

NOTE 9 – EMPLOYEE RETIREMENT PLAN (Continued)

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>
2008	\$ 5,617,523	100 %
2007	4,564,773	100
2006	3,993,548	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.

Component Unit

Devou Properties, Inc. has established a simple IRA retirement plan. The Organization matches 3% of employee compensation. The Organization contributed \$3,288 to the plan for the year ended December 31, 2007.

NOTE 10 – SUBSEQUENT EVENT

On July 31, 2008 the city settled a lawsuit in connection with a dispute over management of the golf course. Rather than incur additional legal fees and other related costs the city decided to settle this breach of contract dispute. Under the terms of the agreement the city will retain other management for the operation of the golf course and has agreed to pay \$250,000 in order to terminate the original contract.

NOTE 11 – CONTINGENCIES

The city is a defendant in two lawsuits filed. The first was a claim filed by an individual for excessive force by city police. The claim does not specify damages however; the city's counsel has advised that damage could potentially be \$500,000. The second was a suit 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 both proceedings he cannot offer an opinion as to the probable outcome. The city believes both actions are without merit and intends to vigorously defend its positions.

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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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Real Property	\$ 5,145,812	\$ 5,295,812	\$ 5,328,298	\$ 32,486
Personal Property	550,000	550,000	601,109	51,109
Bank Deposit	60,000	60,000	67,789	7,789
Franchise	2,106,000	2,106,000	2,178,804	72,804
Insurance Premium	5,145,000	5,202,000	4,860,194	(341,806)
Licenses and Permits				
Payroll License Fees	23,475,837	23,620,837	23,287,559	(333,278)
Net Profits License Fees	2,650,000	2,650,000	2,779,489	129,489
Night Club Permits	135,000	135,000	154,583	19,583
Liquor and Beer Licenses	150,000	150,000	128,133	(21,867)
Building and Zoning	-	-	3,020	3,020
Dog Licenses	8,000	8,000	4,692	(3,308)
Intergovernmental	505,000	535,000	508,913	(26,087)
Fines and Forfeitures	595,000	620,000	669,260	49,260
Charges for Services				
Waste Fees	1,221,214	1,349,490	1,464,056	114,566
Parking	1,075,000	1,075,000	1,120,916	45,916
Squad Runs	1,073,520	1,073,520	1,084,825	11,305
Rental Property	340,000	340,000	331,611	(8,389)
Other	117,000	217,000	202,206	(14,794)
Interest	67,200	67,200	91,515	24,315
Miscellaneous	296,000	296,000	367,186	71,186
Total Revenues	44,715,583	45,350,859	45,234,158	(116,701)
Expenditures				
General Government				
Administration Department				
Payroll	638,039	675,039	668,742	6,297
Employee Benefits	327,124	337,124	290,090	47,034
Contractual Services	419,661	234,661	269,365	(34,704)
Materials and Supplies	49,900	49,900	50,753	(853)
Miscellaneous	-	-	1,730	(1,730)
Total Administration Department	1,434,724	1,296,724	1,280,680	16,044
Legal Department				
Payroll	213,201	213,201	207,297	5,904
Employee Benefits	107,617	107,617	102,747	4,870
Contractual Services	67,417	67,417	27,920	39,497
Materials and Supplies	17,727	17,727	13,900	3,827
Miscellaneous	-	-	-	-
Total Legal Department	405,962	405,962	351,864	54,098
Finance Department				
Payroll	538,948	538,948	529,066	9,882
Employee Benefits	288,494	288,494	270,305	18,189
Contractual Services	427,562	447,562	407,601	39,961
Materials and Supplies	48,350	48,350	54,036	(5,686)
Miscellaneous	-	-	-	-
Total Finance Department	1,303,354	1,323,354	1,261,008	62,346
Total General Government	3,144,040	3,026,040	2,893,552	132,488

(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, 2008
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Police				
Payroll	\$ 7,702,376	\$ 7,932,376	\$ 7,794,866	\$ 137,510
Employee Benefits	5,071,684	4,851,684	5,030,226	(178,542)
Contractual Services	823,219	973,219	964,677	8,542
Materials and Supplies	432,805	510,305	518,446	(8,141)
Miscellaneous	-	-	-	-
Total Police	<u>14,030,084</u>	<u>14,267,584</u>	<u>14,308,215</u>	<u>(40,631)</u>
Fire				
Payroll	6,842,902	7,308,678	7,396,312	(87,634)
Employee Benefits	4,718,931	4,718,931	4,856,144	(137,213)
Contractual Services	498,361	498,361	456,813	41,548
Materials and Supplies	321,580	321,580	305,077	16,503
Miscellaneous	-	-	-	-
Total Fire	<u>12,381,774</u>	<u>12,847,550</u>	<u>13,014,346</u>	<u>(166,796)</u>
General Services				
Payroll	1,881,236	1,906,236	1,739,811	166,425
Employee Benefits	1,270,843	1,152,567	978,446	174,121
Contractual Services	2,042,619	2,090,895	2,134,779	(43,884)
Materials and Supplies	807,106	652,106	791,947	(139,841)
Miscellaneous	-	-	-	-
Total General Services	<u>6,001,804</u>	<u>5,801,804</u>	<u>5,644,983</u>	<u>156,821</u>
Recreation				
Payroll	1,229,407	1,229,407	1,169,289	60,118
Employee Benefits	627,320	627,320	608,845	18,475
Contractual Services	431,000	431,000	308,108	122,892
Materials and Supplies	263,700	263,700	260,806	2,894
Miscellaneous	-	-	-	-
Total Recreation	<u>2,551,427</u>	<u>2,551,427</u>	<u>2,347,048</u>	<u>204,379</u>
Code Enforcement and Economic Development				
Code Enforcement				
Payroll	492,151	492,151	487,808	4,343
Employee Benefits	298,046	298,046	266,778	31,268
Contractual Services	134,154	134,154	153,078	(18,924)
Materials and Supplies	15,000	40,000	38,369	1,631
Miscellaneous	-	-	-	-
Total Code Enforcement	<u>939,351</u>	<u>964,351</u>	<u>946,033</u>	<u>18,318</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, 2008
(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Economic Development				
Payroll	\$ 275,092	\$ 275,092	\$ 206,102	\$ 68,990
Employee Benefits	135,065	135,065	102,721	32,344
Contractual Services	123,242	123,242	150,956	(27,714)
Materials and Supplies	13,000	13,000	19,665	(6,665)
Miscellaneous	-	-	-	-
Total Economic Development	<u>546,399</u>	<u>546,399</u>	<u>479,444</u>	<u>66,955</u>
Total Code Enforcement and Economic Development	<u>1,485,750</u>	<u>1,510,750</u>	<u>1,425,477</u>	<u>85,273</u>
Parking Garages				
Contractual Services	750,364	775,364	745,882	29,482
Materials and Supplies	8,200	8,200	1,795	6,405
Total Parking Garages	<u>758,564</u>	<u>783,564</u>	<u>747,677</u>	<u>35,887</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	299,183	519,342	540,710	(21,368)
Interest	388,489	388,489	344,925	43,564
Total Debt Service	<u>687,672</u>	<u>907,831</u>	<u>885,635</u>	<u>22,196</u>
Total Expenditures	<u>41,041,115</u>	<u>41,696,550</u>	<u>41,266,933</u>	<u>429,617</u>
Excess (Deficit) of Revenues Over Expenditures	<u>3,674,468</u>	<u>3,654,309</u>	<u>3,967,225</u>	<u>312,916</u>
Other Financing Sources (Uses)				
Transfers In	886,000	1,106,000	931,000	(175,000)
Transfers Out	<u>(4,335,310)</u>	<u>(4,760,310)</u>	<u>(4,834,834)</u>	<u>(74,524)</u>
Total Other Financing Sources (Uses)	<u>(3,449,310)</u>	<u>(3,654,310)</u>	<u>(3,903,834)</u>	<u>(249,524)</u>
Net Change in Fund Balance	225,158	(1)	63,391	63,392
Fund Balance July 1, 2007	<u>-</u>	<u>-</u>	<u>676,931</u>	<u>676,931</u>
Fund Balance June 30, 2008	<u>\$ 225,158</u>	<u>\$ (1)</u>	<u>\$ 740,322</u>	<u>\$ 740,323</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 2,201,550	\$ 2,762,550	\$ 2,055,774	\$ (706,776)
Miscellaneous	500,131	500,131	768,184	268,053
Total Revenues	<u>2,701,681</u>	<u>3,262,681</u>	<u>2,823,958</u>	<u>(438,723)</u>
Expenditures				
Code Enforcement and Economic Development	1,261,550	1,331,550	1,117,320	214,230
Debt Service				
Principal	67,000	67,000	67,000	-
Interest and Other Charges	33,131	33,131	33,131	-
Capital Outlay	958,000	1,449,000	1,245,507	203,493
Total Expenditures	<u>2,319,681</u>	<u>2,880,681</u>	<u>2,462,958</u>	<u>417,723</u>
Excess (Deficit) of Revenues Over Expenditures	<u>382,000</u>	<u>382,000</u>	<u>361,000</u>	<u>(21,000)</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(382,000)</u>	<u>(382,000)</u>	<u>(361,000)</u>	<u>21,000</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2008	<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)
HOME PROGRAM
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 503,335	\$ 1,036,025	\$ 655,755	\$ (380,270)
Investment Earnings	-	-	4,837	4,837
Miscellaneous	<u>210,000</u>	<u>210,000</u>	<u>133,807</u>	<u>(76,193)</u>
Total Revenues	<u>713,335</u>	<u>1,246,025</u>	<u>794,399</u>	<u>(451,626)</u>
Expenditures				
Code Enforcement and Economic Development	713,335	1,096,025	811,733	284,292
Capital Outlay	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total Expenditures	<u>713,335</u>	<u>1,246,025</u>	<u>811,733</u>	<u>434,292</u>
Excess (Deficit) of Revenues Over Expenditures				
	-	-	(17,334)	(17,334)
Fund Balance July 1, 2007				
	<u>-</u>	<u>-</u>	<u>121,197</u>	<u>121,197</u>
Fund Balance June 30, 2008				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,863</u>	<u>\$ 103,863</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 6,544,573	\$ 6,544,573	\$ 6,150,195	\$ (394,378)
Investment Earnings	85,000	85,000	74,475	(10,525)
Miscellaneous	<u>-</u>	<u>-</u>	<u>8,773</u>	<u>8,773</u>
 Total Revenues	 6,629,573	 6,629,573	 6,233,443	 (396,130)
Expenditures				
Code Enforcement and Economic Development	<u>6,629,573</u>	<u>6,629,573</u>	<u>5,855,694</u>	<u>773,879</u>
 Excess (Deficit) of Revenues Over Expenditures	 -	 -	 377,749	 377,749
 Fund Balance July 1, 2007	 <u>-</u>	 <u>-</u>	 <u>1,519,206</u>	 <u>1,519,206</u>
 Fund Balance June 30, 2008	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 1,896,955</u></u>	 <u><u>\$ 1,896,955</u></u>

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.

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

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.

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.

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, 2008**

	Special Revenue Funds									
	Police and Fire Incentive	Newport Steel UDAG	Devou Park Maintenance	Investor Program	City Hall Operations	Federal and State Grant Fund	Arts District	501 Main Street Operations	Police Forfeiture	Police Block Grant
Assets										
Cash and Cash Equivalents	\$ (31,772)	\$ 145,908	\$ 75,421	\$ 444,914	\$ 5,805	\$ -	\$ -	\$ -	\$ 367,302	\$ -
Receivables	-	-	-	-	-	-	-	-	-	-
Taxes	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	1,665,853	-	952,721	-	-	-	-	-	13,543
Notes	-	-	88,324	-	-	1,999	-	-	-	-
Accounts	116,201	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	3,708	12,926	35,206	14,451	12,053	6,187	-	-
Prepays	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 84,429	\$ 1,811,761	\$ 167,453	\$ 1,410,561	\$ 41,011	\$ 16,450	\$ 12,053	\$ 6,187	\$ 367,302	\$ 13,543
Liabilities and Fund Balances										
Liabilities										
Accounts Payable	\$ -	\$ -	\$ 32,032	\$ -	\$ 12,768	\$ -	\$ -	\$ 5,947	\$ 47,595	\$ -
Accrued Liabilities	-	-	-	-	-	-	-	-	-	-
Due to Other Funds	82,625	143,994	110,000	5,308	28,243	16,450	2,043	-	98,864	13,173
Deferred Revenue	-	1,665,399	-	952,721	-	-	-	240	-	-
Total Liabilities	82,625	1,809,393	142,032	958,029	41,011	16,450	2,043	6,187	146,459	13,173
Fund Balances										
Reserved for	-	-	-	-	-	-	-	-	-	-
Prepays	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-
Undesignated, Reported In	1,804	2,368	25,421	452,532	-	-	10,010	-	220,843	370
Special Revenue Funds	-	-	-	-	-	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-	-	-	-	-	-
Debt Service Funds	-	-	-	-	-	-	-	-	-	-
Total Fund Balances	1,804	2,368	25,421	452,532	-	-	10,010	-	220,843	370
Total Liabilities and Fund Balances	\$ 84,429	\$ 1,811,761	\$ 167,453	\$ 1,410,561	\$ 41,011	\$ 16,450	\$ 12,053	\$ 6,187	\$ 367,302	\$ 13,543

CITY OF COVINGTON, KENTUCKY
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2008
 (Continued)

	Special Revenue Funds				Capital Projects			Debt Service Funds 2004				Non-Major Governmental Funds
	CAD System	Renaissance Grant Fund	Working Capital Reserve	Property Acquisitions	Capital Improvement Fund	KLC Series 2002	Pension Obligation Bonds	2005 Refunding Bonds	Sewer Maintenance Fees			
Assets												
Cash and Cash Equivalents	\$ 87,117	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135,442	\$ 10,416	\$ 246,918	\$ 1,487,471		
Receivables	42,241	-	-	-	-	-	-	-	-	42,241		
Taxes	-	12,097	-	-	-	-	-	-	-	25,640		
Intergovernmental	-	-	-	-	-	-	-	-	-	2,618,574		
Notes	-	-	-	-	-	-	-	-	-	236,302		
Accounts	-	-	-	32,921	(3,441)	-	198	100	-	-		
Inventories	-	-	-	-	-	-	-	-	-	-		
Due from Other Funds	83,024	232,099	1,370,264	5,308	816,652	-	-	-	194,093	2,785,971		
Prepays	-	-	-	-	746,227	-	-	-	-	746,227		
Total Assets	\$ 212,382	\$ 244,196	\$ 1,370,264	\$ 38,229	\$ 1,559,438	\$ -	\$ 135,640	\$ 10,516	\$ 441,011	\$ 7,942,426		
Liabilities and Fund Balances												
Liabilities												
Accounts Payable	\$ -	\$ 8,145	\$ -	\$ -	\$ 134,592	\$ -	\$ 21,665	\$ -	\$ -	\$ 262,744		
Accrued Liabilities	-	-	-	-	-	-	-	-	-	-		
Due to Other Funds	-	156,652	-	38,229	1,332,899	-	14,820	-	-	2,043,300		
Deferred Revenue	-	79,399	-	-	-	-	-	-	-	2,697,759		
Total Liabilities	-	244,196	-	38,229	1,467,491	-	36,485	-	-	5,003,803		
Fund Balances												
Reserved for												
Prepays	-	-	-	-	-	-	-	-	-	-		
Unreserved												
Undesignated, Reported In												
Special Revenue Funds	212,382	-	1,370,264	-	-	-	-	-	-	2,295,994		
Capital Projects Funds	-	-	-	-	91,947	-	-	-	-	91,947		
Debt Service Funds	-	-	-	-	-	-	99,155	10,516	441,011	550,682		
Total Fund Balances	212,382	-	1,370,264	-	91,947	-	99,155	10,516	441,011	2,938,623		
Total Liabilities and Fund Balances	\$ 212,382	\$ 244,196	\$ 1,370,264	\$ 38,229	\$ 1,559,438	\$ -	\$ 135,640	\$ 10,516	\$ 441,011	\$ 7,942,426		

CITY OF COVINGTON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	Special Revenue Funds									
	Police and Fire Incentive	Newport Steel UDAG	Devou Park Maintenance	Investor Program	City Hall Operations	Federal and State Grant Fund	Arts District	501 Main Street Operations	Police Forfeiture	Police Block Grant
Revenues										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	916,758	-	-	-	-	943,785	-	-	175,140	13,912
Charges for Services	-	-	-	-	270,933	-	-	53,133	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	-
Investment Earnings	-	36,591	2,845	15,820	217	-	42	-	13,480	-
Miscellaneous	-	135,675	288,324	117,043	-	-	-	-	-	-
Total Revenues	<u>916,758</u>	<u>172,266</u>	<u>291,169</u>	<u>132,863</u>	<u>271,150</u>	<u>943,785</u>	<u>42</u>	<u>53,133</u>	<u>188,620</u>	<u>13,912</u>
Expenditures										
Current										
General Government	-	-	241,897	-	318,568	-	-	26,166	-	-
Police	435,310	-	-	-	-	-	-	-	256,569	13,542
Fire	479,644	-	-	-	-	465,232	-	-	-	-
General Services	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-
Code Enforcement and	-	-	-	-	-	-	-	-	-	-
Economic Development	-	408,825	-	35,115	-	-	-	-	-	-
Parking Garage	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-	-	15,000	-	-	-
Capital Outlay	-	-	23,949	-	-	500,000	17,208	65,905	499	-
Total Expenditures	<u>914,954</u>	<u>408,825</u>	<u>265,846</u>	<u>35,115</u>	<u>318,568</u>	<u>965,232</u>	<u>32,208</u>	<u>92,071</u>	<u>257,068</u>	<u>13,542</u>
Excess (Deficit) of Revenues Over Expenditures	<u>1,804</u>	<u>(236,559)</u>	<u>25,323</u>	<u>97,748</u>	<u>(47,418)</u>	<u>(21,447)</u>	<u>(32,166)</u>	<u>(38,938)</u>	<u>(68,448)</u>	<u>370</u>
Other Financing Sources (Uses)										
Transfers In	-	-	36,793	-	47,418	21,447	32,207	38,938	-	-
Capital Lease Acquisitions	-	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	(110,000)	(5,308)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(73,207)</u>	<u>(5,308)</u>	<u>47,418</u>	<u>21,447</u>	<u>32,207</u>	<u>38,938</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>1,804</u>	<u>(236,559)</u>	<u>(47,884)</u>	<u>92,440</u>	<u>-</u>	<u>-</u>	<u>41</u>	<u>-</u>	<u>(68,448)</u>	<u>370</u>
Fund Balance July 1, 2007	<u>-</u>	<u>238,927</u>	<u>73,305</u>	<u>360,092</u>	<u>-</u>	<u>-</u>	<u>9,969</u>	<u>-</u>	<u>289,291</u>	<u>-</u>
Fund Balance June 30, 2008	<u>\$ 1,804</u>	<u>\$ 2,368</u>	<u>\$ 25,421</u>	<u>\$ 452,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,010</u>	<u>\$ -</u>	<u>\$ 220,843</u>	<u>\$ 370</u>

CITY OF COVINGTON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2008
(Continued)

	Special Revenue Funds			Capital Projects	Debt Service Funds				Sewer Maintenance Fees	Non-Major Governmental Funds
	CAD System	Renaissance Grant Fund	Working Capital Reserve		Property Acquisitions	Capital Improvement Fund	KLC Series 2002	Pension Obligation Bonds		
Revenues										
Taxes	\$ 645,957	-	-	-	-	-	-	-	-	\$ 645,957
Licenses and Permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	146,282	-	-	497,123	-	-	-	-	2,693,000
Charges for Services	-	-	-	-	-	-	-	-	-	324,066
Fines and Forfeitures	-	-	-	-	-	-	-	-	-	-
Investment Earnings	5,104	-	-	-	-	3,493	367	-	21,733	99,692
Miscellaneous	-	-	-	-	563,320	-	-	-	-	1,104,362
Total Revenues	651,061	146,282	-	-	1,060,443	-	3,493	367	21,733	4,867,077
Expenditures										
Current										
General Government	-	-	-	-	-	-	73,950	-	-	660,581
Police	-	-	-	-	-	-	-	-	-	705,421
Fire	-	-	-	-	-	-	-	-	-	944,876
General Services	-	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-
Code Enforcement and Economic Development	-	117,018	-	-	-	-	-	-	-	-
Parking Garage	-	-	-	-	-	-	-	-	-	560,958
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	119,611	-	-	-	-	-
Interest and Other Charges	-	-	-	5,308	57,989	330,000	652,858	995,000	359,541	2,310,875
Capital Outlay	-	34,989	-	427,747	1,927,225	491,723	465,747	185,960	-	1,450,975
Total Expenditures	-	152,007	-	433,055	2,104,825	957,470	1,056,808	1,180,960	359,541	9,548,095
Excess (Deficit) of Revenues Over Expenditures	651,061	(5,725)	-	(433,055)	(1,044,382)	(957,470)	(1,053,315)	(1,180,593)	(337,808)	(4,681,018)
Other Financing Sources (Uses)										
Transfers In	-	5,725	400,000	5,308	666,599	957,470	1,053,315	1,180,960	-	4,446,180
Proceeds of Short Term Debt	(570,000)	-	-	427,747	-	-	-	-	-	427,747
Transfers Out	-	-	-	-	-	-	-	-	-	(685,308)
Total Other Financing Sources (Uses)	(570,000)	5,725	400,000	433,055	666,599	957,470	1,053,315	1,180,960	-	4,188,619
Net Change in Fund Balances	81,061	-	400,000	-	(377,783)	-	-	367	(337,808)	(492,399)
Fund Balance July 1, 2007	131,321	-	970,264	-	469,730	-	99,155	10,149	778,819	3,431,022
Fund Balance June 30, 2008	\$ 212,382	\$ -	\$ 1,370,264	\$ -	\$ 91,947	\$ -	\$ 99,155	\$ 10,516	\$ 441,011	\$ 2,938,623

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final Budget</u>
Revenues				
Intergovernmental	\$ 950,000	\$ 950,000	\$ 916,758	\$ (33,242)
Expenditures				
Police	453,500	453,500	435,310	18,190
Fire	496,500	496,500	479,644	16,856
Total Expenditures	<u>950,000</u>	<u>950,000</u>	<u>914,954</u>	<u>35,046</u>
Excess (Deficit) of Revenues Over Expenditures	-	-	1,804	1,804
Fund Balance July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,804</u></u>	<u><u>\$ 1,804</u></u>

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Earnings	\$ 37,000	\$ 62,000	\$ 36,591	\$ (25,409)
Miscellaneous	<u>70,000</u>	<u>145,000</u>	<u>135,675</u>	<u>(9,325)</u>
Total Revenues	<u>107,000</u>	<u>207,000</u>	<u>172,266</u>	<u>(34,734)</u>
Expenditures				
Code Enforcement and Economic Development	<u>140,000</u>	<u>440,000</u>	<u>408,825</u>	<u>31,175</u>
Excess (Deficit) of Revenues Over Expenditures	(33,000)	(233,000)	(236,559)	(3,559)
Fund Balance July 1, 2007	<u>33,000</u>	<u>233,000</u>	<u>238,927</u>	<u>5,927</u>
Fund Balance June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,368</u>	<u>\$ 2,368</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Earnings	\$ 3,000	\$ 3,000	\$ 2,845	\$ (155)
Miscellaneous	-	-	288,324	288,324
Total Revenues	<u>3,000</u>	<u>3,000</u>	<u>291,169</u>	<u>288,169</u>
Expenditures				
General Government	60,000	235,000	241,897	(6,897)
Capital Outlay	-	25,000	23,949	1,051
Total Expenditures	<u>60,000</u>	<u>260,000</u>	<u>265,846</u>	<u>(5,846)</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(57,000)</u>	<u>(257,000)</u>	<u>25,323</u>	<u>282,323</u>
Other Financing Sources (Uses)				
Transfers In	10,000	10,000	36,793	26,793
Transfers Out	-	-	(110,000)	(110,000)
Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>(73,207)</u>	<u>(83,207)</u>
Net Change in Fund Balance	(47,000)	(247,000)	(47,884)	199,116
Fund Balance July 1, 2007	<u>47,000</u>	<u>47,000</u>	<u>73,305</u>	<u>26,305</u>
Fund Balance June 30, 2008	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ 25,421</u>	<u>\$ 225,421</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Earnings	\$ -	\$ -	\$ 15,820	\$ 15,820
Miscellaneous	<u>100,000</u>	<u>100,000</u>	<u>117,043</u>	<u>17,043</u>
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>132,863</u>	<u>32,863</u>
Expenditures				
Code Enforcement and Economic Development	<u>500,000</u>	<u>500,000</u>	<u>35,115</u>	<u>464,885</u>
Excess (Deficit) of Revenues Over Expenditures	(400,000)	(400,000)	97,748	497,748
Other Financing Sources (Uses)				
Transfers Out	<u>-</u>	<u>-</u>	<u>(5,308)</u>	<u>(5,308)</u>
Net Change in Fund Balance	(400,000)	(400,000)	92,440	492,440
Fund Balance July 1, 2007	<u>400,000</u>	<u>400,000</u>	<u>360,092</u>	<u>(39,908)</u>
Fund Balance June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 452,532</u>	<u>\$ 452,532</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 316,795	\$ 351,795	\$ 270,933	\$ (80,862)
Investment Earnings	-	-	217	217
Total Revenues	<u>316,795</u>	<u>351,795</u>	<u>271,150</u>	<u>(80,645)</u>
Expenditures				
General Government	300,300	351,795	318,568	33,227
Capital Outlay	16,495	-	-	-
Total Expenditures	<u>316,795</u>	<u>351,795</u>	<u>318,568</u>	<u>33,227</u>
Excess (Deficit) of Revenues Over Expenditures	-	-	(47,418)	(47,418)
Other Financing Sources (Uses)				
Transfers In	-	-	47,418	47,418
Net Change in Fund Balance	-	-	-	-
Fund Balance July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2008	<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)
FEDERAL AND STATE GRANT FUND
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ 1,178,553	\$ 943,785	\$ (234,768)
Expenditures				
Fire	-	700,000	465,232	234,768
Capital Outlay	-	-	500,000	(500,000)
Total Expenditures	-	700,000	965,232	(265,232)
Excess (Deficit) of Revenues Over Expenditures	-	(478,553)	(21,447)	(500,000)
Transfers In	-	-	21,447	
Net Change in Fund Balance	-	478,553	-	(478,553)
Fund Balance July 1, 2007	-	-	-	-
Fund Balance June 30, 2008	<u>\$ -</u>	<u>\$ 478,553</u>	<u>\$ -</u>	<u>\$ (478,553)</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Earnings	\$ -	\$ -	\$ 42	\$ 42
Expenditures				
Debt Service				
Principal	15,000	15,000	15,000	-
Interest and Other Charges	<u>20,908</u>	<u>25,908</u>	<u>17,208</u>	<u>8,700</u>
Total Expenditures	<u>35,908</u>	<u>40,908</u>	<u>32,208</u>	<u>8,700</u>
Excess (Deficit) of Revenues Over Expenditures	(35,908)	(40,908)	(32,166)	8,742
Other Financing Sources (Uses)				
Transfers In	<u>-</u>	<u>-</u>	<u>32,207</u>	<u>32,207</u>
Net Change in Fund Balance	(35,908)	(40,908)	41	40,949
Fund Balance July 1, 2007	<u>-</u>	<u>-</u>	<u>9,969</u>	<u>9,969</u>
Fund Balance June 30, 2008	<u>\$ (35,908)</u>	<u>\$ (40,908)</u>	<u>\$ 10,010</u>	<u>\$ 50,918</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for Services	\$ 45,108	\$ 45,108	\$ 53,133	\$ 8,025
Expenditures				
General Government	38,400	38,400	26,166	12,234
Debt Service				
Interest and Other Charges	81,708	81,708	65,905	15,803
 Total Expenditures	 120,108	 120,108	 92,071	 28,037
 Excess (Deficit) of Revenues Over Expenditures	 (75,000)	 (75,000)	 (38,938)	 36,062
Other Financing Sources (Uses)				
Transfers In	75,000	75,000	38,938	(36,062)
 Net Change in Fund Balance	 -	 -	 -	 -
Fund Balance July 1, 2007	 -	 -	 -	 -
 Fund Balance June 30, 2008	 \$ -	 \$ -	 \$ -	 \$ -

CITY OF COVINGTON, KENTUCKY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (WITH VARIANCES)
POLICE FORFEITURE
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 70,000	\$ 270,000	\$ 175,140	\$ (94,860)
Investment Earnings	<u>10,000</u>	<u>10,000</u>	<u>13,480</u>	<u>3,480</u>
Total Revenues	<u>80,000</u>	<u>280,000</u>	<u>188,620</u>	<u>(91,380)</u>
Expenditures				
Police	8,810	276,200	256,569	19,631
Capital Outlay	<u>71,190</u>	<u>3,800</u>	<u>499</u>	<u>3,301</u>
Total Expenditures	<u>80,000</u>	<u>280,000</u>	<u>257,068</u>	<u>22,932</u>
Excess (Deficit) of Revenues Over Expenditures	-	-	(68,448)	(68,448)
Fund Balance July 1, 2007	<u>-</u>	<u>-</u>	<u>289,291</u>	<u>289,291</u>
Fund Balance June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,843</u>	<u>\$ 220,843</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ 20,000	\$ 13,912	\$ (6,088)
Investment Earnings	-	-	-	-
Total Revenues	<u>-</u>	<u>20,000</u>	<u>13,912</u>	<u>(6,088)</u>
Expenditures				
Police	-	20,000	13,542	6,458
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>20,000</u>	<u>13,542</u>	<u>6,458</u>
Excess (Deficit) of Revenues Over Expenditures	-	-	370	370
Fund Balance July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 370</u>	<u>\$ 370</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 555,000	\$ 628,000	\$ 645,957	\$ 17,957
Investment Earnings	<u>2,000</u>	<u>2,000</u>	<u>5,104</u>	<u>3,104</u>
 Total Revenues	 <u>557,000</u>	 <u>630,000</u>	 <u>651,061</u>	 <u>21,061</u>
 Excess (Deficit) of Revenues Over Expenditures	 557,000	 630,000	 651,061	 21,061
 Other Financing Sources (Uses)				
Transfers Out	<u>(510,000)</u>	<u>(630,000)</u>	<u>(570,000)</u>	<u>60,000</u>
 Net Change in Fund Balance	 47,000	 -	 81,061	 81,061
 Fund Balance July 1, 2007	 <u>-</u>	 <u>-</u>	 <u>131,321</u>	 <u>131,321</u>
 Fund Balance June 30, 2008	 <u>\$ 47,000</u>	 <u>\$ -</u>	 <u>\$ 212,382</u>	 <u>\$ 212,382</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ -	\$ 200,000	\$ 146,282	\$ (53,718)
Miscellaneous	-	-	-	-
Total Revenues	<u>-</u>	<u>200,000</u>	<u>146,282</u>	<u>(53,718)</u>
Expenditures				
Code Enforcement and Economic Development	-	165,000	117,018	47,982
Capital Outlay	-	35,000	34,989	11
Total Expenditures	<u>-</u>	<u>200,000</u>	<u>152,007</u>	<u>47,993</u>
Excess (Deficit) of Revenues Over Expenditures	-	-	(5,725)	(5,725)
Other Financing Sources (Uses)				
Transfers In	-	-	5,725	5,725
Net Change in Fund Balance	-	-	-	-
Fund Balance July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2008	<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)
WORKING CAPITAL RESERVE
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers In	\$ 400,000	\$ 400,000	\$ 400,000	\$ -
Net Change in Fund Balance	400,000	400,000	400,000	-
Fund Balance July 1, 2007	<u>-</u>	<u>-</u>	<u>970,264</u>	<u>970,264</u>
Fund Balance June 30, 2008	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 1,370,264</u>	<u>\$ 970,264</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures				
Debt Service				
Interest and Other Charges	-	-	5,308	(5,308)
Capital Outlay	<u>2,474,000</u>	<u>2,898,000</u>	<u>427,747</u>	<u>2,470,253</u>
Total Expenditures	<u>2,474,000</u>	<u>2,898,000</u>	<u>433,055</u>	<u>2,464,945</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(2,474,000)</u>	<u>(2,898,000)</u>	<u>(433,055)</u>	<u>2,464,945</u>
Other Financing Sources (Uses)				
Proceeds of Short Term Debt			427,747	
Transfers In	<u>179,000</u>	<u>754,000</u>	<u>5,308</u>	<u>(748,692)</u>
Total Other Financing Sources	<u>179,000</u>	<u>754,000</u>	<u>433,055</u>	<u>(748,692)</u>
Net Change in Fund Balance	(2,295,000)	(2,144,000)	-	1,716,253
Fund Balance July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2008	<u>\$ (2,295,000)</u>	<u>\$ (2,144,000)</u>	<u>\$ -</u>	<u>\$ 1,716,253</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 727,000	\$ 727,000	\$ 497,123	\$ (229,877)
Miscellaneous	-	-	563,320	563,320
Total Revenues	<u>727,000</u>	<u>727,000</u>	<u>1,060,443</u>	<u>333,443</u>
Expenditures				
Debt Service				
Principal	-	-	119,611	(119,611)
Interest and Other Charges	-	-	57,989	(57,989)
Capital Outlay	<u>2,474,000</u>	<u>2,898,000</u>	<u>1,927,225</u>	<u>970,775</u>
Total Expenditures	<u>2,474,000</u>	<u>2,898,000</u>	<u>2,104,825</u>	<u>793,175</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(1,747,000)</u>	<u>(2,171,000)</u>	<u>(1,044,382)</u>	<u>1,126,618</u>
Other Financing Sources (Uses)				
Transfers In	179,000	754,000	666,599	(87,401)
Proceeds from Capital Lease	<u>1,568,000</u>	<u>1,568,000</u>	-	<u>(1,568,000)</u>
Total Other Financing Sources (Uses)	<u>1,747,000</u>	<u>2,322,000</u>	<u>666,599</u>	<u>(1,655,401)</u>
Net Change in Fund Balance	-	151,000	(377,783)	(528,783)
Fund Balance July 1, 2007	<u>-</u>	<u>-</u>	<u>469,730</u>	<u>469,730</u>
Fund Balance June 30, 2008	<u>\$ -</u>	<u>\$ 151,000</u>	<u>\$ 91,947</u>	<u>\$ (59,053)</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
General Government	\$ -	\$ -	\$ -	\$ -
Debt Service				
Principal	466,006	516,006	491,723	24,283
Interest and Other Charges	434,383	484,383	465,747	18,636
Capital Outlay	-	-	-	-
Total Expenditures	<u>900,389</u>	<u>1,000,389</u>	<u>957,470</u>	<u>42,919</u>
Excess (Deficit) of Revenues Over Expenditures	(900,389)	(1,000,389)	(957,470)	42,919
Other Financing Sources (Uses)				
Transfers In	<u>900,389</u>	<u>1,000,389</u>	<u>957,470</u>	<u>(42,919)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2008	<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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>with Final Budget</u>
Revenues				
Investment Earnings	\$ 4,000	\$ 4,000	\$ 3,493	\$ (507)
Expenditures				
General Government	50,000	75,000	73,950	1,050
Debt Service				
Principal	315,000	340,000	330,000	10,000
Interest and Other Charges	678,592	728,592	652,858	75,734
 Total Expenditures	 <u>1,043,592</u>	 <u>1,143,592</u>	 <u>1,056,808</u>	 <u>86,784</u>
 Deficit of Revenues Over Expenditures	 (1,039,592)	 (1,139,592)	 (1,053,315)	 86,277
Other Financing Sources (Uses)				
Transfers In	<u>1,039,592</u>	<u>1,139,592</u>	<u>1,053,315</u>	<u>(86,277)</u>
 Net Change in Fund Balance	 -	 -	 -	 -
 Fund Balance July 1, 2007	 <u>-</u>	 <u>-</u>	 <u>99,155</u>	 <u>99,155</u>
 Fund Balance June 30, 2008	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 99,155</u>	 <u>\$ 99,155</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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Investment Earnings	\$ -	\$ -	\$ 367	\$ 367
Expenditures				
General Government	-	-	-	-
Debt Service				
Principal	995,000	995,000	995,000	-
Interest and Other Charges	186,960	211,960	185,960	26,000
Total Expenditures	1,181,960	1,206,960	1,180,960	26,000
Deficit of Revenues Over Expenditures	(1,181,960)	(1,206,960)	(1,180,593)	26,367
Other Financing Sources (Uses)				
Transfers In	1,181,960	1,206,960	1,180,960	(26,000)
Net Change in Fund Balance	-	-	367	367
Fund Balance July 1, 2007	-	-	10,149	10,149
Fund Balance June 30, 2008	\$ -	\$ -	\$ 10,516	\$ 10,516

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment Earnings	\$ 18,000	\$ 18,000	\$ 21,733	\$ 3,733
Expenditures				
Principal	<u>506,660</u>	<u>506,660</u>	<u>359,541</u>	<u>147,119</u>
Excess (Deficit) of Revenues Over Expenditures	(488,660)	(488,660)	(337,808)	150,852
Fund Balance July 1, 2007	<u>488,660</u>	<u>488,660</u>	<u>778,819</u>	<u>290,159</u>
Fund Balance June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 441,011</u>	<u>\$ 441,011</u>

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COMBINING FINANCIAL STATEMENTS

PROPRIETARY FUNDS



CITY OF COVINGTON, KENTUCKY
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2008

	<u>Internal Service Funds</u>		
	<u>Liability Insurance</u>	<u>Medical and Dental Insurance</u>	<u>Total</u>
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 410,246	\$ 232,825	\$ 643,071
Accounts Receivable	-	210,968	210,968
Due from Other Funds	<u>1,668,507</u>	<u>730,392</u>	<u>2,398,899</u>
Total Assets	<u>2,078,753</u>	<u>1,174,185</u>	<u>3,252,938</u>
Liabilities			
Current Liabilities			
Accounts Payable	49,343	2,376	51,719
Estimated Liability for Claims	-	1,062,031	1,062,031
Due to Other Funds	<u>550,000</u>	<u>-</u>	<u>550,000</u>
Total Liabilities	<u>599,343</u>	<u>1,064,407</u>	<u>1,663,750</u>
Net Assets			
Unrestricted	<u>\$ 1,479,410</u>	<u>\$ 109,777</u>	<u>\$ 1,589,187</u>

CITY OF COVINGTON, KENTUCKY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2008

	Internal Service Funds		
	Liability Insurance	Medical and Dental Insurance	Total
Operating Revenues			
Insurance Premium Payments	\$ -	\$ 4,900,538	\$ 4,900,538
Other Operating Revenues	100,000	146,739	246,739
Total Operating Revenues	<u>100,000</u>	<u>5,047,277</u>	<u>5,147,277</u>
Operating Expenses			
Contractual Services	250,666	339,503	590,169
Claims and Judgments	130,509	4,618,751	4,749,260
Total Operating Expenses	<u>381,175</u>	<u>4,958,254</u>	<u>5,339,429</u>
Operating Loss	(281,175)	89,023	(192,152)
Non-Operating Revenues			
Investment Income	34,946	11,992	46,938
Loss Before Transfers	(246,229)	101,015	(145,214)
Transfers In	495,200	8,762	503,962
Change in Net Assets	248,971	109,777	358,748
Net Assets July 1, 2007	<u>1,230,439</u>	-	<u>1,230,439</u>
Net Assets June 30, 2008	<u>\$ 1,479,410</u>	<u>\$ 109,777</u>	<u>\$ 1,589,187</u>

CITY OF COVINGTON, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2008

	Internal Service Funds		
	Liability Insurance	Medical and Dental Insurance	Total
Cash Flows From Operating Activities			
Cash Received from Other Funds	\$ 53,823	\$ 4,573,767	\$ 4,627,590
Cash Received from Other Activities	100,000	146,739	246,739
Cash Paid for Claims	(336,070)	(4,891,202)	(5,227,272)
Net Cash Used by Operating Activities	(182,247)	(170,696)	(352,943)
Cash Flows from Non-Capital Financing Activities			
Transfer from Other Funds	495,200	8,762	503,962
Cash Flows from Investing Activities			
Interest Income	34,946	11,992	46,938
Net Change in Cash	347,899	(149,942)	197,957
Cash and Cash Equivalents July 1, 2007	62,347	382,767	445,114
Cash and Cash Equivalents June 30, 2008	\$ <u>410,246</u>	\$ <u>232,825</u>	\$ <u>643,071</u>
Reconciliation of Operating Loss to Net Cash (Used) Provided by Operating Activities			
Operating (Loss) Income	\$ (281,175)	\$ 89,023	\$ (192,152)
Change in Assets and Liabilities			
Accounts Receivable	-	(210,968)	(210,968)
Due from Other Funds	(496,177)	(115,803)	(611,980)
Accounts Payable	45,105	853	45,958
Estimated Liability for Claims	-	66,199	66,199
Due to Other Funds	550,000	-	550,000
Net Cash Used by Operating Activities	\$ <u>(182,247)</u>	\$ <u>(170,696)</u>	\$ <u>(352,943)</u>

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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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Insurance Premium Payments	\$ -	\$ -	\$ -	\$ -
Other Operating Revenues	-	-	100,000	100,000
Total Operating Revenues	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Operating Expenses				
Contractual Services	160,000	260,000	250,666	9,334
Claims and Judgments	85,200	185,200	130,509	54,691
Total Operating Expenses	<u>245,200</u>	<u>445,200</u>	<u>381,175</u>	<u>64,025</u>
Operating Loss	(245,200)	(445,200)	(281,175)	164,025
Non-Operating Revenues				
Investment Income	30,000	30,000	34,946	4,946
Income (Loss) Before Transfers	(215,200)	(415,200)	(246,229)	168,971
Transfers In	245,200	415,200	495,200	80,000
Change in Net Assets	30,000	-	248,971	248,971
Net Assets July 1, 2007	<u>-</u>	<u>-</u>	<u>1,230,439</u>	<u>1,230,439</u>
Net Assets June 30, 2008	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 1,479,410</u>	<u>\$ 1,479,410</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Operating Revenues				
Insurance Premium Payments	\$ 5,481,815	\$ 5,481,815	\$ 4,900,538	\$ (581,277)
Other Operating Revenues	-	-	146,739	146,739
Total Operating Revenues	<u>5,481,815</u>	<u>5,481,815</u>	<u>5,047,277</u>	<u>(434,538)</u>
Operating Expenses				
Contractual Services	445,000	445,000	339,503	105,497
Claims and Judgments	<u>5,061,815</u>	<u>5,061,815</u>	<u>4,618,751</u>	<u>443,064</u>
Total Operating Expenses	<u>5,506,815</u>	<u>5,506,815</u>	<u>4,958,254</u>	<u>548,561</u>
Operating Loss	(25,000)	(25,000)	89,023	114,023
Non-Operating Revenues				
Investment Income	<u>25,000</u>	<u>25,000</u>	<u>11,992</u>	<u>(13,008)</u>
Income (Loss) Before Transfers	-	-	101,015	101,015
Transfers In	<u>-</u>	<u>-</u>	<u>8,762</u>	<u>8,762</u>
Change in Net Assets	-	-	109,777	109,777
Net Assets July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,777</u>	<u>\$ 109,777</u>

COMBINING FINANCIAL STATEMENTS
FIDUCIARY FUNDS



CITY OF COVINGTON, KENTUCKY
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	Fiduciary Funds		
	Employees' Retirement	Police and Firemen's Pension	Totals
Assets			
Cash and Cash Equivalents	\$ 322,222	\$ 1,239,272	\$ 1,561,494
Investments - Mutual Funds	5,250,132	12,694,319	17,944,451
Notes Receivable	-	72,037	72,037
Due from Other Funds	136	-	136
Total Assets	5,572,490	14,005,628	19,578,118
Liabilities			
Accounts Payable	-	685	685
Interfund Loans	-	537,199	537,199
Total Liabilities	-	537,884	537,884
Net Assets			
Held in Trust for Pension Benefits	<u>\$ 5,572,490</u>	<u>\$ 13,467,744</u>	<u>\$ 19,040,234</u>

CITY OF COVINGTON, KENTUCKY
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2008

	Fiduciary Funds		
	Employees' Retirement	Police and Firemen's Pension	Totals
Additions			
Contributions			
Employee Contributions	\$ 8,631	\$ -	\$ 8,631
Impounding Lot	-	159,617	159,617
Total Revenues	<u>8,631</u>	<u>159,617</u>	<u>168,248</u>
Investment Earnings			
Interest and Dividends	249,031	616,161	865,192
Net (Depreciation) in Fair Value of Investments	<u>(613,739)</u>	<u>(1,556,219)</u>	<u>(2,169,958)</u>
Total Investment Earnings	<u>(364,708)</u>	<u>(940,058)</u>	<u>(1,304,766)</u>
Total Additions	<u>(356,077)</u>	<u>(780,441)</u>	<u>(1,136,518)</u>
Deductions			
Benefit Payments	698,420	1,729,209	2,427,629
Administration	23,773	65,842	89,615
Impounding Lot	-	14,086	14,086
Total Deductions	<u>722,193</u>	<u>1,809,137</u>	<u>2,531,330</u>
Change in Net Assets	(1,078,270)	(2,589,578)	(3,667,848)
Net Assets July 1, 2007	<u>6,650,760</u>	<u>16,057,322</u>	<u>22,708,082</u>
Net Assets June 30, 2008	<u>\$ 5,572,490</u>	<u>\$ 13,467,744</u>	<u>\$ 19,040,234</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 Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	<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	41,334,965	39,709,313	40,851,867	41,483,876	4,519,630	(2,888,790)
Restricted	550,682	888,123	1,307,719	1,593,846	1,943,252	1,943,882
Unrestricted	16,626,809	17,286,863	15,104,828	1,947,609	15,614,883	22,540,375
Total Governmental Activities Net Assets	58,512,456	57,884,299	57,264,414	45,025,331	22,077,765	21,595,467

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

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

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Expenses						
Governmental Activities:						
General Government	7,728,335	6,975,709	7,781,587	9,381,965	3,939,011	4,822,043
Police	15,501,195	14,873,868	14,482,761	13,660,495	13,582,260	12,712,976
Fire	14,753,208	13,595,531	12,512,512	11,930,245	11,286,851	10,328,208
General Service	5,995,347	6,001,968	5,324,831	5,561,622	8,020,228	7,440,215
Recreation	2,426,639	2,350,546	2,325,250	2,575,568	1,045,289	787,164
Code Enforcement and Economic Development	9,777,154	9,345,867	9,817,626	9,086,241	9,825,619	10,876,935
Parking Garage	747,677	734,401	727,419	803,715	809,425	743,982
Interest on Long-term Debt	1,991,075	1,872,816	1,919,888	1,437,434	1,171,229	1,605,271
Total governmental activities expenses	58,920,630	55,750,706	54,891,874	54,437,285	49,679,912	49,316,794
Program Revenues						
Governmental Activities:						
General Government	1,145,333	1,096,558	1,215,111	761,041	1,928,888	1,737,441
Police	382,318	331,579	372,192	-	344,287	516,097
Fire	1,084,825	1,073,548	912,526	987,802	546,276	510,848
General Service	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	41,860	114,177	56,017	-	-	1,312,485
Parking Garage	1,120,916	1,041,332	1,059,369	1,252,755	-	-
Interest on Long-term Debt	-	-	-	-	1,194,146	-
Operating Grants and Contributions	10,823,567	8,840,224	9,652,316	8,754,883	9,218,291	9,114,414
Capital Grants and Contributions	2,050,654	1,279,884	716,322	3,106,704	902,562	799,478
Total Governmental Activities Expenses	18,113,529	14,948,091	15,210,805	15,956,155	15,378,938	15,404,256
General Revenues and Other changes in Net Assets						
Governmental Activities:						
Taxes						
Real Property Taxes, Levied for General Purposes	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	601,109	553,057	589,401	496,286	474,360	679,089
Public Services Taxes	2,178,804	1,978,504	2,092,335	1,909,267	1,892,053	2,078,467
Taxes, Levied for Bank Deposits	67,789	59,042	62,232	62,323	102,802	74,272
Insurance Premium Taxes	4,860,194	5,242,337	5,324,223	5,240,743	4,909,972	4,746,726
Payroll Taxes	23,287,559	21,656,929	21,263,831	19,543,654	18,319,549	17,683,867
Net Profit Taxes	2,779,489	2,959,729	2,554,150	2,303,123	2,590,933	1,993,189
Other Taxes	647,217	552,641	490,889	358,751	376,845	351,664
Investment earnings	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	(54,398)	214,010	576,242	-	-	-
Miscellaneous	2,069,724	2,225,594	1,710,802	1,878,640	1,038,363	20,047,710
Transfers	-	-	-	(14,275,000)	-	(345,200)
Total General Revenues and Transfers	41,435,258	41,422,500	40,887,745	22,957,970	34,783,237	52,591,030
Change in Net Assets						
Total Primary Government	628,157	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)

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Fund										
Reserved	4,483	1,611	122,892	5,388	-	-	125,771	115,779	129,072	149,427
Unreserved	730,114	675,320	550,513	229,739	291,457	920,556	1,204,885	1,208,499	938,012	872,325
Total general fund	\$ 734,597	\$ 676,931	\$ 673,405	\$ 235,127	\$ 291,457	\$ 920,556	\$ 1,330,656	\$ 1,324,278	\$ 1,067,084	\$ 1,021,752
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,342	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	4,281,090	3,716,572	810,353	1,207,276	2,578,865	3,439,783	3,037,818	4,466,029	5,429,314	8,466,071
Capital projects funds	194,229	469,730	-	-	-	-	-	-	-	-
Debt service funds	550,882	888,123	1,307,719	1,593,846	3,745,979	4,053,087	6,494,886	13,141,399	5,501,061	2,409,320
Total all other governmental funds	\$ 5,026,001	\$ 5,074,425	\$ 2,118,072	\$ 2,801,122	\$ 6,324,844	\$ 7,492,870	\$ 9,572,046	\$ 17,607,428	\$ 10,930,375	\$ 10,875,391

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

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Revenues						
Taxes	13,682,151	13,554,260	13,466,713	12,762,470	12,395,102	12,104,042
Licenses and Permits	26,357,476	24,897,197	24,123,130	22,214,153	21,287,327	20,028,720
Intergovernmental	12,063,637	11,204,089	10,345,557	9,636,936	10,120,853	9,913,892
Charges for services	4,527,680	4,104,170	4,128,721	4,094,568	4,745,670	4,721,842
Fines and Forfeitures	669,260	711,786	603,286	444,832	478,752	447,020
Investment Earnings	270,519	330,536	278,531	223,704	123,538	186,286
Miscellaneous	2,810,060	2,342,372	1,734,234	4,109,294	1,539,153	2,656,223
Total Revenues	60,380,783	57,144,410	54,680,172	53,485,957	50,690,395	50,058,025
Expenditures						
Current						
General Government	3,554,133	3,092,518	3,537,750	3,365,074	3,366,630	3,558,293
Police	15,013,636	14,359,432	14,109,828	13,239,562	12,833,125	11,913,958
Fire	13,959,222	12,989,464	12,168,065	11,429,099	10,800,154	9,947,813
General Service	5,644,983	5,292,360	5,180,111	5,358,833	7,761,571	7,105,526
Recreation	2,347,048	2,309,959	2,289,413	2,372,300	717,870	737,049
Code Enforcement and Economic Development	9,771,182	9,098,909	9,832,881	9,096,233	9,778,417	10,831,082
Parking Garage	747,677	734,401	727,419	803,715	809,425	743,982
Debt Service						
Principal	2,918,585	2,727,985	2,763,879	5,553,494	7,665,518	12,325,046
Interest and Other Charges	1,829,031	1,701,223	1,965,386	1,509,839	1,464,763	1,605,271
Capital Outlay	4,057,635	3,257,621	2,701,215	6,722,898	3,082,026	6,247,041
Total Expenditures	59,843,132	55,563,872	55,275,947	59,451,047	58,279,499	65,015,061
Excess of revenues Over (under) Expenditures						
	537,651	1,580,538	(595,775)	(5,965,090)	(7,589,104)	(14,957,036)
Other Financing Sources (Uses)						
Bonds issued				12,806,241	4,996,000	-
Lease proceeds		1,630,000			840,944	12,809,056
Transfers in	5,361,458	6,169,710	6,006,833	11,506,504	3,006,160	2,766,134
Transfer out	(5,886,867)	(6,663,029)	(6,252,032)	(25,926,704)	(3,051,160)	(3,111,334)
Capital Assets			596,202			
Miscellaneous				(1,003)		
Total other financing sources (uses)	(525,409)	1,136,681	351,003	(1,614,962)	5,791,944	12,463,856
Special Item						
Proceeds from Sale of Capital Assets		239,660				
Net change in fund balances	12,242	2,956,879	(244,772)	(7,580,052)	(1,797,160)	(2,493,180)
Debt service as a percentage of non capital expenditures						
	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

Fiscal Year	Total Gross Taxable Wages	Total Withholding Fees	Total Direct Rate
1999	56,782,672,000	14,195,668	0.025%
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%

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**

Taxpayer	
2008	1999
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**

Fiscal Year	Real Property	Personal Property	Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
1999	1,165,955	161,901	56,529	1,271,327	0.353
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

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.

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			School Districts				Totals		
	Direct Rate	Covington Independent	Kenton County	Covington	Kenton County	County	State	Other	Covington Schools Area	Kenton County Schools Area
1999	0.3532	0.891	0.478	0.1290	0.148	0.1070	1.5973	1.1843		
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		

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

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
CPX-Rivercenter Dev/Corp	\$ 106,605,400	1	5.36%	\$ 78,984,600	1	6.21%
Fidelity Properties Inc	86,021,500	2	4.33%	61,406,500	2	4.83%
Eagle Hospitality	33,578,000	3	1.69%			
Scott Street Land Co. Inc	14,960,900	4	0.75%			
OZRE Lodging I LLC	13,947,100	5	0.70%			
J & S Co. Inc.	10,482,000	6	0.53%	10,201,500	3	0.80%
Atkins & Pearce Manu.	10,000,000	7	0.50%	10,118,000	4	0.80%
Castilinni Company	6,812,500	8	0.34%			
Scottenstein Trust	6,565,000	9	0.33%			
Truss Realty	6,550,000	10	0.33%	7,758,500	6	0.61%
Atria Highland Crossing				10,100,000	5	0.79%
Bluffs Apartments				7,575,000	7	0.60%
Gibson Greeting Card				7,118,000	8	0.56%
A.C.C.D. Co. Inc.				6,486,000	9	0.51%
P.S.D., LLC				5,785,000	10	0.46%
Total	\$ 295,522,400		14.87%	\$ 205,533,100		16.17%

Schedule 10
 City of Covington
 Property Tax Levies and Collections,
 Last Six 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	
	Fiscal Year	Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 5,011,764	\$ 4,824,742	96.27%	151,416	\$ 4,976,158	99.29%
2004	5,076,892	4,907,183	96.66%	120,864	\$ 5,028,047	99.04%
2005	5,143,225	4,926,477	95.79%	134,948	\$ 5,061,425	98.41%
2006	5,483,028	5,293,287	96.54%	103,496	\$ 5,396,783	98.43%
2007	5,656,394	5,469,125	96.69%	82,732	\$ 5,551,857	98.15%
2008	5,900,071	5,672,319	96.14%		\$ 5,672,319	96.14%

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 Six Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	General Obligation Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
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%	\$ 970

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 Six Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
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

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

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

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 1,987,777
Debt limit (10% of assessed value)	\$ 198,778
Debt applicable to limit:	
General Obligation	\$ 23,790
Total net debt applicable to limit	\$ 23,790
Legal debt margin	\$ 174,988

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Debt limit	\$ 198,778	\$ 196,624	\$ 183,379	\$ 172,014	\$ 169,796	\$ 167,618
Total net debt applicable to limit	23,790	25,888	27,907	26,487	4,962	-
Legal debt margin	\$ 174,988	\$ 170,736	\$ 155,472	\$ 145,527	\$ 164,834	\$ 167,618
Total net debt applicable to the limit as a percentage of debt limit	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

Calendar Year	Population (a)	Personal Income (a) (thousands of dollars)	Per Capita Personal Income (a)	Median Age (a)	School Enrollment (b)	Unemployment Rate (c)
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	3,721	5.6%

Sources:

- (a) U. S. Department of the Census (2000 Census) & (1996 Census)
- (b) Kentucky Department of Education
- (c) Kentucky Department of Employment Services

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

Employer	2008		
	Employees	Rank	Percentage of Total City Employment
Fidelity Investments	4,900	1	22.58%
Internal Revenue Service	4,500	2	20.74%
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%
Total	13,015		59.98%

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

Full-time-Equivalent Employees as of June 30

<u>Function/Program</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>	<u>1999</u>
General government										
Management services	16	16	17	17	18	17	15	12	14	14
Finance	14	14	15	15	16	15	15	14	13	13
Economic development	7	6	5	5	7	6	5	4	4	4
Code enforcement	11	9	10	10	10	9				
Housing	16	16	16	16	18	20	24	24	24	24
Police										
Officers	116	116	116	116	116	113	113	110	110	110
Civilians	31	33	34	34	32	31	31	31	28	28
Fire										
Firefighters and officers	118	118	118	118	117	117	117	117	117	117
Civilians	1	1	1	1	1	1	1	1	1	1
Other public works										
Public works	35	35	36	38	38	38	52	49	46	45
Engineering	4	3	2	2	3	3	3	3	3	3
Parks and recreation	20	18	20	20	20	20	3	3	3	3
Total	389	385	390	392	396	390	379	368	363	362

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

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>1999</u>
Police										
Physical arrests	5,321	5,762	5,819	5,342	5,017	5,167	4,942	5,177	6,426	6,044
Parking violations	14,230	14,863	15,622	14,721	13,016	13,775	15,494	14,216	13,842	13,703
Traffic violation	9,856	9,778	9,721	9,894	9,714	9,581	9,919	9,478	5,540	4,296
Fire										
Fire responses	3,658	3,752	3,985	4,167	3,951	4,209	4,376	4,218	4,323	6,995
Ambulance runs	11,549	10,246	9,742	8,602	7,927	7,931	7,755	7,435	7,377	8,730
Inspections	2,440	2,540	2,576	2,521	2,696	2,618	3,291	2,348	2,023	3,385

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

Function/Program	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	4	4	4	4	5	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	130	126	126	120	120	120	120	120
Streetlights	3,246	3,246	3,246	3,246	3,246	3,246	3,246	3,246	3,176	3,176
Parks and recreation										
Acreage	850	850	850	850	850	850	850	850	822	822
Playgrounds	28	28	28	28	28	28	28	28	21	21
Baseball/softball diamonds	10	10	10	10	10	10	10	10	14	14
Soccer/football fields	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 Department

SINGLE AUDIT SECTION



CITY OF COVINGTON, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Fund Balance at June 30, 2007	Revenues	Expenditures	Fund Balance at June 30, 2008
U.S. Department of HUD						
Direct Programs						
Section 8 Housing Choice Vouchers	14.871 (M)	KY-133-VO-0054-0F04	\$ 1,519,206	\$ 6,150,195 (F) 83,248 (NF)	6,150,195 (F) (294,501) (NF)	\$ - 1,896,955
Community Development Block Grants/Entitlement Grants	14.218 (M)	B-02-MC-21-0001	-	2,055,774 (F)	2,055,774 (F)	-
HOME Program	14.239 (M)	M-02-MC-21-0200 M-03-MC-21-0200	121,197	768,184 (NF) 138,644 (NF) 655,755 (F)	768,184 (NF) 155,978 (NF) 655,755 (F)	- 103,863 -
U.S. Department of HUD						
Direct Programs						
Highway Safety	20.205		-	32,979 (F)	32,979 (F)	-
U.S. Department of Homeland Security						
Direct Programs						
Police Block Grant	16.592		-	13,912 (F)	13,912 (F)	-
Total Federal Financial Assistance			\$ 1,640,403	\$ 8,908,615 (F) 990,076 (NF)	8,908,615 (F) 629,661 (NF)	\$ - 2,000,818

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.

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**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, 2008, which collectively comprise the City of Covington, Kentucky's basic financial statements and have issued our report thereon dated December 22, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards 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.

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 December 22, 2008.

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
December 22, 2008



**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, 2008. 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2.

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. Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 items 2008-1 and 2008-2 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 accompanying schedule of findings and questioned costs to be material weaknesses.

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
December 22, 2008

CITY OF COVINGTON, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2008

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
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
FEDERAL AWARDS	
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 [14.239], Community Development Block Grants/Entitlement Grants [14.218]
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, 2008**

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, 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

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.

**CITY OF COVINGTON, KENTUCKY
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

Internal Control

2007-1 Prior Period Adjustment

Current Status:

There were no prior period adjustments in the current year and the City continues to record the net pension obligation.

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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