

**CITY OF COVINGTON, KENTUCKY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended June 30, 2009**

Prepared By:  
Robert J. Due  
Director of Finance

**CITY OF COVINGTON, KENTUCKY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2009**

**TABLE OF CONTENTS**

	<b>PAGE</b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	1 – 5
GFOA Certificate of Achievement	6
Organizational Chart	7
List of Principal Officials	8
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	9 – 10
Management's Discussion and Analysis (MD&A)	11 – 23
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	24
Statement of Activities	25
Fund Financial Statements	
Balance Sheet – Governmental Funds	26
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	27
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds to the Statement of Activities	29
Statement of Net Assets – Proprietary Funds	30
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	31
Statement of Cash Flows – Proprietary Funds	32
Statement of Fiduciary Net Assets – Fiduciary Funds	33
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	34
Notes to the Financial Statements	35 – 55

**CITY OF COVINGTON, KENTUCKY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2009**

**TABLE OF CONTENTS  
(Continued)**

	<b>PAGE</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance	
Budget and Actual – General Fund	56 – 58
Budget and Actual – Community Development Block Grant	59
Budget and Actual – Home Program	60
Budget and Actual – Housing Voucher Program	61
<b>OTHER SUPPLEMENTARY INFORMATION</b>	
Combining Financial Statements – Non-Major Governmental Funds	
Non-Major Governmental Funds	62 – 63
Combining Balance Sheet – Non-Major Governmental Funds	64 – 65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Governmental Funds	66 – 67
Individual Fund Schedules – Non-Major Governmental Funds	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Police and Fire Incentive	68
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Newport Steel UDAG	69
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Devou Park Maintenance	70
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Investor Program	71
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – City Hall Operations	72
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Federal and State Grant Fund	73
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Arts District	74
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – 501 Main Street Operations	75
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Police Forfeiture	76

**CITY OF COVINGTON, KENTUCKY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2009**

**TABLE OF CONTENTS  
(Continued)**

	<b>PAGE</b>
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Police Block Grant	77
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – CAD System	78
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Renaissance Grant Fund	79
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Working Capital Reserve	80
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Property Acquisitions	81
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Home Consortium Fund	82
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Improvement Fund	83
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – KLC Series 2002	84
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – 2004 Pension Obligation Bonds	85
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – 2005 Refunding Bonds	86
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Sewer Maintenance Fees	87
Combining Financial Statements – Proprietary Funds	
Combining Statement of Net Assets – Internal Service Funds	88
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Funds	89
Combining Statement of Cash Flows – Internal Service Funds	90
Individual Fund Schedules – Proprietary Funds	
Schedule of Revenues, Expenses and Changes in Fund Net Assets – Budget and Actual – Liability Insurance	91
Schedule of Revenues, Expenses and Changes in Fund Net Assets – Budget and Actual – Medical and Dental Insurance	92
Combining Financial Statements – Fiduciary Funds	
Combining Statement of Fiduciary Net Assets – Fiduciary Funds	93
Combining Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	94

**CITY OF COVINGTON, KENTUCKY  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 Year Ended June 30, 2009**

**TABLE OF CONTENTS  
 (Continued)**

	<b>PAGE</b>
<b>STATISTICAL SECTION</b>	
Net Assets by Component	95
Change in Net Assets	96
Fund Balances, Governmental Funds	97
Changes in Fund Balance, Governmental Funds	98
Occupational License Fees - Payroll Withholding	99
Principal Occupational Payroll Tax Payers	100
Assessed Value and Estimated Actual Value of Taxable Property	101
Direct and Overlapping Property Tax Rates	102
Principal Property Tax Payers	103
Property Tax Levies and Collections	104
Ratios of Outstanding Debt by Type	105
Ratios of General Bonded Debt Outstanding	106
Legal Debt Margin Information	107
Demographic and Economic Statistics	108
Principal Employers	109
Full-Time-Equivalent City Government Employees by Function/Program	110
Operating Indicators by Function/Program	111
Capital Assets Statistics by Function/Program	112
 <b>SINGLE AUDIT SECTION</b>	
Schedule of Expenditures of Federal Awards	113
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	114 – 115
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	116 – 117
Schedule of Findings and Questioned Costs	118 – 119
Schedule of Status of Prior Year Findings and Questioned Costs	120 – 121

## **INTRODUCTORY SECTION**



# CITY OF COVINGTON

638 MADISON AVENUE • COVINGTON, KENTUCKY 41011-2298

## OFFICE OF THE CITY MANAGER

November 24, 2009

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

### Formal Transmittal of the CAFR

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in accordance with the implementation of Government 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 comprehensive annual financial report of the City of Covington for the fiscal year ended June 30, 2009.

This report consists of management's representations concerning the finances of the City of Covington. 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 of the City of Covington 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 sufficient reliable information for the preparation of the City of Covington's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Covington'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. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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 of Covington's financial statements have been audited by Von Lehman & Company, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Covington for the fiscal year ended June 30, 2009, are free of material misstatement. 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 unqualified opinion that the City of Covington's financial statements for the fiscal year ended June 30, 2009, 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 of Covington was a 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, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in the City of Covington's Single Audit report.

GAAP require that 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 letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Covington's MD&A can be found immediately following the report of the independent auditors.

#### Profile of the Government

The City of Covington, 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 of Covington currently occupies a land area of 13.1 square miles and serves an estimated population of 43,235. The City of Covington 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 premiums tax and a property tax on both real and personal properties.

The City of Covington operates under the City Manager form of government. Legislative authority is vested in the City Board of Commissioners, consisting of the Mayor and four City Commission members. The Board of Commissioners is responsible for among other things, passing ordinances, adopting the budget, appointing members to various boards, and it approves the hiring of all full time employees. The City Manager reports directly to the Board of Commissioners and is responsible for carrying out policies and ordinances of the City Board of Commissioners and is responsible for the development of short and long range planning, capital improvement programs, and running the day-to-day operations of the city. The City Board of Commissioners is elected on a non-partisan basis. The Mayor serves a four year term and the City Commissioners serve two year terms. The next election for the Mayor will be held in November 2012 with the Mayor taking office on January 1, 2013. The next election for the City Commissioners will be held in November of 2010 and the new Board of Commissioners would take office on January 1, 2011.

The City of Covington provides a full range of services including a full time professional police service and full time professional fire service; advanced life support emergency services; street maintenance and improvement; waste 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 activities, the governing body is responsible for funding the Employees' Retirement Fund and the Police and Firemen's Retirement Funds.

The annual budget serves as the foundation for the City of Covington's financial planning and control. Budget targets are set for each city department based on current revenue estimate contained in the five year plan adjusted for current trends. All departments of the City of Covington are required to submit budget requests for appropriation to the City Manager. The budget requests must be within budget targets. The City Manager uses these requests as the starting point for developing a proposed balanced budget. The City Manager then presents the proposed balanced budget to the City Commissioners for review. 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 a department with the approval of the City Manager, or his designee. The City Manager cannot make transfers of appropriations between departments without the approval of the City Commissioners. Expenditures may not legally exceed budgeted appropriations at the departmental level. Any revisions to the budget that would alter total revenues and department expenditures of any fund must be approved by the City Commissioners. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 55-57 as part of the basic financial statements for the governmental funds. For governmental funds with appropriated annual budgets other than the general fund, this comparison is presented in the governmental fund subsection of this report, which starts on page 58. Also included in the governmental fund subsection are project-length budget-to-actual comparisons for each governmental fund for which a project-length budget has been adopted (i.e., the capital projects funds).

#### Information Useful in Assessing the Economic Condition

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

Local economy: Covington has maintained its efforts in developing economic resources in the Greater Cincinnati/Northern Kentucky region. The consistent and persistent effort put forth by Covington's elected and appointed officials and other community leaders over the past twenty years has positioned the City for continued economic growth in the foreseeable future. The current economic downturn has had its effect on the local economy although Covington has continued to experience job growth and a slight increase in revenue base. The unemployment rate for Kenton County, Kentucky published by the Cabinet of Workforce Development had grown to 10.4% for June. Despite the dramatic increase in the unemployment rate, gross taxable wages grew to \$94.8 billion, an increase of 1.8%. However, the tax on business net profits fell 8.1%. Overall, General Fund revenue grew 3.8%. Detailed information can be found in the Management Discussion & Analysis in the Financial Section of this report.

In its 2009 Northern Kentucky Economic Outlook, the Northern Kentucky Chamber of Commerce indicated that "further economic declines are expected during the first half of 2009 with some modest recovery expected on the horizon in the late third quarter/early fourth quarter 2009." "As the national economy climbs out of recession in late 2009, Northern Kentucky's economy should start to see economic growth as well." It is expected, however, that the reduction in the unemployment rate will lag behind the general economic recovery. As a result, the recovery of payroll tax growth will lag behind the late 2009 recovery until some time in 2010.

In October of 2007, a \$14.4 million connector road to the Fidelity Investment Campus was officially opened. The completion of the 350,000 square foot addition to the Campus occurred during fiscal year 2008-2009. A total of 1,500 new jobs were to be added by the end of 2010 for a total of full time workforce of 4,250. With layoffs announced in November of 2008 and February of 2009, full time employment fell to 3,900 jobs which is still higher than the 2,750 before the expansion but short of the target of 4,250 jobs. The target date for reaching the 4,250 full time jobs has been pushed back from December 2010 to December 2013.

St. Elizabeth Medical Center completed construction of a 125,600 square foot facility that will employ an additional 450 people. Total cost of the construction was \$26.6 million.

Waterfront development plans for Riverfront West Phase I and Riverfront Phase II have been conceptualized and are being heavily supported by local legislators, and business and residential communities. Times Star Commons is a planned public gathering space with a public market development projected to create an economic impact of \$464 million when completed. The City has received \$1 million from the State for planning this project.

The City of Covington was also awarded a grant in the amount of \$600,000 from the United States Environmental Protection Agency for environmental site assessments and clean up of centrally located business property.

The State of Kentucky awarded \$450,000 to the City of Covington for the development of a Covington Artisans' Enterprise Center. Local artists will use the space for educational sessions, business plan development, marketing, and exhibits.

The National Park Service has approved a \$130,000 grant to implement a cultural and heritage tourism program for Covington. The program will be developed with the cooperation of local cultural and historical organizations. A series of thematic tours will be available in print, compact disc, and MP3 Player format.

In addition, more than \$60 million in residential development projects in the downtown area are nearing completion. The Ascent at Roebling Bridge which is a \$47 million, 80- unit, 21-story condominium tower designed by Daniel Libeskind is now 70% occupied. The Pulse is a 64-unit, \$13 million loft residential project in the Seminary Square neighborhood and has completed its initial phase. The Views, when complete, will add 100-125 residential homes priced from \$250,000 each. In addition smaller developments of luxury apartments and commercial storefronts are being constructed throughout the Covington Arts and Technology Zone.

## Financial Policies and Planning

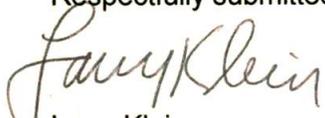
The City of Covington established a formal Audit Committee during fiscal year 2008-2009. The Audit Committee was established in accordance with the Section 6 of the Local Government Finance Standards 1994. The primary objective of the Committee is to assist the City Commission in fulfilling its corporate governance and oversight responsibilities relating to accounting and reporting practices imposed under the Local Government Act of 1993 and other relevant legislation. Four members appointed by the City Commission serve on the Committee.

## Awards and Acknowledgements

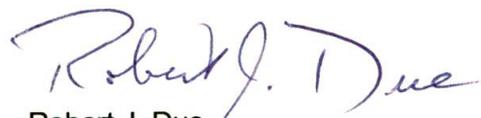
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2008. This was the sixteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

The preparation of this comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Department of Finance. Each member has our sincere appreciation for the contributions made in the preparation of this report. We also acknowledge the efforts of other departments who provided information that helped to make the report far more than a presentation of numbers, with a special thanks to Von Lehman & Company. Credit must also be given to the Mayor and Commissioners for their unfailing interest, support, and integrity in directing the City's financial operations.

Respectfully submitted,



Larry Klein  
City Manager



Robert J. Due  
Finance Director

# 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, 2008

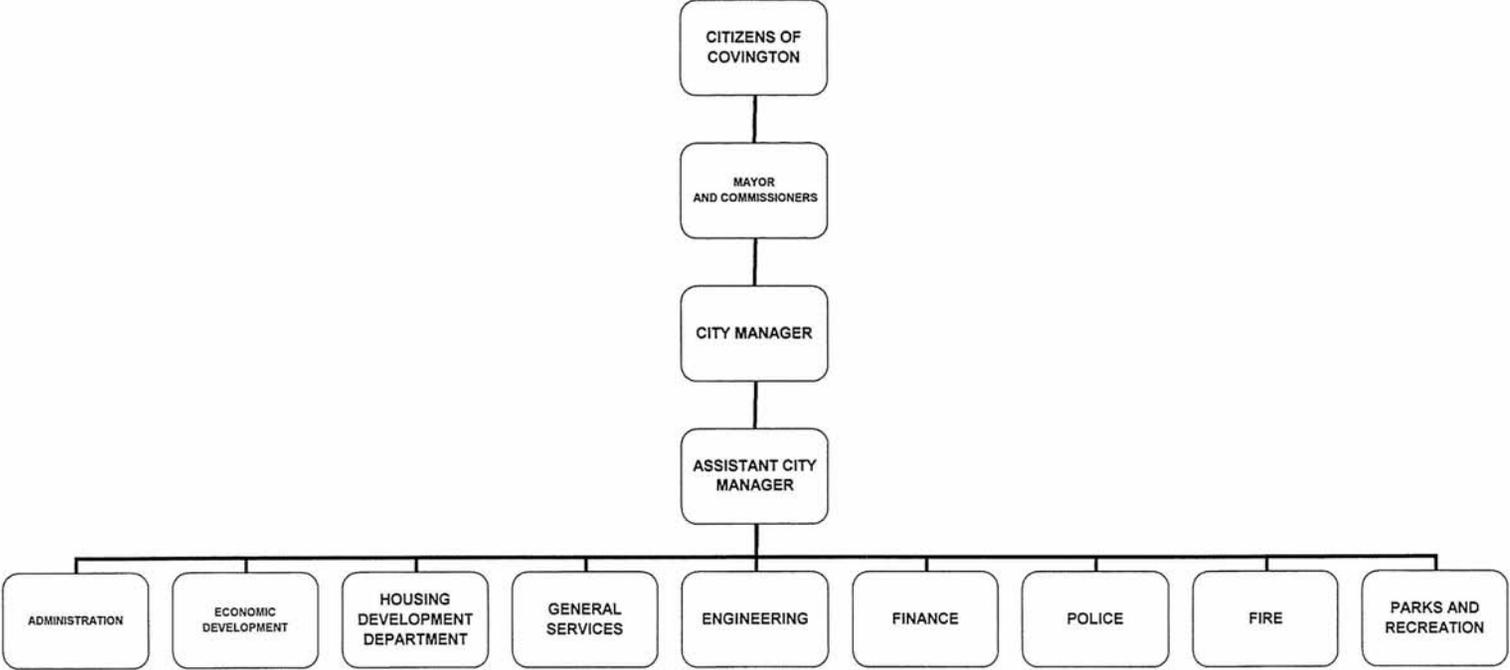
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF COVINGTON, KENTUCKY  
ORGANIZATIONAL CHART



**CITY OF COVINGTON, KENTUCKY  
LIST OF PRINCIPAL OFFICIALS  
June 30, 2009**

**MAYOR**

Denny Bowman

**COMMISSIONERS**

Shawn Masters

Sherry Carran

Mildred Rains

Jerry Stricker

**STAFF**

City Manager – Larry Kleain

City Solicitor – Frank Warnock

City Clerk – Tracy Denham

Finance Director – Robert J. Due

Chief of Police – Lee Russo

Fire Chief – Mark Young

City Engineer – Tom Logan

Housing Development Director – Aaron Wolfe-Bertling

Director of Code Enforcement – Keith Bales

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor  
Board of Commissioners  
City of Covington, Kentucky

We have audited the accompanying financial statements of the governmental 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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Covington, Kentucky's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Devou Properties, Inc. (a non-profit organization), the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Devou Properties, Inc. is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of Devou Properties, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2009, on our consideration of the City of Covington, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor  
Board of Commissioners  
City of Covington, Kentucky  
Page Two

The management's discussion and analysis on pages 11 through 23 and budgetary comparison schedules on pages 56 through 61 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Covington, Kentucky basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The other supplementary information and the supplementary schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
November 24, 2009

**CITY OF COVINGTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Management Discussion and Analysis (MD&A) of the City of Covington, Kentucky's (the City's) financial statements provides readers an overview and analysis of the City's financial position and activities for the fiscal year ended June 30, 2009. The information presented here should be read in conjunction with the City's basic financial statements which immediately follow this analysis.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 24 and 25) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 26. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most financially significant funds.

This report was published under the standards for governmental financial reporting prescribed by the Governmental Accounting Standards Board. The governmental reporting model is designed to provide improved information through the elimination of fund transfers and the use of consolidated statements. This model is found in the government-wide financial statements.

**Financial Highlights**

The assets of the City exceeded its liabilities at the close of the most recent year by \$53,409,347 (net assets), and represent a decrease of \$5,079,405 from the prior year. This amount includes \$36,577,167 that is invested in capital assets net of related debt. Another \$193,693 is restricted for debt service and \$16,638,487 is unrestricted and available to fund the City's future obligations, activities, and projects. An increase in accumulated depreciation of \$4,558,984 is one of the reasons for the decrease in net assets and net assets invested in Capital Assets respectively.

As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,944,993, an increase of \$265,230 from the previous year. Of the \$5,944,993 in combined fund balance, \$730,555 in the General Fund was unreserved, undesignated, and available. The City has a minimum reserve retention policy of a minimum of 5% of General Fund revenue. The \$771,969 in General Fund combined with the fund balance of \$1,770,264 in the Working Capital Reserve Special Revenue Fund equals \$2,542,233, or 5.4% of General Fund revenue. Last fiscal year, the City's fund balance in General Fund and Working Capital Reserve was \$2,110,586, or 4.7% of General Fund revenue.

**CITY OF COVINGTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

**Government-Wide Financial Statements**

Government-Wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements utilize the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Accrual accounting means the financial statements recognize revenue when it is earned and expense when it is incurred regardless of when the cash is actually received or paid.

The Statement of Net Assets presents information on all City assets and liabilities as of June 30, 2009. Net assets are the difference between the assets and liabilities. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. In assessing the City's condition, other factors must be considered as well, such as changes in the City's property tax base, occupational license tax base, and the condition of the City's capital assets (roads, buildings, equipment, and sidewalks) to assess the overall health of the City.

The Statement of Activities presents the City's annual revenues and expenses as well as any other transactions that increase or decrease net assets. Program revenues are offset by program expenses in order to provide net program costs that are financed by general government revenues.

The government-wide statements divide the City functions into two kinds of activities:

- **Governmental activities:** Most of the City's basic services are reported here, including police, fire, street maintenance, parks and recreation, and general administration services. Payroll occupational license fees, property taxes, and net profit license fees, and insurance premiums license tax, and service charges finance most of these activities.
- **Component Units:** Devou Properties Inc. was formed to maintain and operate the Drees Pavilion at Devou Memorial Overlook for the benefit of Devou Park which is owned by the City. Although a legally separate entity, Devou Properties is included in these financial statements because of its financial accountability to the City.

**CITY OF COVINGTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

**Fund Financial Statements**

Fund financial statements report the City's operations in more detail than the government-wide statements. The analysis of the City's major funds begins on page 55. The non-major fund financial statements begin on page 61. Some funds are required to be established by State law or by bond covenants. However, the City Commission may establish many other funds to help control and manage money for particular purposes (i.e., Police Forfeiture Fund, Devou Park Maintenance Fund, City Hall Operations Fund, etc.) or to show that it is meeting legal responsibilities for grant funds (i.e. Community Development Block Grant Fund, Housing Voucher Fund, HOME Program Fund, etc.). The City's reports financial activity under three kinds of funds, governmental and proprietary, and fiduciary.

*Governmental funds:* Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation attached to the fund financial statements. The City considers the General Fund, Community Development Block Grant Fund, HOME Program Fund, and Housing Voucher Fund to be major governmental funds.

*Proprietary funds:* When the City charges customers for the full cost of the services it provides whether to outside customers or to other units of the City, these services are reported in proprietary funds. The subcategories of the funds include enterprise funds, which are business-type activities and internal service funds, which report services provided to internal units of government. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The City has no enterprise funds and reports two internal service funds, the Liability Self Insurance Fund and the Medical and Dental Self Insurance Fund.

*Fiduciary funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Covington's own 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 Pension Fund is a closed pension that is held solely for trust beneficiaries. The Employees' Retirement fund has two active employee members and is also held solely for trust beneficiaries.

**CITY OF COVINGTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

**Statement of Net Assets**

For the year ended June 30, 2009, net assets changed as follows:

	<b>Governmental Activities 2009</b>	<b>Governmental Activities 2008</b>	<b>Increase (Decrease) From FYE 08</b>
Current and other assets	\$ 29,205,060	\$ 29,018,317	\$ 186,743
Capital assets	63,115,916	65,807,399	(2,691,483)
Other Non Current Assets	<u>8,539,255</u>	<u>9,558,132</u>	<u>(1,018,877)</u>
Total assets	<u>100,860,231</u>	<u>104,383,848</u>	<u>(3,523,617)</u>
Current liabilities	10,017,697	11,331,806	(1,314,109)
Non-current liabilities	<u>37,433,187</u>	<u>34,563,290</u>	<u>2,869,897</u>
Total liabilities	<u>47,450,884</u>	<u>45,895,096</u>	<u>1,555,788</u>
Net assets:			
Invested in capital assets, net of debt	36,577,167	41,334,965	(4,757,798)
Restricted	193,693	550,682	(356,989)
Unrestricted	<u>16,638,487</u>	<u>16,603,105</u>	<u>35,382</u>
Total net assets	<u>\$ 53,409,347</u>	<u>\$ 58,488,752</u>	<u>\$ (5,079,405)</u>

The total assets of the City on June 30, 2009 were \$100.9 million, while total liabilities were \$47.5 million, resulting in net assets of \$53.4 million. The largest component of the City's net assets, \$36.6 million, or 68.5%, reflects its investment in capital assets. Unrestricted net assets which represent funds that may be used at the City's discretion increased \$35,382. Total net assets decreased by \$5.1 million.

Some capital additions were financed through capital leases and therefore increased liabilities by \$1.6 million. The amount by which depreciation exceeded capital outlays for the period was \$1.8 million. Of the projects financed with the capital lease, \$2.3 million was used for energy conservation measures. Operational savings of \$1.9 million are guaranteed per contract over a twenty year period as a certified "Guaranteed Energy Savings Contract" as defined in the Kentucky Revised Statutes. The energy savings measures were not capitalized but expensed for the year, as they do not add to the economic useful life of the related assets. There was no corresponding increase to net assets when combined with new debt would account for the \$5.1 million decrease in net assets.

**CITY OF COVINGTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

**Statement of Activities**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>	Increase (Decrease) From 2008
Revenues:			
Program revenues:			
Charges for services	\$ 5,517,552	\$ 5,239,308	\$ 278,244
Operating grants and contributions	9,664,170	10,823,567	(1,159,397)
Capital grants	1,650,920	2,050,654	(399,734)
General revenues:			
Taxes	41,346,331	39,102,516	2,243,815
Interest	112,064	317,416	(205,352)
Other	1,495,817	2,015,326	(519,509)
Total revenues	<u>59,786,854</u>	<u>59,548,787</u>	<u>238,067</u>
Expenses:			
General government	11,008,141	7,807,872	3,200,269
Police	15,847,046	15,501,195	345,851
Fire	15,113,010	14,753,208	359,802
General services	7,185,210	5,995,347	1,189,863
Recreation	2,740,960	2,426,639	314,321
Housing and economic development	10,217,357	9,777,154	440,203
Parking Garage	701,986	747,677	(45,691)
Interest on long term debt	2,052,549	1,935,242	117,307
Total expenses	<u>64,866,259</u>	<u>58,944,334</u>	<u>5,921,925</u>
Increase in net assets before transfers and other expenses	(5,079,405)	604,453	(5,683,858)
Transfers	-	-	-
Other expenses	-	-	-
Increase in net assets	<u>(5,079,405)</u>	<u>604,453</u>	<u>(5,683,858)</u>
Net assets - July 1	<u>58,488,752</u>	<u>57,884,299</u>	<u>604,453</u>
Net assets - June 30	<u>\$ 53,409,347</u>	<u>\$ 58,488,752</u>	<u>\$ (5,079,405)</u>

**CITY OF COVINGTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

Revenues for the City's governmental activities were \$59,768,854, an increase of \$238,067 from the prior year. Taxes which include occupational license fees, property taxes, insurance premiums taxes, and net profit taxes increased \$2,243,815 (5.7%) and represent 69.2% of all revenue. The biggest increases were realized in insurance premiums tax and property taxes. Operating grants and contributions decreased by \$1,159,397. Prior year unobligated Community Development Block Grant funds that were spent in the 2007-2008 fiscal year were no longer available in fiscal year 2008-2009 and reserves that had accumulated in the Housing Voucher began to diminish with reduced subsidies from the Department of Housing and Urban Development.

Total expenses for the City's governmental activities were \$64.9 million, a 10.1% increase from the prior year. The \$2.3 million in energy conservation measures referenced above is the reason for the increase in General Government expenses. Increases in waste collection costs accounted for the sharp increase in General Service Expense. A mandatory toter program was implemented in May of 2008 and fiscal year 2008-2009 was the first full year for the program.

**Fund Financial Statements**

**GENERAL FUND**

The following schedules and charts present a summary of the General Fund revenues and expenditures for the fiscal year ended June 30, 2009, and the amount and percentage of increases and decreases in relation to the prior year.

<u>Revenues</u>	<u>FYE 2009 Amount</u>	<u>Percent Of Total</u>	<u>Increase (Decrease) From FYE 2008</u>	<u>Percent Increase (Decrease)</u>
Taxes	\$ 13,921,746	29.73%	\$ 885,552	7.34%
Licenses and permits	26,550,329	56.70%	192,853	0.91%
Intergovernmental	738,525	1.58%	229,612	24.37%
Fines and forfeitures	712,072	1.52%	42,812	8.94%
Charges for services	4,462,977	9.53%	259,363	7.19%
Interest	21,730	0.05%	(69,785)	-445.31%
Miscellaneous	<u>415,657</u>	<u>0.89%</u>	<u>48,471</u>	<u>18.71%</u>
Total revenues	<u>\$ 46,823,036</u>	<u>100.00%</u>	<u>\$ 1,588,878</u>	<u>3.68%</u>

**CITY OF COVINGTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

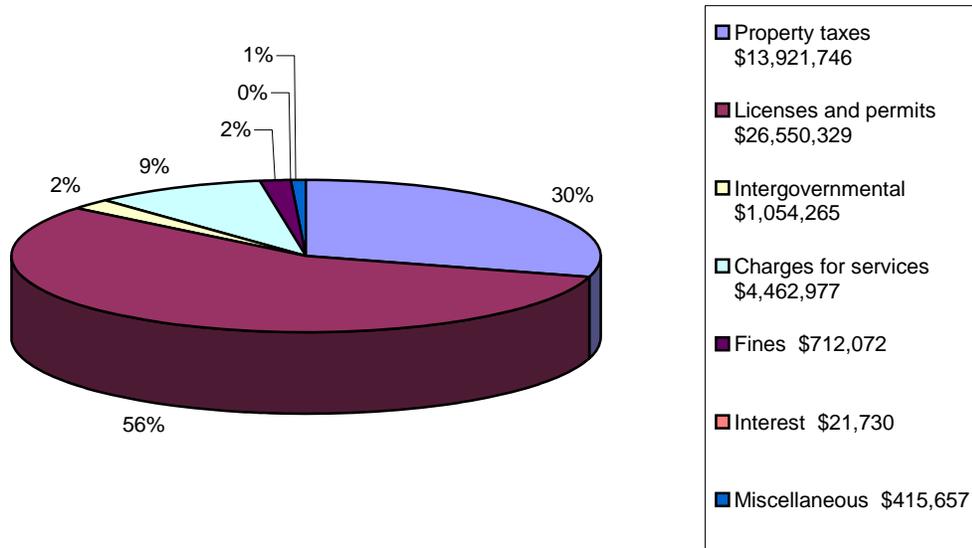
Taxes which include real estate taxes, personal property taxes, and insurance premiums taxes increased modestly by \$885,552. During the year, the Board of Commissioners approved an increase in the property tax rate from .2924 per \$100 valuation to .2995 per \$100 valuation. Total taxable assessed value increased to \$66.9 million, or 3.4%. Increase in rate and assessed value combined for a \$367,729 increase in property tax revenue. Insurance Premiums tax increased \$570,434, or 11.7%. Insurance premiums tax had decreased \$382,143, or 7.3% from the previous fiscal year and remains one of the least predictable revenue streams.

Occupational License revenue includes both a payroll occupational license fee and a net profit occupational license fee on businesses. The payroll occupational license fee increased \$409,687, or 1.8% and the net profit occupational license fee decreased \$224,400, or 8.1% from the prior fiscal year. There is a real potential that growth rate for occupational license fees could continue to decline until the middle or end of 2010.

The Covington Independent School District reimbursed the City for School Resource Officers for both the current fiscal but also the prior year as well. Total reimbursement was \$200,000 and is the reason for the increase in Intergovernmental revenue.

Interest income, which by contract is tied to Federal Funds rate, decreased due to historic low near zero Federal Fund rate.

**2009 General Fund Revenues**



**CITY OF COVINGTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

<u>Expenditures</u>	<u>FYE 2009 Amount</u>	<u>Percent Of Total</u>	<u>Increase (Decrease) From FYE 2008</u>	<u>Percent Increase (Decrease)</u>
General government \$	2,921,987	6.91%	\$ 28,435	1.16%
Public safety	27,195,423	64.27%	(127,138)	-0.62%
General services	6,690,503	15.81%	1,045,520	14.72%
Recreation	2,533,103	5.99%	186,055	25.24%
Code enforcement and economic development	1,452,438	3.43%	26,961	2.58%
Parking garage	701,986	1.66%	(45,691)	-6.14%
Debt service	819,539	1.94%	(66,096)	-14.38%
<b>Total expenditures \$</b>	<b><u>42,314,979</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 1,048,046</u></b>	<b>2.68%</b>

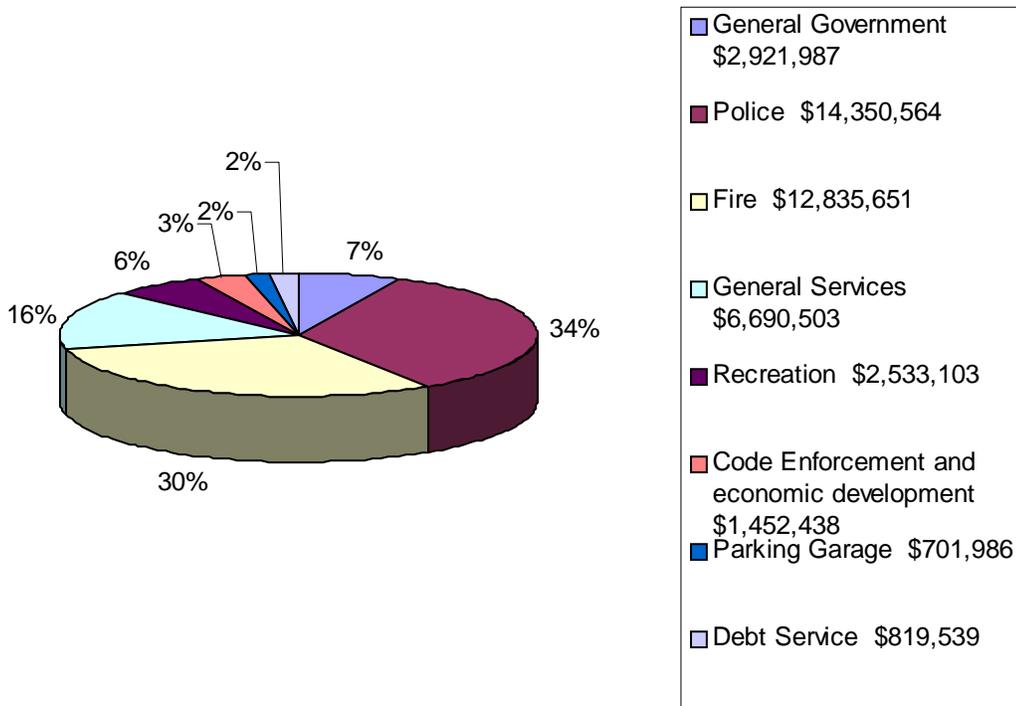
Expenditures increased from the prior year by 2.68%, or \$1,048,046. Personnel Costs represent 78.4% of all General Fund expenditures before transfers out to other funds. Overtime was reduced by \$737,995 from \$3.1 million in fiscal year 2007-2008 to \$2.3 million in fiscal year 2008-2009. Public Safety was responsible for the overtime savings and explains the decrease in Public Safety expenses. Total personnel costs increased \$368,511, or 1.1%.

**CITY OF COVINGTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

A new waste collection contract was awarded at the end of the 2007-2008 fiscal year. Fiscal Year 2008-2009 was the first full year of the new contract with expanded service to include a mandatory toter program. As a result of the new expanded waste collection contract, expenditures for general Services jumped 14.72%.

Motor Fuel costs and utilities have decreased \$149,280, or 22.1% and \$39,682, or 4.5% respectively.

**2009  
General Fund Expenditures**



**CITY OF COVINGTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

**Other Governmental Funds**

The City's governmental funds reported a combined ending fund balance of \$5,944,993, an increase of \$265,230 from the previous year. General Fund Balance increased \$31,647.

The US Department of Housing and Urban Development (HUD) is the funding source for the Housing Voucher Program. During the year, actual assistance payments to landlords exceeded payments from HUD by \$338,114. A fund balance had accrued in the past which HUD had not reclaimed as unspent funds. HUD began to spend down the fund balance this current year causing the decrease in fund balance.

The Sewer Maintenance Fund Special Revenue Account decreased \$348,615. The Sewer Maintenance Fund Special Revenue Fund is used to retire debt owed to the Northern Kentucky Sanitation District.

The decreases in Housing Voucher and Sewer Maintenance Fund were offset by increases in fund balances in other Non-Major Governmental Funds. Fund balances increased by \$172,367 in the Newport Steel UDAG Fund and by \$119,289 in the Investor Program Fund. The increases in Newport Steel UDAG Fund and the Investor Program Fund are the result of payments received on Economic Development loans issued by the City. The funds received will be available to lend again in an effort to facilitate business activity and job growth.

The \$400,000 increase in Working Capital Reserve fund balance consists of a transfer from General Fund. The fund balance from the Working Capital Reserve is combined with the fund balance of the General Fund to calculate the City's progress toward a minimum 5% of General Fund revenue fund balance retention policy. Disbursements from the fund can only be made by resolution adopted by the Board of Commissioners. No disbursements from the Working Capital Reserve have been approved since its inception.

**General Fund Budgetary Highlights**

Over the course of the fiscal year, the City Commission approved revisions of the General Fund budget one time. The total budget was not changed. The General Fund revenue budget was also not changed. Only the departmental budgets were adjusted.

The budget amendment was made to more closely reflect the anticipated actual expense for the year and to formally adopt as part of the budget changes in staff or activities that were approved by the City Commission during the year.

General Fund revenue including transfers in was 98.0% of budget and General Fund expense including transfers out was 97.9% of budget

**CITY OF COVINGTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

**DEBT AND CAPITAL ASSET ADMINISTRATION**

**Debt Administration**

At year-end, the City had \$42,006,452 in outstanding notes, capital leases, bonds, and uncompensated absences compared to \$40,511,669 the prior year. The following is a summary of the changes in the City's outstanding long-term debt from fiscal year 2008 to fiscal year 2009.

	<b>Governmental Activities</b>	
	2009	2008
Mortgage Bonds payable (backed by city)	\$ 21,015,581	\$ 22,783,036
Note payable (backed by city)	606,130	1,006,916
Capital lease obligations (backed by city)	18,781,698	15,271,145
Compensated Absences	1,603,043	1,450,572
Totals	\$ 42,006,452	\$ 40,511,669

A capital lease in the amount of \$4,509,181 was signed with the Kentucky League of Cities Funding Trust Program to subsidize various projects. Of the \$4,509,181 that was borrowed, \$2,254,211 was disbursed for energy conservation measures as defined in the Kentucky Revised Statute, Section 45A.352 et seq. In addition, two pumpers and a staff car were purchased for the Fire Department. Ten new police cruisers were purchased as part of its regular fleet replacement program. Communication equipment at the public safety dispatch center was replaced. Principal payments of \$3,166,869 were made during the year.

The Kentucky Constitution states that the total principal amount of City indebtedness, which excludes self-supporting obligations, revenue bonds, special assessment debt, and non-tax supported debt, cannot exceed 10% of the value of taxable property in the City. The debt limit for the City of Covington is \$205 million.

Additional information on the City's long-term debt can be found on pages 44-49.

**CITY OF COVINGTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

**Capital Assets**

The City's capital assets, net of depreciation as of June 30, 2009 totaled \$63,115,916, a decrease of \$2,690,483 from last year.

This year's major capital additions are as follows:

Land Acquisition Restricted for Development	\$	618,700
Building & Land Improvements		
City Hall		25,298
Meinken Field		30,721
Infrastructure Including Street Resurfacing Etc.		1,118,322
Communication Systems for Public Safety		85,668
Police Cruisers		236,790
General Service Trucks & Equipment		639,611
Fleet – Code Enforcement		119,394
Construction in Progress		105,606

The following is a summary of changes in the City's capital assets from fiscal year 2008 to fiscal year 2009.

	<b>Governmental Activities</b>	
	<u>2009</u>	<u>2008</u>
Land	\$ 14,971,764	\$ 15,078,717
Land improvements	1,288,802	1,276,802
Building	23,114,294	23,095,573
Building Improvements	8,477,032	8,438,401
Vehicles	10,213,327	9,852,183
Other equipment	4,780,087	4,510,852
Public domain infrastructure	106,537,828	105,518,537
Construction in progress	1,242,099	986,667
<b>TOTALS</b>	<b>\$ 170,625,233</b>	<b>\$ 168,757,732</b>

The Engineering Department presented an evaluation of Covington's worst streets and proposed a strategy to address the funding needs. An estimate of \$7.5 million of capital investment would be required to address the worst streets. An investment of this amount would also mean that future capital requirements for ongoing preventive and routine street maintenance could be budgeted at approximately \$2 to \$3 million annually. Budget priority will be given in fiscal year 2009-2010 to address the targeted worst streets.

Additional information on the City's capital assets can be found on page 42.

**CITY OF COVINGTON, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The budget for the 2010 fiscal year was developed to maintain current levels of City services and staffing. Increasing General Fund and Working Capital Reserve fund balances, control of salary and health care costs, and continuation of basic city services without any layoffs or other service reductions remain the primary goal.

Significant progress has been made on increasing the City's financial reserves. As discussed in the financial highlights, the combined fund balance in the General Fund and the Working Capital Reserve is \$2,542,233, or 5.4%, of General Fund revenue. Four years ago, the combined fund balance in the General Fund and Working Capital Reserve was \$235,127, or .6%, of General Fund revenue.

The City, however, continues to under fund its capital investment. Over the next five years an investment of \$47.2 million is required. The 2010 budget includes only \$6.1 million in capital investment which is well short of the \$9.4 million per year average that is required. With progress toward the minimum financial reserves, plans will be focused on increasing investment in capital assets.

The economic outlook is gloomy for the coming year. Revenue estimates have been reduced. The housing mortgage crisis and credit crunch will continue to dampen growth. With the economic slowdown, job expansion is not expected until after June 30, 2010.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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 Robert J. Due, Finance Director, 638 Madison Avenue, Covington, Kentucky 41011. Questions or requests for additional information can also be e-mailed to [bdu@covingtonky.gov](mailto:bdu@covingtonky.gov).

**CITY OF COVINGTON, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
June 30, 2009

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Devou Properties, Inc.</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 6,073,240	\$ 1,697,010
Receivables		
Property Taxes	633,041	-
Intergovernmental	263,890	-
Notes	15,028,368	-
Accounts	6,348,228	179,827
Prepays	41,414	3,460
Due from Pension Trust Fund:	816,879	-
	29,205,060	1,880,297
<b>Noncurrent Assets</b>		
Deferred Charges, Net	354,074	-
Net Pension Obligation Asse	8,185,181	-
Land and Construction in Progres:	17,502,665	-
Depreciable Capital Assets:	153,122,568	17,184
Less Accumulated Depreciator	(107,509,317)	(12,736)
	71,655,171	4,448
Total Assets	100,860,231	1,884,745
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	1,326,576	74,059
Accrued Liabilities	2,678,192	10,228
Accrued Interest Payable	132,980	-
Unearned Revenue	1,108,445	339,153
Line of Credit	198,239	-
Accumulated Compensated Absences:	1,603,043	-
Current Portion of Capital Lease Obligation:	1,118,478	-
Current Portion of Bonds and Notes Payable	1,851,744	-
	10,017,697	423,440
<b>Noncurrent Liabilities</b>		
Noncurrent Portion of Capital Lease Obligation	17,663,220	-
Noncurrent Portion of Bonds and Notes Payabl	19,769,967	-
	37,433,187	-
Total Liabilities	47,450,884	423,440
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Deb	36,577,167	4,448
Restricted for Debt Service	193,693	-
Unrestricted	16,638,487	1,456,857
	\$ 53,409,347	\$ 1,461,305

See accompanying notes

**CITY OF COVINGTON, KENTUCKY**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2009

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Component Unit</u>
<b>Primary Government</b>						
<b>Governmental Activities</b>						
General Government	\$ 11,008,141	\$ 993,267	\$ 213,448	\$ 950,047	\$ (8,851,379)	
Police	15,847,046	406,557	898,749	169,604	(14,372,136)	
Fire	15,113,010	1,077,448	-	6,215	(14,029,347)	
General Services	7,185,210	1,859,171	328,883	521,792	(4,475,364)	
Recreation	2,740,960	-	-	-	(2,740,960)	
Code Enforcement and Economic Development	10,217,357	37,833	8,223,090	3,262	(1,953,172)	
Parking Garage	701,986	1,143,276	-	-	441,290	
Interest on Long-Term Debt	2,052,549	-	-	-	(2,052,549)	
Total Governmental Activities	<u>64,866,259</u>	<u>5,517,552</u>	<u>9,664,170</u>	<u>1,650,920</u>	<u>(48,033,617)</u>	
<b>Total Primary Government</b>	<b>\$ <u>64,866,259</u></b>	<b>\$ <u>5,517,552</u></b>	<b>\$ <u>9,664,170</u></b>	<b>\$ <u>1,650,920</u></b>	<b>(48,033,617)</b>	
<b>Component Unit</b>						
Devou Properties, Inc.	\$ <u>577,560</u>	\$ <u>895,759</u>	\$ <u>-</u>	\$ <u>-</u>		\$ <u>318,199</u>
<b>General revenues:</b>						
Taxes						
Real Property Taxes, Levied for General Purpose					6,024,885	-
Personal Property Taxes, Levied for General Purpose					653,748	-
Public Service Taxes					2,140,821	-
Taxes, Levied for Bank Deposits					53,161	-
Insurance Premium Taxes					5,430,628	-
Payroll Taxes					23,697,247	-
Net Profits Taxes					2,555,089	-
Other Taxes					790,752	-
Investment Earnings					112,064	36,039
Miscellaneous					1,495,817	-
Total General Revenues					<u>42,954,212</u>	<u>36,039</u>
Change in Net Assets					(5,079,405)	354,238
<b>Net Assets June 30, 2008</b>					<u>58,488,752</u>	<u>1,107,067</u>
<b>Net Assets June 30, 2009</b>					<b>\$ <u>53,409,347</u></b>	<b>\$ <u>1,461,305</u></b>

See accompanying notes

**CITY OF COVINGTON, KENTUCKY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009**

	<b>General Fund</b>	<b>Community Development Block Grant</b>	<b>HOME Program</b>	<b>Housing Voucher Program</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>						
Cash and Cash Equivalents	\$ 788,360	\$ -	\$ 111,055	\$ 1,663,729	\$ 2,077,000	\$ 4,640,144
Receivables						
Taxes	633,041	-	-	-	-	633,041
Intergovernmental	-	172,402	42,091	-	49,397	263,890
Notes	-	6,931,024	5,537,760	-	2,559,584	15,028,368
Accounts	5,308,700	-	-	14,071	1,025,457	6,348,228
Due from Other Funds	2,147,470	505,703	31,629	-	1,859,176	4,543,978
Prepays	41,414	-	-	-	-	41,414
<b>Total Assets</b>	<b>\$ 8,918,985</b>	<b>\$ 7,609,129</b>	<b>\$ 5,722,535</b>	<b>\$ 1,677,800</b>	<b>\$ 7,570,614</b>	<b>\$ 31,499,063</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 1,043,264	\$ 24,252	\$ 8,000	\$ 47,026	\$ 201,249	\$ 1,323,791
Accrued Liabilities	1,390,512	-	-	-	-	1,390,512
Due to Other Funds	3,403,415	-	-	17,045	1,373,018	4,793,478
Deferred Revenue	2,309,825	7,584,877	5,537,760	54,888	2,558,939	18,046,289
<b>Total Liabilities</b>	<b>8,147,016</b>	<b>7,609,129</b>	<b>5,545,760</b>	<b>118,959</b>	<b>4,133,206</b>	<b>25,554,070</b>
<b>Fund Balances</b>						
Reserved for:						
Prepays	41,414	-	-	-	-	41,414
Unreserved						
Undesignated, Reported In						
General Fund	730,555	-	-	-	-	730,555
Special Revenue Funds	-	-	176,775	1,558,841	3,085,464	4,821,080
Capital Projects Funds	-	-	-	-	158,251	158,251
Debt Service Funds	-	-	-	-	193,693	193,693
<b>Total Fund Balances</b>	<b>771,969</b>	<b>-</b>	<b>176,775</b>	<b>1,558,841</b>	<b>3,437,408</b>	<b>5,944,993</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,918,985</b>	<b>\$ 7,609,129</b>	<b>\$ 5,722,535</b>	<b>\$ 1,677,800</b>	<b>\$ 7,570,614</b>	<b>\$ 31,499,063</b>

See accompanying notes

**CITY OF COVINGTON, KENTUCKY**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF NET ASSETS**  
**June 30, 2009**

**Total Fund Balance - Governmental Funds** \$ 5,944,993

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.

Cost of Capital Assets	\$ 170,625,233	
Accumulated Depreciation	<u>(107,509,317)</u>	63,115,916

Certain other long-term assets are not available to pay current period expenditures and are therefore deferred in the funds. 16,937,850

Internal service funds are used by management to charge the cost of certain activities, such as liability and health and dental insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net assets. The assets and liabilities of the internal service funds are:

Cash and Cash Equivalents	1,433,096	
Due From Other Funds	1,093,740	
Accounts Payable	(2,791)	
Estimated Liability for Claims	(1,287,680)	
Due to Other Funds	<u>(27,361)</u>	1,209,004

Deferred charges represent costs related to the issuance of new bonds and also refunding costs. Deferred charges are reported as an other use of funds in the governmental funds statements. However, on the government wide statement of net assets these costs are capitalized and reported as a deferred charge, and amortized over the life of the related bonds. 354,074

Net pension obligation asset represents contributions made to the City's pension funds in excess of the actuarially required contribution. The excess contributions are capitalized and amortized. 8,185,181

Interest payable on long term debt does not require current financial resources. Therefore accrued interest payable is not reported as a liability in the governmental funds balance sheet. (132,980)

Some capital additions were financed through a line of credit. In governmental funds, a line of credit is considered a source of financing, but in the Statement of Net Assets, the obligation is reported as a liability. (198,239)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds Payable	21,621,711	
Capital Lease Obligations Payable	18,781,698	
Compensated Absences Payable	<u>1,603,043</u>	<u>(42,006,452)</u>

**Total Net Assets - Governmental Activities** **\$ 53,409,347**

See accompanying notes.

**CITY OF COVINGTON, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2009**

	<u>General Fund</u>	<u>Community Development Block Grant</u>	<u>HOME Program</u>	<u>Housing Voucher Program</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Taxes	\$ 13,921,746	\$ -	\$ -	\$ -	\$ 785,551	\$ 14,707,297
Licenses and Permits	26,550,329	-	-	-	-	26,550,329
Intergovernmental	738,525	1,462,656	1,106,412	5,770,696	2,613,174	11,691,463
Charges for Services	4,462,977	-	-	-	281,081	4,744,058
Fines and Forfeitures	712,072	-	-	-	-	712,072
Investment Earnings	21,730	-	1,159	17,073	59,657	99,619
Miscellaneous	415,657	390,719	336,941	13,834	400,717	1,557,868
Total Revenues	<u>46,823,036</u>	<u>1,853,375</u>	<u>1,444,512</u>	<u>5,801,603</u>	<u>4,140,180</u>	<u>60,062,706</u>
<b>Expenditures</b>						
Current						
General Government	2,921,987	-	-	-	861,536	3,783,523
Police	14,350,564	-	-	-	536,297	14,886,861
Fire	12,844,859	-	-	-	470,668	13,315,527
General Services	6,690,503	-	-	-	-	6,690,503
Recreation	2,533,103	-	-	-	-	2,533,103
Code Enforcement and Economic Development	1,452,438	765,974	1,371,600	6,139,717	408,841	10,138,570
Parking Garages	701,986	-	-	-	-	701,986
Debt Service						
Principal	553,137	67,000	-	-	2,896,380	3,516,517
Interest and Other Charges	266,402	29,492	-	-	1,758,622	2,054,516
Capital Outlay	-	1,003,534	-	-	5,702,308	6,705,842
Total Expenditures	<u>42,314,979</u>	<u>1,866,000</u>	<u>1,371,600</u>	<u>6,139,717</u>	<u>12,634,652</u>	<u>64,326,948</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>4,508,057</u>	<u>(12,625)</u>	<u>72,912</u>	<u>(338,114)</u>	<u>(8,494,472)</u>	<u>(4,264,242)</u>
<b>Other Financing Sources (Uses)</b>						
Transfers In	1,095,000	-	-	-	4,968,518	6,063,518
Proceeds from Sale of Land	-	323,625	-	-	304,929	628,554
Proceeds from Short Term Debt	-	-	-	-	75,419	75,419
Capital Lease Acquisitions	-	-	-	-	4,509,181	4,509,181
Transfers Out	(5,571,410)	(311,000)	-	-	(864,790)	(6,747,200)
Total Other Financing Sources (Uses)	<u>(4,476,410)</u>	<u>12,625</u>	<u>-</u>	<u>-</u>	<u>8,993,257</u>	<u>4,529,472</u>
<b>Net Change in Fund Balances</b>	31,647	-	72,912	(338,114)	498,785	265,230
<b>Fund Balance July 1, 2008</b>	<u>740,322</u>	<u>-</u>	<u>103,863</u>	<u>1,896,955</u>	<u>2,938,623</u>	<u>5,679,763</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ 771,969</u>	<u>\$ -</u>	<u>\$ 176,775</u>	<u>\$ 1,558,841</u>	<u>\$ 3,437,408</u>	<u>\$ 5,944,993</u>

See accompanying notes

**CITY OF COVINGTON, KENTUCKY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURE**  
**AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2009**

**Change in Fund Balances - Total Governmental Funds** \$ 265,230

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

Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense exceeds capital outlays in the period.

Depreciation Expense	\$ (4,900,978)	
Capital Outlays	<u>3,021,526</u>	(1,879,452)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the net book value of the asset sold. (812,030)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (3,294)

Repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. 3,166,869

The Statement of Activities reports annual pension cost, which includes the actuarially required contribution along with an interest factor and adjustment of the net pension obligation asset. (1,051,091)

Accrued interest not reflected on Governmental funds. 14,472

In the Statement of Activities, compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The additional expense reported in the statement of activities is a result of the change in long-term accumulated sick leave. (152,471)

Repayments of line of credit is an expenditure in the governmental funds, but it reduces liabilities in the statement of net assets and does not affect the statement of activities. 229,508

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a liability. (4,509,181)

Costs related to the new capital leases are reported as an other use of funds in the governmental funds financial statements. However, on the government-wide statement of net assets these costs are capitalized and reported as a deferred charge, and subsequently amortized over the life of the related capital lease. 83,970

Costs related to the issuance of new bonds and deferred refunding costs are reported as an other use of funds in the governmental funds financial statements. However, on the government-wide statement of net assets, these costs are capitalized and reported as a deferred charge, and subsequently amortized over the life of the related bonds. This is the amount of current year amortization expense. (51,752)

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. (380,183)

**Total Change in Net Assets - Governmental Activities** **\$ (5,079,405)**

See accompanying notes.

**CITY OF COVINGTON, KENTUCKY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
June 30, 2009

	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 1,433,096
Due from Other Funds	1,093,740
	2,526,836
Total Assets	2,526,836
 <b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	2,791
Estimated Liability for Claims	1,287,680
Due to Other Funds	27,361
	27,361
Total Liabilities	1,317,832
 <b>Net Assets</b>	
Unrestricted	\$ 1,209,004
	1,209,004

See accompanying notes.

**CITY OF COVINGTON, KENTUCKY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**Year Ended June 30, 2009**

	<b>Governmental            Activities</b> <hr/> <b>Internal            Service            Funds</b> <hr/>
<b>Operating Revenues</b>	
Insurance Premium Payments	\$ 5,179,713
Other Operating Revenues	<u>148,308</u>
Total Operating Revenues	<u>5,328,021</u>
<b>Operating Expenses</b>	
Contractual Services	643,617
Claims and Judgments	<u>5,760,714</u>
Total Operating Expenses	<u>6,404,331</u>
Operating Loss	(1,076,310)
<b>Non-Operating Revenues</b>	
Investment Income	<u>12,445</u>
Loss Before Transfers	(1,063,865)
Transfers In	<u>683,682</u>
Change in Net Assets	(380,183)
<b>Net Assets July 1, 2008</b>	<u>1,589,187</u>
<b>Net Assets June 30, 2009</b>	<u><u>\$ 1,209,004</u></u>

See accompanying notes.

**CITY OF COVINGTON, KENTUCKY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2009**

	<u><b>Governmental Activities Internal Service Funds</b></u>
<b>Cash Flows From Operating Activities</b>	
Cash Received from Other Funds	\$ 6,173,201
Cash Received from Other Activities	148,308
Cash Paid for Claims	<u>(6,227,611)</u>
Net Cash Used by Operating Activities	93,898
<b>Cash Flows from Non-Capital Financing Activities</b>	
Transfer from Other Funds	683,682
<b>Cash Flows from Investing Activities</b>	
Interest Income	<u>12,445</u>
Net Change in Cash	790,025
<b>Cash and Cash Equivalents July 1, 2008</b>	<u>643,071</u>
<b>Cash and Cash Equivalents June 30, 2009</b>	<u><u>\$ 1,433,096</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</b>	
Operating Loss	\$ (1,076,310)
Change in Assets and Liabilities	
Accounts Receivable	210,968
Due from Other Funds	1,305,159
Accounts Payable	(48,929)
Estimated Liability Claims	225,649
Due to Other Funds	<u>(522,639)</u>
<b>Net Cash Used by Operating Activities</b>	<u><u>\$ 93,898</u></u>

See accompanying notes.

**CITY OF COVINGTON, KENTUCKY**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2009**

	<b>Fiduciary Funds</b>
<b>Assets</b>	
Cash and Cash Equivalents	\$ 1,487,360
Investments - Mutual Funds	12,444,623
Notes Receivable	2,582
Total Assets	13,934,565
<b>Liabilities</b>	
Accounts Payable	945
Due to Other Funds	816,879
Total Liabilities	817,824
<b>Net Assets</b>	
Held in Trust for Pension Benefits	\$ 13,116,741

See accompanying notes.

**CITY OF COVINGTON, KENTUCKY**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**Year Ended June 30, 2009**

	<b>Fiduciary Funds</b>
<b>Additions</b>	
Contributions	
Employee Contributions	\$ 8,485
Impounding Lot	116,353
Total Revenues	124,838
Investment Earnings	
Interest and Dividends	586,876
Net (Depreciation) in Fair Value of Investments	(4,224,307)
Total Investment Earnings	(3,637,431)
Total Additions	(3,512,593)
<b>Deductions</b>	
Benefit Payments	2,337,984
Administration	62,805
Impounding Lot	10,111
Total Deductions	2,410,900
Change in Net Assets	(5,923,493)
<b>Net Assets July 1, 2008</b>	<b>19,040,234</b>
<b>Net Assets June 30, 2009</b>	<b>\$ 13,116,741</b>

See accompanying notes.

**CITY OF COVINGTON, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS**

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

**Basis of Presentation**

The basic financial statements of the City of Covington, Kentucky, 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. 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.

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 its operational and/or financial relationship with the City.

Blended Component Units Included Within the Reporting Entity:

City of Covington Non-Uniformed Employees' Pension Fund

Certain City employees participate in the non-uniformed employee pension fund. The fund functions for the benefit of these employees and is governed by a four member board of trustees. The mayor, finance director, and two appointed and approved employees constitute the board. The City and plan participants are obligated to fund all costs based upon actuarial valuations.

City of Covington Police and Firemen's Pension Fund

All public safety employees who retired prior to August 1, 1989 participate in the Police & Firemen's Pension Fund. The fund functions for the benefit of the retirees and is governed by a four member board of trustees, the mayor, finance director and two public safety retirees. The City is obligated to fund all costs based upon actuarial valuations.

City of Covington Municipal Properties Corporation

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.

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

Discretely Presented Component Units Included Within the Reporting Entity:

Devou Properties, Inc. (a non-profit organization) 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. 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, 2008 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 assets 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 segments 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 another 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 related of the 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.

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

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 60 days of the end of the current fiscal period. Material revenues susceptible to accrual are payroll license fees, insurance fees and grant revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following funds of the financial reporting entity:

- The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.
- The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes.
- The capital projects funds are used to account for the accumulation of specific resources that are intended to be used for future capital improvements.
- The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
- 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.

The government reports the following proprietary funds:

- The City has two internal service funds. One fund is for self-insurance for the City's health and dental insurance program for City employees. The second fund is for the self-insurance of the City's liability claims.

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

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 Community Development Block Grant Fund accounts for entitlements to the City under the provisions of Title 1 of the Housing and Development Act of 1974. Resources may only be used for activities which are directed toward developing urban communities and economic opportunities for persons of low and moderate income.
- 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 Housing Voucher 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.

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

Assets, Liabilities and Net Assets or Equity:

Cash and Cash Equivalents

Cash and cash equivalents includes 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:

- Obligations of the United States and of its Agencies and Instrumentalities
- Certificates of Deposits
- Banker's Acceptances
- Commercial Paper
- Bonds of Other State or Local Governments
- Mutual Funds

Investments

In accordance with Government Accounting Standards Board Statement No. 31, investments held at June 30, 2009 are recorded at fair value based on quoted market prices.

Types of investments allowable in the Pension Trust Funds are governed by the Pension Board of Trustees. All investments are stated in accordance with Statement No. 31.

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 August 15 and are due and payable on September 30. On October 1, the bill becomes delinquent and penalties and interest may be assessed by the City. A lien may be placed on the property on October 1.

Notes Receivable

Notes receivable are carried at their unpaid principal balance.

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".

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009 are recorded as prepaid items in both the government wide and 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 assets.

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

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure, such as streets, traffic signals and signs are capitalized, including infrastructure acquired prior to the implementation of the GASB Statement entitled “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments”. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are recorded at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. The City maintains a capitalization threshold of one thousand dollars with the exception of Infrastructure for which the threshold is twenty-five 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 respective balance sheet. The range of lives used for depreciation purposes for each fixed asset class is as follows:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings	30 Years
Building Improvements	10 – 20 Years
Public Domain Infrastructure	25 – 35 Years
Vehicles	5 – 10 Years
Office Equipment	3 – 10 Years

Compensated Absences

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. In accordance with the provisions of Governmental Accounting Standards, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated to be taken as "terminal leave" prior to retirement.

Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest 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/Deferred Revenue

In the government-wide financial statements, 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. In the governmental fund financial statements, revenues are deferred for amounts that are unearned or unavailable.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Fund Equity

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets.

In the fund financial statements, government funds report reservations of governmental funds that represent amounts that are not available for appropriation such as prepaid expenses. Restricted net assets and restricted fund equity are reported when amounts are legally restricted by outside parties for use for a specific purpose. Unrestricted net assets and fund equity may be used at the City's discretion.

Revenues, Expenditures and Expenses:

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those that result from internal insurance premiums. It also includes all revenue and expenses related to capital and related financing, non-capital financing or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

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

Governmental Funds – by Character	Current – Further Classified by Function
	Debt Service
	Capital Outlay

Proprietary Fund – by Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses related to the use of economic resources.

**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 it 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 reported amounts of assets, liabilities, designated 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.

**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.

**Excess of Expenditures over Appropriations**

No funds had expenditures in excess of legally adopted appropriations for the year ended June 30, 2009.

**NOTE 3 – DEPOSITS****Cash and Cash Equivalents**

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, 2009, \$250,000 of the City's deposits are insured by the FDIC, and \$6,275,100 of the City's deposits are collateralized with securities held by the pledging institution's trust department but not in the City's name. As of June 30, 2009, the City did not have any deposits in excess of insured and/or collateralized amounts.

As of December 31, 2008, Devou Properties, Inc. (a component unit of the City) had \$1,447,010 in cash in excess of insured limits.

**Investments**

Investments are made by the City as an agent for the City Employee's Retirement Fund and the Police and Firemen's Pension Fund. The City maintains investment accounts with brokerage institutions which hold the investments registered in the City's name. As of June 30, 2009, all of the City's investments were covered by SIPC coverage or Excess SIPC coverage provided by the institution, and are therefore not subject to custodial credit risk.

**Custodial Credit Risk**

For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will be able to recover the value of its cash, investments or collateral securities that are in the possession of an outside party. The City has no formal policy on custodial credit risk. As of June 30, 2009, the City had \$6,275,100 of deposits collateralized with securities held by the pledging institution's trust department but not in the City's name.

**NOTE 4 - CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Additions	Retirements/ Deletions	Balance End of Year
<b><u>Governmental Activities</u></b>				
Capital Assets Not Being Depreciated				
Land	\$ 15,078,717	\$ 618,700	\$ 725,653	\$ 14,971,764
Land Improvements	1,276,802	12,000	-	1,288,802
Construction in Progress	986,667	361,038	105,606	1,242,099
Total Capital Assets Not Being Depreciated	<u>17,342,186</u>	<u>991,738</u>	<u>831,259</u>	<u>17,502,665</u>
Depreciable Capital Assets				
Buildings	23,095,573	18,721	-	23,114,294
Building Improvements	8,438,401	38,631	-	8,477,032
Infrastructure	105,518,537	1,118,322	99,031	106,537,828
Machinery and Equipment	4,510,852	289,105	19,870	4,780,087
Vehicles	9,852,183	670,614	309,470	10,213,327
Total Depreciable Capital Assets	<u>151,415,546</u>	<u>2,135,393</u>	<u>428,371</u>	<u>153,122,568</u>
Less: Accumulated Depreciation				
Buildings	7,874,035	571,692	-	8,445,727
Building Improvements	7,657,392	245,485	-	7,902,877
Infrastructure	75,240,332	3,088,006	12,654	78,315,684
Machinery and Equipment	3,753,521	273,377	19,870	4,007,028
Vehicles	8,425,053	722,418	309,470	8,838,001
Total Accumulated Depreciation	<u>102,950,333</u>	<u>4,900,978</u>	<u>341,994</u>	<u>107,509,317</u>
Depreciable Capital Assets, Net	<u>48,465,213</u>	<u>(2,765,585)</u>	<u>86,377</u>	<u>45,613,251</u>
Total Governmental Activities Capital Assets - Net	<u>\$ 65,807,399</u>	<u>\$ (1,773,847)</u>	<u>\$ 917,636</u>	<u>\$ 63,115,916</u>
<b><u>Component Unit</u></b>				
Devou Properties, Inc.				
Depreciable Capital Assets				
Property and Equipment	\$ 17,184	\$ -	\$ -	\$ 17,184
Less: Accumulated Depreciation				
Property and Equipment	<u>10,196</u>	<u>2,540</u>	<u>-</u>	<u>12,736</u>
Total Component Unit Capital Assets - Net	<u>\$ 6,988</u>	<u>\$ (2,540)</u>	<u>\$ -</u>	<u>\$ 4,448</u>

\*Depreciation was charged to functions as follows:

Governmental Activities	
Administration	\$ 3,627,838
Police	456,305
Fire	409,375
General Services	199,773
Parks and Recreation	<u>207,687</u>
Total Governmental Activities Depreciation Expense	<u>\$ 4,900,978</u>

**NOTE 5 - INTERFUND ACTIVITY**

Interfund receivables/payables represent short-term loans from one fund to another to cover cash overdrafts. Much of the City's revenue is received in the general fund, then transferred to various other funds in order to fund immediate expenditures. Interfund receivables/payables were as follows at June 30, 2009:

Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Police Block Grant	\$ -
	Federal and State Grant	55,352
	Renaissance Grant	166,100
	CAD System	203,707
	Capital Improvement Fund	413,168
	Police Forfeiture	18,440
	Home Consortium	11,980
	Housing Choice Voucher	17,045
	Newport Steel	175,084
	2004 Pension Obligation	69,129
	Medical Self Insurance	6,148
	Devou Park	34,634
	Park National	76,554
	Police and Fire Incentive Pay	83,249
	City Employees	108,354
	Police and Firemen's Pension	<u>708,526</u>
	Total Due to General Fund	2,147,470
CDBG	General	505,703
HOME Program	General	31,629
Investor Program	General	40
City Hall Operations	General	6,190
Arts District	General	10,010
501 Main Street Operations	General	7,051
Renaissance Grant	Capital Improvement	64,476
Working Capital Reserve	General	1,770,264
Property Acquisitions	Rental Rehab	1,145

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, then transferred to various other funds in order to fund immediate expenditures.

Transfer From	Transfer To	Amount
General Fund	Arts District	\$ 30,220
	Devou Park Maintenance	82,268
	501 Main Street Operations	76,356
	Working Capital Reserve	400,000
	Liability Self Insurance	683,681
	Capital Improvement	790,581
	Debt Service	3,505,209
	Federal and State Grant Fund	<u>3,095</u>
	Total Transfer From General Fund	5,571,410
CAD	General	784,000
Capital Improvement Fund	Renaissance Grant	64,476
CDBG	General	311,000
Investor Program	Property Acquisition	15,944
Police Block Grant	Police Forfeiture	<u>370</u>
		<u>\$ 6,747,200</u>

**NOTE 6 - SHORT TERM DEBT**

On July 1, 2008 the city issued a Tax and Revenue Anticipation Note in the amount of \$3,000,000 for the purpose of providing working capital in advance of tax and revenue cash flows. This note carried a fixed interest rate of 3.08% and matured on June 30, 2009 at which time it was repaid out of the general fund.

During the year the City obtained a line of credit to facilitate real estate development. The total amount of credit available is \$500,000 and the debt charges interest at 5.5%. This line of credit matures August 1, 2009 and had an outstanding balance at June 30, 2009 of \$198,239.

During the year ended June 30, 2009, the following changes occurred in the City's short term debt:

<u>Debt Issue</u>	<u>Balance July 1, 2008</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2009</u>
TRAN	\$ -	\$ 3,000,000	\$ 3,000,000	\$ -
Line of Credit	<u>427,747</u>	<u>75,419</u>	<u>304,927</u>	<u>198,239</u>
	<u>\$ 427,747</u>	<u>\$ 3,075,419</u>	<u>\$ 3,304,927</u>	<u>\$ 198,239</u>

**NOTE 7 - GENERAL LONG-TERM DEBT**

**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 – Lease Proceeds" and the expenditure are recorded at lease inception. Lease payments are recorded as expenditures.

The following capital lease obligations payable 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, 2009.

	<u>Capital Assets</u>
Buildings	\$ 8,664,929
Building Improvements	534,589
Equipment	597,819
Land	6,952,070
Infrastructure	989,002
Vehicles	<u>2,208,054</u>
Total Cost	19,946,463
Accumulated Depreciation	<u>2,346,835</u>
Net Book Value	<u>\$ 17,599,628</u>

**NOTE 7 – GENERAL LONG-TERM DEBT (Continued)**

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, 2009.

Fiscal Years Ending June 30,	Amount
2010	\$ 1,911,001
2011	1,905,562
2012	1,907,667
2013	1,911,403
2014	1,893,375
2015-2019	8,409,149
2020-2024	6,118,881
2025-2029	<u>1,047,398</u>
Total Minimum Lease Payments	25,104,436
Less: Amount Representing Interest	<u>(6,322,738)</u>
Present Value of Future Minimum Lease Payments	18,781,698
Less Current Portion	<u>1,118,478</u>
Non Current Portion	<u>\$ 17,663,220</u>

The City is the lessor of office space located in the city building. These leases are on a year to year basis with cancelable terms. The City's investment in property on operating leases and property held for lease as of June 30, 2009 is as follows:

Cost	\$ 1,500,000
Carrying Amount	\$ 1,375,000
Current Depreciation	\$ 37,500

**NOTE 7 – GENERAL LONG-TERM DEBT (Continued)**

**Mortgage Bonds and Notes Payable**

The following schedule summarizes outstanding long-term mortgage bonds and notes payable at June 30, 2009.

	Purpose	Interest Rates	Maturity Dates June 30,	Amounts	
				Issued	Outstanding
Mortgage Bonds					
1989 Series A	Infrastructure	11.25 %	2010	\$ 587,737	\$ 2,581
2003 Series	Refunding	2.00-4.50	2018	4,996,000	3,438,000
KY Infrastructure Auth.	Infrastructure	4.55	2014	460,327	142,130
HUD 108	Building Project	5.13	2015	1,000,000	464,000
2004 Series	Pension Funding	Variable	2030	14,410,000	13,115,000
2005 Series	Refunding	3.00-3.30	2013	7,405,000	4,460,000

Interest on the variable rate 2004 Series Pension Obligation Bonds is paid at the rate of interest determined by the Remarketing Agent, determined on a weekly basis. The rate was 2.75% June 30, 2009.

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, 2009 are as follows:

Fiscal Years Ending June 30,	Principal	Interest	Total
2010	\$ 1,851,744	\$ 877,756	\$ 2,729,500
2011	1,917,505	807,654	2,725,159
2012	1,981,908	737,412	2,719,320
2013	2,060,377	661,828	2,722,205
2014	912,177	602,130	1,514,307
2015 - 2019	4,393,000	2,384,825	6,777,825
2020 - 2024	3,305,000	1,562,677	4,867,677
2025 - 2029	4,225,000	716,533	4,941,533
2030 - 2034	975,000	22,035	997,035
Totals	<u>\$ 21,621,711</u>	<u>\$ 8,372,850</u>	<u>\$ 29,994,561</u>

**NOTE 7 - GENERAL LONG-TERM DEBT (Continued)****Changes in Noncurrent Liabilities**

During the year ended June 30, 2009, the following changes occurred in noncurrent liabilities:

Debt Issue	Balance July 1, 2008	Additions of New Debt	Repayments and Defeased	Balance June 30, 2009	Amounts Expected to be Paid in One Year
Mortgage Bonds and Notes					
1989 Series A	\$ 72,036	\$ -	\$ 69,455	\$ 2,581	\$ 2,581
2003 Refunding	3,756,000	-	318,000	3,438,000	323,000
HUD 108	531,000	-	67,000	464,000	67,000
Sanitation District	305,907	-	305,907	-	-
KY Infrastructure Auth.	170,009	-	27,879	142,130	29,163
2005 Refunding Bonds	5,490,000	-	1,030,000	4,460,000	1,065,000
2004 Series A	13,465,000	-	350,000	13,115,000	365,000
<b>Total Mortgage Bonds and Notes</b>	<u>23,789,952</u>	<u>-</u>	<u>2,168,241</u>	<u>21,621,711</u>	<u>1,851,744</u>
Capital Lease Obligations Infrastructure/Equipment	<u>15,271,145</u>	<u>4,509,181</u>	<u>998,628</u>	<u>18,781,698</u>	<u>1,118,478</u>
Compensated Absences	<u>1,450,572</u>	<u>1,207,073</u>	<u>1,054,602</u>	<u>1,603,043</u>	<u>1,603,043</u>
<b>Total Noncurrent Liabilities</b>	<u>\$ 40,511,669</u>	<u>\$ 5,716,254</u>	<u>\$ 4,221,471</u>	<u>\$ 42,006,452</u>	<u>\$ 4,573,265</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 current liability.

## NOTE 7 – GENERAL LONG-TERM DEBT (Continued)

**Interest Rate Swap**

*Objective of the Interest Rate Swap.* As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in May, 2005, the City entered into an interest rate swap in connection with its \$14.4 million 2004 Series variable-rate general obligation bonds. The intention of the swap was to effectively change the authority's variable interest rate on the bonds to a synthetic fixed rate of 4.56 percent.

*Terms.* The bonds mature on December 1, 2029, and the related swap agreement matures on December 1, 2014. The swap's initial notional amount of \$14.4 million matched the \$14.4 million variable-rate bonds on an amortizing schedule. The swap was entered at the same time the bonds were issued (December, 2004). Starting in fiscal year 2006, the notional value of the swap and the principal amount of the associated debt decline. Under the swap, the City pays the counterparty a fixed payment of 4.56 percent and receives a variable payment based on the London Interbank Offered Rate (LIBOR). Conversely, the bond's variable-rate coupons are based on a rate determined by the remarketing agent in accordance with the indenture.

*Fair Value.* The swap had a fair value of \$(1,016,438) as of June 30, 2009. The swap's fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic interest rate. Because the coupons on the City's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase or decrease.

*Credit Risk.* As of June 30, 2009, the City was exposed to credit risk in the amount of the swap's fair value. The swap counterparty was rated AA by Standard & Poor's and Aa2 by Moody's Investors Service as of June 30, 2009.

*Swap Payments and Associated Debt.* For the year ended June 30, 2009, the City did not receive any payments from the agreement. Using rates as of June 30, 2009, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary

Fiscal Years Ending June 30,	Variable-Rate Bonds		Swap, Net	Total
	Principal	Interest		
2010	\$ 365,000	\$ 327,482	\$ 262,240	\$ 954,722
2011	385,000	345,331	227,291	957,622
2012	405,000	334,469	220,141	959,610
2013	425,000	323,056	212,630	960,686
2014	445,000	311,094	204,756	960,850
2015 - 2019	2,585,000	1,354,031	-	3,939,031
2020 - 2024	3,305,000	950,744	-	4,255,744
2025 - 2029	4,225,000	435,944	-	4,660,944
2030 - 2034	975,000	13,406	-	988,406
Totals	<u>\$ 13,115,000</u>	<u>\$ 4,395,557</u>	<u>\$ 1,127,058</u>	<u>\$ 18,637,615</u>

**NOTE 7 – GENERAL LONG-TERM DEBT (Continued)**

**Conduit Debt Obligations**

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, State, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2009, there were four series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$62.0 million.

**NOTE 8 – RISK MANAGEMENT**

The City is exposed to various risks to 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.

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 \$1,206,915 at June 30, 2009 and is a designation of the Liability Self Insurance Fund retained earnings. The claims liability reported in the Fund at June 30, 2009, is based on the requirements of governmental accounting standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount were:

<u>July 1, 2007</u>	<u>Claims and Changes In Estimates</u>	<u>Claims Payments</u>	<u>June 30, 2008</u>	<u>Claims and Changes In Estimates</u>	<u>Claims Payments</u>	<u>June 30, 2009</u>
\$ -	\$ 130,509	\$ 130,509	\$ -	\$ 711,895	\$ 711,895	\$ -

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 \$75,000 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 of \$1,287,680 reported in the fund at June 30, 2009, is based upon the requirements of governmental accounting standards, as explained above. Changes in the fund's claims liability amount during the year ended June 30, 2009 were as follows:

<u>July 1, 2007</u>	<u>Claims and Changes In Estimates</u>	<u>Claims Payments</u>	<u>June 30, 2008</u>	<u>Claims and Changes In Estimates</u>	<u>Claims Payments</u>	<u>June 30, 2009</u>
\$ 995,832	\$ 4,618,751	\$ 4,552,552	\$ 1,062,031	\$ 5,048,819	\$ 4,823,170	\$ 1,287,680

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

There have been no settlements in excess of insurance coverage in the past three years.

**NOTE 9 – EMPLOYEE RETIREMENT PLAN**

The City of Covington maintains two single employer, defined benefit pension plans: Employees' Pension Plan and Police and Firemen's Pension Plan.

**Summary of Significant Accounting Policies**

*Basis of Accounting.* The plan's 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 Investment.* 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. The plans issued separate financial statements which may be obtained by request from the City of Covington.

**Plan Descriptions and Contribution Information**

Membership of each plan consisted of the following at the date of the latest actuarial valuation:

<u>Group</u>	<u>Employees' July 1, 2009</u>	<u>Police and Firemen's July 1, 2009</u>
Retirees and Beneficiaries Currently Receiving Benefits	57	90
Active Employees – Fully Vested	<u>2</u>	<u>-</u>
	<u>59</u>	<u>90</u>

**Employees' Pension Plan**

*Plan Description.* The Employees Pension Plan is a single employer defined benefit pension plan that covers substantially all non-public safety employees hired prior to April 1, 1997. The plan provides retirement, disability and death benefits to plan members and their beneficiaries. 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.

*Contributions.* Plan members are required to contribute 8% of their annual covered salary. The City is required to contribute at an actuarially determined rate. Contributions requirements of the plan members and the City are established and may be amended by city ordinance. Administrative costs are financed through investment earnings.

**NOTE 9 – EMPLOYEE RETIREMENT PLAN (Continued)**

**Police and Firemen’s Pension Plan**

*Plan Description.* The Police and Firemen’s Pension 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 provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the Board of Trustees. Benefits are provided under Kentucky Revised Statutes (KRS) 95.852 to 95.991.

*Contributions.* There are no active employees contributing to the plan. 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.

**Employer Contributions**

Years Ended June 30,	Employees' Pension Plan			Police & Firemen’s Pension Plan		
	Annual Required Contribution	Contributions Made	Percentage Contributed	Annual Required Contribution	Contributions Made	Percentage Contributed
2009	\$ -	\$ -	- %	\$ -	\$ -	- %
2008	-	-	-	-	-	-
2007	146,203	-	-	60,974	-	-

During the year ended June 30, 2005, the City issued Pension Obligation Bonds for the purpose of funding both Pension Plans. As a result, the City has a net pension obligation asset on the government-wide statement of net assets. As of June 30, 2009, the Plan liabilities in both the Police & Firemen’s Pension Plan and the Employees’ Pension Plan exceeded the assets. Therefore, the City did have an unfunded accrued liability in the Police & Firemen’s Pension Plan or the Employees’ Pension Plan. The City is required by state statute to contribute impounding lot income and required contributions into the Police & Firemen’s Pension Plan each year.

**Funded Status and Funding Progress**

Actuarial Valuation Date July 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
----------------------------------	-------------------------------	---	---------------------------	--------------------	---------------------	---

Employees’ Pension Plan

2009	\$ 3,867,919	\$ 5,955,714	\$ 2,087,795	65 %	\$ 105,381	1981 %
2007	6,650,730	6,605,645	(45,085)	101	114,311	N/A
2006	6,471,713	7,294,905	823,192	88	103,123	798

Police & Firemen’s Pension Plan

2009	\$ 9,248,821	\$ 11,972,124	\$ 2,723,303	77 %	\$ N/A	N/A %
2007	16,057,288	15,913,455	(143,833)	101	N/A	N/A
2006	15,157,005	15,575,537	418,532	97	N/A	N/A

An actuarial valuation report was not prepared as of July 1, 2008 for the Employees’ Pension Plan and the Police & Firemen’s Pension Plan.

**NOTE 9 – EMPLOYEE RETIREMENT PLAN (Continued)**

**Annual Pension Cost and Net Pension Obligation**

The City's annual pension cost and net pension obligation to each plan for the current year were as follows:

	<u>Employees' Pension Plan</u>	<u>Police &amp; Firemen's Pension Plan</u>
Annual Required Contribution (ARC)	\$ -	\$ -
Interest on Net Pension Obligation	(220,337)	(472,384)
Adjustment to ARC	<u>554,662</u>	<u>1,189,149</u>
Annual Pension Cost	334,325	716,765
Actual Contributions Made	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Pension Obligation	334,325	716,765
Net Pension Obligation (Asset) – Beginning of Year	<u>(2,937,822)</u>	<u>(6,298,449)</u>
Net Pension Obligation (Asset) – End of Year	<u>\$(2,603,497)</u>	<u>\$(5,581,684)</u>

**Three-Year Trend Information**

<u>Years Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Change In Net Pension Obligation</u>	<u>Balance of Net Pension Obligation (Asset)</u>
<u>Employees' Pension Plan</u>				
06/30/09	\$ 334,325	- %	\$ 334,325	\$(2,603,497)
06/30/08	311,000	-	311,000	(2,937,822)
06/30/07	448,525	-	448,525	(3,248,822)
<u>Police &amp; Firemen's Pension Plan</u>				
06/30/09	\$ 716,765	- %	\$ 716,765	\$(5,581,684)
06/30/08	666,759	-	666,759	(6,298,449)
06/30/07	686,644	-	686,644	(6,965,208)

**NOTE 9 – EMPLOYEE RETIREMENT PLAN (Continued)**

The information presented in this note was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Employees’ Pension Plan</u>	<u>Police &amp; Firemen’s Pension Plan</u>
Valuation Date	July 1, 2009	July 1, 2009
Actuarial Cost Method	Entry Age	Unit Credit
Amortization Method	Level Percent Closed	Level Percent Closed
Remaining Amortization Period	10 Years	10 Years
Asset Valuation Method	Market	Market
Actuarial Assumptions:		
Investment Rate of Return *	7.5 %	7.5 %
Projected Salary Increases*	6 %	N/A
* Includes Inflation at	- %	2.5 %
Cost-of-Living Adjustments	- %	2.5 %

**County Employees Retirement System (CERS)**

City employees hired subsequent to April 1, 1977 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 administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

*Plan Description* – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

*Non-Hazardous Contributions* – For the year ended June 30, 2009, plan members 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 61.565(3), 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, 2009, participating employers contributed 13.50% of creditable compensation. Administrative costs of CERS are financed through employer contributions and investment earnings.

**NOTE 9 – EMPLOYEE RETIREMENT PLAN (Continued)**

*Hazardous Contributions* – For the year ended June 30, 2009, plan members were required to contribute 8% of their annual creditable compensation. The City was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), 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 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, 2009, participating employers contributed 29.50% of each employee’s creditable compensation. Administrative costs of CERS are financed through employer contributions and investment earnings.

The required contribution and the actual percentage contributed for the City for the current and previous two years are as follows:

<u>Years</u>	<u>Required Contribution</u>	<u>Actual Percentage Contributed</u>
2009	\$ 5,261,517	100 %
2008	5,617,523	100
2007	4,564,773	100

**Deferred Compensation Plan**

Employees of the City of Covington may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, death, or unforeseeable emergency.

The deferred compensation plan is administered by an unrelated third-party organization. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts is held by the financial institution, until paid or made available to the employees or beneficiaries.

**NOTE 10 – CONTINGENCIES**

The city is a defendant in a lawsuit. The suit was filed by an individual for development rights and damages. The suit does not specify damages however; the city's counsel has advised that the case has potential for a large judgment, up to \$500,000. The city's counsel has advised that at this stage in the proceeding he cannot offer an opinion as to the probable outcome. The city believes the action is without merit and intends to vigorously defend its position.

## REQUIRED SUPPLEMENTARY INFORMATION

Note: The City's budget is prepared using the modified accrual basis of accounting, which is the GAAP basis used to report governmental funds.

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**GENERAL FUND**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes				
Real Property	\$ 5,481,474	\$ 5,481,474	\$ 5,643,388	\$ 161,914
Personal Property	550,000	550,000	653,748	103,748
Bank Deposit	60,000	60,000	53,161	(6,839)
Franchise	2,190,240	2,190,240	2,140,821	(49,419)
Insurance Premium	5,402,250	5,402,250	5,430,628	28,378
Licenses and Permits				
Payroll License Fees	24,918,240	24,918,240	23,697,247	(1,220,993)
Net Profits License Fees	2,809,000	2,809,000	2,555,089	(253,911)
Night Club Permits	135,000	135,000	135,000	-
Liquor and Beer Licenses	150,000	150,000	153,011	3,011
Building and Zoning	-	-	6,460	6,460
Dog Licenses	8,000	8,000	3,522	(4,478)
Intergovernmental	535,000	910,000	738,525	(171,475)
Fines and Forfeitures	620,000	620,000	712,072	92,072
Charges for Services				
Waste Fees	2,029,724	2,029,724	1,859,171	(170,553)
Parking	1,075,000	1,075,000	1,143,276	68,276
Squad Runs	1,158,300	1,158,300	1,077,448	(80,852)
Rental Property	340,000	340,000	244,137	(95,863)
Other	117,000	117,000	138,945	21,945
Interest	67,200	67,200	21,730	(45,470)
Miscellaneous	296,000	296,000	415,657	119,657
Total Revenues	<u>47,942,428</u>	<u>48,317,428</u>	<u>46,823,036</u>	<u>(1,494,392)</u>
<b>Expenditures</b>				
General Government				
Administration Department				
Payroll	720,416	720,416	727,666	(7,250)
Employee Benefits	335,616	335,616	354,568	(18,952)
Contractual Services	446,115	246,115	219,757	26,358
Materials and Supplies	51,050	51,050	64,182	(13,132)
Miscellaneous	-	-	323	(323)
Total Administration Department	<u>1,553,197</u>	<u>1,353,197</u>	<u>1,366,496</u>	<u>(13,299)</u>
Legal Department				
Payroll	224,064	224,064	228,126	(4,062)
Employee Benefits	107,215	107,215	102,337	4,878
Contractual Services	75,092	75,092	47,182	27,910
Materials and Supplies	21,000	21,000	11,701	9,299
Miscellaneous	-	-	-	-
Total Legal Department	<u>427,371</u>	<u>427,371</u>	<u>389,346</u>	<u>38,025</u>
Finance Department				
Payroll	560,187	560,187	521,487	38,700
Employee Benefits	284,703	284,703	258,311	26,392
Contractual Services	433,890	433,890	334,408	99,482
Materials and Supplies	93,350	93,350	51,939	41,411
Miscellaneous	-	-	-	-
Total Finance Department	<u>1,372,130</u>	<u>1,372,130</u>	<u>1,166,145</u>	<u>205,985</u>
Total General Government	<u>3,352,698</u>	<u>3,152,698</u>	<u>2,921,987</u>	<u>230,711</u>

(Continued)

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**GENERAL FUND**  
**Year Ended June 30, 2009**  
**(Continued)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Police				
Payroll	\$ 8,329,537	\$ 8,329,537	\$ 7,995,454	\$ 334,083
Employee Benefits	5,044,166	5,044,166	5,002,746	41,420
Contractual Services	842,554	842,554	913,222	(70,668)
Materials and Supplies	541,730	541,730	439,142	102,588
Miscellaneous	-	-	-	-
Total Police	<u>14,757,987</u>	<u>14,757,987</u>	<u>14,350,564</u>	<u>407,423</u>
Fire				
Payroll	7,423,764	7,423,764	7,455,903	(32,139)
Employee Benefits	4,761,769	4,761,769	4,721,404	40,365
Contractual Services	384,332	384,332	340,246	44,086
Materials and Supplies	351,170	351,170	327,306	23,864
Miscellaneous	-	-	-	-
Total Fire	<u>12,921,035</u>	<u>12,921,035</u>	<u>12,844,859</u>	<u>76,176</u>
General Services				
Payroll	2,003,809	2,003,809	1,938,621	65,188
Employee Benefits	1,133,788	1,133,788	1,050,344	83,444
Contractual Services	2,925,549	2,925,549	2,815,055	110,494
Materials and Supplies	712,614	812,614	886,483	(73,869)
Miscellaneous	-	-	-	-
Total General Services	<u>6,775,760</u>	<u>6,875,760</u>	<u>6,690,503</u>	<u>185,257</u>
Recreation				
Payroll	1,295,473	1,295,473	1,127,091	168,382
Employee Benefits	622,336	622,336	593,163	29,173
Contractual Services	441,500	541,500	563,642	(22,142)
Materials and Supplies	327,200	327,200	249,207	77,993
Miscellaneous	-	-	-	-
Total Recreation	<u>2,686,509</u>	<u>2,786,509</u>	<u>2,533,103</u>	<u>253,406</u>
Code Enforcement and Economic Development				
Code Enforcement				
Payroll	533,378	533,378	503,520	29,858
Employee Benefits	291,693	291,693	253,534	38,159
Contractual Services	160,154	160,154	182,237	(22,083)
Materials and Supplies	30,500	30,500	23,932	6,568
Miscellaneous	-	-	-	-
Total Code Enforcement	<u>1,015,725</u>	<u>1,015,725</u>	<u>963,223</u>	<u>52,502</u>

(Continued)

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**GENERAL FUND**  
**Year Ended June 30, 2009**  
**(Continued)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Economic Development				
Payroll	\$ 285,906	\$ 255,906	\$ 209,206	\$ 46,700
Employee Benefits	131,640	131,640	90,418	41,222
Contractual Services	133,630	163,630	175,273	(11,643)
Materials and Supplies	15,350	15,350	14,318	1,032
Miscellaneous	-	-	-	-
Total Economic Development	<u>566,526</u>	<u>566,526</u>	<u>489,215</u>	<u>77,311</u>
Total Code Enforcement and Economic Development	<u>1,582,251</u>	<u>1,582,251</u>	<u>1,452,438</u>	<u>129,813</u>
Parking Garages				
Contractual Services	789,973	789,973	698,863	91,110
Materials and Supplies	9,000	9,000	3,123	5,877
Total Parking Garages	<u>798,973</u>	<u>798,973</u>	<u>701,986</u>	<u>96,987</u>
Capital Outlay				
General Government	-	-	-	-
Police	-	-	-	-
Fire	-	-	-	-
General Services	-	-	-	-
Housing	-	-	-	-
Recreation	-	-	-	-
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Service				
Principal	538,458	538,458	553,137	(14,679)
Interest	369,903	369,903	266,402	103,501
Total Debt Service	<u>908,361</u>	<u>908,361</u>	<u>819,539</u>	<u>88,822</u>
Total Expenditures	<u>43,783,574</u>	<u>43,783,574</u>	<u>42,314,979</u>	<u>1,468,595</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>4,158,854</u>	<u>4,533,854</u>	<u>4,508,057</u>	<u>(25,797)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	956,000	956,000	1,095,000	139,000
Transfers Out	(5,114,854)	(5,114,854)	(5,571,410)	(456,556)
Total Other Financing Sources (Uses)	<u>(4,158,854)</u>	<u>(4,158,854)</u>	<u>(4,476,410)</u>	<u>(317,556)</u>
Net Change in Fund Balance	-	375,000	31,647	(343,353)
<b>Fund Balance July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>740,322</u>	<u>740,322</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ 375,000</u>	<u>\$ 771,969</u>	<u>\$ 396,969</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**COMMUNITY DEVELOPMENT BLOCK GRANT**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 2,216,159	\$ 3,030,159	\$ 1,462,656	\$ (1,567,503)
Miscellaneous	361,492	361,492	390,719	29,227
Total Revenues	<u>2,577,651</u>	<u>3,391,651</u>	<u>1,853,375</u>	<u>(1,538,276)</u>
<b>Expenditures</b>				
Code Enforcement and Economic Development	1,065,659	1,530,659	765,974	764,685
Debt Service				
Principal	67,000	67,000	67,000	-
Interest and Other Charges	29,492	29,492	29,492	-
Capital Outlay	<u>1,077,500</u>	<u>1,426,500</u>	<u>1,003,534</u>	<u>422,966</u>
Total Expenditures	<u>2,239,651</u>	<u>3,053,651</u>	<u>1,866,000</u>	<u>1,187,651</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>338,000</u>	<u>338,000</u>	<u>(12,625)</u>	<u>(350,625)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds From Sale of Land	-	-	323,625	(323,625)
Transfers Out	<u>(338,000)</u>	<u>(338,000)</u>	<u>(311,000)</u>	<u>27,000</u>
Total Other Financing Sources (Uses)	<u>(338,000)</u>	<u>(338,000)</u>	<u>12,625</u>	<u>(296,625)</u>
Net Change in Fund Balance	-	-	-	(647,250)
<b>Fund Balance July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (647,250)</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**HOME PROGRAM**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 489,874	\$ 1,570,584	\$ 1,106,412	\$ (464,172)
Investment Earnings	-	-	1,159	1,159
Miscellaneous	<u>210,000</u>	<u>210,000</u>	<u>336,941</u>	<u>126,941</u>
Total Revenues	699,874	1,780,584	1,444,512	(336,072)
<b>Expenditures</b>				
Code Enforcement and Economic Development	635,286	1,715,996	1,371,600	344,396
Capital Outlay	<u>64,588</u>	<u>64,588</u>	<u>-</u>	<u>64,588</u>
Total Expenditures	<u>699,874</u>	<u>1,780,584</u>	<u>1,371,600</u>	<u>408,984</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>				
	-	-	72,912	72,912
<b>Fund Balance July 1, 2008</b>				
	<u>-</u>	<u>-</u>	<u>103,863</u>	<u>103,863</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,775</u>	<u>\$ 176,775</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**HOUSING VOUCHER PROGRAM**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 6,086,652	\$ 6,629,573	\$ 5,770,696	\$ (858,877)
Investment Earnings	30,000	30,000	17,073	(12,927)
Miscellaneous	-	-	13,834	13,834
	<u>6,116,652</u>	<u>6,659,573</u>	<u>5,801,603</u>	<u>(857,970)</u>
<b>Expenditures</b>				
Code Enforcement and Economic Development	<u>6,075,947</u>	<u>6,659,573</u>	<u>6,139,717</u>	<u>519,856</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>				
	40,705	-	(338,114)	(338,114)
<b>Fund Balance July 1, 2008</b>				
	<u>-</u>	<u>-</u>	<u>1,896,955</u>	<u>1,896,955</u>
<b>Fund Balance June 30, 2009</b>				
	<u>\$ 40,705</u>	<u>\$ -</u>	<u>\$ 1,558,841</u>	<u>\$ 1,558,841</u>

**OTHER SUPPLEMENTARY INFORMATION**

**COMBINING FINANCIAL STATEMENTS  
NON-MAJOR GOVERNMENTAL FUNDS**

**CITY OF COVINGTON, KENTUCKY  
NON-MAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Police and Fire Incentive Pay**

This fund was established to account for entitlements received under the State of Kentucky's Policemen and Firemen's Supplemental Pay Programs.

**Newport Steel UDAG**

This fund is used to account for the proceeds from the repayment of a U.S. Housing and Urban Development loan to Newport Steel, Inc. The proceeds may be used for any purpose for which the Community Development Block Grant Program income may be utilized.

**Devou Park Maintenance**

This fund was established by Commissioners' ordinance in 1973 to account for the maintenance of roadways and streets within Devou Park.

**Investor Program**

This fund is used to account for resources provided by loan repayments made by loan recipients who had previously received loans from the U.S. Department of Housing and Urban Development. Those funds are then made available for rehabilitation loans to qualified property owners.

**City Hall Operations**

This fund was established to account for revenues and expenditures related to the City building.

**Federal and State Grant Funds**

This fund was established to account for the revenues and expenditures related to grants awarded by federal and state agencies.

**Arts District**

This fund was established to provide loans for specified projects within the Arts District in the city.

**501 Main Street Operations**

This fund was established to account for revenues and expenditures related to a city owned building at 501 Main Street.

**Police Forfeiture**

This fund was established to account for the resources provided for by police forfeitures.

**Police Block Grant**

This fund was established to account for revenues and expenditures related to the Police Block Grant.

**CAD System**

This fund was established to account for revenues and expenditures related to the installation of a computer assisted dispatch system, and the subsequent debt service payments for the related capital lease.

**CITY OF COVINGTON, KENTUCKY  
NON MAJOR GOVERNMENTAL FUNDS  
(Continued)**

**Renaissance Grant Fund**

This fund was established to account for revenues and expenses related to renaissance grants received by the City.

**Working Capital Reserve**

This fund was established to accumulate funds to be used for future working capital needs of the City.

**Property Acquisitions**

This fund was established to account for significant funds received and investments made by the City for real estate in connection with relocating Section 8 tenants.

**Home Consortium Fund**

This 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.

**CAPITAL PROJECTS FUNDS**

Capital projects funds are used to account for the accumulation of specific resources that are intended to be used for future capital improvements.

**Capital Improvement Fund**

This fund was established to account for significant funds received by the City that will be used for future capital projects.

**DEBT SERVICE FUNDS**

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

**KLC Series 2002**

This fund was established to account for the proceeds of a BAN to finance certain projects of the City. BAN proceeds were replaced by capital lease proceeds in the prior year to finish the projects.

**2004 Pension Obligation Bonds**

The proceeds of this issue were used to fund the Employees' Retirement Fund and the Police and Fire Retirement Fund.

**2005 Refunding Bonds**

The proceeds of this issue were used to refund the 1995 First Mortgage Bonds.

**Sewer Maintenance Fees**

This fund was established to account for resources provided by the collection of sewer maintenance fees. These fees are to be used to retire the debt owed to the Sanitation District.

**CITY OF COVINGTON, KENTUCKY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2009**

	<b>Special Revenue Funds</b>									
	<b>Police and Fire Incentive</b>	<b>Newport Steel UDAG</b>	<b>Devou Park Maintenance</b>	<b>Investor Program</b>	<b>City Hall Operations</b>	<b>Federal and State Grant Fund</b>	<b>Arts District</b>	<b>501 Main Street Operations</b>	<b>Police Forfeiture</b>	<b>Police Block Grant</b>
<b>Assets</b>										
Cash and Cash Equivalents	\$ 48,872	\$ 349,174	\$ 85,596	\$ 572,926	\$ 5,850	\$ -	\$ -	\$ -	\$ 306,547	\$ -
Receivables										
Taxes	-	-	-	-	-	-	-	-	-	-
Intergovernmental	36,804	-	-	-	-	-	-	-	-	-
Notes	-	1,601,418	-	797,166	-	-	-	-	-	-
Accounts	-	-	-	-	-	134,626	-	-	-	-
Due from Other Funds	-	-	-	40	6,190	-	10,010	7,051	-	-
Prepays	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 85,676</b>	<b>\$ 1,950,592</b>	<b>\$ 85,596</b>	<b>\$ 1,370,132</b>	<b>\$ 12,040</b>	<b>\$ 134,626</b>	<b>\$ 10,010</b>	<b>\$ 7,051</b>	<b>\$ 306,547</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances</b>										
<b>Liabilities</b>										
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 8,411	\$ 79,207	\$ -	\$ 7,051	\$ 1,539	\$ -
Accrued Liabilities	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	83,249	175,084	34,634	1,145	-	55,352	-	-	18,440	-
Deferred Revenue	-	1,600,773	-	797,166	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>83,249</b>	<b>1,775,857</b>	<b>34,634</b>	<b>798,311</b>	<b>8,411</b>	<b>134,559</b>	<b>-</b>	<b>7,051</b>	<b>19,979</b>	<b>-</b>
<b>Fund Balances</b>										
Reserved for										
Prepays	-	-	-	-	-	-	-	-	-	-
Unreserved										
Undesignated, Reported In										
Special Revenue Funds	2,427	174,735	50,962	571,821	3,629	67	10,010	-	286,568	-
Capital Projects Funds	-	-	-	-	-	-	-	-	-	-
Debt Service Funds	-	-	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>2,427</b>	<b>174,735</b>	<b>50,962</b>	<b>571,821</b>	<b>3,629</b>	<b>67</b>	<b>10,010</b>	<b>-</b>	<b>286,568</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 85,676</b>	<b>\$ 1,950,592</b>	<b>\$ 85,596</b>	<b>\$ 1,370,132</b>	<b>\$ 12,040</b>	<b>\$ 134,626</b>	<b>\$ 10,010</b>	<b>\$ 7,051</b>	<b>\$ 306,547</b>	<b>\$ -</b>

**CITY OF COVINGTON, KENTUCKY**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**June 30, 2009**  
(Continued)

	Special Revenue Funds					Capital Projects	Debt Service Funds				Non-Major Governmental Funds
	CAD System	Renaissance Grant Fund	Working Capital Reserve	Property Acquisitions	Home Consortium Fund	Capital Improvement Fund	2004 KLC Series 2002	2004 Pension Obligation Bonds	2005 Refunding Bonds	Sewer Maintenance Fees	
<b>Assets</b>											
Cash and Cash Equivalents	\$ 418,678	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,361	\$ 10,600	\$ 92,396	\$ 2,077,000
Receivables											
Taxes	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	12,593	-	-	-	-	-	49,397
Notes	-	-	-	-	161,000	-	-	-	-	-	2,559,584
Accounts	-	113,791	-	75,419	-	697,787	-	3,828	6	-	1,025,457
Due from Other Funds	-	64,476	1,770,264	1,145	-	-	-	-	-	-	1,859,176
Prepays	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 418,678</u>	<u>\$ 178,267</u>	<u>\$ 1,770,264</u>	<u>\$ 76,564</u>	<u>\$ 173,593</u>	<u>\$ 697,787</u>	<u>\$ -</u>	<u>\$ 190,189</u>	<u>\$ 10,606</u>	<u>\$ 92,396</u>	<u>\$ 7,570,614</u>
<b>Liabilities and Fund Balances</b>											
<b>Liabilities</b>											
Accounts Payable	\$ -	\$ 12,167	\$ -	\$ -	\$ 613	\$ 61,892	\$ -	\$ 30,369	\$ -	\$ -	\$ 201,249
Accrued Liabilities	-	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	203,707	166,100	-	76,554	11,980	477,644	-	69,129	-	-	1,373,018
Deferred Revenue	-	-	-	-	161,000	-	-	-	-	-	2,558,939
<b>Total Liabilities</b>	<u>203,707</u>	<u>178,267</u>	<u>-</u>	<u>76,554</u>	<u>173,593</u>	<u>539,536</u>	<u>-</u>	<u>99,498</u>	<u>-</u>	<u>-</u>	<u>4,133,206</u>
<b>Fund Balances</b>											
Reserved for											
Prepays	-	-	-	-	-	-	-	-	-	-	-
Unreserved											
Undesignated, Reported In											
Special Revenue Funds	214,971	-	1,770,264	10	-	-	-	-	-	-	3,085,464
Capital Projects Funds	-	-	-	-	-	158,251	-	-	-	-	158,251
Debt Service Funds	-	-	-	-	-	-	-	90,691	10,606	92,396	193,693
<b>Total Fund Balances</b>	<u>214,971</u>	<u>-</u>	<u>1,770,264</u>	<u>10</u>	<u>-</u>	<u>158,251</u>	<u>-</u>	<u>90,691</u>	<u>10,606</u>	<u>92,396</u>	<u>3,437,408</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 418,678</u>	<u>\$ 178,267</u>	<u>\$ 1,770,264</u>	<u>\$ 76,564</u>	<u>\$ 173,593</u>	<u>\$ 697,787</u>	<u>\$ -</u>	<u>\$ 190,189</u>	<u>\$ 10,606</u>	<u>\$ 92,396</u>	<u>\$ 7,570,614</u>

**CITY OF COVINGTON, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2009**

	<b>Special Revenue Funds</b>									
	<b>Police and Fire Incentive</b>	<b>Newport Steel UDAG</b>	<b>Devou Park Maintenance</b>	<b>Investor Program</b>	<b>City Hall Operations</b>	<b>Federal and State Grant Fund</b>	<b>Arts District</b>	<b>501 Main Street Operations</b>	<b>Police Forfeiture</b>	<b>Police Block Grant</b>
<b>Revenues</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	898,749	-	-	-	-	413,768	-	-	169,604	-
Charges for Services	-	-	-	-	263,324	-	-	17,748	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	-
Investment Earnings	-	23,460	609	2,145	45	-	-	-	2,938	-
Miscellaneous	-	152,102	-	187,112	-	-	-	-	-	-
<b>Total Revenues</b>	<b>898,749</b>	<b>175,562</b>	<b>609</b>	<b>189,257</b>	<b>263,369</b>	<b>413,768</b>	<b>-</b>	<b>17,748</b>	<b>172,542</b>	<b>-</b>
<b>Expenditures</b>										
<b>Current</b>										
General Government	-	-	57,336	-	259,740	415,143	-	26,993	-	-
Police	429,111	-	-	-	-	-	-	-	107,186	-
Fire	469,015	-	-	-	-	1,653	-	-	-	-
General Services	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-
Code Enforcement and Economic Development	-	3,195	-	54,024	-	-	-	-	-	-
Parking Garage	-	-	-	-	-	-	-	-	-	-
Debt Service										
Principal	-	-	-	-	-	-	20,000	19,394	-	-
Interest and Other Charges	-	-	-	-	-	-	10,220	47,717	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>898,126</b>	<b>3,195</b>	<b>57,336</b>	<b>54,024</b>	<b>259,740</b>	<b>416,796</b>	<b>30,220</b>	<b>94,104</b>	<b>107,186</b>	<b>-</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>623</b>	<b>172,367</b>	<b>(56,727)</b>	<b>135,233</b>	<b>3,629</b>	<b>(3,028)</b>	<b>(30,220)</b>	<b>(76,356)</b>	<b>65,356</b>	<b>-</b>
<b>Other Financing Sources (Uses)</b>										
Transfers In	-	-	82,268	-	-	3,095	30,220	76,356	369	-
Capital Lease Acquisitions	-	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	(15,944)	-	-	-	-	-	(370)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>82,268</b>	<b>(15,944)</b>	<b>-</b>	<b>3,095</b>	<b>30,220</b>	<b>76,356</b>	<b>369</b>	<b>(370)</b>
<b>Net Change in Fund Balances</b>	<b>623</b>	<b>172,367</b>	<b>25,541</b>	<b>119,289</b>	<b>3,629</b>	<b>67</b>	<b>-</b>	<b>-</b>	<b>65,725</b>	<b>(370)</b>
<b>Fund Balance July 1, 2008</b>	<b>1,804</b>	<b>2,368</b>	<b>25,421</b>	<b>452,532</b>	<b>-</b>	<b>-</b>	<b>10,010</b>	<b>-</b>	<b>220,843</b>	<b>370</b>
<b>Fund Balance June 30, 2009</b>	<b>\$ 2,427</b>	<b>\$ 174,735</b>	<b>\$ 50,962</b>	<b>\$ 571,821</b>	<b>\$ 3,629</b>	<b>\$ 67</b>	<b>\$ 10,010</b>	<b>\$ -</b>	<b>\$ 286,568</b>	<b>\$ -</b>

**CITY OF COVINGTON, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2009**  
(Continued)

	Special Revenue Funds				Capital Projects	Debt Service Funds				Non-Major Governmental Funds
	CAD System	Renaissance Grant Fund	Working Capital Reserve	Property Acquisitions	Home Consortium Fund	Capital Improvement Fund	KLC Series 2002	2004 Pension Obligation Bonds	2005 Refunding Bonds	
<b>Revenues</b>										
Taxes	\$ 785,551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	408,074	-	-	201,187	521,792	-	-	-	-
Charges for Services	-	-	-	9	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	-
Investment Earnings	1,038	-	-	-	-	27,047	-	960	90	1,325
Miscellaneous	-	-	-	-	-	61,503	-	-	-	-
<b>Total Revenues</b>	<b>786,589</b>	<b>408,074</b>	<b>-</b>	<b>9</b>	<b>201,187</b>	<b>610,342</b>	<b>-</b>	<b>960</b>	<b>90</b>	<b>1,325</b>
<b>Expenditures</b>										
Current										
General Government	-	-	-	-	-	-	-	102,324	-	-
Police	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-
General Services	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-
Code Enforcement and Economic Development	-	150,435	-	-	201,187	-	-	-	-	-
Parking Garage	-	-	-	-	-	-	-	-	-	-
Debt Service										
Principal	-	-	-	304,929	-	287,396	534,721	350,000	1,030,000	349,940
Interest and Other Charges	-	-	-	15,943	-	187,154	464,401	877,602	155,585	-
Capital Outlay	-	322,115	-	75,419	-	5,304,774	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>472,550</b>	<b>-</b>	<b>396,291</b>	<b>201,187</b>	<b>5,779,324</b>	<b>999,122</b>	<b>1,329,926</b>	<b>1,185,585</b>	<b>349,940</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>786,589</b>	<b>(64,476)</b>	<b>-</b>	<b>(396,282)</b>	<b>-</b>	<b>(5,168,982)</b>	<b>(999,122)</b>	<b>(1,328,966)</b>	<b>(1,185,495)</b>	<b>(348,615)</b>
<b>Other Financing Sources (Uses)</b>										
Transfers In	-	64,476	400,000	15,944	-	790,581	999,122	1,320,502	1,185,585	-
Proceeds from Sale of Land	-	-	-	304,929	-	-	-	-	-	-
Proceeds of Short Term Debt	-	-	-	75,419	-	-	-	-	-	-
Capital Lease Acquisitions	-	-	-	-	-	4,509,181	-	-	-	-
Transfers Out	(784,000)	-	-	-	-	(64,476)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(784,000)</b>	<b>64,476</b>	<b>400,000</b>	<b>396,292</b>	<b>-</b>	<b>5,235,286</b>	<b>999,122</b>	<b>1,320,502</b>	<b>1,185,585</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>2,589</b>	<b>-</b>	<b>400,000</b>	<b>10</b>	<b>-</b>	<b>66,304</b>	<b>-</b>	<b>(8,464)</b>	<b>90</b>	<b>(348,615)</b>
<b>Fund Balance July 1, 2008</b>	<b>212,382</b>	<b>-</b>	<b>1,370,264</b>	<b>-</b>	<b>-</b>	<b>91,947</b>	<b>-</b>	<b>99,155</b>	<b>10,516</b>	<b>441,011</b>
<b>Fund Balance June 30, 2009</b>	<b>\$ 214,971</b>	<b>\$ -</b>	<b>\$ 1,770,264</b>	<b>\$ 10</b>	<b>\$ -</b>	<b>\$ 158,251</b>	<b>\$ -</b>	<b>\$ 90,691</b>	<b>\$ 10,606</b>	<b>\$ 92,396</b>

**INDIVIDUAL FUND SCHEDULES**  
**NON-MAJOR GOVERNMENTAL FUNDS**

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**POLICE AND FIRE INCENTIVE**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 950,000	\$ 950,000	\$ 898,749	\$ (51,251)
<b>Expenditures</b>				
Police	453,500	453,500	429,111	24,389
Fire	496,500	496,500	469,015	27,485
Total Expenditures	950,000	950,000	898,126	51,874
<b>Excess (Deficit) of Revenues Over Expenditures</b>	-	-	623	623
<b>Fund Balance July 1, 2008</b>	-	-	1,804	1,804
<b>Fund Balance June 30, 2009</b>	\$ -	\$ -	\$ 2,427	\$ 2,427

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**NEWPORT STEEL UDAG**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment Earnings	\$ 30,000	\$ 30,000	\$ 23,460	\$ (6,540)
Miscellaneous	<u>160,000</u>	<u>160,000</u>	<u>152,102</u>	<u>(7,898)</u>
Total Revenues	<u>190,000</u>	<u>190,000</u>	<u>175,562</u>	<u>(14,438)</u>
<b>Expenditures</b>				
Code Enforcement and Economic Development	<u>250,000</u>	<u>250,000</u>	<u>3,195</u>	<u>246,805</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	(60,000)	(60,000)	172,367	232,367
<b>Fund Balance July 1, 2008</b>	<u>60,000</u>	<u>60,000</u>	<u>2,368</u>	<u>(57,632)</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,735</u>	<u>\$ 174,735</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**DEVOU PARK MAINTENANCE**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment Earnings	\$ 3,000	\$ 3,000	\$ 609	\$ (2,391)
Miscellaneous	487,000	487,000	-	(487,000)
<b>Total Revenues</b>	<u>490,000</u>	<u>490,000</u>	<u>609</u>	<u>(489,391)</u>
<b>Expenditures</b>				
General Government	<u>100,000</u>	<u>100,000</u>	<u>57,336</u>	<u>42,664</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	390,000	390,000	(56,727)	(446,727)
<b>Other Financing Sources (Uses)</b>				
Transfers In	<u>10,000</u>	<u>10,000</u>	<u>82,268</u>	<u>72,268</u>
<b>Net Change in Fund Balance</b>	400,000	400,000	25,541	(374,459)
<b>Fund Balance July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>25,421</u>	<u>25,421</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 50,962</u>	<u>\$ (349,038)</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**INVESTOR PROGRAM**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment Earnings	\$ 12,000	\$ 12,000	\$ 2,145	\$ (9,855)
Miscellaneous	<u>118,000</u>	<u>118,000</u>	<u>187,112</u>	<u>69,112</u>
Total Revenues	<u>130,000</u>	<u>130,000</u>	<u>189,257</u>	<u>59,257</u>
<b>Expenditures</b>				
Code Enforcement and Economic Development	<u>500,000</u>	<u>500,000</u>	<u>54,024</u>	<u>445,976</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	(370,000)	(370,000)	135,233	505,233
<b>Other Financing Sources (Uses)</b>				
Transfers Out	<u>-</u>	<u>-</u>	<u>(15,944)</u>	<u>(15,944)</u>
Net Change in Fund Balance	(370,000)	(370,000)	119,289	489,289
<b>Fund Balance July 1, 2008</b>	<u>370,000</u>	<u>370,000</u>	<u>452,532</u>	<u>82,532</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 571,821</u>	<u>\$ 571,821</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**CITY HALL OPERATIONS**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for Services	\$ 270,933	\$ 270,933	\$ 263,324	\$ (7,609)
Investment Earnings	-	-	45	45
<b>Total Revenues</b>	<u>270,933</u>	<u>270,933</u>	<u>263,369</u>	<u>(7,564)</u>
<b>Expenditures</b>				
General Government	306,857	306,857	259,740	47,117
Capital Outlay	16,495	16,495	-	16,495
<b>Total Expenditures</b>	<u>323,352</u>	<u>323,352</u>	<u>259,740</u>	<u>63,612</u>
Excess (Deficit) of Revenues Over Expenditures	(52,419)	(52,419)	3,629	56,048
<b>Other Financing Sources (Uses)</b>				
Transfers In	52,419	52,419	-	(52,419)
Net Change in Fund Balance	-	-	3,629	3,629
<b>Fund Balance July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,629</u>	<u>\$ 3,629</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**FEDERAL AND STATE GRANT FUND**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 250,000	\$ 275,000	\$ 413,768	\$ 138,768
<b>Expenditures</b>				
General Government	-	488,000	415,143	72,857
Fire	250,000	162,000	1,653	160,347
Total Expenditures	250,000	650,000	416,796	233,204
<b>Excess (Deficit) of Revenues Over Expenditures</b>	-	375,000	(3,028)	371,972
Transfers In	-	-	3,095	3,095
Net Change in Fund Balance	-	(375,000)	67	375,067
<b>Fund Balance July 1, 2008</b>	-	-	-	-
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ (375,000)</u>	<u>\$ 67</u>	<u>\$ 375,067</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**ARTS DISTRICT**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
Debt Service				
Principal	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Interest and Other Charges	<u>30,000</u>	<u>30,000</u>	<u>10,220</u>	<u>19,780</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>30,220</u>	<u>19,780</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	(50,000)	(50,000)	(30,220)	19,780
<b>Other Financing Sources (Uses)</b>				
Transfers In	<u>50,000</u>	<u>50,000</u>	<u>30,220</u>	<u>(19,780)</u>
Net Change in Fund Balance	-	-	-	-
<b>Fund Balance July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>10,010</u>	<u>10,010</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,010</u>	<u>\$ 10,010</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**501 MAIN STREET OPERATIONS**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for Services	\$ 15,408	\$ 15,408	\$ 17,748	\$ 2,340
<b>Expenditures</b>				
General Government	40,808	40,808	26,993	13,815
Debt Service				
Principal	-	-	19,394	(19,394)
Interest and Other Charges	<u>72,000</u>	<u>72,000</u>	<u>47,717</u>	<u>24,283</u>
Total Expenditures	<u>112,808</u>	<u>112,808</u>	<u>94,104</u>	<u>18,704</u>
Excess (Deficit) of Revenues Over Expenditures	(97,400)	(97,400)	(76,356)	21,044
<b>Other Financing Sources (Uses)</b>				
Transfers In	<u>97,400</u>	<u>97,400</u>	<u>76,356</u>	<u>(21,044)</u>
Net Change in Fund Balance	-	-	-	-
<b>Fund Balance July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance June 30, 2009</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**POLICE FORFEITURE**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 190,000	\$ 190,000	\$ 169,604	\$ (20,396)
Investment Earnings	<u>10,000</u>	<u>10,000</u>	<u>2,938</u>	<u>(7,062)</u>
Total Revenues	200,000	200,000	172,542	(27,458)
<b>Expenditures</b>				
Police	115,000	115,000	107,186	7,814
Capital Outlay	<u>85,000</u>	<u>85,000</u>	<u>-</u>	<u>85,000</u>
Total Expenditures	<u>200,000</u>	<u>200,000</u>	<u>107,186</u>	<u>92,814</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	-	-	65,356	65,356
<b>Other Financing Sources (Uses)</b>				
Transfers In	<u>-</u>	<u>-</u>	<u>369</u>	<u>369</u>
Net Change in Fund Balance	-	-	65,725	65,725
<b>Fund Balance July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>220,843</u>	<u>220,843</u>
<b>Fund Balance June 30, 2009</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 286,568</u></u>	<u><u>\$ 286,568</u></u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**POLICE BLOCK GRANT**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 40,000	\$ 40,000	\$ -	\$ (40,000)
<b>Expenditures</b>				
Capital Outlay	40,000	40,000	-	40,000
<b>Excess (Deficit) of Revenues Over Expenditures</b>	-	-	-	-
<b>Other Financing Sources (Uses)</b>				
Transfers Out	-	-	(370)	(370)
Net Change in Fund Balance	-	-	(370)	(370)
<b>Fund Balance July 1, 2008</b>	-	-	370	370
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**CAD SYSTEM**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 637,000	\$ 787,000	\$ 785,551	\$ (1,449)
Investment Earnings	<u>2,000</u>	<u>2,000</u>	<u>1,038</u>	<u>(962)</u>
Total Revenues	<u>639,000</u>	<u>789,000</u>	<u>786,589</u>	<u>(2,411)</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	639,000	789,000	786,589	(2,411)
<b>Other Financing Sources (Uses)</b>				
Proceeds of Short Term Debt	-	-	-	-
Transfers Out	<u>(639,000)</u>	<u>(789,000)</u>	<u>(784,000)</u>	<u>5,000</u>
Total other Financing Sources	(639,000)	(789,000)	(784,000)	5,000
Net Change in Fund Balance	-	-	2,589	2,589
<b>Fund Balance July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>212,382</u>	<u>212,382</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,971</u>	<u>\$ 214,971</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**RENAISSANCE GRANT FUND**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 500,000	\$ 500,000	\$ 408,074	\$ (91,926)
<b>Expenditures</b>				
Code Enforcement and Economic Development	100,000	100,000	150,435	(50,435)
Capital Outlay	400,000	400,000	322,115	77,885
Total Expenditures	500,000	500,000	472,550	27,450
<b>Excess (Deficit) of Revenues Over Expenditures</b>	-	-	(64,476)	(64,476)
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	64,476	64,476
Net Change in Fund Balance	-	-	-	-
<b>Fund Balance July 1, 2008</b>	-	-	-	-
<b>Fund Balance June 30, 2009</b>	\$ -	\$ -	\$ -	\$ -

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**WORKING CAPITAL RESERVE**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses)</b>				
Transfers In	\$ 400,000	\$ 400,000	\$ 400,000	\$ -
Net Change in Fund Balance	400,000	400,000	400,000	-
<b>Fund Balance July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>1,370,264</u>	<u>1,370,264</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 1,770,264</u>	<u>\$ 1,370,264</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**PROPERTY ACQUISITIONS**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for Services	\$ -	\$ -	\$ 9	\$ 9
<b>Expenditures</b>				
Debt Service				
Principal	-	475,000	304,929	170,071
Interest and Other Charges	24,000	25,000	15,943	9,057
Capital Outlay	-	-	75,419	(75,419)
Total Expenditures	<u>24,000</u>	<u>500,000</u>	<u>396,291</u>	<u>103,709</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(24,000)</u>	<u>(500,000)</u>	<u>(396,282)</u>	<u>103,718</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds of Short Term Debt	-	75,000	75,419	419
Proceeds From Sale of Land	-	-	304,929	304,929
Transfers In	-	25,000	15,944	(9,056)
Total Other Financing Sources	<u>-</u>	<u>100,000</u>	<u>396,292</u>	<u>296,292</u>
Net Change in Fund Balance	(24,000)	(400,000)	10	(400,010)
<b>Fund Balance July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ (24,000)</u>	<u>\$ (400,000)</u>	<u>\$ 10</u>	<u>\$ (400,010)</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**HOME CONSORTIUM FUND**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 327,456	\$ 327,456	\$ 201,187	\$ (126,269)
<b>Expenditures</b>				
Code Enforcement and Economic Development	<u>254,786</u>	<u>254,786</u>	<u>201,187</u>	<u>53,599</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	72,670	72,670	-	(72,670)
<b>Fund Balance July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ 72,670</u>	<u>\$ 72,670</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**CAPITAL IMPROVEMENT FUND**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 738,051	\$ 1,038,017	\$ 521,792	\$ (516,225)
Investment Earnings	-	-	27,047	27,047
Miscellaneous	-	-	61,503	61,503
<b>Total Revenues</b>	<u>738,051</u>	<u>1,038,017</u>	<u>610,342</u>	<u>(427,675)</u>
<b>Expenditures</b>				
Debt Service				
Principal	137,731	293,955	287,396	6,559
Interest and Other Charges	55,697	232,822	187,154	45,668
Capital Outlay	<u>4,023,834</u>	<u>5,555,356</u>	<u>5,304,774</u>	<u>250,582</u>
<b>Total Expenditures</b>	<u>4,217,262</u>	<u>6,082,133</u>	<u>5,779,324</u>	<u>302,809</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(3,479,211)</u>	<u>(5,044,116)</u>	<u>(5,168,982)</u>	<u>(124,866)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	550,000	722,105	790,581	68,476
Capital Lease Acquisitions	2,929,211	4,859,711	4,509,181	(350,530)
Transfers Out	-	-	(64,476)	(64,476)
<b>Total Other Financing Sources (Uses)</b>	<u>3,479,211</u>	<u>5,581,816</u>	<u>5,235,286</u>	<u>(346,530)</u>
<b>Net Change in Fund Balance</b>	-	537,700	66,304	(471,396)
<b>Fund Balance July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>91,947</u>	<u>91,947</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ 537,700</u>	<u>\$ 158,251</u>	<u>\$ (379,449)</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**KLC SERIES 2002**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
Debt Service				
Principal	\$ 534,721	\$ 534,721	\$ 534,721	\$ -
Interest and Other Charges	<u>514,401</u>	<u>514,401</u>	<u>464,401</u>	<u>50,000</u>
Total Expenditures	<u>1,049,122</u>	<u>1,049,122</u>	<u>999,122</u>	<u>50,000</u>
Excess (Deficit) of Revenues Over Expenditures	(1,049,122)	(1,049,122)	(999,122)	50,000
<b>Other Financing Sources (Uses)</b>				
Transfers In	<u>1,049,122</u>	<u>1,049,122</u>	<u>999,122</u>	<u>(50,000)</u>
Net Change in Fund Balance	-	-	-	-
<b>Fund Balance July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**2004 PENSION OBLIGATION BONDS**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment Earnings	\$ -	\$ -	\$ 960	\$ 960
<b>Expenditures</b>				
General Government	75,000	110,000	102,324	7,676
Debt Service				
Principal	350,000	350,000	350,000	-
Interest and Other Charges	<u>717,579</u>	<u>982,579</u>	<u>877,602</u>	<u>104,977</u>
Total Expenditures	<u>1,142,579</u>	<u>1,442,579</u>	<u>1,329,926</u>	<u>112,653</u>
Deficit of Revenues Over Expenditures	(1,142,579)	(1,442,579)	(1,328,966)	113,613
<b>Other Financing Sources (Uses)</b>				
Transfers In	<u>1,142,579</u>	<u>1,442,579</u>	<u>1,320,502</u>	<u>(122,077)</u>
Net Change in Fund Balance	-	-	(8,464)	(8,464)
<b>Fund Balance July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>99,155</u>	<u>99,155</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,691</u>	<u>\$ 90,691</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**2005 REFUNDING BONDS**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment Earnings	\$ -	\$ -	\$ 90	\$ 90
<b>Expenditures</b>				
Debt Service				
Principal	1,030,000	1,030,000	1,030,000	-
Interest and Other Charges	<u>180,585</u>	<u>180,585</u>	<u>155,585</u>	<u>25,000</u>
Total Expenditures	<u>1,210,585</u>	<u>1,210,585</u>	<u>1,185,585</u>	<u>25,000</u>
Deficit of Revenues Over Expenditures	(1,210,585)	(1,210,585)	(1,185,495)	25,090
<b>Other Financing Sources (Uses)</b>				
Transfers In	<u>1,210,585</u>	<u>1,210,585</u>	<u>1,185,585</u>	<u>(25,000)</u>
Net Change in Fund Balance	-	-	90	90
<b>Fund Balance July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>10,516</u>	<u>10,516</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,606</u>	<u>\$ 10,606</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**SEWER MAINTENANCE FEES**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment Earnings	\$ 15,000	\$ 15,000	\$ 1,325	\$ (13,675)
<b>Expenditures</b>				
Principal	<u>400,000</u>	<u>400,000</u>	<u>349,940</u>	<u>50,060</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	(385,000)	(385,000)	(348,615)	36,385
<b>Fund Balance July 1, 2008</b>	<u>385,000</u>	<u>385,000</u>	<u>441,011</u>	<u>56,011</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,396</u>	<u>\$ 92,396</u>

**COMBINING FINANCIAL STATEMENTS**  
**PROPRIETARY FUNDS**

**CITY OF COVINGTON, KENTUCKY**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
June 30, 2009

	Internal Service Funds		
	Liability Insurance	Medical and Dental Insurance	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 1,188,521	\$ 244,575	\$ 1,433,096
Due from Other Funds	40,866	1,052,874	1,093,740
	1,229,387	1,297,449	2,526,836
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	2,039	752	2,791
Estimated Liability for Claims	-	1,287,680	1,287,680
Due to Other Funds	20,433	6,928	27,361
	22,472	1,295,360	1,317,832
<b>Net Assets</b>			
Unrestricted	\$ 1,206,915	\$ 2,089	\$ 1,209,004

**CITY OF COVINGTON, KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2009**

	<b>Internal Service Funds</b>		
	<b>Liability Insurance</b>	<b>Medical and Dental Insurance</b>	<b>Total</b>
<b>Operating Revenues</b>			
Insurance Premium Payments	\$ -	\$ 5,179,713	\$ 5,179,713
Other Operating Revenues	-	148,308	148,308
<b>Total Operating Revenues</b>	<b>-</b>	<b>5,328,021</b>	<b>5,328,021</b>
<b>Operating Expenses</b>			
Contractual Services	253,469	390,148	643,617
Claims and Judgments	711,895	5,048,819	5,760,714
<b>Total Operating Expenses</b>	<b>965,364</b>	<b>5,438,967</b>	<b>6,404,331</b>
Operating Loss	(965,364)	(110,946)	(1,076,310)
<b>Non-Operating Revenues</b>			
Investment Income	9,187	3,258	12,445
Loss Before Transfers	(956,177)	(107,688)	(1,063,865)
Transfers In	683,682	-	683,682
Change in Net Assets	(272,495)	(107,688)	(380,183)
<b>Net Assets July 1, 2008</b>	<b>1,479,410</b>	<b>109,777</b>	<b>1,589,187</b>
<b>Net Assets June 30, 2009</b>	<b>\$ 1,206,915</b>	<b>\$ 2,089</b>	<b>\$ 1,209,004</b>

**CITY OF COVINGTON, KENTUCKY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
Year Ended June 30, 2009

	<b>Internal Service Funds</b>		
	<b>Liability Insurance</b>	<b>Medical and Dental Insurance</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Cash Received from Other Funds	\$ 1,098,074	\$ 5,075,127	\$ 6,173,201
Cash Received from Other Activities	-	148,308	148,308
Cash Paid for Claims	<u>(1,012,668)</u>	<u>(5,214,943)</u>	<u>(6,227,611)</u>
Net Cash Used by Operating Activities	85,406	8,492	93,898
<b>Cash Flows from Non-Capital Financing Activities</b>			
Transfer from Other Funds	683,682	-	683,682
<b>Cash Flows from Investing Activities</b>			
Interest Income	<u>9,187</u>	<u>3,258</u>	<u>12,445</u>
Net Change in Cash	778,275	11,750	790,025
<b>Cash and Cash Equivalents July 1, 2008</b>	<u>410,246</u>	<u>232,825</u>	<u>643,071</u>
<b>Cash and Cash Equivalents June 30, 2009</b>	<u>\$ 1,188,521</u>	<u>\$ 244,575</u>	<u>\$ 1,433,096</u>
<b>Reconciliation of Operating Loss to Net Cash (Used) Provided by Operating Activities</b>			
Operating (Loss) Income	\$ (965,364)	\$ (110,946)	\$ (1,076,310)
Change in Assets and Liabilities			
Accounts Receivable	-	210,968	210,968
Due from Other Funds	1,627,641	(322,482)	1,305,159
Accounts Payable	(47,304)	(1,625)	(48,929)
Estimated Liability for Claims	-	225,649	225,649
Due to Other Funds	<u>(529,567)</u>	<u>6,928</u>	<u>(522,639)</u>
<b>Net Cash Used by Operating Activities</b>	<u>\$ 85,406</u>	<u>\$ 8,492</u>	<u>\$ 93,898</u>

**INDIVIDUAL FUND SCHEDULES**  
**PROPRIETARY FUNDS**

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**LIABILITY INSURANCE**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating Revenues</b>				
Insurance Premium Payments	\$ -	\$ -	\$ -	\$ -
Other Operating Revenues	-	-	-	-
<b>Total Operating Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating Expenses</b>				
Contractual Services	160,000	260,000	253,469	6,531
Claims and Judgments	<u>65,000</u>	<u>715,000</u>	<u>711,895</u>	<u>3,105</u>
<b>Total Operating Expenses</b>	<u>225,000</u>	<u>975,000</u>	<u>965,364</u>	<u>9,636</u>
Operating Loss	(225,000)	(975,000)	(965,364)	9,636
<b>Non-Operating Revenues</b>				
Investment Income	<u>25,000</u>	<u>25,000</u>	<u>9,187</u>	<u>(15,813)</u>
Income (Loss) Before Transfers	(200,000)	(950,000)	(956,177)	(6,177)
Transfers In	<u>200,000</u>	<u>600,000</u>	<u>683,682</u>	<u>83,682</u>
Change in Net Assets	-	(350,000)	(272,495)	77,505
<b>Net Assets July 1, 2008</b>	<u>-</u>	<u>350,000</u>	<u>1,479,410</u>	<u>1,129,410</u>
<b>Net Assets June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,206,915</u>	<u>\$ 1,206,915</u>

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**BUDGET AND ACTUAL (WITH VARIANCES)**  
**MEDICAL AND DENTAL INSURANCE**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Operating Revenues</b>				
Insurance Premium Payments	\$ 5,055,000	\$ 5,555,000	\$ 5,179,713	\$ (375,287)
Other Operating Revenues	<u>135,000</u>	<u>135,000</u>	<u>148,308</u>	<u>13,308</u>
Total Operating Revenues	<u>5,190,000</u>	<u>5,690,000</u>	<u>5,328,021</u>	<u>(361,979)</u>
<b>Operating Expenses</b>				
Contractual Services	348,551	448,551	390,148	58,403
Claims and Judgments	<u>4,851,449</u>	<u>5,251,449</u>	<u>5,048,819</u>	<u>202,630</u>
Total Operating Expenses	<u>5,200,000</u>	<u>5,700,000</u>	<u>5,438,967</u>	<u>261,033</u>
Operating Loss	(10,000)	(10,000)	(110,946)	(100,946)
<b>Non-Operating Revenues</b>				
Investment Income	<u>10,000</u>	<u>10,000</u>	<u>3,258</u>	<u>(6,742)</u>
Income (Loss) Before Transfers	-	-	(107,688)	(107,688)
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	-	-	(107,688)	(107,688)
<b>Net Assets July 1, 2008</b>	<u>-</u>	<u>-</u>	<u>109,777</u>	<u>109,777</u>
<b>Net Assets June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,089</u>	<u>\$ 2,089</u>

**COMBINING FINANCIAL STATEMENTS**  
**FIDUCIARY FUNDS**

**CITY OF COVINGTON, KENTUCKY**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2009**

	<b>Fiduciary Funds</b>		
	<b>Employees' Retirement</b>	<b>Police and Firemen's Pension</b>	<b>Totals</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 307,826	\$ 1,179,534	\$ 1,487,360
Investments - Mutual Funds	3,668,448	8,776,175	12,444,623
Notes Receivable	-	2,582	2,582
	<u>3,976,274</u>	<u>9,958,291</u>	<u>13,934,565</u>
<b>Liabilities</b>			
Accounts Payable	-	945	945
Due to Other Funds	108,353	708,526	816,879
	<u>108,353</u>	<u>709,471</u>	<u>817,824</u>
<b>Net Assets</b>			
Held in Trust for Pension Benefits	\$ <u>3,867,921</u>	\$ <u>9,248,820</u>	\$ <u>13,116,741</u>

**CITY OF COVINGTON, KENTUCKY**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**Year Ended June 30, 2009**

	<b>Fiduciary Funds</b>		
	<b>Employees' Retirement</b>	<b>Police and Firemen's Pension</b>	<b>Totals</b>
<b>Additions</b>			
Contributions			
Employee Contributions	\$ 8,485	\$ -	\$ 8,485
Impounding Lot	-	116,353	116,353
Total Revenues	<u>8,485</u>	<u>116,353</u>	<u>124,838</u>
Investment Earnings			
Interest and Dividends	173,035	413,841	586,876
Net (Depreciation) in Fair Value of Investments	<u>(1,212,446)</u>	<u>(3,011,861)</u>	<u>(4,224,307)</u>
Total Investment Earnings	<u>(1,039,411)</u>	<u>(2,598,020)</u>	<u>(3,637,431)</u>
Total Additions	<u>(1,030,926)</u>	<u>(2,481,667)</u>	<u>(3,512,593)</u>
<b>Deductions</b>			
Benefit Payments	656,304	1,681,680	2,337,984
Administration	17,339	45,466	62,805
Impounding Lot	-	10,111	10,111
Total Deductions	<u>673,643</u>	<u>1,737,257</u>	<u>2,410,900</u>
Change in Net Assets	(1,704,569)	(4,218,924)	(5,923,493)
<b>Net Assets July 1, 2008</b>	<u>5,572,490</u>	<u>13,467,744</u>	<u>19,040,234</u>
<b>Net Assets June 30, 2009</b>	<u>\$ 3,867,921</u>	<u>\$ 9,248,820</u>	<u>\$ 13,116,741</u>

## STATISTICAL SECTION (1)

- (1) A statistical table presenting Revenue Bond Coverage – last ten fiscal years is not included since the City has no enterprise funds.

A statistical table presenting direct and overlapping debt is not included since no general obligation bonds are outstanding.

A statistical table presenting special assessments billings and collections is not included since there are no special assessments.

**Schedule 1**  
**City of Covington**  
**Net Assets by Component,**  
**Last Seven Fiscal Years**  
*(accrual basis of accounting)*

	<b>Fiscal Year</b>						
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental Activities / Primary Government							
Invested in Capital Assets, net of Related Debt	36,577,167	41,334,965	39,709,313	40,851,867	41,483,876	4,519,630	(2,888,790)
Restricted	193,693	550,682	888,123	1,307,719	1,593,846	1,943,252	1,943,882
Unrestricted	16,638,487	16,603,105	17,286,863	15,104,828	1,947,609	15,614,883	22,540,375
Total Governmental Activities Net Asset	<u>53,409,347</u>	<u>58,488,752</u>	<u>57,884,299</u>	<u>57,264,414</u>	<u>45,025,331</u>	<u>22,077,765</u>	<u>21,595,467</u>

**Note:** The city implemented GASB Statement 34 in fiscal year 200:

**Schedule 2**  
**City of Covington**  
**Changes in Net Assets**  
**Last Seven Fiscal Years**  
*(accrual basis of accounting)*

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
<b>Expenses</b>							
Governmental Activities:							
General Government	12,149,528	7,807,872	6,975,709	7,781,587	9,381,965	3,939,011	4,822,043
Police	15,593,684	15,501,195	14,873,868	14,482,761	13,660,495	13,582,260	12,712,976
Fire	14,224,985	14,753,208	13,595,531	12,512,512	11,930,245	11,286,851	10,328,208
General Service	7,185,210	5,995,347	6,001,968	5,324,831	5,561,622	8,020,228	7,440,215
Recreation	2,740,960	2,426,639	2,350,546	2,325,250	2,575,568	1,045,289	787,164
Code Enforcement and Economic Development	10,217,357	9,777,154	9,345,867	9,817,626	9,086,241	9,825,619	10,876,935
Parking Garage	701,986	747,677	734,401	727,419	803,715	809,425	743,982
Interest on Long-term Debt	2,052,549	1,935,242	1,872,816	1,919,888	1,437,434	1,171,229	1,605,271
<b>Total Governmental Activities Expenses</b>	<b>64,866,259</b>	<b>58,944,334</b>	<b>55,750,706</b>	<b>54,891,874</b>	<b>54,437,285</b>	<b>49,679,912</b>	<b>49,316,794</b>
<b>Program Revenues</b>							
Governmental Activities:							
General Government	993,267	1,145,333	1,096,558	1,215,111	761,041	1,928,888	1,737,441
Police	406,557	382,318	331,579	372,192	-	344,287	516,097
Fire	1,077,448	1,084,825	1,073,548	912,526	987,802	546,276	510,848
General Service	1,859,171	1,464,056	1,170,789	1,226,952	1,092,970	1,154,023	1,373,968
Recreation	-	-	-	-	-	90,465	39,525
Code Enforcement and Economic Development	37,833	41,860	114,177	56,017	-	-	1,312,485
Parking Garage	1,143,276	1,120,916	1,041,332	1,059,369	1,252,755	-	-
Interest on Long-term Debt	-	-	-	-	-	1,194,146	-
Operating Grants and Contributions	9,664,170	10,823,567	8,840,224	9,652,316	8,754,883	9,218,291	9,114,414
Capital Grants and Contributions	1,650,920	2,050,654	1,279,884	716,322	3,106,704	902,562	799,478
<b>Total Governmental Activities Expenses</b>	<b>16,832,642</b>	<b>18,113,529</b>	<b>14,948,091</b>	<b>15,210,805</b>	<b>15,956,155</b>	<b>15,378,938</b>	<b>15,404,256</b>
<b>Total Net (expense) revenue</b>	<b>(48,033,617)</b>	<b>(40,830,805)</b>	<b>(40,802,615)</b>	<b>(39,681,069)</b>	<b>(38,481,130)</b>	<b>(34,300,974)</b>	<b>(33,912,538)</b>
<b>General Revenues and Other changes in Net Assets</b>							
Governmental Activities:							
Taxes							
Real Property Taxes, Levied for General Purposes	6,024,885	4,680,355	5,590,772	5,913,401	4,399,593	4,945,540	5,094,960
Personal Property Taxes, Levied for General Purposes	653,748	601,109	553,057	589,401	496,286	474,360	679,089
Public Services Taxes	2,140,821	2,178,804	1,978,504	2,092,335	1,909,267	1,892,053	2,078,467
Taxes, Levied for Bank Deposits	53,161	67,789	59,042	62,232	62,323	102,802	74,272
Insurance Premium Taxes	5,430,628	4,860,194	5,242,337	5,324,223	5,240,743	4,909,972	4,746,726
Payroll Taxes	23,697,247	23,287,559	21,666,929	21,263,831	19,543,654	18,319,549	17,683,867
Net Profit Taxes	2,555,089	2,779,489	2,959,729	2,554,150	2,303,123	2,590,933	1,993,189
Other Taxes	790,752	647,217	552,641	490,889	358,751	376,845	351,664
Investment earnings	112,064	317,416	389,885	310,239	228,382	132,820	186,286
Fines and Forfeitures	-	-	-	-	444,832	-	-
Licenses and Permits	-	-	-	-	367,376	-	-
Commissions	-	-	-	-	-	-	-
Special item - Gain/(Loss) on Sale of Capital Assets	-	-	214,010	576,242	-	-	-
Miscellaneous	1,495,817	2,015,326	2,225,594	1,710,802	1,878,640	1,038,363	20,047,710
Transfers	-	-	-	-	(14,275,000)	-	(345,200)
<b>Total General Revenues and Transfers</b>	<b>42,954,212</b>	<b>41,435,258</b>	<b>41,422,500</b>	<b>40,887,745</b>	<b>22,957,970</b>	<b>34,783,237</b>	<b>52,591,030</b>
<b>Change in Net Assets</b>							
Total Primary Government	(5,079,405)	604,453	619,885	1,206,676	(15,523,160)	482,263	18,678,492

**Note:** The city implemented GASB Statement 34 in fiscal year 2003.

**Schedule 3**  
**City of Covington**  
**Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
*( modified accrual basis of accounting )*

	<u>Fiscal Year</u>									
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
General Fund										
Reserved	41,414	4,483	1,611	\$ 122,892	\$ 5,388	\$ -	\$ -	\$ 125,771	\$ 115,779	\$ 129,072
Unreserved	730,555	735,839	675,320	550,513	229,739	291,457	920,556	1,204,885	1,208,499	938,012
Total general fund	<u>\$ 771,969</u>	<u>\$ 740,322</u>	<u>\$ 676,931</u>	<u>\$ 673,405</u>	<u>\$ 235,127</u>	<u>\$ 291,457</u>	<u>\$ 920,556</u>	<u>\$ 1,330,656</u>	<u>\$ 1,324,278</u>	<u>\$ 1,067,084</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,342	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	4,821,080	4,296,812	3,713,572	810,353	1,207,276	2,578,865	3,439,783	3,037,818	4,466,029	5,429,314
Capital projects funds	158,251	91,947	469,730	-	-	-	-	-	-	-
Debt service funds	193,693	550,682	888,123	1,307,719	1,593,846	3,745,979	4,053,087	6,494,886	13,141,399	5,501,061
Total all other governmental funds	<u>\$ 5,173,024</u>	<u>\$ 4,939,441</u>	<u>\$ 5,071,425</u>	<u>\$ 2,118,072</u>	<u>\$ 2,801,122</u>	<u>\$ 6,324,844</u>	<u>\$ 7,492,870</u>	<u>\$ 9,572,046</u>	<u>\$ 17,607,428</u>	<u>\$ 10,930,375</u>

**Schedule 4**  
**City of Covington**  
**Changes in Fund Balance, Governmental Funds,**  
**Last Seven Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year						
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Revenues</b>							
Taxes	14,707,297	13,682,151	13,554,260	13,466,713	12,762,470	12,395,102	12,104,042
Licenses and Permits	26,550,329	26,357,476	24,897,197	24,123,130	22,214,153	21,287,327	20,028,720
Intergovernmental	11,691,463	12,063,637	11,204,089	10,345,557	9,636,936	10,120,853	9,913,892
Charges for services	4,744,058	4,527,680	4,104,170	4,128,721	4,094,568	4,745,670	4,721,842
Fines and Forfeitures	712,072	669,260	711,786	603,286	444,832	478,752	447,020
Investment Earnings	99,619	270,519	330,536	278,531	223,704	123,538	186,286
Miscellaneous	1,557,868	2,382,312	2,342,372	1,734,234	4,109,294	1,539,153	2,656,223
<b>Total Revenues</b>	<b>60,062,706</b>	<b>59,953,035</b>	<b>57,144,410</b>	<b>54,680,172</b>	<b>53,485,957</b>	<b>50,690,395</b>	<b>50,058,025</b>
<b>Expenditures</b>							
<b>Current</b>							
General Government	3,783,523	3,554,133	3,092,518	3,537,750	3,365,074	3,366,630	3,558,293
Police	14,886,861	15,013,636	14,359,432	14,109,828	13,239,562	12,833,125	11,913,958
Fire	13,306,319	13,959,222	12,989,464	12,168,065	11,429,099	10,800,154	9,947,813
General Service	6,690,503	5,644,983	5,292,360	5,180,111	5,358,833	7,761,571	7,105,526
Recreation	2,533,103	2,347,048	2,309,959	2,289,413	2,372,300	717,870	737,049
Code Enforcement and							
Economic Development	10,138,570	9,771,182	9,098,909	9,832,881	9,096,233	9,778,417	10,831,082
Parking Garage	701,986	747,677	734,401	727,419	803,715	809,425	743,982
<b>Debt Service</b>							
Principal	3,516,517	2,918,585	2,727,985	2,763,879	5,553,494	7,665,518	12,325,046
Interest and Other Charges	2,054,516	1,829,031	1,701,223	1,965,386	1,509,839	1,464,763	1,605,271
Capital Outlay	6,715,050	4,159,916	3,257,621	2,701,215	6,722,898	3,082,026	6,247,041
<b>Total Expenditures</b>	<b>64,326,948</b>	<b>59,945,413</b>	<b>55,563,872</b>	<b>55,275,947</b>	<b>59,451,047</b>	<b>58,279,499</b>	<b>65,015,061</b>
<b>Excess of revenues</b>							
Over (under)							
Expenditures	(4,264,242)	7,622	1,580,538	(595,775)	(5,965,090)	(7,589,104)	(14,957,036)
<b>Other Financing Sources (Uses)</b>							
Bonds issued					12,806,241	4,996,000	-
Capital lease proceeds	4,509,181		1,630,000			840,944	12,809,056
Transfers in	6,379,258	5,377,180	6,169,710	6,006,833	11,506,504	3,006,160	2,766,134
Transfer out	(7,062,940)	(5,881,142)	(6,663,029)	(6,252,032)	(25,926,704)	(3,051,160)	(3,111,334)
Proceeds from short tem debt	75,419	427,747		596,202			
Miscellaneous					(1,003)		
<b>Total other financing sources (uses)</b>	<b>3,900,918</b>	<b>(76,215)</b>	<b>1,136,681</b>	<b>351,003</b>	<b>(1,614,962)</b>	<b>5,791,944</b>	<b>12,463,856</b>
<b>Special Item</b>							
Proceeds from Sale of Capital Asset	628,554		239,660				
<b>Net change in fund balances</b>	<b>265,230</b>	<b>(68,593)</b>	<b>2,956,879</b>	<b>(244,772)</b>	<b>(7,580,052)</b>	<b>(1,797,160)</b>	<b>(2,493,180)</b>
<b>Debt service as a percentage of non capital expenditures</b>							
	9.67%	8.51%	8.47%	9.00%	13.40%	16.54%	23.70%

**Note:** With the implementation of GASB statement 34 in fiscal year 2003, classification of revenue and expenditure by category were revised and not restated for earlier fiscal years

**Schedule 5  
City of Covington  
Occupational License Fees - Payroll Withholding  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Total Gross Taxable Wages</b>	<b>Total Withholding Fees</b>	<b>Total Direct Rate</b>
2000	61,669,264,000	15,417,316	0.025%
2001	65,562,528,000	16,390,632	0.025%
2002	67,515,012,000	16,878,753	0.025%
2003	70,735,468,000	17,683,867	0.025%
2004	73,278,196,000	18,319,549	0.025%
2005	78,174,616,000	19,543,654	0.025%
2006	85,055,324,000	21,263,831	0.025%
2007	86,627,716,000	21,656,929	0.025%
2008	93,150,236,000	23,287,559	0.025%
2009	94,788,988,000	23,697,247	0.025%

**Notes:** There has been no change in tax rate since adoption in 1966

**Schedule 6  
City of Covington  
Principal Occupational Payroll Tax Payers  
Current Year and Nine Years Ago**

<b>Taxpayer</b>	
<b>2009</b>	<b>2000</b>
A. C. Nielsen	A. C. Nielsen
Atkins & Pearce	Atkins & Pearce
Club Chef	Commonwealth of Kentucky
Commonwealth of Kentucky	Covington Board of Education
Covington Board of Education	Duro Bag
Fidelity Investments	Fidelity Investments
Internal Revenue Service	Internal Revenue Service
No. Ky. Mental Health and Retardation Board	No. Ky. Mental Health and Retardation Board
Omnicare	Rosedale Manor
St. Elizabeth Hospital	St. Elizabeth Hospital

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

**Source:** City of Covington Finance Department

**Schedule 7  
City of Covington  
Assessed Value and Estimated Actual Value of Taxable Property,  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Tax-Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2000	1,240,574	171,655	57,440	1,354,789	0.322
2001	1,318,915	190,967	59,908	1,449,974	0.322
2002	1,374,693	179,133	60,047	1,493,779	0.322
2003	1,554,730	179,132	57,688	1,676,174	0.299
2004	1,600,532	155,966	58,542	1,697,956	0.299
2005	1,617,670	160,191	57,720	1,720,141	0.299
2006	1,687,690	203,668	57,570	1,833,788	0.299
2007	1,828,664	195,876	58,296	1,966,244	0.284
2008	1,861,435	187,585	61,243	1,987,777	0.292
2009	1,897,368	217,242	59,898	2,054,712	0.299

**Notes:** Property in Covington is reassessed once every four years. City property was last reassessed in 2007. The next reassessment will occur in 2011. 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**  
**Direct and Overlapping Property Tax Rates,**  
**Last Ten Fiscal Years**  
*(rate per \$100 of assessed value)*

Fiscal Year	City Direct Rate	School Districts			County	State	Other	Totals	
		Covington Independent	Kenton County					Covington Schools Area	Kenton County Schools Area
2000	0.3223	0.870	0.478	0.1310	0.141	0.1077	1.5720	1.1800	
2001	0.3223	0.890	0.477	0.1310	0.136	0.1100	1.5893	1.1763	
2002	0.3223	0.865	0.492	0.1310	0.135	0.1120	1.5420	1.1690	
2003	0.2990	0.894	0.548	0.1310	0.133	0.1150	1.5720	1.2260	
2004	0.2990	0.925	0.558	0.1350	0.131	0.1320	1.6220	1.2550	
2005	0.2990	0.942	0.556	0.1360	0.131	0.1350	1.6430	1.2570	
2006	0.2990	0.922	0.556	0.1380	0.128	0.1410	1.6132	1.2472	
2007	0.2842	0.961	0.564	0.1410	0.124	0.1488	1.6590	1.2620	
2008	0.2924	0.961	0.564	0.1420	0.124	0.1488	1.6682	1.2712	
2009	0.2995	0.989	0.558	0.1420	0.122	0.1530	1.7055	1.2745	

**Notes:** Portions of the City of Covington are located in Kenton County Common School District and pay taxes 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  
Principal Property Tax Payers,  
Current Year and Nine Years Ago**

<b>Taxpayer</b>	<b>2009</b>			<b>2000</b>		
	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>	<b>Taxable Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total City Taxable Assessed Value</b>
CPX-Rivercenter Dev/Corp	\$ 140,183,400	1	7.38%	\$ 105,948,100	1	6.03%
Fidelity Properties Inc	86,021,500	2	4.53%	61,406,500	2	3.49%
Scott Street Land Co. Inc	14,960,900	3	0.79%			
OZRE Lodging I LLC	13,947,100	4	0.73%			
Atkins & Pearce Manu.	10,900,000	5	0.57%	12,432,500	3	0.71%
J & S Co. Inc.	10,482,000	6	0.55%	10,649,000	4	0.61%
Castilinni Company	6,812,500	7	0.36%			
Scottenstein Trust	6,565,000	8	0.35%			
Truss Realty	6,550,000	9	0.35%	7,758,500	7	0.44%
Atria Highland Crossing	6,480,000	10	0.34%	10,100,000	5	0.58%
J G Covington Hotel, LLC				9,600,000	6	0.55%
Bluffs Apartments, LLC				7,575,000	8	0.43%
Gibson Greeting Card				7,118,000	9	0.41%
A.C.C.D. Co. Inc.				6,486,000	10	0.37%
<b>Total</b>	<b>\$ 302,902,400</b>		<b>15.96%</b>	<b>\$ 239,073,600</b>		<b>13.62%</b>

Schedule 10  
City of Covington  
Property Tax Levies and Collections,  
Last Seven 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
2003	\$ 5,011,764	\$ 4,824,742	96.27%	\$ 174,198	\$ 4,998,940	99.74%
2004	5,076,892	4,907,183	96.66%	\$ 149,125	\$ 5,056,308	99.59%
2005	5,143,225	4,926,477	95.79%	\$ 180,789	\$ 5,107,266	99.30%
2006	5,483,028	5,293,287	96.54%	\$ 132,740	\$ 5,426,027	98.96%
2007	5,656,394	5,469,125	96.69%	\$ 95,227	\$ 5,564,352	98.37%
2008	5,900,071	5,672,319	96.14%	\$ 91,391	\$ 5,763,710	97.69%
2009	6,222,001	5,970,349	95.96%		\$ 5,970,349	95.96%

**Note:** Data was not available in the same format presented with the implementation of GASB Statement 44 prior to 2003.

**Schedule 11**  
**City of Covington**  
**Ratios of Outstanding Debt by Type,**  
**Last Seven Fiscal Years**  
*(dollars in thousands, except per capita)*

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Capital Leases</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income (a)</b>	<b>Per Capita (a)</b>
2003	\$ -	\$ 36,734	\$ 36,734	3.40%	\$ 847
2004	4,962	29,344	34,306	3.18%	\$ 791
2005	26,487	19,415	45,902	4.26%	\$ 1,058
2006	27,907	15,231	43,138	4.00%	\$ 995
2007	25,888	16,153	42,041	3.90%	\$ 970
2008	23,790	15,271	39,061	3.62%	\$ 901
2009	21,622	18,782	40,404	3.75%	\$ 932

**Note:** Details of city's outstanding debt can be found in the notes to the financial statements.  
 Data was not available in the same format presented with the implementation of GASB Statement 44 prior to 2003.

(a) See Schedule 12 for personal income and population data.

**Schedule 12**  
**City of Covington**  
**Ratios of General Bonded Debt Outstanding,**  
**Last Seven Fiscal Years**  
*(dollars in thousands, except per capita)*

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>
2003	\$ -	0.00%	\$ -
2004	4,962	0.29%	114.41
2005	26,487	1.54%	643.46
2006	27,907	1.52%	596.86
2007	25,888	1.32%	596.91
2008	23,790	1.20%	548.54
2009	21,622	1.05%	498.55

**Note:** The City had no General Obligation Bonds prior to fiscal year 2003.

**Schedule 13**  
**City of Covington**  
**Legal Debt Margin Information,**  
**Last Seven Fiscal Years**  
*(dollars in thousands)*

**Legal Debt Margin Calculation for Fiscal Year 2009**

Assessed value	\$	2,054,712
Debt limit (10% of assessed value)	\$	205,471
Debt applicable to limit:		
General Obligation	\$	21,622
Total net debt applicable to limit	\$	<u>21,622</u>
Legal debt margin	\$	<u>183,849</u>

	<b>Fiscal Year</b>						
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Debt limit	\$ 205,471	\$ 198,778	\$ 196,624	\$ 183,379	\$ 172,014	\$ 169,796	\$ 167,618
Total net debt applicable to limit	<u>21,622</u>	<u>23,790</u>	<u>25,888</u>	<u>27,907</u>	<u>26,487</u>	<u>4,962</u>	<u>-</u>
Legal debt margin	\$ <u>183,849</u>	\$ <u>174,988</u>	\$ <u>170,736</u>	\$ <u>155,472</u>	\$ <u>145,527</u>	\$ <u>164,834</u>	\$ <u>167,618</u>
Total net debt applicable to the limit as a percentage of debt limit	10.52%	11.97%	13.17%	15.22%	15.40%	2.92%	0.00%

**Note:** The City had no total debt applicable to limit prior to fiscal year 2003.

**Schedule 14  
City of Covington  
Demographic and Economic Statistics,  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population (a)</b>	<b>Personal Income (a)</b> <i>(thousands of dollars)</i>	<b>Per Capita Personal Income (a)</b>	<b>Median Age (a)</b>	<b>School Enrollment (b)</b>	<b>Unemployment Rate (c)</b>
1999	43,264	918,365	21,227	32.8	4,676	3.3%
2000	43,370	1,077,787	24,851	33.1	4,660	3.3%
2001	43,370	1,077,787	24,851	33.1	4,415	3.2%
2002	43,370	1,077,787	24,851	33.1	4,299	4.6%
2003	43,370	1,077,787	24,851	33.1	4,190	6.0%
2004	43,370	1,077,787	24,851	33.1	4,034	5.7%
2005	43,370	1,077,787	24,851	33.1	3,889	5.6%
2006	43,370	1,077,787	24,851	33.1	3,975	5.2%
2007	43,370	1,077,787	24,851	33.1	3,937	4.5%
2008	43,370	1,077,787	24,581	33.1	3,958	5.6%
2009	43,235	928,212	21,469	35.9	4,002	10.4%

**Sources:**

(a) U. S. Department of the Census (2000 Census) & (1996 Census)  
2009 Data U. S. Census Bureau 2006-2008 American Community Survey 3-Year Estimate

(b) Kentucky Department of Education

(b) Kentucky Cabinet for Workforce Development

**Schedule 15  
City of Covington  
Principal Employers,  
Current Year**

<b>Employer</b>	<b>2009</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Internal Revenue Service	4,500	1	20.74%
Fidelity Investments	3,900	2	17.97%
Covington Board of Education	925	3	4.26%
St. Elizabeth Hospital	800	4	3.69%
A. C. Nielsen	400	5	1.84%
State of Kentucky	360	6	1.66%
Ommicare	325	7	1.50%
Club Chef	300	8	1.38%
No. KY MH-MR Board	280	9	1.29%
Atkins & Pearce Mftg	225	10	1.04%
<b>Total</b>	<b>12,015</b>		<b>55.37%</b>

**Note:** Data is unavailable for nine years ago.

**Source:** City of Covington Finance Department

**Schedule 16  
City of Covington  
Full-Time-Equivalent City Government Employees by Function/Program,  
Last Ten Fiscal Years**

<b>Full-time-Equivalent Employees as of June 30</b>										
<b><u>Function/Program</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
General government										
Management services	16	16	16	17	17	18	17	15	12	14
Finance	14	14	14	15	15	16	15	15	14	13
Economic development	7	7	6	5	5	7	6	5	4	4
Code enforcement	11	11	9	10	10	10	9			
Housing	16	16	16	16	16	18	20	24	24	24
Police										
Officers	116	116	116	116	116	116	113	113	110	110
Civilians	31	31	33	34	34	32	31	31	31	28
Fire										
Firefighters and officers	118	118	118	118	118	117	117	117	117	117
Civilians	1	1	1	1	1	1	1	1	1	1
Other public works										
Public works	35	35	35	36	38	38	38	52	49	46
Engineering	4	4	3	2	2	3	3	3	3	3
Parks and recreation	20	20	18	20	20	20	20	3	3	3
<b>Total</b>	<b>389</b>	<b>389</b>	<b>385</b>	<b>390</b>	<b>392</b>	<b>396</b>	<b>390</b>	<b>379</b>	<b>368</b>	<b>363</b>

**Schedule 17  
City of Covington  
Operating Indicators by Function/Program,  
Last Ten Fiscal Years**

<b><u>Function/Program</u></b>	<b>Fiscal Year</b>									
	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>	<b><u>2002</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
Police										
Physical arrests	5,248	5,321	5,762	5,819	5,342	5,017	5,167	4,942	5,177	6,426
Parking violations	15,873	14,230	14,863	15,622	14,721	13,016	13,775	15,494	14,216	13,842
Traffic violation	9,116	9,856	9,778	9,721	9,894	9,714	9,581	9,919	9,478	5,540
Fire										
Fire responses	2,818	3,658	3,752	3,985	4,167	3,951	4,209	4,376	4,218	4,323
Ambulance runs	10,542	11,549	10,246	9,742	8,602	7,927	7,931	7,755	7,435	7,377
Inspections	2,212	2,440	2,540	2,576	2,521	2,696	2,618	3,291	2,348	2,023

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

Schedule 18  
City of Covington  
Capital Assets Statistics by Function/Program  
Last Ten Fiscal Years

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	4	4	4	4	4	5	5	5	5	5
Patrol units	83	83	83	83	83	83	83	83	83	83
Fire stations	5	5	5	5	5	5	5	5	5	5
Other public works										
Streets (miles)	120	120	120	130	126	126	120	120	120	120
Streetlights	3,246	3,246	3,246	3,246	3,246	3,246	3,246	3,246	3,246	3,176
Parks and recreation										
Acreage	850	850	850	850	850	850	850	850	850	822
Playgrounds	28	28	28	28	28	28	28	28	28	21
Baseball/softball diamonds	10	10	10	10	10	10	10	10	10	14
Soccer/football fields	5	5	5	5	5	5	5	5	5	-
Swimming pools	4	4	4	4	4	4	4	4	4	4

Source: City of Covington Engineering Departmen

**SINGLE AUDIT SECTION**

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2009**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Fund Balance at June 30, 2008</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance at June 30, 2009</u>
<b>U.S. Department of HUD</b>						
Direct Programs						
Section 8 Housing Choice Vouchers	14.871 (M)	KY-133-VO-0054-0F04	\$ -	\$ 5,770,696 (F)	\$ 5,770,696 (F)	\$ -
			<u>1,896,955</u>	<u>30,907 (NF)</u>	<u>369,021 (NF)</u>	<u>1,558,841</u>
Community Development Block Grants/ Entitlement Grants	14.218	B-02-MC-21-0001	-	1,462,656 (F)	1,462,656 (F)	-
			<u>-</u>	<u>714,344 (NF)</u>	<u>714,344 (NF)</u>	<u>-</u>
HOME Program	14.239 (M)	M-02-MC-21-0200	103,863	338,100 (NF)	265,188 (NF)	176,775
		M-03-MC-21-0200	-	1,106,412 (F)	1,106,412 (F)	-
			<u>-</u>	<u>1,106,412 (F)</u>	<u>1,106,412 (F)</u>	<u>-</u>
<b>U.S. Department of HUD</b>						
Direct Programs						
Highway Safety	20.205		-	36,139 (F)	36,139 (F)	-
			<u>-</u>	<u>36,139 (F)</u>	<u>36,139 (F)</u>	<u>-</u>
<b>U.S. Environmental Protection Agency</b>						
Direct Programs						
Brownfield Assessments and Cleanup (ARA Grant)	66.818 (M)		-	259,327 (F)	259,327 (F)	-
			<u>-</u>	<u>259,327 (F)</u>	<u>259,327 (F)</u>	<u>-</u>
Total Federal Financial Assistance			<u>-</u>	<u>8,635,230 (F)</u>	<u>8,635,230 (F)</u>	<u>-</u>
			<u>\$ 2,000,818</u>	<u>\$ 1,083,351 (NF)</u>	<u>\$ 1,348,553 (NF)</u>	<u>\$ 1,735,616</u>

F - Federal Funds  
 NF - Non-Federal Funds  
 M - Major Program

**Note to Schedule of Federal Awards**

Basis of Presentation - The accompanying Schedule of Federal Awards includes federal grant activity of the City and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, therefore some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.



**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**

Honorable Mayor  
Board of Commissioners  
City of Covington, Kentucky

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Covington, Kentucky as of and for the year ended June 30, 2009, which collectively comprise the City of Covington, Kentucky's basic financial statements and have issued our report thereon dated November 24, 2009. 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. Other auditors audited the financial statements of Devou Properties, Inc. as described in our report on the City of Covington, Kentucky's financial statements. The financial statements of Devou Properties, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Covington, Kentucky's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Covington, Kentucky's financial statements that is more than inconsequential will not be prevented or detected by the City of Covington, Kentucky's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Covington, Kentucky's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Honorable Mayor  
Board of Commissioners  
City of Covington, Kentucky  
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Covington, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of The City of Covington, Kentucky, in a separate letter dated November 24, 2009.

This report is intended solely for the information and use of the finance committee, management, others within the organization, the Mayor and Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
November 24, 2009



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor  
Board of Commissioners  
City of Covington, Kentucky

Compliance

We have audited the compliance of the City of Covington, Kentucky with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Covington, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Covington, Kentucky's management. Our responsibility is to express an opinion on City of Covington, Kentucky's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City 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. Our audit does not provide a legal determination on the City of Covington, Kentucky's compliance with those requirements.

In our opinion, the City of Covington, Kentucky complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Covington, Kentucky is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Covington, Kentucky's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider the deficiency described in the accompany schedule of findings and questioned costs to be a material weakness.

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

This report is intended solely for the information and use of the finance committee, management, others within the organization, the Mayor and Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
November 24, 2009

**CITY OF COVINGTON, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**SECTION 1 – SUMMARY OF AUDITORS' RESULTS**

<b>FINANCIAL STATEMENTS</b>	
Type of Financial Statement Opinion	Unqualified
Were there any significant deficiencies in internal control reported at the financial statements level (GAGAS)?	No
Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<b>FEDERAL AWARDS</b>	
Were there any significant deficiencies in internal control reported for major federal programs?	Yes
Were there any material weaknesses reported for major federal programs?	None Reported
Type of Major Programs Compliance Opinion	Unqualified
Is there any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510?	Yes
Major Programs (list):	Section 8 Housing Choice Voucher [CFDA 14.871], HOME Program [CFDA 14.239], Brownfield Assessments and Cleanup [CFDA 66.818]
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: > all others
Low Risk Auditee?	Yes

**CITY OF COVINGTON, KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters to be reported.

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

Internal Control Over Compliance

HOME Investment Partnership Program – CFDA No. 14.239; Grant No. M-03-MC-21-0200; Grant Period; Year Ended June 30, 2009.

2009-1

*Condition:* A haphazard sample of 40 loan files was selected. Our tests disclosed that 2 of the 40 files did not contain proper income and debt verifications. The total amount of the federal grant for the year was \$1,106,412, and the outstanding balance of loans in the HOME program was \$5,537,760 as of June 30, 2009.

*Criteria:* Income and debt verification should be gathered to ensure participants are eligible and able to repay amounts within the terms of the program.

*Effect:* \$109,280 of the HOME Program loans are questioned for income and debt verification documentation not available for our examination. We consider this to be material to the program.

*Cause:* The city's standard policies and procedures were not followed.

*Recommendation:* Appropriate written policies and procedures should be established and enforced to ensure proper income and debt verification documentation is obtained.

*Management's Response:* Internal review of compliance with standard policy and procedures will be implemented including checklists for required documentation.

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2009**

**PRIOR YEAR – FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Internal Control Over Compliance

HOME Investment Partnership Program – CFDA No. 14.239; Grant No. M-03-MC-21-0200; Grant Period; Year Ended June 30, 2008.

2008-1

*Condition:* A haphazard sample of 40 loan files was selected. Our tests disclosed that 5 of the 40 files did not contain evidence of appropriate and timely on-site inspections. The total amount of the federal grant for the year was \$655,755, and the outstanding balance of loans in the HOME program was \$4,736,593 as of June 30, 2008.

*Criteria:* On-site inspections of HOME assisted rental housing must be performed to determine compliance with property standards and verify the information submitted by the owners.

*Effect:* \$78,880 of the HOME Program loans are questioned for inspection documentation not available for our examination. We consider this to be material to the program.

*Cause:* The city's standard policies and procedures were not followed.

*Recommendation:* Appropriate written policies and procedures should be established to ensure timely on-site inspections.

*Management's Response:* Periodic internal review of compliance with standard policy and procedures will be implemented including checklists for required documentation.

Community Development Block Grants/Entitlement Grants – CFDA No. 14.218; Grant No B-02-MC-21-0001; Grant Period; Year Ended June 30, 2008

Current Year Status:

This condition appears to have been corrected.

**CITY OF COVINGTON, KENTUCKY**  
**SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2009**

2008-2

*Condition:* A haphazard sample of 40 loan files was selected. Our test disclosed that 4 of the 40 files did not contain proper department forms. The total amount of the federal grant for the year was \$768,184, and the outstanding balance of the loans in the CDBG program was \$5,123,866.

*Criteria:* For each loans over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the prim recipient must submit Form HUD 60002.

*Effect:* \$815,912 of the CDBG Program loans are questioned for HUD 60002 not available for our examination. We consider this to be material to the program.

*Cause:* The city's standard policies and procedures were not followed.

*Recommendation:* Appropriate policies and procedures should be put into place to ensure HUD 60002 is completed for the appropriate loans.

*Management's Response:* Periodic internal review of compliance with standard policy and procedures will be implemented including checklists for required documentation.

Current Year Status:

This condition appears to have been corrected.