



COMPREHENSIVE ANNUAL FINANCIAL REPORT YEAR ENDED JUNE 30, 2020



CITY OF COVINGTON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED June 30, 2020

Issued by:
Finance Department

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Finance Director

Prepared by:
Finance Department

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Lindy Jenkins

CITY OF COVINGTON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED June 30, 2020

Table of Contents

INTRODUCTORY SECTION

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

FINANCIAL SECTION

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

Basic Financial Statements:

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Table of Contents (con't.)

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	82
RSI – Employees’ Retirement Plan	86
RSI – Police and Firemen’s Retirement Plan	87
Notes to Required Supplementary Information	88
RSI – Schedule of the Proportionate Share of Net Pension Liability.....	89
RSI – Schedule of City Pension Contributions	90
RSI – Schedule of the Proportionate Share of Net OPEB Liability.....	91
RSI – Schedule of City OPEB Contributions	92
Notes to Required Supplementary Information	93

Combining Statements and Individual Fund Schedules:

Description of Funds	95
Combining Balance Sheet – Nonmajor Governmental Funds.....	98
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	99

Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –	
Federal & State Grants Fund	100
Community Development Block Grant Fund	101
Lead Hazard Reduction Fund	102
HOME Program Fund.....	103
Leased Properties Fund	104
Police Forfeiture Justice Fund.....	105
Housing Voucher Program Fund.....	106
Infrastructure Fund	107
EDF Fund.....	108
TIF Fund.....	109
Police & Fire Supplemental Pay Fund	110
Fleet, Equipment, Technology, Facilities, & Other Capital Projects Fund	111
Waste Fund	112
Ambulance Fund	113
Devou Park Maintenance Fund.....	114
Devou Park Master Plan Fund	115
Public Works Facility Construction Fund.....	116
Capital Improvement Fund	117
IRS Site Construction Fund.....	118

Table of Contents (con't.)

Combining Statement of Net Position – Internal Service Funds	119
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds	120
Combining Statement of Cash Flows – Internal Service Funds	121
Statement of Changes in Fiduciary Net Position – Agency Funds	122
 <u>STATISTICAL SECTION</u>	
Statistical Section Narrative	123
Schedule 1 - Net Position by Component	124
Schedule 2 - Changes in Net Position	125
Schedule 3 - Fund Balances, Governmental Funds	126
Schedule 4 - Changes in Fund Balances – Governmental Funds	127
Schedule 5 - Occupational License Fees – Payroll Withholding	128
Schedule 6 - Principal Occupational Payroll Tax Payers	129
Schedule 7 - Assessed Value and Estimated Actual Value of Taxable Property...	130
Schedule 8 - Direct and Overlapping Property Tax Rates	131
Schedule 9 - Principal Real Property Tax Payers	132
Schedule 10 - Property Tax Levies and Collections	133
Schedule 11 - Ratios of Outstanding Debt by Type	134
Schedule 12 - Ratio of General Bonded Debt Outstanding	135
Schedule 13 - Legal Debt Margin Information.....	136
Schedule 14 - Demographic and Economic Statistics	137
Schedule 15 - Principal Employers	138
Schedule 16 - Full-Time Equivalent City Government Employees by Function/Program.....	139
Schedule 17 - Operating Indicators by Function/Program	140
Schedule 18 - Capital Assets Statistics by Function/Program	141
Schedule 19 - Direct and Overlapping Governmental Activities Debt.....	142
 Addendum A – Single Audit Report	 143

INTRODUCTORY SECTION



OFFICE OF THE CITY MANAGER

December 15, 2020

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

We are pleased to present the City of Covington, Kentucky's (City) Comprehensive Annual Financial Report (CAFR), for the fiscal year (FY) that ended on June 30, 2020. This report is intended to provide informative and relevant financial data to the residents of the City, the City Commission, investors, creditors and any other interested reader. It includes all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities. The reader should pay particular attention to the required Management's Discussion and Analysis (MD&A) - a narrative overview and analysis of the financial statements – included in this document. Any individual with comments or questions concerning this report is encouraged to contact the City's Finance Department at (859) 292-2180. This report may also be found online at www.covingtonky.gov/financials

State law requires that all general-purpose local governments publish by February 1st immediately following the close of each FY a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in accordance with the implementation of Governmental Accounting Standards Board (GASB) Statement 34, and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the CAFR for the City for the FY that ended on June 30, 2020.

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

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

The City's financial statements have been audited by RFH Certified Public Accountants, with a local office in Lexington, KY. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year that ended on June 30, 2020, are free of material misstatement(s). The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year that ended on June 30, 2020, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

The City, founded in 1815, is located in the northern most part of the state, situated in Kenton County and is part of the Northern Kentucky Region, which ranks as one of the top growth areas in Kentucky. The City currently occupies a land area of 13.1 square miles and serves an estimated population of 40,552. (www.datausa.io/profile/geo/covington-ky/). The City is empowered to levy numerous taxes and fees. Its major revenue sources include an occupational license tax levied on gross wages and net profits of businesses, an insurance premium license fee and a property tax on both real and personal properties.

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

operations of the City. The Commissioners are elected on a non-partisan basis. The Mayor serves a four-year term and the Commissioners each serve a two-year term.

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

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

Information Useful in Assessing the Economic Condition

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

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

Like all cities in Kentucky, Covington is reliant on economically sensitive revenue. The City's revenue sources are dictated by the Commonwealth of Kentucky. Occupational license fees (payroll tax and net profit taxes) represent 53% of all General Fund revenue and other financing sources.

Since 2014, total taxable property assessed value has increased by 2.0%. The City recognized an increase in total taxable assessed value of 2.8% over fiscal year 2019. The City also recognized an increase in payroll tax revenue of 1.3% over fiscal year 2019.

The City's current unemployment rate is 5.6%, which is 1.3% lower than the US rate of 6.9%. The City is taking steps to attract prospective businesses that will help grow local jobs.

This year has been unusual in so many ways that coming up with words to describe it has almost become its own cottage industry. From the overused "unprecedented" and "new reality" to the British term "omnishambles", our reality includes challenges of a global pandemic, systemic racism, political rancor, and the resultant economic disasters. However, amid the doom and gloom, a few words have emerged that accurately describe the City in a rather succinct way including resilient, focused, diligent and innovative.

Certainly, the City and its businesses are feeling the impact of COVID-19, but strategic decisions made before the pandemic and during the early stages of the virus, are positioning the community to minimize negative impacts and leverage new opportunities that have presented themselves.

Despite the lockdowns and layoffs associated with the Coronavirus, between March and October 2020, the City announced the addition of more than 1,000 new jobs and tens of millions in new private investment. These additions are the direct result of strategic policy changes and focused implementation of a citywide economic development plan.

As soon as it became clear that some level of closure was going to be necessary for customer facing retail, service, and food businesses, the City's Economic Development Department created an emergency rent and mortgage assistance program to provide four months of assistance for small businesses. It's the City's belief that this short-term investment could help reduce the need to fill vacant storefronts after the pandemic.

In September 2020, the City adopted the Neighborhood Development Code. Residents, developers and businesses will benefit from a streamlined process and regulations that focus on what is desired and what is not. This substantive change in policy is anticipated to make doing business (and investing) in the City much easier than elsewhere in the region.

The City has adopted other policy changes in the past year designed to balance business incentives with a return on investment. Jobs creation incentive agreements now include claw back provisions and all payroll incentives require an un-incentivized period during which time the City receives the full benefit of the company's payroll taxes.

As a means of assuring that the City continues to develop talent, it launched an effort to expand the free public Wi-Fi offered downtown to neighborhoods and other business

areas. The intent is to provide students with better access for virtual learning, both during the pandemic and after.

Balancing short-term efforts like the Wi-Fi expansion, emergency grant programs with policy changes intended to build community wealth, long-term strategies like the modified payroll incentives and a new development code was capped off with one of the boldest moves in decades for the City – the purchase of the 23-acre vacant IRS site. The purchase and the adoption of a master plan to reintegrate the land back into the urban fabric is a once in a lifetime opportunity to further define the entrepreneurial spirit and strategic direction of the City at this crucial moment.

Many residential and commercial developments are either under construction or planned throughout the City, and employers are once again moving their operations to take advantage of the City's charm and urban living options.

The following is a listing of projects completed or started in 2020:

Completed projects in 2020:

501 Main: The \$40 million River Haus development finished construction in Spring 2020 and added 189 luxury apartments, a parking garage and 4,000 square feet (SF) of commercial space to Mainstrasse Village.

ICON Marketing: ICON Marketing Communications, Inc. is one of greater Cincinnati's fastest growing marketing and branding agencies. To continue their growth and attract talent, the company chose Covington. Their \$4 million investment brought ICON's 38 employees to the City and provides much needed space as the company increases its staff.

Road iD: Road iD moved to the City in 2018 after a \$4.35 million investment in acquisition, renovation, and equipment. As part of the purchase agreement with ICON, Road iD remained in the City but relocated and renovated a vacant warehouse space directly behind their old offices. The new investment by ROAD iD is in excess of \$1 million.

Step CG: Step CG is one of greater Cincinnati's fastest growing technology engineering firms. Headquartered in the City, the company announced that they will move their office space to RiverCenter, investing nearly \$5.3 million and hiring 52 new employees over the next three years.

Covington Yard: Amenities are cited as one of the reason new employers and residents flock to the City. Covington Yard brings an exciting entertainment destination to the City. This includes an outdoor bar and ocean containers outfitted for food operators. The site will have green space, patio games and containers for different food vendors and will help attract employers to several nearby buildings.

Madison Place: Originally developed as a class A office space at 50 W. RiverCenter Blvd., Madison Place has been converted into a luxury, boutique apartment community. The \$50 million conversion has transformed 290,000 square feet into 187 apartments. Construction was completed during the summer and the property is already 50% leased, demonstrating the City's strong residential demand.

Hilltop Basic Service: Adding to a slew of headquarters moves to the City, concrete company Hilltop Basic Resources moved its headquarters and administrative staff to the City, bringing 20 jobs and a \$3.3 million investment.

Gravity Diagnostics: Gravity Diagnostics is a life-science organization whose full-service, state-of-the-art laboratory provides innovative laboratory services, including Covid-19 testing for all 50 states. Initially, it signed a 7-year lease at 812 Russell to expand their laboratory space, representing a \$3.7 million investment that was projected to add 80 new jobs over the next three years. However, their growth exceeded their own highest expectations and they now have hired over 200 people this year and added another 16,000 SF of office space in the RiverCenter Towers.

Projects under construction/in design in 2020:

Duveneck Square Phase II: The \$40+ million Phase II will complement Phase 1 (completed in Spring 2018) and will bring an estimated 84,000 SF class A office building, 700-space public parking garage, streetscape and plaza improvements to the Pike Street corridor. Discussions are ongoing to land a large tenant at the site and bring 300 - 400 jobs to the City.

Riverfront Commons: Riverfront Commons is the long-awaited 1-mile, 8-foot-wide pedestrian pathway that will stretch along the Ohio River. It stretches from the former Covington Landing at the foot of Madison Avenue, going west underneath Clay Wade Bailey Bridge to KY8/Highway Avenue by the Hampton Inn. It is scheduled to be completed in 2021. Eventually, this pedestrian path will connect Northern Kentucky's riverfront communities and help attract new residents and employers.

John R Green: A \$36 million, 182-unit urban-style, class A, multifamily community located in the center of Mainstrasse. In addition to bringing new residents and businesses to the neighborhood, the development will provide the public with 90 new public parking spaces for visitors and businesses alike. It is expected to be completed in the fourth quarter of 2020

303 Court: A 10-story office tower that was half vacant for almost a decade will be converted into 133 apartments and ground-floor restaurant/retail space with some on-site parking.

DBL Law: DBL Law, one of greater Cincinnati's largest law firms, plans to move its headquarters to the historic Monarch building during the Fall of 2021. The \$11.3 million

renovation project will result in a 30,000 SF headquarters building for DBL and bring 76 employees to the Roebling Point business district.

Hotel Covington Expansion: Hotel Covington announced a \$22.5 million redevelopment of the former YMCA and Gateway Bookstore. The project will revitalize a visible corner of downtown, transforming the 72,000 SF building at 19 E. Pike St. into a bourbon distillery experience, 10,000 SF of office space and an expansion of Hotel Covington. The upper floors of the YMCA will be converted into 60 VIP and presidential suites to complement Hotel Covington's 114 existing rooms just to the south.

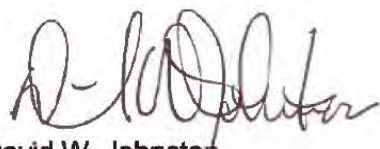
Republic Bank Building: The Republic Building Project is the \$4.8 million renovation of a 27,000 SF office building into a multi-tenant office building with modern finishes. The 6-story building at 535 Madison Avenue has remained largely vacant for many years. The developers will retain the current tenants, upgrade the remaining floors with modern finishes to be "white boxed" for new office prospects, enhance the elevator access and historic façade, and add a rooftop bar.

First Financial: A long-time lender to many recent revitalization projects in the City, First Financial announced it will be opening a Northern Kentucky headquarters in the City, that will include a new retail branch, community space, and office space for its staff. Construction began in Spring 2020 and is expected to be completed by 2021.

NKU Hub: The NKU Foundation recently assumed the sublease of 112 Pike St. amid plans to create NKY-HUB, a one-stop, shared-services innovation hub that will accelerate economic growth in the region by helping entrepreneurs access the tools they need to thrive: data, talent, and money. At least 26 partners have signed on with NKU to help NKY-HUB become a connector for a broad range of groups: entrepreneurs, private-sector leaders, investors, educational programs, "incubators," "accelerators," non-profits, government agencies, and economic development organizations.

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

Respectfully submitted,



David W. Johnston
City Manager



Muhammed K. Owusu
Finance Director

City of Covington, Kentucky
Elected and Appointed Officials June 30, 2020

Elected Officials

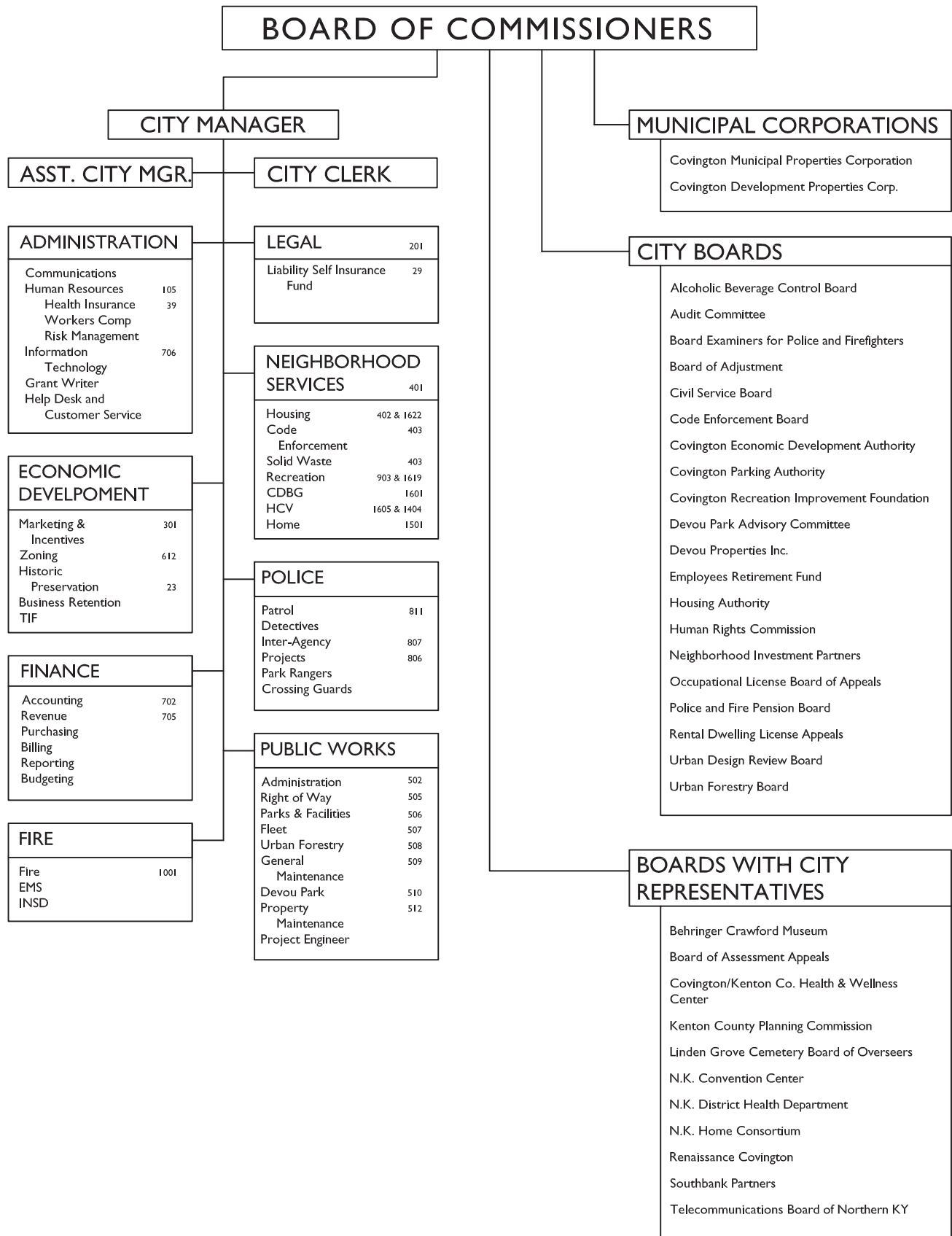
Mayor	Joseph Meyer
Commissioner/Mayor Pro Tem.....	Michelle Williams
Commissioner	Tim Downing
Commissioner	Shannon Smith
Commissioner	Denny Bowman

Appointed Officials

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

COVINGTON, KENTUCKY

ORGANIZATION CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Covington
Kentucky**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Mayor and City Commissioners
City of Covington, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Covington, Kentucky as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Covington, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Devou Properties, Inc. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Devou Properties, Inc., is based solely 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Covington, Kentucky, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules and OPEB schedules on pages 13–25 and 82–93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020, on our consideration of the City of Covington, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Covington, Kentucky's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Covington, Kentucky's internal control over financial reporting and compliance.

RFH

RFH, PLLC

Lexington, Kentucky
December 15, 2020

**City of Covington, Kentucky
Management's Discussion and Analysis
For the FY Ended June 30, 2020**

(Unaudited)

The following is a narrative overview and analysis of the financial activities of the City for the fiscal year (FY) ending on June 30, 2020. This discussion and analysis serves as an introduction to the City's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

Financial Highlights

The City's financial highlights for the FY ended June 30, 2020 include:

- The City's FY 2020 carry-over is \$2,396,819 resulting in a General Fund balance at year-end of \$19,733,268.
- The City recognized a decrease in payroll tax revenue of 1.18% over FY 2019.
- The City recognized an increase in net profit revenue of 13.41% over FY 2019.
- The City's insurance license fee increased to \$8,066,151 in FY 2020, an increase of \$452,703 or 5.95% over the previous year.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Analysis of the Government-Wide Financial Statements

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

Net position, over time, may serve as a useful indicator of a government's financial position. In the case of the City's governmental activities, liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$64,769,108, at the close of the most recent FY.

Statement of Net Position

	Governmental Activities		
	2020	2019	Change
Current and other assets	\$ 69,511,843	\$ 42,449,275	\$ 27,062,568
Capital assets	65,141,340	59,170,811	5,970,529
Total assets	134,653,183	101,620,086	33,033,097
Deferred outflows of resources	34,105,201	30,824,776	3,280,425
<i>Long-term liabilities</i>			
Net pension liability	109,476,630	92,237,476	17,239,154
Net OPEB liability	26,677,481	25,003,095	1,674,386
Other long-term amounts	76,816,222	50,107,569	26,708,653
Other liabilities	10,894,393	9,531,456	1,362,937
Total liabilities	223,864,726	176,879,596	46,985,130
Deferred Inflow of Resources:	9,662,766	8,200,458	1,462,308
Net position:			
Net investment in capital assets	27,799,625	23,743,357	4,056,268
Restricted	29,776,780	4,938,061	24,838,719
Unrestricted (deficit)	(122,345,513)	(81,316,610)	(41,028,903)
Total net position	\$ (64,769,108)	\$ (52,635,192)	\$ (12,133,916)

By far, the largest portion of the City's net position (\$29,776,780) represents resources that are subject to use restrictions from external sources.

An additional portion of the City's net position (\$27,799,625) reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings and improvements, machinery and equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

As noted earlier, increases and decreases of net position can serve as a useful indicator of changes in a government's financial position. In FY 2020, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$64.8 million. Total assets increased from the prior FY (FY 2019) by \$33,033,097, total liabilities also increased by \$46,985,130.

In the case of the City's business-type activities, assets exceeded liabilities by \$5,115,316, at the close of the most recent FY.

Statement of Net Position

	Business-type Activities		
	2020	2019	Change
Current and other assets	\$ (2,320,728)	\$ 252,609	\$ (2,573,337)
Capital assets	<u>9,989,677</u>	<u>7,984,366</u>	<u>2,005,311</u>
Total assets	<u>7,668,949</u>	<u>8,236,975</u>	<u>(568,026)</u>
<i>Long-term liabilities</i>			
Other long-term amounts	2,522,333	2,961,948	(439,615)
Other liabilities	<u>31,300</u>	<u>55,821</u>	<u>(24,521)</u>
Total liabilities	<u>2,553,633</u>	<u>3,017,769</u>	<u>(464,136)</u>
Net position:			
Net investment in capital assets	7,467,344	5,022,418	2,444,926
Unrestricted	<u>(2,352,028)</u>	<u>196,788</u>	<u>(2,548,816)</u>
Total net position	<u>\$ 5,115,316</u>	<u>\$ 5,219,206</u>	<u>\$ (103,890)</u>

Commissioner's Ordinance O-07-18 created the Covington Motor Vehicle Parking Authority (Parking Authority). The Parking Authority has the powers of acquisition, incurring of debt, creation and operation of public street and off-street parking facilities. As of June 30, 2020, Parking Authority had \$9,989,677 in parking related assets, which comprised mostly of surface lots and parking garages. As of June 30, 2020, CMVPA had \$2,522,333 in parking related long-term debt.

Statement of Activities

	Governmental Activities		
	2020	2019	Change
Program revenues:			
Charges for services	\$ 5,772,848	\$ 6,007,124	\$ (234,276)
Operating grants and contributions	11,553,487	10,876,303	677,184
Capital grants and contributions	<u>3,513,632</u>	<u>1,516,820</u>	<u>1,996,812</u>
Total program revenues	<u>20,839,967</u>	<u>18,400,247</u>	<u>2,439,720</u>
General revenues:			
Taxes	49,211,286	48,258,953	952,333
Investment earnings	543,726	750,298	(206,572)
Miscellaneous	1,071,293	1,018,066	53,227
Gain on sale of assets	<u>22,029</u>	<u>-</u>	<u>22,029</u>
Total general revenues	<u>50,848,334</u>	<u>50,027,317</u>	<u>821,017</u>
Total revenues	<u>71,688,301</u>	<u>68,427,564</u>	<u>3,260,737</u>
Expenses:			
General government	9,443,391	7,243,552	2,199,839
Police	23,704,389	21,111,281	2,593,108
Fire	25,325,490	21,221,513	4,103,977
Public improvements	12,709,620	11,206,541	1,503,079
Community development	11,168,156	10,806,389	361,767
Interest on long-term debt	<u>1,471,171</u>	<u>1,510,745</u>	<u>(39,574)</u>
Total expenses	<u>83,822,217</u>	<u>73,100,021</u>	<u>10,722,196</u>
Total transfers (out)	<u>-</u>	<u>(5,044,357)</u>	<u>5,044,357</u>
Change in net position	(12,133,916)	(9,716,814)	(2,417,102)
Net position beginning of year, as restated	<u>(52,635,192)</u>	<u>(42,918,378)</u>	<u>(9,716,814)</u>
Net position, end of year	<u>\$ (64,769,108)</u>	<u>\$ (52,635,192)</u>	<u>\$ (12,133,916)</u>

In FY 2020, government-wide revenues increased compared to FY 2019 by \$3,260,737 and government-wide expenses increased by \$10,722,196.

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

- Program revenues increased in FY 2020 compared to FY 2019 due to:
 - An increase in operating grants and contributions
 - An increase in capital grants and contributions

- General revenues were higher in FY 2020 than FY 2019 primarily due to
 - An increase in taxes collected of \$952,333
 - An increase in miscellaneous revenue of \$53,227

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

- Police and Fire expenditures were higher in FY 2020 than FY 2019 primarily due to:
 - Recognition of expenditures related to the City's proportionate share of the County Employees' Retirement System (CERS) pension and Postemployment Benefits Other Than Pensions (OPEB) expenses
- General government expenditures were higher in FY 2020 than FY 2019 due primarily to:
 - Recognition of expenditures related to the City's proportionate share of the CERS pension and OPEB expenses

Statement of Activities

	Business-type Activities		
	2020	2019	Change
Program revenues:			
Charges for services	\$ 1,443,009	\$ 1,679,612	\$ (236,603)
Total program revenues	<u>1,443,009</u>	<u>1,679,612</u>	<u>(236,603)</u>
Expenses:			
Parking authority	<u>1,546,899</u>	<u>1,504,763</u>	<u>42,136</u>
Total expenses	<u>1,546,899</u>	<u>1,504,763</u>	<u>42,136</u>
Total transfers in	<u>-</u>	<u>5,044,357</u>	<u>(5,044,357)</u>
Change in net position	(103,890)	5,219,206	(5,323,096)
Net position, beginning of year	<u>5,219,206</u>	<u>-</u>	<u>5,219,206</u>
Net position, end of year	<u>\$ 5,115,316</u>	<u>\$ 5,219,206</u>	<u>\$ (103,890)</u>

In FY 2020, the Parking Authority's total revenue from parking related activities were \$1,433,009 while expenses totaled \$1,546,899. The majority of expenses, approximately \$895,151 were directly related to the management contract with ABM Parking, for the day-to-day management of the parking facilities.

Financial Analysis of the Government's Funds

Governmental Funds

As of June 30, 2020, the City's governmental funds reported combined fund balances of \$51,310,667, an increase of \$24,875,088 from the prior FY. The majority of this increase in the major funds occurred in the IRS Site Construction Fund, which was a new fund in FY 2020 and recorded a fund balance increase of approximately \$25.4 million, primarily related to issuance of debt.

Approximately 8% of the \$51,310,667 (\$4,210,899) constitute unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is non-spendable, restricted, committed, or assigned. Non-spendable fund balance of \$2,665,627 cannot be spent either because it is in non-spendable form or because there are legal or contractual reasons. Restricted funds, \$29,776,780, are amounts that can be spent only for specific purposes e.g. (1) for approved Capital Improvement projects, (2) or restricted by state or federal laws, or (3) restricted by externally imposed conditions by grantors or creditors.

Committed funds, \$5,257,361, are amounts that can be used only for specific purposes as determined by formal action of the City Commission by Ordinance or Order. Assigned funds, \$9,400,000, are amounts designated by City Commission for a particular purpose but are not spendable until a Budget Ordinance is passed or there is a majority vote approval. Funds within the Committed and Assigned categories include deposits in accounts per the City's General Fund Operating Reserve Fund (GFORF) Ordinance, O-05-19. The City's GFORF Ordinance was created to establish and prioritize fiscal stability, sustainability, and growth. The Ordinance specifically authorizes a process for ensuring that the City's legal and financial obligations are met by specifying deposit accounts such as the (1) GFORF - used to meet the general operating expenses of the City including payroll, benefits and other operating expenses when the City experiences a downturn, (2) the Self-insured Liability Fund – used to manage the City's risk exposure for general liability claims against the City, and (3) the Self-insured Employee Health Plan Fund – used to provide for reliable funding of the City's Self-Insured Employees Health Plan.

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

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

CITY OF COVINGTON, KENTUCKY

Balance Sheet

Governmental Funds

June 30, 2020

	General	Neighborhood Stabilization Program	Capital Improvement	IRS Site Construction	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 9,215,554	\$ -	\$ -	\$ 9,050,000	\$ 2,986,424	\$ 21,251,978
Cash held in escrow	436,618	-	-	-	-	436,618
Investments	25,683,645	-	-	-	-	25,683,645
Receivables (net of allowance for doubtful accounts):						
Taxes	7,988,736	-	-	-	-	7,988,736
Intergovernmental	963,595	-	-	-	2,455,473	3,419,068
Notes	3,358,343	2,372,177	67,741	-	750,167	6,548,428
Accounts	94,187	-	-	-	817,031	911,218
Due from other funds	2,498,157	-	2,005,898	16,400,106	4,967,917	25,872,078
Due from fiduciary funds	550,973	-	-	-	-	550,973
Prepaid items	119,798	-	-	-	2,130	121,928
Advances to other funds	2,543,699	-	-	-	-	2,543,699
Total assets	<u>\$ 53,453,305</u>	<u>\$ 2,372,177</u>	<u>\$ 2,073,639</u>	<u>\$ 25,450,106</u>	<u>\$ 11,979,142</u>	<u>\$ 95,328,369</u>
Liabilities:						
Accounts payable	\$ 882,840	\$ -	\$ 98,407	\$ 51,803	\$ 1,361,860	\$ 2,394,910
Accrued liabilities	2,632,676	-	-	-	107,251	2,739,927
Due to other funds	25,027,598	-	-	-	2,472,627	27,500,225
Unearned revenue	1,634	-	-	106	1,289,536	1,291,276
Total liabilities	<u>28,544,748</u>	<u>-</u>	<u>98,407</u>	<u>51,909</u>	<u>5,231,274</u>	<u>33,926,338</u>
Deferred Inflow of Resources:						
Unavailable revenue	<u>5,175,289</u>	<u>2,372,177</u>	<u>67,741</u>	<u>-</u>	<u>2,476,157</u>	<u>10,091,364</u>
Fund balances:						
Nonspendable	2,663,497	-	-	-	2,130	2,665,627
Restricted	469,574	-	1,907,491	25,398,197	2,001,518	29,776,780
Committed	-	-	-	-	5,257,361	5,257,361
Assigned	9,400,000	-	-	-	-	9,400,000
Unassigned	<u>7,200,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,989,298)</u>	<u>4,210,899</u>
Total fund balances	<u>19,733,268</u>	<u>-</u>	<u>1,907,491</u>	<u>25,398,197</u>	<u>4,271,711</u>	<u>51,310,667</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 53,453,305</u>	<u>\$ 2,372,177</u>	<u>\$ 2,073,639</u>	<u>\$ 25,450,106</u>	<u>\$ 11,979,142</u>	<u>\$ 95,328,369</u>

The City also recognized a decrease in payroll tax revenue of 1.18% compared to FY 2019. The City's FY 2020 adopted budget did not reduce staff or departmental expenditures. The City's General Fund FY 2020 carry-over is \$2,396,819 resulting in a General Fund balance at year-end, of \$19,733,268. A significant driver to this year's carry-over includes an increase in General Fund revenues and tighter controls on expenditures.

CITY OF COVINGTON, KENTUCKY

Statement of Revenues, Expenditures and Changes

in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2020

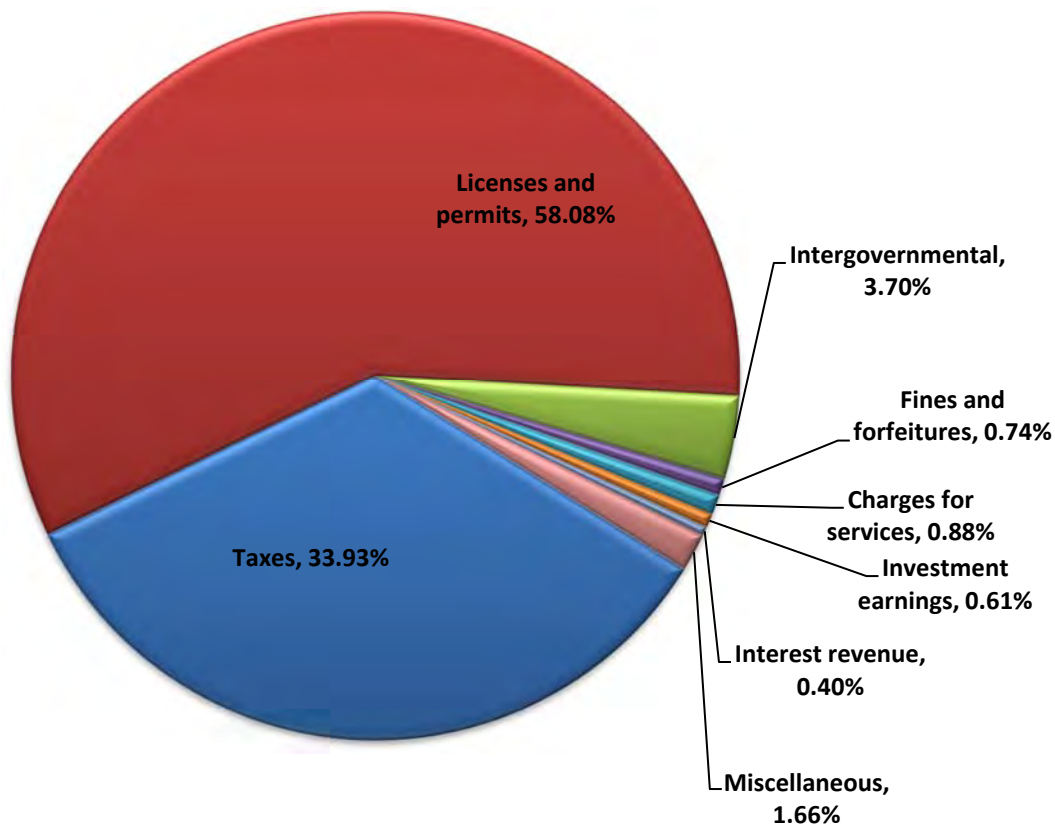
	General	Neighborhood Stabilization Program	Capital Improvement	IRS Site Construction	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 18,175,073	\$ -	\$ -	\$ -	\$ -	\$ 18,175,073
Licenses and permits	31,108,770	-	-	-	-	31,108,770
Intergovernmental	1,981,778	-	-	-	11,914,348	13,896,126
Fines and forfeitures	397,934	-	-	-	-	397,934
Charges for services	470,783	-	-	-	3,922,666	4,393,449
Investment earnings	326,806	-	-	-	168	326,974
Interest revenue	216,752	-	-	-	-	216,752
Miscellaneous	886,593	-	16,682	-	1,055,981	1,959,256
Total revenues	<u>53,564,489</u>	<u>-</u>	<u>16,682</u>	<u>-</u>	<u>16,893,163</u>	<u>70,474,334</u>
Expenditures:						
Current:						
General government	5,879,980	-	-	-	144,405	6,024,385
Police	15,331,648	-	-	-	752,942	16,084,590
Fire	15,886,066	-	-	-	659,959	16,546,025
Public improvements	7,273,936	-	-	-	2,446,022	9,719,958
Community development	2,413,736	-	-	41,803	8,153,641	10,609,180
Debt service:						
Principal	3,048,953	-	-	-	451,058	3,500,011
Interest	1,381,320	-	-	-	62,635	1,443,955
Capital outlay	354,924	-	665,130	2,060,000	7,186,649	10,266,703
Total expenditures	<u>51,570,563</u>	<u>-</u>	<u>665,130</u>	<u>2,101,803</u>	<u>19,857,311</u>	<u>74,194,807</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,993,926</u>	<u>-</u>	<u>(648,448)</u>	<u>(2,101,803)</u>	<u>(2,964,148)</u>	<u>(3,720,473)</u>
Other financing sources (uses):						
Transfers in	4,474,240	-	-	-	2,746,908	7,221,148
Transfers out	(4,281,908)	-	-	(2,500,000)	(2,084,240)	(8,866,148)
Lease/note proceeds	-	-	-	30,000,000	30,000	30,030,000
Sale of assets	210,561	-	-	-	-	210,561
Total other financing sources (uses)	<u>402,893</u>	<u>-</u>	<u>-</u>	<u>27,500,000</u>	<u>692,668</u>	<u>28,595,561</u>
Net change in fund balances	2,396,819	-	(648,448)	25,398,197	(2,271,480)	24,875,088
Fund balance, beginning of year	17,336,449	-	2,555,939	-	6,543,191	26,435,579
Fund balance, end of year	<u>\$ 19,733,268</u>	<u>\$ -</u>	<u>\$ 1,907,491</u>	<u>\$ 25,398,197</u>	<u>\$ 4,271,711</u>	<u>\$ 51,310,667</u>

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

General Fund Revenues for the FY Ended June 30,

	2020	Percent of Total	2019	Percent Change
Taxes	\$ 18,175,073	33.93%	\$ 17,735,156	2.48%
Licenses and permits	31,108,770	58.08%	30,955,990	0.49%
Intergovernmental	1,981,778	3.70%	1,749,362	13.29%
Fines and forfeitures	397,934	0.74%	337,821	17.79%
Charges for services	470,783	0.88%	452,997	3.93%
Investment earnings	326,806	0.61%	570,802	-42.75%
Interest revenue	216,752	0.40%	178,867	21.18%
Miscellaneous	886,593	1.66%	919,765	-3.61%
Total Revenues	<u>\$ 53,564,489</u>	<u>100.00%</u>	<u>\$ 52,900,760</u>	<u>1.25%</u>

2020 General Fund Revenues



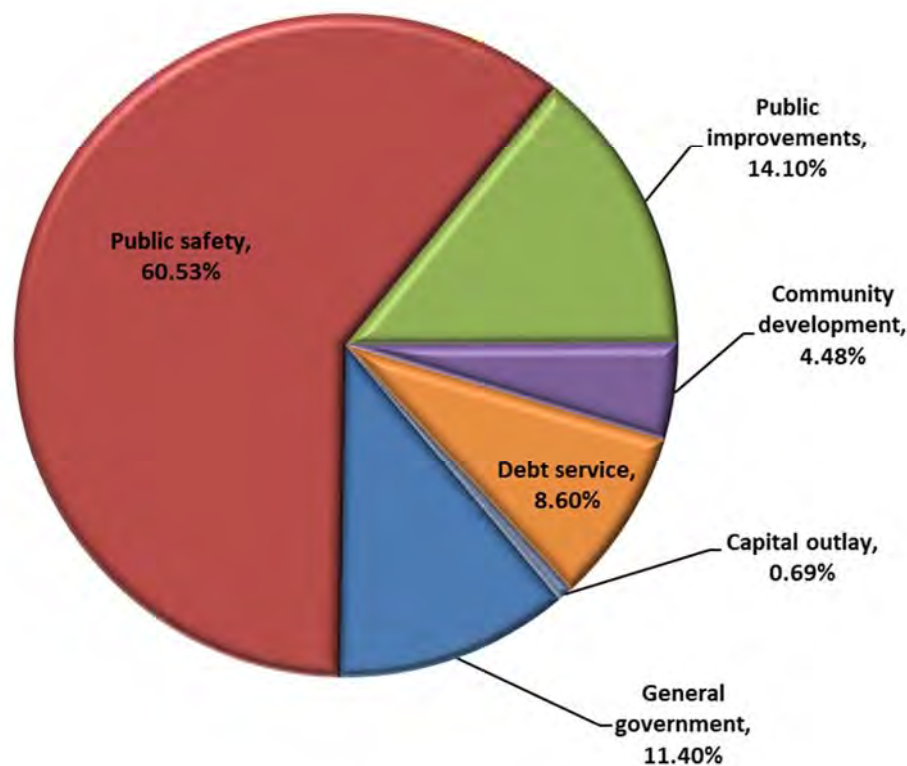
Total General Fund revenues increased by \$633,729, or 1.25% year over year. Taxes, which include Real Estate Taxes, Personal Property Taxes, and Insurance Premium Fees increased by \$439,917, or 2.48% compared to the previous FY. The increase in Taxes was due primarily to enhanced collection efforts. Licenses and Permits increased by \$152,780 or 0.49%.

General Fund Expenditures for the FY Ended June 30,

	2020	Percent of Total	2019	Percent Change
General government	\$ 5,879,980	11.40%	\$ 5,733,868	2.55%
Public safety	31,217,714	60.53%	29,158,531	7.06%
Public improvements	7,273,936	14.10%	6,867,090	5.92%
Community development	2,413,736	4.68%	2,208,291	9.30%
Debt service	4,430,273	8.60%	4,708,950	-5.92%
Capital outlay	354,924	0.69%	479,252	-25.94%
Total Expenditures	<u>\$ 51,570,563</u>	<u>100.00%</u>	<u>\$ 49,155,982</u>	<u>4.91%</u>

General Fund expenditures increased by \$2,414,581, or 4.91% compared to FY 2019. The increase is primarily attributable to increases in community development, public safety and public improvements expenditures.

2020 General Fund Expenditures



Proprietary Funds

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

Capital Assets and Debt Administration

Capital Assets: The City's investment in capital assets as of June 30, 2020 amounts to \$75,131,017 (*net of accumulated depreciation*), an increase of \$5,380,340 from the prior FY. This investment includes land and improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. The total increase in capital assets for the current FY was 7.71% over the prior FY.

Capital Assets at June 30, (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 10,421,526	\$ 13,017,026	\$ 2,317,685	\$ 2,317,685	\$12,739,211	\$15,334,711
Land improvements	2,255,369	2,255,369	-	-	2,255,369	2,255,369
Buildings	12,340,469	12,863,164	7,231,466	4,954,608	19,571,935	17,817,772
Building improvements	1,818,504	2,182,087	440,526	712,073	2,259,030	2,894,160
Machinery and equipment	1,321,467	1,667,415	-	-	1,321,467	1,667,415
Vehicles	3,813,678	3,339,158	-	-	3,813,678	3,339,158
Infrastructure	25,750,518	23,599,758	-	-	25,750,518	23,599,758
Construction in progress	7,419,809	2,842,334	-	-	7,419,809	2,842,334
Totals	<u>\$ 65,141,340</u>	<u>\$ 61,766,311</u>	<u>\$ 9,989,677</u>	<u>\$ 7,984,366</u>	<u>\$75,131,017</u>	<u>\$69,750,677</u>

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

Long-term Debt: At the close of FY 2020, the City had outstanding notes, bonds and capital leases of \$76,287,244, backed by the full faith and credit of the City.

Outstanding Long-term Debt Obligations at June 30,

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Bonds and notes	\$ 29,137,412	\$ 31,637,646	\$ 2,522,333	\$ 2,961,948	31,659,745	\$34,599,594
Capital Leases	44,627,499	15,609,808	-	-	44,627,499	15,609,808
Total	<u>\$ 73,764,911</u>	<u>\$ 47,247,454</u>	<u>\$ 2,522,333</u>	<u>\$ 2,961,948</u>	<u>\$76,287,244</u>	<u>\$50,209,402</u>

The City issues and incurs debt in order to fund capital improvement projects, purchase capital equipment and facilities, and to support economic development. The City's outstanding debt increased by \$26,077,842, or 51.94%, over the prior FY. The increase was due to the City issuing new debt for the purchase of the IRS site. Additional information on the City's long-term debt can be found in Note 7.

Economic Factors and Next Year's Budget

The FY 2021 Budget was developed and adopted by the Board of Commissioners as a structurally balanced budget per Kentucky Revised Statute, KRS 83A.150(7)(c) and the State's Constitution.

FY 2021 Goals included:

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

FY 2021 Assumptions included:

- Utilizing \$1.7 million of Unassigned General Fund reserves to balance the FY 2021 budget due to the COVID-19 pandemic
- City was confident that the effect of the COVID-19 would not have a dramatic impact on revenues
- "Status quo" base budget
- Grow the City's "rainy day" Fund
- Fiscally conservative budget forecast
- TIF District committed \$1,650,000 to assist in infrastructure projects
- Planned 2.5% wage increase for all union and non-union employees
- Invest \$1.9 million in transportation equipment for Police, Fire, and Public Works Departments
- No tax increases
- No increases in the City's employer contribution rate for pension contributions

The City was able to successfully develop a FY 2021 budget based upon the above goals and assumptions. The City also approved over \$58.9 million in additional spending for infrastructure improvements and equipment purchases out of capital funding sources.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF COVINGTON, KENTUCKY

Statement of Net Position

June 30, 2020

		Primary Government		Component Unit
	Governmental Activities	Business-type Activities	Total	Devou Properties, Inc.
Assets				
Cash and cash equivalents	\$ 21,251,978	\$ 161,130	\$ 21,413,108	\$ 2,733,330
Cash held in escrow	436,618	-	436,618	-
Investments	25,683,645	-	25,683,645	-
Receivables (net of allowance for doubtful accounts)				
Taxes	7,988,736	-	7,988,736	-
Intergovernmental	3,419,068	-	3,419,068	-
Notes	6,548,428	-	6,548,428	-
Accounts	911,218	46,074	957,292	103,003
Due from fiduciary activities	622,292	-	622,292	-
Inventory	-	-	-	30,738
Prepaid expenses	121,928	-	121,928	16,732
Internal balances	(15,767)	15,767	-	-
Advances to (from)	2,543,699	(2,543,699)	-	-
Nondepreciable capital assets	20,096,704	2,317,685	22,414,389	-
Depreciable capital assets, net	45,044,636	7,671,992	52,716,628	215,166
<i>Total assets</i>	<u>134,653,183</u>	<u>7,668,949</u>	<u>142,322,132</u>	<u>3,098,969</u>
Deferred Outflows of Resources				
Deferred outflows - pensions	23,221,064	-	23,221,064	-
Deferred outflows - OPEB	10,884,137	-	10,884,137	-
<i>Total deferred outflows of resources</i>	<u>34,105,201</u>	<u>-</u>	<u>34,105,201</u>	<u>-</u>
Liabilities				
Accounts payable	2,652,755	28,874	2,681,629	41,748
Accrued liabilities	2,739,927	-	2,739,927	304,435
Claims payable	1,500,000	-	1,500,000	-
Accrued interest payable	266,939	2,426	269,365	-
Due to fiduciary activities	71,319	-	71,319	-
Unearned revenue	3,663,453	-	3,663,453	52,433
Noncurrent liabilities:				
Due within one year	5,177,733	442,692	5,620,425	20,320
Due in more than one year:				
Net pension liability	109,476,630	-	109,476,630	-
Net OPEB liability	26,677,481	-	26,677,481	-
Claims payable	1,100,000	-	1,100,000	-
Other	70,538,489	2,079,641	72,618,130	30,588
<i>Total liabilities</i>	<u>223,864,726</u>	<u>2,553,633</u>	<u>226,418,359</u>	<u>449,524</u>
Deferred Inflows of Resources				
Deferred inflows - pensions	2,383,476	-	2,383,476	-
Deferred inflows - OPEB	7,279,290	-	7,279,290	-
<i>Total deferred inflows of resources</i>	<u>9,662,766</u>	<u>-</u>	<u>9,662,766</u>	<u>-</u>
Net Position				
Net investment in capital assets	27,799,625	7,467,344	35,266,969	215,166
Restricted for:				
Capital improvements	27,305,688	-	27,305,688	-
Debt service	469,574	-	469,574	-
HUD programs	1,047,342	-	1,047,342	-
Other purposes	954,176	-	954,176	-
Unrestricted (deficit)	(122,345,513)	(2,352,028)	(124,697,541)	2,434,279
<i>Total net position</i>	<u>\$ (64,769,108)</u>	<u>\$ 5,115,316</u>	<u>\$ (59,653,792)</u>	<u>\$ 2,649,445</u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY

Statement of Activities

Fiscal Year Ended June 30, 2020

					Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
					Governmental	Business-type		Devou
					Activities	Activities	Total	Properties, Inc.
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions					
Functions/Programs								
Primary Government								
Governmental activities:								
General government	\$ 9,443,391	\$ 763,145	\$ 148,771	\$ -	\$ (8,531,475)	\$ -	\$ (8,531,475)	\$ -
Police	23,704,389	60,000	2,164,964	-	(21,479,425)	-	(21,479,425)	-
Fire	25,325,490	1,284,170	431,202	-	(23,610,118)	-	(23,610,118)	-
Public improvements	12,709,620	2,183,962	858,183	3,513,632	(6,153,843)	-	(6,153,843)	-
Community development	11,168,156	1,481,571	7,950,367	-	(1,736,218)	-	(1,736,218)	-
Interest on long-term debt	1,471,171	-	-	-	(1,471,171)	-	(1,471,171)	-
Total governmental activities	83,822,217	5,772,848	11,553,487	3,513,632	(62,982,250)	-	(62,982,250)	-
Business-type activities:								
Parking Authority	1,546,899	1,443,009	-	-	-	(103,890)	(103,890)	-
Component Unit								
Devou Properties, Inc.	2,313,416	2,431,466	-	-	-	-	-	(27,232)
Total	\$ 87,682,532	\$ 9,647,323	\$ 11,553,487	\$ 3,513,632	(62,982,250)	(103,890)	(63,086,140)	(27,232)
General Revenues:								
Taxes:								
Real property taxes					7,158,077	-	7,158,077	-
Personal property taxes					819,557	-	819,557	-
Public service taxes					2,280,841	-	2,280,841	-
Taxes, levied for bank deposits					86,840	-	86,840	-
Insurance premium taxes					8,066,151	-	8,066,151	-
Payroll taxes					26,719,778	-	26,719,778	-
Net profit taxes					4,080,042	-	4,080,042	-
Investment earnings					543,726	-	543,726	-
Miscellaneous					1,071,293	-	1,071,293	-
Gain on sale of assets					22,029	-	22,029	-
Total general revenues					50,848,334	-	50,848,334	-
Change in net position					(12,133,916)	(103,890)	(12,237,806)	(27,232)
Net position beginning of year, as restated					(52,635,192)	5,219,206	(47,415,986)	2,676,677
Net position end of year					\$ (64,769,108)	\$ 5,115,316	\$ (59,653,792)	\$ 2,649,445

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

CITY OF COVINGTON, KENTUCKY

Balance Sheet
Governmental Funds
June 30, 2020

	General	Neighborhood Stabilization Program	Capital Improvement	IRS Site Construction	Nonmajor Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 9,215,554	\$ -	\$ -	\$ 9,050,000	\$ 2,986,424	\$ 21,251,978
Cash held in escrow	436,618	-	-	-	-	436,618
Investments	25,683,645	-	-	-	-	25,683,645
Receivables (net of allowance for doubtful accounts):						
Taxes	7,988,736	-	-	-	-	7,988,736
Intergovernmental	963,595	-	-	-	2,455,473	3,419,068
Notes	3,358,343	2,372,177	67,741	-	750,167	6,548,428
Accounts	94,187	-	-	-	817,031	911,218
Due from other funds	2,498,157	-	2,005,898	16,400,106	4,967,917	25,872,078
Due from fiduciary funds	550,973	-	-	-	-	550,973
Prepaid items	119,798	-	-	-	2,130	121,928
Advances to other funds	2,543,699	-	-	-	-	2,543,699
Total assets	<u>\$ 53,453,305</u>	<u>\$ 2,372,177</u>	<u>\$ 2,073,639</u>	<u>\$ 25,450,106</u>	<u>\$ 11,979,142</u>	<u>\$ 95,328,369</u>
Liabilities:						
Accounts payable	\$ 882,840	\$ -	\$ 98,407	\$ 51,803	\$ 1,361,860	\$ 2,394,910
Accrued liabilities	2,632,675	-	-	-	107,251	2,739,926
Due to other funds	25,027,599	-	-	-	2,472,627	27,500,226
Unearned revenue	1,634	-	-	106	1,289,536	1,291,276
Total liabilities	<u>28,544,748</u>	<u>-</u>	<u>98,407</u>	<u>51,909</u>	<u>5,231,274</u>	<u>33,926,338</u>
Deferred Inflow of Resources:						
Unavailable revenue	5,175,289	2,372,177	67,741	-	2,476,157	10,091,364
Fund balance:						
Nonspendable	2,663,497	-	-	-	2,130	2,665,627
Restricted	469,574	-	1,907,491	25,398,197	2,001,518	29,776,780
Committed	-	-	-	-	5,257,361	5,257,361
Assigned	9,400,000	-	-	-	-	9,400,000
Unassigned	7,200,197	-	-	-	(2,989,298)	4,210,899
Total fund balance	<u>19,733,268</u>	<u>-</u>	<u>1,907,491</u>	<u>25,398,197</u>	<u>4,271,711</u>	<u>51,310,667</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 53,453,305</u>	<u>\$ 2,372,177</u>	<u>\$ 2,073,639</u>	<u>\$ 25,450,106</u>	<u>\$ 11,979,142</u>	<u>\$ 95,328,369</u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

Total fund balances - governmental funds		\$ 51,310,667
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		65,141,340
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		7,719,187
Other long-term retainage payable on construction contracts are not payable from current financial resources and, therefore, are not payable in the funds.		(109,585)
Internal service funds are used by management to charge the cost of certain activities, such as liability and medical insurance, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		(1,135,880)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds payable	\$ 28,962,667	
Capital lease payable	44,627,499	
Accrued interest payable	266,939	
Unamortized premiums	174,745	
Compensated absences	<u>1,951,311</u>	
Total		(75,983,161)
The net pension and OPEB liabilities are not due and payable in the current period, therefore, the liabilities and related deferred outflows and inflows of resources are not reported in the governmental funds:		
Deferred outflows - pensions and OPEB	\$ (34,105,201)	
Deferred inflows - pensions and OPEB	9,662,766	
Net pension and OPEB liability	<u>136,154,111</u>	
Total		<u>(111,711,676)</u>
Net position of governmental activities		<u>\$ (64,769,108)</u>

CITY OF COVINGTON, KENTUCKY

Statement of Revenues, Expenditures and Changes
in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2020

	General	Neighborhood Stabilization Program	Capital Improvement	IRS Site Construction	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 18,175,073	\$ -	\$ -	\$ -	\$ -	\$ 18,175,073
Licenses and permits	31,108,770	-	-	-	-	31,108,770
Intergovernmental	1,981,778	-	-	-	11,914,348	13,896,126
Fines and forfeitures	397,934	-	-	-	-	397,934
Charges for services	470,783	-	-	-	3,922,666	4,393,449
Investment earnings	326,806	-	-	-	168	326,974
Interest revenue	216,752	-	-	-	-	216,752
Miscellaneous	886,593	-	16,682	-	1,055,981	1,959,256
Total revenues	<u>53,564,489</u>	<u>-</u>	<u>16,682</u>	<u>-</u>	<u>16,893,163</u>	<u>70,474,334</u>
Expenditures:						
Current:						
General government	5,879,980	-	-	-	144,405	6,024,385
Police	15,331,648	-	-	-	752,942	16,084,590
Fire	15,886,066	-	-	-	659,959	16,546,025
Public improvements	7,273,936	-	-	-	2,446,022	9,719,958
Community development	2,413,736	-	-	41,803	8,153,641	10,609,180
Debt service:						
Principal	3,048,953	-	-	-	451,058	3,500,011
Interest	1,381,320	-	-	-	62,635	1,443,955
Capital outlay	354,924	-	665,130	2,060,000	7,186,649	10,266,703
Total expenditures	<u>51,570,563</u>	<u>-</u>	<u>665,130</u>	<u>2,101,803</u>	<u>19,857,311</u>	<u>74,194,807</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,993,926</u>	<u>-</u>	<u>(648,448)</u>	<u>(2,101,803)</u>	<u>(2,964,148)</u>	<u>(3,720,473)</u>
Other financing sources (uses):						
Transfers in	4,474,240	-	-	-	2,746,908	7,221,148
Transfers out	(4,281,908)	-	-	(2,500,000)	(2,084,240)	(8,866,148)
Lease/note proceeds	-	-	-	30,000,000	30,000	30,030,000
Sale of assets	210,561	-	-	-	-	210,561
Total other financing sources (uses)	<u>402,893</u>	<u>-</u>	<u>-</u>	<u>27,500,000</u>	<u>692,668</u>	<u>28,595,561</u>
Net change in fund balances	2,396,819	-	(648,448)	25,398,197	(2,271,480)	24,875,088
Fund balance, beginning of year	17,336,449	-	2,555,939	-	6,543,191	26,435,579
Fund balance, end of year	<u>\$ 19,733,268</u>	<u>\$ -</u>	<u>\$ 1,907,491</u>	<u>\$ 25,398,197</u>	<u>\$ 4,271,711</u>	<u>\$ 51,310,667</u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Fiscal Year Ended June 30, 2020

Net change in fund balances - total governmental funds **\$ 24,875,088**

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

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

Capital additions	10,266,703
Depreciation expense	(4,332,653)

Net book value of disposed capital assets is reported as a loss in the statement of activities. (999)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the governmental funds. 1,063,365

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated absences	(191,196)
Interest on long-term debt	(40,151)
Amortization of Premiums	12,531

Repayment of bonds, notes and lease principal is an expenditure in the governmental funds, whereas the payments reduce long-term liabilities in the statement of net position. 3,500,011

Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (364,751)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. 8,703,955

Governmental funds report issuances of notes receivable as an expenditure but they are recorded as notes receivable on the statement of net position 203,560

Except for amounts reported as deferred outflows or inflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities. (25,799,379)

Net proceeds issued on lease obligations outstanding is an other financing source in the governmental funds but increases long-term liabilities in the statement of net position. (30,030,000)

Change in net position of governmental activities **\$ (12,133,916)**

CITY OF COVINGTON, KENTUCKY

Statement of Net Position

Proprietary Funds

June 30, 2020

	Business-type Activities <u>Parking Authority</u>	Governmental Activities <u>Internal Service Funds</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 161,130	\$ -
Accounts receivable	46,074	-
Due from other funds	<u>15,767</u>	<u>1,612,381</u>
Total current assets	222,971	1,612,381
Nondepreciable capital assets	2,317,685	-
Depreciable capital assets, net	<u>7,671,992</u>	<u>-</u>
Total assets	<u>\$ 10,212,648</u>	<u>\$ 1,612,381</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 28,874	\$ 148,261
Accrued interest payable	2,426	-
Claims payable	-	1,500,000
Bonds payable, current	<u>442,692</u>	<u>-</u>
Total current liabilities	473,992	1,648,261
Noncurrent Liabilities		
Advances from other funds	2,543,699	-
Bonds payable, noncurrent	2,079,641	-
Claims payable	<u>-</u>	<u>1,100,000</u>
Total noncurrent liabilities	4,623,340	1,100,000
Total liabilities	<u>5,097,332</u>	<u>2,748,261</u>
Net Position		
Net investment in capital assets	7,467,344	-
Unrestricted	<u>(2,352,028)</u>	<u>(1,135,880)</u>
Total net position	<u>\$ 5,115,316</u>	<u>\$ (1,135,880)</u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY

Statement of Revenues, Expenses

and Changes in Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2020

	Business-type Activities <u>Parking Authority</u>	Governmental Activities <u>Internal Service Funds</u>
<i>Operating revenues:</i>		
Insurance premiums	\$ -	\$ 4,668,340
Parking revenue	1,443,009	-
Other	-	12,843
Total operating revenues	<u>1,443,009</u>	<u>4,681,183</u>
<i>Operating expenses:</i>		
Contractual services	-	1,020,515
Claims and judgments	-	5,670,419
Parking expenses	<u>1,442,674</u>	-
Total operating expenses	<u>1,442,674</u>	<u>6,690,934</u>
Operating income (loss)	335	(2,009,751)
<i>Non-operating expenses:</i>		
Interest expense	104,225	-
Transfers in (out)	<u>-</u>	<u>1,645,000</u>
Change in net position	(103,890)	(364,751)
Net position, beginning of year	<u>5,219,206</u>	<u>(771,129)</u>
Net position, end of year	<u>\$ 5,115,316</u>	<u>\$ (1,135,880)</u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY

Statement of Cash Flows

Proprietary Funds

Fiscal Year Ended June 30, 2020

	Business-type Activities <u>Parking Authority</u>	Governmental Activities <u>Internal Service Funds</u>
<i>Cash flows from operating activities:</i>		
Cash received from customers	\$ 1,445,980	\$ -
Cash received from (paid to) other funds	187,797	4,928,463
Cash received from other income	-	12,843
Cash paid to suppliers	(971,887)	-
Cash payments for claims	-	(6,586,306)
Net cash provided (used) by operating activities	<u>661,890</u>	<u>(1,645,000)</u>
<i>Cash flows from noncapital financing activities:</i>		
Transfers	-	1,645,000
Net cash provided by noncapital financing activities	<u>-</u>	<u>1,645,000</u>
<i>Cash flows from capital and related financing activities:</i>		
Advances from other funds	2,500,000	-
Purchase of capital assets	(2,500,000)	-
Principal paid on debt	(439,615)	-
Interest paid on debt	(61,145)	-
Net cash (used) by capital and related financing activities	<u>(500,760)</u>	<u>-</u>
Net change	161,130	-
Cash and cash equivalents, beginning of year	-	-
Cash and cash equivalents, end of year	<u>\$ 161,130</u>	<u>\$ -</u>
Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating income (loss)	\$ 335	\$ (2,009,751)
Adjustments to reconcile operating loss to net cash (used by) operating activities:		
Depreciation expense	494,689	-
Changes in assets and liabilities:		
Accounts receivable	2,971	-
Due from/to other funds	187,797	260,123
Accounts payable	(23,902)	104,628
Net cash provided (used) by operating activities	<u>\$ 661,890</u>	<u>\$ (1,645,000)</u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Combined Pension Trusts	Agency
Assets		
Cash and cash equivalents	\$ 43,723	\$ -
Bond mutual funds	1,566,918	-
Equity mutual funds	1,341,022	-
Other assets	<u>3,322,104</u>	<u>-</u>
Total assets	<u>6,273,767</u>	<u>-</u>
Liabilities		
Due to the primary government	<u>550,973</u>	<u>-</u>
	<u>550,973</u>	<u>\$ -</u>
Net Position		
Net position restricted for pensions	<u>\$ 5,722,794</u>	

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Fiscal Year Ended June 30, 2020

	<u>Combined Pension Trusts</u>
<i>Additions</i>	
Contributions:	
Employer contributions	\$ 584,000
Impounding lot	<u>5,021</u>
Total revenue	<u>589,021</u>
Investment return:	
Interest and dividends	166,236
Net appreciation in fair value of investments	<u>42,220</u>
Total net investment return	<u>208,456</u>
Total additions	<u>797,477</u>
<i>Deductions</i>	
Benefit payments	1,627,211
Administration	<u>16,965</u>
Total deductions	<u>1,644,176</u>
Change in net position	(846,699)
Net position, beginning of year	<u>6,569,493</u>
Net position, end of year	<u><u>\$5,722,794</u></u>

See accompanying notes to the basic financial statements.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

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

Financial Reporting Entity

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

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

Blended Component Units Included Within the Reporting Entity.

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

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

Discretely Presented Component Unit Included Within the Reporting Entity.

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Summary of Significant Accounting Policies - continued

As a discretely presented component unit, the financial statements of Devou Properties, Inc. are only included on the City's government-wide financial statements in a column that makes it clearly separate from the primary government. Devou Properties, Inc. operates on a calendar year-end basis; therefore, the financial statements for the year ended December 31, 2019, are included in the City's current financial statements. Audited financial statements of Devou Properties Inc. are available and may be obtained by contacting the City Manager.

Basis of Presentation Government-Wide Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Summary of Significant Accounting Policies - continued

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government that are not accounted for in the other funds.
- The Neighborhood Stabilization Program Fund accounts for U.S. Department of Housing and Urban Development funds, passed through from the State, to develop low income rental units and owner occupied homes purchased out of foreclosure.
- The Capital Improvement Fund accounts for funds provided to the City by Federal and State governments and public financing for the acquisition and/or construction of capital improvements and equipment.
- The IRS Site Construction Fund accounts for the debt issuance and proceeds used to acquire and redevelop the site of the former IRS office in Covington.

The City reports the following proprietary funds:

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

Additionally, the City reports three fiduciary funds. The two pension trust funds account for the activities of the Employees' Retirement Fund and the Police and Firemen's Retirement Fund. These funds are for the accumulation of resources for pension benefit payments to qualified retired employees (see Note 10). The agency fund is for Covington's Community Development Initiative to develop vacant and abandoned properties.

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

Cash and Cash Equivalents

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

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

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

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

Property Tax Receivable

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Summary of Significant Accounting Policies - continued

Notes Receivable

Notes receivable are comprised of housing development and small business loans financed by a combination of resources appropriated by the City and allocations from the U.S. Department of Housing and Urban Development (HUD). As of June 30, 2020, the City had housing development and small business loans outstanding of \$18,029,179 and \$1,999,544, respectively. The City has recorded an allowance of \$15,453,442 on housing development and \$1,381,853 on small business loans. Although some loans are repaid, repayment may be limited to net proceeds after payment of the first mortgage and seller closing costs and; therefore most repayments are minimal. Additionally, many loans have favorable repayments terms to encourage home ownership that include deferral and/or forgiveness if homeowners remain in the home for a specified period of time. The City has a note receivable of \$3,355,000 from 638 Madison LLC, in regards to the Hotel Covington.

Interfund Receivables/Payables

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items in both the government-wide and fund financial statements. The consumption method is used in the fund statements.

Capital Assets

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

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

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

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Summary of Significant Accounting Policies - continued

Deferred Outflows of Resources

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

Deferred Inflows of Resources

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include unavailable revenue and items related to the pension liabilities. Unavailable revenue represents receivables that will not be collected within the available period (typically sixty days after FY-end) and is only reported in the governmental fund financial statements. Deferred inflows of resources related to pension and OPEB liabilities are reported in the government-wide statement of net position.

Compensated Absences

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

Long-Term Obligations

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

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

Unearned Revenue

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Summary of Significant Accounting Policies - continued

Net Position/Fund Balance

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

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

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

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

Revenues and Expenses

Operating Revenues and Expenses

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

Interfund Transactions

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

Use of Estimates

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

Budgetary Information

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 1 - Summary of Significant Accounting Policies - continued

Pensions

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

OPEB

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

Note 2 - Stewardship, Compliance and Accountability

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

- In accordance with City ordinance, prior to June 1, the City Manager submits to the Board of Commissioners, a proposed operating budget for the FY commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- A public meeting is conducted to obtain taxpayer comment.
- Prior to June 30, the budget is legally enacted through passage of an ordinance.
- The City Manager is required by Kentucky Revised Statutes to present a quarterly report to the Mayor and Board of Commissioners explaining any variance from the approved budget.
- Appropriations continue in effect until a new budget is adopted.

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

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

Note 3 - Deposits

Cash and Cash Equivalents

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

As of June 30, 2020, approximately \$3,279,000 of the City's deposits are insured by the FDIC, and approximately \$25,036,000 of the City's deposits are collateralized with securities held by the pledging institution's trust department but not in the City's name.

Additionally, as of June 30, 2019, the City had \$436,618 in escrow balances for debt reserves and park maintenance.

As of December 31, 2019, Devou Properties, Inc. (a component unit of the City) had \$2,231,634 in cash in excess of insured limits.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 3 - Deposits - continued

Investments

General Fund

As of June 30, 2020, the City had \$25,683,645 invested in commercial paper, certificates of deposit, US Government bonds, asset backed securities, and municipal bonds. The City is invested in both negotiable and nonnegotiable certificates of deposit. The City has the ability to redeem the negotiable certificates of deposit before the scheduled maturity date. The investments held by the General Fund at June 30, 2020 are summarized as follows:

Investment Type	Fair Value*	Investment Maturities			
		Less Than 1 Year	1 to 2 Years	3 to 5 Years	Beyond 5 Years
Certificates of deposit - nonnegotiable	\$ 1,773,358	\$ 510,733	\$ 504,700	\$ 757,925	\$ -
Certificates of deposit - negotiable	1,301,241	250,243	-	1,050,998	-
Commercial paper	4,997,645	4,997,645	-	-	-
US Government bonds	5,926,711	-	-	-	5,926,711
Asset backed securities	1,232,634	-	-	1,232,634	-
Municipal Bonds	10,452,056	952,502	2,317,534	339,300	6,842,720
	<u>\$25,683,645</u>	<u>\$6,711,123</u>	<u>\$2,822,234</u>	<u>\$3,380,857</u>	<u>\$12,769,431</u>

* Nonnegotiable certificates of deposit are valued at cost

Investments are made by the City as an agent for the City Employees' Retirement Fund and the Police and Firemen's Retirement Fund. The investments held by each fund at June 30, 2020 are summarized as follows:

City Employees' Retirement Fund

Investment Type	Fair Value	Investment Maturities			
		Less Than 1 Year	1 to 2 Years	3 to 5 Years	Beyond 5 Years
Cash and cash equivalents	\$ 17,712	\$ 17,712	\$ -	\$ -	\$ -
Bond mutual funds	587,458	587,458	-	-	-
Equity mutual funds	499,226	499,226	-	-	-
Other assets	1,235,308	1,235,308	-	-	-
	<u>\$2,339,704</u>	<u>\$2,339,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 3 - Deposits - continued

Police and Firemen's Retirement Fund

Investment Type	Fair Value	Investment Maturities			
		Less Than 1 Year	1 to 2 Years	3 to 5 Years	Beyond 5 Years
Cash and cash equivalents	\$ 26,011	\$ 26,011	\$ -	\$ -	\$ -
Bond mutual funds	979,460	979,460	-	-	-
Equity mutual funds	841,796	841,796	-	-	-
Other assets	2,086,796	2,086,796	-	-	-
	<u>\$ 3,934,063</u>	<u>\$3,934,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

Custodial credit risk: Custodial credit risk is the risk that in the event of a failure of a counter party, the pension systems will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. Investments are held in the City's name and investments are made by the City as an agent for the City Employees' Retirement Fund and the Police and Firemen's Retirement Fund. The City maintains investment accounts with brokerage institutions which hold the investments registered in the City's name. As of June 30, 2020, all of the City's and pension systems' investments were virtually entirely covered by FDIC coverage, SIPC coverage or excess SIPC coverage provided by the institution, and are therefore not subject to custodial credit risk.

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 3 - Deposits - continued

The following table includes the percentage of each investment type held by the General Fund at June 30, 2020:

Investment Type	General Fund	
	Fair Value*	Percent Of Total
Certificates of deposit - nonnegotiable	\$ 1,773,358	7%
Certificates of deposit - negotiable	1,301,241	5%
Commercial paper	4,997,645	19%
US Government bonds	5,926,711	23%
Asset backed securities	1,232,634	5%
Municipal Bonds	10,452,056	41%
	<u>\$ 25,683,645</u>	<u>100%</u>

* Nonnegotiable certificates of deposit are valued at cost

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

The following table includes the percentage of each investment type held by the pension systems at June 30, 2020:

Investment Type	Police and Firemen's		City Employees'	
	Fair Value	Percent Of Total	Fair Value	Percent Of Total
Cash and cash equivalents	\$ 26,011	1%	\$ 17,712	1%
Bond mutual funds	979,460	25%	587,458	25%
Equity mutual funds	841,796	21%	499,226	21%
Other assets	2,086,796	53%	1,235,308	53%
	<u>\$ 3,934,063</u>	<u>100%</u>	<u>\$ 2,339,704</u>	<u>100%</u>

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 3 - Deposits - continued

General Fund investments' fair value measurements are as follows at June 30, 2020:

General Fund Investments	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Negotiable Certificates of Deposit	\$ 1,301,241	\$ 1,301,241	\$ -	\$ -
Commercial Paper	4,997,645	-	4,997,645	-
US Government bonds	5,926,711	-	5,926,711	-
Asset backed securities	1,232,634	-	1,232,634	-
Municipal bonds	10,452,056	-	10,452,056	-
Total Investments	\$23,910,287	\$ 1,301,241	\$ 22,609,046	\$ -

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 3 - Deposits - continued

City Employees'	Investments	Total	Fair Value Measurements Using					
			Level 1	Level 2	Level 3			
Cash and Cash Equivalents								
US Bank Account	\$	1,797	\$	1,797	\$	-	\$	-
Charles Schwab		15,915		15,915		-		-
Total Cash and Cash Equivalents		17,712		17,712		-		-
Bond Mutual Funds								
Dodge & Cox Income Fund		452,365		452,365		-		-
Franklin High Income		105,596		105,596		-		-
Eaton Vance		29,497		29,497		-		-
Total Bond Mutual Funds		587,458		587,458		-		-
Equity Mutual Funds								
Alpha Simplex MGD		29,015		29,015		-		-
Blackrock Event Driven		29,180		29,180		-		-
Boston Partners Long		28,628		28,628		-		-
Harding Loevner Inst		55,050		55,050		-		-
Johcm Intl Slct Fd		146,644		146,644		-		-
Lazard Emrg Mkts Eqty		34,618		34,618		-		-
PIMCO Rae Emerging		32,697		32,697		-		-
PIMCO Rae Intl Inst		108,503		108,503		-		-
Principal Real Estate		34,891		34,891		-		-
Total Equity Mutual Funds		499,226		499,226		-		-
Other Assets								
Ishares Core S&P 500		731,487		731,487		-		-
Ishares Core US		450,380		450,380		-		-
Ishares 20 Pls Year		53,441		53,441		-		-
Total Other Assets		1,235,308		1,235,308		-		-
Total Investments	\$	2,339,704	\$	2,339,704	\$	-	\$	-

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 3 - Deposits - continued

Police and Firemen's

d Firemen's	Investments	Total	Fair Value Measurements Using					
			Level 1	Level 2	Level 3			
Cash and Cash Equivalents								
US Bank Account	\$	282	\$	282	\$	-	\$	-
Charles Schwab		25,729		25,729		-		-
Total Cash and Cash Equivalents		26,011		26,011		-		-
Bond Mutual Funds								
Dodge & Cox Income Fund		754,490		754,490		-		-
Franklin High Income		176,108		176,108		-		-
Eaton Vance		48,862		48,862		-		-
Total Bond Mutual Funds		979,460		979,460		-		-
Equity Mutual Funds								
Alpha Simplex MGD		48,394		48,394		-		-
Blackrock Event Driven		48,672		48,672		-		-
Boston Partners Long		48,125		48,125		-		-
Harding Loevner Inst		95,803		95,803		-		-
Johcm Intl Sltc Fd		244,783		244,783		-		-
Lazard Global Listed		57,738		57,738		-		-
PIMCO Rae Emerging		53,279		53,279		-		-
PIMCO Rae Intl Inst		186,814		186,814		-		-
Principal Real Estate		58,188		58,188		-		-
Total Equity Mutual Funds		841,796		841,796		-		-
Other Assets								
Ishares Core S&P 500		1,247,122		1,247,122		-		-
Ishares Core US		750,988		750,988		-		-
Ishares 20 Pls Year		88,686		88,686		-		-
Total Other Assets		2,086,796		2,086,796		-		-
Total Investments		\$ 3,934,063	\$	3,934,063	\$	-	\$	-

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 4 - Capital Assets and Depreciation

Capital asset activity for the FY ended June 30, 2020, was as follows:

	Balance Beginning of Year	Additions	Retirements	Balance End of Year
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 13,017,026	\$ -	\$ 2,595,500	\$ 10,421,526
Land improvements	2,255,369	-	-	2,255,369
Construction in progress	2,842,334	6,222,366	1,644,891	7,419,809
Total capital assets not being depreciated	<u>18,114,729</u>	<u>6,222,366</u>	<u>4,240,391</u>	<u>20,096,704</u>
Depreciable capital assets				
Buildings	18,945,167	-	-	18,945,167
Building improvements	12,529,954	60,236	-	12,590,190
Infrastructure	133,100,524	3,477,495	-	136,578,019
Machinery and equipment	4,919,281	508,706	62,740	5,365,247
Vehicles	14,862,299	1,680,269	496,816	16,045,752
Total depreciable capital assets	<u>184,357,225</u>	<u>5,726,706</u>	<u>559,556</u>	<u>189,524,375</u>
Less accumulated depreciation				
Buildings	6,082,003	522,695	-	6,604,698
Building improvements	10,347,867	423,819	-	10,771,686
Infrastructure	109,500,766	1,326,736	-	110,827,502
Machinery and equipment	3,251,866	853,654	61,741	4,043,779
Vehicles	11,523,141	1,205,749	496,816	12,232,074
Total accumulated depreciation	<u>140,705,643</u>	<u>4,332,653</u>	<u>558,557</u>	<u>144,479,739</u>
Total depreciable capital assets, net	<u>43,651,582</u>	<u>1,394,053</u>	<u>999</u>	<u>45,044,636</u>
Governmental Activities capital assets, net	<u>\$ 61,766,311</u>	<u>\$ 7,616,419</u>	<u>\$ 4,241,390</u>	<u>\$ 65,141,340</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 606,263
Police	440,469
Fire	703,780
Public improvements	2,085,972
Community development	496,169
Total Governmental Activities depreciation expense	<u>\$ 4,332,653</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 4 - Capital Assets and Depreciation - continued

	Balance Beginning of Year	Additions	Retirements	Balance End of Year
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 2,317,685	\$ -	\$ -	\$ 2,317,685
Total capital assets not being depreciated	<u>2,317,685</u>	<u>-</u>	<u>-</u>	<u>2,317,685</u>
Depreciable capital assets				
Buildings	10,991,200	2,500,000	-	13,491,200
Building improvements	2,867,439	-	-	2,867,439
Machinery and equipment	130,152	-	-	130,152
Vehicles	8,948	-	-	8,948
Total depreciable capital assets	<u>13,997,739</u>	<u>2,500,000</u>	<u>-</u>	<u>16,497,739</u>
Less accumulated depreciation				
Buildings	6,036,592	223,142	-	6,259,734
Building improvements	2,155,366	271,547	-	2,426,913
Machinery and equipment	130,152	-	-	130,152
Vehicles	8,948	-	-	8,948
Total accumulated depreciation	<u>8,331,058</u>	<u>494,689</u>	<u>-</u>	<u>8,825,747</u>
Total depreciable capital assets, net	<u>5,666,681</u>	<u>2,005,311</u>	<u>-</u>	<u>7,671,992</u>
Business-type Activities capital assets, net	<u>\$ 7,984,366</u>	<u>\$ 2,005,311</u>	<u>\$ -</u>	<u>\$ 9,989,677</u>

Note 5 - Interfund Activity

Interfund transactions at June 30, 2020 consisted of the following due to/from other funds and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ 5,041,856	\$ 25,027,599	\$ 4,474,240	\$ 4,281,908
Capital Improvement Fund	2,005,898	-	-	-
IRS Site Construction Fund	16,400,106	-	-	2,500,000
Nonmajor Governmental Funds	4,967,917	2,472,627	2,746,908	2,084,240
Parking Authority	15,767	2,543,699	-	-
Internal Service Funds	1,612,381	-	1,645,000	-
	<u>\$ 30,043,925</u>	<u>\$ 30,043,925</u>	<u>\$ 8,866,148</u>	<u>\$ 8,866,148</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 5 - Interfund Activity - continued

Due To/From Other Funds

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

Due To Enterprise Activities/Due From Primary Government

As of June 30, 2020, the Parking Authority provided short-term loans of \$15,787 to the General Fund.

Advances From Primary Government/Due From Enterprise Activities

During the FY ended June 30, 2020, the General Fund provided a long-term advance of \$2,500,000 to the Parking Authority Fund. The advance was used by the Parking Authority to fund a payment to the developer of a parking garage for the allocation of a portion of the garage for public use. The advance to the Parking Authority bears interest at a rate of 2% per annum. As of June 30, 2020, the balance of the advance due from the Parking Authority to the General Fund, including interest, was \$2,543,699. The Parking Authority intends to repay the General Fund with parking revenues.

Interfund Transfers

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 6 - Operating Leases

Operating Lease Payable

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

During the FY ended June 30, 2019, the City entered into a lease agreement for a property as part of an economic development arrangement. The agreement calls for annual payments of \$57,225, with a 2.5% escalator over a five-year term. The City subleased the property to UpTech Accelerator for \$20,000 per year with a 2.5% escalator. The net effect of the economic development arrangement is a rent subsidy of \$186,125 over a five-year period to support economic development and the creation of an accelerator program partnership with the City. The annual net payments of \$37,225 are included in the schedule of minimum lease payments as of June 30, 2020. In July 2020, the sublease was moved from UpTech Accelerator to Northern Kentucky Foundation, dba NKY-HUB.

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

The City incurred approximately \$344,000 of expense under these lease agreements in the FY ended June 30, 2020. Minimum lease payments due under the operating leases are as follows as of June 30, 2020:

Fiscal Year Ending June 30,	
2021	\$ 292,225
2022	292,225
2023	100,975
	<u>\$ 685,425</u>

Operating Lease Receivable

In December 2017, the City amended its operating agreement with Devou Properties to include a long-term operating lease to repay the debt service, incurred by the City, for public project bonds to provide \$5,813,221 for the construction and updating of the Devou Golf and Event Center. The operating lease is to be repaid over 24 years with an interest rate that varies between 3.00% and 4.00%. The operating lease calls for annual payments of \$356,391. The annual payment of \$356,391 is reported as revenue in the General Fund for the FY ended June 30, 2020. The City will retain ownership of the facilities, equipment, and improvements. Future minimum lease payments to be received under the operating agreement are as follows as of June 30, 2020:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 178,433	\$ 177,958	\$ 356,391
2022	183,786	172,605	356,391
2023	189,300	167,091	356,391
2024	194,979	161,412	356,391
2025	200,828	155,563	356,391
2026-2030	1,107,038	674,918	1,781,956
2031-2035	1,333,863	448,092	1,781,955
2036-2040	1,575,437	206,518	1,781,955
2041	344,839	11,553	356,392
	<u>\$ 5,308,503</u>	<u>\$ 2,175,710</u>	<u>\$ 7,484,213</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 7 - Long-Term Debt

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

Governmental Activities

Capital Lease Obligations

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

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

The following is an analysis of the capital assets acquired through capital leases as of June 30, 2020:

	Capital Assets
Construction in progress	\$ 2,060,000
Buildings	8,664,929
Land	6,742,070
Infrastructure	989,002
Vehicles	4,392,333
Total cost	22,848,334
Accumulated depreciation	(6,121,679)
Net Book Value	<u>\$ 16,726,655</u>

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, 2020:

Fiscal Year Ending June 30,	
2021	\$ 1,740,311
2022	2,078,603
2023	1,994,543
2024	1,994,776
2025	1,998,090
2026-2030	34,858,143
2031-2035	4,462,638
2036-2039	2,724,999
Total minimum lease payments	51,852,103
Less amounts representing interest	7,224,604
Present value of minimum lease payments	<u>\$ 44,627,499</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 7 - Long-Term Debt - continued

Notes and Bonds

The following schedule summarizes outstanding long-term bonds and notes payable at June 30, 2020:

	<u>Purpose</u>	<u>Interest Rate</u>	<u>Mature Date June 30,</u>	<u>Issued</u>	<u>Outstanding</u>
Bonds and Notes					
KY Infrastructure Auth.	Rainwater project	2.00%	2030	\$ 1,197,390	\$ -
2014 Pension	Pension refunding	2.00-4.00%	2030	10,960,000	7,765,000
Series 2016	Refunding	1.40-3.00%	2031	9,185,000	2,482,667
Series 2014	Capital Improvements	3.00-4.00%	2034	18,635,000	15,455,000
Series 2015	Hotel Covington	3.00-4.50%	2035	4,000,000	3,230,000
HUD Section 108 Loan	Economic Development	2.45%	2030	30,000	30,000

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

Assuming no issues are called prior to maturity, the minimum obligations of the City at June 30, 2020 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,220,308	\$ 1,001,432	\$ 3,221,740
2022	2,292,205	936,346	3,228,551
2023	2,504,154	870,969	3,375,123
2024	2,233,000	793,576	3,026,576
2025	2,318,000	722,108	3,040,108
2026-2030	11,035,000	2,419,568	13,454,568
2031-2035	6,360,000	695,419	7,055,419
	<u>\$ 28,962,667</u>	<u>\$ 7,439,418</u>	<u>\$ 36,402,085</u>

Conduit Debt Obligations

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, state, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2020, there was \$113.3 million outstanding in Industrial Revenue Bonds.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 7 - General Long-Term Debt - continued

During the FY ended June 30, 2020, the following changes occurred in long-term liabilities:

Debt Issue	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Bonds and notes:					
Series 2014	\$ 16,065,000	\$ -	\$ (610,000)	\$ 15,455,000	\$ 645,000
Series 2016	3,208,052	-	(725,385)	2,482,667	732,308
2014 Pension	8,430,000	-	(665,000)	7,765,000	675,000
Series 2015	3,390,000	-	(160,000)	3,230,000	165,000
KIA Rainwater Harvest	357,318	-	(357,318)	-	-
HUD Section 108 Loan	-	30,000	-	30,000	3,000
Premium on issuance	187,276	-	(12,531)	174,745	-
Total Bonds and notes	31,637,646	30,000	(2,530,234)	29,137,412	2,220,308
Capital lease obligations:					
Infrastructure/equipment	15,609,808	30,000,000	(982,309)	44,627,499	1,006,114
Net pension liability:					
Kentucky CERS - Nonhazardous	14,588,021	3,547,739	-	18,135,760	-
Kentucky CERS - Hazardous	70,413,204	13,007,426	-	83,420,630	-
Employees' Retirement	1,240,207	679,819	(680,917)	1,239,109	-
Police & Firemen's Retirement	6,026,044	2,472,555	(909,890)	6,681,131	-
Total net pension liability	92,267,476	19,707,539	(1,590,807)	109,476,630	
Net OPEB liability:					
Kentucky CERS - Nonhazardous	4,244,161	93,231	-	4,337,392	-
Kentucky CERS - Hazardous	20,758,934	1,581,155	-	22,340,089	-
Total net OPEB liability	25,003,095	1,674,386	-	26,677,481	-
Claims payable	1,100,000	-	-	1,100,000	-
Compensated absences	1,760,115	1,951,311	(1,760,115)	1,951,311	1,951,311
Total Long-Term Liabilities	<u>\$ 167,378,140</u>	<u>\$ 53,363,236</u>	<u>\$ (6,863,465)</u>	<u>\$ 212,970,333</u>	<u>\$ 5,177,733</u>

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

The General Fund have typically been used in prior years to liquidate pension liabilities.

Business-type Activities

The following schedule summarizes outstanding long-term bonds and notes payable at June 30, 2020:

	Purpose	Interest Rate	Mature Date June 30,	Issued	Outstanding
Bonds					
Series 2016	Capital improvement	1.40-3.00%	2031	\$ 9,185,000	\$ 2,522,333

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 7 - General Long-Term Debt - continued

Assuming no issues are called prior to maturity, the minimum obligations of the City at June 30, 2020 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 442,692	\$ 29,115	\$ 471,807
2022	445,795	32,677	478,472
2023	308,846	26,500	335,346
2024	160,000	23,300	183,300
2025	160,000	20,100	180,100
2026-2030	830,000	61,500	891,500
2031-2034	175,000	-	175,000
	<u>\$ 2,522,333</u>	<u>\$ 193,192</u>	<u>\$ 2,715,525</u>

During the FY ended June 30, 2020, the following changes occurred in long-term liabilities:

Debt Issue	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Bonds and notes:					
Series 2016	\$ 2,961,948	\$ -	\$ (439,615)	\$ 2,522,333	\$ 442,692

Note 8 - Risk Management

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

All funds of the City participate in the program and make payments to the Liability Self Insurance Fund; however, the payments are not based on actuarial estimates of the amounts needed to pay prior and current-year claims but are intended to establish a reserve for catastrophic losses. That reserve was \$1,100,000 at June 30, 2020. Changes in the Liability Self Insurance Fund's claims liability amount during the FYs ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Claims liability at July 1	\$ 1,100,000	\$ 1,300,000
Change in claims and estimates	100,367	(33,868)
Claims payments	(100,367)	(166,132)
Claims liability at June 30	<u>\$ 1,100,000</u>	<u>\$ 1,100,000</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 8 - Risk Management - continued

The City has also established a Medical Self Insurance Fund. Employees may elect to participate in this program or certain other medical insurance programs offered by the City. Under this program the first \$125,000 of a participants' medical claims are payable by the Medical Self Insurance Fund. The City purchases insurance for claims in excess of coverage provided by the fund. All funds of the City participate in the program and make payments to the Medical Self Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims. The claims liability reported at June 30, 2020 is \$1,500,000. Of that amount, \$1,500,000 represents current liabilities. Changes in the Medical Self Insurance Fund's claims liability amount during the FYs ended June 30, 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Claims liability at July 1	\$ 1,500,000	\$ 1,510,313
Change in claims and estimates	5,569,947	5,101,739
Claims payments	<u>(5,569,947)</u>	<u>(5,112,052)</u>
Claims liability at June 30	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

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

Note 9 - Combining Fiduciary Fund Financial Statements

The financial statements of the City include the statement of fiduciary net position and the statement of changes in fiduciary net position as of June 30, 2020, and for the year then ended, for the combined pension trusts. The following table presents the combining statement of fiduciary net position as of June 30, 2020:

	<u>Employees'</u> <u>Retirement</u>	<u>Police and</u> <u>Firemen's</u> <u>Retirement</u>	<u>Combined</u> <u>Pension</u> <u>Trusts</u>
Assets			
Cash and cash equivalents	\$ 17,712	\$ 26,011	\$ 43,723
Bond mutual funds	587,458	979,460	1,566,918
Equity mutual funds	499,226	841,796	1,341,022
Other assets	<u>1,235,308</u>	<u>2,086,796</u>	<u>3,322,104</u>
Total assets	<u>\$ 2,339,704</u>	<u>\$ 3,934,063</u>	<u>\$ 6,273,767</u>
Liabilities			
Due to the primary government	<u>141,976</u>	<u>408,997</u>	<u>550,973</u>
Net Position			
Net position restricted for pensions	<u>\$ 2,197,728</u>	<u>\$ 3,525,066</u>	<u>\$ 5,722,794</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 9 - Combining Fiduciary Fund Financial Statements - continued

The following table presents the combining statement of changes in fiduciary net position for the FY ended June 30, 2020:

	Employees' Retirement	Police and Firemen's Retirement	Combined Pension Trusts
Additions			
Contributions:			
Employer contributions	\$ 138,000	\$ 446,000	\$ 584,000
Impounding lot	-	5,021	5,021
	<u>138,000</u>	<u>451,021</u>	<u>589,021</u>
Investment return:			
Interest and dividends	64,005	102,231	166,236
Net appreciation in fair value of investments	18,123	24,097	42,220
	<u>82,128</u>	<u>126,328</u>	<u>208,456</u>
	<u>220,128</u>	<u>577,349</u>	<u>797,477</u>
Deductions			
Benefit payments	402,842	1,224,369	1,627,211
Administration	7,537	9,428	16,965
	<u>410,379</u>	<u>1,233,797</u>	<u>1,644,176</u>
	(190,251)	(656,448)	(846,699)
Net position, beginning of year	2,387,979	4,181,514	6,569,493
Net position, end of year	<u>\$ 2,197,728</u>	<u>\$ 3,525,066</u>	<u>\$ 5,722,794</u>

Note 10 - Employee Retirement Plans

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

Summary of Significant Accounting Policies

Employees' Retirement Plan and Police and Firemen's Retirement Plan

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Employee Retirement Plans - continued

Employees' Retirement Plan and Police and Firemen's Retirement Plan - continued

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

A. Employees' Retirement Plan

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

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

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

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

Cost-of-living adjustments (COLA) are provided at the discretion of the Board of Trustees. Benefits are provided and may be amended by City ordinance. There was not a COLA for 2020.

Contributions. As of June 30, 2020, there are 30 retirees and beneficiaries currently receiving benefits. The City is required to contribute at an actuarially determined rate. Contribution requirements of the City are established and may be amended by City ordinance. Administrative costs are financed through investment earnings. The plan is closed to new entrants and doesn't have any active plan members.

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Employee Retirement Plans - continued

A. Employees' Retirement Plan - continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	50%	2.5%
Equity funds	50%	7.0%
Total	100%	

Concentrations. The Employees' Retirement Plan investments concentration as of June 30, 2020:

<u>Investment</u>	<u>Concentration</u>
Cash and money markets	1%
Bond mutual funds	25%
Equity mutual funds	21%
Other assets	53%
	100%

Rate of Return. For the FY ended June 30, 2020, the annual money-weighted rate of return on the plan investments, net of pension plan investment expense was 3.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability. The Employees' Retirement net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the City at June 30, 2020, were as follows:

Total pension liability	\$ 3,436,838
Employee's Retirement Plan fiduciary net position	(2,197,729)
City's net pension liability	<u>\$ 1,239,109</u>
Employees' Retirement Plan net position as a percentage of total pension liability	63.95%

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Employee Retirement Plans - continued

A. Employees' Retirement Plan - continued

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	5.5%, net of pension plan investment expense, including inflation
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Mortality rates were based on the RP-2014 Total Mortality Table projected generationally using scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2020.

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

Changes in Employees' Net Pension Liability. Changes in the Employees' Retirement net pension liability for the FY ended June 30, 2020 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2019	\$ 3,628,187	\$ 2,387,980	\$ 1,240,207
Changes for the year:			
Interest	188,620	-	188,620
Difference between expected and actual experience	(48,297)	-	(48,297)
Changes of assumptions	71,170	-	71,170
Benefit payments	(402,842)	-	(402,842)
Contributions - employer	-	138,000	(138,000)
Net investment income	-	91,778	(91,778)
Benefit payments	-	(402,842)	402,842
Administrative expense	-	(17,187)	17,187
Net changes	(191,349)	(190,251)	(1,098)
Balance, June 30, 2020	<u>\$ 3,436,838</u>	<u>\$ 2,197,729</u>	<u>\$ 1,239,109</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Employee Retirement Plans - continued

A. Employees' Retirement Plan - continued

	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 105,011
Total	\$ 105,011

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

Year Ended June 30:	
2021	\$ (80,872)
2022	(31,398)
2023	784
2024	6,475
Thereafter	-

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

	Discount Rate	Net Pension Liability
1% decrease	4.50%	\$ 1,484,478
Current discount rate	5.50%	\$ 1,239,109
1% increase	6.50%	\$ 1,022,564

Pension Expense. For the FY ended June 30, 2020, the City recognized pension expense of \$73,720.

B. Police and Firemen's Retirement Plan

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

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Employee Retirement Plans - continued

B. Police and Firemen's Retirement Plan - continued

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

Beneficiaries are entitled to non-occupational death benefits for employees who had 3 years of service and died from causes other than in the performance of duty. Benefits include 1.5% of average salary for each year of service plus total COLA, retired members may have received in their annuity for beneficiaries who are at least age 45. If the beneficiary becomes totally disabled before age 45 or has a minor child or children, payments will begin immediately. If there are minor children under the age of 18, the annuity percentage credit shall be increased by a factor of 0.50 on account of the first child and by a factor of 0.25 on account of each additional child, subject to a maximum combined payment of 75% of average salary. If the pensioner is not survived by a widow and there are minor children a benefit of 50% of average salary plus total COLA for the first minor child, plus 15% additional for the second minor child, plus 10% additional if there are 3 or more minor children, to a maximum payment of 75% of average salary (excluding COLA). These benefits will be payable until age 18 or, in the case of a full-time student, until age 23. In the situation of an occupational death, monthly benefits are equal to 50% of the last rate of salary plus total COLA, payable to the survivor until they die or remarry. If there are minor children under age 18, an additional 25% shall be paid until the last child reaches age 18, to a combined maximum benefit of

75% of the final rate of salary (excluding COLA). If the pensioner is not survived by a widow and there are minor children, a benefit of 50% of average salary plus total COLA for the first minor child, plus 15% additional for the second minor child, plus 10% additional if there are 3 or more minor children, to a maximum payment of 75% of average salary (excluding COLA). These benefits will be payable until age 18 or, in the case of a full-time student, until age 23. If neither a widow nor minor children survive the member, each dependent parent shall be entitled to an annuity equal to 25% of the member's last rate of salary.

COLA are provided at the discretion of the Board of Trustees. Benefits are provided and may be amended by City ordinance. There was no COLA for 2020.

Contributions. As of June 30, 2020, there are 56 retirees and beneficiaries currently receiving benefits. The City is required to contribute at an actuarially determined rate. Contribution requirements of the City are established under KRS 95.868. Administrative costs are financed through investment earnings. The plan is closed to new entrants and doesn't have any active plan members.

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Employee Retirement Plans - continued

B. Police and Firemen's Retirement Plan - continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	50%	2.5%
Equity funds	50%	7.0%
Total	100%	

Concentrations. The Police and Firemen's Retirement Plan investments concentration as of June 30, 2020:

<u>Investment</u>	<u>Concentration</u>
Cash and money markets	1%
Bond mutual funds	25%
Equity mutual funds	21%
Other assets	53%
	100%

Rate of Return. For the FY ended June 30, 2020, the annual money-weighted rate of return on the plan investments, net of pension plan investment expense was 3.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability. The Police and Firemen's Retirement net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the City at June 30, 2020, were as follows:

Total pension liability	\$ 10,206,196
Police and Firemen's Retirement Plan fiduciary net position	(3,525,065)
City's net pension liability	<u>\$ 6,681,131</u>
Police and Firemen's Retirement Plan net position as a percentage of total pension liability	34.54%

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Employee Retirement Plans - continued

B. Police and Firemen's Retirement Plan - continued

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return 5.5%, net of pension plan investment expense, including inflation.

Mortality rates were based on the RP-2014 Total Mortality Table projected generationally using scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2020.

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

Changes in Police and Firemen's Net Pension Liability. Changes in the Police and Firemen's net pension liability for the FY ended June 30, 2020 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2019	\$ 10,207,495	\$ 4,181,451	\$ 6,026,044
Changes for the year:			
Interest	528,193	-	528,193
Benefit changes	-	-	-
Difference between expected and actual experience	238,320	-	238,320
Changes of assumptions	456,557	-	456,557
Benefit payments	(1,224,369)	-	(1,224,369)
Contributions - employer	-	451,021	(451,021)
Net investment income	-	142,078	(142,078)
Benefit payments	-	(1,224,369)	1,224,369
Administrative expense	-	(25,116)	25,116
Net changes	(1,299)	(656,386)	655,087
Balance, June 30, 2020	<u>\$ 10,206,196</u>	<u>\$ 3,525,065</u>	<u>\$ 6,681,131</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Employee Retirement Plans - continued

B. Police and Firemen's Retirement Plan - continued

	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	<u>\$ 256,245</u>
Total	<u><u>\$ 256,245</u></u>

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

Year Ended June 30:		
2021	\$	(186,562)
2022		(92,447)
2023		9,385
2024		13,379
Thereafter		-

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

	Discount Rate	Net Pension Liability
1% decrease	4.50%	\$ 7,395,901
Current discount rate	5.50%	\$ 6,681,131
1% increase	6.50%	\$ 6,050,014

Pension Expense. For the FY ended June 30, 2020, the City recognized pension expense of \$957,598.

C. CERS

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

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Employee Retirement Plans - continued

C. CERS - continued

General Information about the Pension Plan

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

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

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

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

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

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Employee Retirement Plans - continued

C. CERS - continued

Non-hazardous Contributions – For the FY ended June 30, 2020, all plan members who began participating before September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the FY ended June 30, 2020, participating employers contributed 24.06% of each employee's creditable compensation, which was the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 11. Plan members contributed 19.33% to the pension trust for non-hazardous job classifications. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

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

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

For the FY ended June 30, 2020, the City contributed \$1,301,596, or 100% of the required contribution for non-hazardous job classifications to the pension trust.

Hazardous Contributions - For the FY ended June 30, 2020, all plan members who began participating before September 1, 2008, were required to contribute 8% of their annual creditable compensation. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the FY ended June 30, 2020, participating employers contributed 39.58% of each employee's creditable compensation, which was the actuarially determined rate set by the Board. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 11. Plan members contributed 30.06% to the pension trust for hazardous job classifications. Administrative costs of KRS are financed through employer contributions and investment earnings.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Employee Retirement Plans - continued

C. CERS - continued

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

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

For the FY ended June 30, 2020, the City contributed \$5,349,208, or 100% of the required contribution for hazardous job classifications to the pension trust.

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

At June 30, 2020, the City reported a liability of \$18,135,760 for its proportionate share of the net pension liability for non-hazardous and \$83,420,630 for hazardous classifications. The City's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward using generally accepted actuarial procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion increased 0.018 percent from 0.240 percent at June 30, 2018 to 0.258 percent for non-hazardous and increased 0.11 percent from 2.91 percent at June 30, 2018 to 3.02 percent for hazardous classifications.

For the FY ended June 30, 2020, the City recognized pension expense of \$3,432,542 for non-hazardous and \$17,945,295 for hazardous classifications. At June 30, 2020, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	NON-HAZARDOUS		HAZARDOUS		TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to the measurement date	\$ 1,290,901	\$ -	\$ 5,305,345	\$ -	\$ 6,596,246	\$ -
Proportionate share of deferred outflows at measurement date	3,062,515	-	13,562,303	-	16,624,818	-
Proportionate share of deferred inflows at measurement date	-	422,541	-	1,599,679	-	2,022,220
	<u>\$ 4,353,416</u>	<u>\$ 422,541</u>	<u>\$ 18,867,648</u>	<u>\$ 1,599,679</u>	<u>\$ 23,221,064</u>	<u>\$ 2,022,220</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Employee Retirement Plans - continued

C. CERS - continued

\$6,596,246 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the FY ending June 30, 2020. This amount includes an adjustment of \$54,559 related to retired, re-employed individuals. Other amounts reported as deferred inflows and deferred outflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Hazardous	Non-Hazardous	Total
2021	\$ 7,759,321	\$ 1,556,285	\$ 9,315,606
2022	3,005,902	753,655	3,759,557
2023	1,122,212	309,293	1,431,505
2024	75,189	20,741	95,930
	<u>\$ 11,962,624</u>	<u>\$ 2,639,974</u>	<u>\$ 14,602,598</u>

Actuarial Assumptions – The total pension liability at June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30 percent
Salary Increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

Hazardous

Inflation	2.30 percent
Salary Increases	3.55 to 19.05%, varies by service, including inflation
Investment rate of return	6.25 percent, net of pension plan investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

The actuarial assumptions used in the June 30, 2018, actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total pension liability was rolled-forward from the valuation date (June 30, 2018) to the plan's FY ending June 30, 2019.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Employee Retirement Plans - continued

C. CERS - continued

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	6.25%

Discount Rate – The discount rate used to measure the total pension liability for the system was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

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

	1% Decrease 5.25%	Discount Rate 6.25%	1% Increase 7.25%
CERS			
Non-hazardous	\$ 22,682,692	\$ 18,135,760	\$ 14,345,937
Hazardous	\$ 104,294,507	\$ 83,420,630	\$ 66,307,062

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 10 - Employee Retirement Plans - continued

C. CERS - continued

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

Payable to the Pension Plan – At June 30, 2020, the City reported a payable of \$1,460,205 for the outstanding amount of contributions to the pension plan required for the FY ended June 30, 2020. The payable includes both the pension and insurance contribution allocation.

Note 11 - OPEB

Plan Description – As more fully described in Note 10, the City participates in CERS. CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members and OPEB. OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 10, plan members contribute to CERS for non-hazardous and hazardous job classifications. For the FY ending June 30, 2019, the employer's contribution was 4.76% to the insurance trust for non-hazardous job classifications and 9.52% to the insurance trust for hazardous job classifications. Employees hired after September 1, 2008 are required to contribute an additional 1% to cover the cost of medical insurance that is provided through CERS. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

For the FY ended June 30, 2020, the City contributed \$321,015, or 100% of the required contribution for non-hazardous job classifications, and \$1,694,094, or 100% of the required contribution for hazardous job classifications.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 11 - OPEB - continued

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

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

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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2020, the City reported a liability for its proportionate share of the net OPEB liability as follows:

Total Net		
OPEB Liability	Non-hazardous	Hazardous
\$ 26,677,481	\$ 4,337,392	\$ 22,340,089

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward using generally accepted actuarial procedures. The City's proportion of the net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2019, the City's proportion increased 0.018 percent from 0.240 percent at June 30, 2018 to 0.258 percent for non-hazardous and increased 0.11 percent from 2.91 percent at June 30, 2018 to 3.02 percent for hazardous classifications.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 11 - OPEB - continued

For the FY ended June 30, 2020, the City recognized OPEB expense of \$4,019,552. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	NON-HAZARDOUS		HAZARDOUS		TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to the measurement date	\$ 411,509	\$ -	\$ 1,696,201	\$ -	\$ 2,107,710	\$ -
Proportionate share of deferred outflows at measurement date	1,546,136	-	7,230,291	-	8,776,427	-
Proportionate share of deferred inflows at measurement date	-	1,560,532	-	5,718,758	-	7,279,290
	<u>\$ 1,957,645</u>	<u>\$ 1,560,532</u>	<u>\$ 8,926,492</u>	<u>\$ 5,718,758</u>	<u>\$ 10,884,137</u>	<u>\$ 7,279,290</u>

The \$2,107,710 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the FY ending June 30, 2020. The amount includes an adjustment of \$109,130 related to the implicit subsidy and an adjustment of \$16,529 related to retired, re-employed individuals. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Hazardous	Non-Hazardous	Total
2021	\$ 1,461,292	\$ 5,291	\$ 1,466,583
2022	273,067	5,291	278,358
2023	(381,857)	66,542	(315,315)
2024	159,031	(50,881)	108,150
2025	-	(39,054)	(39,054)
2026	-	(1,585)	(1,585)
	<u>\$ 1,511,533</u>	<u>\$ (14,396)</u>	<u>\$ 1,497,137</u>

Actuarial Assumptions – The total OPEB liability at June 30, 2019, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Non-hazardous

Inflation	2.30%
Salary increases	3.30 to 10.30%, varies by service, including inflation
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 7.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post – 65:	Initial trend starting at 5.00% at January 1, 2020, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 11 - OPEB - continued

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

The actuarial assumption used in the June 30, 2018, valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2018) to the plan's FY ending June 30, 2019.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	62.50%	
US Equity	18.75%	4.30%
Non-US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Special credit/high yield	15.00%	2.60%
Liquidity	14.50%	
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies	23.00%	
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	100.00%	6.25%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.68% and 5.69% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 11 - OPEB - continued

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

CERS	1% Decrease 4.68%	Discount Rate 5.68%	1% Increase 6.68%
Non-hazardous	\$ 5,810,321	\$ 4,337,392	\$ 3,123,796
CERS	1% Decrease 4.69%	Discount Rate 5.69%	1% Increase 6.69%
Hazardous	\$ 31,168,925	\$ 22,340,089	\$ 15,173,638

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

CERS	1% Decrease	Current trend rate	1% Increase
Non-hazardous	\$ 3,225,740	\$ 4,337,392	\$ 5,685,401
Hazardous	\$ 15,544,571	\$ 22,340,089	\$ 30,630,250

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 12 - Fund Balances

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

Fund Balances	General	Capital Improvement	IRS Site Construction	Nonmajor Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>					
Prepaid items	\$ 119,798	\$ -	\$ -	\$ 2,130	\$ 121,928
Advance to other funds	2,543,699	-	-	-	2,543,699
<i>Total Nonspendable</i>	<u>2,663,497</u>	<u>-</u>	<u>-</u>	<u>2,130</u>	<u>2,665,627</u>
<i>Restricted for</i>					
Capital projects	-	1,907,491	25,398,197	-	27,305,688
Debt service	469,574	-	-	-	469,574
HUD programs	-	-	-	1,047,342	1,047,342
Other grant programs	-	-	-	954,176	954,176
<i>Total Restricted</i>	<u>469,574</u>	<u>1,907,491</u>	<u>25,398,197</u>	<u>2,001,518</u>	<u>29,776,780</u>
<i>Committed to</i>					
Infrastructure	-	-	-	692,325	692,325
Ambulance	-	-	-	6,087	6,087
Fleet, Equipment & Technology	-	-	-	284,150	284,150
EDF	-	-	-	754,493	754,493
TIF	-	-	-	2,981,857	2,981,857
Leased Properties	-	-	-	538,449	538,449
<i>Total Committed</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,257,361</u>	<u>5,257,361</u>
<i>Assigned to</i>					
Operating Reserve	9,400,000	-	-	-	9,400,000
<i>Total Assigned</i>	<u>9,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,400,000</u>
<i>Unassigned</i>	<u>7,200,197</u>	<u>-</u>	<u>-</u>	<u>(2,989,298)</u>	<u>4,210,899</u>
<i>Total Fund Balance</i>	<u>\$ 19,733,268</u>	<u>\$ 1,907,491</u>	<u>\$ 25,398,197</u>	<u>\$ 4,271,711</u>	<u>\$ 51,310,667</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 12 - Fund Balances - continued

At June 30, 2020, the following non-major governmental funds had a deficit fund balance:

Federal & State	\$ 1,426,062
Waste	\$ 1,189,144
Devou Park Master Plan	\$ 87,568
Police & Fire Supplemental Pay	\$ 65,774
Public Works Facility Construction	\$ 220,750

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

During the FY ended June 30, 2019, the City established a GFORF Policy, O-05-19. The policy specifies that the General Fund Operative Reserve should be equivalent to at least three months of budgeted operating revenues to meet the general operating expenses of the City during periods of economic uncertainty. The GFORF was determined to be \$9,400,000 as of June 30, 2020. It is the intent of the City to limit use of the GFORF to address unanticipated, non-recurring needs. The Fund shall not normally be applied to annual operating expenditures. In the event that Fund is used, resulting in a balance below the three-month minimum, a comprehensive plan shall be developed and included in the formulation of the five-year forecast presented during the annual budget process.

Note 13 - Contingencies

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

Amounts grantor agencies pay to the City are subject to audit and adjustments by the grantor, principally the federal government. The grantor may require refunding by the City for any disallowed costs. Management cannot determine amounts grantors may disallow in future periods. However, based on prior experience, management believes any refunds would be immaterial to its financial statement as of June 30, 2020.

Note 14 - Tax Abatements

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 14 - Tax Abatements - continued

For the ended June 30, 2020, the City abated payroll taxes totaling \$305,911 under this program, including the following tax abatements agreements that each exceeded 10 percent of the total, which is the percentage the City considers to be material for purposes of individual disclosure:

<u>Type of Business</u>	<u>Purpose</u>	<u>Percent Abated</u>	<u>Amount Abated</u>
RAH Reality LLC / Fruit Storage Inc.	Vacant Property Rehabilitation Incentive	50% to 75%	\$ 39,056
Huntington National Bank	Covington Jobs Development New Business Incentive	41%	\$ 61,762
TIER 1 Performance - CY19	Covington Jobs Development Retention Incentive	Various	\$ 90,037
BM2 Freight Services, Inc.	Covington Jobs Development Incentive	40% TO 51%	\$ 32,261

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

For the FY ended June 30, 2020, the City abated property taxes totaling \$197,429 under this program, including the following tax abatements agreements that each exceeded 10 percent of the total, which is the percentage the City considers to be material for purposes of individual disclosure:

<u>Type of Business</u>	<u>Purpose</u>	<u>Percent Abated</u>	<u>Amount Abated</u>
Ascent at Roebling's Bridge Condominiums	Built Luxury Condominiums	50%	\$ 96,519
Covington FC III, LLC	Built Luxury Condominiums	81%	\$ 52,880
730 Washington, LLC	Built Luxury Condominiums	81%	\$ 38,318

Note 15 - COVID-19 Pandemic

In early 2020, various restrictions were placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The City is evaluating the impact of COVID-19 and related responses on the operations and finances of the City. Restrictions placed on the local businesses could negatively impact the City's revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

Note 15 - COVID-19 Pandemic - continued

Devou Properties, Inc., a component unit of the City, lost revenue due to government-mandated closures related to events, golf, and other rental fee income at different times during the FY ended June 30, 2020. Due to the continuing effects of the COVID-19 pandemic, Devou Properties, Inc. is expected to have an operating loss of approximately \$150,000, before transfers and payments to the City, during their annual reporting period ending December 31, 2020. Devou Properties, Inc. received \$128,000 in federal Paycheck Protection Program funds during the FY ended June 30, 2020.

Note 16 - Restatement

The City has restated capital assets as of June 30, 2019, in order to remove two properties that were believed to be owned by the City as of June 30, 2019, but were actually owned by other federal or local governmental entities. The net effect of this restatement on net position was \$2,595,500.

**Required
Supplementary
Information**

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual -

General Fund

Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Taxes:				
Real property	\$ 7,781,580	\$ 7,781,580	\$ 7,828,081	\$ 46,501
Franchise	2,340,000	2,340,000	2,280,841	(59,159)
Insurance premium	7,605,520	7,605,520	8,066,151	460,631
Licenses and permits:				
Payroll license fees	27,406,240	27,406,240	26,719,778	(686,462)
Net profits license fees	3,724,182	3,724,182	4,080,042	355,860
Liquor and beer licenses	433,552	233,552	182,472	(51,080)
Other licenses and permits	353,540	266,240	126,478	(139,762)
Intergovernmental	1,150,280	1,150,280	1,981,778	831,498
Fines and forfeitures	512,940	535,240	397,934	(137,306)
Charges for services:				
Waste fees	126,000	126,000	73,577	(52,423)
Parking	627,291	289,800	1,587	(288,213)
Rental property	298,480	637,971	359,195	(278,776)
Other	23,100	17,950	36,424	18,474
Interest	784,300	999,300	543,558	(455,742)
Miscellaneous	481,970	429,970	886,593	456,623
Total revenues	<u>\$ 53,648,975</u>	<u>\$ 53,543,825</u>	<u>\$ 53,564,489</u>	<u>\$ 20,664</u>
Expenditures:				
Current:				
General government:				
Administration department:				
Payroll	\$ 1,061,722	\$ 994,772	\$ 994,574	\$ 198
Pension benefits	225,263	225,263	196,994	28,269
Health Insurance	196,000	196,000	180,833	15,167
Other benefits	90,874	90,874	84,755	6,119
Contractual services	843,523	847,002	821,571	25,431
Materials and supplies	57,850	41,920	41,986	(66)
Miscellaneous	44,131	45,581	36,854	8,727
Total administrative	<u>\$ 2,519,363</u>	<u>\$ 2,441,412</u>	<u>\$ 2,357,567</u>	<u>\$ 83,845</u>

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual -

General Fund - *continued*

Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<i>Expenditures - continued</i>				
Current - <i>continued</i> :				
General government - <i>continued</i> :				
Legal department:				
Payroll	\$ 398,167	\$ 393,167	\$ 385,065	\$ 8,102
Pension benefits	91,306	91,306	88,320	2,986
Health insurance	70,000	70,000	68,833	1,167
Other benefits	31,557	31,557	30,451	1,106
Contractual services	118,066	117,643	102,210	15,433
Materials and supplies	7,900	6,830	1,780	5,050
Miscellaneous	16,800	13,293	12,165	1,128
Total legal	<u>733,796</u>	<u>723,796</u>	<u>688,824</u>	<u>34,972</u>
Finance department:				
Payroll	959,753	959,753	901,715	58,038
Pension benefits	228,396	228,396	212,469	15,927
Health insurance	199,500	199,500	189,998	9,502
Other benefits	85,199	85,199	78,165	7,034
Contractual services	825,292	807,158	831,605	(24,447)
Materials and supplies	26,760	24,760	16,262	8,498
Miscellaneous	16,930	22,065	19,375	2,690
Total finance	<u>2,341,830</u>	<u>2,326,831</u>	<u>2,249,589</u>	<u>77,242</u>
Legacy pension contributions:				
City employee	138,000	138,000	138,000	-
Police and fire	446,000	446,000	446,000	-
Total pension contributions	<u>584,000</u>	<u>584,000</u>	<u>584,000</u>	<u>-</u>
Total general government	<u>6,178,989</u>	<u>6,076,039</u>	<u>5,879,980</u>	<u>196,059</u>
Police:				
Payroll	9,402,265	9,402,265	9,064,347	337,918
Pension benefits	3,286,870	3,286,870	3,323,773	(36,903)
Health insurance	1,708,000	1,708,000	1,541,167	166,833
Other benefits	613,567	613,567	615,615	(2,048)
Contractual services	428,270	378,270	414,549	(36,279)
Materials and supplies	488,391	388,391	355,407	32,984
Miscellaneous	32,699	32,699	16,790	15,909
Total police	<u>\$ 15,960,062</u>	<u>\$ 15,810,062</u>	<u>\$ 15,331,648</u>	<u>\$ 478,414</u>

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual -

General Fund - *continued*

Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<i>Expenditures - continued</i>				
Current - <i>continued</i> :				
Fire:				
Payroll	\$ 8,814,363	\$ 9,084,681	\$ 9,205,874	\$ (121,193)
Pension benefits	3,304,523	3,504,523	3,676,386	(171,863)
Health insurance	1,708,000	1,708,000	1,654,333	53,667
Other benefits	558,512	558,512	573,929	(15,417)
Contractual services	469,868	473,268	442,420	30,848
Materials and supplies	351,075	351,175	328,896	22,279
Miscellaneous	8,230	4,730	4,228	502
Total fire	<u>15,214,571</u>	<u>15,684,889</u>	<u>15,886,066</u>	<u>(201,177)</u>
Public improvements:				
Payroll	3,649,042	3,569,168	3,238,795	330,373
Pension benefits	695,428	732,428	681,794	50,634
Health Insurance	686,000	677,000	655,667	21,333
Other benefits	318,722	338,722	376,906	(38,184)
Contractual services	1,652,663	1,442,663	1,389,940	52,723
Materials and supplies	1,638,300	1,475,127	928,973	546,154
Miscellaneous	3,400	3,400	1,861	1,539
Total public improvement	<u>8,643,555</u>	<u>8,238,508</u>	<u>7,273,936</u>	<u>964,572</u>
Community development:				
Economic development:				
Payroll	412,314	342,314	391,039	(48,725)
Pension benefits	100,236	100,236	87,987	12,249
Health insurance	84,000	84,000	65,619	18,381
Other benefits	40,061	40,061	34,849	5,212
Contractual services	593,100	499,100	446,033	53,067
Materials and supplies	3,000	3,000	608	2,392
Miscellaneous	3,810	3,810	1,502	2,308
Total economic development	<u>1,236,521</u>	<u>1,072,521</u>	<u>1,027,637</u>	<u>44,884</u>
Recreation:				
Payroll	205,227	205,227	167,963	37,264
Pension benefits	41,250	41,250	37,718	3,532
Health insurance	44,801	44,801	44,590	211
Other benefits	16,300	16,300	13,346	2,954
Contractual services	75,140	53,117	40,524	12,593
Materials and supplies	215,320	116,289	103,908	12,381
Miscellaneous	1,560	1,579	1,529	50
Total recreation	<u>\$ 599,598</u>	<u>\$ 478,563</u>	<u>\$ 409,578</u>	<u>\$ 68,985</u>

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual -

General Fund - *concluded*

Fiscal Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<i>Expenditures - concluded</i>				
Current - <i>continued</i> :				
Community development:				
Neighborhood services:				
Payroll	\$ 583,036	\$ 583,036	\$ 536,715	\$ 46,321
Pension benefits	85,109	83,609	91,251	(7,642)
Health insurance	77,000	77,000	63,000	14,000
Other benefits	62,539	62,539	56,353	6,186
Contractual services	345,861	230,357	192,768	37,589
Materials and supplies	62,250	49,650	36,219	13,431
Miscellaneous	6,075	1,075	215	860
Total neighborhood services	<u>1,221,870</u>	<u>1,087,266</u>	<u>976,521</u>	<u>110,745</u>
Total community development	<u>3,057,989</u>	<u>2,638,350</u>	<u>2,413,736</u>	<u>224,614</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>354,924</u>	<u>(354,924)</u>
Debt service:				
Principal	3,020,819	3,043,685	3,048,953	(5,268)
Interest	1,009,130	1,309,130	1,381,320	(72,190)
Total debt service	<u>4,029,949</u>	<u>4,352,815</u>	<u>4,430,273</u>	<u>(77,458)</u>
Total expenditures	<u>53,085,115</u>	<u>52,800,663</u>	<u>51,570,563</u>	<u>1,230,100</u>
Excess (deficiency) of revenues over (under) expenditures	563,860	743,162	1,993,926	(1,209,436)
<i>Other Financing Sources (Uses)</i>				
Transfers in	2,245,255	2,245,255	4,474,240	2,228,985
Transfers out	(2,869,885)	(5,654,337)	(4,281,908)	1,372,429
Lease proceeds	-	2,500,000	-	(2,500,000)
Proceeds on sale of assets	60,770	165,920	210,561	44,641
Total other financing sources (uses)	<u>(563,860)</u>	<u>(743,162)</u>	<u>402,893</u>	<u>1,146,055</u>
Net change in fund balance	-	-	2,396,819	<u>\$ (63,381)</u>
Fund balance, beginning of year	<u>17,336,449</u>	<u>17,336,449</u>	<u>17,336,449</u>	
Fund balance, end of year	<u>\$ 17,336,449</u>	<u>\$ 17,336,449</u>	<u>\$ 19,733,268</u>	

CITY OF COVINGTON, KENTUCKY

 Required Supplementary Information -
 Employees' Retirement Plan

 Fiscal Years 2020, 2019, 2018, 2017, 2016, 2015 and 2014 ⁽¹⁾

	2020	2019	2018	2017	2016	2015	2014
Schedule of City Contributions							
Actuarially determined contribution	\$ 169,363	\$ 169,363	\$ 203,351	\$ 203,351	\$ 183,493	\$ 183,493	\$ 138,459
Contributions in relation to the actuarially determined contribution	<u>138,000</u>	<u>709,424</u>	<u>187,000</u>	<u>195,000</u>	<u>127,078</u>	<u>127,078</u>	<u>138,459</u>
Contribution deficiency (excess)	<u>\$ 31,363</u>	<u>\$ (540,061)</u>	<u>\$ 16,351</u>	<u>\$ 8,351</u>	<u>\$ 56,415</u>	<u>\$ 56,415</u>	<u>\$ -</u>
Covered payroll	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
Actual contributions as a percentage of covered payroll	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
Schedule of Changes in the Net Position Liability and Related Ratios							
Total pension liability							
Interest	\$ 188,620	\$ 199,494	\$ 214,819	\$ 155,134	\$ 264,726	\$ 330,480	\$ 342,966
Benefit changes	-	-	-	80,924	-	-	64,980
Difference between expected and actual experience	(48,297)	24,929	(21,834)	(54,286)	(444,003)	(185,296)	(20,562)
Changes of assumptions	71,170	(8,423)	(34,982)	(1,049,356)	875,460	1,028,917	24,786
Benefit payments	<u>(402,842)</u>	<u>(424,269)</u>	<u>(448,698)</u>	<u>(488,931)</u>	<u>(503,390)</u>	<u>(568,978)</u>	<u>(587,963)</u>
Net change in total pension liability	(191,349)	(208,269)	(290,695)	(1,356,515)	192,793	605,123	(175,793)
Total pension liability - beginning	<u>3,628,187</u>	<u>3,836,456</u>	<u>4,127,151</u>	<u>5,483,666</u>	<u>5,290,873</u>	<u>4,685,750</u>	<u>4,861,543</u>
Total pension liability - ending	<u>\$ 3,436,838</u>	<u>\$ 3,628,187</u>	<u>\$ 3,836,456</u>	<u>\$ 4,127,151</u>	<u>\$ 5,483,666</u>	<u>\$ 5,290,873</u>	<u>\$ 4,685,750</u>
Plan fiduciary net position							
Contributions-employer	\$ 138,000	\$ 709,423	\$ 187,000	\$ 195,000	\$ 127,078	\$ 127,078	\$ 138,459
Other	-	-	-	-	-	-	67
Net investment income	91,778	144,125	262,030	301,655	(129,228)	(132,623)	474,728
Benefit payments	(402,842)	(424,268)	(448,698)	(488,931)	(503,390)	(568,978)	(623,756)
Administrative expense	<u>(17,187)</u>	<u>(7,310)</u>	<u>(3,900)</u>	<u>(18,024)</u>	<u>(6,800)</u>	<u>-</u>	<u>(12,221)</u>
Net change in plan fiduciary net position	(190,251)	421,970	(3,568)	(10,300)	(512,340)	(574,523)	(22,723)
Plan fiduciary net position - beginning	<u>2,387,980</u>	<u>1,966,010</u>	<u>1,969,578</u>	<u>1,979,878</u>	<u>2,492,218</u>	<u>3,066,741</u>	<u>3,089,464</u>
Plan fiduciary net position - ending	<u>\$ 2,197,729</u>	<u>\$ 2,387,980</u>	<u>\$ 1,966,010</u>	<u>\$ 1,969,578</u>	<u>\$ 1,979,878</u>	<u>\$ 2,492,218</u>	<u>\$ 3,066,741</u>
Net pension liability	<u>\$ 1,239,109</u>	<u>\$ 1,240,207</u>	<u>\$ 1,870,446</u>	<u>\$ 2,157,573</u>	<u>\$ 3,503,788</u>	<u>\$ 2,798,655</u>	<u>\$ 1,619,009</u>
Plan fiduciary net position as percentage of the total pension liability	63.95%	65.82%	51.25%	47.72%	36.11%	47.10%	65.45%
Covered payroll	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
Net pension liability as a percentage of covered payroll	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
Schedule of Investment Returns							
Annual money-weighted rate of return, net of investment expense	3.90%	5.90%	9.90%	5.70%	-3.74%	-3.70%	16.20%

(1) - Only fiscal years 2020, 2019, 2018, 2017, 2016, 2015, and 2014 were available. The City will continue to present information for years available until a full 10-year trend is compiled.

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

CITY OF COVINGTON, KENTUCKY

 Required Supplementary Information -
 Police and Firemen's Retirement Plan

 Fiscal Years 2020, 2019, 2018, 2017, 2016, 2015 and 2014 ⁽¹⁾

	2020	2019	2018	2017	2016	2015	2014
Schedule of City Contributions							
Actuarially determined contribution	\$ 512,699	\$ 512,699	\$ 577,711	\$ 577,711	\$ 445,224	\$ 445,224	\$ 283,601
Contributions in relation to the actuarially determined contribution	451,021	365,078	551,000	573,000	269,327	269,327	384,806
Contribution deficiency (excess)	\$ 61,678	\$ 147,621	\$ 26,711	\$ 4,711	\$ 175,897	\$ 175,897	\$ (101,205)
Covered payroll	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
Actual contributions as a percentage of covered payroll	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
Schedule of Changes in the Net Position Liability and Related Ratios							
Total pension liability							
Interest	\$ 528,193	\$ 552,986	\$ 595,322	\$ 385,334	\$ 628,379	\$ 726,953	\$ 774,059
Benefit changes	-	-	209,181	146,022	-	-	38,609
Difference between expected and actual experience	238,320	256,919	(218,038)	123,207	57,418	124,618	(17,688)
Changes of assumptions	456,557	(26,062)	(102,614)	(3,069,911)	2,400,570	3,678,886	-
Benefit payments	(1,224,369)	(1,244,618)	(1,262,330)	(1,348,765)	(1,382,618)	(1,406,659)	(1,438,900)
Net change in total pension liability	(1,299)	(460,775)	(778,479)	(3,764,113)	1,703,749	3,123,798	(643,920)
Total pension liability - beginning	10,207,495	10,668,270	11,446,749	15,210,862	13,507,113	10,383,315	11,027,235
Total pension liability - ending	\$ 10,206,196	\$ 10,207,495	\$ 10,668,270	\$ 11,446,749	\$ 15,210,862	\$ 13,507,113	\$ 10,383,315
Plan fiduciary net position							
Contributions-employer	\$ 451,021	\$ 365,078	\$ 551,000	\$ 573,000	\$ 269,327	\$ 269,327	\$ 359,506
Impounding lot	-	-	-	-	-	2,578	30,383
Net investment income	142,078	261,260	753,872	592,661	(240,496)	(253,088)	1,133,103
Benefit payments	(1,224,369)	(1,244,618)	(1,262,330)	(1,348,765)	(1,382,618)	(1,403,457)	(1,446,162)
Administrative expense	(25,116)	(40,951)	(4,000)	(7,080)	(7,200)	(7,869)	(28,113)
Net change in plan fiduciary net position	(656,386)	(659,231)	38,542	(190,184)	(1,360,987)	(1,392,509)	48,717
Plan fiduciary net position - beginning	4,181,451	4,840,682	4,802,140	4,992,324	6,353,311	7,745,820	7,697,103
Plan fiduciary net position - ending	\$ 3,525,065	\$ 4,181,451	\$ 4,840,682	\$ 4,802,140	\$ 4,992,324	\$ 6,353,311	\$ 7,745,820
Net pension liability	\$ 6,681,131	\$ 6,026,044	\$ 5,827,588	\$ 6,644,609	\$ 10,218,538	\$ 7,153,802	\$ 2,637,495
Plan fiduciary net position as percentage of the total pension liability	34.54%	40.96%	45.37%	41.95%	32.82%	47.04%	74.60%
Covered payroll	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
Net pension liability as a percentage of covered payroll	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾	N/A ⁽²⁾
Schedule of Investment Returns							
Annual money-weighted rate of return, net of investment expense	3.60%	5.80%	9.90%	10.90%	-3.56%	-3.95%	16.48%

(1) - Only fiscal years 2020, 2019, 2018, 2017, 2016, 2015, and 2014 were available. The City will continue to present information for years available until a full 10-year trend is compiled.

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

CITY OF COVINGTON, KENTUCKY

Notes to Required Supplementary Information

Year Ended June 30, 2020

Note 1. Valuation Date: Actuarially determined contribution rates are calculated as of July 1st preceding the fiscal year end in which contributions are reported.

Note 2. Benefit Changes: The City granted an ad hoc COLA increase of 1.5%, effective as of January 1, 2014, for participants of the Employees' Retirement Plan. The City also granted ad hoc COLA increases of 2.0%, effective July 1, 2013, 1.5%, effective July 1, 2014, and 2.0%, effective January 1, 2018, for participants of the Police and Firemen's Retirement Plan.

Note 3. Change in Assumptions: In 2016, the discount rate was revised in accordance with the City's investment policy statement. The mortality table was updated to the current table and projection to better reflect anticipated future mortality experience under the plan.

Note 4. Methods and Assumptions Used to Determine Contribution Rates:

	Employees' Retirement Plan	Police and Firemen's Retirement Plan
Actuarial cost method	Entry age	Entry age
Amortization method	20-year closed amortization	20-year closed amortization
Asset valuation method	Market Value	Market Value
Investment rate of return	5.5%, compounded annually net of investment expenses, including inflation	5.5%, compounded annually net of investment expenses, including inflation
Retirement age	Immediate	Immediate
Mortality	General Employees Mortality Table Pub-2010 projected generationally using Scale MP- 2019.	Public Safety Mortality Table Pub-2010 projected generationally using Scale MP- 2019.

CITY OF COVINGTON, KENTUCKY

Schedule of the Proportionate Share of the Net Pension Liability

Non-hazardous and Hazardous

County Employee Retirement System

Last seven fiscal years ⁽¹⁾

Reporting Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Non-hazardous:							
City's proportion of the net pension liability	0.258%	0.240%	0.242%	0.240%	0.242%	0.260%	0.260%
City's proportionate share of the net pension liability	\$ 18,135,760	\$ 14,558,021	\$ 14,147,444	\$ 11,836,501	\$ 10,425,611	\$ 8,401,100	\$ 9,506,000
City's covered payroll ⁽²⁾	\$ 6,544,282	\$ 5,977,993	\$ 5,933,424	\$ 5,732,547	\$ 5,670,221	\$ 5,942,202	\$ 5,668,276
City's proportionate share of the net pension liability as a percentage of its covered payroll	277.12%	243.53%	238.44%	206.48%	183.87%	141.38%	167.71%
Plan fiduciary net position as a percentage of the total pension liability	50.5%	53.5%	53.3%	55.5%	60.0%	66.8%	61.2%
Hazardous:							
City's proportion of the net pension liability	3.02%	2.91%	2.96%	2.81%	2.91%	2.85%	2.85%
City's proportionate share of the net pension liability	\$ 83,420,630	\$ 70,413,204	\$ 66,320,811	\$ 48,235,603	\$ 44,623,090	\$ 34,207,001	\$ 38,200,000
City's covered payroll ⁽²⁾	\$ 17,284,115	\$ 16,290,175	\$ 16,096,264	\$ 14,877,913	\$ 14,814,779	\$ 14,427,951	\$ 14,110,813
City's proportionate share of the net pension liability as a percentage of its covered payroll	482.64%	432.24%	412.03%	324.21%	301.21%	237.09%	270.71%
Plan fiduciary net position as a percentage of the total pension liability	46.6%	49.3%	49.8%	54.0%	57.5%	63.4%	57.7%

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

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

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

CITY OF COVINGTON, KENTUCKY
Schedule of City Pension Contributions

For the Years Ended June 30, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 ⁽¹⁾

Reporting Date	2020	2019	2018	2017	2016	2015	2014
Non-hazardous:							
Contractually required contribution	\$ 1,301,596	\$ 1,061,483	\$ 865,621	\$ 827,713	\$ 710,807	\$ 722,953	\$ 816,459
Contributions in relation to the contractually required contribution	<u>1,301,596</u>	<u>1,061,483</u>	<u>865,621</u>	<u>827,713</u>	<u>710,807</u>	<u>722,953</u>	<u>816,459</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll ⁽²⁾	\$ 6,744,019	\$ 6,544,282	\$ 5,977,993	\$ 5,933,424	\$ 5,732,547	\$ 5,670,221	\$ 5,942,202
Contributions as a percentage of covered payroll	19.30%	16.22%	14.48%	13.95%	12.40%	12.75%	13.74%
Hazardous:							
Contractually required contribution	\$ 5,349,208	\$ 4,298,559	\$ 3,616,419	\$ 3,494,499	\$ 3,014,265	\$ 3,071,104	\$ 3,140,965
Contributions in relation to the contractually required contribution	<u>5,349,208</u>	<u>4,298,559</u>	<u>3,616,419</u>	<u>3,494,499</u>	<u>3,014,265</u>	<u>3,071,104</u>	<u>3,140,965</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll ⁽²⁾	\$ 17,795,103	\$ 17,284,115	\$ 16,290,175	\$ 16,096,264	\$ 14,877,913	\$ 14,814,779	\$ 14,427,951
Contributions as a percentage of covered payroll	30.06%	24.87%	22.20%	21.71%	20.26%	20.73%	21.77%

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

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

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

CITY OF COVINGTON, KENTUCKY
Schedule of the Proportionate Share of the Net OPEB Liability

Non-hazardous and Hazardous

County Employee Retirement System

 Last four fiscal years ⁽¹⁾

Reporting Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Non-hazardous:				
City's proportion of the net OPEB liability	0.258%	0.240%	0.242%	0.240%
City's proportionate share of the net OPEB liability	\$ 4,337,392	\$ 4,244,161	\$ 4,858,997	\$ 3,811,252
City's covered payroll ⁽²⁾	\$ 6,544,282	\$ 5,977,993	\$ 5,933,424	\$ 5,732,547
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	66.28%	71.00%	81.89%	66.48%
Plan fiduciary net position as a percentage of the total OPEB liability	60.4%	57.6%	52.4%	unavailable
Hazardous:				
City's proportion of the net OPEB liability	3.02%	2.91%	2.96%	2.81%
City's proportionate share of the net OPEB liability	\$ 22,340,089	\$ 20,758,934	\$ 24,505,455	\$ 14,642,905
City's covered payroll ⁽²⁾	\$ 17,284,115	\$ 16,290,175	\$ 16,096,264	\$ 14,877,913
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	129.25%	127.43%	152.24%	98.42%
Plan fiduciary net position as a percentage of the total OPEB liability	64.4%	64.2%	59.0%	unavailable

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

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

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

CITY OF COVINGTON, KENTUCKY
Schedule of City OPEB Contributions

For the Years Ended June 30, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 ⁽¹⁾

Reporting Date	2020	2019	2018	2017	2016	2015	2014
Non-hazardous:							
Contractually required contribution	\$ 321,015	\$ 344,229	\$ 280,968	\$ 280,651	\$ 265,551	\$ 278,975	\$ 306,023
Contributions in relation to the contractually required contribution	<u>321,015</u>	<u>344,229</u>	<u>280,968</u>	<u>280,651</u>	<u>265,551</u>	<u>278,975</u>	<u>306,023</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll ⁽²⁾	\$ 6,744,019	\$ 6,544,282	\$ 5,977,993	\$ 5,933,424	\$ 5,732,547	\$ 5,670,221	\$ 5,942,202
Contributions as a percentage of covered payroll	4.76%	5.26%	4.70%	4.73%	4.63%	4.92%	5.15%
Hazardous:							
Contractually required contribution	\$ 1,694,094	\$ 1,809,647	\$ 1,523,131	\$ 1,505,001	\$ 1,888,007	\$ 2,011,847	\$ 2,009,814
Contributions in relation to the contractually required contribution	<u>1,694,094</u>	<u>1,809,647</u>	<u>1,523,131</u>	<u>1,505,001</u>	<u>1,888,007</u>	<u>2,011,847</u>	<u>2,009,814</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll ⁽²⁾	\$ 17,795,103	\$ 17,284,115	\$ 16,290,175	\$ 16,096,264	\$ 14,877,913	\$ 14,814,779	\$ 14,427,951
Contributions as a percentage of covered payroll	9.52%	10.47%	9.35%	9.35%	12.69%	13.58%	13.93%

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

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

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

City of Covington, Kentucky
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

1. GENERAL INFORMATION

Contributions

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

Payroll

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

2. CHANGES OF ASSUMPTIONS

June 30, 2020 – Pension and OPEB Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increases was increased from 3.05% to 3.3% to 10.3% on average for non-hazardous and 3.05% to 3.55% to 19.05% on average for hazardous.

June 30, 2019 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018 for either pension or OPEB.

June 30, 2018 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017:

- The assumed rate of return was decreased from 7.5% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.3%.
- Payroll growth assumption was reduced from 4% to 2%

June 30, 2017 – Pension and OPEB – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 for either pension or OPEB.

City of Covington, Kentucky
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2020

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2016 – Pension – Hazardous and Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

June 30, 2015 – Pension – Hazardous and Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2014.

June 30, 2014 – Pension – Hazardous and Nonhazardous

The following assumptions were made by the Kentucky Legislature and reflected in the initial valuation performed as of June 30, 2013:

- The assumed rate of return was 7.75%.
- The assumed rate of inflation was 3.5%.
- The assumed rate of wage inflation was 1%.
- Payroll growth assumption was 4.5%.
- Mortality rates were based on the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006. The 1994 Group Annuity Mortality Table was used for all other members.

Supplemental Section

Combining Statements And Individual Fund Schedules

CITY OF COVINGTON, KENTUCKY

SPECIAL REVENUE FUNDS

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

Nonmajor Special Revenue Funds:

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

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

Nonmajor Special Revenue Funds:

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

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

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

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

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

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

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

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

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

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

CAPITAL PROJECTS FUND

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

Nonmajor Capital Projects Fund:

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

INTERNAL SERVICE FUNDS

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

Internal Service Funds:

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

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

AGENCY FUND

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

Agency Fund:

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

CITY OF COVINGTON, KENTUCKY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	Nonmajor Special Revenue Funds															Nonmajor Capital Projects Fund		Total Nonmajor Governmental Funds
	Federal & State Grants	Community Development Block Grant	Lead Hazard Reduction Fund	HOME Program	Leased Properties	Police Forfeiture Justice	Housing Voucher Program	Infrastructure Fund	EDF	TIF	Police & Fire Supplemental Pay	Fleet Equipment & Technology	Waste	Ambulance	Devou Park Maintenance	Devou Park Master Plan	Public Works Facility Construction	
Assets																		
Cash and cash equivalents	\$ -	\$ 68,808	\$ -	\$ 65,755	\$ 546,332	\$ 538,733	\$ 1,047,257	\$ -	\$ 500	\$ -	\$ 56,662	\$ -	\$ -	\$ 257,009	\$ 405,368	\$ -	\$ -	\$ 2,986,424
Receivables																		
Intergovernmental	2,196,890	154,549	-	47,514	-	-	-	-	-	-	56,520	-	-	-	-	-	-	2,455,473
Notes	-	28,560	-	-	-	-	-	-	546,607	175,000	-	-	-	-	-	-	-	750,167
Accounts	-	-	1,117	-	-	-	19,120	-	-	-	-	-	796,794	-	-	-	-	817,031
Due from other funds	-	46,084	-	11,085	-	21,023	9	768,088	802,283	3,022,772	-	296,573	-	-	-	-	-	4,967,917
Prepaid items	-	762	-	104	-	-	1,264	-	-	-	-	-	-	-	-	-	-	2,130
Total assets	\$ 2,196,890	\$ 298,763	\$ 1,117	\$ 124,458	\$ 546,332	\$ 559,756	\$ 1,067,650	\$ 768,088	\$ 1,349,390	\$ 3,197,772	\$ 113,182	\$ 296,573	\$ 796,794	\$ 257,009	\$ 405,368	\$ -	\$ -	\$ 11,979,142
Liabilities:																		
Accounts payable	\$ 467,820	\$ 98,625	\$ -	\$ 34,937	\$ -	\$ (400)	\$ 7,929	\$ 75,763	\$ 48,290	\$ 40,915	\$ -	\$ 12,423	\$ 377,826	\$ 8,384	\$ 11,348	\$ 9,500	168,500	\$ 1,361,860
Accrued liabilities	-	-	-	-	-	-	-	-	-	-	107,251	-	-	-	-	-	-	107,251
Due to other funds	1,899,100	-	1,117	2,154	7,883	-	28,159	-	-	-	71,705	-	89,653	242,538	-	78,068	52,250	2,472,627
Unearned revenue	-	-	-	-	-	-	241,035	-	-	-	-	-	1,048,501	-	-	-	-	1,289,536
Total liabilities	2,366,920	98,625	1,117	37,091	7,883	(400)	277,123	75,763	48,290	40,915	178,956	12,423	1,515,980	250,922	11,348	87,568	220,750	5,231,274
Deferred Inflow of Resources:																		
Unavailable revenue	1,256,032	28,560	-	-	-	-	-	-	546,607	175,000	-	-	469,958	-	-	-	-	2,476,157
Fund balance:																		
Nonspendable	-	762	-	104	-	-	1,264	-	-	-	-	-	-	-	-	-	-	2,130
Restricted	-	170,816	-	87,263	-	560,156	789,263	-	-	-	-	-	-	-	394,020	-	-	2,001,518
Committed	-	-	-	-	538,449	-	-	692,325	754,493	2,981,857	-	284,150	-	6,087	-	-	-	5,257,361
Unassigned	(1,426,062)	-	-	-	-	-	-	-	-	-	(65,774)	-	(1,189,144)	-	-	(87,568)	(220,750)	(2,989,298)
Total fund balance	(1,426,062)	171,578	-	87,367	538,449	560,156	790,527	692,325	754,493	2,981,857	(65,774)	284,150	(1,189,144)	6,087	394,020	(87,568)	(220,750)	4,271,711
Total liabilities, deferred inflows of resources and fund balance	\$ 2,196,890	\$ 298,763	\$ 1,117	\$ 124,458	\$ 546,332	\$ 559,756	\$ 1,067,650	\$ 768,088	\$ 1,349,390	\$ 3,197,772	\$ 113,182	\$ 296,573	\$ 796,794	\$ 257,009	\$ 405,368	\$ -	\$ -	\$ 11,979,142

CITY OF COVINGTON, KENTUCKY

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2020

	Nonmajor Special Revenue Funds																Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
	Federal & State Grants	Community Development Block Grant	Lead Hazard Reduction Fund	HOME Program	Leased Properties	Police Forfeiture Justice	Housing Voucher Program	Infrastructure Fund	EDF	TIF	Police & Fire Supplemental Pay	Fleet Equipment & Technology	Waste	Ambulance	Devou Park Maintenance	Devou Park Master Plan	Public Works Facility Construction	
Revenues:																		
Intergovernmental	\$ 2,257,600	\$ 1,620,673	\$ 48,771	\$ 338,987	\$ -	\$ 322,141	\$ 6,015,746	\$ -	\$ -	\$ -	\$ 1,310,430	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,914,348
Charges for services	-	-	-	-	496,424	-	-	-	44,369	-	-	-	2,097,703	1,284,170	-	-	-	3,922,666
Investment earnings	-	-	-	-	49	1	116	-	-	-	-	-	-	1	1	-	-	168
Miscellaneous	60,017	168,785	-	259,041	-	13,042	50,823	-	-	246,145	-	14,522	-	-	76,201	167,405	-	1,055,981
Total revenues	2,317,617	1,789,458	48,771	598,028	496,473	335,184	6,066,685	-	44,369	246,145	1,310,430	14,522	2,097,703	1,284,171	76,202	167,405	-	16,893,163
Expenditures:																		
Current:																		
General government	-	-	-	-	-	-	-	-	-	-	-	18,088	24,459	101,858	-	-	-	144,405
Police	21,290	-	-	-	-	162,396	-	-	-	-	569,256	-	-	-	-	-	-	752,942
Fire	7,420	-	-	-	-	-	-	-	-	-	652,539	-	-	-	-	-	-	659,959
Public improvements	1	1,776	-	-	-	-	-	15,123	-	-	-	402	2,263,720	-	-	-	165,000	2,446,022
Community development	2,075	832,652	48,771	591,404	137,085	-	5,941,280	-	198,335	323,848	-	-	-	-	78,191	-	-	8,153,641
Debt service:																		
Principal	-	-	-	-	-	-	-	-	-	-	-	451,058	-	-	-	-	-	451,058
Interest	-	404	-	-	-	-	-	-	-	-	-	62,231	-	-	-	-	-	62,635
Capital outlay	3,905,387	893,119	-	-	-	28,210	-	608,758	-	44,265	-	1,568,185	-	-	-	82,975	55,750	7,186,649
Total expenditures	3,936,173	1,727,951	48,771	591,404	137,085	190,606	5,941,280	623,881	198,335	368,113	1,221,795	2,099,964	2,288,179	101,858	78,191	82,975	220,750	19,857,311
Excess (deficiency) of revenues over (under) expenditures	(1,618,556)	61,507	-	6,624	359,388	144,578	125,405	(623,881)	(153,966)	(121,968)	88,635	(2,085,442)	(190,476)	1,182,313	(1,989)	84,430	(220,750)	(2,964,148)
Other financing sources (uses):																		
Transfers in	-	-	-	-	-	-	-	450,000	110,000	918,000	-	1,268,908	-	-	-	-	-	2,746,908
Transfers out	-	(89,784)	-	-	(110,000)	-	-	-	-	-	-	-	(500,000)	(1,384,456)	-	-	-	(2,084,240)
Note proceeds	-	30,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30,000
Total other financing sources (uses)	-	(59,784)	-	-	(110,000)	-	-	450,000	110,000	918,000	-	1,268,908	(500,000)	(1,384,456)	-	-	-	692,668
Net change in fund balances	(1,618,556)	1,723	-	6,624	249,388	144,578	125,405	(173,881)	(43,966)	796,032	88,635	(816,534)	(690,476)	(202,143)	(1,989)	84,430	(220,750)	(2,271,480)
Fund balance, beginning of year	192,494	169,855	-	80,743	289,061	415,578	665,122	866,206	798,459	2,185,825	(154,409)	1,100,684	(498,668)	208,230	396,009	(171,998)	-	6,543,191
Fund balance, end of year	\$ (1,426,062)	\$ 171,578	\$ -	\$ 87,367	\$ 538,449	\$ 560,156	\$ 790,527	\$ 692,325	\$ 754,493	\$ 2,981,857	\$ (65,774)	\$ 284,150	\$ (1,189,144)	\$ 6,087	\$ 394,020	\$ (87,568)	\$ (220,750)	\$ 4,271,711

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Federal & State Grants Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 14,065,843	\$ 2,257,600	\$ (11,808,243)
Miscellaneous	-	60,017	60,017
Total revenues	<u>14,065,843</u>	<u>2,317,617</u>	<u>(11,748,226)</u>
Expenditures:			
Current:			
Police	50,000	21,290	28,710
Fire	270,000	7,420	262,580
Public improvements	13,645,888	1	13,645,887
Community development	99,955	2,075	97,880
Capital outlay	-	3,905,387	(3,905,387)
Total expenditures	<u>14,065,843</u>	<u>3,936,173</u>	<u>10,129,670</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1,618,556)</u>	<u>(1,618,556)</u>
Other financing sources (uses):			
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	(1,618,556)	<u>\$ (1,618,556)</u>
Fund balance, beginning of year	<u>192,494</u>	<u>192,494</u>	
Fund balance, end of year	<u>\$ 192,494</u>	<u>\$ (1,426,062)</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Community Development Block Grant Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 2,829,787	\$ 1,620,673	\$ (1,209,114)
Miscellaneous	375,000	168,785	(206,215)
Total revenues	<u>3,204,787</u>	<u>1,789,458</u>	<u>(1,415,329)</u>
Expenditures:			
Current:			
Public improvements	1,668,741	1,776	1,666,965
Community development	1,436,046	832,652	603,394
Debt service:			
Principal	-	-	-
Interest	-	404	(404)
Capital outlay	-	893,119	(893,119)
Total expenditures	<u>3,104,787</u>	<u>1,727,951</u>	<u>1,376,836</u>
Excess (deficiency) of revenues over (under) expenditures	<u>100,000</u>	<u>61,507</u>	<u>(38,493)</u>
Other financing sources (uses):			
Transfers out	(100,000)	(89,784)	10,216
Note proceeds	-	30,000	30,000
Total other financing sources (uses)	<u>(100,000)</u>	<u>(59,784)</u>	<u>40,216</u>
Net change in fund balances	-	1,723	\$ <u>1,723</u>
Fund balance, beginning of year	<u>169,855</u>	<u>169,855</u>	
Fund balance, end of year	<u>\$ 169,855</u>	<u>\$ 171,578</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Lead Hazard Reduction Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 1,319,519	\$ 48,771	\$ (1,270,748)
Total revenues	<u>1,319,519</u>	<u>48,771</u>	<u>(1,270,748)</u>
Expenditures:			
Current:			
Community development	<u>1,319,519</u>	<u>48,771</u>	<u>1,270,748</u>
Total expenditures	<u>1,319,519</u>	<u>48,771</u>	<u>1,270,748</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	<u>\$ -</u>
Fund balance, beginning of year	-	-	
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

HOME Program Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 1,288,426	\$ 338,987	\$ (949,439)
Miscellaneous	100,000	259,041	159,041
Total revenues	<u>1,388,426</u>	<u>598,028</u>	<u>(790,398)</u>
Expenditures:			
Current:			
Community development	<u>1,388,426</u>	<u>591,404</u>	<u>797,022</u>
Total expenditures	<u>1,388,426</u>	<u>591,404</u>	<u>797,022</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>6,624</u>	<u>6,624</u>
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	6,624	<u>\$ 6,624</u>
Fund balance, beginning of year	<u>80,743</u>	<u>80,743</u>	
Fund balance, end of year	<u>\$ 80,743</u>	<u>\$ 87,367</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Leased Properties Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Charges for services	\$ 587,832	\$ 496,424	\$ (91,408)
Investment earnings	-	49	49
Total revenues	<u>587,832</u>	<u>496,473</u>	<u>(91,359)</u>
Expenditures:			
Current:			
Community development	<u>183,916</u>	<u>137,085</u>	<u>46,831</u>
Total expenditures	<u>183,916</u>	<u>137,085</u>	<u>46,831</u>
Excess (deficiency) of revenues over (under) expenditures	<u>403,916</u>	<u>359,388</u>	<u>(44,528)</u>
Other financing sources (uses):			
Transfers out	<u>(403,916)</u>	<u>(110,000)</u>	<u>293,916</u>
Total other financing sources (uses)	<u>(403,916)</u>	<u>(110,000)</u>	<u>293,916</u>
Net change in fund balance	-	249,388	<u>\$ 249,388</u>
Fund balance, beginning of year	<u>289,061</u>	<u>289,061</u>	
Fund balance, end of year	<u>\$ 289,061</u>	<u>\$ 538,449</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Police Forfeiture Justice Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 320,500	\$ 322,141	\$ 1,641
Investment earnings	-	1	1
Miscellaneous	-	13,042	13,042
Total revenues	<u>320,500</u>	<u>335,184</u>	<u>14,684</u>
Expenditures:			
Current:			
Police	320,500	162,396	158,104
Capital outlay	-	28,210	(28,210)
Total expenditures	<u>320,500</u>	<u>190,606</u>	<u>129,894</u>
Excess (deficiency) of revenues over (under) expenditures	-	144,578	144,578
Net change in fund balance	-	144,578	<u>\$ 144,578</u>
Fund balance, beginning of year	415,578	415,578	
Fund balance, end of year	<u>\$ 415,578</u>	<u>\$ 560,156</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Housing Voucher Program Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 6,301,719	\$ 6,015,746	\$ (285,973)
Investment earnings	-	116	116
Miscellaneous	-	50,823	50,823
Total revenues	<u>6,301,719</u>	<u>6,066,685</u>	<u>(235,034)</u>
Expenditures:			
Current:			
Community development	<u>6,301,719</u>	<u>5,941,280</u>	<u>360,439</u>
Total expenditures	<u>6,301,719</u>	<u>5,941,280</u>	<u>360,439</u>
Excess (deficiency) of revenues over (under) expenditures	-	<u>125,405</u>	<u>125,405</u>
Net change in fund balance	-	125,405	<u>\$ 125,405</u>
Fund balance, beginning of year	<u>665,122</u>	<u>665,122</u>	
Fund balance, end of year	<u>\$ 665,122</u>	<u>\$ 790,527</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Infrastructure Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Investment earnings	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures:			
Current:			
Public improvements	\$ 1,425,000	\$ 15,123	\$ 1,409,877
Capital outlay	-	608,758	(608,758)
Total expenditures	1,425,000	623,881	801,119
Excess (deficiency) of revenues over (under) expenditures	(1,425,000)	(623,881)	801,119
Other financing sources (uses):			
Transfers in	1,425,000	450,000	(975,000)
Total other financing sources (uses)	1,425,000	450,000	(975,000)
Net change in fund balance	-	(173,881)	\$ (173,881)
Fund balance, beginning of year	866,206	866,206	
Fund balance, end of year	\$ 866,206	\$ 692,325	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

EDF Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Charges for services	\$ 45,000	\$ 44,369	\$ (631)
Total revenues	<u>45,000</u>	<u>44,369</u>	<u>(631)</u>
Expenditures:			
Current:			
Community development	<u>1,010,000</u>	<u>198,335</u>	<u>811,665</u>
Total expenditures	<u>1,010,000</u>	<u>198,335</u>	<u>811,665</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(965,000)</u>	<u>(153,966)</u>	<u>811,034</u>
Other financing sources (uses):			
Transfers in	<u>185,000</u>	<u>110,000</u>	<u>(75,000)</u>
Total other financing sources (uses)	<u>185,000</u>	<u>110,000</u>	<u>(75,000)</u>
Net change in fund balance	(780,000)	(43,966)	<u>\$ 736,034</u>
Fund balance, beginning of year	<u>798,459</u>	<u>798,459</u>	
Fund balance, end of year	<u>\$ 18,459</u>	<u>\$ 754,493</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

TIF Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Miscellaneous	\$ 80,000	\$ 246,145	\$ 166,145
Total revenues	<u>80,000</u>	<u>246,145</u>	<u>166,145</u>
Expenditures:			
Current:			
Community development	3,380,000	323,848	3,056,152
Capital outlay	<u>-</u>	<u>44,265</u>	<u>(44,265)</u>
Total expenditures	<u>3,380,000</u>	<u>368,113</u>	<u>3,011,887</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,300,000)</u>	<u>(121,968)</u>	<u>3,178,032</u>
Other financing sources (uses):			
Transfers in	<u>3,300,000</u>	<u>918,000</u>	<u>(2,382,000)</u>
Total other financing sources (uses)	<u>3,300,000</u>	<u>918,000</u>	<u>(2,382,000)</u>
Net change in fund balance	-	796,032	<u>\$ 796,032</u>
Fund balance, beginning of year	<u>2,185,825</u>	<u>2,185,825</u>	
Fund balance, end of year	<u>\$ 2,185,825</u>	<u>\$ 2,981,857</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Police & Fire Supplemental Pay Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 1,306,469	\$ 1,310,430	\$ 3,961
Total revenues	<u>1,306,469</u>	<u>1,310,430</u>	<u>3,961</u>
Expenditures:			
Current:			
Police	653,235	569,256	83,979
Fire	<u>653,234</u>	<u>652,539</u>	<u>695</u>
Total expenditures	<u>1,306,469</u>	<u>1,221,795</u>	<u>84,674</u>
Excess (deficiency) of revenues over (under) expenditures	-	88,635	88,635
Net change in fund balance	-	88,635	<u>\$ 88,635</u>
Fund balance, beginning of year	(154,409)	(154,409)	
Fund balance, end of year	<u>\$ (154,409)</u>	<u>\$ (65,774)</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Fleet, Equipment, Technology, Facilities, & Other Capital Projects Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Miscellaneous	\$ -	\$ 14,522	\$ 14,522
Total revenues	-	14,522	14,522
Expenditures:			
Current:			
General government	54,583	18,088	36,495
Public improvements	1,555,541	402	1,555,139
Debt service:			
Principal	453,289	451,058	2,231
Interest	60,000	62,231	(2,231)
Capital outlay	-	1,568,185	(1,568,185)
Total expenditures	2,123,413	2,099,964	23,449
Excess (deficiency) of revenues over (under) expenditures	(2,123,413)	(2,085,442)	37,971
Other financing sources (uses):			
Transfers in	2,123,413	1,268,908	(854,505)
Total other financing sources (uses)	2,123,413	1,268,908	(854,505)
Net change in fund balance	-	(816,534)	\$ (816,534)
Fund balance, beginning of year	1,100,684	1,100,684	
Fund balance, end of year	\$ 1,100,684	\$ 284,150	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Waste Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Charges for services	\$ 2,790,000	\$ 2,097,703	\$ (692,297)
Total revenues	<u>2,790,000</u>	<u>2,097,703</u>	<u>(692,297)</u>
Expenditures:			
Current:			
General government	25,000	24,459	541
Public improvements	<u>2,280,000</u>	<u>2,263,720</u>	<u>16,280</u>
Total expenditures	<u>2,305,000</u>	<u>2,288,179</u>	<u>16,821</u>
Excess (deficiency) of revenues over (under) expenditures	<u>485,000</u>	<u>(190,476)</u>	<u>(675,476)</u>
Other financing sources (uses):			
Transfers out	<u>(485,000)</u>	<u>(500,000)</u>	<u>(15,000)</u>
Total other financing sources (uses)	<u>(485,000)</u>	<u>(500,000)</u>	<u>(15,000)</u>
Net change in fund balance	-	(690,476)	\$ <u>(690,476)</u>
Fund balance, beginning of year	<u>(498,668)</u>	<u>(498,668)</u>	
Fund balance, end of year	<u>\$ (498,668)</u>	<u>\$ (1,189,144)</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Ambulance Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Charges for services	\$ 1,495,000	\$ 1,284,170	\$ (210,830)
Investment earnings	5,000	1	(4,999)
Total revenues	<u>1,500,000</u>	<u>1,284,171</u>	<u>(215,829)</u>
Expenditures:			
Current:			
General government	<u>155,000</u>	<u>101,858</u>	<u>53,142</u>
Total expenditures	<u>155,000</u>	<u>101,858</u>	<u>53,142</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,345,000</u>	<u>1,182,313</u>	<u>(162,687)</u>
Other financing sources (uses):			
Transfers out	<u>(1,345,000)</u>	<u>(1,384,456)</u>	<u>(39,456)</u>
Total other financing sources (uses)	<u>(1,345,000)</u>	<u>(1,384,456)</u>	<u>(39,456)</u>
Net change in fund balance	-	(202,143)	<u>\$ (202,143)</u>
Fund balance, beginning of year	<u>208,230</u>	<u>208,230</u>	
Fund balance, end of year	<u>\$ 208,230</u>	<u>\$ 6,087</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Devou Park Maintenance Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Investment earnings	\$ -	\$ 1	\$ 1
Miscellaneous	537,960	76,201	(461,759)
Total revenues	537,960	76,202	(461,758)
Expenditures:			
Current:			
Community development	482,960	78,191	404,769
Capital outlay	-	-	-
Total expenditures	482,960	78,191	404,769
Excess (deficiency) of revenues over (under) expenditures	55,000	(1,989)	(56,989)
Other financing sources (uses):			
Transfers out	(55,000)	-	55,000
Total other financing sources (uses)	(55,000)	-	55,000
Net change in fund balance	-	(1,989)	\$ (1,989)
Fund balance, beginning of year	396,009	396,009	
Fund balance, end of year	\$ 396,009	\$ 394,020	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Devou Park Master Plan Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Miscellaneous	\$ 597,613	\$ 167,405	\$ (430,208)
Total revenues	<u>597,613</u>	<u>167,405</u>	<u>(430,208)</u>
Expenditures:			
Current:			
Community development	597,613	-	597,613
Capital outlay	<u>-</u>	<u>82,975</u>	<u>(82,975)</u>
Total expenditures	<u>597,613</u>	<u>82,975</u>	<u>514,638</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>84,430</u>	<u>84,430</u>
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	84,430	<u>\$ 84,430</u>
Fund balance, beginning of year	<u>(171,998)</u>	<u>(171,998)</u>	
Fund balance, end of year	<u>\$ (171,998)</u>	<u>\$ (87,568)</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Public Works Facility Construction Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Expenditures:			
Current:			
Public improvements	75,000	165,000	(90,000)
Capital outlay	-	55,750	(55,750)
Total expenditures	75,000	220,750	(145,750)
 Excess (deficiency) of revenues over (under) expenditures	 (75,000)	 (220,750)	 (145,750)
 Other financing sources (uses):			
Fund balance, beginning of year	-	-	
Fund balance, end of year	\$ -	\$ (220,750)	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Capital Improvement Fund

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Miscellaneous	\$ 100,000	\$ 16,682	\$ (83,318)
Total revenues	<u>100,000</u>	<u>16,682</u>	<u>(83,318)</u>
Expenditures:			
Current:			
Public improvements	2,857,000	-	2,857,000
Capital outlay	<u>-</u>	<u>665,130</u>	<u>(665,130)</u>
Total expenditures	<u>2,857,000</u>	<u>665,130</u>	<u>2,191,870</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,757,000)</u>	<u>(648,448)</u>	<u>2,108,552</u>
Other financing sources (uses):			
Transfers in	<u>2,757,000</u>	<u>-</u>	<u>(2,757,000)</u>
Total other financing sources (uses)	<u>2,757,000</u>	<u>-</u>	<u>(2,757,000)</u>
Net change in fund balances	-	(648,448)	\$ <u>(648,448)</u>
Fund balance, beginning of year	<u>2,555,939</u>	<u>2,555,939</u>	
Fund balance, end of year	<u>\$ 2,555,939</u>	<u>\$ 1,907,491</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

IRS Site Construction

Fiscal Year Ended June 30, 2020

	Final Budget	Actual	Variance with Final Budget
Expenditures:			
Current:			
Community development	2,551,803	41,803	2,510,000
Capital outlay	<u>27,448,197</u>	<u>2,060,000</u>	<u>25,388,197</u>
Total expenditures	<u>30,000,000</u>	<u>2,101,803</u>	<u>27,898,197</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(30,000,000)</u>	 <u>(2,101,803)</u>	 <u>27,898,197</u>
 Other financing sources (uses):			
Transfers out	-	(2,500,000)	(2,500,000)
Lease proceeds	<u>30,000,000</u>	<u>30,000,000</u>	<u>-</u>
Total other financing sources (uses)	<u>30,000,000</u>	<u>27,500,000</u>	<u>(2,500,000)</u>
 Net change in fund balances	-	25,398,197	<u>\$ 25,398,197</u>
 Fund balance, beginning of year	<u>-</u>	<u>-</u>	
Fund balance, end of year	<u>\$ -</u>	<u>\$ 25,398,197</u>	

CITY OF COVINGTON, KENTUCKY
Combining Statement of Net Position
Internal Service Funds
June 30, 2020

	Liability Self Insurance	Medical Self Insurance	Total Internal Service Funds
Assets			
Due from other funds	\$ 519,552	\$ 1,092,829	\$ 1,612,381
Total assets	<u>519,552</u>	<u>1,092,829</u>	<u>1,612,381</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 11,785	\$ 136,476	\$ 148,261
Claims payable	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>
Total liabilities	11,785	1,636,476	1,648,261
Noncurrent Liabilities			
Claims payable	<u>1,100,000</u>	<u>-</u>	<u>1,100,000</u>
Total liabilities	<u>1,111,785</u>	<u>1,636,476</u>	<u>2,748,261</u>
Net Position			
Unrestricted	<u>(592,233)</u>	<u>(543,647)</u>	<u>(1,135,880)</u>
Total net position	<u>\$ (592,233)</u>	<u>\$ (543,647)</u>	<u>\$ (1,135,880)</u>

CITY OF COVINGTON, KENTUCKY

Combining Statement of Revenues, Expenses
and Changes in Net Position
Internal Service Funds
Fiscal Year Ended June 30, 2020

	Liability Self Insurance	Medical Self Insurance	Total Internal Service Funds
<i>Operating revenues:</i>			
Insurance premiums	\$ -	\$ 4,668,340	\$ 4,668,340
Other	-	12,843	12,843
Total operating revenues	-	4,681,183	4,681,183
<i>Operating expenses:</i>			
Contractual services	681,760	338,755	1,020,515
Claims and judgments	100,473	5,569,946	5,670,419
Total operating expenses	782,233	5,908,701	6,690,934
Operating loss	(782,233)	(1,227,518)	(2,009,751)
Transfers in	440,000	1,205,000	1,645,000
Transfers out	-	-	-
Total transfers in (out)	440,000	1,205,000	1,645,000
Change in net position	(342,233)	(22,518)	(364,751)
Net position, beginning of year	(250,000)	(521,129)	(771,129)
Net position, end of year	<u>\$ (592,233)</u>	<u>\$ (543,647)</u>	<u>\$ (1,135,880)</u>

CITY OF COVINGTON, KENTUCKY
Combining Statement of Cash Flows
Internal Service Funds
Fiscal Year Ended June 30, 2020

	Liability Self Insurance	Medical Self Insurance	Total Internal Service Funds
<i>Cash flows from operating activities:</i>			
Cash received from (paid to) other funds	\$ 350,315	\$ 4,578,148	\$ 4,928,463
Cash received from other income	-	12,843	12,843
Cash payments for claims	<u>(790,315)</u>	<u>(5,795,991)</u>	<u>(6,586,306)</u>
Net cash flows (used by) operating activities	<u>(440,000)</u>	<u>(1,205,000)</u>	<u>(1,645,000)</u>
<i>Cash flows from noncapital financing activities:</i>			
Transfers	<u>440,000</u>	<u>1,205,000</u>	<u>1,645,000</u>
Net cash provided by noncapital financing activities	<u>440,000</u>	<u>1,205,000</u>	<u>1,645,000</u>
Net change	-	-	-
Cash and cash equivalents, beginning of year	-	-	-
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating loss to net cash flows from operating activities:			
Operating loss	\$ (782,233)	\$ (1,227,518)	\$ (2,009,751)
Adjustments to reconcile operating loss to net cash flows from operating activities:			
Changes in assets and liabilities:			
Prepaid expenses	-	-	-
Due from/to other funds	350,314	(90,191)	260,123
Accounts payable	(8,081)	112,709	104,628
Claims payable	<u>-</u>	<u>-</u>	<u>-</u>
Net cash flows from operating activities	<u>\$ (440,000)</u>	<u>\$ (1,205,000)</u>	<u>\$ (1,645,000)</u>

CITY OF COVINGTON, KENTUCKY

Statement of Changes in Fiduciary Net Position

Agency Funds

Fiscal Year Ended June 30, 2020

	Beginning Balance 7/1/2019	Additions	Deductions	Ending Balance 6/30/2020
Real Estate Transactions				
Assets:				
Cash	\$ -	\$ -	\$ -	\$ -
Due from General	<u>722</u>	<u>-</u>	<u>722</u>	<u>-</u>
Total Assets	<u>\$ 722</u>	<u>\$ -</u>	<u>\$ 722</u>	<u>\$ -</u>
Liabilities:				
Due to others	<u>\$ 722</u>	<u>\$ -</u>	<u>\$ 722</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

STATISTICAL SECTION

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

Section 1: Financial Trend Data:

Schedules 1-4

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

Section 2: Revenue Capacity:

Schedules 5-10

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

Section 3: Debt Capacity:

Schedules 11-13

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

Section 4: Demographic and Economic Information:

Schedules 14-15

This table shows demographic and economic indicators to help the reader understand the local environment in which the City's financial activities take place.

Section 5: Operating Information:

Schedules 16-19

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

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

	Fiscal Year									
	2020	2019	(as restated) 2018	(as restated) 2017	2016	(as restated) 2015	(as restated) 2014	(as restated) 2013	2012	2011
Governmental Activities										
Net Investment in Capital Assets	\$ 27,799,625	\$ 23,743,357	\$ 27,309,024	\$ 23,790,740	\$ 26,724,688	\$ 27,899,604	\$ 29,360,778	\$ 33,666,204	\$ 34,173,497	\$ 36,088,303
Restricted for Capital Improvements	27,305,688	2,555,939	2,924,098	4,376,137	-	-	2,614,198	580,454	190,681	1,577,223
Restricted for Debt Service	469,574	462,321	421,769	401,000	401,000	401,000	401,000	401,000	-	-
Restricted for HUD Programs	1,047,342	915,720	922,485	651,007	632,116	2,938,475	3,622,306	3,565,125	16,648,464	1,318,568
Restricted for other purposes	954,176	1,004,081	623,989	426,695	1,620,898	-	16,139	14,887	-	27,361
Unrestricted (deficit)	(122,345,513)	(81,316,610)	(72,524,243)	(66,127,088)	(56,738,795)	(59,904,755)	(52,978,362)	(13,385,806)	(4,806,437)	8,933,230
Total Governmental Activities Net Position	<u>\$ (64,769,108)</u>	<u>\$ (52,635,192)</u>	<u>\$ (40,322,878)</u>	<u>\$ (36,481,509)</u>	<u>\$ (27,360,093)</u>	<u>\$ (28,665,676)</u>	<u>\$ (16,963,941)</u>	<u>\$ 24,841,864</u>	<u>\$ 46,206,205</u>	<u>\$ 47,944,685</u>
Business-type Activities										
Net Investment in Capital Assets	\$ 7,467,344	\$ 5,022,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted (deficit)	(2,352,028)	196,788	-	-	-	-	-	-	-	-
Total Governmental Activities Net Position	<u>\$ 5,115,316</u>	<u>\$ 5,219,206</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

	Fiscal Year									
	(as restated)									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental Activities										
Expenses										
General Government	\$ 9,443,391	\$ 7,243,552	\$ 7,944,679	\$ 6,604,320	\$ 10,612,219	\$ 12,474,158	\$ 5,916,248	\$ 4,028,857	\$ 4,250,735	\$ 3,814,055
Police	23,704,389	21,111,281	20,397,256	14,453,789	16,091,991	13,287,449	14,177,725	15,464,519	16,455,964	16,536,402
Fire	25,325,490	21,221,513	19,695,653	13,176,016	15,301,811	12,882,790	13,060,943	13,727,885	15,180,999	15,318,421
Public Improvements	12,709,620	11,206,541	10,382,962	8,784,729	7,806,788	14,691,139	13,769,904	10,916,212	11,349,786	11,780,808
Recreation	-	-	-	-	-	-	-	683,742	711,584	734,672
Community Development	11,168,156	10,806,389	10,371,116	10,312,912	9,789,169	9,179,648	11,159,338	13,912,337	15,379,018	13,771,124
Parking Garage	-	-	900,712	868,353	774,460	738,147	734,598	783,059	768,661	865,947
Interest on Long-term Debt	1,471,171	1,510,745	1,654,623	1,984,708	2,171,812	3,000,362	1,654,352	2,181,165	1,324,845	1,676,776
Total Governmental Activities Expenses	83,822,217	73,100,021	71,347,001	56,184,827	62,548,250	66,253,693	60,473,108	61,697,776	65,421,592	64,498,205
Program Revenues										
General Government	763,145	2,183,781	2,197,465	2,640,012	1,815,216	1,028,301	940,479	1,214,447	936,996	968,682
Police	60,000	80,000	-	-	-	3,891	58,002	133,915	189,671	307,539
Fire	1,284,170	-	-	11,029	1,449,356	1,238,640	1,391,914	1,238,042	1,333,724	1,175,621
Public Improvements	2,183,962	2,271,448	1,245,706	1,098,612	2,952,715	1,292,573	2,343,079	2,506,617	2,342,050	2,082,635
Recreation	-	-	-	-	-	-	-	11,739	22,753	-
Community Development	1,481,571	1,471,895	1,603,315	1,086,948	1,065,050	1,389,251	738,833	79,873	169,209	98,196
Parking Garage	-	-	1,845,342	2,078,859	2,032,348	1,806,791	1,554,915	1,353,754	1,674,834	1,458,784
Operating Grants and Contributions	11,553,487	10,876,303	11,087,041	10,178,394	9,564,948	8,898,601	10,842,196	11,932,368	12,518,909	13,533,951
Capital Grants and Contributions	3,513,632	1,516,820	1,711,776	456,927	867,341	1,143,363	2,317,723	1,290,469	1,647,156	2,558,805
Total Governmental Activities Revenues	20,839,967	18,400,247	19,690,645	17,550,781	19,746,974	16,801,411	20,187,141	19,761,224	20,835,302	22,184,213
Program Revenues Over (Under) Expenses	(62,982,250)	(54,699,774)	(51,656,356)	(38,634,046)	(42,801,276)	(49,452,282)	(40,285,967)	(41,936,552)	(44,586,290)	(42,313,992)
Business-type Activities										
Expenses										
Parking Authority	1,546,899	1,504,763	-	-	-	-	-	-	-	-
Program revenues										
Parking Authority	1,443,009	1,679,612	-	-	-	-	-	-	-	-
Program Revenues Over (Under) Expenses	(103,890)	174,849	-	-	-	-	-	-	-	-
Governmental Activities										
General Revenues and Changes in Net Assets										
Taxes										
Real Property-Levied for General Purposes	7,158,077	6,845,272	7,101,877	6,566,434	6,701,787	6,392,706	6,085,654	6,043,907	6,141,332	6,481,511
Personal Property-Levied for General Purposes	819,557	732,222	660,376	676,397	706,359	654,885	764,100	655,275	796,259	516,905
Public Services	2,280,841	2,362,740	2,229,746	2,110,822	1,946,897	2,141,952	2,131,042	2,018,535	1,944,431	2,107,927
Taxes-Levied for Bank Deposits	86,840	68,619	84,652	73,367	82,872	72,843	65,134	62,729	87,014	71,391
Insurance Premium	8,066,151	7,613,448	7,592,489	7,909,903	6,932,552	5,430,601	5,672,059	5,279,824	4,988,428	5,155,801
Payroll	26,719,778	27,039,037	26,291,746	25,097,302	24,216,488	22,791,569	22,222,546	22,974,835	22,764,392	22,595,598
Net Profit	4,080,042	3,597,615	2,980,516	3,325,037	2,924,268	3,161,057	2,829,873	2,710,237	3,011,825	2,404,497
Other	-	-	-	-	-	-	-	303,944	805,015	840,953
Investment Earnings	543,726	750,298	208,636	222,575	164,973	3,932	4,287	96,889	23,084	47,503
Miscellaneous	1,071,293	1,018,066	664,949	368,406	430,663	497,752	159,730	577,261	2,286,030	1,817,908
Special Item	22,029	-	-	-	-	-	(17,000)	(102,445)	-	-
Total General Revenues and Transfers	50,848,334	50,027,317	47,814,987	46,350,243	44,106,859	41,147,297	39,900,425	40,620,991	42,847,810	42,039,994
Restatement	-	-	-	-	-	(982,647)	-	-	-	-
Change in Net Position	<u>\$ (12,237,806)</u>	<u>\$ (4,497,608)</u>	<u>\$ (3,841,369)</u>	<u>\$ 7,716,197</u>	<u>\$ 1,305,583</u>	<u>\$ (9,287,632)</u>	<u>\$ (385,542)</u>	<u>\$ (1,315,561)</u>	<u>\$ (1,738,480)</u>	<u>\$ (273,998)</u>

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

	Fiscal Year									
	2020	2019	2018	2017	(as restated) 2016	2015	2014	2013	(as restated) 2012	2011
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	2,663,497	155,908	128,902	157,023	139,181	123,378	25,515	41,593	98,617	-
Restricted	469,574	462,321	421,769	-	-	-	-	-	190,681	1,577,223
Committed	-	7,390,770	5,530,433	3,761,124	4,076,011	-	-	-	-	-
Assigned	9,400,000	-	-	-	-	-	-	-	-	1,345,041
Unassigned	7,200,197	9,327,450	8,514,395	9,035,883	4,676,717	4,037,235	2,178,928	738,275	1,043,176	698,391
Total General Fund	19,733,268	17,336,449	14,595,499	12,954,030	8,891,909	4,160,613	2,204,443	779,868	1,332,474	3,620,655
All Other Governmental Funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved										
Special Revenue Funds	-	-	-	-	-	-	-	-	-	-
Capital Projects Funds	-	-	-	-	-	-	-	-	-	-
Debt Service Funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	2,130	1,000	-	-	-	-	-	250,000	-	-
Restricted	29,307,206	4,475,740	4,470,572	5,854,839	12,814,908	15,785,120	6,356,203	16,339,191	1,574,894	1,345,929
Committed	5,257,361	5,447,465	5,168,294	2,955,845	2,489,140	348,076	427,865	299,239	385,496	255,605
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned (deficit)	(2,989,298)	(825,075)	(437,511)	(437,055)	(287,536)	282,855	(75,586)	-	-	(27,062)
Total All Other Governmental Funds	31,577,399	9,099,130	9,201,355	8,373,629	15,016,512	16,416,051	6,708,482	16,888,430	1,960,390	1,574,472
Total Governmental Funds	\$ 51,310,667	\$ 26,435,579	\$ 23,796,854	\$ 21,327,659	\$ 23,908,421	\$ 20,576,664	\$ 8,912,925	\$ 17,668,298	\$ 3,292,864	\$ 5,195,127

Note: The City implemented GASB Statement 54 in fiscal year 2011.

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

	Fiscal Year									
	2020	2019	201	2017	2016	(as restated) 2015	2014	2013	2012	2011
Revenues										
Taxes	\$ 18,175,073	\$ 17,735,156	\$ 17,119,584	\$ 17,071,793	\$ 16,042,423	\$ 14,237,675	\$ 14,291,815	\$ 14,029,560	\$ 14,462,247	\$ 14,643,134
Licenses and Permits	31,108,770	30,955,990	29,590,400	28,674,704	27,465,856	26,245,715	25,353,330	25,979,427	26,175,310	25,362,255
Intergovernmental	13,896,126	12,503,550	12,809,096	10,616,507	9,862,919	10,022,321	13,142,623	12,897,498	14,510,735	13,684,242
Charges for Services	4,393,449	4,593,760	5,413,149	6,028,757	7,863,434	5,409,631	5,936,837	6,063,670	6,063,323	5,394,348
Fines and Forfeitures	397,934	337,821	221,225	309,267	304,473	271,735	414,625	367,591	439,189	558,465
Investment Earnings	326,974	571,433	208,636	222,575	165,050	3,932	4,287	96,889	23,084	47,244
Interest Revenue	216,752	178,867	0	0	0	0	-	-	-	-
Miscellaneous	1,959,256	1,937,046	1,916,084	1,189,471	1,556,718	1,474,692	1,045,589	1,845,656	2,449,022	2,004,920
Total Revenues	70,474,334	68,813,623	67,278,174	64,113,074	63,260,873	57,665,701	60,189,106	61,280,291	64,122,910	61,694,608
Expenditures										
General Government	6,024,385	5,898,144	6,015,240	5,846,967	6,583,585	4,405,392	8,990,541	3,982,552	3,618,888	4,315,649
Police	16,084,590	15,382,419	15,296,168	14,333,931	13,393,476	13,537,543	13,945,665	14,207,005	15,588,778	15,913,878
Fire	16,546,025	15,104,657	14,355,370	13,333,336	12,897,000	13,190,569	12,745,412	13,203,841	13,842,762	13,630,059
General Service	9,719,958	9,166,811	8,116,595	6,752,337	5,863,844	12,877,279	8,816,579	5,994,547	5,891,702	6,268,883
Recreation	-	-	-	-	-	-	-	437,483	475,601	455,212
Community Development (includes recreation in 2014)	10,609,180	10,128,614	9,623,457	9,856,641	9,397,002	9,162,917	10,864,968	13,051,903	14,104,562	13,075,265
Parking Garage	-	-	900,712	868,353	774,460	738,147	731,835	780,016	743,506	865,947
Debt Service	-	-	-	-	-	-	-	-	-	-
Principal	3,500,011	3,689,017	3,932,977	12,233,087	3,103,572	16,910,676	2,771,777	3,510,165	3,682,521	3,131,379
Interest and Other Charges	1,443,955	1,533,222	1,682,726	1,788,432	2,116,885	1,968,945	1,754,969	2,273,447	1,223,546	1,503,485
Bond Issuance Costs	-	-	-	252,629	-	852,255	-	-	-	59,623
Capital Outlay	10,266,703	4,850,317	4,603,398	13,487,402	5,209,330	1,760,569	8,135,571	5,485,409	5,847,540	4,300,102
Total Expenditures	74,194,807	65,753,201	64,526,643	78,753,115	59,339,154	75,404,292	68,757,317	62,926,368	65,019,406	63,519,482
Excess (Deficit) of Revenues Over Expenditures	(3,720,473)	3,060,422	2,751,531	(14,640,041)	3,921,719	(17,738,591)	(8,568,211)	(1,646,077)	(896,496)	(1,824,874)
Other Financing Sources (Uses)										
Proceeds From Issuance of Debt	30,000	-	-	9,185,000	4,000,000	15,070,295	-	-	-	2,806,827
Proceeds From Bond Refinancing	-	-	-	-	-	14,524,705	-	-	-	315,000
Premiums on the Issuance of Debt	-	-	-	-	-	230,696	-	-	-	-
Payment to Refunded Lease Escrow Agent	-	-	-	-	-	-	-	-	-	(303,694)
Inception of Capital Leases	30,000,000	-	-	3,791,165	-	-	-	16,040,000	-	-
Transfers In	7,221,148	4,871,026	6,907,113	6,743,730	3,168,184	799,305	1,387,729	6,009,757	4,090,194	3,565,394
Transfer Out	(8,866,148)	(5,342,983)	(7,257,113)	(7,802,207)	(4,533,184)	(1,909,786)	(2,361,142)	(6,066,893)	(5,101,478)	(3,865,395)
Lending	-	-	-	-	(4,000,000)	-	-	-	-	-
Proceeds From Short-term Debt	-	-	-	-	-	-	-	-	-	-
Proceeds from Sale of Assets	210,561	50,260	67,664	141,591	775,038	299,127	33,684	141,092	5,517	13,647
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	28,595,561	(421,697)	(282,336)	12,059,279	(589,962)	29,014,342	(939,729)	16,123,956	(1,005,767)	2,531,779
Special Item	-	-	-	-	-	-	(17,000)	(102,445)	-	-
Restatement	-	-	-	-	-	387,988	-	-	-	-
Increase (Decrease) in Fund Balance	\$ 24,875,088	\$ 2,638,725	\$ 2,469,195	\$ (2,580,762)	\$ 3,331,757	\$ 11,663,739	\$ (9,524,940)	\$ 14,375,434	\$ (1,902,263)	\$ 706,905
Debt Service as a Percentage of Non-Capital Expenditures	7.73%	8.57%	9.37%	21.48%	9.74%	27.06%	8.03%	10.02%	8.11%	7.81%

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

Fiscal Year	Total Gross Taxable Wages	Total Withholding Fees	Total Direct Rate
2020	\$ 1,122,425,452	\$ 27,499,424	0.0245%
2019	\$ 1,103,634,163	\$ 27,039,037	0.0245%
2018	\$ 1,073,132,490	\$ 26,291,746	0.0245%
2017	\$ 1,047,293,224	\$ 25,658,684	0.0245%
2016	\$ 1,010,486,122	\$ 24,756,910	0.0245%
2015	\$ 952,288,327	\$ 23,331,064	0.0245%
2014	\$ 940,233,510	\$ 23,035,721	0.0245%
2013	\$ 949,297,388	\$ 23,257,786	0.0245%
2012	\$ 910,575,680	\$ 22,764,392	0.0250%
2011	\$ 903,823,920	\$ 22,595,598	0.0250%

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

Taxpayer	
2020	2011
Atkins & Pearce Manufacturing	A.C. Nielsen
Club Chef	Atkins & Pearce Manufacturing
Covington Board of Education	Club Chef
CTI- Clinical Trial Services	Commonwealth of Kentucky
Diocese of Covington Board of Education	Covington Board of Education
Erigo Inc.	Fidelity Investments
Fidelity Investments	Internal Revenue Service
Internal Revenue Service	Omnicare
Kenton County Fiscal Court	Rosedale Manor
Kentucky State Treasury	St. Elizabeth Hospital

Notes: Taxpayer information is listed alphabetically.

Source: City of Covington Finance Department

Schedule 7
City of Covington, Kentucky
Assessed Value and Estimated Actual Value of Taxable Property
Current and Past Nine Fiscal Years

Fiscal Year	Real Property	Personal Property	Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2020	\$ 2,158,908	\$ 133,187	\$ 89,224	\$ 2,202,871	0.3270
2019	\$ 2,086,814	\$ 139,040	\$ 82,593	\$ 2,143,261	0.3270
2018	\$ 2,064,079	\$ 132,986	\$ 83,350	\$ 2,113,715	0.3270
2017	\$ 2,043,987	\$ 137,040	\$ 77,985	\$ 2,103,042	0.3270
2016	\$ 2,106,871	\$ 138,635	\$ 78,889	\$ 2,166,617	0.3130
2015	\$ 2,077,290	\$ 130,602	\$ 77,448	\$ 2,130,444	0.3130
2014	\$ 1,962,172	\$ 139,733	\$ 74,707	\$ 2,098,172	0.3045
2013	\$ 1,906,233	\$ 150,542	\$ 72,839	\$ 1,983,936	0.3045
2012	\$ 2,019,671	\$ 156,875	\$ 65,087	\$ 2,111,459	0.2995
2011	\$ 2,027,907	\$ 168,468	\$ 61,769	\$ 2,134,606	0.2995

Notes: Property in Covington is reassessed once every four years. City property was reassessed in 2019. The next reassessment will occur in 2023. The reassessment is conducted by the Kenton County Property Value Administrator. The property is assessed at 100% of value.

Values are stated in thousands of dollars

Tax rates are per \$100 of assessed value.

Schedule 8
City of Covington, Kentucky
Direct and Overlapping Property Tax Rates
Current and Past Nine Fiscal Years
(rate per \$100 of assessed value)

Fiscal Year	City Direct Rate	School Districts		County	State	Other	Totals	
		Covington Independent	Kenton County				Covington Schools Area	Kenton County Schools Area
2020	0.3270	1.118	0.638	0.1480	0.122	0.1720	1.8870	1.4070
2019	0.3270	1.118	0.638	0.1480	0.122	0.1720	1.8870	1.4070
2018	0.3270	1.118	0.638	0.1480	0.122	0.1719	1.8869	1.4069
2017	0.3130	1.099	0.621	0.1480	0.122	0.1715	1.8535	1.3755
2016	0.3130	1.099	0.621	0.1480	0.122	0.1715	1.8535	1.3755
2015	0.3130	1.111	0.609	0.1480	0.122	0.1713	1.8653	1.3633
2014	0.3045	1.132	0.591	0.1480	0.122	0.1713	1.8778	1.3368
2013	0.3045	1.153	0.557	0.1480	0.122	0.1713	1.8988	1.3028
2012	0.2995	1.117	0.557	0.1480	0.122	0.1720	1.8585	1.2985
2011	0.2995	1.056	0.557	0.1480	0.122	0.1740	1.7995	1.3005

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

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

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

Taxpayer	2020			2019			2018			2017			2016		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Fidelity Properties Inc	\$ 128,693,700	1	6.17%	\$ 129,618,200	1	6.21%	\$ 204,181,958	1	7.30%	\$ 184,387,500	1	6.59%	\$ 184,246,829	1	6.59%
ARCP OFC Covington LLC	82,625,000	2	3.96%	82,625,000	2	3.96%	82,625,000	2	2.95%	82,625,000	2	2.95%	82,625,000	2	2.95%
CPX-Rivercenter Development Corp	51,000,000	3	2.44%	51,000,000	3	2.44%	58,055,000	3	2.08%	76,991,700	3	2.75%	76,340,000	3	2.73%
EHP Rivercenter Landmark	33,578,000	4	1.61%	33,578,000	4	1.61%	33,578,000	4	1.20%	33,578,000	4	1.20%	33,578,000	4	1.20%
AHIP KY Covington	22,500,000	5	1.08%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
OH-16 FO Cincinnati	21,783,300	6	1.04%	21,783,300	5	1.04%	21,783,300	5	0.78%	21,783,300	5	0.78%	21,783,300	5	0.78%
CIP II Buckeye Hotel	-	-	0.00%	-	-	0.00%	20,340,000	6	0.73%	-	-	0.00%	-	-	0.00%
Scott Street Land Co. Inc	-	-	0.00%	-	-	0.00%	10,917,884	8	0.39%	-	-	0.00%	-	-	0.00%
Northern Kentucky Assisted Living LLC	-	-	0.00%	-	-	0.00%	-	-	0.00%	18,000,000	6	0.64%	18,000,000	6	0.64%
J & S Latonia Centre Ky LLC	10,895,000	9	0.52%	10,895,000	7	0.52%	-	-	0.00%	12,454,000	8	0.45%	10,482,000	8	0.37%
Atkins & Pearce Manufacturing	11,937,900	7	0.57%	11,937,920	6	0.57%	-	-	0.11%	11,460,000	7	0.41%	11,460,000	7	0.41%
FMR Kentucky I LLC	11,381,800	8	0.55%	10,482,000	9	0.50%	10,482,000	9	0.37%	9,550,000	9	0.34%	9,550,000	9	0.34%
Trustees Latonia Plaza KY LLC	-	-	0.00%	-	-	0.00%	16,229,962	7	0.58%	-	-	0.00%	-	-	0.00%
Truss Latonia Plaza KY LLC	-	-	0.00%	-	-	0.00%	9,550,000	10	0.34%	7,916,000	10	0.28%	6,824,500	10	0.24%
Stronghaven Inc.	-	-	0.00%	8,944,500	10	0.43%	-	-	0.00%	-	-	0.00%	-	-	0.00%
638 Madison LLC	10,774,000	10	0.52%	10,774,000	8	0.52%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Total	\$ 385,168,700		18.46%	\$ 371,637,920		17.80%	\$ 467,743,104		16.83%	\$ 458,745,500		16.39%	\$ 454,889,629		16.25%

Taxpayer	2015			2014			2013			2012			2011		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Fidelity Properties Inc	\$ 184,387,500	1	6.85%	\$ 184,387,500	1	6.85%	\$ 184,387,500	1	6.85%	\$ 195,571,500	1	9.16%	\$ 193,937,500	1	9.09%
CPX-Rivercenter Development Corp	82,842,400	2	0.00%	82,844,400	2	3.08%	-	-	0.00%	-	-	0.00%	127,955,600	2	5.99%
EHP Rivercenter Landmark	33,578,000	3	3.08%	33,578,000	3	1.25%	82,844,400	2	3.08%	95,878,100	2	4.49%	-	-	0.00%
CIP II Buckeye Hotel	15,174,000	5	1.25%	15,174,000	4	0.56%	33,578,000	3	1.25%	33,578,000	3	1.57%	-	-	0.00%
Scott Street Land Co. Inc	32,965,500	4	1.23%	14,960,900	5	0.56%	-	-	0.00%	-	-	0.00%	-	-	0.00%
J & S Latonia Centre Ky LLC	12,314,000	7	0.46%	12,314,000	6	0.46%	-	-	0.00%	-	-	0.00%	14,960,900	3	0.70%
Scott Street Land Co. Inc	14,960,900	6	0.56%	11,460,000	7	0.43%	13,947,100	5	0.52%	13,947,100	5	0.65%	10,482,000	6	0.49%
Atkins & Pearce Manufacturing	11,460,000	8	0.56%	11,184,000	8	0.42%	14,960,900	4	0.56%	14,960,900	4	0.70%	11,460,000	5	0.54%
FMR Kentucky I LLC	9,550,000	9	0.35%	7,916,000	9	0.29%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Trustees Latonia Plaza KY LLC	7,916,000	10	0.46%	6,824,500	10	0.25%	12,314,000	6	0.46%	10,482,000	7	0.49%	-	-	0.00%
Truss Latonia Plaza KY LLC	-	-	0.43%	-	-	0.00%	11,460,000	7	0.43%	11,460,000	6	0.54%	6,824,500	8	0.32%
Anchor Cogdell Covington LLC	-	-	0.35%	-	-	0.00%	11,184,000	8	0.42%	-	-	0.00%	-	-	0.00%
OZRE Lodging I LLC	-	-	0.29%	-	-	0.00%	7,916,000	9	0.29%	-	-	0.00%	13,947,100	4	0.65%
Packaging Unlimited	-	-	0.00%	-	-	0.00%	6,824,500	10	0.25%	6,824,500	9	0.31%	8,691,500	7	0.41%
CCO LLC	-	-	0.00%	-	-	0.00%	-	-	0.00%	7,026,000	8	0.49%	6,812,500	9	0.32%
Truss Realty	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	6,565,000	10	0.31%
Castilinni Company	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Scottenstein Trust	-	-	0.00%	-	-	0.00%	-	-	0.00%	3,812,500	10	0.32%	-	-	0.00%
Attria Highland Crossing	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Total	\$ 405,148,300		15.87%	\$ 380,643,300		14.15%	\$ 379,416,400		14.11%	\$ 393,540,600		18.72%	\$ 401,636,600		18.82%

Source: City of Covington Finance Department

Schedule 10
City of Covington, Kentucky
Property Tax Levies and Collections
Current and Past Nine Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2020	\$ 7,415,494	\$ 6,992,813	94.30%	\$ 262,630	\$ 7,008,038	94.51%
2019	\$ 7,314,474	\$ 7,086,247	96.88%	\$ 506,008	\$ 7,592,255	103.80%
2018	\$ 7,145,767	\$ 6,925,324	96.92%	\$ 91,287	\$ 7,016,611	98.19%
2017	\$ 7,062,522	\$ 6,673,927	94.50%	\$ 16,972	\$ 6,690,899	94.74%
2016	\$ 7,064,377	\$ 6,922,314	97.99%	\$ 27,492	\$ 6,949,806	98.38%
2015	\$ 6,924,630	\$ 6,423,314	92.76%	\$ 434,775	\$ 6,858,089	99.04%
2014	\$ 6,490,788	\$ 5,843,739	90.03%	\$ 289,820	\$ 6,133,559	94.50%
2013	\$ 6,376,341	\$ 6,076,779	95.30%	\$ 258,788	\$ 6,335,567	99.36%
2012	\$ 6,287,872	\$ 6,042,731	96.10%	\$ 174,609	\$ 6,217,340	98.88%
2011	\$ 6,328,051	\$ 6,145,818	97.12%	\$ 141,934	\$ 6,287,752	99.36%

Source: City of Covington Finance Department

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

Fiscal Year	General Obligation Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2020	\$ 31,660	\$ 44,627	\$ 76,287	7.77%	\$ 1,881
2019	\$ 34,600	\$ 15,610	\$ 50,210	5.39%	\$ 1,229
2018	\$ 37,602	\$ 16,786	\$ 54,388	6.02%	\$ 1,334
2017	\$ 40,540	\$ 17,791	\$ 58,331	6.45%	\$ 1,430
2016	\$ 35,952	\$ 21,648	\$ 57,600	6.84%	\$ 1,405
2015	\$ 33,584	\$ 23,131	\$ 56,715	6.79%	\$ 1,385
2014	\$ 15,826	\$ 27,974	\$ 43,800	5.25%	\$ 1,076
2013	\$ 16,864	\$ 29,708	\$ 46,572	5.55%	\$ 1,137
2012	\$ 18,961	\$ 15,081	\$ 34,042	4.08%	\$ 834
2011	\$ 21,289	\$ 16,248	\$ 37,537	4.62%	\$ 924

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

(a) See Schedule 15 for personal income and population data.

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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita	Debt Service Payments Per Capita
2020	\$ 31,630	1.44%	\$ 780.72	\$ 124.49
2019	\$ 34,600	1.61%	\$ 847.10	\$ 129.52
2018	\$ 37,602	1.78%	\$ 922.38	\$ 137.75
2017	\$ 40,540	1.93%	\$ 993.70	\$ 343.69
2016	\$ 35,952	1.60%	\$ 813.56	\$ 126.72
2015	\$ 33,584	1.60%	\$ 814.62	\$ 126.88
2014	\$ 15,826	0.75%	\$ 364.91	\$ 112.93
2013	\$ 16,865	0.85%	\$ 411.78	\$ 141.22
2012	\$ 18,961	0.90%	\$ 464.61	\$ 119.77
2011	\$ 21,289	1.00%	\$ 523.84	\$ 111.86

Source: City of Covington Finance Department

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

Legal Debt Margin Calculation for Fiscal Year 2020	
Assessed value	<u>\$ 2,202,871</u>
Debt limit (10% of assessed value)	\$ 220,287
Debt applicable to limit: General Obligation	<u>\$ 76,287</u>
Total debt applicable to limit	<u>\$ 76,287</u>
Legal debt margin	<u>\$ 144,000</u>

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Debt limit	\$ 220,287	\$ 214,326	\$ 211,372	\$ 210,304	\$ 216,662	\$ 213,044	\$ 209,817	\$ 198,394	\$ 211,146	\$ 213,461
Total net debt applicable to limit	<u>76,287</u>	<u>50,209</u>	<u>54,388</u>	<u>58,331</u>	<u>57,600</u>	<u>56,715</u>	<u>43,800</u>	<u>46,572</u>	<u>34,042</u>	<u>37,537</u>
Legal debt margin	<u>\$ 144,000</u>	<u>\$ 164,117</u>	<u>\$ 156,984</u>	<u>\$ 151,973</u>	<u>\$ 159,062</u>	<u>\$ 156,329</u>	<u>\$ 166,017</u>	<u>\$ 151,822</u>	<u>\$ 192,172</u>	<u>\$ 175,924</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>34.63%</u>	<u>23.43%</u>	<u>25.73%</u>	<u>27.74%</u>	<u>26.59%</u>	<u>26.62%</u>	<u>20.88%</u>	<u>23.47%</u>	<u>16.12%</u>	<u>17.58%</u>

Source: City of Covington Finance Department

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

Fiscal Year	Population (a)	Personal Income <i>(thousands of dollars)</i>	Per Capita Personal Income (b)	Median Age (c)	School Enrollment (d)	Unemployment Rate (e)
2020	40,552	982,210	24,221	36.0	3,950	5.6%
2019	40,845	931,715	22,811	35.8	4,073	4.0%
2018	40,766	903,008	22,151	35.6	3,910	3.6%
2017	40,797	903,694	22,151	33.1	3,799	5.3%
2016	40,997	842,406	20,548	35.5	4,165	4.4%
2015	40,944	834,667	20,563	33.1	4,165	5.1%
2014	40,713	834,667	20,563	33.1	4,165	6.5%
2013	40,956	839,270	20,492	35.7	4,053	8.2%
2012	40,811	834,667	20,492	35.7	3,572	8.9%
2011	40,640	813,003	20,005	34.6	3,914	9.7%

Sources:

- (a) datausa.io/profile/geo/covington-ky/
- (b) <https://www.census.gov/quickfacts/covingtoncitykentucky>
- (c) <https://censusreporter.org/profiles/16000US2117848-covington-ky/>

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

Employer	2020			2019			2018			2017			2016		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Internal Revenue Service	1,993	2	5.26%	3,951	1	11.21%	4,046	1	15.10%	4,088	1	15.25%	4,046	1	15.10%
Fidelity Investments	4,729	1	12.49%	2,069	2	5.87%	3,923	2	14.64%	4,028	2	15.03%	3,923	2	14.64%
Covington Board of Education	914	3	2.41%	914	4	2.59%	914	4	3.41%	940	3	3.51%	914	4	3.41%
United States Postal Service	658	4	1.74%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Taylor Farms Tennessee	550	5	1.45%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
St. Elizabeth Hospital	402	10	1.06%	408	8	1.16%	397	7	1.48%	414	6	1.54%	445	6	1.66%
State of Kentucky	512	7	1.35%	477	7	1.35%	561	5	2.09%	487	5	1.82%	561	5	2.09%
CTI-Clinical Trial Services Inc	-	-	0.00%	-	-	0.00%	220	10	0.82%	220	10	0.82%	-	-	0.00%
KY Community & Tech College	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Club Chef	-	-	0.00%	1,039	3	2.95%	1,270	3	4.74%	742	4	2.77%	1,281	3	4.78%
Rosedale Manor	-	-	0.00%	488	6	1.38%	488	8	1.82%	-	-	0.00%	414	7	1.54%
No. KY MH-MR Board	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	89	9	0.33%
Atkins & Pearce Mftg	-	-	0.00%	339	10	0.96%	329	9	1.23%	233	9	0.87%	329	8	1.23%
Crown Services Inc.	549	6	1.45%	524	5	1.49%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Kenton County Fiscal Court	421	9	1.11%	-	-	0.00%	-	-	0.00%	351	8	1.31%	-	-	0.00%
Diocese of Covington Bd of Ed	427	8	1.13%	403	9	1.14%	404	6	1.51%	398	7	1.49%	-	-	0.00%
Ashland Inc	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	81	10	0.30%
Total	11,155		29.46%	10,612		30.10%	12,552		46.84%	11,901		44.41%	12,083		45.09%

Employer	2015			2014			2013			2012			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Internal Revenue Service	4,500	1	16.79%	4,500	1	16.79%	4,500	1	16.79%	4,500	1	16.79%	4,500	1	20.74%
Fidelity Investments	3,923	2	14.64%	4,100	2	15.30%	4,100	2	15.30%	4,100	2	15.30%	4,100	2	18.89%
Covington Board of Education	760	3	2.84%	925	3	3.45%	925	3	3.45%	925	3	3.45%	925	3	4.26%
St. Elizabeth Hospital	431	6	1.61%	800	4	2.99%	800	4	2.99%	800	4	2.99%	800	4	3.69%
State of Kentucky	501	5	1.87%	360	5	1.34%	360	5	1.34%	360	5	1.34%	360	6	1.66%
Ommicare	-	-	0.00%	-	-	0.00%	-	-	0.00%	325	6	1.21%	325	7	1.50%
KY Community & Tech College	659	4	2.46%	-	-	0.00%	320	6	1.19%	320	7	1.19%	300	8	1.38%
Club Chef	408	7	1.52%	-	-	0.00%	310	7	1.16%	310	8	1.16%	280	9	1.29%
Rosedale Manor	173	9	0.65%	590	6	2.20%	280	8	1.04%	280	9	1.04%	225	10	1.04%
No. KY MH-MR Board	220	8	0.82%	463	7	1.73%	265	9	0.99%	265	10	0.99%	-	-	0.00%
Atkins & Pearce Mftg	-	-	0.00%	162	8	0.60%	-	-	0.00%	-	-	0.00%	400	5	1.84%
A.C. Nielsen	-	-	0.00%	225	9	0.84%	-	-	0.00%	-	-	0.00%	-	-	0.00%
BBI Marketing	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Ashland Inc	94	10	0.35%	100	10	0.37%	85	10	0.32%	-	-	0.00%	-	-	0.00%
Total	11,669		43.54%	12,225		45.62%	11,945		44.57%	12,185		45.47%	12,215		56.29%

Source: City of Covington Finance Department

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

	Full-time-Equivalent Employees as of June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Function/Program										
General Government										
Management Services	15	15	15	16	16	16	14	10	16	17
Finance	12	13	10	7	9	9	10	10	11	13
Economic Development/Neighborhood	10	9	8	12	12	8	10	12	7	7
Code Enforcement	2	2	2	1	0	7	8	9	11	12
Housing	6	6	6	7	7	7	7	8	12	15
Waste	2	2								
Police										
Officers	111	111	110	102	102	104	106	104	110	112
Civilians	11	11	8	7	7	7	9	9	24	28
Fire										
Firefighters and Officers	119	119	121	114	114	108	113	121	118	118
Civilians	1	1	1	0	0	0	1	1	1	1
Other										
Public Improvements	45	32	30	30	30	47	47	47	47	47
Engineering	0	0	0	0	0	0	0	1	4	4
Parks and Recreation	4	19	19	19	19	0	1	1	2	2
Total	338	340	330	315	316	313	326	333	363	376

Source: City of Covington Finance Department

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Function/Program										
Police										
Physical arrests	6,512	5,446	5,148	6,395	5,182	4,663	4,678	4,909	5,420	5,763
Parking violations *	13,230	11,233	12,352	11,637	13,333	13,847	10,952	11,133	15,891	14,520
Traffic violation *	5,421	6,341	3,606	2,925	5,097	5,979	5,117	4,990	4,991	5,149
Fire										
Fire responses	2,522	2,450	2,346	2,413	2,620	3,930	3,126	2,798	2,716	2,731
Ambulance runs	9,052	9,515	9,420	9,449	9,604	9,603	9,304	9,106	9,523	9,112
Inspections	1,566	2,307	2,909	2,465	2,310	1,481	1,963	1,839	1,853	2,058

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

Sources: City of Covington Police and Fire Record Management System

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-Stations	2	2								
Patrol units	114	114	114	118	126	126	128	83	83	83
Fire stations	5	5	5	5	5	5	5	5	5	5
Other Public Works										
Streets (miles)	260	260	260	235	235	235	191	191	120	120
Streetlights	3,231	3,231	3,231	3,785	3,785	3,785	3,785	3,785	3,246	3,246
Miles of Sidewalks	1,545	1,545	1,545	1,545	1,545	1,545	1,545			
Parks and recreation										
Parks	27	27	24	24	24	24	22			
Acreage	859	859	859	859	859	859	850	850	850	850
Playgrounds	14	14	14	13	13	13	28	28	28	28
Baseball/softball diamonds	7	7	7	9	7	7	9	9	10	10
Soccer/football fields	3	3	2	2	2	2	2	4	5	5
Swimming pools	2	2	2	2	2	2	2	3	4	4
Water Park	1	1	1	1	1	1	1			
Golf Courses	1	1	1	1	1	1	1			

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

Schedule 19
City of Covington, Kentucky
Direct and Overlapping Governmental Activities Debt
June 30, 2020
(amounts in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (3)	Estimated Share of Overlapping Debt
Kenton County	\$ 94,182 (1)	24.73%	\$ 23,291
Covington Independent School District	19,565 (2)	100.00%	19,565
Subtotal, overlapping debt	<u>\$ 113,747</u>		<u>42,856</u>
City of Covington direct debt			76,287
Total direct and overlapping			<u>\$ 119,143</u>

Source: Kentucky local Debt Report

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Covington. This process recognizes that when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) Kenton County Treasurer's office

(2) Covington Independent School District, Finance Department

(3) The percentage of overlapping debt applicable to the City of Covington is estimated using the percentage of Covington residents in each of the overlapping districts by the 2010 U.S. Census

Addendum A

CITY OF COVINGTON
Covington, Kentucky

SINGLE AUDIT REPORTS
June 30, 2020

CONTENTS

Schedule of Expenditures of Federal Awards.....	1
Schedule of Expenditures of Federal Awards - Notes	2
Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	3-4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	5-6
Schedule of Findings and Questioned Costs.....	7-9

CITY OF COVINGTON, KENTUCKY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Revenues	Expenditures
<u>U.S Department of Housing and Urban Development</u>				
Section 8 Housing Choice Voucher	14.871	KY-133-VO-0054-0F04	\$ 5,937,781	\$ 5,937,781
CARES Act - Supplemental Housing Choice Voucher Administrative Fees	14.871	KY-133-VO-0054-0F04	3,500	3,500
Total Section 8 Housing Choice Voucher			5,941,281	5,941,281
Community Development Block Grants/ Entitlement Grants	14.218	B-19-MC-21-0001 Loans outstanding	1,787,332 -	1,787,332 150,000
			1,787,332	1,937,332
CDBG Section 108 Loan Guarantees	14.248	B-13-MC-21-0001	30,404	30,404
HOME Investment Partnership Programs	14.239	M-18DC-21-0200 Loans outstanding	591,403 -	591,403 378,717
			591,403	970,120
Lead Based Paint Hazard Reduction Program	14.900	KYLH80676-18	48,771	48,771
Total U.S. Department of Housing and Urban Development			8,399,191	8,927,908
<u>DEPARTMENT OF JUSTICE</u>				
Bulletproof Vest Partnership Program	16.607	N/A	21,290	21,290
Equitable sharing program	16.922	N/A	229,695	189,444
Pass through from Kenton County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0159	17,133	17,133
Total Department of Justice			268,118	227,867
<u>Department of Transportation</u>				
Pass through from Kentucky Transportation Cabinet				
Highway Planning and Construction - Riverfront Commons	20.205	PO2 6251500001640	2,495,045	2,495,045
Highway Planning and Construction - Highway Avenue Project	20.205	PO2 6251500001640	44,076	44,076
Highway Planning and Construction - Licking River Greenway	20.205	PO2 6281700005520	184,200	184,200
Highway Planning and Construction - Madison Avenue Streetscape	20.205	3002-339	49,719	49,719
Highway Planning and Construction - 7th Street Streetscape	20.205	3002-340	55,942	55,942
Highway Planning and Construction - 6th Street Restoration	20.205	PO2 6251400003076	882,125	882,125
Highway Planning and Construction - Electric Alley	20.205	PO2 6281600002702	24,067	24,067
State and Community Highway Safety	20.600	AL-2019-09-00-00	49,174	49,174
Total Department of Transportation			3,784,348	3,784,348
<u>Department of the Interior</u>				
Pass through from Kentucky Heritage Council				
Historic Preservation Fund Grants-In-Aid	15.904	N/A	2,075	2,075
Total Department of the Interior			2,075	2,075
<u>Department of Homeland Security</u>				
FEMA Port Security Grant Program	97.056	EMW-2018-PU-0036	20,870	20,870
Total Department of Homeland Security			20,870	20,870
<u>Department of the Treasury</u>				
CARES Act - Coronavirus Relief Fund	21.019	PO2 1122100000770	963,595	963,595
Federal Equitable Sharing Funds	21.016	N/A	-	599
Total Department of the Treasury			963,595	964,194
Total Federal Financial Assistance			\$ 13,438,197	\$ 13,927,262

The City did not pass through any funds to subrecipients.

CITY OF COVINGTON, KENTUCKY
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS - NOTES
for the year ended June 30, 2020

Note 1 - Basis of Presentation.

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Covington, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from those numbers.

Note 2 - Indirect Cost Rates.

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

Note 3 - Passthrough entity numbers were presented when available.



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

To the Mayor and City Commissioners
City of Covington, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the City of Covington, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Covington, Kentucky's major federal programs for the year ended June 30, 2020. 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.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Covington, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Covington, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City of Covington, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-002, that we consider to be a significant deficiency.

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

RFH

RFH, PLLC

Lexington, Kentucky
December 15, 2020



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

To the Mayor and City Commissioners
City of Covington, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Covington, Kentucky, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Covington, Kentucky's basic financial statements and have issued our report thereon dated December 15, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

City of Covington, Kentucky's Response to Findings

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

Purpose of this Report

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

RFH

RFH, PLLC
Lexington, Kentucky
December 15, 2020

CITY OF COVINGTON, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2020

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified ☐ Yes ☒ No

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

Non-compliance material to financial statements noted ☐ Yes ☒ No

Federal Awards:

Internal control over major programs:

Material weaknesses identified ☐ Yes ☒ No

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

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

Unmodified for all major programs.

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

☐ Yes ☒ No

Major Program:

CFDA Numbers

Name of Federal Program or Cluster

14.871

Section 8 Housing Choice Vouchers

20.205

Highway Planning and Construction Cluster

21.019

Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as a low-risk auditee?

☐ Yes ☒ No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

Finding 2020-001 – Significant Deficiency – Audit Adjustments (Recurring)

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

Condition: During the course of our audit, we identified significant misstatements that were not identified by the City's internal controls over financial reporting. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in operation exists when a properly designed control does not operate as designed. In this case, the internal controls over the preparation and review of the City's financial statements did not operate as designed and we consider this a significant deficiency.

Cause: The City's accounts receivable listing for payroll taxes included duplicate entries that overstated payroll taxes receivable. In addition, multiple revenue collections related to the year ended June 30, 2020, that were received after June 30, 2020, were not accrued as accounts receivable and revenue. The City's accrued expenses listing did not include the final pay period for the year ended June 30, 2020. Waste billing for services was incorrectly recorded, resulting in an understatement of liabilities and an overstatement of revenues.

CITY OF COVINGTON, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
for the year ended June 30, 2020

II. FINDINGS RELATED TO FINANCIAL STATEMENTS (CONTINUED)

Finding 2020-001 – Significant Deficiency – Audit Adjustments (Recurring) (continued)

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

Recommendation: In recent years, the City has made improvements to its internal controls to address findings from prior audits. We recommend that the City continue to enhance its internal controls over financial reporting with steps such as management review of account reconciliations and listings, improved analysis of the financials compared to prior years and improved internal communication, particularly as it relates to tracking and recording of revenues and the financial closeout process.

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding 2020-002 – Highway Planning and Construction Cluster - CFDA 20.205- Significant Deficiency – Allowable Costs

Criteria: 2 CFR Section 200.303 indicates that the non-federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition: It was determined that there were significant issues with the tracking and reporting of expenditures within the Highway and Planning and Construction grant. It was noted that several grant reimbursement requests were submitted to the grantor that included costs in excess of the allowable costs incurred by the City, as well as requests that had not removed the appropriate amount of local matching share. The City also recorded revenue and accounts receivable for costs that were not going to be reimbursed by the grantor.

Cause: The internal control process used by the City to track and report grant activity within the Highway Planning and Construction grant did not operate as designed. Expenditures were not always allocated to the matching portion of the grant and expenditures charged to the grant were not always limited to the amount of remaining expenditures in the budget.

Effect: Multiple expense reimbursement requests made to the grantor that included costs that were not allowable were either identified during the audit and corrected by the City or identified by the grantor and resubmitted prior to the payment of unallowable costs. In addition, significant adjustments were necessary to adjust grant revenues and receivables to appropriately record the amount of funding that would be received under the grant.

Recommendation: We recommend that the City make improvements to its internal controls related to tracking and reporting expenditures within the grant. These improvements could include a secondary review of grant reimbursement requests, prior to submitting to the grantor. In addition, grant receivables should be compared to the budget in the grant agreement to determine that amounts accrued will be reimbursed by the grantor.

CITY OF COVINGTON, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
for the year ended June 30, 2020

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (CONTINUED)

Management's Response: *The City agrees with the auditor's comments. The City intends to continue to enhance its internal controls over the tracking of grants and by initiating a more robust management review of account receivables and reimbursement requests, and improved monitoring of grant expenses and reimbursements. These efforts will be accomplished through improved internal communication and training of staff.*

IV. PRIOR AUDIT FINDINGS

Finding 2019-001 – Significant Deficiency – Audit Adjustments

Audit adjustments were necessary to properly record receivables, revenues, unearned revenue.

Status: Repeated as Finding 2020-001

Finding 2019-002 – Significant Deficiency – Capital Asset Recording

Audit adjustments were necessary to capitalize additions and disposals. In addition, modifications to the depreciation schedules prepared by the City were required.

Status: The City made improvements to their process for tracking and reporting capital assets that reduced the significance of capital asset audit adjustments and modifications to the schedule.

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

Proceeds from the sale of properties purchased with CDBG funds were recorded in the General Fund.

Status: Proceeds from the sale of properties purchased with CDBG funds were recorded as program income within the CDBG program.

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