u>
Net position:			
Net investment in capital assets	5,022,418	-	5,022,418
Unrestricted	<u>196,788</u>	-	<u>196,788</u>
Total net position	<u>\$ 5,219,206</u>	<u>\$ -</u>	<u>\$ 5,219,206</u>

Commissioners' Ordinance O-07-18 created the Covington Motor Vehicle Parking Authority (CMVPA). The CMVPA has the powers of acquisition, incurring of debt, creation and operation of public street and off-street parking facilities. As of June 30, 2019, CMVPA had \$7,984,366 in parking related assets, which comprised mostly of surface lots and parking garages owned by the City of Covington, which were transferred to the Authority. As of June 30, 2019, CMVPA had \$2,961,948 in parking related long-term debt that had been transferred from the City of Covington.

Statement of Activities

	Governmental Activities		
	2019	2018	Change
Program revenues:			
Charges for services	\$ 6,007,124	\$ 6,891,828	\$ (884,704)
Operating grants and contributions	10,876,303	11,087,041	(210,738)
Capital grants and contributions	<u>1,516,820</u>	<u>1,711,776</u>	<u>(194,956)</u>
Total program revenues	<u>18,400,247</u>	<u>19,690,645</u>	<u>(1,290,398)</u>
General revenues:			
Taxes	48,258,953	46,941,402	1,317,551
Investment earnings	750,298	208,636	541,662
Miscellaneous	<u>1,018,066</u>	<u>664,949</u>	<u>353,117</u>
Total general revenues	<u>50,027,317</u>	<u>47,814,987</u>	<u>2,212,330</u>
Total revenues	<u>68,427,564</u>	<u>67,505,632</u>	<u>921,932</u>
Expenses:			
General government	7,243,552	7,944,679	(701,127)
Police	21,111,281	20,397,256	714,025
Fire	21,221,513	19,695,653	1,525,860
Public improvements	11,206,541	10,382,962	823,579
Community development	10,806,389	10,371,116	435,273
Parking garage	-	900,712	(900,712)
Interest on long-term debt	<u>1,510,745</u>	<u>1,654,623</u>	<u>(143,878)</u>
Total expenses	<u>73,100,021</u>	<u>71,347,001</u>	<u>1,753,020</u>
Total transfers (out)	<u>(5,044,357)</u>	<u>-</u>	<u>(5,044,357)</u>
Change in net position	(9,716,814)	(3,841,369)	(5,875,445)
Net position, beginning of year	<u>(40,322,878)</u>	<u>(36,481,509)</u>	<u>(3,841,369)</u>
Net position, end of year	<u>\$ (50,039,692)</u>	<u>\$ (40,322,878)</u>	<u>\$ (9,716,814)</u>

In Fiscal Year 2019, government-wide revenues increased from Fiscal Year 2018 by \$921,932 and government-wide expenses increased by \$1,753,020.

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

- Program revenues decreased in Fiscal Year 2019 from Fiscal Year 2018 due to:
 - A decrease in operating grants and contributions
 - A decrease in capital grants and contributions

- General revenues were higher in Fiscal Year 2019 than Fiscal Year 2018 primarily due to
 - An increase in taxes collected of \$1,317,551
 - An increase in investment earnings of \$541,662
 - An increase in miscellaneous revenue of \$353,117

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

- Police and Fire expenditures were higher in Fiscal Year 2019 than Fiscal Year 2018 primarily due to:
 - Recognition of expenditures related to the City’s proportionate share of the CERS pension and OPEB expenses made in the current year were larger than in the prior year
- General government expenditures were lower in Fiscal Year 2019 than Fiscal Year 2018 due primarily to:
 - Vacancies at City Departments during the year

Statement of Activities

	Business-type Activities		
	2019	2018	Change
Program revenues:			
Charges for services	\$ 1,679,612	\$ -	\$ 1,679,612
Total program revenues	<u>1,679,612</u>	<u>-</u>	<u>1,679,612</u>
Expenses:			
Parking authority	<u>1,504,763</u>	<u>-</u>	<u>1,504,763</u>
Total expenses	<u>1,504,763</u>	<u>-</u>	<u>1,504,763</u>
Total transfers in	<u>5,044,357</u>	<u>-</u>	<u>5,044,357</u>
Change in net position	5,219,206	-	5,219,206
Net position, beginning of year	-	-	-
Net position, end of year	<u>\$ 5,219,206</u>	<u>\$ -</u>	<u>\$ 5,219,206</u>

In fiscal year 2019, the CMVPA’s total revenue from parking related activities were \$1,679,612 while expenses totaled \$1,504,763. The majority of expenses, approximately \$895,151 were directly related to the management contract with ABM Parking, for the day to day management of the parking facilities. Total transfers comprise of the difference between transfer-in of assets totaling \$8,489,285 and the recording of \$3,444,928 of parking related debt.

Financial Analysis of the Government's Funds

Governmental Funds

At June 30, 2019, the City's governmental funds reported combined fund balances of \$26,435,579, an increase of \$2,638,725 from the prior fiscal year. The majority of this increase in the major funds occurred in the General Fund, which recorded a fund balance increase of approximately \$2.7 million.

Approximately 32% of the \$26,435,579 (\$8,502,375) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is non-spendable, restricted, or committed. Non-spendable fund balance of \$156,908, cannot be spent either because it is in non-spendable form or because there are legal or contractual reasons it cannot be spent. Restricted funds, \$4,938,061, 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, \$12,838,235, are amounts that can be used only for specific purposes as determined by formal action of the City Commission by ordinance or order. Funds within the Committed category include deposits in accounts per the City's General Fund Operating Reserve Fund Ordinance, O-05-19. The City's General Fund Operating Reserve 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) General Fund Operating Reserve Fund - 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 against the City, and (3) the Self-insured Employee Health Plan Fund – used to provide for reliable funding of the City's Self-Insured Employees Health Plan.

The General Fund Operating Reserve Fund Ordinance also reaffirmed previous ordinances that established deposit accounts specific to purposeful spending. The ordinances reaffirmed by the Fiscal Stability Ordinance and contributing to the Committed category include:

- 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 the Board of Commissioners
- Infrastructure Fund – used to provide for more reliable funding and investment in the City's infrastructure needs (streets, curbs, sidewalks, street lights, sewers and bridges)
- Covington Economic Development Program Fund – used to provide for more reliable funding of economic development projects, programs, and services as recommended to the Board of Commissioners by the Covington Economic Development Authority
- Tax Increment Financing Fund – used to provide for the City's economic development needs dedicating 80% of the City's Incremental Revenues from the City Real Property Ad Valorem Taxes and Occupational Taxes generated within the Tax Increment Financing (TIF) district to economic development activities

CITY OF COVINGTON, KENTUCKY

Balance Sheet
 Governmental Funds
 June 30, 2019

	General	Neighborhood Stabilization Program	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 16,935,022	\$ -	\$ -	\$ 1,192,678	\$ 18,127,700
Cash held in escrow	431,332	-	-	-	431,332
Investments	9,013,433	-	-	-	9,013,433
Receivables (net of allowance for doubtful accounts):					
Taxes	6,543,723	-	-	-	6,543,723
Intergovernmental	-	-	-	944,173	944,173
Notes	3,622,766	2,374,581	-	546,607	6,543,954
Accounts	56,493	-	-	835,123	891,616
Due from other funds	434,442	-	2,654,687	6,914,483	10,003,612
Due from fiduciary funds	-	-	-	-	-
Prepaid items	155,908	-	-	1,000	156,908
Total assets	<u>\$ 37,193,119</u>	<u>\$ 2,374,581</u>	<u>\$ 2,654,687</u>	<u>\$ 10,434,064</u>	<u>\$ 52,656,451</u>
Liabilities:					
Accounts payable	\$ 676,122	\$ -	\$ 1,124	\$ 700,057	\$ 1,377,303
Accrued liabilities	2,183,933	-	-	104,001	2,287,934
Due to other funds	11,548,237	-	97,624	434,542	12,080,403
Unearned revenue	-	-	-	1,648,390	1,648,390
Total liabilities	<u>14,408,292</u>	<u>-</u>	<u>98,748</u>	<u>2,886,990</u>	<u>17,394,030</u>
Deferred Inflow of Resources:					
Unavailable revenue	<u>5,448,378</u>	<u>2,374,581</u>	<u>-</u>	<u>1,003,883</u>	<u>8,826,842</u>
Fund balances:					
Nonspendable	155,908	-	-	1,000	156,908
Restricted	462,321	-	2,555,939	1,919,801	4,938,061
Committed	7,390,770	-	-	5,447,465	12,838,235
Unassigned	9,327,450	-	-	(825,075)	8,502,375
Total fund balances	<u>17,336,449</u>	<u>-</u>	<u>2,555,939</u>	<u>6,543,191</u>	<u>26,435,579</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 37,193,119</u>	<u>\$ 2,374,581</u>	<u>\$ 2,654,687</u>	<u>\$ 10,434,064</u>	<u>\$ 52,656,451</u>

The City also recognized an increase in payroll tax revenue of 2.84% over Fiscal Year 2018. The City's fiscal year 2019 budget process did not reduce staff or departmental expenditures. The City's fiscal year 2019 carry-over is \$2,740,950 resulting in a General Fund balance at the end of year of \$17,336,449. A significant driver to this year's carry-over includes an increase in general fund revenues and tighter controls on expenditures.

CITY OF COVINGTON, KENTUCKY

Statement of Revenues, Expenditures and Changes

in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2019

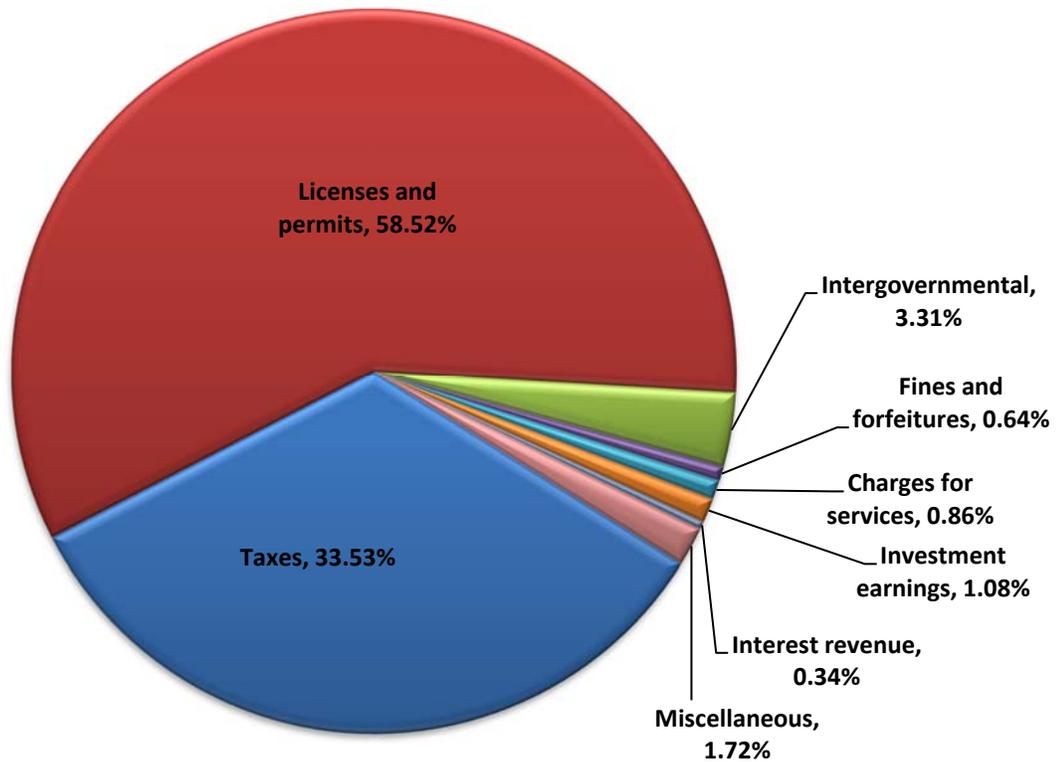
	General	Neighborhood Stabilization Program	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 17,735,156	\$ -	\$ -	\$ -	\$ 17,735,156
Licenses and permits	30,955,990	-	-	-	30,955,990
Intergovernmental	1,749,362	-	-	10,754,188	12,503,550
Fines and forfeitures	337,821	-	-	-	337,821
Charges for services	452,997	-	-	4,140,763	4,593,760
Investment earnings	570,802	-	7	624	571,433
Interest revenue	178,867	-	-	-	178,867
Miscellaneous	919,765	-	-	1,017,281	1,937,046
Total revenues	<u>52,900,760</u>	<u>-</u>	<u>7</u>	<u>15,912,856</u>	<u>68,813,623</u>
Expenditures:					
Current:					
General government	5,733,868	-	-	164,276	5,898,144
Police	14,728,887	-	-	653,532	15,382,419
Fire	14,429,644	-	-	675,013	15,104,657
Public improvements	6,867,090	-	1,595	2,298,126	9,166,811
Community development	2,208,291	-	-	7,920,323	10,128,614
Debt service:					
Principal	3,247,021	-	-	441,996	3,689,017
Interest	1,461,929	-	-	71,293	1,533,222
Capital outlay	479,252	-	480,874	3,890,191	4,850,317
Total expenditures	<u>49,155,982</u>	<u>-</u>	<u>482,469</u>	<u>16,114,750</u>	<u>65,753,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,744,778</u>	<u>-</u>	<u>(482,462)</u>	<u>(201,894)</u>	<u>3,060,422</u>
Other financing sources (uses):					
Transfers in	1,729,345	-	114,303	3,027,378	4,871,026
Transfers out	(2,783,433)	-	-	(2,559,550)	(5,342,983)
Sale of assets	50,260	-	-	-	50,260
Total other financing sources (uses)	<u>(1,003,828)</u>	<u>-</u>	<u>114,303</u>	<u>467,828</u>	<u>(421,697)</u>
Net change in fund balances	2,740,950	-	(368,159)	265,934	2,638,725
Fund balance, beginning of year	14,595,499	-	2,924,098	6,277,257	23,796,854
Fund balance, end of year	<u>\$ 17,336,449</u>	<u>\$ -</u>	<u>\$ 2,555,939</u>	<u>\$ 6,543,191</u>	<u>\$ 26,435,579</u>

The following schedules present a summary of the General Fund revenues and expenditures for the current fiscal year.

General Fund Revenues for the Fiscal Year Ended June 30,

	2019	Percent of Total	2018	Percent Change
Taxes	\$ 17,735,156	33.53%	\$ 17,119,584	3.60%
Licenses and permits	30,955,990	58.52%	29,590,400	4.61%
Intergovernmental	1,749,362	3.31%	1,611,053	8.59%
Fines and forfeitures	337,821	0.64%	221,225	52.70%
Charges for services	452,997	0.86%	2,369,629	-80.88%
Investment earnings	570,802	1.08%	207,207	175.47%
Interest revenue	178,867	0.34%	-	100.00%
Miscellaneous	919,765	1.72%	825,863	11.37%
Total Revenue	\$ 52,900,760	100.00%	\$ 51,944,961	1.84%

2019 General Fund Revenues



Revenue increased in fiscal year 2019, with total General Fund revenue increasing by \$955,799, or 1.84%, from fiscal year 2018 to fiscal year 2019. Over the previous fiscal year, Payroll License Fees increased 2.84% or \$747,291.

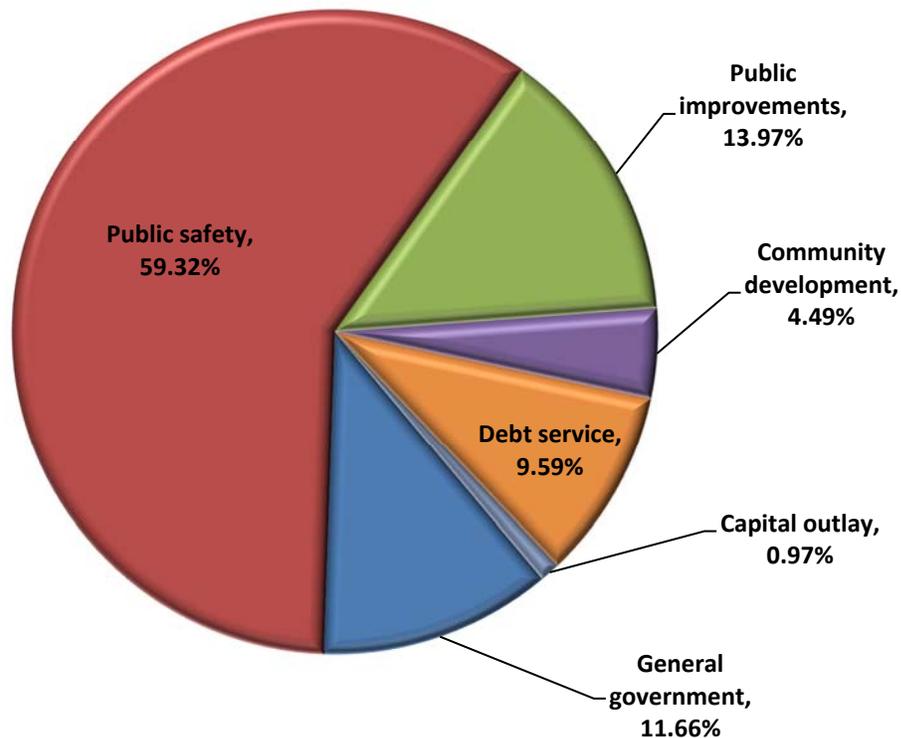
Taxes, which include Real Estate Taxes, Personal Property Taxes, and Insurance Premium Fees increased by \$651,572, or 3.60% from the prior fiscal year. Licenses and permits increased by \$1,365,590, or 4.61% from the prior fiscal year primarily due to an increase in payroll tax. The City anticipates modest growth to continue into Fiscal Year 2020.

General Fund Expenditures for the Fiscal Year Ended June 30,

	2019	Percent of Total	2018	Percent Change
General government	\$ 5,733,868	11.66%	\$ 5,425,874	5.68%
Public safety	29,158,531	59.32%	28,356,437	2.83%
Public improvements	6,867,090	13.97%	6,064,789	13.23%
Community development	2,208,291	4.49%	1,646,371	34.13%
Parking garage	-	0.00%	900,712	-100.00%
Debt service	4,708,950	9.59%	5,102,413	-7.71%
Capital outlay	479,252	0.97%	110,816	332.48%
Total Expenditures	\$ 49,155,982	100.00%	\$ 47,607,412	3.25%

General Fund expenditures increased in fiscal year 2019, with total General Fund expenditures increasing by \$1,548,570, or 3.25%. The increase is primarily attributable to increases in community development, capital outlay and public improvements expenditures.

2019 General Fund Expenditures



Proprietary Fund

The City's proprietary fund financial statements provide the same information found in the government-wide financial statements. See "Business-type Activities" above.

Capital Assets and Debt Administration

Capital Assets: The City's investment in capital assets as of June 30, 2019 amounts to \$69,750,677 (*net of accumulated depreciation*), an increase of \$678,818 from the prior fiscal year. This investment includes land and improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. The total increase in capital assets for the current fiscal year was 0.98% over the prior fiscal year.

**Capital Assets at June 30,
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 13,017,026	\$ 14,886,323	\$ 2,317,685	\$ -	\$15,334,711	\$14,886,323
Land improvements	2,255,369	2,117,822	-	-	2,255,369	2,117,822
Buildings	12,863,164	18,590,871	4,954,608	-	17,817,772	18,590,871
Building improvements	2,182,087	3,408,953	712,073	-	2,894,160	3,408,953
Machinery and equipment	1,667,415	786,634	-	-	1,667,415	786,634
Vehicles	3,339,158	4,145,984	-	-	3,339,158	4,145,984
Infrastructure	23,599,758	23,560,543	-	-	23,599,758	23,560,543
Construction in progress	2,842,334	1,574,729	-	-	2,842,334	1,574,729
Totals	\$ 61,766,311	\$ 69,071,859	\$ 7,984,366	\$ -	\$69,750,677	\$69,071,859

Additional information on the City's capital assets can be found in Note 4.

Long-term Debt: At the close of the current fiscal year, the City had outstanding notes, bonds and capital leases of \$50,209,402, which is backed by the full faith and credit of the City.

Outstanding Long-term Debt Obligations at June 30,

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Bonds and notes	\$ 31,637,646	\$ 37,601,864	\$ 2,961,948	\$ -	34,599,594	\$37,601,864
Capital Leases	15,609,808	16,785,971	-	-	15,609,808	16,785,971
Total	\$ 47,247,454	\$ 54,387,835	\$ 2,961,948	\$ -	\$50,209,402	\$54,387,835

The City issues and incurs debt in order to fund capital improvement projects, purchase capital equipment and facilities, and to support economic development. The City's outstanding debt decreased by \$4,178,433, or 7.68%, over the prior fiscal year. This represents principal payments made during the fiscal year. The City issued no new debt during fiscal year 2019 and has no plans to issue debt. Additional information on the City's long-term debt can be found in Note 7.

Economic Factors and Next Year's Budget

The budget for Fiscal Year 2020 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.

Fiscal Year 2020 Goals include:

- Grow revenues without increasing taxes
- Maintain and improve current level of services
- Continue to improve the City's credit rating
- Improve public services offered to our citizens
- Support recent reorganization of City departments

Fiscal Year 2020 Assumptions include:

- Balance budget for fiscal year 2020
- "Status quo" base budget
- Grow the City's "rainy day" fund by \$2 million and increase other revenues
- Fiscally conservative budget forecast
- \$1,319,519 was granted to the City for a Lead Hazard Reduction Program
- Adding one Economic Development Specialist to the Economic Development Department
- No new debt
- TIF District committed \$1,650,000 to assist in infrastructure projects
- Reduction in debt service payments as a result of the CMVPA creation
- Budgeted \$360,955 in grant assisted recreation projects
- Budgeted \$13 Million in grant assisted Infrastructure projects throughout the City
- Created the position of Park Program Coordinator
- Planned 2% wage increase for all non-union employees
- Invest in new Real Estate and Waste Fee collection software
- Successful renegotiations of all Union contracts
- Invest \$1.4 million in transportation equipment for Police, Fire, and Public Works Departments
- No tax increases
- An increase in the City's employer contribution rate for pension contributions from 35.34% to 39.58% for public safety personnel
- An increase in the City's employer contribution rate for pension contributions from 21.48% to 24.06% for all other personnel

The City was able to successfully develop a Fiscal Year 2020 budget based upon the above goals and assumptions. The City also approved over \$21.6 million in additional spending for infrastructure improvements and equipment purchases out of capital funding sources.

For fiscal year 2020, the City budgeted a modest increase in revenues based on the past three-year trend of 1 – 3% revenue growth.

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 money 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.

BASIC FINANCIAL STATEMENTS

CITY OF COVINGTON, KENTUCKY

Statement of Net Position
June 30, 2019

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		Devou Properties, Inc.
Assets				
Cash and cash equivalents	\$ 18,127,700	\$ -	\$ 18,127,700	\$ 2,958,498
Cash held in escrow	431,332	-	431,332	-
Investments	9,013,433	-	9,013,433	-
Receivables (net of allowance for doubtful accounts)				
Taxes	6,543,723	-	6,543,723	-
Intergovernmental	944,173	-	944,173	-
Notes	6,543,954	-	6,543,954	-
Accounts	891,616	49,045	940,661	113,751
Due from fiduciary activities	-	-	-	-
Inventory	-	-	-	23,348
Prepaid expenses	156,908	-	156,908	16,320
Internal balances	(203,564)	203,564	-	-
Nondepreciable capital assets	18,114,729	2,317,685	20,432,414	-
Depreciable capital assets, net	43,651,582	5,666,681	49,318,263	100,950
Total assets	104,215,586	8,236,975	112,452,561	3,212,867
Deferred Outflows of Resources				
Deferred outflows - pensions	21,479,113	-	21,479,113	-
Deferred outflows - OPEB	9,345,663	-	9,345,663	-
Total deferred outflows of resources	30,824,776	-	30,824,776	-
Liabilities				
Accounts payable	1,493,041	52,776	1,545,817	80,239
Accrued liabilities	2,287,934	-	2,287,934	368,161
Claims payable	1,500,000	-	1,500,000	-
Accrued interest payable	226,788	3,045	229,833	-
Due to fiduciary activities	722	-	722	-
Unearned revenue	4,022,971	-	4,022,971	17,222
Noncurrent liabilities:				
Due within one year	4,931,537	439,615	5,371,152	19,685
Due in more than one year:				
Net pension liability	92,237,476	-	92,237,476	-
Net OPEB liability	25,003,095	-	25,003,095	-
Claims payable	1,100,000	-	1,100,000	-
Other	44,076,032	2,522,333	46,598,365	50,883
Total liabilities	176,879,596	3,017,769	179,897,365	536,190
Deferred Inflows of Resources				
Deferred inflows - pensions	2,661,480	-	2,661,480	-
Deferred inflows - OPEB	5,538,978	-	5,538,978	-
Total deferred inflows of resources	8,200,458	-	8,200,458	-
Net Position				
Net investment in capital assets	26,338,857	5,022,418	31,361,275	100,950
Restricted for:				
Capital improvements	2,555,939	-	2,555,939	-
Debt service	462,321	-	462,321	-
HUD programs	915,720	-	915,720	-
Other purposes	1,004,081	-	1,004,081	-
Unrestricted (deficit)	(81,316,610)	196,788	(81,119,822)	2,575,727
Total net position	\$ (50,039,692)	\$ 5,219,206	\$ (44,820,486)	\$ 2,676,677

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY
Statement of Activities
Fiscal Year Ended June 30, 2019

Functions/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		
<u>Primary Government</u>								
Governmental activities:								
General government	\$ 7,243,552	\$ 2,183,781	\$ 104,596	\$ -	\$ (4,955,175)	\$ -	\$ (4,955,175)	\$ -
Police	21,111,281	80,000	1,561,384	-	(19,469,897)	-	(19,469,897)	-
Fire	21,221,513	-	573,088	-	(20,648,425)	-	(20,648,425)	-
Public improvements	11,206,541	2,271,448	996,274	1,516,820	(6,421,999)	-	(6,421,999)	-
Community development	10,806,389	1,471,895	7,640,961	-	(1,693,533)	-	(1,693,533)	-
Interest on long-term debt	1,510,745	-	-	-	(1,510,745)	-	(1,510,745)	-
Total governmental activities	<u>73,100,021</u>	<u>6,007,124</u>	<u>10,876,303</u>	<u>1,516,820</u>	<u>(54,699,774)</u>	<u>-</u>	<u>(54,699,774)</u>	<u>-</u>
Business-type activities:								
Parking Authority	1,504,763	1,679,612	-	-	-	174,849	174,849	-
<u>Component Unit</u>								
Devou Properties, Inc.	2,313,416	2,431,466	-	-	-	-	-	118,050
Total	\$ 76,918,200	\$10,118,202	\$ 10,876,303	\$ 1,516,820	(54,699,774)	174,849	(54,524,925)	118,050
General Revenues:								
Taxes:								
Real property taxes					6,845,272	-	6,845,272	-
Personal property taxes					732,222	-	732,222	-
Public service taxes					2,362,740	-	2,362,740	-
Taxes, levied for bank deposits					68,619	-	68,619	-
Insurance premium taxes					7,613,448	-	7,613,448	-
Payroll taxes					27,039,037	-	27,039,037	-
Net profit taxes					3,597,615	-	3,597,615	-
Investment earnings					750,298	-	750,298	-
Miscellaneous					1,018,066	-	1,018,066	-
Total general revenues					<u>50,027,317</u>	<u>-</u>	<u>50,027,317</u>	<u>-</u>
Transfers in (out)					(5,044,357)	5,044,357	-	-
Change in net position					(9,716,814)	5,219,206	(4,497,608)	118,050
Net position beginning of year					(40,322,878)	-	(40,322,878)	2,558,627
Net position end of year					<u>\$ (50,039,692)</u>	<u>\$ 5,219,206</u>	<u>\$ (44,820,486)</u>	<u>\$ 2,676,677</u>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

CITY OF COVINGTON, KENTUCKY
 Balance Sheet
 Governmental Funds
 June 30, 2019

	General	Neighborhood Stabilization Program	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 16,935,022	\$ -	\$ -	\$ 1,192,678	\$ 18,127,700
Cash held in escrow	431,332	-	-	-	431,332
Investments	9,013,433	-	-	-	9,013,433
Receivables (net of allowance for doubtful accounts):					
Taxes	6,543,723	-	-	-	6,543,723
Intergovernmental	-	-	-	944,173	944,173
Notes	3,622,766	2,374,581	-	546,607	6,543,954
Accounts	56,493	-	-	835,123	891,616
Due from other funds	434,442	-	2,654,687	6,914,483	10,003,612
Prepaid items	155,908	-	-	1,000	156,908
Total assets	<u>\$ 37,193,119</u>	<u>\$ 2,374,581</u>	<u>\$ 2,654,687</u>	<u>\$ 10,434,064</u>	<u>\$ 52,656,451</u>
Liabilities:					
Accounts payable	\$ 676,122	\$ -	\$ 1,124	\$ 700,057	\$ 1,377,303
Accrued liabilities	2,183,933	-	-	104,001	2,287,934
Due to other funds	11,548,237	-	97,624	434,542	12,080,403
Unearned revenue	-	-	-	1,648,390	1,648,390
Total liabilities	<u>14,408,292</u>	<u>-</u>	<u>98,748</u>	<u>2,886,990</u>	<u>17,394,030</u>
Deferred Inflow of Resources:					
Unavailable revenue	<u>5,448,378</u>	<u>2,374,581</u>	<u>-</u>	<u>1,003,883</u>	<u>8,826,842</u>
Fund balance:					
Nonspendable	155,908	-	-	1,000	156,908
Restricted	462,321	-	2,555,939	1,919,801	4,938,061
Committed	7,390,770	-	-	5,447,465	12,838,235
Unassigned	<u>9,327,450</u>	<u>-</u>	<u>-</u>	<u>(825,075)</u>	<u>8,502,375</u>
Total fund balance	<u>17,336,449</u>	<u>-</u>	<u>2,555,939</u>	<u>6,543,191</u>	<u>26,435,579</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 37,193,119</u>	<u>\$ 2,374,581</u>	<u>\$ 2,654,687</u>	<u>\$ 10,434,064</u>	<u>\$ 52,656,451</u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2019

Total fund balances - governmental funds	\$ 26,435,579
<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 in the funds.	61,766,311
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	6,452,261
Other long-term retainage payable on construction contracts are not payable from current financial resources and, therefore, are not payable in the funds.	(72,105)
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.	(771,128)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	\$ 31,450,370
Capital lease payable	15,609,808
Accrued interest payable	226,788
Unamortized premiums	187,276
Compensated absences	<u>1,760,115</u>
Total	(49,234,357)
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	\$ (30,824,776)
Deferred inflows - pensions and OPEB	8,200,458
Net pension and OPEB liability	<u>117,240,571</u>
Total	<u>(94,616,253)</u>
Net position of governmental activities	\$ <u>(50,039,692)</u>

CITY OF COVINGTON, KENTUCKY

Statement of Revenues, Expenditures and Changes

in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2019

	General	Neighborhood Stabilization Program	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 17,735,156	\$ -	\$ -	\$ -	\$ 17,735,156
Licenses and permits	30,955,990	-	-	-	30,955,990
Intergovernmental	1,749,362	-	-	10,754,188	12,503,550
Fines and forfeitures	337,821	-	-	-	337,821
Charges for services	452,997	-	-	4,140,763	4,593,760
Investment earnings	570,802	-	7	624	571,433
Interest revenue	178,867	-	-	-	178,867
Miscellaneous	919,765	-	-	1,017,281	1,937,046
Total revenues	<u>52,900,760</u>	<u>-</u>	<u>7</u>	<u>15,912,856</u>	<u>68,813,623</u>
Expenditures:					
Current:					
General government	5,733,868	-	-	164,276	5,898,144
Police	14,728,887	-	-	653,532	15,382,419
Fire	14,429,644	-	-	675,013	15,104,657
Public improvements	6,867,090	-	1,595	2,298,126	9,166,811
Community development	2,208,291	-	-	7,920,323	10,128,614
Debt service:					
Principal	3,247,021	-	-	441,996	3,689,017
Interest	1,461,929	-	-	71,293	1,533,222
Capital outlay	479,252	-	480,874	3,890,191	4,850,317
Total expenditures	<u>49,155,982</u>	<u>-</u>	<u>482,469</u>	<u>16,114,750</u>	<u>65,753,201</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,744,778</u>	<u>-</u>	<u>(482,462)</u>	<u>(201,894)</u>	<u>3,060,422</u>
Other financing sources (uses):					
Transfers in	1,729,345	-	114,303	3,027,378	4,871,026
Transfers out	(2,783,433)	-	-	(2,559,550)	(5,342,983)
Sale of assets	50,260	-	-	-	50,260
Total other financing sources (uses)	<u>(1,003,828)</u>	<u>-</u>	<u>114,303</u>	<u>467,828</u>	<u>(421,697)</u>
Net change in fund balances	2,740,950	-	(368,159)	265,934	2,638,725
Fund balance, beginning of year	14,595,499	-	2,924,098	6,277,257	23,796,854
Fund balance, end of year	<u>\$ 17,336,449</u>	<u>\$ -</u>	<u>\$ 2,555,939</u>	<u>\$ 6,543,191</u>	<u>\$ 26,435,579</u>

See accompanying notes to the basic 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
 Fiscal Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ 2,638,725

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense:

Capital additions	4,850,317
Depreciation expense	(3,738,683)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the governmental funds. (359,077)

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	(190,754)
Interest on long-term debt	12,996
Amortization of Premiums	9,892

Repayment of bonds, notes and lease principal is an expenditure in the governmental funds, whereas the payments reduce long-term liabilities in the statement of net position. 3,689,017

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. (379,426)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 7,455,476

Transfers of capital assets and long-term debt to business-type activities does not utilize current financial resources and is not reported as transfers in the funds. (5,044,357)

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. (18,660,940)

Change in net position of governmental activities \$ (9,716,814)

CITY OF COVINGTON, KENTUCKY
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities	Governmental Activities
	Parking Authority	Internal Service Funds
Assets		
Current Assets		
Accounts receivable	\$ 49,045	\$ -
Due from other funds	<u>203,564</u>	<u>1,872,505</u>
Total current assets	252,609	1,872,505
Nondepreciable capital assets	2,317,685	-
Depreciable capital assets, net	<u>5,666,681</u>	<u>-</u>
Total assets	<u>\$ 8,236,975</u>	<u>\$ 1,872,505</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 52,776	\$ 43,633
Accrued interest payable	3,045	-
Claims payable	-	1,500,000
Bonds payable, current	<u>439,615</u>	<u>-</u>
Total current liabilities	495,436	1,543,633
Noncurrent Liabilities		
Bonds payable, noncurrent	2,522,333	-
Claims payable	<u>-</u>	<u>1,100,000</u>
Total liabilities	<u>3,017,769</u>	<u>2,643,633</u>
Net Position		
Net investment in capital assets	5,022,418	-
Unrestricted	<u>196,788</u>	<u>(771,128)</u>
Total net position	<u>\$ 5,219,206</u>	<u>\$ (771,128)</u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2019

	Business-type Activities <u>Parking Authority</u>	Governmental Activities <u>Internal Service Funds</u>
Operating revenues:		
Insurance premiums	\$ -	\$ 4,824,778
Parking revenue	1,679,612	-
Other	-	<u>288,248</u>
Total operating revenues	<u>1,679,612</u>	<u>5,113,026</u>
Operating expenses:		
Contractual services	-	721,542
Claims and judgments	-	5,242,868
Parking expenses	<u>1,436,698</u>	-
Total operating expenses	<u>1,436,698</u>	<u>5,964,410</u>
Operating income (loss)	242,914	(851,384)
Non-operating expenses:		
Interest expense	68,065	-
Transfers in (out)	<u>5,044,357</u>	<u>471,958</u>
Change in net position	5,219,206	(379,426)
Net position, beginning of year	-	<u>(391,702)</u>
Net position, end of year	<u>\$ 5,219,206</u>	<u>\$ (771,128)</u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY

Statement of Cash Flows

Proprietary Funds

Fiscal Year Ended June 30, 2019

	Business-type Activities <u>Parking Authority</u>	Governmental Activities <u>Internal Service Funds</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,630,567	\$ -
Cash received from (paid to) other funds	(203,564)	4,220,650
Cash received from other income	-	288,248
Cash paid to suppliers	(879,003)	-
Cash payments for claims	-	(6,160,603)
Net cash provided (used) by operating activities	<u>548,000</u>	<u>(1,651,705)</u>
Cash flows from noncapital financing activities:		
Transfers	-	471,958
Net cash provided by noncapital financing activities	<u>-</u>	<u>471,958</u>
Cash flows from capital and related financing activities:		
Principal paid on debt	(479,524)	-
Interest paid on debt	(68,476)	-
Net cash (used) by capital and related financing activities	<u>(548,000)</u>	<u>-</u>
Net change	-	(1,179,747)
Cash and cash equivalents, beginning of year	-	1,179,747
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating loss	\$ 242,914	\$ (851,384)
Adjustments to reconcile operating loss to net cash (used by) operating activities:		
Depreciation expense	504,919	-
Changes in assets and liabilities:		
Accounts receivable	(49,045)	-
Prepaid expenses	-	44,495
Due from/to other funds	(203,564)	(604,128)
Accounts payable	52,776	(30,375)
Claims payable	-	(210,313)
Net cash (used by) operating activities	<u>\$ 548,000</u>	<u>\$ (1,651,705)</u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Combined Pension Trusts	Agency
	<u> </u>	<u> </u>
Assets		
Due from primary government	\$ -	\$ 722
Cash and cash equivalents	46,998	-
Bond mutual funds	2,589,645	-
Equity mutual funds	1,358,956	-
Other assets	<u>2,573,894</u>	<u>-</u>
Total assets	<u>6,569,493</u>	<u>-</u>
Liabilities		
Due to the primary government	-	-
Due to others	<u>-</u>	<u>722</u>
	<u>-</u>	<u>\$ 722</u>
Net Position		
Net position restricted for pensions	<u>\$ 6,569,493</u>	

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Fiscal Year Ended June 30, 2019

	<u>Combined Pension Trusts</u>
Additions	
Contributions:	
Employer contributions	\$1,072,477
Impounding lot	<u>2,025</u>
Total revenue	<u>1,074,502</u>
Investment return:	
Interest and dividends	199,957
Net appreciation in fair value of investments	<u>184,484</u>
Total net investment return	<u>384,441</u>
Total additions	<u>1,458,943</u>
Deductions	
Benefit payments	1,668,886
Administration	<u>27,256</u>
Total deductions	<u>1,696,142</u>
Change in net position	(237,199)
Net position, beginning of year	<u>6,806,692</u>
Net position, end of year	<u>\$6,569,493</u>

See accompanying notes to the basic financial statements.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

The basic financial statements of the City of Covington, Kentucky (the City), have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The 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 of Covington 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 U.S. generally accepted accounting principles, 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 operational and/or financial relationship with the City.

Blended Component Units Included Within the Reporting Entity.

The City of Covington 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 Covington Motor Vehicle Parking Authority (Parking Authority) was formed during the year 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. During the year ended June 30, 2019, the City transferred parking facility capital assets and the related debt to the Parking Authority. The day-to-day management of the Parking Authority is currently being handled by employees of the City of Covington.

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 of Covington, for the benefit of Devou Park. Devou Properties, Inc. is responsible for renting out the facilities for events, including weddings, receptions and corporate events. Directors of Devou Properties, Inc. are appointed by the City's Board of Commissioners, upon the recommendation of the Mayor. Any excess funds from operations of the facility are to be set aside to be used on Devou Park projects.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies – continued

As a discretely presented component unit, the financial statements of Devou Properties, Inc. are only included on the City's government-wide financial statements in a column that makes it clearly separate from the primary government. Devou Properties, Inc. operates on a calendar year-end basis; therefore, the financial statements for the year ended December 31, 2018, 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 period. Significant revenues susceptible to accrual are payroll license fees, insurance fees and grant revenues. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to long-term compensated absences and claims and judgments, are recorded only when payment is due.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies - continued

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government that are not accounted for in the other funds.
- The Neighborhood Stabilization Program Fund accounts 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 Capital Improvement Fund accounts 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 City reports the following proprietary funds:

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

Additionally, the City reports three fiduciary funds. The two pension trust funds account for the activities of the Employees' 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 10). The agency fund is for Covington's Community Development Initiative to develop vacant and abandoned properties.

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 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

Cash held in escrow represents a debt service reserve account to satisfy debt service requirements in the final year of maturity.

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 Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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, 2019, the City had housing development and small business loans outstanding of \$18,135,158 and \$1,873,012, respectively. The City has recorded an allowance of \$15,760,577 on housing development and \$1,238,639 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 of Covington has a note receivable of \$3,535,000 from 638 Madison LLC, in regards to the Hotel Covington.

Short-Term Interfund Receivables/Payables

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as prepaid items in both the government-wide and fund financial statements. The consumption method is used in the fund statements.

Capital Assets

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

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. When purchased, capital assets are recorded as expenditures in the governmental funds and capitalized on the proprietary fund and government-wide financial statements. Infrastructure, such as streets, traffic signals and signs are capitalized. The valuation basis for capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost. 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.

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>	Governmental Activities <u>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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies - continued

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 other post-employment benefit (OPEB) related liabilities.

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.

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 capital lease obligations. 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.

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 and items related to the pension liabilities, unavailable revenue represent receivables that will not be collected within the available period (typically sixty days after fiscal year-end) and is only reported in the governmental fund financial statements. Deferred inflows of resources related to pension and OPEB liabilities are reported in the government-wide statement of net position.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies - continued

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.

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.

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. generally accepted accounting principles 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. generally accepted accounting principles 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 the County Employees' Retirement System (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 Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 - Summary of Significant Accounting Policies – continued

Postemployment Benefits Other Than Pensions (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 County Employees' Retirement System (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

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 fiscal year 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.
- 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 year 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, 2019, approximately \$6,257,000 of the City's deposits are insured by the FDIC, and approximately \$970,400 of the City's deposits are collateralized with securities held by the pledging institution's trust department but not in the City's name.

Additionally, as of June 30, 2019, the City had \$431,332 in escrow balances for debt reserves and park maintenance and \$17,565,869 in a sweep account that is invested in government obligations.

As of December 31, 2018, Devou Properties, Inc. (a component unit of the City) had \$2,456,742 in cash in excess of insured limits.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 3 – Deposits - continued

Investments

General Fund

During the year ended June 30, 2019, the City invested \$9,013,433 in commercial paper and certificates of deposit. The City is invested in both negotiable and nonnegotiable certificates of deposit. The City has the ability to redeem the negotiable certificates of deposit before the scheduled maturity date. The investments held by the General Fund at June 30, 2019 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	\$ 1,000,203	\$ -	\$ 500,000	\$ 500,203	\$ -
Certificates of deposit - negotiable	5,035,881	2,004,800	503,785	2,527,296	-
Commercial paper	2,977,349	2,977,349	-	-	-
	<u>\$9,013,433</u>	<u>\$ 4,982,149</u>	<u>\$ 1,003,785</u>	<u>\$ 3,027,499</u>	<u>\$ -</u>

* Nonnegotiable certificates of deposit are valued at cost

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, 2019 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	\$ 17,036	\$ 17,036	\$ -	\$ -	\$ -
Bond mutual funds	947,348	947,348	-	-	-
Equity mutual funds	489,125	489,125	-	-	-
Other assets	934,470	801,129	-	-	133,341
	<u>\$ 2,387,979</u>	<u>\$ 2,254,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 133,341</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	\$ 29,962	\$ 29,962	\$ -	\$ -	\$ -
Bond mutual funds	1,642,297	1,642,297	-	-	-
Equity mutual funds	869,831	869,831	-	-	-
Other assets	1,639,424	1,439,334	-	-	200,090
	<u>\$ 4,181,514</u>	<u>\$ 3,981,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,090</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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, and securities issued by a state or local government, or any instrumentality or agency thereof, in the United States,

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, 2019, all of the City's 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 sweep account, which is classified as cash and cash equivalents on the financial statements, is invested in government obligations, which are not limited to 20% by the investment policy. The sweep account investments are still included in the calculation of allowable investment levels required by the investment policy.

The following table includes the percentage of each investment type held by the General Fund at June 30, 2019:

Investment Type	General Fund	
	Fair Value*	Percent Of Total
Sweep - invested in government obligations	\$ 17,565,869	66%
Certificates of deposit - nonnegotiable	1,000,203	4%
Certificates of deposit - negotiable	5,035,881	19%
Commercial paper	2,977,349	11%
	<u>\$ 26,579,302</u>	<u>100%</u>

* Nonnegotiable certificates of deposit are valued at cost

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 3 – Deposits - continued

The following table includes the percentage of each investment type held by the pension systems at June 30, 2019:

Investment Type	City Employees'		Police and Firemen's	
	Fair Value	Percent Of Total	Fair Value	Percent Of Total
Cash and cash equivalents	\$ 17,036	1%	\$ 29,962	1%
Bond mutual funds	947,348	40%	1,642,297	39%
Equity mutual funds	489,125	20%	869,831	21%
Other assets	934,470	39%	1,639,424	39%
	<u>\$ 2,387,979</u>	<u>100%</u>	<u>\$ 4,181,514</u>	<u>100%</u>

Fair Value Measured: Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (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.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 3 – Deposits - continued

General fund investments' fair value measurements are as follows at June 30, 2019:

General Fund	Fair Value Measurements Using			
Investments	Total	Level 1	Level 2	Level 3
Negotiable Certificates of Deposit				
Affinity Federal Credit Union	\$ 250,028	\$ 250,028	\$ -	\$ -
City National Bank	250,015	250,015	-	-
4Front Credit Union	250,060	250,060	-	-
Bank Hope	250,585	250,585	-	-
Infinity Federal Credit Union	250,865	250,865	-	-
State Bank India	250,933	250,933	-	-
Keesler Federal Credit Union	252,005	252,005	-	-
First Federal Credit Union	250,310	250,310	-	-
Wells Fargo Credit Union	251,605	251,605	-	-
University Iowa Community Credit Union	252,180	252,180	-	-
Discover Bank	253,913	253,913	-	-
Three Rivers Federal Credit Union	245,162	245,162	-	-
USAlliance Federal Credit Union	254,830	254,830	-	-
Morgan Stanley Bank	253,588	253,588	-	-
Toyota Financial Savings Bank	250,165	250,165	-	-
HSBC Bank	251,980	251,980	-	-
First Technology Federal Credit Union	258,183	258,183	-	-
Citibank N A	250,225	250,225	-	-
Goldman Sachs Bank	30,989	30,989	-	-
Goldman Sachs Bank	227,273	227,273	-	-
JP Morgan Chase Bank	250,987	250,987	-	-
Total Negotiable CD's	5,035,881	5,035,881	-	-
Commercial Paper				
JP Morgan Chase Bank	2,977,349	2,977,349	-	-
Total Commercial Paper	2,977,349	2,977,349	-	-
Total Investments	\$ 8,013,230	\$ 8,013,230	\$ -	\$ -

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 3 - Deposits - continued

City Employees'	Investments	Total	Fair Value Measurements Using		
			Level 1	Level 2	Level 3
Cash and Cash Equivalents					
	Charles Schwab	\$ 17,036	\$ 17,036	\$ -	\$ -
	Total Cash and Cash Equivalents	17,036	17,036	-	-
Bond Mutual Funds					
	Dodge & Cox Income Fund	466,610	466,610	-	-
	Doubleline Total Return	468,697	468,697	-	-
	Eaton Vance	12,041	12,041	-	-
	Total Bond Mutual Funds	947,348	947,348	-	-
Equity Mutual Funds					
	ASG MGD Futures	11,499	11,499	-	-
	Blackrock Event Driven	11,712	11,712	-	-
	Boston Partners Long	11,719	11,719	-	-
	Harding Loevner Inst	50,147	50,147	-	-
	Johcm Intl Slct Fd	170,403	170,403	-	-
	Lazard Emrg Mkts Eqty	35,833	35,833	-	-
	PIMCO Rae Emerging	52,062	52,062	-	-
	PIMCO Rae Intl Inst	110,115	110,115	-	-
	Principal Real Estate	35,635	35,635	-	-
	Total Equity Mutual Funds	489,125	489,125	-	-
Other Assets					
	Ishares Core S&P 500	801,131	801,131	-	-
	Ishares 20 Pls Year	133,339	133,339	-	-
	Total Other Assets	934,470	934,470	-	-
	Total Investments	\$ 2,387,979	\$ 2,387,979	\$ -	\$ -

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 3 - Deposits - continued

Police and Firemen's Investments	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and Cash Equivalents				
US Bank Account	\$ 63	\$ 63	\$ -	\$ -
Charles Schwab	29,899	29,899	-	-
Total Cash and Cash Equivalents	29,962	29,962	-	-
Bond Mutual Funds				
Dodge & Cox Income Fund	811,046	811,046	-	-
Doubleline Total Return	809,916	809,916	-	-
Eaton Vance	21,335	21,335	-	-
Total Bond Mutual Funds	1,642,297	1,642,297	-	-
Equity Mutual Funds				
ASG MGD Futures	20,684	20,684	-	-
Blackrock Event Driven	20,804	20,804	-	-
Boston Partners Long	21,637	21,637	-	-
Harding Loevner Inst	91,647	91,647	-	-
Johcm Intl Sict Fd	299,893	299,893	-	-
Lazard Emrg Mkts Eqty	61,544	61,544	-	-
PIMCO Rae Emerging	94,851	94,851	-	-
PIMCO Rae Intl Inst	197,979	197,979	-	-
Principal Real Estate	60,792	60,792	-	-
Total Equity Mutual Funds	869,831	869,831	-	-
Other Assets				
Ishares Core S&P 500	1,416,569	1,416,569	-	-
Ishares 20 Pls Year	222,855	222,855	-	-
Total Other Assets	1,639,424	1,639,424	-	-
Total Investments	\$ 4,181,514	\$ 4,181,514	\$ -	\$ -

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 4 - Capital Assets and Depreciation

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance Beginning of Year	Additions	Transfers In (Out)	Retirements	Balance End of Year
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 14,886,323	\$ 448,388	\$ (2,317,685)	\$ -	\$ 13,017,026
Land improvements	2,117,822	239,570	(102,023)	-	2,255,369
Construction in progress	1,574,729	1,562,329	-	294,724	2,842,334
Total capital assets not being depreciated	<u>18,578,874</u>	<u>2,250,287</u>	<u>(2,419,708)</u>	<u>294,724</u>	<u>18,114,729</u>
Depreciable capital assets					
Buildings	29,974,367	-	(10,991,200)	38,000	18,945,167
Building improvements	15,228,719	168,674	(2,867,439)	-	12,529,954
Infrastructure	131,859,460	1,139,041	102,023	-	133,100,524
Machinery and equipment	4,181,977	1,339,869	(130,152)	472,413	4,919,281
Vehicles	15,455,087	319,273	(8,948)	903,113	14,862,299
Total depreciable capital assets	<u>196,699,610</u>	<u>2,966,857</u>	<u>(13,895,716)</u>	<u>1,413,526</u>	<u>184,357,225</u>
Less accumulated depreciation					
Buildings	11,383,496	551,255	(5,814,748)	38,000	6,082,003
Building improvements	11,819,766	400,392	(1,872,291)	-	10,347,867
Infrastructure	108,298,917	1,201,849	-	-	109,500,766
Machinery and equipment	3,395,343	459,088	(130,152)	472,413	3,251,866
Vehicles	11,309,103	1,126,099	(8,948)	903,113	11,523,141
Total accumulated depreciation	<u>146,206,625</u>	<u>3,738,683</u>	<u>(7,826,139)</u>	<u>1,413,526</u>	<u>140,705,643</u>
Total depreciable capital assets, net	<u>50,492,985</u>	<u>(771,826)</u>	<u>(6,069,577)</u>	<u>-</u>	<u>43,651,582</u>
Governmental Activities capital assets, net	<u>\$ 69,071,859</u>	<u>\$ 1,478,461</u>	<u>\$ (8,489,285)</u>	<u>\$ 294,724</u>	<u>\$ 61,766,311</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 600,882
Police	403,650
Fire	698,720
Public improvements	1,545,217
Community development	490,214
Total Governmental Activities depreciation expense	<u>\$ 3,738,683</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 4 - Capital Assets and Depreciation - continued

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Transfers In (Out)</u>	<u>Retirements</u>	<u>Balance End of Year</u>
Business-type Activities					
Capital assets not being depreciated					
Land	\$ -	\$ -	\$ 2,317,685	\$ -	\$ 2,317,685
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>2,317,685</u>	<u>-</u>	<u>2,317,685</u>
Depreciable capital assets					
Buildings	-	-	10,991,200	-	10,991,200
Building improvements	-	-	2,867,439	-	2,867,439
Machinery and equipment	-	-	130,152	-	130,152
Vehicles	-	-	8,948	-	8,948
Total depreciable capital assets	<u>-</u>	<u>-</u>	<u>13,997,739</u>	<u>-</u>	<u>13,997,739</u>
Less accumulated depreciation					
Buildings	-	221,844	5,814,748	-	6,036,592
Building improvements	-	283,075	1,872,291	-	2,155,366
Machinery and equipment	-	-	130,152	-	130,152
Vehicles	-	-	8,948	-	8,948
Total accumulated depreciation	<u>-</u>	<u>504,919</u>	<u>7,826,139</u>	<u>-</u>	<u>8,331,058</u>
Total depreciable capital assets, net	<u>-</u>	<u>(504,919)</u>	<u>6,171,600</u>	<u>-</u>	<u>5,666,681</u>
Business-type Activities capital assets, net	<u>\$ -</u>	<u>\$ (504,919)</u>	<u>\$ 8,489,285</u>	<u>\$ -</u>	<u>\$ 7,984,366</u>
Component Unit					
Devou Properties, Inc.					
Depreciable capital assets					
Property and equipment	\$ 318,162	\$ 23,553	\$ -	\$ -	\$ 341,715
Less accumulated depreciation	199,741	41,024	-	-	240,765
Component Unit property and equipment, net	<u>\$ 118,421</u>	<u>\$ (17,471)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,950</u>

Note 5 - Interfund Activity

Interfund transactions at June 30, 2019 consisted of the following due to/from other funds and transfers in/out:

	<u>Interfund</u>		<u>Transfers</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$ 435,164	\$ 11,548,237	\$ 1,729,345	\$ 7,827,791
Pension Obligation 2004 Fund	-	-	-	-
Capital Improvement Fund	2,654,687	97,624	114,303	-
Nonmajor Governmental Funds	6,914,483	434,542	3,027,378	2,559,550
Parking Authority	203,564	-	5,044,357	-
Internal Service Funds	<u>1,872,505</u>	<u>-</u>	<u>471,958</u>	<u>-</u>
	<u>\$ 12,080,403</u>	<u>\$ 12,080,403</u>	<u>\$ 10,387,341</u>	<u>\$ 10,387,341</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 5 - Interfund Activity - continued

Due To/From Other Funds

Interfund receivables/payables represent short-term loans from one fund to another.

Due To Enterprise Activities/Due From Primary Government

As of June 30, 2019, the Parking Authority provided short-term loans of \$203,564 to the General Fund.

Due To Fiduciary Activities/Due From Primary Government

As of June 30, 2019, the CCDI provided short-term loans of \$722 to the General Fund.

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.

During the year ended June 30, 2019, the City transferred capital assets with a net book value of \$8,489,285 to the Parking Authority Fund. The City also transferred \$3,441,472 of debt related to those capital assets to the Parking Authority Fund.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 6 - Operating Leases

Operating Lease Payable

The City leases various equipment and supplies under an operating lease that was entered into during January 2015. The lease calls for monthly payments of \$4,208 through December 2019.

During the year ended June 30, 2019, the City entered into a lease agreement for a property as part of an economic development arrangement. The agreement calls for annual payments of \$57,225, with a 2.5% escalator over a five-year term. The City will sublease the property to UpTech Accelerator for \$20,000 per year with a 2.5% escalator. The net effect of the economic development arrangement is a rent subsidy of \$186,125 over a five-year period to support economic development and the creation of an accelerator program partnership with the City. The annual net payments of \$37,225 are included in the schedule of minimum lease payments as of June 30, 2019.

During the year ended June 30, 2019, the City renewed its lease on City Hall. The lease calls for annual rental payments of \$255,000. The lease commenced on October 1, 2018 and ends on September 30, 2022.

The City incurred approximately \$352,000 of expense under these lease agreements in the year ended June 30, 2019. Minimum lease payments due under the operating leases are as follows as of June 30, 2019:

Fiscal Year Ending June 30,		
2020	\$	317,473
2021		292,225
2022		292,225
2023		100,975
	\$	<u>1,002,898</u>

Operating Lease Receivable

In December 2017, the City amended its operating agreement with Devou Properties to include a long-term operating 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 operating lease is to be repaid over 24 years with an interest rate that varies between 3.00% and 4.00%. The operating lease calls for annual payments of \$356,391. The annual payment of \$356,391 is reported as revenue in the General Fund for the year ended June 30, 2019. The City of Covington 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, 2019:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 173,236	\$ 183,155	\$ 356,391
2021	178,433	177,958	356,391
2022	183,786	172,605	356,391
2023	189,300	167,091	356,391
2024	194,979	161,412	356,391
2025-2029	1,071,070	710,885	1,781,955
2030-2034	1,282,561	499,395	1,781,956
2035-2039	1,529,551	252,404	1,781,955
2040-2041	678,823	33,960	712,783
	<u>\$ 5,481,739</u>	<u>\$ 2,358,865</u>	<u>\$ 7,840,604</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

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

Capital Lease Obligations

Capital lease obligations in the government-wide financial statements are reported as liabilities at lease inception. The related assets along with depreciation are reported at that time. Lease payments are reported as a reduction of the liability. For capital lease obligations in governmental funds, "Other Financing Sources –Inception of capital lease" was recorded at lease inception. Lease payments are recorded as expenditures.

The following capital lease obligations are payable from governmental fund revenues. The City has entered into various lease agreements as lessee for financing the acquisition of capital assets. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is an analysis of the capital assets acquired through capital leases as of June 30, 2019:

	Capital Assets
Buildings	\$ 9,105,683
Equipment	306,000
Land	6,742,070
Infrastructure	989,002
Vehicles	4,625,108
Total cost	21,767,863
Accumulated depreciation	(5,613,834)
Net Book Value	\$ 16,154,029

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2019:

Fiscal Year Ending June 30,	
2020	\$ 1,386,319
2021	1,388,611
2022	1,203,603
2023	1,119,909
2024	1,120,609
2025-2029	5,587,787
2030-2034	4,452,626
2035-2039	3,620,952
Total minimum lease payments	19,880,416
Less amounts representing interest	4,270,608
Present value of minimum lease payments	\$ 15,609,808

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 - Long-Term Debt - continued

Notes and Bonds

The following schedule summarizes outstanding long-term bonds and notes payable at June 30, 2019:

	<u>Purpose</u>	<u>Interest Rate</u>	<u>Mature Date June 30,</u>	<u>Issued</u>	<u>Outstanding</u>
Bonds					
KY Infrastructure Auth.	Rainwater project	2.00%	2030	\$ 1,197,390	\$ 357,318
2014 Pension	Pension refunding	2.00-4.00%	2030	10,960,000	8,430,000
Series 2016	Refunding	1.40-3.00%	2031	9,185,000	3,208,052
Series 2014	Capital Improvements	3.00-4.00%	2034	18,635,000	16,065,000
Series 2015	Hotel Covington	3.00-4.50%	2035	4,000,000	3,390,000

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

Assuming no issues are called prior to maturity, the minimum obligations of the City at June 30, 2019 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,188,313	\$ 1,090,324	\$ 3,278,637
2021	2,245,798	1,030,060	3,275,858
2022	2,318,293	965,319	3,283,612
2023	2,530,800	895,992	3,426,792
2024	2,260,242	817,855	3,078,097
2025-2029	10,340,577	2,869,187	13,209,764
2030-2034	9,281,347	1,033,793	10,315,140
2035	285,000	12,825	297,825
	<u>\$ 31,450,370</u>	<u>\$ 8,715,355</u>	<u>\$ 40,165,725</u>

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, 2019, there was \$84.5 million outstanding in Industrial Revenue Bonds.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 - General Long-Term Debt - continued

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

Debt Issue	Beginning Balance	Issued	Redeemed	Transferred	Ending Balance	Amounts Due Within One Year
Bonds and notes:						
Series 2014	\$ 17,080,000	\$ -	\$ (1,015,000)	\$ -	\$ 16,065,000	\$ 610,000
Series 2016	7,315,000	-	(665,476)	(3,441,472)	3,208,052	725,385
2014 Pension	9,080,000	-	(650,000)	-	8,430,000	665,000
Series 2015	3,545,000	-	(155,000)	-	3,390,000	160,000
KIA Rainwater Harvest	384,696	-	(27,378)	-	357,318	27,928
Premium on issuance	197,168	-	(9,892)	-	187,276	-
Total Bonds and notes	<u>37,601,864</u>	-	<u>(2,522,746)</u>	<u>(3,441,472)</u>	<u>31,637,646</u>	<u>2,188,313</u>
Capital lease obligations:						
Infrastructure/equipment	16,785,971	-	(1,176,163)	-	15,609,808	983,109
Net pension liability:						
Kentucky CERS - Nonhazardous	14,147,444	410,577	-	-	14,558,021	-
Kentucky CERS - Hazardous	66,320,811	4,092,393	-	-	70,413,204	-
Employees' Retirement	1,870,446	631,072	(1,261,311)	-	1,240,207	-
Police & Firemen's Retirement	5,827,588	2,095,474	(1,897,018)	-	6,026,044	-
Total net pension liability	<u>88,166,289</u>	<u>7,229,516</u>	<u>(3,158,329)</u>	-	<u>92,237,476</u>	-
Net OPEB liability:						
Kentucky CERS - Nonhazardous	4,858,997	-	(614,836)	-	4,244,161	-
Kentucky CERS - Hazardous	24,505,455	-	(3,746,521)	-	20,758,934	-
Total net OPEB liability	<u>29,364,452</u>	-	<u>(4,361,357)</u>	-	<u>25,003,095</u>	-
Claims payable	1,300,000	-	(200,000)	-	1,100,000	-
Compensated absences	<u>1,569,361</u>	<u>1,760,115</u>	<u>(1,569,361)</u>	-	<u>1,760,115</u>	<u>1,760,115</u>
Total Long-Term Liabilities	<u>\$ 174,787,937</u>	<u>\$ 8,989,631</u>	<u>\$ (12,987,956)</u>	<u>\$ (3,441,472)</u>	<u>\$ 167,348,140</u>	<u>\$ 4,931,537</u>

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 - General Long-Term Debt – continued

Business-type Activities

During the year ended June 30, 2019, the City transferred \$3,441,472 of Series 2016 bonds to the Parking Authority. The portion of the debt transferred was used by the City to acquire assets that are now held by the Parking Authority.

The following schedule summarizes outstanding long-term bonds and notes payable at June 30, 2019:

	<u>Purpose</u>	<u>Interest Rate</u>	<u>Mature Date June 30,</u>	<u>Issued</u>	<u>Outstanding</u>
Bonds					
Series 2016	Capital improvement	1.40-3.00%	2031	\$ 9,185,000	\$ 2,961,948

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

Assuming no issues are called prior to maturity, the minimum obligations of the City at June 30, 2019 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 439,615	\$ 6,155	\$ 445,770
2021	442,692	6,198	448,890
2022	445,769	8,915	454,684
2023	308,846	6,177	315,023
2024	160,000	3,200	163,200
2025-2029	820,000	1,935	821,935
2030-2031	345,026	15,600	360,626
	<u>\$ 2,961,948</u>	<u>\$ 48,180</u>	<u>\$ 3,010,128</u>

During the year ended June 30, 2019, the following changes occurred in long-term liabilities:

<u>Debt Issue</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Transferred</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds and notes:						
Series 2016	\$ -	\$ -	\$ (479,524)	\$ 3,441,472	\$ 2,961,948	\$ 439,615

Note 8 - 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.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 - Risk Management - continued

All funds of the City participate in the program and make payments to the Liability Self Insurance Fund; however, the payments are not based on actuarial estimates of the amounts needed to pay prior and current-year claims but are intended to establish a reserve for catastrophic losses. That reserve was \$1,100,000 at June 30, 2019. Changes in the Liability Self Insurance Fund's claims liability amount during the fiscal years ended June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Claims liability at July 1	\$ 1,300,000	\$ 2,568,280
Change in claims and estimates	(33,868)	105,107
Claims payments	<u>(166,132)</u>	<u>(1,373,387)</u>
Claims liability at June 30	<u>\$ 1,100,000</u>	<u>\$ 1,300,000</u>

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, 2019 is \$1,500,000. Of that amount, \$1,500,000 represents current liabilities. Changes in the Medical Self Insurance Fund's claims liability amount during the fiscal years ended June 30, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Claims liability at July 1	\$ 1,510,313	\$ 1,499,976
Change in claims and estimates	5,101,739	4,620,610
Claims payments	<u>(5,112,052)</u>	<u>(4,610,273)</u>
Claims liability at June 30	<u>\$ 1,500,000</u>	<u>\$ 1,510,313</u>

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 9 – 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, 2019, 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, 2019:

	Employees' Retirement	Police and Firemen's Retirement	Combined Pension Trusts
Assets			
Cash and cash equivalents	\$ 17,036	\$ 29,962	\$ 46,998
Bond mutual funds	947,348	1,642,297	2,589,645
Equity mutual funds	489,125	869,831	1,358,956
Other assets	934,470	1,639,424	2,573,894
Total assets	\$ 2,387,979	\$ 4,181,514	\$ 6,569,493
 Net Position			
Net position restricted for pensions	\$ 2,387,979	\$ 4,181,514	\$ 6,569,493

The following table presents the combining statement of changes in fiduciary net position for the year ended June 30, 2019:

	Employees' Retirement	Police and Firemen's Retirement	Combined Pension Trusts
Additions			
Contributions:			
Employer contributions	\$ 709,424	\$ 363,053	\$ 1,072,477
Impounding lot	-	2,025	2,025
	709,424	365,078	1,074,502
Investment return:			
Interest and dividends	66,645	133,312	199,957
Net appreciation in fair value of investments	75,631	108,853	184,484
	142,276	242,165	384,441
	851,700	607,243	1,458,943
 Deductions			
Benefit payments	424,268	1,244,618	1,668,886
Administration	5,463	21,793	27,256
	429,731	1,266,411	1,696,142
	421,969	(659,168)	(237,199)
Net position, beginning of year	1,966,010	4,840,682	6,806,692
Net position, end of year	\$ 2,387,979	\$ 4,181,514	\$ 6,569,493

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Employee Retirement Plans

The City of Covington 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. generally accepted accounting principles is not available for these plans. The City also participates in the County Employees Retirement System (CERS).

Summary of Significant Accounting Policies

Employees' 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.

A. 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 Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Employee Retirement Plans - continued

A. 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 equity 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 not a COLA for 2019.

Contributions. As of June 30, 2019, there are 32 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, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	50%	3.0%
Equity funds	50%	6.5%
Total	100%	

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Employee Retirement Plans - continued

A. Employees' Retirement Plan - continued

Concentrations. The Employees' Retirement Plan investments concentration as of June 30, 2019:

<u>Investment</u>	<u>Concentration</u>
Cash and money markets	1%
Bond mutual funds	40%
Equity mutual funds	20%
Other assets	39%
	<u>100%</u>

Rate of Return. For the year ended June 30, 2019, the annual money-weighted rate of return on the plan investments, net of pension plan investment expense was 5.9%. 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, 2019, 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, 2019, were as follows:

Total pension liability	\$ 3,628,187
Employee's Retirement Plan fiduciary net position	<u>(2,387,980)</u>
City's net pension liability	<u>\$ 1,240,207</u>
 Employees' Retirement Plan net position as a percentage of total pension liability	 65.82%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2019, 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-2014 Total Mortality Table projected generationally using scale MP-2018.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2018 – June 30, 2019.

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.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Employee Retirement Plans - continued

A. Employees' Retirement Plan - continued

Changes in Employees' Net Pension Liability. Changes in the Employees' Retirement net pension liability for the year ended June 30, 2019 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2018	\$ 3,836,456	\$ 1,966,010	\$ 1,870,446
Changes for the year:			
Interest	199,494	-	199,494
Difference between expected and actual experience	24,929	-	24,929
Changes of assumptions	(8,423)	-	(8,423)
Benefit payments	(424,269)	-	(424,269)
Contributions - employer	-	709,423	(709,423)
Net investment income	-	144,125	(144,125)
Benefit payments	-	(424,268)	424,268
Administrative expense	-	(7,310)	7,310
Net changes	<u>(208,269)</u>	<u>421,970</u>	<u>(630,239)</u>
Balance, June 30, 2019	<u>\$ 3,628,187</u>	<u>\$ 2,387,980</u>	<u>\$ 1,240,207</u>

	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	<u>\$ 168,193</u>
Total	<u>\$ 168,193</u>

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

Year Ended June 30:	
2020	\$ (37,282)
2021	(87,346)
2022	(37,872)
2023	(5,693)
Thereafter	-

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Employee Retirement Plans - continued

A. 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-percentage-point higher (6.5%) than the current rate:

	Discount Rate	Net Pension Liability
1% decrease	4.50%	\$ 1,499,490
Current discount rate	5.50%	\$ 1,240,207
1% increase	6.50%	\$ 1,011,454

Pension Expense. For the year ended June 30, 2019, the City recognized pension expense of \$139,631.

B. 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.

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 cost-of-living (COL) increases, 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 COL increases 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 COL). 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 COL increases, 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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Employee Retirement Plans - continued

B. Police and Firemen's Retirement Plan - continued

75% of the final rate of salary (excluding COL). If the pensioner is not survived by a widow and there are minor children, a benefit of 50% of average salary plus total COL increases 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 COL). 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.

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 no COLA for 2019.

Contributions. As of June 30, 2019, there are 57 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.

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, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	50%	3.0%
Equity funds	50%	6.5%
Total	100%	

Concentrations. The Police and Firemen's Retirement Plan investments concentration as of June 30, 2019:

<u>Investment</u>	<u>Concentration</u>
Cash and money markets	1%
Bond mutual funds	39%
Equity mutual funds	21%
Other assets	39%
	100%

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Employee Retirement Plans - continued

B. Police and Firemen's Retirement Plan - continued

Rate of Return. For the year ended June 30, 2019, the annual money-weighted rate of return on the plan investments, net of pension plan investment expense was 5.8%. 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, 2019, 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, 2019, were as follows:

Total pension liability	\$ 10,207,495
Police and Firemen's Retirement Plan fiduciary net position	<u>(4,181,451)</u>
City's net pension liability	<u>\$ 6,026,044</u>
Police and Firemen's Retirement Plan net position as a percentage of total pension liability	40.96%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2019, 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-2014 Total Mortality Table projected generationally using scale MP-2018.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2018 – June 30, 2019.

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.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Employee Retirement Plans - continued

B. Police and Firemen's Retirement Plan - continued

Changes in Police and Firemen's Net Pension Liability. Changes in the Police and Firemen's net pension liability for the year ended June 30, 2019 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2018	\$ 10,668,270	\$ 4,840,682	\$ 5,827,588
Changes for the year:			
Interest	552,986	-	552,986
Benefit changes	-	-	-
Difference between expected and actual experience	256,919	-	256,919
Changes of assumptions	(26,062)	-	(26,062)
Benefit payments	(1,244,618)	-	(1,244,618)
Contributions - employer	-	365,078	(365,078)
Net investment income	-	261,260	(261,260)
Benefit payments	-	(1,244,618)	1,244,618
Administrative expense	-	(40,951)	40,951
Net changes	<u>(460,775)</u>	<u>(659,231)</u>	<u>198,456</u>
Balance, June 30, 2019	<u>\$ 10,207,495</u>	<u>\$ 4,181,451</u>	<u>\$ 6,026,044</u>

	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	<u>\$ 404,755</u>
Total	<u>\$ 404,755</u>

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

Year Ended June 30:	
2020	\$ (94,975)
2021	(199,946)
2022	(105,833)
2023	(4,001)
Thereafter	-

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Employee Retirement Plans - continued

B. Police and Firemen’s 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-percentage-point higher (6.5%) than the current rate:

	Discount Rate	Net Pension Liability
1% decrease	4.50%	\$ 6,729,719
Current discount rate	5.50%	\$ 6,026,044
1% increase	6.50%	\$ 5,403,894

Pension Expense. For the year ended June 30, 2019, the City recognized pension expense of \$647,404.

C. County Employees’ Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees’ Retirement System (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.

General Information about the Pension Plan

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous positions of each county, city, and school board, and any additional eligible local agencies electing to participate in CERS. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5%, provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands. No COLA has been granted since July 1, 2011.

Non-hazardous Benefits – For members who began contributing to CERS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final compensation is based on the 5-high creditable compensation years with a minimum of 48 months and a minimum of five fiscal years. Final compensation is determined by dividing the total salary earned during the 5-high years by the number of months worked, then multiplying by twelve. Non-hazardous members, age 65 or older, or with 27 or more years of service are eligible to retire and receive unreduced benefits. Any non-hazardous member, age 55, with a minimum of five years of service may retire with a reduction in benefits.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Employee Retirement Plans - continued

C. County Employees' Retirement System (CERS) - continued

For non-hazardous members who began contributing to CERS on or after September 1, 2008, any member age 57 or older, may retire with no reduction in benefits if the member's age and years of service equal 87. In addition, a member, age 65, with at least 60 months of service may retire with no reduction in benefits. A member, age 60 or older, with at least 120 months of service credit may retire at any time with a reduction of benefits.

Hazardous Benefits – For members who began contributing to CERS prior to September 1, 2008, final compensation represents the average fiscal year of earnings with the highest monthly average used when calculating your retirement benefit. Final compensation is based on the 3-high creditable compensation years with a minimum of 24 months and a minimum of three fiscal years. Final compensation is determined by dividing the total salary earned during the 3-high years by the number of months worked, then multiplying by twelve. Hazardous members, age 55 or older, or with 20 or more years of service are eligible to retire and receive unreduced benefits. Any hazardous member, age 50, with a minimum of fifteen years of service may retire with a reduction in benefits.

For hazardous members who began contributing to CERS on or after September 1, 2008, any member age 60 or older with 60 months or service or a member with 25 years of service, may retire with no reduction in benefits. A member, age 50 or older, with at least 180 months of service credit may retire at any time with a reduction of benefits.

Non-hazardous Contributions – For the year ended June 30, 2019, all plan members who began participating before September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2019, participating employers contributed 21.48% of each employee's creditable compensation, which was the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 10. Plan members contributed 16.22% to the pension trust for non-hazardous job classifications. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, are required to contribute a total of 6% of their annual creditable compensation. Five percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative regulation 102 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 5% of their annual creditable compensation.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Employee Retirement Plans – continued

C. County Employees' Retirement System (CERS) - continued

In accordance with Senate Bill 2 signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, are required to participate to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Non-hazardous members contribute 5% of their annual creditable compensation and 1% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2019, the City contributed \$1,061,483, or 100% of the required contribution for non-hazardous job classifications to the pension trust.

Hazardous Contributions - For the year ended June 30, 2019, all plan members who began participating before September 1, 2008, were required to contribute 8% of their annual creditable compensation. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2019, participating employers contributed 35.34% of each employee's creditable compensation, which was the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 10. Plan members contributed 24.87% to the pension trust for hazardous job classifications. Administrative costs of KRS are financed through employer contributions and investment earnings.

In accordance with House Bill 1, signed by the Governor on June 27, 2008, plan members who began participating on, or after, September 1, 2008, are required to contribute a total of 9% of their annual creditable compensation. Eight percent of the contribution was deposited to the member's account while 1% was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative regulation 102 KAR 1:420E). Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1% contribution to the 401(h) account is non-refundable and is forfeited. For plan members who began participating prior to September 1, 2008, their contributions remain at 8% of their annual creditable compensation.

In accordance with Senate Bill 2 signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, are required to participate to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Hazardous members contribute 8% of their annual creditable compensation and 1% to the health insurance fund, which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 7.5% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the year ended June 30, 2019, the City contributed \$4,298,559, or 100% of the required contribution for hazardous job classifications to the pension trust.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Employee Retirement Plans – continued

C. County Employees' Retirement System (CERS) - continued

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

At June 30, 2019, the City reported a liability of \$14,558,021 for its proportionate share of the net pension liability for non-hazardous and \$70,413,204 for hazardous classifications. The City's net pension liability was measured as of June 30, 2018, 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 a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the City's proportion decreased 0.002 percent from 0.242 percent at June 30, 2017 to 0.240 percent for non-hazardous and decreased 0.05 percent from 2.96 percent at June 30, 2017 to 2.91 percent for hazardous classifications.

For the year ended June 30, 2019, the City recognized pension expense of \$2,203,062 for non-hazardous and \$12,771,967 for hazardous classifications. At June 30, 2019, the City reported deferred outflows or 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
City contributions subsequent to the measurement date	\$ 1,051,689	\$ -	\$ 4,276,090	\$ -	\$ 5,327,779	\$ -
Proportionate share of deferred outflows at measurement date	1,927,133	-	14,224,201	-	16,151,334	-
Proportionate share of deferred inflows at measurement date	-	487,380	-	1,601,152	-	2,088,532
	<u>\$ 2,978,822</u>	<u>\$ 487,380</u>	<u>\$ 18,500,291</u>	<u>\$ 1,601,152</u>	<u>\$ 21,479,113</u>	<u>\$ 2,088,532</u>

\$5,327,779 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 ending June 30, 2020. This amount includes an adjustment of \$32,263 related to retired, re-employed individuals. Other amounts reported as deferred inflows and deferred outflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Hazardous	Non-Hazardous	Total
2020	\$ 9,186,279	\$ 1,146,345	\$ 10,332,624
2021	4,171,263	557,420	4,728,683
2022	(416,525)	(185,876)	(602,401)
2023	(317,968)	(78,136)	(396,104)
	<u>\$ 12,623,049</u>	<u>\$ 1,439,753</u>	<u>\$ 14,062,802</u>

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous and Hazardous

Inflation	2.30 percent
Salary Increases	3.05 percent, average, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Employee Retirement Plans - continued

C. County Employees' Retirement System (CERS) - continued

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). 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.

The actuarial assumptions used in the June 30, 2018 valuation were based on results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total pension liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

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.

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

Discount Rate – The discount rate used to measure the total pension liability for the system was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 - Employee Retirement Plans - continued

C. County Employees' Retirement System (CERS) - continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability calculated using the discount rate of 6.25%, as well as what the systems' net position liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate for non-hazardous and (5.25%) or one percentage point higher (7.25%) than the current rate for hazardous:

CERS	1% Decrease		Discount Rate		1% Increase	
	5.25%		6.25%		7.25%	
Non-hazardous	\$	18,327,041	\$	14,558,021	\$	11,400,243
Hazardous	\$	88,223,137	\$	70,413,204	\$	55,689,962

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, 2019, the City reported a payable of \$1,231,994 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019. The payable includes both the pension and insurance contribution allocation.

Note 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 9, the City of Covington participates in the County Employees' Retirement System (CERS). CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 9, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the year ending June 30, 2019, the employer's contribution was 5.26% to the insurance trust for non-hazardous job classifications and 10.47% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the year ended June 30, 2019, the City contributed \$344,229, or 100% of the required contribution for non-hazardous job classifications, and \$1,809,647, or 100% of the required contribution for hazardous job classifications.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - continued

Benefits – CERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net		
OPEB Liability	Non-hazardous	Hazardous
<u>\$ 25,003,095</u>	<u>\$ 4,244,161</u>	<u>\$ 20,758,934</u>

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the 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 entities, actuarially determined. The City's proportionate share at June 30, 2018 was as follows:

Non-hazardous	Hazardous
.240%	2.91%

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - continued

For the year ended June 30, 2019, the City recognized OPEB expense of \$3,919,910. At June 30, 2019, 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
City contributions subsequent to the measurement date	\$ 409,519	\$ -	\$ 1,718,177	\$ -	\$ 2,127,696	\$ -
Proportionate share of deferred outflows at measurement date	847,623	-	6,370,344	-	7,217,967	-
Proportionate share of deferred inflows at measurement date	-	859,632	-	4,679,346	-	5,538,978
	<u>\$ 1,257,142</u>	<u>\$ 859,632</u>	<u>\$ 8,088,521</u>	<u>\$ 4,679,346</u>	<u>\$ 9,345,663</u>	<u>\$ 5,538,978</u>

The \$2,127,696 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. The amount includes an adjustment of \$14,187 related to the implicit subsidy and an adjustment of \$11,993 related to retired, re-employed individuals. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Hazardous	Non-Hazardous	Total
2020	\$ 1,153,138	\$ 2,830	\$ 1,155,968
2021	1,153,138	2,830	1,155,968
2022	7,375	2,830	10,205
2023	(622,653)	59,607	(563,046)
2024	-	(49,125)	(49,125)
2025	-	(30,981)	(30,981)
	<u>\$ 1,690,998</u>	<u>\$ (12,009)</u>	<u>\$ 1,678,989</u>

Actuarial Assumptions – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous and Hazardous

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	

Pre – 65: Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.

Post – 65: Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – continued

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). 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.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018 was based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018.

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. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – continued

Discount Rate – The discount rate used to measure the total OPEB liability was 5.85% and 5.97% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>CERS</u>	<u>1% Decrease</u> <u>4.85%</u>	<u>Discount Rate</u> <u>5.85%</u>	<u>1% Increase</u> <u>6.85%</u>
Non-hazardous	\$ 5,512,485	\$ 4,244,161	\$ 3,163,781
<u>CERS</u>	<u>1% Decrease</u> <u>4.97%</u>	<u>Discount Rate</u> <u>5.97%</u>	<u>1% Increase</u> <u>6.97%</u>
Hazardous	\$ 28,855,939	\$ 20,758,934	\$ 14,277,068

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</u> <u>trend rate</u>	<u>1% Increase</u>
Non-hazardous	\$ 3,159,820	\$ 4,244,161	\$ 5,522,287
Hazardous	\$ 14,137,835	\$ 20,758,934	\$ 28,959,438

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 12 - Fund Balances

Fund balance is classified as nonspendable, 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:

Fund Balances	General	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>				
Prepaid items	\$ 155,908	\$ -	\$ 1,000	\$ 156,908
<i>Restricted for</i>				
Capital projects	-	2,555,939	-	2,555,939
Debt service	462,321	-	-	462,321
HUD programs	-	-	915,720	915,720
Other grant programs	-	-	1,004,081	1,004,081
<i>Total Restricted</i>	<u>462,321</u>	<u>2,555,939</u>	<u>1,919,801</u>	<u>4,938,061</u>
<i>Committed to</i>				
Operating Reserve	7,390,770	-	-	7,390,770
Infrastructure	-	-	866,206	866,206
Ambulance	-	-	208,230	208,230
Fleet, Equipment & Technology	-	-	1,100,684	1,100,684
EDF	-	-	797,459	797,459
TIF	-	-	2,185,825	2,185,825
One Stop Shop	-	-	289,061	289,061
<i>Total Committed</i>	<u>7,390,770</u>	<u>-</u>	<u>5,447,465</u>	<u>12,838,235</u>
<i>Unassigned</i>	<u>9,327,450</u>	<u>-</u>	<u>(825,075)</u>	<u>8,502,375</u>
<i>Total Fund Balance</i>	<u>\$ 17,336,449</u>	<u>\$ 2,555,939</u>	<u>\$ 6,543,191</u>	<u>\$ 26,435,579</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 12 - Fund Balances – continued

At June 30, 2019, the following non-major governmental funds had a deficit fund balance:

Waste	\$ 498,668
Devou Park Master Plan	\$ 171,998
Police & Fire Supplemental Pay	\$ 154,409

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

The City established the Fiscal Stability Ordinance, O-11-16 during the fiscal year ended June 30, 2016. The City repealed the Fiscal Stability Ordinance during the fiscal year ended June 30, 2019, and established a General Fund Operating Reserve Fund 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 General Fund Operating Reserve was determined to be \$7,390,770 as of June 30, 2019. It is the intent of the City to limit use of the General Fund Operating Reserve Fund to address unanticipated, non-recurring needs. The Fund shall not normally be applied to annual operating expenditures. In the event that 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 13 - 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, 2019.

Note 14 - Tax Abatements

The City is authorized by Kentucky Revised Statutes and 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 Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 14 - Tax Abatements - continued

For the ended June 30, 2019, the City abated payroll taxes totaling \$338,108 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>
RAH Reality LLC / Fruit Storage Inc.	Vacant Property Rehabilitation Incentive	50% to 75%	\$ 33,802
Huntington National Bank	Covington Jobs Development New Business Incentive	41%	\$ 60,797
TIER 1 Performance - CY18	Covington Jobs Development Retention Incentive	Various	\$ 79,304
TIER 1 Performance - CY17	Covington Jobs Development Retention Incentive	Various	\$ 86,744

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 year ended June 30, 2019, the City abated property taxes totaling \$193,846 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>
Ascent at Roebing's Bridge Condominiums	Built Luxury Condominiums	50%	\$ 92,936
Covington FC III, LLC	Built Luxury Condominiums	81%	\$ 52,880
730 Washington, LLC	Built Luxury Condominiums	81%	\$ 38,318

Note 15 – Subsequent Event

Promissory note between the City and the Parking Authority

In August 2019, the City executed a promissory note with the Parking Authority that calls for the Parking Authority to reimburse the City for a \$2.5 million contribution for the construction of the public parking portions of the John R. Green Parking Garage.

**Required
Supplementary
Information**

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual -

General Fund

Fiscal Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Real property	\$ 7,629,000	\$ 7,629,000	\$ 7,758,968	\$ 129,968
Franchise	2,250,000	2,250,000	2,362,740	112,740
Insurance premium	7,313,000	7,313,000	7,613,448	300,448
Licenses and permits:				
Payroll license fees	26,608,000	26,608,000	27,039,037	431,037
Net profits license fees	3,582,000	3,582,000	3,597,575	15,575
Liquor and beer licenses	170,000	170,000	172,857	2,857
Other licenses and permits	157,000	157,000	146,521	(10,479)
Intergovernmental	952,000	952,000	1,749,362	797,362
Fines and forfeitures	240,000	240,000	337,821	97,821
Charges for services:				
Waste fees	126,000	126,000	98,256	(27,744)
Air rights	610,434	610,434	-	(610,434)
Rental property	287,000	287,000	302,759	15,759
Other	15,000	15,000	51,982	36,982
Interest	341,000	341,000	749,669	408,669
Miscellaneous	463,000	463,003	919,765	456,762
Total revenues	<u>\$ 50,743,434</u>	<u>\$ 50,743,437</u>	<u>\$ 52,900,760</u>	<u>\$ 2,157,323</u>
Expenditures:				
Current:				
General government:				
Administration department:				
Payroll	\$ 979,672	\$ 995,344	\$ 822,504	\$ 172,840
Pension benefits	137,972	142,972	132,807	10,165
Health Insurance	164,500	168,500	137,667	30,833
Other benefits	87,374	88,974	69,684	19,290
Contractual services	1,099,638	842,703	656,840	185,863
Materials and supplies	33,450	60,385	56,873	3,512
Miscellaneous	49,459	48,459	43,198	5,261
Total administrative	<u>\$ 2,552,065</u>	<u>\$ 2,347,337</u>	<u>\$ 1,919,573</u>	<u>\$ 427,764</u>

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual -

General Fund - *continued*

Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures - continued				
Current - <i>continued</i> :				
General government - <i>continued</i> :				
Legal department:				
Payroll	\$ 387,885	\$ 400,585	\$ 365,882	\$ 34,703
Pension benefits	75,392	80,492	77,373	3,119
Health insurance	70,000	70,000	67,667	2,333
Other benefits	33,208	34,808	29,506	5,302
Contractual services	150,066	150,466	114,258	36,208
Materials and supplies	9,900	9,900	4,707	5,193
Miscellaneous	9,900	9,500	7,921	1,579
Total legal	<u>736,351</u>	<u>755,751</u>	<u>667,314</u>	<u>88,437</u>
Finance department:				
Payroll	976,901	976,901	919,985	56,916
Pension benefits	212,460	212,460	192,058	20,402
Health insurance	199,500	199,500	197,167	2,333
Other benefits	88,007	88,007	78,803	9,204
Contractual services	765,452	749,313	631,532	117,781
Materials and supplies	9,500	77,967	44,139	33,828
Miscellaneous	12,955	14,255	10,820	3,435
Total finance	<u>2,264,775</u>	<u>2,318,403</u>	<u>2,074,504</u>	<u>243,899</u>
Legacy pension contributions:				
City employee	-	709,424	709,424	-
Police and fire	-	363,053	363,053	-
Total pension contributions	<u>-</u>	<u>1,072,477</u>	<u>1,072,477</u>	<u>-</u>
Total general government	<u>5,553,191</u>	<u>6,493,968</u>	<u>5,733,868</u>	<u>760,100</u>
Police:				
Payroll	9,251,129	9,298,129	8,879,199	418,930
Pension benefits	2,769,943	2,869,943	2,934,212	(64,269)
Health insurance	1,694,000	1,594,000	1,562,167	31,833
Other benefits	591,081	606,081	533,721	72,360
Contractual services	488,147	526,146	406,653	119,493
Materials and supplies	495,241	495,242	395,627	99,615
Miscellaneous	42,500	42,500	17,308	25,192
Total police	<u>\$ 15,332,041</u>	<u>\$ 15,432,041</u>	<u>\$ 14,728,887</u>	<u>\$ 703,154</u>

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual -

General Fund - *continued*

Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures - continued				
Current - <i>continued</i> :				
Fire:				
Payroll	\$ 7,679,918	\$ 7,877,540	\$ 8,448,315	\$ (570,775)
Pension benefits	2,717,648	2,922,648	2,979,826	(57,178)
Health insurance	1,722,000	1,722,000	1,685,833	36,167
Other benefits	553,499	550,877	510,946	39,931
Contractual services	464,139	478,979	479,351	(372)
Materials and supplies	355,209	371,570	318,908	52,662
Miscellaneous	7,730	7,530	6,465	1,065
Total fire	<u>13,500,143</u>	<u>13,931,144</u>	<u>14,429,644</u>	<u>(498,500)</u>
Public improvements:				
Payroll	3,610,036	3,573,725	3,073,020	500,705
Pension benefits	522,253	553,753	600,826	(47,073)
Health Insurance	714,000	709,000	647,500	61,500
Other benefits	334,933	344,744	324,292	20,452
Contractual services	1,577,959	1,624,354	1,305,888	318,466
Materials and supplies	1,422,538	1,471,226	913,541	557,685
Miscellaneous	3,900	3,900	2,023	1,877
Total public improvement	<u>8,185,619</u>	<u>8,280,702</u>	<u>6,867,090</u>	<u>1,413,612</u>
Community development:				
Economic development:				
Payroll	388,931	388,931	348,797	40,134
Pension benefits	76,963	76,963	71,903	5,060
Health insurance	70,000	70,000	50,916	19,084
Other benefits	32,841	32,841	36,834	(3,993)
Contractual services	530,978	530,977	463,068	67,909
Materials and supplies	2,000	2,000	1,386	614
Miscellaneous	3,810	3,810	1,872	1,938
Total economic development	<u>1,105,523</u>	<u>1,105,522</u>	<u>974,776</u>	<u>130,746</u>
Recreation:				
Payroll	197,700	197,700	144,475	53,225
Pension benefits	-	-	26,041	(26,041)
Health insurance	-	-	34,172	(34,172)
Other benefits	18,748	18,748	23,479	(4,731)
Contractual services	98,100	66,945	50,586	16,359
Materials and supplies	208,250	238,575	209,704	28,871
Miscellaneous	2,500	3,330	2,646	684
Total recreation	<u>\$ 525,298</u>	<u>\$ 525,298</u>	<u>\$ 491,103</u>	<u>\$ 34,195</u>

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual -

General Fund - *concluded*

Fiscal Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures - concluded				
Current - <i>continued</i> :				
Community development:				
Neighborhood services:				
Payroll	\$ 562,496	\$ 562,496	\$ 464,762	\$ 97,734
Pension benefits	70,670	70,670	74,893	(4,223)
Health insurance	78,300	78,300	60,209	18,091
Other benefits	65,077	65,077	44,645	20,432
Contractual services	274,900	267,400	83,789	183,611
Materials and supplies	26,700	34,200	13,669	20,531
Miscellaneous	11,200	11,200	445	10,755
Total neighborhood services	<u>1,089,343</u>	<u>1,089,343</u>	<u>742,412</u>	<u>346,931</u>
Total community development	<u>2,720,164</u>	<u>2,720,163</u>	<u>2,208,291</u>	<u>511,872</u>
Capital outlay	-	-	479,252	(479,252)
Debt service:				
Principal	3,013,928	3,013,928	3,247,021	(233,093)
Interest	<u>1,528,703</u>	<u>1,528,703</u>	<u>1,461,929</u>	<u>66,774</u>
Total debt service	<u>4,542,631</u>	<u>4,542,631</u>	<u>4,708,950</u>	<u>(166,319)</u>
Total expenditures	<u>49,833,789</u>	<u>51,400,649</u>	<u>49,155,982</u>	<u>2,244,667</u>
Excess (deficiency) of revenues over (under) expenditures	909,645	(657,212)	3,744,778	(87,344)
Other Financing Sources (Uses)				
Transfers in	1,952,000	1,952,000	1,729,345	(222,655)
Transfers out	(2,920,645)	(2,783,433)	(2,783,433)	-
Proceeds on sale of assets	<u>59,000</u>	<u>59,000</u>	<u>50,260</u>	<u>(8,740)</u>
Total other financing sources (uses)	<u>(909,645)</u>	<u>(772,433)</u>	<u>(1,003,828)</u>	<u>(231,395)</u>
Net change in fund balance	-	(1,429,645)	2,740,950	<u>\$ (318,739)</u>
Fund balance, beginning of year	<u>14,595,499</u>	<u>14,595,499</u>	<u>14,595,499</u>	
Fund balance, end of year	<u>\$ 14,595,499</u>	<u>\$ 13,165,854</u>	<u>\$ 17,336,449</u>	

CITY OF COVINGTON, KENTUCKY

Required Supplementary Information -
Employees' Retirement Plan

Fiscal Years 2019, 2018, 2017, 2016, 2015 and 2014 ⁽¹⁾

	2019	2018	2017	2016	2015	2014
Schedule of City Contributions						
Actuarially determined contribution	\$ 169,363	\$ 203,351	\$ 203,351	\$ 183,493	\$ 183,493	\$ 138,459
Contributions in relation to the actuarially determined contribution	<u>709,424</u>	<u>187,000</u>	<u>195,000</u>	<u>127,078</u>	<u>127,078</u>	<u>138,459</u>
Contribution deficiency (excess)	<u>\$ (540,061)</u>	<u>\$ 16,351</u>	<u>\$ 8,351</u>	<u>\$ 56,415</u>	<u>\$ 56,415</u>	<u>\$ -</u>
Covered payroll	N/A ⁽²⁾					
Actual contributions as a percentage of covered payroll	N/A ⁽²⁾					
Schedule of Changes in the Net Position Liability and Related Ratios						
Total pension liability						
Interest	\$ 199,494	\$ 214,819	\$ 155,134	\$ 264,726	\$ 330,480	\$ 342,966
Benefit changes	-	-	80,924	-	-	64,980
Difference between expected and actual experience	24,929	(21,834)	(54,286)	(444,003)	(185,296)	(20,562)
Changes of assumptions	(8,423)	(34,982)	(1,049,356)	875,460	1,028,917	24,786
Benefit payments	<u>(424,269)</u>	<u>(448,698)</u>	<u>(488,931)</u>	<u>(503,390)</u>	<u>(568,978)</u>	<u>(587,963)</u>
Net change in total pension liability	<u>(208,269)</u>	<u>(290,695)</u>	<u>(1,356,515)</u>	<u>192,793</u>	<u>605,123</u>	<u>(175,793)</u>
Total pension liability - beginning	<u>3,836,456</u>	<u>4,127,151</u>	<u>5,483,666</u>	<u>5,290,873</u>	<u>4,685,750</u>	<u>4,861,543</u>
Total pension liability - ending	<u>\$ 3,628,187</u>	<u>\$ 3,836,456</u>	<u>\$ 4,127,151</u>	<u>\$ 5,483,666</u>	<u>\$ 5,290,873</u>	<u>\$ 4,685,750</u>
Plan fiduciary net position						
Contributions-employer	\$ 709,423	\$ 187,000	\$ 195,000	\$ 127,078	\$ 127,078	\$ 138,459
Other	-	-	-	-	-	67
Net investment income	144,125	262,030	301,655	(129,228)	(132,623)	474,728
Benefit payments	(424,268)	(448,698)	(488,931)	(503,390)	(568,978)	(623,756)
Administrative expense	<u>(7,310)</u>	<u>(3,900)</u>	<u>(18,024)</u>	<u>(6,800)</u>	-	<u>(12,221)</u>
Net change in plan fiduciary net position	<u>421,970</u>	<u>(3,568)</u>	<u>(10,300)</u>	<u>(512,340)</u>	<u>(574,523)</u>	<u>(22,723)</u>
Plan fiduciary net position - beginning	<u>1,966,010</u>	<u>1,969,578</u>	<u>1,979,878</u>	<u>2,492,218</u>	<u>3,066,741</u>	<u>3,089,464</u>
Plan fiduciary net position - ending	<u>\$ 2,387,980</u>	<u>\$ 1,966,010</u>	<u>\$ 1,969,578</u>	<u>\$ 1,979,878</u>	<u>\$ 2,492,218</u>	<u>\$ 3,066,741</u>
Net pension liability	<u>\$ 1,240,207</u>	<u>\$ 1,870,446</u>	<u>\$ 2,157,573</u>	<u>\$ 3,503,788</u>	<u>\$ 2,798,655</u>	<u>\$ 1,619,009</u>
Plan fiduciary net position as percentage of the total pension liability	65.82%	51.25%	47.72%	36.11%	47.10%	65.45%
Covered payroll	N/A ⁽²⁾					
Net pension liability as a percentage of covered payroll	N/A ⁽²⁾					
Schedule of Investment Returns						
Annual money-weighted rate of return, net of investment expense	5.90%	9.90%	5.70%	-3.74%	-3.70%	16.20%

(1) - Only fiscal years 2019, 2018, 2017, 2016, 2015, and 2014 were available. The City will continue to present information for years available until a full 10-year trend is compiled.

(2) - No active employees participating in the plan.

CITY OF COVINGTON, KENTUCKY
 Required Supplementary Information -
 Police and Firemen's Retirement Plan
 Fiscal Years 2019, 2018, 2017, 2016, 2015 and 2014 ⁽¹⁾

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Schedule of City Contributions						
Actuarially determined contribution	\$ 512,699	\$ 577,711	\$ 577,711	\$ 445,224	\$ 445,224	\$ 283,601
Contributions in relation to the actuarially determined contribution	<u>365,078</u>	<u>551,000</u>	<u>573,000</u>	<u>269,327</u>	<u>269,327</u>	<u>384,806</u>
Contribution deficiency (excess)	<u>\$ 147,621</u>	<u>\$ 26,711</u>	<u>\$ 4,711</u>	<u>\$ 175,897</u>	<u>\$ 175,897</u>	<u>\$ (101,205)</u>
Covered payroll	N/A ⁽²⁾					
Actual contributions as a percentage of covered payroll	N/A ⁽²⁾					
Schedule of Changes in the Net Position Liability and Related Ratios						
Total pension liability						
Interest	\$ 552,986	\$ 595,322	\$ 385,334	\$ 628,379	\$ 726,953	\$ 774,059
Benefit changes	-	209,181	146,022	-	-	38,609
Difference between expected and actual experience	256,919	(218,038)	123,207	57,418	124,618	(17,688)
Changes of assumptions	(26,062)	(102,614)	(3,069,911)	2,400,570	3,678,886	-
Benefit payments	<u>(1,244,618)</u>	<u>(1,262,330)</u>	<u>(1,348,765)</u>	<u>(1,382,618)</u>	<u>(1,406,659)</u>	<u>(1,438,900)</u>
Net change in total pension liability	(460,775)	(778,479)	(3,764,113)	1,703,749	3,123,798	(643,920)
Total pension liability - beginning	<u>10,668,270</u>	<u>11,446,749</u>	<u>15,210,862</u>	<u>13,507,113</u>	<u>10,383,315</u>	<u>11,027,235</u>
Total pension liability - ending	<u>\$ 10,207,495</u>	<u>\$ 10,668,270</u>	<u>\$ 11,446,749</u>	<u>\$ 15,210,862</u>	<u>\$ 13,507,113</u>	<u>\$ 10,383,315</u>
Plan fiduciary net position						
Contributions-employer	\$ 365,078	\$ 551,000	\$ 573,000	\$ 269,327	\$ 269,327	\$ 359,506
Impounding lot	-	-	-	-	2,578	30,383
Net investment income	261,260	753,872	592,661	(240,496)	(253,088)	1,133,103
Benefit payments	(1,244,618)	(1,262,330)	(1,348,765)	(1,382,618)	(1,403,457)	(1,446,162)
Administrative expense	<u>(40,951)</u>	<u>(4,000)</u>	<u>(7,080)</u>	<u>(7,200)</u>	<u>(7,869)</u>	<u>(28,113)</u>
Net change in plan fiduciary net position	(659,231)	38,542	(190,184)	(1,360,987)	(1,392,509)	48,717
Plan fiduciary net position - beginning	<u>4,840,682</u>	<u>4,802,140</u>	<u>4,992,324</u>	<u>6,353,311</u>	<u>7,745,820</u>	<u>7,697,103</u>
Plan fiduciary net position - ending	<u>\$ 4,181,451</u>	<u>\$ 4,840,682</u>	<u>\$ 4,802,140</u>	<u>\$ 4,992,324</u>	<u>\$ 6,353,311</u>	<u>\$ 7,745,820</u>
Net pension liability	<u>\$ 6,026,044</u>	<u>\$ 5,827,588</u>	<u>\$ 6,644,609</u>	<u>\$ 10,218,538</u>	<u>\$ 7,153,802</u>	<u>\$ 2,637,495</u>
Plan fiduciary net position as percentage of the total pension liability	40.96%	45.37%	41.95%	32.82%	47.04%	74.60%
Covered payroll	N/A ⁽²⁾					
Net pension liability as a percentage of covered payroll	N/A ⁽²⁾					
Schedule of Investment Returns						
Annual money-weighted rate of return, net of investment expense	5.80%	9.90%	10.90%	-3.56%	-3.95%	16.48%

(1) - Only fiscal years 2019, 2018, 2017, 2016, 2015, and 2014 were available. The City will continue to present information for years available until a full 10-year trend is compiled.

(2) - No active employees participating in the plan.

CITY OF COVINGTON, KENTUCKY

Notes to Required Supplementary Information

Year Ended June 30, 2019

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, 1.5%, effective July 1, 2014, and 2.0%, effective January 1, 2018, for participants of the Police and Firemen's Retirement Plan.

Note 3. Change 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 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	RP-2014 Total Mortality Table projected generationally using Scale MP-2018.	RP-2014 Total Mortality Table with Blue Collar adjustment projected generationally using Scale MP-2018.

CITY OF COVINGTON, KENTUCKY

Schedule of the Proportionate Share of the Net Pension Liability

Non-hazardous and Hazardous
County Employee Retirement System

Last six fiscal years ⁽¹⁾

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Non-hazardous:						
City's proportion of the net pension liability	0.240%	0.242%	0.240%	0.242%	0.260%	0.260%
City's proportionate share of the net pension liability	\$ 14,558,021	\$ 14,147,444	\$ 11,836,501	\$ 10,425,611	\$ 8,401,100	\$ 9,506,000
City's covered payroll ⁽²⁾	\$ 5,977,993	\$ 5,933,424	\$ 5,732,547	\$ 5,670,221	\$ 5,942,202	\$ 5,668,276
City's proportionate share of the net pension liability as a percentage of its covered payroll	243.53%	238.44%	206.48%	183.87%	141.38%	167.71%
Plan fiduciary net position as a percentage of the total pension liability	53.5%	53.3%	55.5%	60.0%	66.8%	61.2%
Hazardous:						
City's proportion of the net pension liability	2.96%	2.96%	2.81%	2.91%	2.85%	2.85%
City's proportionate share of the net pension liability	\$ 70,413,204	\$ 66,320,811	\$ 48,235,603	\$ 44,623,090	\$ 34,207,001	\$ 38,200,000
City's covered payroll ⁽²⁾	\$ 16,290,175	\$ 16,096,264	\$ 14,877,913	\$ 14,814,779	\$ 14,427,951	\$ 14,110,813
City's proportionate share of the net pension liability as a percentage of its covered payroll	432.24%	412.03%	324.21%	301.21%	237.09%	270.71%
Plan fiduciary net position as a percentage of the total pension liability	49.3%	49.8%	54.0%	57.5%	63.4%	57.7%

(1) Information prior to 2014 is not available. The above schedule will present 10 years of historical data, once available.

(2) The measurement date of the net pension liability is one year preceding the fiscal year of the City.

(3) The City's covered payroll reported above is payroll for the corresponding measurement date of the net pension liability and differs from the City's fiscal year payroll reported on the Schedule of Contributions.

(4) There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

CITY OF COVINGTON, KENTUCKY
Schedule of City Pension Contributions

For the Years Ended June 30, 2019, 2018, 2017, 2016, 2015 and 2014 ⁽¹⁾

	2019	2018	2017	2016	2015	2014
Non-hazardous:						
Contractually required contribution	\$ 1,061,483	\$ 865,621	\$ 827,713	\$ 710,807	\$ 722,953	\$ 816,459
Contributions in relation to the contractually required contribution	<u>1,061,483</u>	<u>865,621</u>	<u>827,713</u>	<u>710,807</u>	<u>722,953</u>	<u>816,459</u>
Contribution excess (deficiency)	<u>\$ -</u>					
City's covered payroll ⁽²⁾	\$ 6,544,282	\$ 5,977,993	\$ 5,933,424	\$ 5,732,547	\$ 5,670,221	\$ 5,942,202
Contributions as a percentage of covered payroll	16.22%	14.48%	13.95%	12.40%	12.75%	13.74%
Hazardous:						
Contractually required contribution	\$ 4,298,559	\$ 3,616,419	\$ 3,494,499	\$ 3,014,265	\$ 3,071,104	\$ 3,140,965
Contributions in relation to the contractually required contribution	<u>4,298,559</u>	<u>3,616,419</u>	<u>3,494,499</u>	<u>3,014,265</u>	<u>3,071,104</u>	<u>3,140,965</u>
Contribution excess (deficiency)	<u>\$ -</u>					
City's covered payroll ⁽²⁾	\$ 17,284,115	\$ 16,290,175	\$ 16,096,264	\$ 14,877,913	\$ 14,814,779	\$ 14,427,951
Contributions as a percentage of covered payroll	24.87%	22.20%	21.71%	20.26%	20.73%	21.77%

(1) Information prior to 2014 is not available. The above schedule will present 10 years of historical data, once available.

(2) The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net Pension Liability.

(3) Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated directly to the insurance fund of the CERS. The above contributions only include those contributions allocated directly to the CERS pension fund.

(4) There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

CITY OF COVINGTON, KENTUCKY

Schedule of the Proportionate Share of the Net OPEB Liability

Non-hazardous and Hazardous

County Employee Retirement System

Last three fiscal years ⁽¹⁾

	June 30, 2019	June 30, 2018	June 30, 2017
Non-hazardous:			
City's proportion of the net OPEB liability	0.240%	0.242%	0.240%
City's proportionate share of the net OPEB liability	\$ 4,244,161	\$ 4,858,997	\$ 3,811,252
City's covered payroll ⁽²⁾	\$ 5,977,993	\$ 5,933,424	\$ 5,732,547
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	71.00%	81.89%	66.48%
Plan fiduciary net position as a percentage of the total OPEB liability	57.6%	52.4%	unavailable
Hazardous:			
City's proportion of the net OPEB liability	2.91%	2.96%	2.81%
City's proportionate share of the net OPEB liability	\$ 20,758,934	\$ 24,505,455	\$ 14,642,905
City's covered payroll ⁽²⁾	\$ 16,290,175	\$ 16,096,264	\$ 14,877,913
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	127.43%	152.24%	98.42%
Plan fiduciary net position as a percentage of the total OPEB liability	64.2%	59.0%	unavailable

(1) Information prior to 2017 is not available. The above schedule will present 10 years of historical data, once available

(2) The measurement date of the net OPEB liability is one year preceding the fiscal year of the City

(3) The City's covered payroll reported above is payroll for the corresponding measurement date of the net OPEB liability and differs from the City's fiscal year payroll reported on the Schedule of Contributions.

(4) There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

CITY OF COVINGTON, KENTUCKY

Schedule of City OPEB Contributions

For the Years Ended June 30, 2019, 2018, 2017, 2016, 2015 and 2014 ⁽¹⁾

	2019	2018	2017	2016	2015	2014
Non-hazardous:						
Contractually required contribution	\$ 344,229	\$ 280,968	\$ 280,651	\$ 265,551	\$ 278,975	\$ 306,023
Contributions in relation to the contractually required contribution	<u>344,229</u>	<u>280,968</u>	<u>280,651</u>	<u>265,551</u>	<u>278,975</u>	<u>306,023</u>
Contribution excess (deficiency)	<u>\$ -</u>					
City's covered payroll ⁽²⁾	\$ 6,544,282	\$ 5,977,993	\$ 5,933,424	\$ 5,732,547	\$ 5,670,221	\$ 5,942,202
Contributions as a percentage of covered payroll	5.26%	4.70%	4.73%	4.63%	4.92%	5.15%
Hazardous:						
Contractually required contribution	\$ 1,809,647	\$ 1,523,131	\$ 1,505,001	\$ 1,888,007	\$ 2,011,847	\$ 2,009,814
Contributions in relation to the contractually required contribution	<u>1,809,647</u>	<u>1,523,131</u>	<u>1,505,001</u>	<u>1,888,007</u>	<u>2,011,847</u>	<u>2,009,814</u>
Contribution excess (deficiency)	<u>\$ -</u>					
City's covered payroll ⁽²⁾	\$ 17,284,115	\$ 16,290,175	\$ 16,096,264	\$ 14,877,913	\$ 14,814,779	\$ 14,427,951
Contributions as a percentage of covered payroll	10.47%	9.35%	9.35%	12.69%	13.58%	13.93%

(1) Information prior to 2014 is not available. The above schedule will present 10 years of historical data, once available.

(2) The City's covered payroll reported above is payroll for the City's corresponding fiscal year and differs from the covered payroll reported on the Schedule of Proportionate Share of the Net OPEB Liability.

(3) Contractually required employer contributions exclude the portion of contributions paid to CERS but allocated directly to the pension fund of the CERS. The above contributions only include those contributions allocated directly to the CERS insurance fund.

(4) There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the current fiscal year.

CITY OF COVINGTON, KENTUCKY
Notes to Required Supplementary Information
Year Ended June 30, 2019

Note 1. Methods and Assumptions Used to Determine Contribution Rates:

	<u>CERS</u>
Investment rate of return	6.25%, compounded annually net of investment expenses, including inflation
Rate of Inflation	2.30%
Wage Inflation	0.75%
Payroll Growth Assumption	2.00%
Mortality	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males & 30% for females). 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.

The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

Supplemental Section

Combining Statements And Individual Fund Schedules

CITY OF COVINGTON, KENTUCKY

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 **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 under the HOME Program. Proceeds are used for deferred loans which are used to acquire, construct or rehabilitate housing for low income families.

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

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

The **HOME Consortium Fund** was established to administer a HOME Program for a consortium of non-entitlement cities in Northern Kentucky, including Newport, Bellevue, Dayton, Ludlow, and Bromley. HOME funds are used to provide assistance to persons to purchase a home, owner-occupied rehab programs, and housing development activities with Community Housing Development organizations. The HOME Consortium Fund was merged with the HOME Program Fund during the year ended June 30, 2019.

CITY OF COVINGTON, KENTUCKY

Nonmajor Special Revenue Funds:

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

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

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

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 **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.

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.

AGENCY FUND

Agency funds are used to account for assets held in a custodial capacity.

Agency Fund:

The **Real Estate Fund** accounts for Covington's Community Development Initiative to develop vacant or abandoned properties.

CITY OF COVINGTON, KENTUCKY
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2019

	Nonmajor Special Revenue Funds																Total Nonmajor Governmental Funds		
	Federal & State Grants	Community Development Block Grant	Lead Hazard Reduction Fund	HOME Program	One Stop Shop	Police Forfeiture Justice	HOME Consortium	Housing Voucher Program	Infrastructure Fund	EDF	TIF	Police & Fire Supplemental Pay	Fleet Equipment & Technology	Waste	Ambulance	Devou Park Maintenance		Devou Park Master Plan	
Assets																			
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 378,594	\$ -	\$ -	\$ 814,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,192,678
Receivables																			
Intergovernmental	756,668	98,019	-	22,595	-	-	-	-	-	-	66,891	-	-	-	-	-	-	944,173	
Notes	-	-	-	-	-	-	-	-	546,607	-	-	-	-	-	-	-	-	546,607	
Accounts	-	-	551	-	-	-	23,031	-	-	-	-	-	811,541	-	-	-	-	835,123	
Due from other funds	97,624	102,232	-	58,150	-	422,214	-	-	866,206	806,559	2,185,825	-	1,191,918	568,012	218,630	397,113	-	6,914,483	
Prepaid items	-	-	-	-	-	-	-	-	-	1,000	-	-	-	-	-	-	-	1,000	
Total assets	\$ 854,292	\$ 200,251	\$ 551	\$ 80,745	\$ 378,594	\$ 422,214	\$ -	\$ 837,115	\$ 866,206	\$ 1,354,166	\$ 2,185,825	\$ 66,891	\$ 1,191,918	\$ 1,379,553	\$ 218,630	\$ 397,113	\$ -	\$ 10,434,064	
Liabilities:																			
Accounts payable	\$ 8,276	\$ 30,396	\$ 551	\$ 2	\$ -	\$ 6,636	\$ -	\$ 6,869	\$ -	\$ 9,000	\$ -	\$ -	\$ 91,234	\$ 368,184	\$ 10,400	\$ 1,104	\$ 167,405	\$ 700,057	
Accrued liabilities	-	-	-	-	-	-	-	-	-	-	104,001	-	-	-	-	-	-	104,001	
Due to other funds	182,690	-	-	-	89,533	-	-	40,327	-	100	117,299	-	-	-	-	-	4,593	434,542	
Unearned revenue	470,832	-	-	-	-	-	-	124,797	-	-	-	-	1,052,761	-	-	-	-	1,648,390	
Total liabilities	661,798	30,396	551	2	89,533	6,636	-	171,993	-	9,100	-	221,300	91,234	1,420,945	10,400	1,104	171,998	2,886,990	
Deferred Inflow of Resources:																			
Unavailable revenue	-	-	-	-	-	-	-	-	-	546,607	-	-	-	457,276	-	-	-	1,003,883	
Fund balance:																			
Nonspendable	-	-	-	-	-	-	-	-	1,000	-	-	-	-	-	-	-	-	1,000	
Restricted	192,494	169,855	-	80,743	-	415,578	-	665,122	-	-	-	-	-	-	396,009	-	-	1,919,801	
Committed	-	-	-	-	289,061	-	-	-	866,206	797,459	2,185,825	-	1,100,684	-	208,230	-	-	5,447,465	
Unassigned	-	-	-	-	-	-	-	-	-	-	-	(154,409)	-	(498,668)	-	-	(171,998)	(825,075)	
Total fund balance	192,494	169,855	-	80,743	289,061	415,578	-	665,122	866,206	798,459	2,185,825	(154,409)	1,100,684	(498,668)	208,230	396,009	(171,998)	6,543,191	
Total liabilities, deferred inflows of resources and fund balance	\$ 854,292	\$ 200,251	\$ 551	\$ 80,745	\$ 378,594	\$ 422,214	\$ -	\$ 837,115	\$ 866,206	\$ 1,354,166	\$ 2,185,825	\$ 66,891	\$ 1,191,918	\$ 1,379,553	\$ 218,630	\$ 397,113	\$ -	\$ 10,434,064	

CITY OF COVINGTON, KENTUCKY

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2019

	Nonmajor Special Revenue Funds														Total Nonmajor Governmental Funds			
	Federal & State Grants	Community Development Block Grant	Lead Hazard Reduction Fund	HOME Program	One Stop Shop	Police Forfeiture Justice	HOME Consortium	Housing Voucher Program	Infrastructure Fund	EDF	TIF	Police & Fire Supplemental Pay	Fleet Equipment & Technology	Waste		Ambulance	Devou Park Maintenance	Devou Park Master Plan
Revenues:																		
Intergovernmental	\$ 1,541,692	\$ 1,353,750	\$ 4,597	\$ 268,921	\$ -	\$ 334,253	\$ -	\$ 6,048,716	\$ -	\$ -	\$ -	\$ 1,202,259	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,754,188
Charges for services	-	-	-	-	513,940	-	-	-	32,232	-	-	-	-	2,111,943	1,482,648	-	-	4,140,763
Investment earnings	-	-	-	-	83	-	-	212	4	-	1	-	-	-	-	324	-	624
Miscellaneous	88,571	125,467	-	239,970	-	-	-	27,733	-	-	169,962	-	14,522	-	-	231,752	119,304	1,017,281
Total revenues	1,630,263	1,479,217	4,597	508,891	514,023	334,253	-	6,076,661	4	32,232	169,963	1,202,259	14,522	2,111,943	1,482,648	232,076	119,304	15,912,856
Expenditures:																		
Current:																		
General government	-	-	-	-	-	-	-	-	-	-	-	15,742	20,552	127,982	-	-	-	164,276
Police	33,937	-	-	-	-	67,288	-	-	-	-	552,307	-	-	-	-	-	-	653,532
Fire	22,099	-	-	-	-	-	-	-	-	-	652,914	-	-	-	-	-	-	675,013
Public improvements	28,584	50,363	-	-	-	-	-	3,695	-	-	-	7,436	2,208,048	-	-	-	-	2,298,126
Community development	10,738	676,229	4,597	516,903	116,746	-	-	5,927,525	-	294,550	315,634	-	-	-	50,495	6,906	7,920,323	
Debt service:																		
Principal	-	-	-	-	-	-	-	-	-	-	-	441,996	-	-	-	-	-	441,996
Interest	-	-	-	-	-	-	-	-	-	-	-	71,293	-	-	-	-	-	71,293
Capital outlay	1,460,276	633,080	-	-	-	39,249	-	-	1,085,103	-	43,987	-	336,242	-	-	12,634	279,620	3,890,191
Total expenditures	1,555,634	1,359,672	4,597	516,903	116,746	106,537	-	5,927,525	1,088,798	294,550	359,621	1,205,221	872,709	2,228,600	127,982	63,129	286,526	16,114,750
Excess (deficiency) of revenues over (under) expenditures	74,629	119,545	-	(8,012)	397,277	227,716	-	149,136	(1,088,794)	(262,318)	(189,658)	(2,962)	(858,187)	(116,657)	1,354,666	168,947	(167,222)	(201,894)
Other financing sources (uses):																		
Transfers in	-	-	-	-	-	-	170,477	-	-	623,822	900,000	-	1,333,079	-	-	-	-	3,027,378
Transfers out	(35,906)	(96,957)	-	(170,477)	(623,822)	-	-	-	-	-	-	-	-	(271,200)	(1,305,894)	(55,294)	-	(2,559,550)
Total other financing sources (uses)	(35,906)	(96,957)	-	(170,477)	(623,822)	-	170,477	-	-	623,822	900,000	-	1,333,079	(271,200)	(1,305,894)	(55,294)	-	467,828
Net change in fund balances	38,723	22,588	-	(178,489)	(226,545)	227,716	170,477	149,136	(1,088,794)	361,504	710,342	(2,962)	474,892	(387,857)	48,772	113,653	(167,222)	265,934
Fund balance, beginning of year	153,771	147,267	-	259,232	515,606	187,862	(170,477)	515,986	1,955,000	436,955	1,475,483	(151,447)	625,792	(110,811)	159,458	282,356	(4,776)	6,277,257
Fund balance, end of year	\$ 192,494	\$ 169,855	\$ -	\$ 80,743	\$ 289,061	\$ 415,578	\$ -	\$ 665,122	\$ 866,206	\$ 798,459	\$ 2,185,825	\$ (154,409)	\$ 1,100,684	\$ (498,668)	\$ 208,230	\$ 396,009	\$ (171,998)	\$ 6,543,191

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual -
 Federal & State Grants Fund
 Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 8,951,754	\$ 1,541,692	\$ (7,410,062)
Miscellaneous	8,200	88,571	80,371
Total revenues	<u>8,959,954</u>	<u>1,630,263</u>	<u>(7,329,691)</u>
Expenditures:			
Current:			
Police	79,371	33,937	45,434
Fire	22,130	22,099	31
Public improvements	8,839,954	28,584	8,811,370
Community development	28,200	10,738	17,462
Capital outlay	-	1,460,276	(1,460,276)
Total expenditures	<u>8,969,655</u>	<u>1,555,634</u>	<u>7,414,021</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,701)</u>	<u>74,629</u>	<u>84,330</u>
Other financing sources (uses):			
Transfers out	-	(35,906)	(35,906)
Total other financing sources (uses)	<u>-</u>	<u>(35,906)</u>	<u>(35,906)</u>
Net change in fund balance	(9,701)	38,723	<u>\$ 48,424</u>
Fund balance, beginning of year	<u>153,771</u>	<u>153,771</u>	
Fund balance, end of year	<u>\$ 144,070</u>	<u>\$ 192,494</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual -
 Community Development Block Grant Fund
 Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 3,098,692	\$ 1,353,750	\$ (1,744,942)
Miscellaneous	100,000	125,467	25,467
Total revenues	<u>3,198,692</u>	<u>1,479,217</u>	<u>(1,719,475)</u>
Expenditures:			
Current:			
Public improvements	1,693,503	50,363	1,643,140
Community development	1,405,189	676,229	728,960
Capital outlay	-	633,080	(633,080)
Total expenditures	<u>3,098,692</u>	<u>1,359,672</u>	<u>1,739,020</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100,000</u>	<u>119,545</u>	<u>19,545</u>
Other financing sources (uses):			
Transfers out	(100,000)	(96,957)	3,043
Total other financing sources (uses)	<u>(100,000)</u>	<u>(96,957)</u>	<u>3,043</u>
Net change in fund balances	-	22,588	<u>\$ 22,588</u>
Fund balance, beginning of year	<u>147,267</u>	<u>147,267</u>	
Fund balance, end of year	<u>\$ 147,267</u>	<u>\$ 169,855</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual -
 Lead Hazard Reduction Fund
 Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 50,000	\$ 4,597	\$ (45,403)
Total revenues	<u>50,000</u>	<u>4,597</u>	<u>(45,403)</u>
Expenditures:			
Current:			
Community development	50,000	4,597	45,403
Total expenditures	<u>50,000</u>	<u>4,597</u>	<u>45,403</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	<u>\$ -</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual -
HOME Program Fund
Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 845,634	\$ 268,921	\$ (576,713)
Miscellaneous	100,000	239,970	139,970
Total revenues	<u>945,634</u>	<u>508,891</u>	<u>(436,743)</u>
Expenditures:			
Current:			
Community development	945,634	516,903	428,731
Total expenditures	<u>945,634</u>	<u>516,903</u>	<u>428,731</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(8,012)</u>	<u>(8,012)</u>
Other financing sources (uses):			
Transfers out	-	(170,477)	(170,477)
Total other financing sources (uses)	<u>-</u>	<u>(170,477)</u>	<u>(170,477)</u>
Net change in fund balance	-	(178,489)	<u>\$ (178,489)</u>
Fund balance, beginning of year	<u>259,232</u>	<u>259,232</u>	
Fund balance, end of year	<u>\$ 259,232</u>	<u>\$ 80,743</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual -
 One Stop Shop Fund
 Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Miscellaneous	\$ 799,900	\$ 513,940	\$ (285,960)
Investment earnings	<u>100</u>	<u>83</u>	<u>(17)</u>
Total revenues	<u>800,000</u>	<u>514,023</u>	<u>(285,977)</u>
Expenditures:			
Current:			
Community development	<u>189,001</u>	<u>116,746</u>	<u>72,255</u>
Total expenditures	<u>189,001</u>	<u>116,746</u>	<u>72,255</u>
Excess (deficiency) of revenues over (under) expenditures	<u>610,999</u>	<u>397,277</u>	<u>(213,722)</u>
Other financing sources (uses):			
Transfers out	<u>(610,999)</u>	<u>(623,822)</u>	<u>(12,823)</u>
Total other financing sources (uses)	<u>(610,999)</u>	<u>(623,822)</u>	<u>(12,823)</u>
Net change in fund balance	-	(226,545)	<u>\$ (226,545)</u>
Fund balance, beginning of year	<u>515,606</u>	<u>515,606</u>	
Fund balance, end of year	<u>\$ 515,606</u>	<u>\$ 289,061</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual -
Police Forfeiture Justice Fund
Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 201,249	\$ 334,253	\$ 133,004
Total revenues	<u>201,249</u>	<u>334,253</u>	<u>133,004</u>
Expenditures:			
Current:			
Police	201,249	67,288	133,961
Capital outlay	<u>-</u>	<u>39,249</u>	<u>(39,249)</u>
Total expenditures	<u>201,249</u>	<u>106,537</u>	<u>94,712</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>227,716</u>	<u>227,716</u>
Net change in fund balance	-	227,716	<u>\$ 227,716</u>
Fund balance, beginning of year	<u>187,862</u>	<u>187,862</u>	
Fund balance, end of year	<u>\$ 187,862</u>	<u>\$ 415,578</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual -
HOME Consortium Fund
Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
<i>Other financing sources (uses):</i>			
Transfers in	\$ -	\$ 170,477	\$ 170,477
Total other financing sources (uses)	<u>-</u>	<u>170,477</u>	<u>170,477</u>
Net change in fund balance	-	170,477	<u>\$ 170,477</u>
Fund balance, beginning of year	<u>(170,477)</u>	<u>(170,477)</u>	
Fund balance, end of year	<u>\$ (170,477)</u>	<u>\$ -</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual -
 Housing Voucher Program Fund
 Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 6,264,100	\$ 6,048,716	\$ (215,384)
Investment earnings	-	212	212
Miscellaneous	<u>29,000</u>	<u>27,733</u>	<u>(1,267)</u>
Total revenues	<u>6,293,100</u>	<u>6,076,661</u>	<u>(216,439)</u>
Expenditures:			
Current:			
Community development	<u>6,293,100</u>	<u>5,927,525</u>	<u>365,575</u>
Total expenditures	<u>6,293,100</u>	<u>5,927,525</u>	<u>365,575</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>149,136</u>	<u>149,136</u>
Net change in fund balance	-	149,136	<u>\$ 149,136</u>
Fund balance, beginning of year	<u>515,986</u>	<u>515,986</u>	
Fund balance, end of year	<u>\$ 515,986</u>	<u>\$ 665,122</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual -
 Infrastructure Fund
 Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Investment earnings	\$ -	\$ 4	\$ 4
Total revenues	<u>-</u>	<u>4</u>	<u>4</u>
Expenditures:			
Current:			
Public improvements	\$ 2,536,230	\$ 3,695	\$ 2,532,535
Capital outlay	<u>-</u>	<u>1,085,103</u>	<u>(1,085,103)</u>
Total expenditures	<u>2,536,230</u>	<u>1,088,798</u>	<u>1,447,432</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,536,230)</u>	<u>(1,088,794)</u>	<u>1,447,436</u>
Other financing sources (uses):			
Transfers in	<u>2,536,230</u>	<u>-</u>	<u>(2,536,230)</u>
Total other financing sources (uses)	<u>2,536,230</u>	<u>-</u>	<u>(2,536,230)</u>
Net change in fund balance	-	(1,088,794)	<u>\$ (1,088,794)</u>
Fund balance, beginning of year	<u>1,955,000</u>	<u>1,955,000</u>	
Fund balance, end of year	<u>\$ 1,955,000</u>	<u>\$ 866,206</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual -
EDF Fund
Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Charges for services	\$ -	\$ 32,232	\$ 32,232
Total revenues	<u>-</u>	<u>32,232</u>	<u>32,232</u>
Expenditures:			
Current:			
General government	-	-	-
Community development	963,017	294,550	668,467
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>963,017</u>	<u>294,550</u>	<u>668,467</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(963,017)</u>	<u>(262,318)</u>	<u>700,699</u>
Other financing sources (uses):			
Transfers in	<u>963,017</u>	<u>623,822</u>	<u>(339,195)</u>
Total other financing sources (uses)	<u>963,017</u>	<u>623,822</u>	<u>(339,195)</u>
Net change in fund balance	-	361,504	<u>\$ 361,504</u>
Fund balance, beginning of year	<u>436,955</u>	<u>436,955</u>	
Fund balance, end of year	<u>\$ 436,955</u>	<u>\$ 798,459</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

TIF Fund

Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Investment earnings	\$ -	\$ 1	\$ 1
Miscellaneous	-	169,962	169,962
Total revenues	<u>-</u>	<u>169,963</u>	<u>169,963</u>
Expenditures:			
Current:			
Community development	2,220,028	315,634	1,904,394
Capital outlay	-	43,987	(43,987)
Total expenditures	<u>2,220,028</u>	<u>359,621</u>	<u>1,860,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,220,028)</u>	<u>(189,658)</u>	<u>2,030,370</u>
Other financing sources (uses):			
Transfers in	2,570,028	900,000	(1,670,028)
Sale of assets	(350,000)	-	350,000
Total other financing sources (uses)	<u>2,220,028</u>	<u>900,000</u>	<u>(1,320,028)</u>
Net change in fund balance	-	710,342	<u>\$ 710,342</u>
Fund balance, beginning of year	<u>1,475,483</u>	<u>1,475,483</u>	
Fund balance, end of year	<u>\$ 1,475,483</u>	<u>\$ 2,185,825</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual -
 Police & Fire Supplemental Pay Fund
 Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 1,250,000	\$ 1,202,259	\$ (47,741)
Total revenues	<u>1,250,000</u>	<u>1,202,259</u>	<u>(47,741)</u>
Expenditures:			
Current:			
Police	600,000	552,307	47,693
Fire	650,000	652,914	(2,914)
Total expenditures	<u>1,250,000</u>	<u>1,205,221</u>	<u>44,779</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(2,962)</u>	<u>(2,962)</u>
Net change in fund balance	-	(2,962)	\$ <u>(2,962)</u>
Fund balance, beginning of year	<u>(151,447)</u>	<u>(151,447)</u>	
Fund balance, end of year	<u>\$ (151,447)</u>	<u>\$ (154,409)</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual -
 Fleet, Equipment, Technology, Facilities, & Other Capital Projects Fund
 Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Investment earnings	\$ 100	\$ -	\$ (100)
Miscellaneous	15,000	14,522	(478)
Total revenues	<u>15,100</u>	<u>14,522</u>	<u>(578)</u>
Expenditures:			
Current:			
General government	158,486	15,742	142,744
Public improvements	600,201	7,436	592,765
Debt service:			
Principal	704,629	441,996	262,633
Interest	100,000	71,293	28,707
Capital outlay	<u>-</u>	<u>336,242</u>	<u>(336,242)</u>
Total expenditures	<u>1,563,316</u>	<u>872,709</u>	<u>690,607</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,548,216)</u>	<u>(858,187)</u>	<u>690,029</u>
Other financing sources (uses):			
Transfers in	<u>1,548,216</u>	<u>1,333,079</u>	<u>(215,137)</u>
Total other financing sources (uses)	<u>1,548,216</u>	<u>1,333,079</u>	<u>(215,137)</u>
Net change in fund balance	-	474,892	<u>\$ 474,892</u>
Fund balance, beginning of year	<u>625,792</u>	<u>625,792</u>	
Fund balance, end of year	<u>\$ 625,792</u>	<u>\$ 1,100,684</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual -
Waste Fund
Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Charges for services	\$ 2,500,000	\$ 2,111,943	\$ (388,057)
Total revenues	<u>2,500,000</u>	<u>2,111,943</u>	<u>(388,057)</u>
Expenditures:			
Current:			
General government	26,000	20,552	5,448
Public improvements	<u>2,272,800</u>	<u>2,208,048</u>	<u>64,752</u>
Total expenditures	<u>2,298,800</u>	<u>2,228,600</u>	<u>70,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>201,200</u>	<u>(116,657)</u>	<u>(317,857)</u>
Other financing sources (uses):			
Transfers out	<u>(201,200)</u>	<u>(271,200)</u>	<u>(70,000)</u>
Total other financing sources (uses)	<u>(201,200)</u>	<u>(271,200)</u>	<u>(70,000)</u>
Net change in fund balance	-	(387,857)	<u>\$ (387,857)</u>
Fund balance, beginning of year	<u>(110,811)</u>	<u>(110,811)</u>	
Fund balance, end of year	<u>\$ (110,811)</u>	<u>\$ (498,668)</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual -
Ambulance Fund
Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Charges for services	\$ 1,433,860	\$ 1,482,648	\$ 48,788
Investment earnings	<u>15</u>	<u>-</u>	<u>(15)</u>
Total revenues	<u>1,433,875</u>	<u>1,482,648</u>	<u>48,773</u>
Expenditures:			
Current:			
General government	<u>157,650</u>	<u>127,982</u>	<u>29,668</u>
Total expenditures	<u>157,650</u>	<u>127,982</u>	<u>29,668</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,276,225</u>	<u>1,354,666</u>	<u>78,441</u>
Other financing sources (uses):			
Transfers out	<u>(1,276,225)</u>	<u>(1,305,894)</u>	<u>(29,669)</u>
Total other financing sources (uses)	<u>(1,276,225)</u>	<u>(1,305,894)</u>	<u>(29,669)</u>
Net change in fund balance	-	48,772	<u>\$ 48,772</u>
Fund balance, beginning of year	<u>159,458</u>	<u>159,458</u>	
Fund balance, end of year	<u>\$ 159,458</u>	<u>\$ 208,230</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
 Fund Balance - Budget and Actual -
 Devou Park Maintenance Fund
 Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Investment earnings	\$ -	\$ 324	\$ 324
Miscellaneous	154,894	231,752	76,858
Total revenues	<u>154,894</u>	<u>232,076</u>	<u>77,182</u>
Expenditures:			
Current:			
Community development	99,600	50,495	49,105
Capital outlay	-	12,634	(12,634)
Total expenditures	<u>99,600</u>	<u>63,129</u>	<u>36,471</u>
Excess (deficiency) of revenues over (under) expenditures	<u>55,294</u>	<u>168,947</u>	<u>113,653</u>
Other financing sources (uses):			
Transfers out	(55,294)	(55,294)	-
Total other financing sources (uses)	<u>(55,294)</u>	<u>(55,294)</u>	<u>-</u>
Net change in fund balance	-	113,653	<u>\$ 113,653</u>
Fund balance, beginning of year	<u>282,356</u>	<u>282,356</u>	
Fund balance, end of year	<u>\$ 282,356</u>	<u>\$ 396,009</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual -
Devou Park Master Plan Fund
Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Miscellaneous	\$ 514,165	\$ 119,304	\$ (394,861)
Total revenues	<u>514,165</u>	<u>119,304</u>	<u>(394,861)</u>
Expenditures:			
Current:			
Community development	514,165	6,906	507,259
Capital outlay	<u>-</u>	<u>279,620</u>	<u>(279,620)</u>
Total expenditures	<u>514,165</u>	<u>286,526</u>	<u>227,639</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(167,222)</u>	<u>(167,222)</u>
Net change in fund balance	-	(167,222)	<u>\$ (167,222)</u>
Fund balance, beginning of year	<u>(4,776)</u>	<u>(4,776)</u>	
Fund balance, end of year	<u>\$ (4,776)</u>	<u>\$ (171,998)</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual -
Capital Improvement Fund
Fiscal Year Ended June 30, 2019

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Investment earnings	\$ 100	\$ 7	\$ (93)
Miscellaneous	170,000	-	(170,000)
Total revenues	<u>170,100</u>	<u>7</u>	<u>(170,093)</u>
Expenditures:			
Current:			
Public improvements	3,880,564	1,595	3,878,969
Capital outlay	-	480,874	(480,874)
Total expenditures	<u>3,880,564</u>	<u>482,469</u>	<u>3,398,095</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,710,464)</u>	<u>(482,462)</u>	<u>3,228,002</u>
Other financing sources (uses):			
Transfers in	40,000	114,303	74,303
Issuance of bonds	3,670,464	-	(3,670,464)
Total other financing sources (uses)	<u>3,710,464</u>	<u>114,303</u>	<u>(3,596,161)</u>
Net change in fund balances	-	(368,159)	<u>\$ (368,159)</u>
Fund balance, beginning of year	<u>2,924,098</u>	<u>2,924,098</u>	
Fund balance, end of year	<u>\$ 2,924,098</u>	<u>\$ 2,555,939</u>	

CITY OF COVINGTON, KENTUCKY
Combining Statement of Net Position
Internal Service Funds
June 30, 2019

	<u>Liability Self Insurance</u>	<u>Medical Self Insurance</u>	<u>Total Internal Service Funds</u>
Assets			
Due from other funds	\$ 869,867	\$ 1,002,638	\$ 1,872,505
Total assets	<u>869,867</u>	<u>1,002,638</u>	<u>1,872,505</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 19,867	\$ 23,766	\$ 43,633
Claims payable	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>
Total liabilities	19,867	1,523,766	1,543,633
Noncurrent Liabilities			
Claims payable	<u>1,100,000</u>	<u>-</u>	<u>1,100,000</u>
Total liabilities	<u>1,119,867</u>	<u>1,523,766</u>	<u>2,643,633</u>
Net Position			
Unrestricted	<u>(250,000)</u>	<u>(521,128)</u>	<u>(771,128)</u>
Total net position	<u>\$ (250,000)</u>	<u>\$ (521,128)</u>	<u>\$ (771,128)</u>

CITY OF COVINGTON, KENTUCKY
Combining Statement of Revenues, Expenses
and Changes in Net Position
Internal Service Funds
Fiscal Year Ended June 30, 2019

	Liability Self Insurance	Medical Self Insurance	Total Internal Service Funds
Operating revenues:			
Insurance premiums	\$ -	\$ 4,824,778	\$ 4,824,778
Other	<u>200,000</u>	<u>88,248</u>	<u>288,248</u>
Total operating revenues	<u>200,000</u>	<u>4,913,026</u>	<u>5,113,026</u>
Operating expenses:			
Contractual services	159,759	561,783	721,542
Claims and judgments	<u>130,815</u>	<u>5,112,053</u>	<u>5,242,868</u>
Total operating expenses	<u>290,574</u>	<u>5,673,836</u>	<u>5,964,410</u>
Operating loss	(90,574)	(760,810)	(851,384)
Transfers in	180,994	369,361	550,355
Transfers out	<u>(78,397)</u>	<u>-</u>	<u>(78,397)</u>
Total transfers in (out)	<u>102,597</u>	<u>369,361</u>	<u>471,958</u>
Change in net position	12,023	(391,449)	(379,426)
Net position, beginning of year	<u>(262,023)</u>	<u>(129,679)</u>	<u>(391,702)</u>
Net position, end of year	<u>\$ (250,000)</u>	<u>\$ (521,128)</u>	<u>\$ (771,128)</u>

CITY OF COVINGTON, KENTUCKY
Combining Statement of Cash Flows
Internal Service Funds
Fiscal Year Ended June 30, 2019

	Liability Self Insurance	Medical Self Insurance	Total Internal Service Funds
Cash flows from operating activities:			
Cash received from (paid to) other funds	\$ (666,743)	\$ 4,887,393	\$ 4,220,650
Cash received from other income	200,000	88,248	288,248
Cash payments for claims	<u>(524,837)</u>	<u>(5,635,766)</u>	<u>(6,160,603)</u>
Net cash flows (used by) operating activities	<u>(991,580)</u>	<u>(660,125)</u>	<u>(1,651,705)</u>
Cash flows from noncapital financing activities:			
Transfers	<u>102,597</u>	<u>369,361</u>	<u>471,958</u>
Net cash provided by noncapital financing activities	<u>102,597</u>	<u>369,361</u>	<u>471,958</u>
Net change	(888,983)	(290,764)	(1,179,747)
Cash and cash equivalents, beginning of year	<u>888,983</u>	<u>290,764</u>	<u>1,179,747</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating loss to net cash flows from operating activities:			
Operating loss	\$ (90,574)	\$ (760,810)	\$ (851,384)
Adjustments to reconcile operating loss to net cash flows from operating activities:			
Changes in assets and liabilities:			
Prepaid expenses	-	44,495	44,495
Due from/to other funds	(666,743)	62,615	(604,128)
Accounts payable	(34,263)	3,888	(30,375)
Claims payable	<u>(200,000)</u>	<u>(10,313)</u>	<u>(210,313)</u>
Net cash flows from operating activities	<u>\$ (991,580)</u>	<u>\$ (660,125)</u>	<u>\$ (1,651,705)</u>

CITY OF COVINGTON, KENTUCKY
Statement of Changes in Fiduciary Net Position
Agency Funds
Fiscal Year Ended June 30, 2019

	Beginning Balance 7/1/2018	Additions	Deductions	Ending Balance 6/30/2019
Real Estate Transactions				
Assets:				
Cash	\$ 6,647	\$ 10,000	\$ 16,647	\$ -
Due from General	<u>-</u>	<u>722</u>	<u>-</u>	<u>722</u>
Total Assets	<u>\$ 6,647</u>	<u>\$ 10,722</u>	<u>\$ 16,647</u>	<u>\$ 722</u>
Liabilities:				
Due to others	<u>\$ 6,647</u>	<u>\$ 10,722</u>	<u>\$ 16,647</u>	<u>\$ 722</u>

See accompanying notes to the basic financial statements.

STATISTICAL SECTION

The Statistical Section of the CAFR 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:

Schedules 1-4

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:

Schedules 5-10

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

Section 3: Debt Capacity:

Schedules 11-13

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:

Schedules 14-15

This table shows 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:

Schedules 16-19

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.

Schedule 1
City of Covington, Kentucky
Net Position by Component
Current and Past Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2019	<i>(as restated)</i> 2018	<i>(as restated)</i> 2017	2016	<i>(as restated)</i> 2015	<i>(as restated)</i> 2014	<i>(as restated)</i> 2013	2012	2011	2010
Governmental Activities										
Net Investment in Capital Assets	\$ 26,338,857	\$ 27,309,024	\$ 23,790,740	\$ 26,724,688	\$ 27,899,604	\$ 29,360,778	\$ 33,666,204	\$ 34,173,497	\$ 36,088,303	\$ 34,539,885
Restricted for Capital Improvements	2,555,939	2,924,098	4,376,137	-	-	2,614,198	580,454	190,681	1,577,223	-
Restricted for Debt Service	462,321	421,769	401,000	401,000	401,000	401,000	401,000	-	-	-
Restricted for HUD Programs	915,720	922,485	651,007	632,116	2,938,475	3,622,306	3,565,125	16,648,464	1,318,568	-
Restricted for other purposes	1,004,081	623,989	426,695	1,620,898	-	16,139	14,887	-	27,361	91,138
Unrestricted (deficit)	(81,316,610)	(72,524,243)	(66,127,088)	(56,738,795)	(59,904,755)	(52,978,362)	(13,385,806)	(4,806,437)	8,933,230	13,587,660
Total Governmental Activities Net Position	<u>\$ (50,039,692)</u>	<u>\$ (40,322,878)</u>	<u>\$ (36,481,509)</u>	<u>\$ (27,360,093)</u>	<u>\$ (28,665,676)</u>	<u>\$ (16,963,941)</u>	<u>\$ 24,841,864</u>	<u>\$ 46,206,205</u>	<u>\$ 47,944,685</u>	<u>\$ 48,218,683</u>
Business-type Activities										
Net Investment in Capital Assets	\$ 5,022,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted (deficit)	196,788	-	-	-	-	-	-	-	-	-
Total Governmental Activities Net Position	<u>\$ 5,219,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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.

Schedule 2
City of Covington, Kentucky
Changes in Net Position
Current and Past Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2019	2018	2017	2016	2015 <i>(as restated)</i>	2014	2013	2012	2011	2010
Governmental Activities Expenses										
General Government	\$ 7,243,552	\$ 7,944,679	\$ 6,604,320	\$ 10,612,219	\$ 12,474,158	\$ 5,916,248	\$ 4,028,857	\$ 4,250,735	\$ 3,814,055	\$ 6,089,518
Police	21,111,281	20,397,256	14,453,789	16,091,991	13,287,449	14,177,725	15,464,519	16,455,964	16,536,402	16,498,516
Fire	21,221,513	19,695,653	13,176,016	15,301,811	12,882,790	13,060,943	13,727,885	15,180,999	15,318,421	15,048,966
Public Improvements	11,206,541	10,382,962	8,784,729	7,806,788	14,691,139	13,769,904	10,916,212	11,349,786	11,780,808	11,847,116
Recreation	-	-	-	-	-	-	683,742	711,584	734,672	796,215
Community Development	10,806,389	10,371,116	10,312,912	9,789,169	9,179,648	11,159,338	13,912,337	15,379,018	13,771,124	12,484,045
Parking Garage	-	900,712	868,353	774,460	738,147	734,598	783,059	768,661	865,947	732,362
Interest on Long-term Debt	1,510,745	1,654,623	1,984,708	2,171,812	3,000,362	1,654,352	2,181,165	1,324,845	1,676,776	1,716,153
Total Governmental Activities Expenses	73,100,021	71,347,001	56,184,827	62,548,250	66,253,693	60,473,108	61,697,776	65,421,592	64,498,205	65,212,891
Program Revenues										
General Government	2,183,781	2,197,465	2,640,012	1,815,216	1,028,301	940,479	1,214,447	936,996	968,682	1,136,249
Police	80,000	-	-	-	3,891	58,002	133,915	189,671	307,539	412,722
Fire	-	-	11,029	1,449,356	1,238,640	1,391,914	1,238,042	1,333,724	1,175,621	1,282,105
Public Improvements	2,271,448	1,245,706	1,098,612	2,952,715	1,292,573	2,343,079	2,506,617	2,342,050	2,082,635	1,918,838
Recreation	-	-	-	-	-	-	11,739	22,753	-	-
Community Development	1,471,895	1,603,315	1,086,948	1,065,050	1,389,251	738,833	79,873	169,209	98,196	79,317
Parking Garage	-	1,845,342	2,078,859	2,032,348	1,806,791	1,554,915	1,353,754	1,674,834	1,458,784	1,179,276
Operating Grants and Contributions	10,876,303	11,087,041	10,178,394	9,564,948	8,898,601	10,842,196	11,932,368	12,518,909	13,533,951	10,727,972
Capital Grants and Contributions	1,516,820	1,711,776	456,927	867,341	1,143,363	2,317,723	1,290,469	1,647,156	2,558,805	1,624,312
Total Governmental Activities Revenues	18,400,247	19,690,645	17,550,781	19,746,974	16,801,411	20,187,141	19,761,224	20,835,302	22,184,213	18,360,791
Program Revenues Over (Under) Expenses	(54,699,774)	(51,656,356)	(38,634,046)	(42,801,276)	(49,452,282)	(40,285,967)	(41,936,552)	(44,586,290)	(42,313,992)	(46,852,100)
Business-type Activities Expenses										
Parking Authority	1,504,763	-	-	-	-	-	-	-	-	-
Program revenues										
Parking Authority	1,679,612	-	-	-	-	-	-	-	-	-
Program Revenues Over (Under) Expenses	174,849	-	-	-	-	-	-	-	-	-
Governmental Activities General Revenues and Changes in Net Assets										
Taxes										
Real Property-Levied for General Purposes	6,845,272	7,101,877	6,566,434	6,701,787	6,392,706	6,085,654	6,043,907	6,141,332	6,481,511	6,114,035
Personal Property-Levied for General Purposes	732,222	660,376	676,397	706,359	654,885	764,100	655,275	796,259	516,905	557,999
Public Services	2,362,740	2,229,746	2,110,822	1,946,897	2,141,952	2,131,042	2,018,535	1,944,431	2,107,927	2,085,706
Taxes-Levied for Bank Deposits	68,619	84,652	73,367	82,872	72,843	65,134	62,729	87,014	71,391	60,603
Insurance Premium	7,613,448	7,592,489	7,909,903	6,932,552	5,430,601	5,672,059	5,279,824	4,988,428	5,155,801	5,588,067
Payroll	27,039,037	26,291,746	25,097,302	24,216,488	22,791,569	22,222,546	22,974,835	22,764,392	22,595,598	22,850,229
Net Profit	3,597,615	2,980,516	3,325,037	2,924,268	3,161,057	2,829,873	2,710,237	3,011,825	2,404,497	2,285,504
Other	-	-	-	-	-	-	303,944	805,015	840,953	796,091
Investment Earnings	750,298	208,636	222,575	164,973	3,932	4,287	96,889	23,084	47,503	25,094
Miscellaneous	1,018,066	664,949	368,406	430,663	497,752	159,730	577,261	2,286,030	1,817,908	1,298,108
Special Item	-	-	-	-	-	(17,000)	(102,445)	-	-	-
Total General Revenues and Transfers	50,027,317	47,814,987	46,350,243	44,106,859	41,147,297	39,917,425	40,620,991	42,847,810	42,039,994	41,661,436
Restatement	-	-	-	-	(982,647)	-	-	-	-	-
Change in Net Position	\$ (4,497,608)	\$ (3,841,369)	\$ 7,716,197	\$ 1,305,583	\$ (9,287,632)	\$ (368,542)	\$ (1,315,561)	\$ (1,738,480)	\$ (273,998)	\$ (5,190,664)

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

	Fiscal Year									
	2019	2018	2017	(as restated) 2016	2015	2014	2013	(as restated) 2012	2011	2010
General Fund										
Unreserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 342,498
Nonspendable	155,908	128,902	157,023	139,181	123,378	25,515	41,593	98,617	-	-
Restricted	462,321	421,769	-	-	-	-	-	190,681	1,577,223	-
Committed	7,390,770	5,530,433	3,761,124	4,076,011	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	1,345,041	-
Unassigned	9,327,450	8,514,395	9,035,883	4,676,717	4,037,235	2,178,928	738,275	1,043,176	698,391	-
Total General Fund	17,336,449	14,595,499	12,954,030	8,891,909	4,160,613	2,204,443	779,868	1,332,474	3,620,655	342,498
All Other Governmental Funds										
Unreserved										
Special Revenue Funds	-	-	-	-	-	-	-	-	-	4,007,906
Capital Projects Funds	-	-	-	-	-	-	-	-	-	(12,984)
Debt Service Funds	-	-	-	-	-	-	-	-	-	91,138
Nonspendable	1,000	-	-	-	-	-	250,000	-	-	-
Restricted	4,475,740	4,470,572	5,854,839	12,814,908	15,785,120	6,356,203	16,339,191	1,574,894	1,345,929	-
Committed	5,447,465	5,168,294	2,955,845	2,489,140	348,076	427,865	299,239	385,496	255,605	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned (deficit)	(825,075)	(437,511)	(437,055)	(287,536)	282,855	(75,586)	-	-	(27,062)	-
Total All Other Governmental Funds	9,099,130	9,201,355	8,373,629	15,016,512	16,416,051	6,708,482	16,888,430	1,960,390	1,574,472	4,086,060
Total Governmental Funds	\$ 26,435,579	\$ 23,796,854	\$ 21,327,659	\$ 23,908,421	\$ 20,576,664	\$ 8,912,925	\$ 17,668,298	\$ 3,292,864	\$ 5,195,127	\$ 4,428,558

Schedule 4
City of Covington, Kentucky
Changes in Fund Balances - Governmental Funds
Current and Past Nine Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	(as restated)									
Revenues										
Taxes	\$ 17,735,156	\$ 17,119,584	\$ 17,071,793	\$ 16,042,423	\$ 14,237,675	\$ 14,291,815	\$ 14,029,560	\$ 14,462,247	\$ 14,643,134	\$ 14,987,054
Licenses and Permits	30,955,990	29,590,400	28,674,704	27,465,856	26,245,715	25,353,330	25,979,427	26,175,310	25,362,255	25,429,776
Intergovernmental	12,503,550	12,809,096	10,616,507	9,862,919	10,022,321	13,142,623	12,897,498	14,510,735	13,684,242	12,166,647
Charges for Services	4,593,760	5,413,149	6,028,757	7,863,434	5,409,631	5,936,837	6,063,670	6,063,323	5,394,348	5,227,073
Fines and Forfeitures	337,821	221,225	309,267	304,473	271,735	414,625	367,591	439,189	558,465	746,322
Investment Earnings	571,433	208,636	222,575	165,050	3,932	4,287	96,889	23,084	47,244	24,439
Interest Revenue	178,867	-	-	-	-	-	-	-	-	-
Miscellaneous	1,937,046	1,916,084	1,189,471	1,556,718	1,474,692	1,045,589	1,845,656	2,449,022	2,004,920	1,351,353
Total Revenues	68,813,623	67,278,174	64,113,074	63,260,873	57,665,701	60,189,106	61,280,291	64,122,910	61,694,608	59,932,664
Expenditures										
General Government	5,898,144	6,015,240	5,846,967	6,583,585	4,405,392	8,990,541	3,982,552	3,618,888	4,315,649	3,785,714
Police	15,382,419	15,296,168	14,333,931	13,393,476	13,537,543	13,945,665	14,207,005	15,588,778	15,913,878	15,593,494
Fire	15,104,657	14,355,370	13,333,336	12,897,000	13,190,569	12,745,412	13,203,841	13,842,762	13,630,059	13,812,934
Public improvements	9,166,811	8,116,595	6,752,337	5,863,844	12,877,279	8,816,579	5,994,547	5,891,702	6,268,883	6,514,905
Recreation	-	-	-	-	-	-	437,483	475,601	455,212	504,309
Community Development (includes recreation in 2014)	10,128,614	9,623,457	9,856,641	9,397,002	9,162,917	10,864,968	13,051,903	14,104,562	13,075,265	12,175,797
Parking Garage	-	900,712	868,353	774,460	738,147	731,835	780,016	743,506	865,947	732,362
Debt Service										
Principal	3,689,017	3,932,977	12,233,087	3,103,572	16,910,676	2,771,777	3,510,165	3,682,521	3,131,379	2,980,841
Interest and Other Charges	1,533,222	1,682,726	1,788,432	2,116,885	1,968,945	1,754,969	2,273,447	1,223,546	1,503,485	1,679,854
Bond Issuance Costs	-	-	252,629	-	852,255	-	-	-	59,623	-
Capital Outlay	4,850,317	4,603,398	13,487,402	5,209,330	1,760,569	8,135,571	5,485,409	5,847,540	4,300,102	4,982,528
Total Expenditures	65,753,201	64,526,643	78,753,115	59,339,154	75,404,292	68,757,317	62,926,368	65,019,406	63,519,482	62,762,738
Excess (Deficit) of Revenues Over Expenditures	3,060,422	2,751,531	(14,640,041)	3,921,719	(17,738,591)	(8,568,211)	(1,646,077)	(896,496)	(1,824,874)	(2,830,074)
Other Financing Sources (Uses)										
Proceeds From Issuance of Debt	-	-	9,185,000	4,000,000	15,070,295	-	-	-	2,806,827	-
Proceeds From Bond Refinancing	-	-	-	-	14,524,705	-	-	-	315,000	-
Premiums on the Issuance of Debt	-	-	-	-	230,696	-	-	-	-	-
Payment to Refunded Lease Escrow Agent	-	-	-	-	-	-	-	-	(303,694)	-
Inception of Capital Leases	-	-	3,791,165	-	-	-	16,040,000	-	-	-
Transfers In	4,871,026	6,907,113	6,743,730	3,168,184	799,305	1,387,729	6,009,757	4,090,194	3,565,394	6,028,123
Transfer Out	(5,342,983)	(7,257,113)	(7,802,207)	(4,533,184)	(1,909,786)	(2,361,142)	(6,066,893)	(5,101,478)	(3,865,395)	(6,228,123)
Lending	-	-	-	(4,000,000)	-	-	-	-	-	-
Proceeds From Short-term Debt	-	-	-	-	-	-	-	-	-	1,040,563
Proceeds from Sale of Assets	50,260	67,664	141,591	775,038	299,127	33,684	141,092	5,517	13,647	-
Total Other Financing Sources (Uses)	(421,697)	(282,336)	12,059,279	(589,962)	29,014,342	(939,729)	16,123,956	(1,005,767)	2,531,779	840,563
Special Item	-	-	-	-	-	(17,000)	(102,445)	-	-	-
Restatement	-	-	-	-	387,988	-	-	-	-	-
Increase (Decrease) in Fund Balance	\$ 2,638,725	\$ 2,469,195	\$ (2,580,762)	\$ 3,331,757	\$ 11,663,739	\$ (9,524,940)	\$ 14,375,434	\$ (1,902,263)	\$ 706,905	\$ (1,989,511)
Debt Service as a Percentage of Non-Capital Expenditures	8.57%	9.37%	21.48%	9.74%	27.06%	8.03%	10.02%	8.11%	7.81%	8.07%

**Schedule 5
City of Covington, Kentucky
Occupational License Fees - Payroll Withholding
Current and Past Nine Fiscal Years**

Fiscal Year	Total Gross Taxable Wages	Total Withholding Fees	Total Direct Rate
2019	\$ 1,103,634,163	\$ 27,039,037	0.0245%
2018	\$ 1,073,132,490	\$ 26,291,746	0.0245%
2017	\$ 1,047,293,224	\$ 25,658,684	0.0245%
2016	\$ 1,010,486,122	\$ 24,756,910	0.0245%
2015	\$ 952,288,327	\$ 23,331,064	0.0245%
2014	\$ 940,233,510	\$ 23,035,721	0.0245%
2013	\$ 949,297,388	\$ 23,257,786	0.0245%
2012	\$ 910,575,680	\$ 22,764,392	0.0250%
2011	\$ 903,823,920	\$ 22,595,598	0.0250%
2010	\$ 914,009,160	\$ 22,850,229	0.0250%

Source: City of Covington Finance Department

Schedule 6
City of Covington, Kentucky
Principal Occupational Payroll Tax Payers
Current and Nine Fiscal Years Ago

Taxpayer	
2019	2010
Atkins & Pearce Manufacturing	A.C. Nielsen
Club Chef	Atkins & Pearce Manufacturing
Covington Board of Education	Club Chef
CTI- Clinical Trial Services	Commonwealth of Kentucky
Diocese of Covington Board of Education	Covington Board of Education
Erigo Inc.	Fidelity Investments
Fidelity Investments	Internal Revenue Service
Internal Revenue Service	No. Ky. Mental Health and Retardation Board
Kenton County Fiscal Court	Omnicare
St. Elizabeth Hospital	St. Elizabeth Hospital

Notes: Taxpayer information is listed alphabetically.

Source: City of Covington Finance Department

Schedule 7
City of Covington, Kentucky
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
2019	\$ 2,086,814	\$ 139,040	\$ 82,593	\$ 2,143,261	0.3270
2018	\$ 2,064,079	\$ 132,986	\$ 83,350	\$ 2,113,715	0.3270
2017	\$ 2,043,987	\$ 137,040	\$ 77,985	\$ 2,103,042	0.3270
2016	\$ 2,106,871	\$ 138,635	\$ 78,889	\$ 2,166,617	0.3130
2015	\$ 2,077,290	\$ 130,602	\$ 77,448	\$ 2,130,444	0.3130
2014	\$ 1,962,172	\$ 139,733	\$ 74,707	\$ 2,027,198	0.3045
2013	\$ 1,906,233	\$ 150,542	\$ 72,839	\$ 1,983,936	0.3045
2012	\$ 2,019,671	\$ 156,875	\$ 65,087	\$ 2,111,459	0.2995
2011	\$ 2,027,907	\$ 168,468	\$ 61,769	\$ 2,134,606	0.2995
2010	\$ 2,014,385	\$ 159,294	\$ 62,311	\$ 2,111,368	0.2995

Notes: Property in Covington is reassessed once every four years. City property was reassessed in 2018. The next reassessment will occur in 2022. 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.

Schedule 8
City of Covington, Kentucky
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
2019	0.3270	1.118	0.638	0.1480	0.122	0.1720	1.8870	1.4070	
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	1.099	0.621	0.1480	0.122	0.1715	1.8535	1.3755	
2015	0.3130	1.111	0.609	0.1480	0.122	0.1713	1.8653	1.3633	
2014	0.3045	1.132	0.591	0.1480	0.122	0.1713	1.8778	1.3368	
2013	0.3045	1.153	0.557	0.1480	0.122	0.1713	1.8988	1.3028	
2012	0.2995	1.117	0.557	0.1480	0.122	0.1720	1.8585	1.2985	
2011	0.2995	1.056	0.557	0.1480	0.122	0.1740	1.7995	1.3005	
2010	0.2995	1.026	0.558	0.1480	0.122	0.1650	1.7605	1.2925	

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.

Schedule 9
City of Covington, Kentucky
Principal Real Property Tax Payers
Current and Past Nine Fiscal Years

Taxpayer	2019			2018			2017			2016			2015		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Fidelity Properties Inc	\$ 129,618,200	1	6.21%	\$ 204,181,958	1	7.30%	\$ 184,387,500	1	6.59%	\$ 184,246,829	1	6.59%	\$ 184,387,500	1	6.85%
ARCP OFC Covington LLC	82,625,000	2	3.96%	82,625,000	2	2.95%	82,625,000	2	2.95%	82,625,000	2	2.95%	-	-	0.00%
CPX-Rivercenter Development Corp	51,000,000	3	2.44%	58,055,000	3	2.08%	76,991,700	3	2.75%	76,340,000	3	2.73%	82,842,400	2	3.08%
EHP Rivercenter Landmark	33,578,000	4	1.61%	33,578,000	4	1.20%	33,578,000	4	1.20%	33,578,000	4	1.20%	33,578,000	3	1.25%
Scott Street Land Co. LLLP	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	32,965,500	4	1.23%
OH-16 FO Cincinnati	21,783,300	5	1.04%	21,783,300	5	0.78%	21,783,300	5	0.78%	21,783,300	5	0.78%	-	-	0.00%
CIP II Buckeye Hotel	-	-	0.00%	20,340,000	6	0.73%	-	-	0.00%	-	-	0.00%	15,174,000	5	0.56%
Scott Street Land Co. Inc	-	-	0.00%	10,917,884	8	0.39%	-	-	0.00%	-	-	0.00%	14,960,900	6	0.56%
Northern Kentucky Assisted Living LLC	-	-	0.00%	-	-	0.00%	18,000,000	6	0.64%	18,000,000	6	0.64%	-	-	0.00%
J & S Latonia Centre Ky LLC	10,895,000	7	0.52%	-	-	0.00%	12,454,000	8	0.45%	10,482,000	8	0.37%	12,314,000	7	0.46%
Atkins & Pearce Manufacturing	11,937,920	6	0.57%	-	-	0.11%	11,460,000	7	0.41%	11,460,000	7	0.41%	11,460,000	8	0.43%
FMR Kentucky I LLC	10,482,000	9	0.50%	10,482,000	9	0.37%	9,550,000	9	0.34%	9,550,000	9	0.34%	9,550,000	9	0.35%
Trustees Latonia Plaza KY LLC	-	-	0.00%	16,229,962	7	0.58%	-	-	0.00%	-	-	0.00%	7,916,000	10	0.29%
Truss Latonia Plaza KY LLC	-	-	0.00%	9,550,000	10	0.34%	7,916,000	10	0.28%	6,824,500	10	0.24%	-	-	0.00%
Stronghaven Inc.	8,944,500	10	0.43%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
638 Madison LLC	10,774,000	8	0.52%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Total	\$ 371,637,920		17.81%	\$ 467,743,104		16.83%	\$ 458,745,500		16.40%	\$ 454,889,629		16.26%	\$ 405,148,300		15.06%
Taxpayer	2014			2013			2012			2011			2010		
	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	\$ 184,387,500	1	6.85%	\$ 184,387,500	1	6.85%	\$ 195,571,500	1	9.16%	\$ 193,937,500	1	9.09%	\$ 195,571,500	1	9.41%
CPX-Rivercenter Development Corp	82,844,400	2	3.08%	82,844,400	2	3.08%	95,878,100	2	4.49%	127,955,600	2	5.99%	140,213,500	2	6.75%
EHP Rivercenter Landmark	33,578,000	3	1.25%	33,578,000	3	1.25%	33,578,000	3	1.57%	-	-	0.00%	-	-	0.00%
CIP II Buckeye Hotel	15,174,000	4	0.56%	13,947,100	5	0.52%	13,947,100	5	0.65%	-	-	0.00%	-	-	0.00%
Scott Street Land Co. Inc	14,960,900	5	0.56%	14,960,900	4	0.56%	14,960,900	4	0.70%	-	-	0.00%	-	-	0.00%
J & S Latonia Centre Ky LLC	12,314,000	6	0.46%	12,314,000	6	0.46%	10,482,000	7	0.49%	14,960,900	3	0.70%	14,960,900	3	0.72%
Atkins & Pearce Manufacturing	11,460,000	7	0.43%	11,460,000	7	0.43%	11,460,000	6	0.54%	10,482,000	6	0.49%	10,482,000	6	0.50%
FMR Kentucky I LLC	11,184,000	8	0.42%	11,184,000	8	0.42%	-	-	0.00%	11,460,000	5	0.54%	10,900,000	5	0.52%
Trustees Latonia Plaza KY LLC	7,916,000	9	0.29%	7,916,000	9	0.29%	6,824,500	9	0.31%	-	-	0.00%	-	-	0.00%
Truss Latonia Plaza KY LLC	6,824,500	10	0.25%	6,824,500	10	0.25%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Anchor Cogdell Covington LLC	-	-	0.00%	-	-	0.00%	7,026,000	8	0.49%	6,824,500	8	0.32%	6,565,000	9	0.32%
OZRE Lodging I LLC	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Packaging Unlimited	-	-	0.00%	-	-	0.00%	-	-	0.00%	13,947,100	4	0.65%	13,947,100	4	0.67%
CCO LLC	-	-	0.00%	-	-	0.00%	3,812,500	10	0.31%	8,691,500	7	0.41%	8,691,500	7	0.42%
Truss Realty	-	-	0.00%	-	-	0.00%	-	-	0.00%	6,812,500	9	0.32%	6,812,500	8	0.33%
Castilinni Company	-	-	0.00%	-	-	0.00%	-	-	0.00%	6,565,000	10	0.31%	6,550,000	10	0.32%
Total	\$ 380,643,300		14.15%	\$ 379,416,400		14.11%	\$ 393,540,600		18.71%	\$ 401,636,600		18.82%	\$ 414,694,000		19.96%

Source: City of Covington Finance Department

Schedule 10
City of Covington, Kentucky
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
2019	\$ 7,314,474	\$ 7,086,247	96.88%	\$ 506,008	\$ 7,592,255	103.80%
2018	\$ 7,145,767	\$ 6,925,324	96.92%	\$ 91,287	\$ 7,016,611	98.19%
2017	\$ 7,062,522	\$ 6,673,927	94.50%	\$ 16,972	\$ 6,690,899	94.74%
2016	\$ 7,064,377	\$ 6,922,314	97.99%	\$ 27,492	\$ 6,949,806	98.38%
2015	\$ 6,924,630	\$ 6,423,314	92.76%	\$ 434,775	\$ 6,858,089	99.04%
2014	\$ 6,490,788	\$ 5,843,739	90.03%	\$ 289,820	\$ 6,133,559	94.50%
2013	\$ 6,376,341	\$ 6,076,779	95.30%	\$ 258,788	\$ 6,335,567	99.36%
2012	\$ 6,287,872	\$ 6,042,731	96.10%	\$ 174,609	\$ 6,217,340	98.88%
2011	\$ 6,328,051	\$ 6,145,818	97.12%	\$ 141,934	\$ 6,287,752	99.36%
2010	\$ 6,411,125	\$ 6,146,928	95.88%	\$ 119,209	\$ 6,266,137	97.74%

Source: City of Covington Finance Department

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

Fiscal Year	General Obligation Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2019	\$ 34,600	\$ 15,610	\$ 50,210	5.39%	\$ 1,229
2018	\$ 37,602	\$ 16,786	\$ 54,388	6.02%	\$ 1,334
2017	\$ 40,540	\$ 17,791	\$ 58,331	6.45%	\$ 1,430
2016	\$ 35,952	\$ 21,648	\$ 57,600	6.84%	\$ 1,405
2015	\$ 33,584	\$ 23,131	\$ 56,715	6.79%	\$ 1,385
2014	\$ 15,826	\$ 27,974	\$ 43,800	5.25%	\$ 1,076
2013	\$ 16,864	\$ 29,708	\$ 46,572	5.55%	\$ 1,137
2012	\$ 18,961	\$ 15,081	\$ 34,042	4.08%	\$ 834
2011	\$ 21,289	\$ 16,248	\$ 37,537	4.62%	\$ 924
2010	\$ 20,811	\$ 17,663	\$ 38,474	4.16%	\$ 893

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.

Schedule 12
City of Covington, Kentucky
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
2019	\$ 34,600	1.61%	\$ 847.10	\$ 129.52
2018	\$ 37,602	1.78%	\$ 922.38	\$ 137.75
2017	\$ 40,540	1.93%	\$ 993.70	\$ 343.69
2016	\$ 35,952	1.60%	\$ 813.56	\$ 126.72
2015	\$ 33,584	1.60%	\$ 814.62	\$ 126.88
2014	\$ 15,826	0.75%	\$ 364.91	\$ 112.93
2013	\$ 16,865	0.85%	\$ 411.78	\$ 141.22
2012	\$ 18,961	0.90%	\$ 464.61	\$ 119.77
2011	\$ 21,289	1.00%	\$ 523.84	\$ 111.86
2010	\$ 20,811	0.99%	\$ 483.06	\$ 106.03

Source: City of Covington Finance Department

Schedule 13
City of Covington, Kentucky
Legal Debt Margin Information
Current and Past Nine Fiscal Years
(dollars in thousands)

<u>Legal Debt Margin Calculation for Fiscal Year 2019</u>	
Assessed value	<u>\$ 2,143,261</u>
Debt limit (10% of assessed value)	\$ 214,326
Debt applicable to limit: General Obligation	<u>\$ 50,209</u>
Total debt applicable to limit	<u>\$ 50,209</u>
Legal debt margin	<u>\$ 164,117</u>

	<u>Fiscal Year</u>									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Debt limit	\$ 214,326	\$ 211,372	\$ 210,304	\$ 216,662	\$ 213,044	\$ 209,817	\$ 198,394	\$ 211,146	\$ 213,461	\$ 207,746
Total net debt applicable to limit	<u>50,209</u>	<u>54,388</u>	<u>58,331</u>	<u>57,600</u>	<u>56,715</u>	<u>43,800</u>	<u>46,572</u>	<u>34,042</u>	<u>37,537</u>	<u>38,474</u>
Legal debt margin	<u>\$ 164,117</u>	<u>\$ 156,984</u>	<u>\$ 151,973</u>	<u>\$ 159,062</u>	<u>\$ 156,329</u>	<u>\$ 166,017</u>	<u>\$ 151,822</u>	<u>\$ 177,104</u>	<u>\$ 192,172</u>	<u>\$ 169,272</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>23.43%</u>	<u>25.73%</u>	<u>27.74%</u>	<u>26.59%</u>	<u>26.62%</u>	<u>20.88%</u>	<u>23.47%</u>	<u>16.12%</u>	<u>17.58%</u>	<u>18.52%</u>

Source: City of Covington Finance Department

Schedule 14
City of Covington, Kentucky
Demographic and Economic Statistics
Current and Past Nine Fiscal Years

Fiscal Year	Population (a)	Personal Income <i>(thousands of dollars)</i>	Per Capita Personal Income (b)	Median Age (c)	School Enrollment (d)	Unemployment Rate (e)
2019	40,845	931,715	22,811	35.8	4,073	4.0%
2018	40,766	903,008	22,151	35.6	3,910	3.6%
2017	40,797	903,694	22,151	33.1	3,799	5.3%
2016	40,997	842,406	20,548	35.5	4,165	4.4%
2015	40,944	834,667	20,386	33.1	4,165	5.1%
2014	40,713	834,667	20,501	33.1	4,165	6.5%
2013	40,956	839,270	20,452	35.7	4,053	8.2%
2012	40,811	834,667	20,492	35.7	3,572	8.9%
2011	40,640	813,003	20,005	34.6	3,914	9.7%
2010	43,082	924,927	21,469	35.9	4,066	10.2%

Sources:

- (a) Livability
- (b) Neighborhood Scout
- (c) Data USA
- (d) Covington Independent School District

Schedule 15
City of Covington, Kentucky
Principal Employers
Current and Past Nine Fiscal Years

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

Employer	2014			2013			2012			2011			2010		
	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	4,500	1	16.79%	4,500	1	16.79%	4,500	1	16.79%	4,500	1	20.74%	4,500	1	20.74%
Fidelity Investments	4,100	2	15.30%	4,100	2	15.30%	4,100	2	15.30%	4,100	2	18.89%	3,900	2	17.97%
Covington Board of Education	925	3	3.45%	925	3	3.45%	925	3	3.45%	925	3	4.26%	925	3	4.26%
St. Elizabeth Hospital	800	4	2.99%	800	4	2.99%	800	4	2.99%	800	4	3.69%	800	4	3.69%
State of Kentucky	360	5	1.34%	360	5	1.34%	360	5	1.34%	360	6	1.66%	360	6	1.66%
Ommicare	-	-	0.00%	-	-	0.00%	325	6	1.21%	325	7	1.50%	325	7	1.50%
Club Chef	590	6	2.20%	320	6	1.19%	320	7	1.19%	300	8	1.38%	300	8	1.38%
Rosedale Manor	463	7	1.73%	310	7	1.16%	310	8	1.16%	280	9	1.29%	280	9	1.29%
No. KY MH-MR Board	162	8	0.60%	280	8	1.04%	280	9	1.04%	225	10	1.04%	225	10	1.04%
Atkins & Pearce Mftg	225	9	0.84%	265	9	0.99%	265	10	0.99%	-	-	0.00%	-	-	0.00%
A.C. Nielsen	-	-	0.00%	-	-	0.00%	-	-	0.00%	400	5	1.84%	400	5	1.84%
BBI Marketing	-	-	0.00%	-	-	0.32%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Ashland Inc	100	10	0.37%	85	10	0.32%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Total	12,225		45.62%	11,945		44.57%	12,185		45.47%	12,215		56.29%	12,015		55.37%

Source: City of Covington Finance Department

Schedule 16
City of Covington, Kentucky
Full-Time-Equivalent City Government Employees by Function/Program
Current and Past Nine Fiscal Years

<u>Function/Program</u>	<u>Full-time-Equivalent Employees as of June 30</u>									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Government										
Management Services	15	15	16	16	16	14	10	16	17	16
Finance	13	10	7	9	9	10	10	11	13	13
Economic Development	9	8	12	12	8	10	12	7	7	7
Code Enforcement	2	2	1	0	7	8	9	11	12	12
Housing	6	6	7	7	7	7	8	12	15	16
Waste	2									
Police										
Officers	111	110	102	102	104	106	104	110	112	116
Civilians	11	8	7	7	7	9	9	24	28	31
Fire										
Firefighters and Officers	119	121	114	114	108	113	121	118	118	118
Civilians	1	1	0	0	0	1	1	1	1	1
Other										
Public Improvements	32	30	30	30	47	47	47	47	47	51
Engineering	0	0	0	0	0	0	1	4	4	4
Parks and Recreation	19	19	19	19	0	1	1	2	2	2
Total	340	330	315	316	313	326	333	363	376	387

Source: City of Covington Finance Department

Schedule 17
City of Covington, Kentucky
Operating Indicators by Function/Program
Current and Past Nine Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Police										
Physical arrests	5,446	5,148	6,395	5,182	4,663	4,678	4,909	5,420	5,763	5,899
Parking violations *	11,233	12,352	11,637	13,333	13,847	10,952	11,133	15,891	14,520	13,926
Traffic violation *	6,341	3,606	2,925	5,097	5,979	5,117	4,990	4,991	5,149	5,796
Fire										
Fire responses	2,450	2,346	2,413	2,620	3,930	3,126	2,798	2,716	2,731	2,657
Ambulance runs	9,515	9,420	9,449	9,604	9,603	9,304	9,106	9,523	9,112	8,595
Inspections	2,307	2,909	2,465	2,310	1,481	1,963	1,839	1,853	2,058	1,966

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

Sources: City of Covington Police and Fire Record Management System

Schedule 18
City of Covington, Kentucky
Capital Assets Statistics by Function/Program
Current and Past Nine Fiscal Years

Function/Program	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-Stations	2									
Patrol units	114	114	118	126	126	128	83	83	83	83
Fire stations	5	5	5	5	5	5	5	5	5	5
Other Public Works										
Streets (miles)	260	260	235	235	235	191	191	120	120	120
Streetlights	3,231	3,231	3,785	3,785	3,785	3,785	3,785	3,246	3,246	3,246
Miles of Sidewalks	1,545	1,545	1,545	1,545	1,545	1,545				
Parks and recreation										
Parks	27	24	24	24	24	22				
Acreage	859	859	859	859	859	850	850	850	850	850
Playgrounds	14	14	13	13	13	28	28	28	28	28
Baseball/softball diamonds	7	7	9	7	7	9	9	10	10	10
Soccer/football fields	3	2	2	2	2	2	4	5	5	5
Swimming pools	2	2	2	2	2	2	3	4	4	4
Water Park	1	1	1	1	1	1				
Golf Courses	1	1	1	1	1	1				

Source: City of Covington Police Department
City of Covington Fire Department
City of Covington Recreation Department

Schedule 19
City of Covington, Kentucky
Direct and Overlapping Governmental Activities Debt
June 30, 2019
(amounts in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (3)	Estimated Share of Overlapping Debt
Kenton County	\$ 100,001 (1)	24.73%	\$ 24,730
Covington Independent School District	19,505 (2)	100.00%	19,505
Subtotal, overlapping debt	<u>\$ 119,506</u>		<u>44,235</u>
City of Covington direct debt			50,209
Total direct and overlapping			<u>\$ 94,444</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 2010 U.S. Census

Addendum A

CITY OF COVINGTON
Covington, Kentucky

SINGLE AUDIT REPORTS
June 30, 2019

CONTENTS

Schedule of Expenditures of Federal Awards.....	1
Schedule of Expenditures of Federal Awards - Notes	2
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	3-4
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>	5-6
Schedule of Findings and Questioned Costs.....	7-10

CITY OF COVINGTON, KENTUCKY
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2019

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Revenues	Expenditures
<u>U.S Department of Housing and Urban Development</u>				
Section 8 Housing Choice Voucher	14.871	KY-133-VO-0054-0F04	\$ 6,076,667	\$ 5,927,530
Community Development Block Grants/ Entitlement Grants	14.218	B-18-MC-21-0001 Loans outstanding	1,456,611 -	1,456,624 150,000
			<u>1,456,611</u>	<u>1,606,624</u>
HOME Investment Partnership Programs	14.239	M-18DC-21-0200 Loans outstanding	679,367 -	687,379 378,717
			<u>679,367</u>	<u>1,066,096</u>
Lead Based Paint Hazard Reduction Program	14.900	KYLHB0676-18	<u>4,597</u>	<u>4,597</u>
Total U.S. Department of Housing and Urban Development			<u>8,217,242</u>	<u>8,604,847</u>
<u>DEPARTMENT OF JUSTICE</u>				
Bulletproof Vest Partnership Program	16.607	N/A	11,352	11,352
Equitable sharing program	16.922	N/A	106,018	106,018
Pass through from Kenton County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0159	<u>22,585</u>	<u>22,585</u>
Total Department of Justice			<u>139,955</u>	<u>139,955</u>
<u>Department of Transportation</u>				
Pass through from Kentucky Transportation Cabinet				
Highway Planning and Construction - River Center Boulevard	20.205	PO2 6251500001640	708,652	708,652
Highway Planning and Construction - Latonia Avenue Project	20.205	PO2 6251500001640	259,481	259,481
Highway Planning and Construction - Licking River Greenway	20.205	PO2 6281700005520	194,602	194,602
Highway Planning and Construction - Covington 6th Street Restoration	20.205	PO2 6251400003076	14,900	14,900
6th District Safe School Routes	20.205	PO2 6281700004730	195,894	195,894
Highway Planning and Construction - Electric Alley	20.205	PO2 6281600002702	26,760	26,760
State and Community Highway Safety	20.600	AL-2014-09-00-00	<u>73,372</u>	<u>73,372</u>
Total Department of Transportation			<u>1,473,661</u>	<u>1,473,661</u>
<u>Department of the Interior</u>				
Pass through from Kentucky Heritage Council				
Historic Preservation Fund Grants-In-Aid	15.904	N/A	<u>9,888</u>	<u>9,888</u>
Total Department of the Interior			<u>9,888</u>	<u>9,888</u>
<u>Department of Homeland Security</u>				
Staffing for Adequate Fire and Emergency Response	97.083	N/A	560,819	560,819
FEMA Port Security Grant Program	97.056	EMW-2018-PU-0036	<u>22,099</u>	<u>22,099</u>
Total Department of Homeland Security			<u>582,918</u>	<u>582,918</u>
Total Federal Financial Assistance			<u>\$ 10,423,664</u>	<u>\$ 10,811,269</u>

The City did not pass through any funds to subrecipients.

CITY OF COVINGTON, KENTUCKY
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS - NOTES
for the year ended June 30, 2019

Note 1 - Basis of Presentation.

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Covington, Kentucky and is presented 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from those numbers.

Note 2 - Indirect Cost Rates.

The City did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

Note 3 - Passthrough entity numbers were presented when available.



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

To the Mayor and City Commissioners
City of Covington, Kentucky

Report on Compliance for 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, 2019. City of Covington, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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, 2019.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-003 to be a significant deficiency.

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.

RFH

RFH, PLLC
Lexington, Kentucky
November 26, 2019



**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 and City Commissioners
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, 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, 2019, 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 November 26, 2019.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001, and 2019-002 that we consider to be significant deficiencies.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Covington, Kentucky's Response to Findings

City of Covington, Kentucky's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Covington, Kentucky's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

RFH

RFH, PLLC
Lexington, Kentucky
November 26, 2019

CITY OF COVINGTON, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2019

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified Yes No

Significant deficiencies identified that are not considered to be material weaknesses Yes None reported

Non-compliance material to financial statements noted Yes No

Federal Awards:

Internal control over major programs:

Material weaknesses identified Yes No

Significant deficiencies identified that are not considered to be material weaknesses Yes None reported

Type of auditors' report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Major Program:

CFDA Numbers

Name of Federal Program or Cluster

14.218	Community Development Block Grants/Entitlement Grants
14.871	Section 8 Housing Choice Vouchers

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

Auditee qualified as a low-risk auditee? Yes No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

Finding 2019-001 – Significant Deficiency – Audit Adjustments (Recurring)

Criteria: Management of the City of Covington (the City) is responsible for establishing and maintaining effective internal controls over the financial reporting process of the City.

Condition: During the course of our audit, we identified material misstatements that were not identified by the City's internal controls over financial reporting. 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 deficiency in operation exists when a properly designed control does not operate as designed. In this case, the internal controls over the preparation and review of the City's financial statements did not operate as designed and we consider this a significant deficiency.

Cause: The City's accounts receivable listing for payroll taxes included duplicate entries that overstated payroll taxes receivable. There were also issues related to tracking revenue, expenditures and unearned revenues related to transportation grants. Multiple revenue collections related to the year ended June 30, 2019, that were received after June 30, 2019, were not accrued as accounts receivable and revenue. Due to an incorrect calculation, waste billing for services was incorrectly adjusted, resulting in an understatement of revenue and an overstatement of liabilities.

CITY OF COVINGTON, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
for the year ended June 30, 2019

Effect: As a result, material audit adjustments were necessary to adjust receivables, revenues and unearned revenue.

Recommendation: During the year ended June 30, 2019, the City made improvements to its internal controls that were consistent with recommendations made during prior audits. These improvements resulted in fewer audit adjustments and a decrease in the severity of this finding, in comparison to year ended June 30, 2018. We recommend that the City continue to enhance its internal controls over financial reporting with steps such as management review of account reconciliations and listings, improved monitoring of grant expenses and reimbursements, analysis of the financials compared to prior years and improved internal communication, particularly as it relates to tracking and recording of revenues and the financial closeout process.

Management's Response: *The City agrees with the auditor's comments. The City intends to continue to enhance its internal controls over financial reporting by initiating a more robust management review of account reconciliations and listings, improved monitoring of grant expenses and reimbursements, and improving the year-end financial closeout process. These efforts will be accomplished through improved internal communication and training of staff that will ensure the City's financial statements are in conformity with generally accepted accounting principles.*

Finding 2019-002 – Significant Deficiency – Capital Asset Recording (Recurring)

Criteria: Management of the City of Covington (the City) is responsible for establishing and maintaining effective internal controls over the capital asset recording process of the City.

Condition: It was determined that several capital assets purchased during the current fiscal year were not added to the depreciation schedule prepared by the City. In addition, it was noted that multiple capital assets that were sold during the current fiscal year had either not been removed from the depreciation schedule or had never been added to the depreciation schedule when they were purchased. Finally, the City was not able to provide a depreciation schedule that included both current year ending accumulated depreciation and depreciation expense for the year ended June 30, 2019.

Cause: A deficiency in the operation of internal controls resulted in multiple assets, that were purchased prior to and during the year ended June 30, 2019, not being identified as capital asset additions. In addition, the City was not able to produce a report from its fixed asset software that included all elements of the depreciation schedule.

Effect: Audit adjustments were necessary to capitalize current year capital additions and record current year disposals. In addition, modifications to the depreciation schedules prepared by the City were required to appropriately record capital assets and related depreciation.

Recommendation: During the year ended June 30, 2019, the City made improvements to its capital asset recording process that were consistent with recommendations from the prior audits. These improvements include the utilization of third-party software to track capital assets and improvements to the identification of fixed asset purchases at the time of purchase. We recommend that the City continue to improve its capital asset recording process through the continued use of its third-party software, including the development of depreciation reports that include all necessary elements. We also recommend that the City improve communication between all departments to identify fixed assets when acquired or disposed, particularly when those assets are acquired or disposed outside of the routine purchase or surplus processes.

CITY OF COVINGTON, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
for the year ended June 30, 2019

Management's Response: *The City agrees with the auditors' recommendation and will provide additional training to staff in the use of the third-party software to properly track and record capital assets. This will help address the issues related to capital asset recording by allowing for assets to be capitalized at the time of purchase and thus reduce the likelihood of errors when preparing depreciation schedules. The City will also continue the process of reconciling capital asset listing to a physical inventory of the City's assets on at least an annual basis.*

Finding 2019-003 – Significant Deficiency - Community Development Block Grant (CDBG) Program Income

Criteria: 24 CFR Section 570.500 indicates that CDBG program income includes proceeds from the disposition by sale of real property purchased with CDBG funds. 24 CFR section 570.504 requires that program income be disbursed for eligible activities before withdrawals of additional grant funding are made by the grantor.

Condition: During the year ended June 30, 2019, we noted that \$22,600 in proceeds from the sale of three properties identified by the City as being purchased with CDBG funding were not recorded as program income in the CDBG Fund.

Cause: A deficiency in the operation of internal controls resulted in the City not identifying the proceeds from the sale of the properties as CDBG program income.

Effect: The City recorded the proceeds from the sale of the properties as revenue of the General Fund. An audit adjustment was made to record the proceeds as program income in the CDBG fund and the City will reimburse the CDBG Fund from the General Fund during the year ended June 30, 2020.

Recommendation: As noted under finding 2019-002, we recommend that the City improve its capital asset recording process. Improvements to the capital asset recording process should also include tracking property purchased with grant funding separately from assets purchased with unrestricted funding.

Management's Response: *The City agrees with the auditors' comments and will implement remedial efforts to properly record the addition and disposal of properties. These will include tracking property purchased with grant funds separately from assets purchased with unrestricted funds. Thus, allowing the City to properly record proceeds from the sale of grant funded properties as program income. The Finance Department will work closely with other City departments to ensure that the original source of funding for any property sold is properly identified. The Finance Department will also periodically review the sale of surplus property account to determine if proceeds are recorded appropriately. A final tracking of these items will be through the fixed asset system, by verifying funding sources for all assets in the system itself.*

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

Finding 2018-001 – Material Weakness – Audit Adjustments

Audit adjustments were necessary to properly record receivables, payables, accrued liabilities, debt transactions and interfund activity.

Status: *Repeated as Finding 2019-001*

CITY OF COVINGTON, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
for the year ended June 30, 2019

Finding 2018-002 – Material Weakness – Lack of Adequate Segregation of Duties

The City lacked adequate segregation of duties within the finance department, primarily due to turnover and staff departures that occurred during the year ended June 30, 2018.

Status: The City hired additional personnel and adjusted responsibilities within the finance department to ensure appropriate segregation of duties.

Finding 2018-003 – Significant Deficiency – Capital Asset Recording

Audit adjustments were necessary to restate net position, capitalize prior year additions and reclassify current year capital additions.

Status: Repeated as Finding 2019-002

Finding 2018-004 – Budgetary Noncompliance

The City was not in compliance with Kentucky statutes related to budgeting.

Status: The City did not expend funds in excess of budgeted appropriations during the year ended June 30, 2019.

CITY OF COVINGTON KENTUCKY
20 W. PIKE STREET, COVINGTON, KY 41011