

THIS PRELIMINARY OFFICIAL STATEMENT AND THE INFORMATION CONTAINED HEREIN ARE SUBJECT TO CHANGE, COMPLETION, OR AMENDMENT WITHOUT NOTICE. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED BEFORE THE TIME THE OFFICIAL STATEMENT IS DELIVERED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY OFFICIAL STATEMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION, OR SALE WOULD BE UNLAWFUL BEFORE REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH JURISDICTION.

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 22, 2024

Book-Entry Only
New Issue – Not Bank Qualified

Rating: Moody's "A1"
See "RATING" herein

In the opinion of Bond Counsel, based upon an analysis of laws, regulations, rulings, and court decisions, and assuming continuing compliance with certain covenants made by the City, and subject to the conditions and limitations set forth herein under the caption "TAX TREATMENT," (i) interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, (ii) interest on the Bonds is exempt from Kentucky income tax, and (iii) the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.



\$26,580,000*
CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2024C

Dated: Date of Initial Delivery

Due: See Inside Cover

Interest on the above-referenced General Obligation Bonds, Series 2024C (the "Bonds") will be payable from their dated date, payable on each June 1 and December 1, commencing June 1, 2025, and will mature on the dates and in the amounts, bear interest at the rates per annum, and have the yields, prices, and CUSIP numbers as depicted on the inside cover page hereof.

The Bonds are being issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof. The Bonds will be issued under a book-entry system and registered in the name of The Depository Trust Company or its nominee. There will be no distribution of the Bonds to the ultimate purchasers. See "DESCRIPTION OF THE BONDS – Book-Entry Only System" herein. The principal of the Bonds will be payable when due at the designated corporate trust office of U.S. Bank Trust Company, National Association, in Louisville, Kentucky, as Paying Agent and Bond Registrar. Interest payments will be mailed by the Paying Agent and Bond Registrar to each holder of record as of the fifteenth day of the month preceding the date for such interest payment. See "DESCRIPTION OF THE BONDS."

The Bonds are subject to redemption before maturity as described herein.

The City deems this Preliminary Official Statement to be final for purposes of Rule 15c2-12 of the Securities and Exchange Commission, except for certain information on the cover page and inside cover hereof and certain pages herein that has been omitted in accordance with Rule 15c2-12 and will be provided with the final Official Statement.

The Bonds are offered when, as, and if issued, subject to the approval of legality and tax treatment by Dinsmore & Shohl LLP, Covington, Kentucky, as Bond Counsel. Certain legal matters have been passed upon for the City by Frank Schultz, Esq., Interim City Solicitor. The Bonds are expected to be available for delivery on or about November 12, 2024.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY AND IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.



Dated October __, 2024

* Preliminary, subject to change.

\$26,580,000*
CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION BONDS,
SERIES 2024C

Dated: Date of Delivery

Due: December 1, as shown below

Year	Amount*	Interest Rate	Yield	Price	CUSIP 223255[†]
2025	\$ 25,000				
2026	25,000				
2027	30,000				
2028	35,000				
2029	40,000				
2030	65,000				
2031	50,000				
2032	50,000				
2033	50,000				
2034	50,000				
2035	290,000				
2036	280,000				
2037	725,000				
2038	755,000				
2039	785,000				
2040	870,000				
2041	905,000				
2042	940,000				
2043	980,000				
2044	1,015,000				
2045	1,570,000				
2046	1,645,000				
2047	1,710,000				
2048	1,785,000				
2049	1,860,000				
2050	1,950,000				
2051	2,030,000				
2052	2,105,000				
2053	2,200,000				
2054	1,760,000				

* Preliminary, subject to change.

[†] Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of holders only at the time of issuance of the Bonds and the City and the Underwriter does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, without limitation, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

CITY OF COVINGTON, KENTUCKY

Mayor

Joseph U. Meyer

Board of Commissioners

Ron Washington, Mayor Pro Tem

Tim Downing

Steve Hayden

Shannon Smith

City Manager

Ken Smith

Finance Director

Steve Webb

Interim City Solicitor

Frank Schultz, Esq.

City Clerk

Susan Ellis

BOND COUNSEL

Dinsmore & Shohl LLP

Covington, Kentucky

MUNICIPAL ADVISOR

RSA Advisors, LLC

Lexington, Kentucky

PAYING AGENT AND BOND REGISTRAR

U.S. Bank Trust Company, National Association

Louisville, Kentucky

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REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the City. No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Upon issuance, the Bonds will not be registered by the City under any federal or state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal, or other governmental entity or agency except the City will have, at the request of the City, passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate any future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be repeated in the future. Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements have been or will be realized, and all such statements should be regarded as suggesting independent investigation or consultation of other sources before the making of investment decisions. Certain information contained in this Official Statement may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the City preliminary to the sale of the Bonds should be regarded as part of the City's contract with the successful bidder or the holders from time to time of the Bonds.

All references in this Official Statement to any provisions of Kentucky law, whether codified in the Kentucky Revised Statutes or uncodified, or to any provisions of the Kentucky Constitution or the City's ordinances, resolutions, or municipal orders are references to such provisions as they presently exist. Any of these provisions may be amended, repealed, or supplemented from time to time.

As used in this Official Statement, "debt service" means the principal of and premium, if any, and interest on the obligations referred to; "City" means the City of Covington, Kentucky; and "Commonwealth" or "Kentucky" means the Commonwealth of Kentucky.

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and inside cover hereof and the appendices hereto, is to provide certain information with respect to the issuance of \$26,580,000* aggregate principal amount of City of Covington, Kentucky General Obligation Bonds, Series 2024C (the “Bonds”), as specified on the cover page and inside cover hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and inside cover hereof and the appendices hereto, and in the documents summarized and described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The Issuer

The Bonds are being issued by the City of Covington, Kentucky (the “City”), a municipal corporation and a political subdivision of the Commonwealth of Kentucky. The City is located in Kenton County in Northern Kentucky, directly across the Ohio River from Cincinnati, Ohio.

Authority for Issuance

The authority for the issuance of the Bonds is provided by (i) Sections 66.011 through 66.191, inclusive, of the Kentucky Revised Statutes, and (ii) an ordinance adopted by the Board of Commissioners of the City on August 27, 2024 (the “Ordinance”).

Security and Source of Payment for the Bonds

The Bonds are a general obligation of the City. The basic security for the Bonds is the City’s ability to levy, and its pledge to levy, an annual tax to pay the principal of and interest on the Bonds as and when the same become due and payable. (See “DESCRIPTION OF THE BONDS – Security and Source of Payment for the Bonds” herein).

Purpose of the Bonds

The Bonds are being issued for the purposes of (i) financing all or a portion of the costs of the acquisition, construction, installation, and equipping of a new city hall building for the well-being and benefit of the citizens of the City, (ii) paying the costs of credit enhancement for the Bonds, if any, and (iii) paying all or a portion of the costs of issuance of the Bonds.

Description of the Bonds

The Bonds mature as set forth on the inside cover page hereof. The Bonds are being offered in denominations of \$5,000, or any integral multiple thereof. The Bonds are initially being issued in book-entry only form, registered in the name of The Depository Trust Company, New York, New York (“DTC”), as the securities depository for the Bonds, or its nominee. There will be no distribution of the Bonds to the ultimate purchasers thereof. (See “DESCRIPTION OF THE BONDS – Book-Entry Only System” herein).

Redemption

The Bonds maturing on and after December 1, 2033 are subject to optional redemption before maturity on and after December 1, 2032. (See “DESCRIPTION OF THE BONDS – Redemption Provisions – Optional Redemption” herein).

[The Bonds maturing on December 1, 20__ are subject to mandatory sinking fund redemption before maturity commencing December 1, 20__. (See “DESCRIPTION OF THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption” herein).]

* Preliminary, subject to change.

If any of the Bonds are called for redemption, notice of such redemption shall be given by mailing a copy of the redemption notice to the registered owner of each Bond to be redeemed at least thirty days prior to the date fixed for redemption. (See “DESCRIPTION OF THE BONDS – Redemption Provisions – Notice of Redemption” herein).

Book-Entry

The Bonds are issuable only as fully registered Bonds, without coupons. The Bonds, when issued, shall be registered in the name of Cede & Co., as the nominee of DTC. The purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal, premium, if any, and interest due on the Bonds will be made directly to DTC by U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Paying Agent and Bond Registrar (the “Paying Agent and Bond Registrar”). (See “DESCRIPTION OF THE BONDS – Book-Entry Only System” and “APPENDIX G – Book-Entry Only System” attached hereto.)

Payment of the Bonds

The principal of and interest on the Bonds are payable in lawful money of the United States of America. The principal of the Bonds shall be paid upon their surrender by the registered owners thereof at the designated corporate trust office of the Paying Agent and Bond Registrar in Louisville, Kentucky, and interest on the Bonds shall be mailed by the Paying Agent and Bond Registrar to the registered owners of the Bonds, as of the applicable record date set forth below, at their addresses appearing on the registration books maintained by the Paying Agent and Bond Registrar. Alternatively, the principal of and interest on the Bonds may be paid by any other transfer of funds acceptable to the Paying Agent and Bond Registrar and the registered owners of the Bonds. The record date for each June 1 and December 1 interest payment date for the Bonds shall be the preceding May 15 and November 15, respectively.

Interest

The Bonds shall be dated their date of initial issuance and delivery and shall bear interest at the rates set forth on the inside cover page hereof. Interest on the Bonds shall be payable semiannually on June 1 and December 1 of each year, commencing June 1, 2025.

Tax Treatment

In accordance with the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest, including original issue discount, if any, on the Bonds (i) is excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”), (ii) will not be treated as a specific item of tax preference in computing the federal alternative minimum tax imposed on individuals, and (iii) is exempt from Kentucky income taxation. In addition, the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. In rendering the opinions set forth in this paragraph, Dinsmore & Shohl LLP, Bond Counsel for the Bonds, has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal or state tax consequences of purchasing, holding, or disposing of the Bonds.

The City has not designated the Bonds as “qualified tax-exempt obligations” with respect to certain financial institutions under Section 265 of the Code. (See “TAX TREATMENT” herein).

See “APPENDIX E – Form of Approving Legal Opinion of Bond Counsel for the Bonds” hereto for the forms of the opinions Bond Counsel proposes to deliver in connection with the Bonds.

Parties to the Issuance of the Bonds

The Paying Agent and Bond Registrar for the Bonds will be U.S. Bank Trust Company, National Association, Louisville, Kentucky. Legal matters incident to the issuance of the Bonds and with respect to the treatment of the interest thereon for purposes of federal and Kentucky income taxation are subject to the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, as Bond Counsel for the Bonds. The Municipal Advisor to the City is RSA Advisors, LLC, Lexington, Kentucky.

Offering and Delivery of the Bonds

The Bonds are offered when, as, and if issued by the City, and will be delivered on or about November 12, 2024, in New York, New York through the Depository Trust Company (DTC).

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and the continuing disclosure documents of the City are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Bonds, including the Ordinance and the bond forms, are available from the City.

The City deems this Preliminary Official Statement to be final for purposes of Rule 15c2-12 of the Securities and Exchange Commission, except for certain information on the cover page and inside cover hereof and certain pages herein that has been omitted in accordance with Rule 15c2-12 and will be provided with the final Official Statement.

Additional Information

Additional information concerning this Official Statement and copies of the basic documentation relating to the Bonds is available from RSA Advisors, LLC, 147 East Third Street, Lexington, Kentucky 40508, Telephone: (800) 255-0795, Attention: Joe Lakofka.

DESCRIPTION OF THE BONDS

The Bonds are dated their date of initial issuance and delivery and bear interest from such date at the rates set forth on the inside cover page hereof. The Bonds are being issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2025. Interest on the Bonds shall be paid by check or draft mailed to the registered owners thereof, as of the applicable record date set forth below, by U.S. Bank Trust Company, National Association, the Paying Agent and Bond Registrar. Principal is payable when due to the registered owners of the Bonds, upon the surrender thereof at the corporate trust office of the Paying Agent and Bond Registrar in Louisville, Kentucky. Alternatively, the principal of and interest on the Bonds may be paid by any other transfer of funds acceptable to the Paying Agent and Bond Registrar and the registered owners thereof. The record date for each June 1 and December 1 interest payment date for the Bonds shall be the preceding May 15 and November 15, respectively.

Redemption Provisions

Optional Redemption

The Bonds maturing on and after December 1, 2033 shall be subject to optional redemption before maturity on and after December 1, 2032, in whole or in part, in such order of maturity as shall be designated in writing by the City and by lot within a maturity, at the election of the City upon thirty-five days' written notice to the Paying Agent and Bond Registrar, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the date of redemption.

[Mandatory Sinking Fund Redemption]

The Bonds maturing on the dates set forth below are subject to mandatory sinking fund redemption before maturity at a redemption price of 100% of the principal amount of Bonds to be redeemed, plus accrued interest to the redemption date, on the dates, in the years, and in the principal amounts as follows:

Maturing December 1, 20__	
Date	Amount
December 1, 20__	
December 1, 20__	
December 1, 20__*	
<hr/>	
* Final Maturity	

Notice of Redemption

If less than all Bonds which, by their terms, are payable on the same date are to be called for redemption, then the particular Bonds or portions thereof payable on such date and to be redeemed shall be selected by lot, by the Paying Agent and Bond Registrar, in such manner as the Paying Agent and Bond Registrar, in its discretion, may determine; provided, however, that (i) the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or any integral multiple thereof, and (ii) in selecting Bonds for redemption, the Paying Agent and Bond Registrar shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

At least thirty days before the redemption date of any Bonds, the Paying Agent and Bond Registrar shall cause a notice of redemption, signed by the Paying Agent and Bond Registrar, to be mailed, postage prepaid, to all registered owners of the Bonds to be redeemed in whole or in part, at their addresses as they appear on the registration books kept by the Paying Agent and Bond Registrar; provided, however, that the failure to mail any such notice shall not affect the validity of the proceedings for such redemption. Each redemption notice shall set forth the date fixed for redemption, the redemption price to be paid, and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive numbers or letters, if any, of the Bonds to be redeemed. In addition, if any Bond is to be redeemed in part only, such redemption notice shall also set forth the portion of the principal amount of the Bond to be redeemed and shall include a statement that on or after the date fixed for redemption, upon the surrender of such Bond for redemption, a new Bond will be issued in a principal amount equal to the unredeemed portion of the Bond so redeemed.

On the date so fixed for redemption, notice having been sent in the manner and under the conditions set forth above, and moneys for the payment of the redemption price being held in a separate account by the Paying Agent and Bond Registrar for the registered owners of the Bonds or portions thereof to be redeemed, (i) the Bonds or portions thereof so called for redemption shall become and be due and payable at the redemption price provided for the redemption of such Bonds or portions thereof on such date; (ii) interest on the Bonds or portions thereof so called for redemption shall cease to accrue; and (iii) the registered owners of the Bonds or portions thereof to be redeemed shall have no rights in respect thereof, except the right to receive payment of the redemption price thereof and to receive new Bonds for any unredeemed portions of such Bonds.

If part, but not all, of any Bond shall be selected for redemption, the registered owner thereof, or their attorney or legal representative, shall present and surrender such Bond to the Paying Agent and Bond Registrar for payment of the principal amount thereof so called for redemption, and thereupon, the City shall execute, and the Paying Agent and Bond Registrar shall authenticate and deliver, to or upon the order of such registered owner or attorney or legal representative, without charge therefor, a new Bond in a principal amount equal to the unredeemed portion of the Bond so surrendered for redemption, and of the same series and maturity and bearing interest at the same rate as the Bond so redeemed.

Security and Source of Payment for the Bonds

The Bonds are a general obligation of the City, and the full faith, credit, and taxing power of the City have been irrevocably pledged to the payment of the principal of and interest on the Bonds as and when due and payable. The basic security for general obligation indebtedness of the City, including the Bonds, is the City's ability to levy, and its pledge to levy, an annual tax to pay the principal of and interest on the Bonds as and when the same become due and payable. The tax must be levied in sufficient amount to pay, as the same become due and payable, the principal of and interest on all outstanding general obligation bonds and other obligations of the City, including the Bonds. The Kentucky Constitution mandates the collection of a tax sufficient to pay the interest on an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. The Ordinance levies such annual tax, which shall be collected to the extent other lawfully available monies of the City are not provided. The Ordinance also requires the maintenance of the City's existing Sinking Fund, into which the proceeds of such tax or other monies of the City are to be deposited for the payment of the principal of and interest on the general obligation bonds and other obligations of the City, including the Bonds, and such proceeds or other monies on deposit therein shall not be used for any other purpose.

Chapter 9 of the federal Bankruptcy Code contains provisions with respect to the adjustment of the debts of a state's political subdivisions, public agencies, or instrumentalities (each, an "eligible entity"), such as the City. Under the federal Bankruptcy Code, and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without prior notice to or consent of its creditors, which proceedings may result in a material and

adverse modification or alteration of the rights of the entity’s secured and unsecured creditors, including the holders of its bonds and notes.

Statutory Lien

Section 66.400 of the Kentucky Revised Statutes (the “Municipal Bankruptcy Law”) permits any political subdivision in Kentucky, such as the City, for the purpose of enabling such political subdivision to take advantage of the provisions of the Bankruptcy Code, and for that purpose only, (i) to file a petition stating (a) that the political subdivision is insolvent or unable to meet its debts as they mature and (b) desires to effect a plan for the composition or readjustment of its debts, and (ii) to take any further proceedings set forth in the Bankruptcy Code as they relate to such political subdivision. Under the Municipal Bankruptcy Law, the City does not need the approval or permission of the State Local Debt Officer or any other governmental authority before availing itself of the bankruptcy process.

The Municipal Bankruptcy Law provides that (a) a statutory lien exists on any tax revenues pledged for the benefit of general obligation debt; (b) such tax revenues are pledged for the repayment of the principal of and premium, if any, and interest on all outstanding general obligation indebtedness, regardless of whether such pledge is stated in the documents or proceedings authorizing such indebtedness; and (c) such pledge constitutes a first lien on such tax revenues. In addition, the Municipal Bankruptcy Law also creates a statutory lien on annual appropriations for the payment of any obligations that are subject to annual renewal, including, without limitation, any leases entered into under Chapter 58 and Chapter 65 of the Kentucky Revised Statutes.

The validity and priority of the statutory lien summarized above have not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

Book-Entry Only System

The Bonds will initially be issued solely in book-entry form, to be held in the book-entry system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of the Bonds, and the beneficial owners of the Bonds will not be or be considered to be, and will not have any rights as, the owners or the holders of the Bonds under the Ordinance. For additional information about DTC and the book-entry only system see “APPENDIX G – Book-Entry Only System” attached hereto.

THE INFORMATION IN THIS SECTION AND IN APPENDIX G ATTACHED HERETO CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THE CITY BELIEVES TO BE RELIABLE, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

PLAN OF FINANCE

The Bonds are being issued for the purposes of (i) financing all or a portion of the costs of the acquisition, construction, installation, and equipping of a new city hall building for the well-being and benefit of the citizens of the City, (ii) paying the costs of credit enhancement for the Bonds, if any, and (iii) paying all or a portion of the costs of issuance of the Bonds.

SOURCES AND USES OF FUNDS

Proceeds from the sale of the Bonds are expected to be received and applied by the City as follows:

Sources:

Bond Proceeds	\$ _____
[Plus [net] Original Issue Premium][Less [net] Original Issue Discount]	_____
Total Sources	\$ _____

Uses:

Underwriter’s Discount	\$ _____
Deposit to Series 2024C Construction Fund	_____
Costs of Issuance	_____
Total Uses	\$ _____

INVESTMENT CONSIDERATIONS

The following is a discussion of certain investment considerations for investors to consider of risks that could affect payments to be made with respect to the Bonds. Such discussion is not exhaustive and should be read in conjunction with all other parts of this Official Statement, and should not be considered a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should carefully analyze the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement.

Limitation on Enforcement of Remedies

Enforcement of the remedies applicable to the Bonds under the Ordinance may be limited or restricted by laws relating to bankruptcy and insolvency and by the rights of creditors under the application of general principles of equity, and may be substantially delayed in the event of litigation or the required use of statutory remedy procedures. All legal opinions delivered in connection with the Bonds and relating to the enforceability of such remedies contain an exception regarding the limitations that may be imposed by bankruptcy and insolvency laws and by the rights of creditors under general principals of equity.

Risk of Bankruptcy

The obligations of the City under the Bonds and the Ordinance are general obligations of the City secured only by the pledge to the bondholders of the full faith, credit, and taxing power of the City, any monies on deposit in the City's Sinking Fund (on a parity with all other general obligation indebtedness of the City), the Bond Payment Funds created under the Ordinance, and the statutory lien provided by the Municipal Bankruptcy Law. A bondholder's enforcement of any remedies provided under the Ordinance may be limited or delayed in the event of the application of federal bankruptcy laws or any other laws affecting creditors' rights and may be substantially delayed and subject to judicial discretion in the event of any litigation or the required use of any statutory remedial procedures. The validity and priority of the statutory lien provided under the Municipal Bankruptcy Law has not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

Under the Municipal Bankruptcy Law, the City is permitted to file a petition for relief under Title 11, Chapter 9 of the United States Code (the "Bankruptcy Code") without the prior approval of any official or department of the state government, including the Kentucky Department for Local Government State Local Debt Officer. If the City were to file such a petition, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the City and any interest in (a) any monies contained in the Sinking Fund or the Bond Payment Funds, (b) the City's general fund revenues, or (c) the taxing power of the City. However, any such petition would not stay the application of pledged special revenues, as defined by the Bankruptcy Code.

During its bankruptcy proceedings, the City could use its property, including its tax receipts and the proceeds thereof, but excluding any pledged special revenues, for the benefit of the City's bankruptcy estate, despite the claims of its creditors. Notwithstanding the foregoing, it is possible that the City could also use its pledged special revenues to pay certain operating expenses, even after filing its bankruptcy petition.

In any Chapter 9 proceeding under the Bankruptcy Code, only the City, and not any other creditor or party in interest, could file a proposed plan of adjustment. The plan of adjustment is the vehicle for satisfying, and provides for the comprehensive treatment of, all claims against the City, and could result in the modification of rights of any class of creditors, secured or unsecured, and which modification of rights could be contrary to state law. To confirm a plan of adjustment, with one exception discussed below, it must be approved by the vote of each class of impaired creditors. A class approves a plan of adjustment if, of those who vote, those holding more than one-half in number and at least two-thirds in amount vote in favor of such plan. If fewer than all impaired classes accept the plan, the plan may nevertheless be confirmed by the bankruptcy court, and all claims and interests would be bound thereby regardless of whether or how they voted. For this "cramdown" to occur, at least one impaired class must vote to accept the plan and the bankruptcy court must determine that the plan does not "discriminate unfairly" and is "fair and equitable" with respect to the non-consenting classes. To be confirmed, the bankruptcy court must also determine that the plan, among other requirements, is proposed by the City in good faith and is in the best interest of its creditors, such that the plan represents a reasonable effort by the City to satisfy its debts and is a better alternative than dismissal of the bankruptcy case. Unlike in a Chapter 11 proceeding, in a Chapter 9 proceeding, this standard does not include use of a liquidation analysis.

Generally, the City would likely receive a discharge after (i) the plan of adjustment is confirmed, (ii) the City deposits any consideration to be distributed under the plan with a disbursing agent appointed by the bankruptcy court, and (iii) the bankruptcy court determines that the securities deposited with the disbursing agent will constitute valid and legal obligations of the City and that any provision made to pay or secure payment of such obligations is valid.

See the additional discussion regarding the statutory pledge of tax revenues provided for the Bonds under the heading “DESCRIPTION OF THE BONDS – Statutory Lien” herein. Prospective bondholders should consult their legal counsel regarding the impact of a bankruptcy filing by the City on the payment and security of the Bonds.

Suitability of Investment

An investment in the Bonds involves a certain degree of risk. The interest rates borne by the Bonds are intended to compensate the investor for assuming this element of risk. Prospective investors should carefully examine this Official Statement, including the Appendices hereto, and assess their ability to bear the economic risk of such an investment and determine whether or not the Bonds are an appropriate investment for them.

Additional Debt

The City may, from time to time, issue additional general obligation bonds or notes. The issuance of additional general obligation bonds or notes would increase the City’s overall debt service requirements and could adversely affect the debt service coverage on the Bonds.

General Economic Conditions

Adverse general economic conditions may result in, among other adverse circumstances, a reduction in the City’s occupational license fees and general tax revenues or declines in the City’s investment portfolio values, resulting in increased funding requirements, all of which could negatively impact the results of operations and the overall financial condition of the City.

Market for the Bonds

There is presently no secondary market for the Bonds and no assurance that a secondary market will develop. Consequently, investors may not be able to resell any of the Bonds they purchase should they need or wish to do so for emergency or other purposes.

Bond Rating

There can be no assurance that the rating assigned to the Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Bonds. For more information, see the discussion under the heading “RATING” herein.

Tax Implications

Prospective purchasers of the Bonds may need to consult their own tax advisors before purchasing any Bonds regarding the impact of the Internal Revenue Code of 1986, as amended (the “Code”), upon their acquisition, holding, or disposition of the Bonds.

PROFILE OF THE CITY AND SURROUNDING AREA

Certain demographic, economic, and financial information with respect to the City and the surrounding area is set forth in “APPENDIX B – Demographic and Economic Data” hereto.

CITY GOVERNMENT

Elected and Appointed Officials

The City operates under a City Manager form of government, and is governed by a Board of Commissioners made up of a Mayor and four Commissioners elected by the citizens of the City on a non-partisan ballot. The Mayor is elected to a four year term and the Commissioners are elected to a two year term. The Mayor and the Commissioners have equal voting power. The members of the Board of Commissioners and their terms of office are as follows:

<u>Member</u>	<u>Original Term Began</u>	<u>Current Term Ends</u>
Joseph U. Meyer, Mayor	January 1, 2017	December 31, 2024
Ron Washington, Mayor Pro Tem	January 1, 2021	December 31, 2024
Tim Downing	January 1, 2017	December 31, 2024
Steve Hayden	September 5, 2023 ¹	December 31, 2024
Shannon Smith	January 1, 2019	December 31, 2024

The Board of Commissioners sets the policies that govern the City and appoints advisory citizen groups to help in the decision making process for the City. The City Manager is hired by the Board of Commissioners to act as the chief administrative officer of the City and is responsible for the day-to-day operations of the City’s employees. The department managers are responsible for their various departments and report to the City Manager.

The currently appointed City officials are:

City Manager	Ken Smith
Finance Director	Steve Webb
City Clerk	Susan Ellis
Interim City Solicitor	Frank Schultz, Esq.

Financial Matters

The Finance Director is the fiscal officer of the City and is responsible for the accounting, collection, custody and disbursement of the funds of the City. The Finance Director serves the Board of Commissioners and the City Manager as financial advisor in connection with City affairs, and performs such other duties as the Board of Commissioners or City Manager request.

The City’s fiscal year commences July 1 and ends the following June 30.

The administrative functions of the City are performed by or under the supervision of the following:

- (1) Establishment of overall financial policy, the Board of Commissioners.
- (2) Planning and development, the City Manager.
- (3) Assessment of all real property and personal property, the Kenton County Property Valuation Administrator.
- (4) Financial control functions and supervision, the Finance Director.
- (5) Inspection of the accounts and reports of the City as required by law, by independent certified public accountants.

Financial Management

The Board of Commissioners is responsible for appropriating the funds used to support the various activities of the City. The Board of Commissioners exercises its legislative powers by budgeting, appropriating, levying taxes, issuing bonds and notes, and letting contracts for public works and services to provide this financial management.

Financial Reports and Examinations of Accounts

Each city in Kentucky is required to keep its accounting records and render financial reports in such a way as to: (a) determine compliance with statutory provisions, (b) determine fairly and with full disclosure the financial operations of consistent funds and account groups of the city in conformity with generally accepted governmental accounting principles, and (c) readily provide all financial data as may be required by federal and state grant programs. Municipal accounting systems are required to be organized and operated on a fund basis. The City maintains its accounts and other fiscal records

¹ On October 31, 2023, the City appointed Steve Hayden to fill a vacancy on the Board of Commissioners through the remainder of the term.

on an appropriation and modified accrual basis under and in accordance with the procedures established and prescribed by the Kentucky Department for Local Government.

As required by law, financial reports are prepared annually by the City and subsequently filed with the Kentucky Department for Local Government. Audits are required to be completed by the February 1 immediately following the fiscal year being audited.

The governmental accounting procedures established and prescribed by the Kentucky Department for Local Government are generally applicable to all cities in Kentucky and may be different from the generally accepted government accounting principles presented and recommended in (a) the Governmental Accounting Standards Board's publication entitled "Governmental Accounting, Auditing, and Financial Reporting," and (b) the American Institute of Certified Public Accountants' publication entitled "State and Local Governments – Audit and Accounting Guide." Those publications provide for, among other things, (1) a modified accrual basis of accounting for the general fund and all special revenue funds, capital project funds, and debt service funds, (2) a full accrual basis of accounting for all other funds, and (3) the preparation, for each fund, of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances. In addition, government-wide financial statements are also required for all governmental activities and all business-type activities.

The Annual Comprehensive Financial Report of the City for the Fiscal Year ended June 30, 2023 is attached hereto as Appendix C.

Budgeting and Appropriations Procedures

Detailed provisions with respect to budgeting, tax levies, and appropriations are made in the Kentucky Revised Statutes. Under the Kentucky Revised Statutes, cities are required to operate under an annual budget ordinance and no city may expend any moneys from a governmental or proprietary fund except in accordance with such budget. A budget proposal must be submitted to the legislative body of a city no later than thirty days before the beginning of the fiscal year covered by the budget. No budget ordinance may be adopted which provides for appropriations to exceed revenues and the available fund balance in a fiscal year. The full amount estimated to be required for debt service during the budget year must be appropriated.

Investment Policies

Section 66.480 of the Kentucky Revised Statutes sets forth the requirements and limitations for investments by any of the state's political subdivisions, including the City. Under that Section, the City must adopt an investment policy and may invest its funds only in the classifications of obligations which are eligible for investment, which are as follows:

- (a) Obligations of the United States and its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of the obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, any national or state banks chartered in Kentucky;
- (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including, but not limited to:
 - 1. United States Treasury obligations;
 - 2. Export-Import Bank of the United States notes or guaranteed participation certificates;
 - 3. Farmers Home Administration insured notes;
 - 4. Governmental National Mortgage Corporation obligations; and
 - 5. Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including, but not limited to:
 - 1. the Federal Home Loan Mortgage Corporation;
 - 2. Federal Farm Credit Banks;
 - 3. the Bank for Cooperatives (CoBank);
 - 4. Federal Intermediate Credit Banks;

5. Federal Land Banks;
 6. Federal Home Loan Banks;
 7. the Federal National Mortgage Association; and
 8. the Tennessee Valley Authority;
- (d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by Section 41.240(4) of the Kentucky Revised Statutes;
 - (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency;
 - (f) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;
 - (g) Commercial paper rated in the highest category by a competent rating agency;
 - (h) Bonds or certificates of indebtedness of the Commonwealth and of its agencies and instrumentalities;
 - (i) Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;
 - (j) Shares of mutual funds, each of which shall have the following characteristics:
 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 2. The management company of the investment company shall have been in operation for at least five years; and
 3. All of the securities in the mutual fund shall be eligible investments under this section.
 - (k) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent of the equity allocation; and
 - (l) Individual high-quality corporate bonds that are managed by a professional investment manager that:
 1. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
 2. Have a standard maturity of no more than ten years; and
 3. Are rated in the three highest rating categories by at least two competent credit rating agencies.

The City's current investment policy is more restrictive than is permitted by Kentucky law.

The City values safety, liquidity, and return, in that order.

Debt Limitation

Section 158 of the Kentucky Constitution provides that cities shall not incur indebtedness in an amount exceeding the following maximum percentages on the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness:

- (a) Cities having a population of 15,000 or more, 10%;
- (b) Cities having a population of less than 15,000 but not less than 3,000, 5%; and
- (c) Cities having a population of less than 3,000, 3%.

Nothing shall prevent the issue of renewal bonds or bonds to fund the floating indebtedness of any city, county, or taxing district. Subject to the limits and conditions set forth in Section 158 and elsewhere in the Kentucky Constitution, the General Assembly has the power to establish additional limits on indebtedness and conditions under which debt may be incurred by cities.

Section 66.041 of the Kentucky Revised Statutes provides the same limitations as are set forth in the Kentucky Constitution except that the limitations apply to “net indebtedness.” In calculating “net indebtedness,” Section 66.031 of the Kentucky Revised Statutes provides that certain obligations of a municipality are not considered indebtedness, including any notes issued in anticipation of bonds, self-supporting obligations, revenue bonds, special assessment debt, and other infrequently-issued types of obligations. For a complete list of all debt exempt from the calculation of “net indebtedness,” see the Statement of Indebtedness attached hereto as Appendix D.

Appendix D to this Official Statement contains a Statement of Indebtedness for the City, certified by the Finance Director, calculating the amount of all outstanding obligations of the City (including the Bonds) that are subject to the 10% total direct debt limitation applicable to the City. The total principal amount of general obligation debt that could be issued by the City, subject to the 10% direct debt limit, is \$304,860,100, and the City’s net indebtedness subject to such limit and presently outstanding (including the Bonds) is \$106,187,017*, leaving a balance of approximately \$198,673,083* borrowing capacity issuable within such limitation.

However, as described below, the City’s ability to incur debt in these amounts is restricted by tax limitations. In the case of general obligation debt, both the debt limitation and tax limitation must be met.

Tax Limitation

Section 157 of the Kentucky Constitution imposes an indirect debt limitation on general obligation indebtedness of cities by limiting the tax rates that cities may impose upon the assessed value of taxable property, as follows:

- (a) cities having a population of 15,000 or more, \$1.50 on each \$100.00 of assessed value;
- (b) cities having a population of less than 15,000 and not less than 10,000, \$1.00 on each \$100.00 of assessed value; and
- (c) cities having a population of less than 10,000, \$0.75 on the \$100.00 of assessed value.

Section 159 of the Kentucky Constitution requires the collection of an annual tax sufficient to pay the interest on contracted indebtedness and to retire indebtedness over a period not exceeding forty years. The two constitutional provisions operate as a limit on general obligation debt. Because the indirect debt limit results from tax limitations and the requirement to levy taxes to pay debt charges, it has application only to debts which are payable from taxes either initially or in the event other pledged non-tax revenues prove to be insufficient. It does not have any application where the type of debt being issued does not pledge the credit of the municipality or when the debt is payable solely out of the revenues of non-tax sources, such as utility income.

Appendix D to this Official Statement contains a Statement of Indebtedness, certified by the Finance Director of the City, setting forth the property tax rate currently levied by the City of \$0.277 per \$100.00 for real property and \$0.359 per \$100.00 for personal property, and certifying that the issuance of the Bonds will not cause such tax rates of the City to increase to amounts which would exceed the maximum permissible rates.

Future Borrowings of the City

The City no formal plans to issue any general obligation indebtedness to finance the costs of any designated public projects. Nevertheless, the City reserves the right to issue additional general obligation indebtedness in the future.

* Preliminary, subject to adjustment.

LEGAL MATTERS

General Information

Legal matters incident to the issuance of the Bonds and relating to the tax-exempt status thereof are subject to the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel for the Bonds. Upon their delivery to the respective successful bidders therefor, the Bonds will be accompanied by an approving legal opinion rendered by Dinsmore & Shohl LLP dated the date of delivery of the Bonds. The applicable form of such legal opinion is attached hereto as Appendix E.

As Bond Counsel, Dinsmore & Shohl LLP has performed certain functions to assist the City in the preparation of this Official Statement. However, the firm assumes no responsibility for, and will express no opinion with respect to the accuracy or completeness of this Official Statement or any other information relating to the City or the Bonds that may be made available by the City or others to the bidders, the holders of the Bonds, or any other persons.

The engagement of the firm as Bond Counsel is limited to the preparation of certain documents contained in the transcript of proceedings for the Bonds and an examination of such transcript of proceedings incident to rendering its approving legal opinion for the Bonds. In its capacity as Bond Counsel, the firm has reviewed the information set forth in this Official Statement under the Sections entitled “INTRODUCTION – Authority for Issuance,” “DESCRIPTION OF THE BONDS – Security and Source of Payment for the Bonds,” “CITY GOVERNMENT – Debt Limitation,” “CITY GOVERNMENT – Tax Limitation,” “LEGAL MATTERS – General Information,” and “TAX TREATMENT”, which review did not include independent verification of the financial statements and statistical data included therein, if any.

Transcript and Closing Certificates

A complete transcript of proceedings for the Bonds, including a No Litigation Certificate and other appropriate closing documents, will be delivered by the City when the Bonds are delivered to the original purchaser. At the time of such delivery, the City will also provide the original purchaser with a certificate executed by the Mayor or the Finance Director of the City, addressed to such purchaser, and relating to the accuracy and completeness of this Official Statement.

Litigation

To the knowledge of the City, no litigation, administrative action, or other proceeding is pending or threatened directly affecting the Bonds, the security for the Bonds, or the improvements being financed with the proceeds of the Bonds. A No-Litigation Certificate to that effect will be delivered to the purchaser at the time of the delivery of the Bonds.

TAX TREATMENT

General

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds will be excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). In addition, Bond Counsel is also of the opinion that interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals (for a discussion of the corporate alternative minimum tax, see “TAX TREATMENT – Tax Treatment of the Bonds – Corporate Alternative Minimum Tax” herein). Further, Bond Counsel is also of the opinion that interest on the Bonds will be exempt from Kentucky income taxation and that the Bonds will be exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the approving legal opinion Bond Counsel will deliver in connection with the Bonds is set forth in “APPENDIX E – Form of Approving Legal Opinion of Bond Counsel for the Bonds” hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of interest on certain obligations, such as the Bonds, from gross income for federal income tax purposes. The City has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be includable in gross income for federal income tax purposes. Any failure to comply with these covenants could result in the interest on the Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the issue date of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events

occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bonds and any other relevant documents with respect thereto may be changed, and certain actions (including, without limitation, the defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinions as to any Bonds or the tax status of the interest thereon if any such change occurs or if any such action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that interest on the Bonds will be excludible from gross income for federal income tax purposes and that interest on the Bonds will be excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal, state, or local tax liabilities of the holders of the Bonds. The nature and extent of these tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion, and each Bondholder or potential Bondholder is urged to consult with its tax counsel with respect to the effects of purchasing, holding, or disposing of the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, (i) increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, (ii) increasing the federal tax liability of certain insurance companies under Section 832 of the Code, (iii) increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code, (iv) increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code, and (v) limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

The City has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of any bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the inside cover page hereof), are initially being offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of the Acquisition Premium on each bond, the interest on which is excludable from gross income of the holder thereof for federal income tax purposes (collectively, the "tax-exempt bonds"), must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on any tax-exempt bonds may be deducted in determining a bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds purchased at an Acquisition Premium, including any Premium Bonds, should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

The Bonds with a yield that is higher than the interest rate (as shown on the inside cover hereof) are being offered and sold to the public at an original issue discount (OID) from the amounts payable on such Bonds at maturity

(the “Discount Bonds”). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold in accordance with that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of such bond, and for Discount Bonds, the amount of such accretion will be based on a single rate of interest, compounded semiannually (the “yield to maturity”). The amount of OID that accrues during each semiannual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period such purchaser owns the Discount Bond is added to the purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale, or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

In addition to the foregoing, any OID that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies, and may result in some of the collateral federal income tax consequences discussed above. Consequently, the owners of any Discount Bonds should be aware that the accrual of OID in each year may result in an alternative minimum tax liability, additional distribution requirements, or other collateral federal income tax consequences even though the owner of such Discount Bond has not received cash attributable to such OID in such year.

Holders of any Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

Corporate Alternative Minimum Tax

The Inflation Reduction Act of 2022 imposes a corporate alternative minimum tax equal to 15% of the “adjusted financial statement income” of “applicable corporations,” both as defined in Section 59(k) of the Code. Generally, an applicable corporation includes any corporation (as defined for federal income tax purposes, other than S corporations, regulated investment companies, and real estate investment trusts) with an “average annual adjusted financial statement income” of more than \$1,000,000,000 over any preceding period of three tax years (ending with a tax year ending after December 31, 2021). The corporate alternative minimum tax applies for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, the interest on tax-exempt bonds, including the interest on the Bonds, is included (i) in computing “average annual adjusted financial statement income” for the purpose of determining whether a corporation qualifies as an “applicable corporation,” and (ii) in calculating an applicable corporation’s “adjusted financial statement income” for the purpose of determining the alternative minimum tax to be imposed on such applicable corporation under Section 55 of the Code, regardless of the issue date of such tax-exempt bonds.

RATING

As noted on the cover page of this Official Statement, Moody’s Investors Service, Inc. (“Moody’s”) has given the Bonds its municipal bond rating of “A1”. Such rating reflects only the view of Moody’s. An explanation of the significance of this rating may only be obtained from Moody’s at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Telephone: (212) 553-0300. There is no assurance that the rating on the Bonds, when given, will continue for any given period of time or that the rating on the Bonds will not be revised downward or withdrawn entirely if, in the judgment of Moody’s, the circumstances so warrant. Any such downward revision or withdrawal of the rating on the Bonds may have an adverse effect on the marketability and/or the market price of the Bonds.

The City expects to furnish Moody’s with any information and materials it may request with respect to future general obligation bond issues by the City. However, the City assumes no obligation to furnish such requested information and materials to Moody’s, and may issue debt for which a rating is not requested. Any failure by the City to furnish any requested information and materials to Moody’s, or the issuance by the City of any debt for which a rating is not requested, may result in the suspension or withdrawal of Moody’s ratings on the City’s outstanding general obligation bonds.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12 (the “Rule”) and so long as the Bonds are outstanding, the City will agree, under a continuing disclosure undertaking to be dated as of the date of the issuance and delivery of the Bonds (the “Disclosure Undertaking”), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board (the “MSRB”) or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB’s Electronic Municipal Market Access (“EMMA”) system, as described in 1934 Act Release No. 59062, or any other similar system acceptable to the Securities and Exchange Commission, certain annual financial information and operating data for the City, including audited financial statements of the City, generally consistent with the information set forth in “APPENDIX B – Demographic and Economic Data” and “APPENDIX C – Annual Comprehensive Financial Report of the City of Covington, Kentucky for the Fiscal Year Ended June 30, 2023” attached hereto (collectively, the “Annual Financial Information”). The Annual Financial Information will be provided on or before the March 1 following the fiscal year ending on the preceding June 30, commencing with the fiscal year ending June 30, 2024; provided that the audited financial statements may not be available by such date, but will be made available immediately upon the delivery thereof by the auditors for the City; and
- (ii) to the MSRB, through EMMA, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:
 - (a) Principal and interest payment delinquencies;
 - (b) Non-payment related defaults, if material;
 - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) Substitution of credit or liquidity providers, or their failure to perform;
 - (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or any other material notices or determinations with respect to the tax status of the security, or any other material events affecting the tax-exempt status of the security;
 - (g) Modifications to rights of security holders, if material;
 - (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
 - (i) Defeasances;
 - (j) Release, substitution, or sale of any property securing repayment of the securities, if material;
 - (k) Rating changes;
 - (l) Bankruptcy, insolvency, receivership, or similar event of the City (Note: This event is considered to occur upon the occurrence of the following: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);
 - (m) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

- (o) Incurrence of a material financial obligation by the City or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any financial obligation of the City, any of which affect security holders, if material; and
 - (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any financial obligation of the City, any of which reflect financial difficulties.
- (iii) to the MSRB, through EMMA, in a timely manner, notice of any failure of the City (of which the City has knowledge) to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

The Disclosure Undertaking provides bondholders, including the beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the City to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances, in accordance with the Rule, as more fully described therein.

For purposes of this transaction with respect to events as set forth in the Rule:

- (i) there are no debt service reserve funds applicable to the Bonds;
- (ii) there are no credit enhancements applicable to the Bonds;
- (iii) there are no liquidity providers applicable to the Bonds; and
- (iv) there is no property securing the repayment of the Bonds.

The City has previously entered into continuing disclosure undertakings in accordance with the Rule (the “Prior Disclosure Undertakings”). During the past five years, the City has materially complied with its continuing disclosure obligations under the Prior Disclosure Undertakings and the Rule, provided, however, that Annual Financial Information required to be filed by March 1, 2024 under the Prior Disclosure Undertakings was filed on April 12, 2024, as contemplated by a notice of late filing posted to EMMA on March 1, 2024.

The City intends to file all future Annual Financial Information within the time requirements specified in the Prior Disclosure Undertakings and in the Disclosure Undertaking relating to the Bonds, and the City has adopted policies and procedures to ensure the timely filing thereof, which policies and procedures are available to the public upon request.

UNDERWRITING

The Bonds are being purchased for reoffering by [____] (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$[____] (reflecting the par amount of the Bonds, [plus/less] [net] original issue [premium/discount] of \$[____], and less underwriter’s discount of \$[____]). The initial public offering prices which produce the yields set forth on the inside cover page of this Official Statement may be changed by the Underwriter, and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the inside cover page hereof.

MUNICIPAL ADVISOR

RSA Advisors, LLC, Lexington, Kentucky, has been employed as the independent registered municipal advisor (the “Municipal Advisor”) in connection with the issuance of the Bonds. The Municipal Advisor’s fee for its services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained

from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly executed and delivered in the name and on behalf of the City of Covington, Kentucky, by its Mayor.

CITY OF COVINGTON, KENTUCKY

By: _____
Mayor

Dated: October __, 2024

APPENDIX A

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024C**

ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE BONDS AND
TOTAL DEBT SERVICE ON OUTSTANDING GENERAL OBLIGATION INDEBTEDNESS

City of Covington, KY Taxable General Obligation Bonds, Series 2024C

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Fiscal Year Total</u>
6/1/2025		\$601,706	\$601,706	601,706.35
12/1/2025	\$25,000	\$544,257	\$569,257	
6/1/2026		\$543,807	\$543,807	1,113,064.00
12/1/2026	\$25,000	\$543,807	\$568,807	
6/1/2027		\$543,363	\$543,363	1,112,170.25
12/1/2027	\$30,000	\$543,363	\$573,363	
6/1/2028		\$542,838	\$542,838	1,116,201.50
12/1/2028	\$35,000	\$542,838	\$577,838	
6/1/2029		\$542,235	\$542,235	1,120,072.75
12/1/2029	\$40,000	\$542,235	\$582,235	
6/1/2030		\$541,555	\$541,555	1,123,789.00
12/1/2030	\$65,000	\$541,555	\$606,555	
6/1/2031		\$540,466	\$540,466	1,147,020.25
12/1/2031	\$50,000	\$540,466	\$590,466	
6/1/2032		\$539,628	\$539,628	1,130,094.00
12/1/2032	\$50,000	\$539,628	\$589,628	
6/1/2033		\$538,791	\$538,791	1,128,419.00
12/1/2033	\$50,000	\$538,791	\$588,791	
6/1/2034		\$537,941	\$537,941	1,126,731.50
12/1/2034	\$50,000	\$537,941	\$587,941	
6/1/2035		\$537,078	\$537,078	1,125,019.00
12/1/2035	\$290,000	\$537,078	\$827,078	
6/1/2036		\$531,931	\$531,931	1,359,009.00
12/1/2036	\$280,000	\$531,931	\$811,931	
6/1/2037		\$526,821	\$526,821	1,338,751.50
12/1/2037	\$725,000	\$526,821	\$1,251,821	
6/1/2038		\$513,227	\$513,227	1,765,047.75
12/1/2038	\$755,000	\$513,227	\$1,268,227	
6/1/2039		\$498,693	\$498,693	1,766,920.25
12/1/2039	\$785,000	\$498,693	\$1,283,693	
6/1/2040		\$483,425	\$483,425	1,767,118.25
12/1/2040	\$870,000	\$483,425	\$1,353,425	
6/1/2041		\$466,330	\$466,330	1,819,754.50
12/1/2041	\$905,000	\$466,330	\$1,371,330	
6/1/2042		\$448,365	\$448,365	1,819,694.75
12/1/2042	\$940,000	\$448,365	\$1,388,365	
6/1/2043		\$429,565	\$429,565	1,817,930.50
12/1/2043	\$980,000	\$429,565	\$1,409,565	
6/1/2044		\$409,818	\$409,818	1,819,383.50
12/1/2044	\$1,015,000	\$409,818	\$1,424,818	
6/1/2045		\$389,265	\$389,265	1,814,082.75
12/1/2045	\$1,570,000	\$389,265	\$1,959,265	
6/1/2046		\$357,315	\$357,315	2,316,579.50
12/1/2046	\$1,645,000	\$357,315	\$2,002,315	
6/1/2047		\$323,593	\$323,593	2,325,907.50
12/1/2047	\$1,710,000	\$323,593	\$2,033,593	
6/1/2048		\$288,281	\$288,281	2,321,873.50
12/1/2048	\$1,785,000	\$288,281	\$2,073,281	
6/1/2049		\$251,242	\$251,242	2,324,523.25
12/1/2049	\$1,860,000	\$251,242	\$2,111,242	
6/1/2050		\$212,461	\$212,461	2,323,703.50
12/1/2050	\$1,950,000	\$212,461	\$2,162,461	
6/1/2051		\$171,511	\$171,511	2,333,972.50
12/1/2051	\$2,030,000	\$171,511	\$2,201,511	
6/1/2052		\$128,881	\$128,881	2,330,392.50
12/1/2052	\$2,105,000	\$128,881	\$2,233,881	
6/1/2053		\$84,150	\$84,150	2,318,031.25
12/1/2053	\$2,200,000	\$84,150	\$2,284,150	
6/1/2054		\$37,400	\$37,400	2,321,550.00
12/1/2054	\$1,760,000	\$37,400	\$1,797,400	\$1,797,400
Totals:	\$26,580,000	\$25,065,914	\$51,645,914	\$51,645,914

APPENDIX B

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024C**

DEMOGRAPHIC AND ECONOMIC DATA

CITY OF COVINGTON, KENTUCKY

The City of Covington is located in Kenton County and had an estimated population of 44,179 in 2023. Kenton County was formed in 1840 and is located in the Outer Bluegrass region of the state. The elevation in the County ranges from 455 to 960 feet above sea level. The county seat is Covington and Independence. It was until November 2010, the only county in Kentucky to have two legally recognized county seats. The City of Covington and Kenton County are in the Northern Kentucky Area.

The Bluegrass Region was the most quickly settled part of the state and now is home to about half the state’s population. The Northern Kentucky Area, covering a total land area of 559 square miles, is composed of Boone, Campbell, and Kenton Counties; and is ideally situated along and adjacent to the south bank of the Ohio River, immediately south of Cincinnati, Ohio. These three counties are a part of the Cincinnati Metropolitan Statistical Area. Kenton County had a 2023 population of 171,823.

The Northern Kentucky Area forms the northern apex of an industrial triangle anchored by Louisville on the southwest and Lexington on the southeast. Within the triangle are more than one-third of the state’s population and nearly one-half of its manufacturing jobs. The interstate highway system places these three metropolitan areas within less than two hours driving from each other.

The Economic Framework

In 2023, Covington had a labor force of 23,475 people and Kenton County had an unemployment rate of 4.3%. The top five jobs by occupation in Covington were as follows: Office and Admin Support – 2,225 (14.55%); Executive, Managers, and Admin – 1,655 (10.82%); Education/Training/Library – 1,416 (9.26%); Sales – 1,306 (9.26%); Food Prep/Serving – 1,100 (7.19%).

LABOR MARKET STATISTICS

Population

Description	-----Estimate Year-----			
	2020	2021	2022	2023
Kenton County	167,039	169,371	169,459	171,242
Covington	38,077	41,008	41,185	42,251

Source: Kentucky Center for Statistics – University of Louisville, KY Dept. of Econ. Development

Population Projections

Description	Estimate Year		
	2025	2030	2035
Kenton County	172,894	175,691	177,689

Source: Kentucky Center for Statistics – University of Louisville

Unemployment Statistics

Description	-----Year Ending December 31-----				
	2019	2020	2021	2022	2023
County of Kenton					
Civilian Labor Force	88,493	85,512	86,198	87,314	86,915
Employment	85,498	80,682	82,788	84,312	83,716
Unemployment	2,995	4,830	3,410	3,002	3,199
Unemployment Rate	3.4%	5.6%	4.0%	3.4%	3.7%
State of Kentucky:					
Civilian Labor Force	2,064,637	2,005,210	2,010,884	2,030,274	2,026,263
Employment	1,979,803	1,874,863	1,921,355	1,948,312	1,941,994
Unemployment	84,834	130,347	89,529	81,962	84,269
Unemployment Rate	4.1%	6.5%	4.5%	4.0%	4.2%
US Comparable Rate:					
Unemployment Rate	3.7%	8.1%	5.3%	3.6%	3.6%

Source: The Kentucky Department for Employment Services, Not Seasonally Adjusted

LOCAL GOVERNMENT

Structure

Covington's Government structure consists of a Mayor and six Council Members. The Mayor serves a four-year term while the Council Members serve two-year terms. Kenton County is served by a Judge/Executive and three Magistrates. The Judge Executive and Magistrates are elected to serve a four-year term.

Planning and Zoning

Mandatory state codes enforced—Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code).

Sales and Use Tax

A state sales and use tax is levied at the rate of 6.0% on the purchase or lease price of taxable goods and on utility services. Local sales taxes are not levied in Kentucky.

State and Local Property Taxes

The Kentucky Constitution requires the state to tax all classes of taxable property, and state statutes allow local jurisdictions to tax only a few classes. All locally taxed property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside the city limits may also be subject to city property taxes. Property assessments in Kentucky are at 100% fair cash value. Accounts receivable are taxed at 85% of face value. Special local taxing jurisdictions (fire protection districts, watershed districts and sanitation districts) levy taxes within their operating areas (usually a small portion of community or county).

The table below lists the assessed property valuation as reported by the City of Covington:

Assessed Value of Property

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Bank Deposits</u>	<u>Franchise</u>	<u>Total Assessed Value</u>
2023	\$2,279,705,569	\$202,037,874	\$641,096,961	\$ 79,393,040	\$3,202,233,444
2022	2,279,705,569	202,037,874	641,096,961	79,393,040	3,202,233,444
2021	2,158,883,280	133,186,871	498,664,523	98,381,934	2,889,116,608
2020	2,086,813,926	139,040,250	354,450,809	110,330,568	2,690,635,553
2019	2,109,876,508	204,664,565	267,315,234	181,789,250	2,763,645,557

Source: City of Covington, Kentucky

Ten Largest Taxpayers

The following tables list the ten largest real property taxpayers and ten largest tangible property taxpayers of the City in 2023 as reported by the Kenton County Property Valuation Administrator.

Largest City Principal Taxpayers

	<u>Name</u>	<u>Real Property Taxes Paid</u>	<u>Assessed Valuation</u>
1.	Fidelity Properties Inc	\$400,993	\$147,967,861
2.	ARCP OFC Covington LLC	223,914	82,625,000
3.	CPX-Rivercenter Development Corp	219,984	81,175,000
4.	EHP Rivercenter Landmark	68,556	25,297,600
5.	AHIP KY Covington	60,975	22,500,000
6.	OH-16 FO Cincinnati	45,665	16,850,400
7.	Cambridge Preservation LP	44,715	16,500,000
8.	Atkins & Pearce Manufacturing	32,352	11,937,900
9.	FMR Kentucky I LLC	30,845	11,381,800
10.	J & S Latonia Centre Ky LLC	29,525	10,895,000

Source: City of Covington, Kentucky

PROPERTY TAX RATES

City Assessment Rates (per \$100.00 assessed valuation)

<u>Year</u>	<u>Real Estate</u>	<u>Tangible Personal</u>	<u>Real Estate Franchise</u>	<u>Tangible Franchise</u>	<u>Bank Shares</u>	<u>Motor Vehicles</u>	<u>Watercraft</u>
2023	0.2710	0.3280	0.3130	0.3332	0.025	N/A	N/A
2022	0.3270	0.3490	0.3130	0.3332	0.025	N/A	N/A
2021	0.3270	0.3490	0.3130	0.3332	0.025	N/A	N/A
2020	0.3270	0.3490	0.3130	0.3332	0.025	N/A	N/A
2019	0.3270	0.3490	0.3130	0.3332	0.025	N/A	N/A

Source: City of Covington, Kentucky

City Property Tax Levy and Collection

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Percent of Current Taxes Collected</u>
2023	8,455,735	95.53%
2022	7,974,171	94.62%
2021	7,655,452	94.56%
2020	7,415,494	94.51%
2019	7,314,474	100.00%

Source: City of Covington, Kentucky

APPENDIX C

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024C**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT OF THE CITY OF COVINGTON, KENTUCKY
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Note: The entire audited financial statements and accompanying supplemental information for the City's fiscal year ending June 30, 2023 are included in this Appendix D. Potential purchasers of the Bonds are reminded that the Bonds are secured solely by, and payable solely from, the tax revenues of the City as described in the forepart of this Official Statement and that revenues described in the enclosed audited financial statements for funds other than the City's general fund have not been pledged and are not legally required to be available to pay debt service on the Bonds.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year ended June 30, 2023



Photo Credit: Sam Greenhill

POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year ended June 30, 2023



Photo Credit: Sam Greenhill

CITY OF COVINGTON, KENTUCKY

June 30, 2023

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CITY OF COVINGTON, KENTUCKY

June 30, 2023

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CITY OF COVINGTON, KENTUCKY

June 30, 2023

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OFFICE OF THE CITY MANAGER

April 12, 2024

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

We are pleased to present the City of Covington, Kentucky's (City) Annual Comprehensive Financial Report (ACFR), for the fiscal year (FY) that ended on June 30, 2023. 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 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 ACFR for the City for the FY that ended on June 30, 2023.

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 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 Barnes Dennig Certified Public Accountants, with a local office in Crestview Hills, KY. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year that ended on June 30, 2023, 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, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

The City, founded in 1815, is located in the northern most part of the state, situated in Kenton County and is part of the Northern Kentucky Region, which ranks as one of the top growth areas in Kentucky. The City currently occupies a land area of 13.2 square miles and serves an estimated population of 40,956. The City is empowered to levy numerous taxes and fees. Its major revenue sources include an occupational license tax levied on gross wages and net profits of businesses, an insurance premium license fee, and a property tax on both real and personal properties.

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

The City provides a full range of services including full-time professional police and fire services; advanced life support emergency services; street maintenance and improvement; waste and recyclable materials collection services; a full range of recreational areas and activities; cultural events; planning and zoning; housing rehabilitation and development; and public nuisance and zoning code enforcement. In addition to these services, the governing body is responsible for funding the Employees' Retirement Fund and the Police and Firemen's Retirement Fund. These legacy funds have been closed to new members for around 30 years and are in the runout phase.

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

Information Useful in Assessing the Economic Condition

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

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

Like all Cities in Kentucky, Covington is reliant on economically sensitive revenue. The City's revenue sources are dictated by the Commonwealth of Kentucky. Occupational license fees (payroll tax and net profit taxes) represent 48% of all General Fund Revenue.

Since 2014, total taxable property assessed value has increased by 48%. The City recognized an increase in total taxable assessed value of 28% over fiscal year 2022. The City also realized a decrease in payroll tax revenue of 13% versus fiscal year 2022 due to the work from home policy of the City's largest employers, and this was offset with ARPA revenue replacement funds.

As the world continues to recover and readjust from the impacts of the COVID-19 global pandemic, our Economic Development Team continues to attract, retain, and assist our businesses and investors through face-to-face meetings with brokers and developers, conducting business retention visits, and making deals to attract new jobs to Covington. Additionally, we continued to implement recommendations from our Economic Development Strategy, including finalizing designs of two major gateways, and implementing workforce development initiatives with local and regional partners to skill-up residents. In addition to the debut of the Enzweiler Construction Trades training campus and the first courses being taught at the Covington Academy of Heritage Trades, we began a new partnership with the Esperanza Latino Center to help new immigrants join the workforce. We also supported the first industrial spec building to be built in the city in decades with an incentive designed to attract labor-intensive tenants. Along with support for the LGBTQ+ community, the City's efforts to attract talent were validated in the form of the American Planning Association - Kentucky Chapter's Diversity Equity and Inclusion Award.

We also saw other significant office and commercial rehab projects wrap up construction along with significant progress toward the redevelopment of the 23-acre central riverfront (former IRS Service Center). These efforts include the one-hundred percent completion of the utility and horizontal infrastructure and issuance of a request for proposal (RFP) to construct the first phase of that public investment. We also issued RFPs and began negotiations with developers for residential and commercial development projects on six of the sixteen planned development blocks at the site.

While the Central Riverfront may be the most prolific development topic in the region, our team continues to achieve success throughout the city from Roebling Point to the 3L Industrial Park.

The numbers tell the story:

- Creation of 215 new high-wage jobs
- Retention of 400 jobs
- Achieved a 70:1 ROI on new capital investment (~\$1 MM incentives attracted \$70 MM capital investment)
- Class A Office Vacancy as of January 2023, was 3.1 percent compared to 2012 years ago when it was at 30.3 percent vacancy
- 402,083 square feet of commercial space filled/improved
- Issued 795 zoning permits and Certificates of Appropriateness, affirming our new Neighborhood Development Code makes Covington one of the easiest places to invest and do business in the region.

Completed projects in 2023:

Keller Logistics relocation from 3L Industrial Park to 193,000 sf of newly renovated space in Latonia. This move also brings 25 new jobs and will expand the company's payroll from \$2.8 MM to \$4 MM.

Completion of a \$17.6 MM 140,000 sf industrial spec building in Latonia (the first in decades). This new development could attract more than 100 good new jobs with an estimated increase in City payroll taxes of \$150,000.

Grand Opening of North by Hotel Covington, Opal Rooftop Restaurant, DeanHouston+ Global Headquarters at First District, the Ernst Mansion Coworking space, and expansion of PPS Group into the Urban Garage.

A project that did NOT happen: The Economic Development and Legal Departments were successful in its efforts to stop a 150-foot cell tower from being constructed at Fourth and Main in the center of the City's new Gateway Design. Staff worked with Panorama Towers management to secure location of the site on the roof of that existing structure.

Projects under construction/in design in 2023:

Covington Central Riverfront: The City hired an architecture and engineering team to design a 600+ car garage and the streets, alleys, public spaces and utility infrastructure to serve as the framework for a new estimated \$500+ MM neighborhood. Designs for the infrastructure were completed in 2023 and bids for construction are due in February 2024. Six of the sixteen development blocks are currently in negotiation and developers for several additional blocks will be sought in 2024.

Latonia Commerce Center: The Kenton County Public Library has announced plans to develop a new branch in the shopping center turned commerce center and will be joining the Enzweiler Institute revitalizing this location as center of commerce and community growth.

Complete (Fourth) Street. The Kentucky Transportation Cabinet will be repaving and restriping Fourth Street from the bridge to Newport to Main Street in order to calm traffic by reducing the street to only two vehicular travel lanes, adding a bike lane and additional pedestrian space.

The preparation of the ACFR 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 Barnes Dennig for their work in preparing this report. Recognition is also given to the Mayor and Commissioners for their unfailing interest, support, and integrity in guiding the City's financial operations.

Respectfully submitted,



Ken Smith
City Manager



Steve Webb
Finance Director

**City of Covington, Kentucky
Elected and Appointed Officials June 30, 2023**

Elected Officials

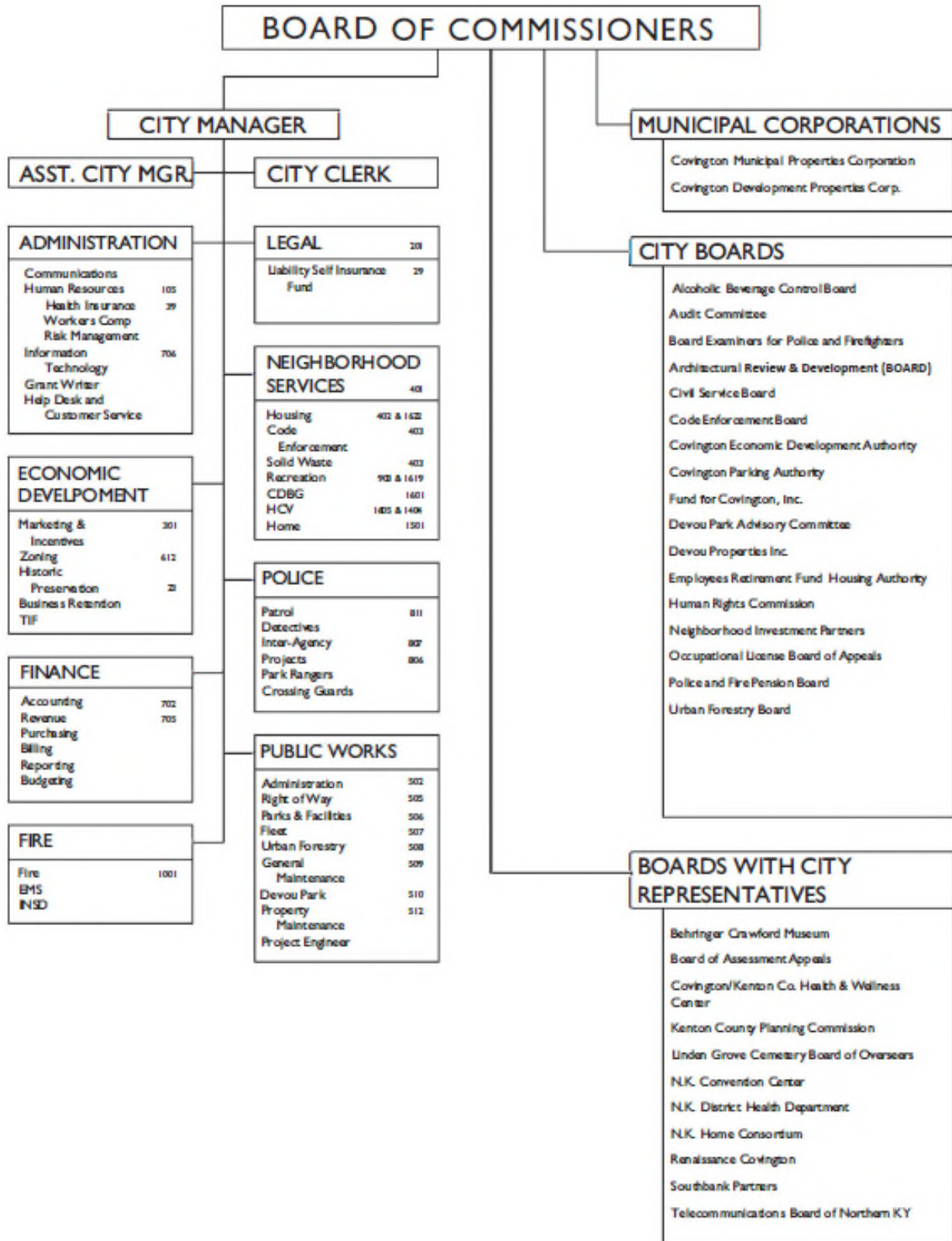
Mayor	Joseph Meyer
Commissioner/Mayor Pro Tem.....	Ron Washington
Commissioner	Tim Downing
Commissioner	Shannon Smith
Commissioner	Nolan Nicaise

Appointed Officials

City Manager	Ken Smith
City Solicitor.....	David Davidson
Finance Director	Steve Webb
Neighborhood Services Director	Brandon Holmes
City Clerk.....	Susan Ellis
Chief of Police	Brian Valenti
Fire Chief.....	Mark Pierce
Public Works Director	Keith Bales
Economic Development Director	Tom West
Human Resources Director	Cindy Lewis
Communications Director.....	Dan Hassert

COVINGTON, KENTUCKY

ORGANIZATION CHART



Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Covington, Kentucky as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the City of Covington, Kentucky's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Covington, Kentucky, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Covington, Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Covington, Kentucky's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

**Independent Auditors' Report
(Continued)**

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Covington, Kentucky's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Covington, Kentucky's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (unaudited), budgetary comparison and pension liability and OPEB liability and contributions information on pages 11-23, 90-93, and 97-104 as listed in the table of contents 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 combining and individual nonmajor fund financial statements and statement of receipts and disbursements of bonds 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* (CFR) 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.

**Independent Auditors' Report
(Continued)**

Other Matters (Continued)

Other Information (Continued)

The combining and individual nonmajor fund financial statements, the statement of receipts and disbursements of bonds 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, the statement of receipts and disbursements of bonds and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2024 on our consideration of the City of Covington, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Covington, Kentucky's internal control over financial reporting and compliance.

Change in Accounting Principle

As discussed in Note 17 to the financial statements, the City adopted Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective as of July 1, 2022. Our opinion is not modified with respect to this matter.



Crestview Hills, Kentucky
April 12, 2024

CITY OF COVINGTON, KENTUCKY

Management's Discussion and Analysis (MD&A – Unaudited) Year Ended June 30, 2023

The following is a narrative overview and analysis of the financial activities of the City for the fiscal year (FY) ending on June 30, 2023. This discussion and analysis serve as an introduction to the City's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

FINANCIAL HIGHLIGHTS

The City's financial highlights for the FY ended June 30, 2023 include:

- The City's FY 2023 carry-over is \$1,738,251 resulting in a General Fund balance at year-end of \$22,814,920.
- The City Recognized a decrease in payroll tax revenue of 13.8% over FY 2023.
- The City Recognized an increase in net profit revenue of 17.0% over FY 2023.
- The City's insurance license fee increased to \$10,628,861 in FY 2023, a increase of \$2,618,097 or 32.7% from the previous year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements include the *primary government* and Devou Properties, Inc., a legally separate non-profit organization. Financial information for Devou Properties, Inc. is reported separately from the financial information presented for the primary government itself. The Municipal Properties Corporation and the Covington Motor Vehicle Parking Authority (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 the funds of the City can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

CITY OF COVINGTON, KENTUCKY

Management's Discussion and Analysis (MD&A – Unaudited) Year Ended June 30, 2023 (Continued)

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

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

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

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

Proprietary Funds: Proprietary funds are used to account for activity when the City charges users for the full cost of the services it provides, whether to outside customers or to other units of the City. Proprietary funds can be classified into two subcategories: enterprise funds and internal service funds. The Parking Authority Fund 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 services benefit governmental functions, they have been included within *governmental activities* in the government-wide financial statements.

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

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

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

CITY OF COVINGTON, KENTUCKY

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2023
(Continued)**

Financial Analysis of the Government-Wide Financial Statements

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

Net position, over time, may serve as a useful indicator of a government's financial position. In the case of the City's governmental activities, liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$58,219,892, at the close of the most recent FY.

	Governmental Activities		
	2023	2022	Change
Current and other assets	\$ 73,055,726	\$ 75,816,127	\$ (2,760,401)
Noncurrent assets	106,944,175	94,726,861	12,217,314
Total assets	<u>179,999,901</u>	<u>170,542,988</u>	<u>9,456,913</u>
Deferred outflows	<u>48,680,648</u>	<u>28,088,345</u>	<u>20,592,303</u>
Noncurrent liabilities:			
Net pension liability	127,061,927	106,420,131	20,641,796
Net OPEB liability	32,942,518	29,976,122	2,966,396
Other long-term liabilities	63,750,134	70,768,306	(7,018,172)
Other liabilities	<u>35,838,124</u>	<u>40,145,745</u>	<u>(4,307,621)</u>
Total liabilities	<u>259,592,703</u>	<u>247,310,304</u>	<u>12,282,399</u>
Deferred inflows	<u>27,307,738</u>	<u>22,954,430</u>	<u>4,353,308</u>
Net position:			
Investment in capital assets (net of debt)	38,659,351	41,855,830	(3,196,479)
Restricted	6,810,667	2,765,834	4,044,833
Unrestricted	<u>(103,689,910)</u>	<u>(116,255,065)</u>	<u>12,565,155</u>
Total net position	<u>\$ (58,219,892)</u>	<u>\$ (71,633,401)</u>	<u>\$ 13,413,509</u>

The largest portion of the City's net position (\$38,659,351) 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 2023, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$58,219,892. Total assets increased from the prior FY (FY 2022) by \$9,456,974 and total liabilities increased by \$12,282,399.

CITY OF COVINGTON, KENTUCKY

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2023
(Continued)**

In the case of the City's business-type activities, assets exceeded liabilities by \$7,606,551, at the close of the FY.

	Business-type Activities		
	2023	2022	Change
Current and other assets	\$ 2,802,789	\$ (303,125)	\$ 3,105,914
Noncurrent assets	9,441,394	9,064,229	377,165
Total assets	<u>12,244,183</u>	<u>8,761,104</u>	<u>3,483,079</u>
Noncurrent liabilities	3,612,019	1,633,846	1,978,173
Other liabilities	212,667	31,321	181,346
Total liabilities	<u>3,824,686</u>	<u>1,665,167</u>	<u>2,159,519</u>
Deferred inflows	812,946	874,300	(61,354)
Net position:			
Investment in capital assets (net of debt)	7,476,529	7,430,383	46,146
Unrestricted	130,022	(1,208,746)	1,338,768
Total net position	<u>\$ 7,606,551</u>	<u>\$ 6,221,637</u>	<u>\$ 1,384,914</u>

Commissioner's Ordinance O-07-18 created the Parking Authority. The Parking Authority has the powers of acquisition, incurring of debt, creation and operation of public street and off-street parking facilities. As of June 30, 2023, this component unit of the City of Covington had \$9,441,394 in parking related assets, which are comprised mostly of surface lots and parking garages and \$3,824,686 in parking related long-term debt.

CITY OF COVINGTON, KENTUCKY

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2023
(Continued)**

Statement of Activities – Governmental:

	Governmental Activities		
	2023	2022	Change
Revenues			
Program revenues			
Charges for services	\$ 7,150,053	\$ 6,728,110	\$ 421,943
Operating grants	22,660,484	18,440,881	4,219,603
Capital grants	1,082,376	2,643,766	(1,561,390)
Total program revenues	<u>30,892,913</u>	<u>27,812,757</u>	<u>3,080,156</u>
General Revenues			
Taxes	54,587,549	54,909,575	(322,026)
Investment (loss)	(357,891)	(4,294,468)	3,936,577
Interest income	240,416	248,750	(8,334)
Miscellaneous	26,883,224	1,733,454	25,149,770
Loss on sale of assets	(527,397)	85,379	(612,776)
Total general revenues	<u>80,825,901</u>	<u>52,682,690</u>	<u>28,143,211</u>
Total revenues	<u>111,718,814</u>	<u>80,495,447</u>	<u>31,223,367</u>
Expenses			
General government	36,108,200	8,506,292	27,601,908
Police	19,823,132	20,177,159	(354,027)
Fire	19,997,532	21,564,434	(1,566,902)
Public improvements	13,715,835	14,862,875	(1,147,040)
Community Development	14,512,942	12,554,194	1,958,748
Interest on long-term debt	1,754,215	2,154,136	(399,921)
Total expenses	<u>105,911,856</u>	<u>79,819,090</u>	<u>26,092,766</u>
Change in net position	<u>\$ 5,806,958</u>	<u>\$ 676,357</u>	<u>\$ 5,130,601</u>

In FY 2023, government-wide revenues increased compared to FY 2022 by \$31,223,367 and government-wide expenses increased by \$26,092,766.

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

- Program revenues increased in FY 2023 compared to FY 2022 due to an increase in operating grants and contributions.
- General Revenues were higher in FY 2023 than FY 2022 primarily due to an increase in GASB 68 and GASB 75 deferred outflows.

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

- Police, Fire and Public Works expenses were lower in FY 2023 than FY 2022 primarily due to a decrease in personnel costs.

CITY OF COVINGTON, KENTUCKY

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2023
(Continued)**

Statement of Activities – Business-type:

	Business-type Activities		
	2023	2022	Change
Revenues			
Program revenues			
Charges for services	\$ 3,145,553	\$ 2,188,591	\$ 956,962
Total program revenues	3,145,553	2,188,591	956,962
General Revenues			
Interest income	30,486	28,539	1,947
Total general revenues	30,486	28,539	1,947
Total revenues	3,176,039	2,217,130	958,909
Expenses			
Parking authority	1,791,125	1,334,287	456,838
Total expenses	1,791,125	1,334,287	456,838
Change in net position	\$ 1,384,914	\$ 882,843	\$ 502,071

In FY 2023, the Parking Authority's total revenue from parking related activities were \$3,145,553 while expenses totaled \$1,791,125. Most of the expenses, approximately \$1,123,109 were directly related to the management contract with ABM parking.

CITY OF COVINGTON, KENTUCKY

Management's Discussion and Analysis (MD&A – Unaudited) Year Ended June 30, 2023 (Continued)

Financial Analysis of the Government's Funds

Governmental Funds

As of June 30, 2023, the City's governmental funds reported combined fund balances of \$35,252,981, a increase of \$5,209,746 from the prior FY. Much of this increase in the major funds occurred in the American Rescue Plan Act Fund.

The unassigned fund balance, which is available for spending at the City's discretion, is negative at fiscal year-end due to nonmajor governmental fund activity. The other fund balances are non-spendable, restricted, committed, or assigned. Non-spendable fund balance of \$2,620,485 cannot be spent either because it is in non-spendable form or because there are legal or contractual reasons. Restricted funds, totaling \$6,810,667, are amounts that can be spent only for specific purposes e.g. (1) for approved Capital Improvement projects, (2) or restricted by state or federal laws, or (3) restricted by externally imposed conditions by grantors or creditors.

Committed funds, totaling \$10,690,516, are amounts that can be used only for specific purposes as determined by formal action of the Commission by Ordinance or Order. Assigned funds, totaling \$10,750,000, are amounts designated by Commission for a particular purpose but are not spendable until a Budget Ordinance is passed or there is a majority vote approval. Funds in the Committed and Assigned categories include deposits in accounts per the City's General Fund Operating Reserve Fund (GFORF) Ordinance, O-05-19. The City's GFORF Ordinance was created to establish and prioritize fiscal stability, sustainability, and growth. The Ordinance specifically authorizes a process for ensuring that the City's legal and financial obligations are met by specifying deposit accounts such as the (1) GFORF - used to meet the general operating expenses of the City including payroll, benefits and other operating expenses when the City experiences a downturn, (2) the Self-insured Liability Fund – used to manage the City's risk exposure for general liability claims, and (3) the Self-insured Employee Health Plan Fund – used to provide funding for the City's Self-Insured Employees Health Plan.

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

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

CITY OF COVINGTON, KENTUCKY

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2023
(Continued)**

	General Fund	IRS Site Construction	American Rescue Plan Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 21,029,211	\$ -	\$ -	\$ 4,156,748	\$ 25,185,959
Investments	23,958,886	-	-	444,864	24,403,550
Receivables (net of allowance for doubtful accounts):					
Taxes	8,868,672	-	-	-	8,868,672
Intergovernmental	-	-	-	2,109,673	2,109,673
Notes	2,816,671	-	-	3,276,739	6,093,410
Accounts	578,228	-	-	3,121,861	3,700,089
Leases	-	-	-	1,387,066	1,387,066
Due from other funds	7,227,317	4,134,851	18,328,871	10,906,993	40,598,032
Prepaid items	27,627	-	49,999	-	77,626
Advances to other funds	2,592,858	-	-	-	2,592,858
Total assets	\$ 67,099,270	\$ 4,134,851	\$ 18,378,870	\$ 25,403,944	\$ 115,016,935
Liabilities					
Accounts payable	\$ 909,487	\$ 120,252	\$ 477,558	\$ 927,510	\$ 2,434,807
Accrued liabilities	2,812,116	-	-	111,552	2,923,668
Due to other funds	35,627,776	-	-	5,400,893	41,028,669
Due to fiduciary funds	623,367	-	-	-	623,367
Unearned Revenue	12,024	-	17,901,312	2,397,701	20,311,037
Total liabilities	39,984,770	120,252	18,378,870	8,837,656	67,321,548
Deferred Inflow of Resources					
Leases	-	-	-	1,361,851	1,361,851
Unavailable revenue	4,299,580	-	-	6,780,975	11,080,555
Total deferred inflow of resources	4,299,580	-	-	8,142,826	12,442,406
Fund Balances					
Nonspendable	2,620,485	-	-	-	2,620,485
Restricted	-	4,014,599	-	2,796,068	6,810,667
Committed	-	-	-	10,690,516	10,690,516
Assigned	10,000,000	-	-	750,000	10,750,000
Unassigned	10,194,435	-	-	(5,813,122)	4,381,313
Total fund balances	22,814,920	4,014,599	-	8,423,462	35,252,981
Total liabilities, deferred inflows of resources and fund balances	\$ 67,099,270	\$ 4,134,851	\$ 18,378,870	\$ 25,403,944	\$ 115,016,935

CITY OF COVINGTON, KENTUCKY

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2023
(Continued)**

The City recognized a decrease in payroll tax revenue of 13.8% compared to FY 2022. The City's FY 2023 adopted budget did not reduce staff or departmental expenditures. The City's General Fund FY 2023 carryover is \$1,738,251 resulting in a General Fund balance at year-end of \$22,814,920. A significant driver of this year's carry-over is the increased revenue from licenses, investment income and net profit taxes, netted against unrealized investment losses.

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

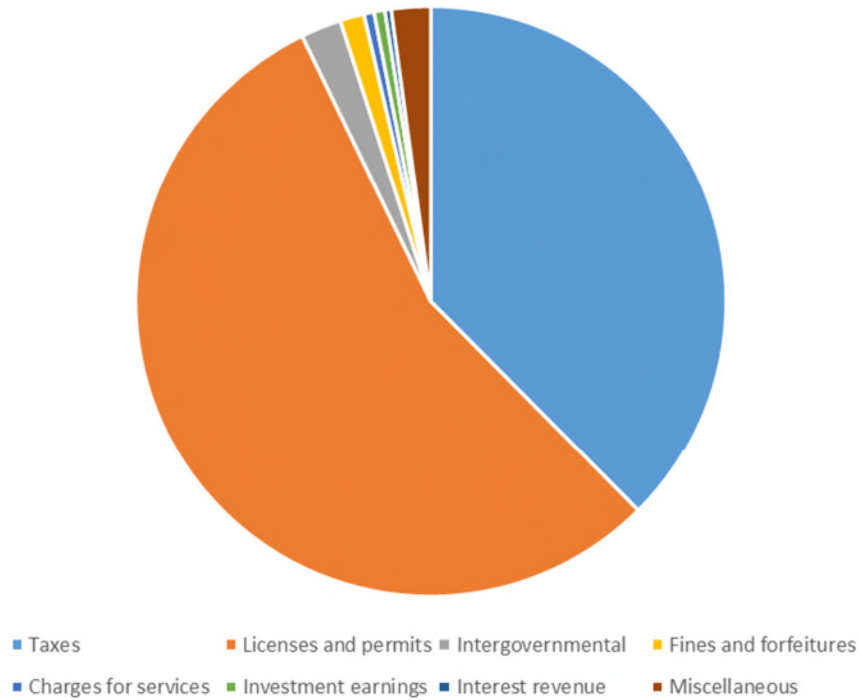
	General Fund	IRS Site Construction	American Rescue Plan Act Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 22,224,037	\$ -	\$ -	\$ -	\$ 22,224,037
Licenses and permits	32,689,261	-	-	-	32,689,261
Intergovernmental	1,313,065	-	8,889,043	13,721,889	23,923,997
Fines and forfeitures	779,071	-	-	-	779,071
Charges for services	330,729	-	-	5,803,333	6,134,062
Investment loss	(351,006)	-	-	(6,885)	(357,891)
Interest revenue	202,873	-	-	37,543	240,416
Miscellaneous	1,274,818	-	-	5,582,141	6,856,959
Total revenues	<u>58,462,848</u>	<u>-</u>	<u>8,889,043</u>	<u>25,138,021</u>	<u>92,489,912</u>
Expenditures					
Current:					
General Government	6,261,132	-	1,309,669	586,676	8,157,477
Police	18,413,931	-	-	727,747	19,141,678
Fire	18,957,486	-	-	767,095	19,724,581
Public works	8,097,564	-	156	3,156,484	11,254,204
Community development	2,927,201	(376,933)	924,795	10,507,331	13,982,394
Debt service:					
Principal	3,596,139	-	-	315,861	3,912,000
Interest	1,725,254	-	-	49,528	1,774,782
Capital outlay	657,862	1,566,523	256,226	5,186,670	7,667,281
Total expenditures	<u>60,636,569</u>	<u>1,189,590</u>	<u>2,490,846</u>	<u>21,297,392</u>	<u>85,614,397</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,173,721)</u>	<u>(1,189,590)</u>	<u>6,398,197</u>	<u>3,840,629</u>	<u>6,875,515</u>
Other financing sources (uses)					
Transfers in	9,339,697	-	-	4,010,984	13,350,681
Transfers out	(5,511,337)	-	(6,398,197)	(3,441,147)	(15,350,681)
Issuance of debt	-	-	-	250,619	250,619
Sale of assets	83,612	-	-	-	83,612
Total other financing sources (uses)	<u>3,911,972</u>	<u>-</u>	<u>(6,398,197)</u>	<u>820,456</u>	<u>(1,665,769)</u>
Net change in fund balance	1,738,251	(1,189,590)	-	4,661,085	5,209,746
Fund balance, July 1, 2022	21,076,669	5,204,189	-	3,762,377	30,043,235
Fund balance, June 30, 2023	<u>\$ 22,814,920</u>	<u>\$ 4,014,599</u>	<u>\$ -</u>	<u>\$ 8,423,462</u>	<u>\$ 35,252,981</u>

CITY OF COVINGTON, KENTUCKY

**Management’s Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2023
(Continued)**

	General Fund Revenues			
	2023	Percent of Total	2022	Percent Change
Taxes	\$ 22,224,037	38.01%	\$ 18,979,995	17.09%
Licenses and permits	32,689,261	55.91%	36,260,481	-9.85%
Intergovernmental	1,313,065	2.25%	1,439,291	-8.77%
Fines and forfeitures	779,071	1.33%	490,664	58.78%
Charges for services	330,729	0.57%	97,999	237.48%
Investment earnings	(351,006)	-0.60%	(4,200,680)	-91.64%
Interest revenue	202,873	0.35%	210,124	-3.45%
Miscellaneous	1,274,818	2.18%	1,019,119	25.09%
Total Revenues	58,462,848	100.00%	54,296,993	224.73%

2023 General Fund Revenues



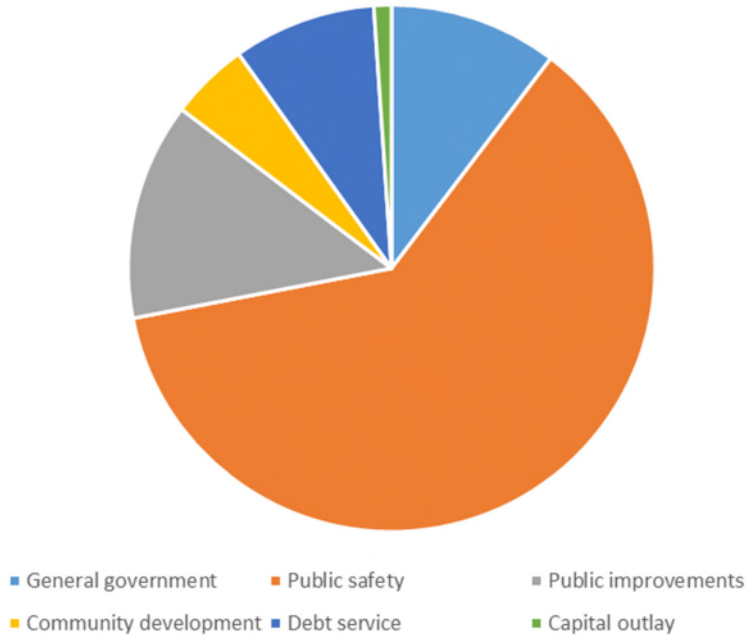
Total General Fund revenues increased by \$4,165,855, or 7.67% year over year due to a substantial decrease in unrealized losses on the investment portfolio. Licenses and permits, which include Payroll Taxes and Net Profit Taxes decreased by \$3,571,220, or -9.85% compared to the previous FY.

CITY OF COVINGTON, KENTUCKY

**Management’s Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2023
(Continued)**

	General Fund Expenditures			
	2023	Percent of Total	2022	Percent of Total
General government	\$ 6,261,132	10.33%	\$ 5,654,732	10.72%
Public safety	37,371,417	61.63%	34,255,292	9.10%
Public improvements	8,097,564	13.35%	8,443,346	-4.10%
Community development	2,927,201	4.83%	2,692,358	8.72%
Debt service	5,321,393	8.78%	5,321,458	0.00%
Capital outlay	657,862	1.08%	345,540	90.39%
Total Expenditures	60,636,569	100.00%	56,712,726	114.83%

2023 General Expenditures



General Fund expenditures increased by \$3,923,843, or 6.92% compared to FY 2022. The increase is primarily attributable to increases in public safety, public works, and community development.

Proprietary Funds

The City’s proprietary fund financial statements provide the same information found in the government-wide financial statements. See “Business-type Activities” below.

CITY OF COVINGTON, KENTUCKY

**Management's Discussion and Analysis (MD&A – Unaudited)
Year Ended June 30, 2023
(Continued)**

Capital Assets and Debt Administration

Capital Assets: The city's investment in capital assets as of June 30, 2023 amounts to \$105,601,687 (net of accumulated depreciation), an increase of \$1,810,597 from the prior FY. This investment includes land and improvements, buildings, machinery and equipment, vehicles, infrastructure, and construction in progress. The total increase in capital assets for the current FY was 1.74% over the prior FY.

	Capital Assets (Net of Depreciation and Amortization)					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 32,943,997	\$ 33,324,497	\$ 2,317,685	\$ 2,317,685	\$ 35,261,682	\$ 35,642,182
Land improvements	2,497,426	2,287,524	-	-	2,497,426	2,287,524
Buildings	15,817,259	16,482,640	6,238,787	6,618,516	22,056,046	23,101,156
Leased buildings	143,476	224,885	-	-	143,476	224,885
Building improvements	1,050,476	1,289,957	99,218	128,028	1,149,694	1,417,985
Machinery and equipment	1,296,541	1,419,520	-	-	1,296,541	1,419,520
Leased equipment	60,599	133,319	-	-	60,599	133,319
Vehicles	2,653,863	2,001,120	-	-	2,653,863	2,001,120
Infrastructure	38,328,368	35,171,840	-	-	38,328,368	35,171,840
Construction in progress	2,153,992	2,391,559	-	-	2,153,992	2,391,559
Total Revenues	<u>96,945,997</u>	<u>94,726,861</u>	<u>8,655,690</u>	<u>9,064,229</u>	<u>105,601,687</u>	<u>103,791,090</u>

Long term Debt: At the close of FY 2023, the City had outstanding notes, bonds, and capital leases of \$65,528,318, backed by the full faith and credit of the City.

	Outstanding Long-Term Debt Obligations					
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Bonds	\$ 33,081,267	\$ 36,115,358	\$ 1,179,161	\$ 1,633,846	\$ 34,260,428	\$ 37,749,204
Notes	31,068,915	31,561,345	-	-	31,068,915	31,561,345
Leases	198,975	362,977	-	-	198,975	362,977
Total	<u>64,349,157</u>	<u>68,039,680</u>	<u>1,179,161</u>	<u>1,633,846</u>	<u>65,528,318</u>	<u>69,673,526</u>

The City issues and incurs debt to fund capital improvement projects, purchase capital equipment and facilities, and to support economic development. The City's outstanding debt decreased by \$4,145,208, or -5.95%, over the prior FY.

CITY OF COVINGTON, KENTUCKY

Management's Discussion and Analysis (MD&A – Unaudited) Year Ended June 30, 2023 (Continued)

Economic Factors and Next Year's Budget

The FY 2023 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 2024 Goals included:

- Property tax rate reduction
- Award contract for architect services for the new City Hall facility
- Complete organization of Covington Motor Vehicle Parking Authority and develop parking plans
- Modernize records management
- Finalize agreement with KYTC for the Brent Spence Bridge project
- Finalize State TIF designation for the Covington Central Riverfront District, award engineering contract and complete demolition
- AFSCME, Local 38, and FOP contract negotiations

FY 2024 Assumptions included:

- The City budgeted no use of Unassigned General Fund reserves to balance the FY24 budget, compared to prior years
- COVID-19 would not have a dramatic impact on revenues
- "Status quo" base budget
- Fiscally conservative budget forecast
- TIF District committed \$2.0 million to assist in infrastructure projects
- Planned 5% wage increase for all union and non-union employees
- Invest \$0.9 million in transportation equipment for Police, Fire, and Public Works

The City was able to successfully develop the FY 2023 budget based upon the above goals and assumptions.

Requests for Information

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

CITY OF COVINGTON, KENTUCKY

**Statement of Net Position – City Wide
As of June 30, 2023**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Devou Properties, Inc.
Assets				
Current:				
Cash and cash equivalents	\$ 25,185,901	\$ -	\$ 25,185,901	\$ 2,708,253
Investments	24,403,550	-	24,403,550	-
Receivables (net of allowance for doubtful accounts)				
Taxes	8,868,672	-	8,868,672	-
Intergovernmental	2,109,673	-	2,109,673	-
Notes	6,093,410	-	6,093,410	-
Accounts	3,700,089	393,252	4,093,341	105,131
Leases	1,387,066	836,487	2,223,553	-
Inventory	-	-	-	73,162
Prepaid expenses	77,626	-	77,626	19,869
Internal balances	(2,358,754)	2,358,754	-	-
Advances to (from)	2,592,858	(2,592,858)	-	-
Noncurrent:				
Subscription assets, net	1,342,488	-	1,342,488	-
Nondepreciable capital assets	37,595,415	2,317,685	39,913,100	-
Depreciable capital assets, net	59,146,507	6,338,005	65,484,512	311,235
Leased buildings and equipment, net	204,075	-	204,075	-
<i>Total assets</i>	<u>170,348,576</u>	<u>9,651,325</u>	<u>179,999,901</u>	<u>3,217,650</u>
Deferred outflows of Resources				
Deferred outflows - pensions	32,214,360	-	32,214,360	-
Deferred outflows - OPEB	16,466,288	-	16,466,288	-
<i>Total deferred outflows of resources</i>	<u>48,680,648</u>	<u>-</u>	<u>48,680,648</u>	<u>-</u>
Liabilities				
Current:				
Accounts payable	2,477,597	52,667	2,530,264	60,884
Accrued liabilities	2,923,668	-	2,923,668	498,241
Claims payable	1,350,000	-	1,350,000	-
Accrued interest payable	551,744	-	551,744	-
Due to fiduciary activities	623,367	-	623,367	-
Unearned revenue	22,574,391	-	22,574,391	70,710
Due within one year	5,124,690	160,000	5,284,690	-
Noncurrent:				
Due in more than one year:				
Net pension liability	127,061,927	-	127,061,927	-
Net OPEB liability	32,942,518	-	32,942,518	-
Claims payable	750,000	-	750,000	-
Subscription liabilities	1,184,301	-	1,184,301	-
Other	60,796,672	1,019,161	61,815,833	-
<i>Total liabilities</i>	<u>258,360,875</u>	<u>1,231,828</u>	<u>259,592,703</u>	<u>629,835</u>
Deferred inflows				
Deferred inflows - pensions	11,174,997	-	11,174,997	-
Deferred inflows - OPEB	13,957,944	-	13,957,944	-
Deferred inflows - leases	1,361,851	812,946	2,174,797	-
<i>Total deferred inflows of resources</i>	<u>26,494,792</u>	<u>812,946</u>	<u>27,307,738</u>	<u>-</u>
Net Position				
Net investment in capital assets	31,182,822	7,476,529	38,659,351	311,235
Restricted for:				
Capital improvements	4,014,599	-	4,014,599	-
HUD programs	1,583,577	-	1,583,577	-
Other purposes	1,212,491	-	1,212,491	-
Unrestricted (deficit)	(103,819,932)	130,022	(103,689,910)	2,276,580
Total net position	<u>\$ (65,826,443)</u>	<u>\$ 7,606,551</u>	<u>\$ (58,219,892)</u>	<u>\$ 2,587,815</u>

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

**Statement of Activities – City Wide
For Year Ended June 30, 2023**

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Devou Properties, Inc.
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary Government:								
Governmental activities:								
General government	\$ 36,108,200	\$ 636,217	\$ 1,639,635	\$ -	\$ (33,832,348)	\$ -	\$ (33,832,348)	\$ -
Police	19,823,132	-	1,528,878	-	(18,294,254)	-	(18,294,254)	-
Fire	19,997,532	1,532,856	741,075	-	(17,723,601)	-	(17,723,601)	-
Public works	13,715,835	3,728,922	-	1,082,376	(8,904,537)	-	(8,904,537)	-
Community development	14,512,942	1,252,058	18,750,896	-	5,490,012	-	5,490,012	-
Interest on long-term debt	1,754,215	-	-	-	(1,754,215)	-	(1,754,215)	-
Total governmental activities	<u>105,911,856</u>	<u>7,150,053</u>	<u>22,660,484</u>	<u>1,082,376</u>	<u>(75,018,943)</u>	<u>-</u>	<u>(75,018,943)</u>	<u>-</u>
Business-type activities:								
Parking authority	1,791,125	3,145,553	-	-	-	1,354,428	1,354,428	-
Component Unit								
Devou properties, Inc	2,433,738	2,476,967	-	-	-	-	-	43,229
Total	<u>\$ 110,136,719</u>	<u>\$ 12,772,573</u>	<u>\$ 22,660,484</u>	<u>\$ 1,082,376</u>	<u>(75,018,943)</u>	<u>1,354,428</u>	<u>(73,664,515)</u>	<u>43,229</u>
			General revenues:					
			Taxes:					
			Real property taxes		8,202,476	-	8,202,476	-
			Personal property taxes		582,475	-	582,475	-
			Public service taxes		2,653,341	-	2,653,341	-
			Taxes, levied for bank deposits		156,884	-	156,884	-
			Insurance premium taxes		10,628,861	-	10,628,861	-
			Payroll taxes		26,911,246	-	26,911,246	-
			Net profit taxes		5,452,266	-	5,452,266	-
			Investment (loss)		(357,891)	-	(357,891)	-
			Interest income		240,416	30,486	270,902	-
			Miscellaneous		26,883,224	-	26,883,224	-
			Loss on sale of assets		(527,397)	-	(527,397)	-
			Total general revenues		<u>80,825,901</u>	<u>30,486</u>	<u>80,856,387</u>	<u>-</u>
			Change in net position		5,806,958	1,384,914	7,191,872	43,229
			Net position - beginning		<u>(71,633,401)</u>	<u>6,221,637</u>	<u>(65,411,764)</u>	<u>2,544,586</u>
			Net position - ending		<u>\$ (65,826,443)</u>	<u>\$ 7,606,551</u>	<u>\$ (58,219,892)</u>	<u>\$ 2,587,815</u>

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

**Balance Sheet – Governmental Funds
As of June 30, 2023**

	<u>General Fund</u>	<u>IRS Site Construction</u>	<u>American Rescue Plan Act Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 21,029,211	\$ -	\$ -	\$ 4,156,748	\$ 25,185,959
Investments	23,958,686	-	-	444,864	24,403,550
Receivables (net of allowance for doubtful accounts):					
Taxes	8,868,672	-	-	-	8,868,672
Intergovernmental	-	-	-	2,109,673	2,109,673
Notes	2,816,671	-	-	3,276,739	6,093,410
Accounts	578,228	-	-	3,121,861	3,700,089
Leases	-	-	-	1,387,066	1,387,066
Due from other funds	7,227,317	4,134,851	18,328,871	10,906,993	40,598,032
Prepaid items	27,627	-	49,999	-	77,626
Advances to other funds	2,592,858	-	-	-	2,592,858
Total assets	<u>\$ 67,099,270</u>	<u>\$ 4,134,851</u>	<u>\$ 18,378,870</u>	<u>\$ 25,403,944</u>	<u>\$ 115,016,935</u>
Liabilities					
Accounts payable	\$ 909,487	\$ 120,252	\$ 477,558	\$ 927,510	\$ 2,434,807
Accrued liabilities	2,812,116	-	-	111,552	2,923,668
Due to other funds	35,627,776	-	-	5,400,893	41,028,669
Due to fiduciary funds	623,367	-	-	-	623,367
Unearned Revenue	12,024	-	17,901,312	2,397,701	20,311,037
Total liabilities	<u>39,984,770</u>	<u>120,252</u>	<u>18,378,870</u>	<u>8,837,656</u>	<u>67,321,548</u>
Deferred Inflow of Resources					
Leases	-	-	-	1,361,851	1,361,851
Unavailable revenue	4,299,580	-	-	6,780,975	11,080,555
Total deferred inflow of resources	<u>4,299,580</u>	<u>-</u>	<u>-</u>	<u>8,142,826</u>	<u>12,442,406</u>
Fund Balances					
Nonspendable	2,620,485	-	-	-	2,620,485
Restricted	-	4,014,599	-	2,796,068	6,810,667
Committed	-	-	-	10,690,516	10,690,516
Assigned	10,000,000	-	-	750,000	10,750,000
Unassigned	10,194,435	-	-	(5,813,122)	4,381,313
Total fund balances	<u>22,814,920</u>	<u>4,014,599</u>	<u>-</u>	<u>8,423,462</u>	<u>35,252,981</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 67,099,270</u>	<u>\$ 4,134,851</u>	<u>\$ 18,378,870</u>	<u>\$ 25,403,944</u>	<u>\$ 115,016,935</u>

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

**Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2023**

Total fund balances - governmental funds		\$ 35,252,981
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		98,288,485
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		8,817,201
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.		(4,070,965)
Long-term liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the funds.		
Bonds and notes payable and lease liabilities	64,133,729	
Subscription liabilities	1,184,301	
Accrued interest payable	551,744	
Unamortized premiums	215,428	
Compensated absences	<u>1,572,205</u>	
Total		(67,657,407)
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	(48,680,648)	
Deferred inflows - pensions and OPEB	25,132,941	
Net pension and OPEB liability	<u>160,004,445</u>	
Total		<u>(136,456,738)</u>
Total net position - governmental		<u><u>\$ (65,826,443)</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023**

	<u>General Fund</u>	<u>IRS Site Construction</u>	<u>American Rescue Plan Act Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 22,224,037	\$ -	\$ -	\$ -	\$ 22,224,037
Licenses and permits	32,689,261	-	-	-	32,689,261
Intergovernmental	1,313,065	-	8,889,043	13,721,889	23,923,997
Fines and forfeitures	779,071	-	-	-	779,071
Charges for services	330,729	-	-	5,803,333	6,134,062
Investment loss	(351,006)	-	-	(6,885)	(357,891)
Interest revenue	202,873	-	-	37,543	240,416
Miscellaneous	1,274,818	-	-	5,582,141	6,856,959
Total revenues	<u>58,462,848</u>	<u>-</u>	<u>8,889,043</u>	<u>25,138,021</u>	<u>92,489,912</u>
Expenditures					
Current:					
General Government	6,261,132	-	1,309,669	586,676	8,157,477
Police	18,413,931	-	-	727,747	19,141,678
Fire	18,957,486	-	-	767,095	19,724,581
Public works	8,097,564	-	156	3,156,484	11,254,204
Community development	2,927,201	(376,933)	924,795	10,507,331	13,982,394
Debt service:					
Principal	3,596,139	-	-	315,861	3,912,000
Interest	1,725,254	-	-	49,528	1,774,782
Capital outlay	657,862	1,566,523	256,226	5,186,670	7,667,281
Total expenditures	<u>60,636,569</u>	<u>1,189,590</u>	<u>2,490,846</u>	<u>21,297,392</u>	<u>85,614,397</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,173,721)</u>	<u>(1,189,590)</u>	<u>6,398,197</u>	<u>3,840,629</u>	<u>6,875,515</u>
Other financing sources (uses)					
Transfers in	9,339,697	-	-	4,010,984	13,350,681
Transfers out	(5,511,337)	-	(6,398,197)	(3,441,147)	(15,350,681)
Issuance of debt	-	-	-	250,619	250,619
Sale of assets	83,612	-	-	-	83,612
Total other financing sources (uses)	<u>3,911,972</u>	<u>-</u>	<u>(6,398,197)</u>	<u>820,456</u>	<u>(1,665,769)</u>
Net change in fund balance	1,738,251	(1,189,590)	-	4,661,085	5,209,746
Fund balance, July 1, 2022	21,076,669	5,204,189	-	3,762,377	30,043,235
Fund balance, June 30, 2023	<u>\$ 22,814,920</u>	<u>\$ 4,014,599</u>	<u>\$ -</u>	<u>\$ 8,423,462</u>	<u>\$ 35,252,981</u>

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2023**

Net change in fund balances - total governmental funds	\$ 5,209,746
Amounts reported for governmental activities in the statement of net position are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense:	
Capital additions	7,667,281
Depreciation and amortization expense	(4,837,136)
Recognition of subscription asset	1,789,397
Amortization of subscription asset	(446,909)
Subscription liability	(1,184,301)
Net book value of disposed capital assets is reported as a gain in the statement of activities.	(611,009)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the governmental funds.	1,868,408
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	406,421
Interest on long-term debt	20,567
Amortization of premiums	29,142
Amortization of defeasance on bond refunding	(370,826)
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.	3,912,000
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.	(733,554)
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.	(6,661,650)
Net proceeds issued on debt obligations outstanding is an other financing source in the governmental funds but increases long-term liabilities in the statement of net position.	(250,619)
Changes in net position of governmental activities	\$ 5,806,958

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

**Statement of Net Position –
Proprietary Funds
As of June 30, 2023**

	Business-type Activities Parking Authority	Governmental Activities Internal Service Funds
Assets		
Current Assets		
Cash and cash equivalents	\$ -	\$ (58)
Accounts receivable	393,252	-
Leases receivable, current	50,783	-
Prepaid items	-	-
Due from other funds	2,358,754	-
Total current assets	2,802,789	(58)
Noncurrent Assets		
Lease receivable	785,704	-
Nondepreciable capital assets	2,317,685	-
Depreciable capital assets, net	6,338,005	-
Total noncurrent assets	9,441,394	-
Total assets	12,244,183	(58)
Liabilities		
Current Liabilities		
Accounts payable	52,667	42,790
Accrued interest payable	-	-
Claims payable	-	1,350,000
Due to other funds	-	1,928,117
Bonds payable, current	160,000	-
Total current liabilities	212,667	3,320,907
Noncurrent Liabilities		
Advances from other funds	2,592,858	-
Bonds payable, noncurrent	1,019,161	-
Claims payable	-	750,000
Total noncurrent liabilities	3,612,019	750,000
Total liabilities	3,824,686	4,070,907
Deferred Inflows of Resources		
Leases	812,946	-
Net Position		
Net investment in capital assets	7,476,529	-
Unrestricted	130,022	(4,070,965)
Total net position	\$ 7,606,551	\$ (4,070,965)

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

**Statement of Revenues, Expenses, and Changes in Net Position –
Proprietary Funds
Year Ended June 30, 2023**

	Business-Type Activities Parking Authority	Governmental Activities Internal Service Funds
Operating revenues		
Insurance premiums	\$ -	\$ 6,524,669
Parking revenue	3,145,553	-
Other	-	28,279
Total operating revenues	3,145,553	6,552,948
Operating expenses		
Contractual services	-	1,319,754
Claims and judgments	-	7,967,071
Parking expenses	1,700,020	-
Total operating expenses	1,700,020	9,286,825
Operating income (loss)	1,445,533	(2,733,877)
Non-operating income (expenses)		
Interest revenue	30,486	323
Interest expense	(91,105)	-
Total nonoperating income (expense)	(60,619)	323
Transfers in	-	2,000,000
Change in net position	1,384,914	(733,554)
Total net position, July 1, 2022	6,221,637	(3,337,411)
Total net position, June 30, 2023	\$ 7,606,551	\$ (4,070,965)

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

**Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2023**

	Business-type Activities	Governmental Activities
	Parking Authority	Internal Service Funds
Cash flows from operating activities:		
Cash received from customers	\$ 3,102,117	\$ -
Cash (paid to) received from other funds	(2,373,429)	6,895,417
Cash received from other income	-	28,279
Cash (paid to) suppliers	(1,270,135)	-
Cash payments for claims	-	(9,515,885)
Net cash used in operating activities	(541,447)	(2,592,189)
Cash flows from noncapital financing activities:		
Transfers	-	2,000,000
Interest Revenue	30,486	323
Net cash provided by noncapital financing activities	30,486	2,000,323
Cash flows from capital financing activities		
Principal paid on debt	(454,685)	-
Interest paid on debt	(91,105)	-
Net cash (used) in capital and related financing activities	(545,790)	-
Net change	(1,056,751)	(591,866)
Cash and cash equivalents, beginning of year	1,056,751	591,808
Cash and cash equivalents, end of year	\$ -	\$ (58)
Reconciliation of operating income (loss) to net cash used in operating activities		
Operating income (loss)	\$ 1,445,533	\$ (2,733,877)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation expense	408,539	-
Changes in assets and liabilities:		
Accounts receivable	(31,160)	-
Leases receivable, net	(12,276)	-
Prepaid items	-	49,448
Due from/to other funds	(2,373,429)	370,748
Accounts payable	21,346	(26,640)
Claims payable	-	(251,868)
Net cash used in operating activities	\$ (541,447)	\$ (2,592,189)

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

Statement of Net Position –
Fiduciary Funds
Year Ended June 30, 2023

	Combined Pension Trusts
Assets	
Cash and cash equivalents	\$ 52,576
Bond mutual funds	668,597
Equity mutual funds	716,679
Other assets	1,881,216
Due from the primary government	623,367
Total assets	<u>3,942,435</u>
Liabilities	
Accrued other	<u>61</u>
Total liabilities	<u>61</u>
Net Position	
Net position restricted for pensions	<u>\$ 3,942,374</u>

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

**Statement of Revenues, Expenses, and Changes in Net Position –
Fiduciary Funds
As of June 30, 2023**

	Combined Pension Trusts
Additions	
Contributions:	
Employer Contributions	\$ 584,000
Miscellaneous	2,711
Total contributions	586,711
Investment Return	
Interest and dividends	110,798
Net appreciation in fair value of investments	163,145
Total investment return	273,943
Total additions	860,654
Deductions	
Benefit payments	1,397,406
Administration	33,997
Total deductions	1,431,403
Change in net position	(570,749)
Total net position, July 1, 2022	4,513,123
Total net position, June 30, 2023	\$ 3,942,374

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The basic financial statements of the City have been prepared in conformity with 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 GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Financial accountability is defined as the appointment of a voting majority of the component units' board, and either (1) THE City's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City

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

Blended Component Units Included Within the Reporting Entity.

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

The Parking Authority was formed during the FY ended June 30, 2019, to manage and conduct the operation of public street and off-street parking facilities. The Parking Authority has the power of acquisition and incurring of debt. The Parking Authority maintains the parking facility capital assets and the related debt. The day-to-day management 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 Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

Discretely Presented Component Unit Included Within the Reporting Entity (Continued).

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, 2023 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 Financial Statements
(Continued)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

***Measurement Focus, Basis of Accounting and Financial Statement Presentation
(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 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 American Rescue Plan Act (ARPA) Fund accounts for funds provided to the City under the American Rescue Plan Act of 2021.

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 two fiduciary funds. The two pension trust funds account for the activities of the Employee's Retirement Fund and the Police and Firemen's Retirement Fund. These funds are for the accumulation of resources for pension benefit payments to qualified retired employees (see Note 11).

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

Cash and Cash Equivalents

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

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

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

Property Tax Receivable

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes Receivable

Notes receivable are comprised of housing development and small business loans financed by a combination of resources appropriated by the City and allocations from the U.S. Department of Housing and Urban Development (HUD). As of June 30, 2023, the City had housing development and small business loans outstanding of \$16,134,695 and \$1,043,645, respectively. The City has recorded an allowance of \$13,708,365 on housing development and \$191,565 on small business loans. Although some loans are repaid, repayment may be limited to net proceeds after payment of the first mortgage and seller closing costs and; therefore most repayments are minimal. Additionally, many loans have favorable repayments terms to encourage home ownership that include deferral and/or forgiveness if homeowners remain in the home for a specified period of time. The City has a note receivable of \$2,815,000 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, 2023, are recorded as prepaid items in both the government-wide and fund financial statements. The consumption method is used in the fund statements.

Capital and Leased Assets

General capital and leased assets are those assets not specifically related to activities reported in a 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. Leased assets are recorded at the amount of initial measurement of the lease liability, plus any payments made at or before commencement of the lease term. Donated capital assets, works of art and similar items and capital assets received in service concession arrangements are reported at acquisition value. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. The City maintains a capitalization threshold of four thousand dollars.

CITY OF COVINGTON, KENTUCKY

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital and Leased Assets (Continued)

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

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

All leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Deferred Outflows of Resources

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

Deferred Inflows of Resources

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include unavailable revenue, items related to lease receivables, and items related to the pension liabilities. Unavailable revenue represents receivables that will not be collected within the available period (typically sixty days after FY-end) and is only reported in the governmental fund financial statements. Deferred inflows of resources related to lease receivables are recorded initially at the value of the lease receivable plus any payments received at or before the commencement of the lease term, and then recognized as revenue in a systemic and rational manner over the life of the lease. Deferred inflows of resources related to pension and OPEB liabilities are reported in the government-wide statement of net position.

Compensated Absences

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

CITY OF COVINGTON, KENTUCKY

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long Term Obligations

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

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

Unearned Revenue

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

Net Position/Fund Balance

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

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

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

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

Revenues and Expenses

Operating Revenues and Expenses

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions

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

Use of Estimates

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

Budgetary Information

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

Pensions

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

OPEB

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

CITY OF COVINGTON, KENTUCKY

Notes to the Financial Statements (Continued)

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

- In accordance with City ordinance, prior to June 1, the City Manager submits to the Board of Commissioners, a proposed operating budget for the FY commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- A public meeting is conducted to obtain taxpayer comment.
- Prior to June 30, the budget is legally enacted through passage of an ordinance. If a budget ordinance is not passed prior to June 30, the budget ordinance from the prior fiscal year is readopted.
- The City Manager is required by Kentucky Revised Statutes to present a quarterly report to the Mayor and Board of Commissioners explaining any variance from the approved budget.
- Appropriations continue in effect until a new budget is adopted.

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

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

NOTE 3 DEPOSITS

Cash and Cash Equivalents

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

As of June 30, 2023, \$1,069,468 of the City's deposits are insured by the FDIC, and \$25,078,026 of the City's deposits are collateralized with securities held by the pledging institution's trust department but not in the City's name.

As of December 31, 2022, Devou Properties, Inc. (a component unit of the City) had \$1,234,818 in cash in excess of insured limits.

CITY OF COVINGTON, KENTUCKY

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

NOTE 3 DEPOSITS

Investments

Governmental Funds

As of June 30, 2023, the City had \$24,403,550 invested in certificates of deposit, US Government bonds, and municipal bonds. The investments held by the Governmental Funds at June 30, 2023 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	\$ 531,651	\$ 281,651	\$ 250,000	\$ -	\$ -
US Government bonds	10,086,817	-	-	-	10,086,817
Municipal bonds	13,785,082	-	302,699	2,953,880	10,528,503
	<u>\$ 24,403,550</u>	<u>\$ 281,651</u>	<u>\$ 552,699</u>	<u>\$ 2,953,880</u>	<u>\$ 20,615,320</u>

Investments are made by the City as an agent for the City Employees' Retirement Fund and the Police and Firemen's Retirement Fund. The investments held by each fund at June 30, 2023 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	\$ 41,840	\$ 41,840	\$ -	\$ -	\$ -
Bond mutual funds	315,857	315,857	-	-	-
Equity mutual funds	339,720	339,720	-	-	-
Exchange traded funds	887,490	887,490	-	-	-
	<u>\$ 1,584,907</u>	<u>\$ 1,584,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Police and Firemen's Retirement Fund

Investment Type	Fair Value	Investment Maturities			
		Less Than 1 Year	1 to 2 Years	3 to 5 Years	Beyond 5 Years
Cash and cash equivalents	\$ 10,736	\$ 10,736	\$ -	\$ -	\$ -
Bond mutual funds	352,740	352,740	-	-	-
Equity mutual funds	376,959	376,959	-	-	-
Exchange traded funds	993,726	993,726	-	-	-
	<u>\$ 1,734,161</u>	<u>\$ 1,734,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF COVINGTON, KENTUCKY

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

NOTE 3 DEPOSITS (CONTINUED)

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

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

Custodial credit risk: Custodial credit risk is the risk that in the event of a failure of a counter party, the pension systems will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. Investments are held in the City's name and investments are made by the City as an agent for the City Employees' Retirement Fund and the Police and Firemen's Retirement Fund. The City maintains investment accounts with brokerage institutions which hold the investments registered in the City's name. As of June 30, 2023, all of the City's and pension systems' investments were virtually entirely covered by FDIC coverage, SIPC coverage or excess SIPC coverage provided by the institution, and are therefore not subject to custodial credit risk.

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 3 DEPOSITS (CONTINUED)

The following table includes the percentage of each investment type held by Governmental Funds at June 30, 2023:

Investment Type	Governmental Funds	
	Fair Value*	Percent of Total
Certificates of deposit - nonnegotiable	\$ 531,651	2%
US Government bonds	10,086,817	41%
Municipal bonds	13,785,082	56%
	\$ 24,403,550	100%

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, 2023:

Investment Type	Police and Firemen's		City Employees'	
	Fair Value	Percent of Total	Fair Value	Percent of Total
Cash and cash equivalents	\$ 10,736	1%	\$ 41,840	3%
Bond mutual funds	352,740	20%	315,857	20%
Equity mutual funds	376,959	22%	339,720	21%
Other assets	993,726	57%	887,490	56%
	\$ 1,734,161	100%	\$ 1,584,907	100%

CITY OF COVINGTON, KENTUCKY

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

NOTE 3 DEPOSITS (CONTINUED)

The credit quality ratings of the municipal bonds are as follows at June 30, 2023:

<u>Municipal Bonds</u>	<u>Rating</u>
Rhode Is St Student	AA
West Covina Calif Pub	A+
Montgomery County Kans	AA
St Paul Minn Indpt	AAA
Lake Elsinore California	AA
Pike County KY Pub	A1
Manhattan Beach California Pension	AAA
Corona-Norco California Uni Sch Dist Pub	AA-
North Charleston	AA-
Floyd County KY School District	A1
Boone TWP Independent School	AA+
Folsom Cordova California	AA-
Los Angeles Calif Mun Impt	AA-
Benson Ariz Excise Tax	AA-
Azusa California Pension Oblig Taxable	AA-
West Stanislaus California	AA
Tigard Oregon Water System	AA
Central Marin Police Auth California	AAA
Closter NJ GO Bds	AA+
MontClair Calif Pension Obligation	AA-
Oroville Calif Pension Obligation	AA-
Commerce Calif Pension Oblig	AA-
Kentucky Assn of Countys	AA-
El Segundo Calif Pension Obligation	AA+
Regional Transn Auth Ill Taxable Go	AA+
Minnteonka Minn Indpt Sch Dist	Aa1
Pennsylvania St Higher Ed Facs	AA
Jersey City NJ Taxable Go Impt	A1

CITY OF COVINGTON, KENTUCKY

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

NOTE 3 DEPOSITS (CONTINUED)

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

Investments' fair value measurements are as follows at June 30, 2023:

Governmental Funds

Investments	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
US Government bonds	\$ 10,086,817	\$ -	\$ 10,086,817	\$ -
Municipal bonds	13,785,082	-	13,785,082	-
Total Investments	<u>\$ 23,871,899</u>	<u>\$ -</u>	<u>\$ 23,871,899</u>	<u>\$ -</u>

City Employees' Retirement Fund

Investments	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and Cash Equivalents				
US Bank Account	\$ -		\$ -	\$ -
Charles Schwab	41,840	41,840	-	-
Total Cash and Cash Equivalents	<u>41,840</u>	<u>41,840</u>	<u>-</u>	<u>-</u>
Bond Mutual Funds				
Dodge & Cox Income Fund	315,857	315,857	-	-
Total Bond Mutual Funds	<u>315,857</u>	<u>315,857</u>	<u>-</u>	<u>-</u>
Equity Mutual Funds				
Blackrock Event Driven	17,336	17,336	-	-
Gateway Fund	17,306	17,306	-	-
Johcm Intl Slct Eqty	96,475	96,475	-	-
Lazard Emrg Mkts Eqty	23,142	23,142	-	-
Oberweis Micro Cap Insti	15,184	15,184	-	-
PIMCO Rae Emerging	22,242	22,242	-	-
PIMCO Rae Intl Inst	75,193	75,193	-	-
Principal Real Estate	24,095	24,095	-	-
VIRTUS Alpha Simplex Mana	11,574	11,574	-	-
WCM Focused Emerging Market	37,173	37,173	-	-
Total Equity Mutual Funds	<u>339,720</u>	<u>339,720</u>	<u>-</u>	<u>-</u>
Other Assets				
Ishares Core S&P 500	503,206	503,206	-	-
Ishares Core US	349,387	349,387	-	-
Ishares 20 Pls Year	34,897	34,897	-	-
Total Other Assets	<u>887,490</u>	<u>887,490</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 1,584,907</u>	<u>\$ 1,584,907</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF COVINGTON, KENTUCKY

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

NOTE 3 DEPOSITS (CONTINUED)

Police and Firemen's Retirement Fund

Investments	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and Cash Equivalents				
US Bank Account	\$ -	\$ -	\$ -	\$ -
Charles Schwab	10,736	10,736	-	-
Total Cash and Cash Equivalents	10,736	10,736	-	-
Bond Mutual Funds				
Dodge & Cox Income Fund	352,740	352,740	-	-
Total Bond Mutual Funds	352,740	352,740	-	-
Equity Mutual Funds				
Blackrock Event Driven	19,248	19,248	-	-
Gateway Fund	19,385	19,385	-	-
Johcm Intl Sict Eqty	107,900	107,900	-	-
Lazard Emrg Mkts Eqty	25,514	25,514	-	-
Oberweis Micro Cap Insti	16,747	16,747	-	-
PIMCO Rae Emerging	24,568	24,568	-	-
PIMCO Rae Intl Inst	83,592	83,592	-	-
Principal Real Estate	25,775	25,775	-	-
VIRTUS Alpha Simplex Mana	12,737	12,737	-	-
WCM Focused Emerging Market	41,493	41,493	-	-
Total Equity Mutual Funds	376,959	376,959	-	-
Other Assets				
Ishares Core S&P 500	563,377	563,377	-	-
Ishares Core US	390,820	390,820	-	-
Ishares 20 Pls Year	39,529	39,529	-	-
Total Other Assets	993,726	993,726	-	-
Total Investments	<u>\$ 1,734,161</u>	<u>\$ 1,734,161</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF COVINGTON, KENTUCKY

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

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

Governmental Activities	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Capital assets not being depreciated				
Land	\$ 33,324,497	\$ 212,500	\$ 593,000	\$ 32,943,997
Land improvements	2,287,524	209,902	-	2,497,426
Construction in progress	2,391,559	211,982	449,549	2,153,992
Total capital assets not being depreciated	<u>38,003,580</u>	<u>634,384</u>	<u>1,042,549</u>	<u>37,595,415</u>
Depreciable capital assets				
Buildings	24,261,574	-	-	24,261,574
Building improvements	12,949,284	201,787	16,990	13,134,081
Infrastructure	149,311,467	5,043,672	9,330	154,345,809
Machinery and equipment	6,824,046	555,699	32,480	7,347,265
Vehicles	16,156,437	1,430,669	198,725	17,388,381
Leased buildings	552,399	250,619	-	803,018
Leased equipment	206,039	-	-	206,039
Total depreciable capital assets	<u>210,261,246</u>	<u>7,482,446</u>	<u>257,525</u>	<u>217,486,167</u>
Less: accumulated depreciation				
Buildings	7,778,934	670,752	5,371	8,444,315
Building improvements	11,659,327	424,278	-	12,083,605
Infrastructure	114,139,627	1,881,754	3,940	116,017,441
Machinery and equipment	5,404,526	678,678	32,480	6,050,724
Vehicles	14,155,317	776,926	197,725	14,734,518
Total accumulated depreciation	<u>153,137,731</u>	<u>4,432,388</u>	<u>239,516</u>	<u>157,330,603</u>
Less: accumulated amortization				
Leased buildings	327,514	332,028	-	659,542
Leased equipment	72,720	72,720	-	145,440
Total accumulated amortization	<u>400,234</u>	<u>404,748</u>	<u>-</u>	<u>804,982</u>
Total accumulated depreciation and amortization	<u>153,537,965</u>	<u>4,837,136</u>	<u>239,516</u>	<u>158,135,585</u>
Total capital assets, net	<u>56,723,281</u>	<u>2,645,310</u>	<u>18,009</u>	<u>59,350,582</u>
Governmental activities capital assets, net	<u>\$ 94,726,861</u>	<u>\$ 3,279,694</u>	<u>\$ 1,060,558</u>	<u>\$ 96,945,997</u>

Depreciation expense by function for the fiscal year ended June 30, 2023 was as follows:

Governmental Activities	
General Government	\$ 310,636
Police	676,644
Fire	543,441
Public works	2,455,021
Community development	446,646
Total Governmental Activities depreciation expense	<u>\$ 4,432,388</u>

CITY OF COVINGTON, KENTUCKY

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

NOTE 4 CAPITAL ASSETS (CONTINUED)

Amortization expense by function for the fiscal year ended June 30, 2023 was as follows:

Governmental Activities	
General Government	\$ 287,046
Police	17,540
Fire	9,650
Public works	6,610
Community development	83,902
Total Governmental Activities amortization expense	\$ 404,748

Business - Type Activities	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
Capital assets not being depreciated				
Land	2,317,685	-	-	2,317,685
Total Capital assets not being depreciated	2,317,685	-	-	2,317,685
Depreciable capital assets				
Buildings	13,491,200	-	-	13,491,200
Building improvements	2,876,410	-	-	2,876,410
Machinery and equipment	130,152	-	-	130,152
Vehicles	8,948	-	-	8,948
Total depreciable capital assets	16,506,710	-	-	16,506,710
Less: accumulated depreciation				
Buildings	6,872,684	379,729	-	7,252,413
Building improvements	2,748,382	28,810	-	2,777,192
Machinery and equipment	130,152	-	-	130,152
Vehicles	8,948	-	-	8,948
Total accumulated depreciation	9,760,166	408,539	-	10,168,705
Total depreciable capital assets, net	6,746,544	(408,539)	-	6,338,005
Business-type Activities capital assets, net	\$ 9,064,229	\$ (408,539)	\$ -	\$ 8,655,690

CITY OF COVINGTON, KENTUCKY

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

NOTE 5 INTERFUND ACTIVITY

Interfund transactions at June 30, 2023, consisted of the following due to/from other funds and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ 9,820,175	\$ 36,251,143	\$ 9,339,697	\$ 5,511,337
IRS Site Construction Fund	4,134,851	-	-	-
American Rescue Plan Act Fund	18,328,871	-	-	6,398,197
Nonmajor Governmental Funds	10,906,993	5,400,893	4,010,984	3,441,147
Parking Authority	2,358,754	2,592,858	-	-
Internal Service Funds	-	1,928,117	2,000,000	-
Fiduciary Funds	623,367	-	-	-
	<u>\$ 46,173,011</u>	<u>\$ 46,173,011</u>	<u>\$ 15,350,681</u>	<u>\$ 15,350,681</u>

Due To/From Other Funds

The City's interfund balances are anticipated to be repaid over a period of time. Some of the interfund balances will not be repaid within one year of the date of these financial statements. The City is unable to identify which balances will not be repaid in the next fiscal year. The interfund balances will be repaid as resources become available.

Due From Primary Government/Due To Enterprise Activities

As of June 30, 2023, the Parking Authority provided short-term loans of \$2,358,754 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, 2023, the balance of the advance due from the Parking Authority to the General Fund, including interest, was \$2,592,858. 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 Financial Statements
(Continued)**

NOTE 6 LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

Governmental Activities

On October 1, 2018, the City entered into a five-year lease agreement for a property as part of an economic development arrangement. The City subleased the property to UpTech Accelerator for \$20,000 per year with a 2.5% escalator. In July 2020, the sublease was moved from UpTech Accelerator to Northern Kentucky Foundation, dba NKY-HUB. Upon adoption of GASB 87, the City recognized both a lease receivable and a deferred inflow of resources related to the lease agreement totaling \$54,678. The City calculated the present value of future lease payments based on an incremental borrowing rate of 2.26%. The balance of the lease receivable as of June 30, 2023 totaled \$6,458. The City amortized the deferred inflows of resources on the straight-line method. The balance of deferred inflows of resources as of June 30, 2023 totaled \$6,076.

On June 30, 2021, the City entered into a five-year lease agreement with the Commonwealth of Kentucky to lease out rights to a building owned by the City. Upon adoption of GASB 87, the City recognized both a lease receivable and a deferred inflow of resources related to the lease agreement totaling \$1,315,103. The City calculated the present value of future lease payments based on an incremental borrowing rate of 2.26%. The balance of the lease receivable as of June 30, 2023 totaled \$802,240. The City amortized the deferred inflows of resources on the straight-line method. The balance of deferred inflows of resources as of June 30, 2023 totaled \$789,062.

On July 1, 2021, the City entered into a five-year lease agreement with the Northern Kentucky Area Development District to lease out rights to a building owned by the City. Upon adoption of GASB 87, the City recognized both a lease receivable and a deferred inflow of resources related to the lease agreement totaling \$944,521. The City calculated the present value of future lease payments based on an incremental borrowing rate of 2.26%. The balance of the lease receivable as of June 30, 2023 totaled \$578,368. The City amortized the deferred inflows of resources on the straight-line method. The balance of deferred inflows of resources as of June 30, 2023 totaled \$566,713.

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

Year Ending <u>June 30,</u>	
2024	\$ 483,397
2025	476,916
2026	<u>476,916</u>
Total minimum payments	1,437,229
Less amount representing interest	<u>50,163</u>
Present value of net minimum lease payments	<u><u>\$ 1,387,066</u></u>

The deferred inflows of resources will be recognized over the term of the lease agreements as lease revenue. During 2023, the City recognized \$37,543 of interest revenue and \$476,224 of lease revenue from the lease agreements.

CITY OF COVINGTON, KENTUCKY

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

NOTE 6 LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES (CONTINUED)

Business-type Activities

On September 12, 2016, the City entered into a twenty-year lease agreement with 638 Madison, LLC to lease out rights to the City Center garage. Upon adoption of GASB 87, the City recognized both a lease receivable and a deferred inflow of resources related to the lease agreement totaling \$935,654. The City calculated the present value of future lease payments based on an incremental borrowing rate of 3.42%. The balance of the lease receivable as of June 30, 2023 totaled \$836,487. The City amortized the deferred inflows of resources on the straight-line method. The balance of deferred inflows of resources as of June 30, 2023 totaled \$812,946.

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

Year Ending <u>June 30,</u>	
2024	\$ 78,600
2025	78,600
2026	78,600
2027	78,600
2028	78,600
Thereafter	<u>648,450</u>
Total minimum payments	1,041,450
Less amount representing interest	<u>204,963</u>
Present value of net minimum lease payments	<u><u>\$ 836,487</u></u>

The deferred inflows of resources will be recognized over the term of the lease agreement as lease revenue. During 2023, the City recognized \$29,522 of interest revenue and \$61,354 of lease revenue from the lease agreement.

CITY OF COVINGTON, KENTUCKY

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

NOTE 6 LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES (CONTINUED)

Short Term Lease agreement

In December 2017, the City amended its operating agreement with Devou Properties to include a lease to repay the debt service, incurred by the City, for public project bonds to provide \$5,813,221 for the construction and updating of the Devou Golf and Event Center. The lease is to be repaid over 24 years with an interest rate that varies between 3.00% and 4.00%. The lease calls for annual payments of \$356,391. The lease is considered a short-term lease because it can be cancelled by either party with notice of 180 days. The annual payment of \$356,391 is reported as revenue in the General Fund for the fiscal year ended June 30, 2023. 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, 2023:

Year Ending <u>June 30,</u>	
2024	\$ 356,391
2025	356,391
2026	356,391
2027	356,391
2028	356,391
Thereafter	<u>4,633,084</u>
Total minimum payments	6,415,039
Less amount representing interest	<u>1,658,056</u>
Present value of net minimum lease payments	<u><u>\$ 4,756,983</u></u>

NOTE 7 LONG-TERM DEBT

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

Governmental Activities

The following schedule summarized outstanding long-term bonds and notes payable at June 30, 2023:

	<u>Purpose</u>	<u>Interest Rate</u>	<u>Mature Date June 30,</u>	<u>Issued</u>	<u>Outstanding</u>
Bonds and Notes					
2014 Pension	Pension refunding	2.00-4.00%	2030	\$ 10,960,000	\$ 5,695,000
Series 2016	Refunding	1.40-3.00%	2031	9,185,000	715,839
Series 2014	Capital Improvements	3.00-4.00%	2034	18,635,000	12,940,000
Series 2015	Hotel Covington	3.00-4.50%	2035	4,000,000	2,720,000
HUD Section 108 Loan	Economic Development	2.45%	2041	330,000	291,000
IRS Lease 2020	Capital Improvements	2.04%	2026	30,000,000	29,469,000
Fleet Purchase Notes	Capital Improvements	2.00-2.50%	2029	3,791,168	1,308,915
Series 2021	Refunding	2.00-2.50%	2037	11,625,000	10,795,000

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 7 LONG-TERM DEBT (CONTINUED)

On November 30, 2021, the City issued \$11,625,000 of General Obligation Bonds, Taxable Series 2021 to advance refund previously issued Financing Program Revenue Bonds, Series 2012F. The net proceeds of \$11,507,474 (after payment of underwriting fees, insurance, and other issuance costs) were used to fund the escrow account. The cost of issuance was \$121,396. The escrow account was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2012F bonds. As a result, the Series 2012F bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt. The new issue will reduce debt service payments by \$845,973 and has a net economic gain of \$563,389. Approximately 98% of the savings from the new issue will be experienced in fiscal year 2037. The new issue bears fixed interest at 3.00%-3.50%. At June 30, 2023, \$-0- of the defeased bonds are still outstanding. These bonds were called in full on February 1, 2023.

Assuming no issues are called prior to maturity, the minimum obligations of the City's publicly issued bonds at June 30, 2023 are as follows:

Year Ending <u>June 30,</u>	
2024	\$ 3,914,505
2025	3,935,797
2026	3,676,778
2027	3,553,429
2028	3,549,808
Thereafter	<u>20,658,507</u>
Total minimum payments	39,288,824
Less amount representing interest	<u>6,422,985</u>
Present value of net minimum lease payments	<u><u>\$ 32,865,839</u></u>

Assuming no issues are called prior to maturity, the minimum obligations of the City's directly issued loans at June 30, 2023 are as follows:

Year Ending <u>June 30,</u>	
2024	\$ 1,134,781
2025	1,135,149
2026	29,767,394
2027	260,426
2028	260,363
Thereafter	<u>407,139</u>
Total minimum payments	32,965,251
Less amount representing interest	<u>1,896,336</u>
Present value of net minimum lease payments	<u><u>\$ 31,068,915</u></u>

CITY OF COVINGTON, KENTUCKY

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

NOTE 7 LONG-TERM DEBT (CONTINUED)

Conduit Debt Obligations

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, state, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2023, there was \$163 million outstanding in Industrial Revenue Bonds.

During the fiscal year ended June 30, 2023, the following changes occurred in long-term liabilities:

Debt Issue	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Bonds and notes:					
Publicly issued bonds					
Series 2014	\$ 14,125,000	\$ -	\$ (1,185,000)	\$ 12,940,000	\$ 1,235,000
Series 2016	1,006,154	-	(290,315)	715,839	90,000
2014 Pension	6,389,634	-	(694,634)	5,695,000	725,000
Series 2015	2,895,000	-	(175,000)	2,720,000	180,000
Series 2021	11,455,000	-	(660,000)	10,795,000	670,000
Premium on issuance	244,570	-	(29,142)	215,428	-
Total publicly issued bonds	<u>36,115,358</u>	<u>-</u>	<u>(3,034,091)</u>	<u>33,081,267</u>	<u>2,900,000</u>
Direct placement notes					
HUD Section 108 loans	309,000	-	(18,000)	291,000	18,000
IRS Lease 2020	29,737,000	-	(268,000)	29,469,000	273,000
Fleet Purchase Notes	1,515,345	-	(206,430)	1,308,915	210,898
Total direct placement notes	<u>31,561,345</u>	<u>-</u>	<u>(492,430)</u>	<u>31,068,915</u>	<u>501,898</u>
Total Bonds and Notes	<u>67,676,703</u>	<u>-</u>	<u>(3,526,521)</u>	<u>64,150,182</u>	<u>3,401,898</u>
Net pension liability:					
Kentucky CERS - Nonhazardous	18,090,714	4,198,070	-	22,288,784	-
Kentucky CERS - Hazardous	80,814,982	15,452,789	-	96,267,771	-
Employees' Retirement	1,307,321	475,127	(233,096)	1,549,352	-
Police & Firemen's Retirement	6,207,114	1,404,798	(655,892)	6,956,020	-
Total net pension liability	<u>106,420,131</u>	<u>21,530,784</u>	<u>(888,988)</u>	<u>127,061,927</u>	<u>-</u>
Net OPEB liability:					
Kentucky CERS - Nonhazardous	5,430,816	652,954	-	6,083,770	-
Kentucky CERS - Hazardous	24,545,306	2,313,442	-	26,858,748	-
Total net OPEB liability	<u>29,976,122</u>	<u>2,966,396</u>	<u>-</u>	<u>32,942,518</u>	<u>-</u>
Claims payable	750,000	-	-	750,000	-
Compensated absences	1,978,626	1,572,205	(1,978,626)	1,572,205	1,572,205
Lease liability	362,977	250,619	(414,621)	198,975	150,587
Total long-term liabilities	<u>\$ 207,164,559</u>	<u>\$ 26,320,004</u>	<u>\$ (6,808,756)</u>	<u>\$ 226,675,807</u>	<u>\$ 5,124,690</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 has typically been used in prior years to liquidate pension and OPEB liabilities.

CITY OF COVINGTON, KENTUCKY

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

NOTE 7 LONG-TERM DEBT (CONTINUED)

Business-Type Activities

The following schedule summarizes outstanding long-term bonds and notes payable at June 30, 2023:

	<u>Purpose</u>	<u>Interest Rate</u>	<u>Mature Date June 30,</u>	<u>Issued</u>	<u>Outstanding</u>
Bonds Series 2016	Capital Improvement	1.40-3.00%	2031	\$ 9,185,000	\$ 1,179,161

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, 2023 are as follows:

Year Ending <u>June 30,</u>	
2024	\$ 189,991
2025	186,682
2026	183,338
2027	184,610
2028	180,701
Thereafter	<u>387,407</u>
Total minimum payments	1,312,728
Less amount representing interest	<u>133,567</u>
Present value of net minimum lease payments	<u><u>\$ 1,179,161</u></u>

During the FY ended June 30, 2023, the following changes occurred in long-term liabilities:

<u>Debt Issue</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds and notes: Series 2016	<u>\$ 1,633,846</u>	<u>\$ -</u>	<u>\$ (454,685)</u>	<u>\$ 1,179,161</u>	<u>\$ 160,000</u>

CITY OF COVINGTON, KENTUCKY

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

NOTE 8 LEASE LIABILITIES

Governmental Activities

On October 1, 2018, the City entered into a lease agreement for the City Hall building. The lease calls for monthly payments of \$21,250 over a period of 60 months. Upon adoption of GASB 87, the City recognized both a lease liability and leased buildings related to the lease agreement totaling \$565,209. The City calculated the present value of future lease payments based on an incremental borrowing rate of 2.26%. The balance of the lease liability as of June 30, 2023 totaled \$63,517.

On October 1, 2018, the City entered into a lease agreement for a property as part of an economic development arrangement. The lease calls for monthly payments of \$4,769 with an annual 2.5% rent escalator over a period of 60 months. Upon adoption of GASB 87, the City recognized both a lease liability and leased buildings related to the lease agreement totaling \$136,428. The City calculated the present value of future lease payments based on an incremental borrowing rate of 2.26%. The balance of the lease liability as of June 30, 2023 totaled \$5,253.

On April 1, 2019, the City entered into a lease agreement for copiers which are utilized by various departments throughout the City. The lease calls for monthly payments of \$6,250 over a period of 60 months. Upon adoption of GASB 87, the City recognized both a lease liability and leased equipment related to the lease agreement totaling \$206,039. The City calculated the present value of future lease payments based on an incremental borrowing rate of 2.26%. The balance of the lease liability as of June 30, 2023 totaled \$61,858.

On October 1, 2021, the City entered into a lease agreement for a property as part of an economic development arrangement. The lease calls for monthly payments of \$1,700 with an annual 2.5% rent escalator over a period of 60 months. The City calculated the present value of future lease payments based on an incremental borrowing rate of 2.26%. The balance of the lease liability as of June 30, 2023 totaled \$68,503.

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

Year Ending <u>June 30,</u>	
2024	\$ 152,822
2025	21,835
2026	22,381
2027	<u>5,609</u>
Total minimum payments	202,647
Less amount representing interest	<u>3,672</u>
Present value of net minimum lease payments	<u><u>\$ 198,975</u></u>

CITY OF COVINGTON, KENTUCKY

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

NOTE 9 RISK MANAGEMENT

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

All funds of the City participate in the program and make payments to the Liability Self Insurance Fund. The payments are intended to establish a reserve based on an estimated liability of future claims. That reserve was \$750,000 at June 30, 2023. Changes in the Liability Self Insurance Fund's claims liability amount during the FYs ended June 30, 2023 and 2022 were as follows:

	2023	2022
Claims liability at July 1	\$ 750,000	\$ 1,000,000
Change in claims and estimates	141,056	(72,084)
Claims payments	(141,056)	(177,916)
Claims liability at June 30	\$ 750,000	\$ 750,000

The City has also established a Medical Self Insurance Fund. Employees may elect to participate in this program or certain other medical insurance programs offered by the City. Under this program the first \$125,000 of a participants' medical claims are payable by the Medical Self Insurance Fund. The City purchases insurance for claims in excess of coverage provided by the fund. All funds of the City participate in the program and make payments to the Medical Self Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims. The claims liability reported at June 30, 2023 is \$1,350,000. Of that amount, \$1,350,000 represents current liabilities. Changes in the Medical Self Insurance Fund's claims liability amount during the FYs ended June 30, 2023 and 2022 were as follows:

	2023	2022
Claims liability at July 1	\$ 1,601,868	\$ 1,528,321
Change in claims and estimates	7,574,147	5,530,751
Claims payments	(7,826,015)	(5,457,204)
Claims liability at June 30	\$ 1,350,000	\$ 1,601,868

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 10 COMBINING FIDUCIARY FUND FINANCIAL STATEMENTS

The financial statements of the City include the statement of fiduciary net position and the statement of changes in fiduciary net position as of June 30, 2023, 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, 2023:

	<u>Employees' Retirement</u>	<u>Police and Firemen's Retirement</u>	<u>Combined Pension Trusts</u>
Assets			
Cash and cash equivalents	\$ 41,840	\$ 10,736	\$ 52,576
Bond mutual funds	315,857	352,740	668,597
Equity mutual funds	339,720	376,959	716,679
Other assets	887,490	993,726	1,881,216
Due from the primary government	185,023	438,344	623,367
Total assets	<u>1,769,930</u>	<u>2,172,505</u>	<u>3,942,435</u>
Liabilities			
Accrued other	-	61	61
Total liabilities	<u>-</u>	<u>61</u>	<u>61</u>
Net Position			
Net position restricted for pensions	<u>\$ 1,769,930</u>	<u>\$ 2,172,444</u>	<u>\$ 3,942,374</u>

The following table presents the combining statement of changes in fiduciary net position for the fiscal year ended June 30, 2023:

	<u>Employees' Retirement</u>	<u>Police and Firemen's Retirement</u>	<u>Combined Pension Trusts</u>
Additions			
Contributions:			
Employer Contributions	\$ 138,000	\$ 446,000	\$ 584,000
Miscellaneous	-	2,711	2,711
Total contributions	<u>138,000</u>	<u>448,711</u>	<u>586,711</u>
Investment Return			
Interest and dividends	50,226	60,572	110,798
Net appreciation in fair value of investments	74,390	88,755	163,145
Total investment return	<u>124,616</u>	<u>149,327</u>	<u>273,943</u>
Total additions	<u>262,616</u>	<u>598,038</u>	<u>860,654</u>
Deductions			
Benefit payments	383,828	1,013,578	1,397,406
Administration	14,252	19,745	33,997
Total deductions	<u>398,080</u>	<u>1,033,323</u>	<u>1,431,403</u>
Change in net position	(135,464)	(435,285)	(570,749)
Total net position, July 1, 2022	<u>1,905,394</u>	<u>2,607,729</u>	<u>4,513,123</u>
Total net position, June 30, 2023	<u>\$ 1,769,930</u>	<u>\$ 2,172,444</u>	<u>\$ 3,942,374</u>

CITY OF COVINGTON, KENTUCKY

Notes to the Financial Statements (Continued)

NOTE 11 EMPLOYEE RETIREMENT PLANS

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

Summary of Significant Accounting Policies

Employee's Retirement Plan and Police and Firemen's Retirement Plan

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

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

Employees' Retirement Plan

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Employees' Retirement Plan (Continued)

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

Cost-of-living adjustments (COLA) are provided at the discretion of the Board of Trustees. Benefits are provided and may be amended by City ordinance. There was a COLA of 2% for 2023.

Contributions. As of June 30, 2023, there are 26 retirees and beneficiaries currently receiving benefits. The City is required to contribute at an actuarially determined rate. Contribution requirements of the City are established and may be amended by City ordinance. Administrative costs are financed through investment earnings. The plan is closed to new entrants and doesn't have any active plan members.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	50.0%	2.5%
Equity funds	50.0%	7.0%
Total	<u>100%</u>	

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Employees' Retirement Plan (Continued)

Concentrations. The Employees' Retirement Plan investments concentration as of June 30, 2023:

Investment	Concentration
Cash and money markets	2%
Bond mutual funds	18%
Equity mutual funds	19%
Other assets	61%
	100.0%

Rate of Return. For the FY ended June 30, 2023, the annual money-weighted rate of return on the plan investments, net of pension plan investment expense was 7.50%. 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, 2023, 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, 2023, were as follows:

Total pension liability	\$ 3,319,282
Employee's Retirement Plan fiduciary net position	(1,769,930)
City's net pension liability	1,549,352
Employees' Retirement Plan net position as a percentage of total pension liability	53.32%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2023, 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-2021.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2022 – June 30, 2023.

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Employees' Retirement Plan (Continued)

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

Changes in Employees' Net Pension Liability. Changes in the Employees' Retirement net pension liability for the FY ended June 30, 2023 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balance, July 1, 2022	\$ 3,212,715	\$ 1,905,394	\$ 1,307,321
Changes for the year:			
Interest	166,285	-	166,285
Benefit changes	65,087	-	65,087
Difference between expected and actual experience	(29,805)	-	(29,805)
Changes of assumptions	288,828	-	288,828
Benefit payments	(383,828)	-	(383,828)
Contributions - employer	-	138,000	(138,000)
Net investment income	-	124,616	(124,616)
Benefit payments	-	(383,828)	383,828
Administrative expense	-	(14,252)	14,252
Net changes	<u>106,567</u>	<u>(135,464)</u>	<u>242,031</u>
Balance, June 30, 2023	<u><u>\$ 3,319,282</u></u>	<u><u>\$ 1,769,930</u></u>	<u><u>\$ 1,549,352</u></u>

	Deferred Outflows of Resources
	<u> </u>
Net difference between projected and actual earnings on pension plan investments	<u>\$ 56,367</u>
	<u><u>\$ 56,367</u></u>

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

Year ended June 30:	
2024	\$ 2,513
2025	(3,960)
2026	63,111
2027	(5,297)

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Employees' Retirement Plan (Continued)

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

	Discount Rate	Net Pension Liability
1% decrease	4.50%	\$ 1,780,406
Current discount rate	5.50%	\$ 1,549,352
1% increase	6.50%	\$ 1,344,476

Pension expense. For the fiscal year ended June 30, 2023, the City recognized pension expense of \$403,340.

Police and Firemen's Retirement Plan

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Police and Firemen's Retirement Plan (Continued)

Beneficiaries are entitled to non-occupational death benefits for employees who had 3 years of service and died from causes other than in the performance of duty. Benefits include 1.5% of average salary for each year of service plus total COLA, retired members may have received in their annuity for beneficiaries who are at least age 45. If the beneficiary becomes totally disabled before age 45 or has a minor child or children, payments will begin immediately. If there are minor children under the age of 18, the annuity percentage credit shall be increased by a factor of 0.50 on account of the first child and by a factor of 0.25 on account of each additional child, subject to a maximum combined payment of 75% of average salary. If the pensioner is not survived by a widow and there are minor children a benefit of 50% of average salary plus total COLA for the first minor child, plus 15% additional for the second minor child, plus 10% additional if there are 3 or more minor children, to a maximum payment of 75% of average salary (excluding COLA). These benefits will be payable until age 18 or, in the case of a full-time student, until age 23. In the situation of an occupational death, monthly benefits are equal to 50% of the last rate of salary plus total COLA, payable to the survivor until they die or remarry. If there are minor children under age 18, an additional 25% shall be paid until the last child reaches age 18, to a combined maximum benefit of 75% of the final rate of salary (excluding COLA). If the pensioner is not survived by a widow and there are minor children, a benefit of 50% of average salary plus total COLA for the first minor child, plus 15% additional for the second minor child, plus 10% additional if there are 3 or more minor children, to a maximum payment of 75% of average salary (excluding COLA). These benefits will be payable until age 18 or, in the case of a full-time student, until age 23. If neither a widow nor minor children survive the member, each dependent parent shall be entitled to an annuity equal to 25% of the member's last rate of salary.

COLA are provided at the discretion of the Board of Trustees. Benefits are provided and may be amended by City ordinance. There was a COLA of 2% for 2023.

Contributions. As of June 30, 2023, there are 42 retirees and beneficiaries currently receiving benefits. The City is required to contribute at an actuarially determined rate. Contribution requirements of the City are established under KRS 95.868. Administrative costs are financed through investment earnings. The plan is closed to new entrants and doesn't have any active plan members.

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Police and Firemen’s Retirement Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2023:

Asset Class	Allocation	Real Rate of Return
Fixed income	50.0%	2.5%
Equity funds	50.0%	7.0%
Total	100%	

Concentrations. The Police and Firemen’s Retirement Plan investments concentration as of June 30, 2023:

Investment	Concentration
Cash and money markets	0%
Bond mutual funds	16%
Equity mutual funds	17%
Other assets	66%
	100.0%

Rate of Return. For the FY ended June 30, 2023, the annual money-weighted rate of return on the plan investments, net of pension plan investment expense was 7.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability. The Police and Firemen’s Retirement net pension liability was measured as of June 30, 2023, 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, 2023, were as follows:

Total pension liability	\$ 9,128,464
Employee's Retirement Plan fiduciary net position	(2,172,444)
City's net pension liability	6,956,020
Employees' Retirement Plan net position as a percentage of total pension liability	23.80%

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Police and Firemen’s Retirement Plan (Continued)

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2023, 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- 2021.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2022 – June 30, 2023.

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, 2023 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, July 1, 2022	\$ 8,814,843	\$ 2,607,729	\$ 6,207,114
Changes for the year:			
Interest	457,316	-	457,316
Benefit changes	178,989	-	178,989
Difference between expected and actual experience	(119,375)	-	(119,375)
Changes of assumptions	810,269	-	810,269
Benefit payments	(1,013,578)	-	(1,013,578)
Contributions - employer	-	446,000	(446,000)
Net investment income	-	152,038	(152,038)
Benefit payments	-	(1,013,578)	1,013,578
Administrative expense	-	(19,745)	19,745
Net changes	313,621	(435,285)	748,906
Balance, June 30, 2023	\$ 9,128,464	\$ 2,172,444	\$ 6,956,020

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Police and Firemen’s Retirement Plan (Continued)

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 58,532
	\$ 58,532

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

Year ended June 30:	
2024	\$ (8,956)
2025	(22,339)
2026	94,631
2027	(4,804)

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

	Discount Rate	Net Pension Liability
1% decrease	4.50%	\$ 7,605,608
Current discount rate	5.50%	\$ 6,956,020
1% increase	6.50%	\$ 6,381,560

Pension Revenue/Expense. For the FY ended June 30, 2023, the City recognized pension expense of \$1,205,962.

CERS

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

CERS (Continued)

General Information about the Pension Plan

Plan Description – Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits Provided – CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

		Non-Hazardous
Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available
		Hazardous
Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	20 years service or 55 years old
	Reduced retirement	At least 15 years service and 50 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 60 years old At least 25 years service and any age
	Reduced retirement	At least 15 years service and 50 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 60 years old At least 25 years service and any age
	Reduced retirement	Not available

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

CERS (Continued)

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. One month's service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 75% of the decedent's monthly average rate of pay. If the surviving spouse remarries, the monthly rate will be recalculated to 25% of the decedent's monthly average. Any dependent child will receive 50% of the decedent's monthly final rate of pay up to 75% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Contributions – Required contributions by the employee are based on the following tier:

	Non-Hazardous Required contribution	Hazardous Required contribution
Tier 1	5%	8%
Tier 2	5% + 1% for insurance	8% + 1% for insurance
Tier 3	5% + 1% for insurance	8% + 1% for insurance

For the FY ended June 30, 2023, the City contributed \$1,989,872, or 100% of the required contribution for non-hazardous job classifications to the pension trust.

For the FY ended June 30, 2023, the City contributed \$8,558,018, 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, 2023, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability were as follows:

City's proportionate share of the CERS net pension liability:

Non-hazardous	\$ 22,288,784
Hazardous	96,267,771
	\$ 118,556,555

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

CERS (Continued)

The net pension liability for each plan was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2022, the City's proportion was 0.31% for non-hazardous 3.15% for hazardous classifications.

For the year ended June 30, 2023, the City recognized pension expense of \$3,025,327 for non-hazardous and \$9,884,985 for hazardous classifications. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	NON-HAZARDOUS		HAZARDOUS		TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 23,830	\$ 198,491	\$ 2,760,167	\$ -	\$ 2,783,997	\$ 198,491
Net difference between projected and actual earnings on pension plan investments	3,032,836	2,461,432	10,738,593	8,515,074	13,771,429	10,976,506
Changes of assumptions	-	-	-	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,765,350	-	3,230,795	-	4,996,145	-
City contributions subsequent to the measurement date	1,989,872	-	8,558,018	-	10,547,890	-
Total	\$ 6,811,888	\$ 2,659,923	\$ 25,287,573	\$ 8,515,074	\$ 32,099,461	\$ 11,174,997

\$10,547,890 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2023. Other amounts reported as deferred inflows and deferred outflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Non-Hazardous	Hazardous	Total
2024	\$ 1,117,158	\$ 2,615,400	\$ 3,732,558
2025	599,060	2,172,542	2,771,602
2026	(187,302)	848,652	661,350
2027	633,177	2,577,887	3,211,064

Actuarial Assumptions – The total pension liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Non-Hazardous	Hazardous
Inflation	2.30%	2.30%
Projected salary increases	3.3 - 10.3%	3.55 - 19.05%
Investment rate of return, net of investment expense and inflation	6.25%	6.25%

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

CERS (Continued)

Mortality rates used for active members for PUB-2010 General Mortality table projected with the ultimate rates from the MP-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 a 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 the MP-2014 mortality improvement scale using a base year of 2010.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2014 through 2018, is outlined in a report dated April 18, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target allocation and best estimates of real rates of return for each major asset class, as provided by CERS' investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US equity	50.0%	4.45%
Core bonds	10.0%	0.28%
Private equity	10.0%	10.15%
High yield	10.0%	2.28%
Real estate	7.0%	3.67%
Real return	13.0%	4.07%
Cash	0.0%	-0.91%
Total	<u>100%</u>	

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

CERS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following table presents the net pension liability of the City, calculated using the discount rates selected by each pension system, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
Non-hazardous	\$ 27,858,214	\$ 22,288,784	\$ 17,682,402
Hazardous	\$ 119,917,264	\$ 96,267,771	\$ 77,006,720

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, 2023, the City reported a payable of \$1,923,466 for the outstanding amount of contributions to the pension plan required for the FY ended June 30, 2023. The payable includes both the pension and insurance contribution allocation.

NOTE 12 OPEB

Plan Description – Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS.

Benefits provided – CERS provides health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date. See Note 11 for tier classifications.

Contributions – Required contributions by the employee are based on the tier disclosed in Note 11.

For the FY ended June 30, 2023, the City contributed \$288,276, or 100% of the required contribution for non-hazardous job classifications, and \$1,239,815, or 100% of the required contribution for hazardous job classifications.

CITY OF COVINGTON, KENTUCKY

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

NOTE 12 OPEB (CONTINUED)

OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2023, the City reported a liability for its proportionate share of the net OPEB liability as follows:

City's proportionate share of the CERS net OPEB liability:

Non-hazardous	\$ 6,083,770
Hazardous	<u>26,858,748</u>
	<u><u>\$ 32,942,518</u></u>

The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the City's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the City's proportion increased 0.024 percent from 0.284 percent at June 30, 2021 to 0.308 percent for non-hazardous and increased 0.11 percent from 3.04 percent at June 30, 2021 to 3.15 percent for hazardous classifications.

For the year ended June 30, 2023, the City recognized OPEB expense of \$4,585,627. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	NON-HAZARDOUS		HAZARDOUS		TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual performance	\$ 612,382	\$ 1,395,150	\$ 593,461	\$ 1,590,726	\$ 1,205,843	\$ 2,985,876
Net difference between projected and actual earnings on OPEB plan investments	1,132,861	885,936	5,614,952	4,634,627	6,747,813	5,520,563
Change of assumptions	962,191	792,840	4,483,507	4,621,427	5,445,698	5,414,267
Changes in proportion and differences between employer contributions and proportionate share of contributions	734,761	13,781	804,082	23,457	1,538,843	37,238
District contributions subsequent to the measurement date	<u>288,276</u>	<u>-</u>	<u>1,239,815</u>	<u>-</u>	<u>1,528,091</u>	<u>-</u>
Total	<u><u>\$ 3,730,471</u></u>	<u><u>\$ 3,087,707</u></u>	<u><u>\$ 12,735,817</u></u>	<u><u>\$ 10,870,237</u></u>	<u><u>\$ 16,466,288</u></u>	<u><u>\$ 13,957,944</u></u>

CITY OF COVINGTON, KENTUCKY

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

NOTE 12 OPEB (CONTINUED)

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,528,091 resulting from City contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the City's OPEB expense as follows:

Year ended June 30:	<u>Non-Hazardous</u>	<u>Hazardous</u>	<u>Total</u>
2024	\$ 217,249	\$ 456,871	\$ 674,120
2025	208,115	294,034	502,149
2026	(178,581)	(251,104)	(429,685)
2027	107,705	824,524	932,229
2028	-	(698,560)	(698,560)

Actuarial Assumptions – The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>Non-Hazardous</u>	<u>Non-Hazardous</u>
Investment rate of return	6.25%	6.25%
Projected salary increases	3.30% to 10.30%, varies by service	3.55% to 19.05%, varies by service
Inflation rate	2.30%	2.30%
Healthcare cost trend rates		
Under 65	Initial trend starting at 6.4% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years	Initial trend starting at 6.4% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years
Ages 65 and Older	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years	Initial trend starting at 6.30% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years
Municipal Bond Index Rate	3.69%	3.69%
Discount Rate	5.70%	5.61%

Mortality rates used for active members was 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 a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

The remaining actuarial assumptions (e.g. initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021 valuation.

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 12 OPEB (CONTINUED)

The target allocation and best estimates of arithmetic real rate of return for each major asset class, as provided by CERS' investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
Global Equity	58.0%	5.1%
Fixed Income	9.0%	-0.1%
Real Estate	6.5%	4.0%
Private Equity	8.5%	6.9%
Other Additional Categories	17.0%	1.7%
Cash (LIBOR)	1.0%	-0.3%
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 5.70% and 5.61% for non-hazardous and hazardous classifications, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>CERS</u>	<u>1% Decrease (4.70%)</u>	<u>Current Discount Rate (5.70%)</u>	<u>1% Increase (6.70%)</u>
Non-hazardous	\$ 8,133,030	\$ 6,083,770	\$ 4,389,715
<u>CERS</u>	<u>1% Decrease (4.61%)</u>	<u>Current Discount Rate (5.61%)</u>	<u>1% Increase (6.61%)</u>
Hazardous	\$ 37,319,428	\$ 26,858,748	\$ 18,362,721

CITY OF COVINGTON, KENTUCKY

Notes to the Financial Statements
(Continued)

NOTE 12 OPEB (CONTINUED)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the City's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>CERS</u>	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Non-hazardous	\$ 4,523,148	\$ 6,083,770	\$ 7,957,783
Hazardous	\$ 18,755,126	\$ 26,858,748	\$ 36,736,626

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 Financial Statements
(Continued)**

NOTE 13 FUND BALANCE

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

Fund Balance	General	IRS Site Construction	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid items	\$ 27,627	\$ -	\$ -	\$ 27,627
Advances to other funds	2,592,858	-	-	2,592,858
Total nonspendable	<u>2,620,485</u>	<u>-</u>	<u>-</u>	<u>2,620,485</u>
Restricted				
Capital projects	-	4,014,599	-	4,014,599
Debt service	-	-	-	-
HUD programs	-	-	1,583,577	1,583,577
Other grant programs	-	-	1,212,491	1,212,491
Total restricted	<u>-</u>	<u>4,014,599</u>	<u>2,796,068</u>	<u>6,810,667</u>
Committed				
Infrastructure	-	-	-	-
Ambulance	-	-	623,573	623,573
Fleet, equipment & technology	-	-	1,157,234	1,157,234
EDF	-	-	1,147,527	1,147,527
TIF	-	-	5,597,391	5,597,391
Leased properties	-	-	1,326,804	1,326,804
Stormwater maintenance	-	-	837,987	837,987
Total committed	<u>-</u>	<u>-</u>	<u>10,690,516</u>	<u>10,690,516</u>
Assigned				
Capital project reserve	-	-	750,000	750,000
Operating reserve	10,000,000	-	-	10,000,000
Total assigned	<u>10,000,000</u>	<u>-</u>	<u>750,000</u>	<u>10,750,000</u>
Unassigned	10,194,435	-	(5,813,122)	4,381,313
Total Fund Balance	<u>\$ 22,814,920</u>	<u>\$ 4,014,599</u>	<u>\$ 8,423,462</u>	<u>\$ 35,252,981</u>

CITY OF COVINGTON, KENTUCKY

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

NOTE 13 FUND BALANCE (CONTINUED)

At June 30, 2023, the following non-major governmental funds had a deficit fund balance:

Federal & State Grants	\$ 1,472,541
City Hall Operations	71,334
Infrastructure Fund	285,564
Waste	1,844,569
Devou Park Master Plan	7,843
Public Works Facility Construction	2,198,573

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

During the FY ended June 30, 2019, the City established a GFORF Policy, O-05-19. The policy specifies that the General Fund Operative Reserve should be equivalent to at least three months of budgeted operating revenues to meet the general operating expenses of the City during periods of economic uncertainty. The GFORF was determined to be \$10,000,000 as of June 30, 2023. It is the intent of the City to limit use of the GFORF to address unanticipated, non-recurring needs. The Fund shall not normally be applied to annual operating expenditures. In the event the Fund is used, resulting in a balance below the three-month minimum, a comprehensive plan shall be developed and included in the formulation of the five-year forecast presented during the annual budget process.

NOTE 14 CONTINGENCIES

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

Amounts grantor agencies pay to the City are subject to audit and adjustments by the grantor, principally the federal government. The grantor may require refunding by the City for any disallowed costs. Management cannot determine amounts grantors may disallow in future periods. However, based on prior experience, management believes any refunds would be immaterial to its financial statement as of June 30, 2023.

NOTE 15 TAX ABATEMENTS

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 15 TAX ABATEMENTS (CONTINUED)

For the ended June 30, 2023, the City abated payroll taxes totaling \$1,006,319 under this program, including the following tax abatements agreements that each exceeded 10 percent of the total, which is the percentage the City considers to be material for purposes of individual disclosure:

<u>Type of Business</u>	<u>Purpose</u>	<u>Percent Abated</u>	<u>Amount Abated</u>
CTI-Clinical Trial Services	Covington Jobs Development Retention Incentive	51%	\$ 398,847
Gravity Diagnostics, LLC	Covington Jobs Development Retention Incentive	40%	\$ 183,815
Richard Allen Haehnle	Vacant Property Rehabilitation Incentive	50 - 75%	\$ 128,935
Tier 1 Performance	Covington Jobs Development Retention Incentive	51%	\$ 106,645

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, 2023, the City abated property taxes totaling \$284,476 under this program, including the following tax abatements agreements that each exceeded 10 percent of the total, which is the percentage the City considers to be material for purposes of individual disclosure:

<u>Type of Business</u>	<u>Purpose</u>	<u>Percent Abated</u>	<u>Amount Abated</u>
Ascent at Roebing's Bridge Condominiums	Built Luxury Condominiums	40%	\$ 67,385
Covington West 7th, LLC	Built Luxury Condominiums	77%	\$ 58,352
Covington FC III, LLC	Built Luxury Condominiums	77%	\$ 41,680
303 Court (Al Neyer)	Built Luxury Condominiums	80%	\$ 29,702
Monarch Building	Professional Office Space	91%	\$ 49,493
730 Washington, LLC	Built Luxury Condominiums	76%	\$ 29,816

CITY OF COVINGTON, KENTUCKY

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

NOTE 16 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The City has various subscription-based information technology arrangements (SBITAs) which are used for administrative purposes. These arrangements grant licenses to use the underlying IT assets of the vendors for periods expiring between June 2023 and June 2028. The City recognized an intangible asset and a corresponding liability for the value of the licenses during the term of the arrangements. These assets are amortized on a straight-line basis over the subscription term. The following table shows the City's change in subscription asset and liability accounts for the year ended June 30, 2023:

Governmental Activities	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Subscription assets	\$ -	\$ 1,789,397	\$ -	\$ 1,789,397
Accumulated amortization	\$ -	\$ 446,909	\$ -	\$ 446,909
Subscription liabilities	\$ -	\$ 1,570,510	\$ (386,209)	\$ 1,184,301

NOTE 17 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2022, the City elected to adopt Governmental Accounting Standards Board ("GASB") Statement no. 96, *Subscription-Based Information Technology Arrangements*, as it relates to accounting and financial reporting for subscription-based information technology arrangements (SBITAs). Under this Statement, contracts that provide the City with IT software and associated tangible capital assets are recognized as a right of use subscription asset and a corresponding subscription liability. Subscription assets and liabilities are recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation.

SUPPLEMENTARY
INFORMATION

CITY OF COVINGTON, KENTUCKY

Nonmajor Funds

Special Revenue Funds

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

Nonmajor Special Revenue Funds:

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

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

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

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

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

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

The National Opioid Settlement Fund accounts for revenue and expenditures related to national lawsuits surrounding the opioid epidemic.

The Capital Improvement Fund was established to account for funds provided to the City by Federal and State governments and public financing for the acquisition and/or construction of capital improvements and equipment.

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

The 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.

CITY OF COVINGTON, KENTUCKY

Nonmajor Funds (Continued)

Special Revenue Funds (Continued)

Nonmajor Special Revenue Funds (Continued):

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

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

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

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

The Neighborhood Stabilization Program Fund was established to account for U.S. Department of Housing and Urban Development funds, passed through from the State, to develop low income rental units and owner occupied homes purchased out of foreclosure.

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

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

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

The Stormwater Maintenance Fund accounts for all revenues and expenses associated with Storm Water Management per Order 233-20, a termination of an interlocal agreement and transfer of storm water assets with Sanitation District No. 1.

Capital Projects Fund

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

Nonmajor Capital Projects Fund:

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

CITY OF COVINGTON, KENTUCKY

Nonmajor Funds (Continued)

Internal Service Funds

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

Internal Service Funds:

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

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

CITY OF COVINGTON, KENTUCKY

**Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2023**

	Nonmajor Special Revenue Funds											Subtotal	
	Federal & State Grants	Community Development Block Grant	City Hall Operations	Lead hazard Reduction Fund	HOME Program	Leased Properties	National Opioid Settlement	Capital Improvement Fund	Police Forfeiture Justice	Housing Voucher Program	Infrastructure Fund		EDF
Assets													
Current:													
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00	\$ -	\$ 446,332	\$ 1,208,046	\$ -	\$ -	\$ 1,654,378
Investments	-	-	-	-	-	-	-	-	-	444,864	-	-	444,864
Receivables													
Intergovernmental	1,554,744	429,117	-	-	11,678	-	-	-	-	-	-	-	1,995,539
Notes	-	293,832	-	-	-	-	-	9,970	-	-	-	546,607	850,409
Accounts	-	-	-	-	-	-	-	-	-	14,044	-	-	14,044
Leases	-	-	-	-	-	1,380,607	-	-	-	-	-	6,459	1,387,066
Due from other funds	-	-	-	97,000	147,806	1,301,971	792,140	368,608	-	-	-	1,183,819	3,891,344
Total assets	<u>\$ 1,554,744</u>	<u>\$ 722,949</u>	<u>\$ -</u>	<u>\$ 97,000</u>	<u>\$ 159,484</u>	<u>\$ 2,682,578</u>	<u>\$ 792,140</u>	<u>\$ 378,578</u>	<u>\$ 446,332</u>	<u>\$ 1,666,954</u>	<u>\$ -</u>	<u>\$ 1,736,885</u>	<u>\$ 10,237,644</u>
Liabilities:													
Accounts payable	\$ 388,071	\$ 9,654	\$ 71,334	\$ -	\$ 14	\$ -	\$ -	\$ -	\$ 11,877	\$ 475	\$ -	\$ 36,674	\$ 518,099
Accrued liabilities	10,000	-	-	-	-	-	-	-	-	-	-	-	10,000
Due to other funds	1,516,141	239,310	-	97,000	-	-	-	-	41,784	275,610	285,564	-	2,455,409
Unearned revenue	-	-	-	-	-	-	792,140	-	10	146,915	-	-	939,065
Total liabilities	<u>1,914,212</u>	<u>248,964</u>	<u>71,334</u>	<u>97,000</u>	<u>14</u>	<u>-</u>	<u>792,140</u>	<u>-</u>	<u>53,671</u>	<u>423,000</u>	<u>285,564</u>	<u>36,674</u>	<u>3,922,573</u>
Deferred Inflow of Resources:													
Leases	-	-	-	-	-	1,355,774	-	-	-	-	-	6,077	1,361,851
Unavailable revenue	1,113,073	293,832	-	-	-	-	-	9,970	-	-	-	546,607	1,963,482
Total deferred inflow of resources	<u>1,113,073</u>	<u>293,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,355,774</u>	<u>-</u>	<u>9,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>552,684</u>	<u>3,325,333</u>
Fund Balances:													
Restricted	-	180,153	-	-	159,470	-	-	368,608	392,661	1,243,954	-	-	2,344,846
Committed	-	-	-	-	-	1,326,804	-	-	-	-	-	1,147,527	2,474,331
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	(1,472,541)	-	(71,334)	-	-	-	-	-	-	-	(285,564)	-	(1,829,439)
Total fund balance	<u>(1,472,541)</u>	<u>180,153</u>	<u>(71,334)</u>	<u>-</u>	<u>159,470</u>	<u>1,326,804</u>	<u>-</u>	<u>368,608</u>	<u>392,661</u>	<u>1,243,954</u>	<u>(285,564)</u>	<u>1,147,527</u>	<u>2,989,738</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,554,744</u>	<u>\$ 722,949</u>	<u>\$ -</u>	<u>\$ 97,000</u>	<u>\$ 159,484</u>	<u>\$ 2,682,578</u>	<u>\$ 792,140</u>	<u>\$ 378,578</u>	<u>\$ 446,332</u>	<u>\$ 1,666,954</u>	<u>\$ -</u>	<u>\$ 1,736,885</u>	<u>\$ 10,237,644</u>

CITY OF COVINGTON, KENTUCKY

**Combining Balance Sheet – Nonmajor Governmental Funds (Continued)
As of June 30, 2023**

	Subtotal from prior page	Nonmajor Special Revenue Funds								Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds	
		TIF	Police & Fire Supplemental Pay	Fleet Equipment & Technology	Waste	Neighborhood Stabilization Program Fund	Ambulance	Devou Park Maintenance	Devou Park Master Plan	Stormwater Maintenance	Public Works Facility Construction	
Assets												
Current:												
Cash and cash equivalents	\$ 1,654,378	\$ 2,502,370	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,156,748
Investments	444,864	-	-	-	-	-	-	-	-	-	-	444,864
Receivables:												
Intergovernmental	1,995,539	-	114,134	-	-	-	-	-	-	-	-	2,109,673
Notes	850,409	175,000	-	-	2,251,330	-	-	-	-	-	-	3,276,739
Accounts	14,044	-	-	-	2,477,337	29,436	84,779	-	516,265	-	-	3,121,861
Leases	1,387,066	-	-	-	-	-	-	-	-	-	-	1,387,066
Due from other funds	3,891,344	3,095,021	54,720	1,157,234	-	602,099	369,958	-	1,736,617	-	-	10,906,993
Total assets	\$ 10,237,644	\$ 5,772,391	\$ 168,854	\$ 1,157,234	\$ 2,477,337	\$ 2,251,330	\$ 631,535	\$ 454,737	\$ 2,252,882	\$ -	\$ 25,403,944	
Liabilities:												
Accounts payable	\$ 518,099	\$ -	\$ -	\$ -	\$ 385,877	\$ -	\$ 7,962	\$ 3,515	\$ 12,057	\$ -	\$ -	\$ 927,510
Accrued liabilities	10,000	-	101,552	-	-	-	-	-	-	-	-	111,552
Due to other funds	2,455,409	-	-	-	739,068	-	-	-	7,843	-	2,198,573	5,400,893
Unearned revenue	939,065	-	-	-	1,112,661	-	-	-	-	345,975	-	2,397,701
Total liabilities	3,922,573	-	101,552	-	2,237,606	-	7,962	3,515	7,843	358,032	2,198,573	8,837,656
Deferred Inflow of Resources:												
Leases	1,361,851	-	-	-	-	-	-	-	-	-	-	1,361,851
Unavailable revenue	1,963,482	175,000	-	-	2,084,300	2,251,330	-	-	306,863	-	-	6,780,975
Total deferred inflow of resources	3,325,333	175,000	-	-	2,084,300	2,251,330	-	-	306,863	-	-	8,142,826
Fund Balances:												
Restricted	2,344,846	-	-	-	-	-	-	451,222	-	-	-	2,796,068
Committed	2,474,331	5,597,391	-	1,157,234	-	623,573	-	-	837,987	-	-	10,690,516
Assigned	-	-	-	-	-	-	-	-	750,000	-	-	750,000
Unassigned	(1,829,439)	-	67,302	-	(1,844,569)	-	-	-	(7,843)	-	(2,198,573)	(5,813,122)
Total fund balance	2,989,738	5,597,391	67,302	1,157,234	(1,844,569)	-	623,573	451,222	(7,843)	1,587,987	(2,198,573)	8,423,462
Total liabilities, deferred inflows of resources and fund balances	\$ 10,237,644	\$ 5,772,391	\$ 168,854	\$ 1,157,234	\$ 2,477,337	\$ 2,251,330	\$ 631,535	\$ 454,737	\$ 2,252,882	\$ -	\$ 25,403,944	

CITY OF COVINGTON, KENTUCKY

**Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2023**

	Nonmajor Special Revenue Funds											Subtotal	
	Federal & State Grants Fund	Community Development Block Grant	City Hall Operations	Lead Hazard Reduction Fund	HOME Program	Leased Properties	National Opioid Settlement	Capital Improvement Fund	Police Forfeiture Justice	Housing Voucher Program	Infrastructure Fund		EDF
Revenues:													
Intergovernmental	\$ 1,095,536	\$ 2,520,028	\$ -	\$ 95,710	\$ 111,752	\$ -	\$ -	\$ -	\$ 114,671	\$ 7,625,544	\$ 3,366	\$ -	\$ 11,566,607
Charges for services	-	-	-	-	-	512,415	-	-	-	-	-	28,939	541,354
Investment (loss)	-	-	-	-	-	505	-	-	323	(10,820)	-	-	(9,992)
Interest Revenue	-	-	-	-	-	37,086	-	-	-	-	-	457	37,543
Miscellaneous	-	137,929	-	-	306,369	-	-	19,643	-	1,304	-	-	465,245
Total revenues	1,095,536	2,657,957	-	95,710	418,121	550,006	-	19,643	114,994	7,616,028	3,366	29,396	12,600,757
Expenditures:													
Current:													
General government	461,993	-	(210,386)	-	-	-	-	-	-	-	-	-	251,607
Police	28,666	-	-	-	-	-	-	102,099	-	-	-	-	130,765
Fire	53,066	-	-	-	-	-	-	-	-	-	-	-	53,066
Public works	5,559	97,287	-	-	-	-	11,594	-	-	-	6,533	-	120,973
Community development	48,338	1,101,166	-	95,710	507,414	165,073	-	-	-	7,495,931	-	467,392	9,881,024
Debt service:													
Principal	-	18,000	-	-	-	-	-	-	-	10,294	-	81,498	109,792
Interest	-	11,364	-	-	-	-	-	-	-	324	-	2,313	14,001
Capital Outlay	1,247,607	1,337,227	328,833	-	-	-	-	11,480	21,438	-	518,330	250,619	3,715,534
Total expenditures	1,845,229	2,565,044	118,447	95,710	507,414	165,073	-	23,074	123,537	7,506,549	524,863	801,822	14,276,762
Excess (deficit) of revenues (under) expenditures	(749,693)	92,913	(118,447)	-	(89,293)	384,933	-	(3,431)	(8,543)	109,479	(521,497)	(772,426)	(1,676,005)
Other Financing Sources (Uses):													
Transfers in	299,647	-	50,312	-	-	-	-	-	-	-	550,000	200,000	1,099,959
Transfers out	-	(99,985)	-	-	-	(200,000)	-	-	-	-	(299,647)	-	(599,632)
Issuance of debt	-	-	-	-	-	-	-	-	-	-	-	250,619	250,619
Total other financing sources (uses)	299,647	(99,985)	50,312	-	-	(200,000)	-	-	-	-	250,353	450,619	750,946
Net change in fund balance	(450,046)	(7,072)	(68,135)	-	(89,293)	184,933	-	(3,431)	(8,543)	109,479	(271,144)	(321,807)	(925,059)
Fund balance, July 1, 2022	(1,022,495)	187,225	(3,199)	-	248,763	1,141,871	-	372,039	401,204	1,134,475	(14,420)	1,469,334	3,914,797
Fund balance, June 30, 2023	<u>\$ (1,472,541)</u>	<u>\$ 180,153</u>	<u>\$ (71,334)</u>	<u>\$ -</u>	<u>\$ 159,470</u>	<u>\$ 1,326,804</u>	<u>\$ -</u>	<u>\$ 368,608</u>	<u>\$ 392,661</u>	<u>\$ 1,243,954</u>	<u>\$ (285,564)</u>	<u>\$ 1,147,527</u>	<u>\$ 2,989,738</u>

CITY OF COVINGTON, KENTUCKY

**Combining Statement of Revenues, Expenditures and Changes
In Fund Balances – Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2023**

	Subtotal from prior page	Nonmajor Special Revenue Funds								Nonmajor Capital Projects Fund	Subtotal	
		TIF	Police & Fire Supplemental Pay	Fleet Equipment & Technology	Waste	Neighborhood Stabilization Program Fund	Ambulance	Devou Park Maintenance	Devou Park Master Plan	Stormwater Maintenance		Public Works Facility Construction
Revenues:												
Intergovernmental	\$ 11,566,607	\$ -	\$ 1,414,207	\$ -	\$ -	\$ -	\$ 741,075	\$ -	\$ -	\$ -	\$ -	\$ 13,721,889
Charges for services	541,354	-	-	-	2,504,062	-	1,532,856	-	-	1,225,061	-	5,803,333
Investment (loss)	(9,992)	2,370	128	-	-	-	411	198	-	-	-	(6,885)
Interest Revenue	37,543	-	-	-	-	-	-	-	-	-	-	37,543
Miscellaneous	465,245	334,674	-	100,000	93	-	-	182,129	-	-	4,500,000	5,582,141
Total revenues	12,600,757	337,044	1,414,335	100,000	2,504,155	-	2,274,342	182,327	-	1,225,061	4,500,000	25,138,021
Expenditures:												
Current:												
General government	251,607	-	-	-	140,269	-	194,800	-	-	-	-	586,676
Police	130,765	-	596,982	-	-	-	-	-	-	-	-	727,747
Fire	53,066	-	709,525	4,504	-	-	-	-	-	-	-	767,095
Public works	120,973	-	-	112,224	2,532,125	-	-	-	-	391,162	-	3,156,484
Community development	9,881,024	548,890	-	-	-	-	-	74,167	3,250	-	-	10,507,331
Debt service:												
Principal	109,792	-	-	206,069	-	-	-	-	-	-	-	315,861
Interest	14,001	-	-	35,527	-	-	-	-	-	-	-	49,528
Capital Outlay	3,715,534	-	-	867,150	-	-	238,219	35,837	-	329,930	-	5,186,670
Total expenditures	14,276,762	548,890	1,306,507	1,225,474	2,672,394	-	433,019	110,004	3,250	721,092	-	21,297,392
Excess (deficit) of revenues (under) expenditures	over (1,676,005)	(211,846)	107,828	(1,125,474)	(168,239)	-	1,841,323	72,323	(3,250)	503,969	4,500,000	3,840,629
Other Financing Sources (Uses):												
Transfers in	1,099,959	1,420,769	-	1,490,256	-	-	-	-	-	-	-	4,010,984
Transfers out	(599,632)	(874,635)	-	-	(25,000)	-	(1,881,880)	(60,000)	-	-	-	(3,441,147)
Issuance of debt	250,619	-	-	-	-	-	-	-	-	-	-	250,619
Total other financing sources (uses)	750,946	546,134	-	1,490,256	(25,000)	-	(1,881,880)	(60,000)	-	-	-	820,456
Net change in fund balance	(925,059)	334,288	107,828	364,782	(193,239)	-	(40,557)	12,323	(3,250)	503,969	4,500,000	4,661,085
Fund balance, July 1, 2022	3,914,797	5,263,103	(40,526)	792,452	(1,651,330)	-	664,130	438,899	(4,593)	1,084,018	(6,698,573)	3,762,377
Fund balance, June 30, 2023	\$ 2,989,738	\$ 5,597,391	\$ 67,302	\$ 1,157,234	\$ (1,844,569)	\$ -	\$ 623,573	\$ 451,222	\$ (7,843)	\$ 1,587,987	\$ (2,198,573)	\$ 8,423,462

CITY OF COVINGTON, KENTUCKY

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes:				
Real property	\$ 8,802,778	\$ 8,802,778	\$ 8,941,835	\$ 139,057
Franchise	2,653,531	2,653,531	2,653,341	(190)
Insurance Premium	8,832,342	8,832,342	10,628,861	1,796,519
Licenses and permits:				
Payroll license fees	30,846,438	30,846,438	26,911,246	(3,935,192)
Net profits license fees	4,285,823	4,285,823	5,452,266	1,166,443
Liquor and beer licenses	244,694	244,694	185,903	(58,791)
Other licenses and permits	291,138	291,138	139,846	(151,292)
Intergovernmental	1,822,597	1,822,597	1,313,065	(509,532)
Fines and forfeitures	637,965	637,965	779,071	141,106
Charges for services:				
Rental property	5,000	5,000	28,093	23,093
Other	49,452	49,452	302,636	253,184
Investment earnings (loss)	611,514	611,514	(351,006)	(962,520)
Interest income	230,285	230,285	202,873	(27,412)
Miscellaneous	1,907,681	1,907,681	1,274,818	(632,863)
Total revenues	61,221,238	61,221,238	58,462,848	(2,758,390)
Expenditures				
Current:				
General government:				
Administration department:				
Payroll	1,564,857	1,407,673	1,423,018	(15,345)
Pension benefits	381,414	381,414	357,092	24,322
Health Insurance	271,659	271,659	212,342	59,317
Other Benefits	142,046	142,046	113,928	28,118
Contractual services	976,215	1,133,399	673,898	459,501
Materials and supplies	84,790	84,790	58,409	26,381
Miscellaneous	187,875	187,875	151,165	36,710
Total Administrative	3,608,856	3,608,856	2,989,852	619,004
Legal department:				
Payroll	515,064	515,064	\$ 475,716	\$ 39,348
Pension benefits	137,188	137,188	126,487	10,701
Health insurance	44,220	44,220	44,232	(12)
Other benefits	38,313	38,313	37,332	981
Contractual services	100,592	100,592	42,995	57,597
Materials and supplies	5,800	5,800	2,266	3,534
Miscellaneous	14,805	14,805	13,376	1,429
Total Legal	855,982	855,982	742,404	113,578
Finance department:				
Payroll	963,877	963,877	957,571	6,306
Pension benefits	243,202	243,202	219,281	23,921
Health insurance	208,370	208,370	208,368	2
Other benefits	88,618	88,618	75,062	13,556
Contractual services	628,820	628,820	470,816	158,004
Materials and supplies	10,500	10,500	7,326	3,174
Miscellaneous	7,160	7,160	6,452	708
Total finance	2,150,547	2,150,547	1,944,876	205,671
Legacy pension contributions:				
City employee	138,000	138,000	138,000	-
Police and fire	446,000	446,000	446,000	-
Total pension contributions	584,000	584,000	584,000	-
Total general government	7,199,385	7,199,385	6,261,132	938,253

CITY OF COVINGTON, KENTUCKY

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund (Continued)
Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures - continued				
Current - continued:				
Police:				
Payroll	10,519,789	10,394,789	9,833,081	561,708
Pension Benefits	4,967,504	4,967,504	4,471,575	495,929
Health insurance	2,659,900	2,659,900	2,659,896	4
Other benefits	757,746	757,746	522,156	235,590
Contractual services	612,533	612,533	415,741	196,792
Materials and supplies	547,708	547,708	503,393	44,315
Miscellaneous	11,000	11,000	8,089	2,911
Total police	<u>20,076,180</u>	<u>19,951,180</u>	<u>18,413,931</u>	<u>1,537,249</u>
Fire:				
Payroll	9,937,478	10,187,478	\$ 10,249,966	\$ (62,488)
Pension benefits	4,720,470	4,720,470	5,191,182	(470,712)
Health insurance	2,458,900	2,458,900	1,906,500	552,400
Other benefits	651,131	651,131	615,827	35,304
Contractual services	539,070	439,070	512,208	(73,138)
Materials and supplies	443,231	443,231	437,850	5,381
Miscellaneous	56,395	31,395	43,953	(12,558)
Total fire	<u>18,806,675</u>	<u>18,931,675</u>	<u>18,957,486</u>	<u>(25,811)</u>
Public works:				
Payroll	4,174,285	4,114,285	3,374,143	740,142
Pension benefits	784,793	784,793	792,208	(7,415)
Health insurance	605,858	605,858	636,852	(30,994)
Other benefits	391,619	391,619	358,924	32,695
Contractual services	1,739,069	1,799,069	1,500,071	298,998
Materials and supplies	2,138,560	2,138,560	1,884,414	254,146
Miscellaneous	4,150	4,150	501	3,649
Total public works	<u>9,838,334</u>	<u>9,838,334</u>	<u>8,547,113</u>	<u>1,291,221</u>
Community development:				
Economic Development:				
Payroll	592,093	592,093	581,337	10,756
Pension Benefits	158,497	158,497	150,727	7,770
Health insurance	114,570	114,570	107,275	7,295
Other benefits	51,656	51,656	46,371	5,285
Contractual services	527,750	527,750	453,099	74,651
Materials and supplies	5,000	5,000	989	4,011
Miscellaneous	3,625	3,625	2,505	1,120
Total economic development	<u>1,453,191</u>	<u>1,453,191</u>	<u>1,342,303</u>	<u>110,888</u>
Recreation:				
Payroll	209,717	209,717	177,021	32,696
Pension benefits	45,954	45,954	43,466	2,488
Health insurance	49,311	49,311	48,084	1,227
Other benefits	21,133	21,133	17,026	4,107
Contractual services	274,743	274,743	228,950	45,793
Materials and supplies	31,050	31,050	26,863	4,187
Miscellaneous	11,185	11,185	8,839	2,346
Total recreation	<u>643,093</u>	<u>643,093</u>	<u>550,249</u>	<u>92,844</u>
Neighborhood Services:				
Payroll	569,551	569,551	505,529	64,022
Pension benefits	126,661	126,661	135,590	(8,929)
Health insurance	89,611	89,611	86,460	3,151
Other benefits	57,244	57,244	50,452	6,792
Contractual services	315,490	315,490	219,830	95,660
Materials and supplies	73,450	73,450	34,718	38,732
Miscellaneous	506,600	506,600	2,070	504,530
Total neighborhood services	<u>1,738,607</u>	<u>1,738,607</u>	<u>1,034,649</u>	<u>703,958</u>
Total community development	<u>3,834,891</u>	<u>3,834,891</u>	<u>2,927,201</u>	<u>907,690</u>

CITY OF COVINGTON, KENTUCKY

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund (Continued)
Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures - continued				
Current - continued:				
Debt Service:				
Principal	2,581,975	2,581,975	3,596,139	(1,014,164)
Interest	1,926,621	1,926,621	1,725,254	201,367
Cost of bond issuance	231,662	231,662	-	231,662
Total debt service	<u>4,740,258</u>	<u>4,740,258</u>	<u>5,321,393</u>	<u>(581,135)</u>
Capital outlay	-	-	657,862	(657,862)
Total expenditures	<u>64,495,723</u>	<u>64,495,723</u>	<u>61,086,118</u>	<u>3,409,605</u>
Excess (deficiency) of revenues				
Over (under) expenditures	<u>(3,274,485)</u>	<u>(3,274,485)</u>	<u>(2,623,270)</u>	<u>(6,167,995)</u>
Other Financing Sources (uses)				
Transfers in	7,721,855	9,221,855	9,339,697	(117,842)
Transfers out	(4,717,505)	(6,217,505)	(5,511,337)	(706,168)
Proceeds on sale of assets	270,135	270,135	83,612	186,523
Total other financing sources (uses)	<u>3,274,485</u>	<u>3,274,485</u>	<u>3,911,972</u>	<u>(637,487)</u>
Net change in fund balance	-	-	1,288,702	<u>\$ (6,805,482)</u>
Fund balance, July 1, 2022	<u>18,685,422</u>	<u>18,587,637</u>	<u>21,076,669</u>	
Fund balance, June 30, 2023	<u>18,685,422</u>	<u>18,587,637</u>	<u>\$ 22,365,371</u>	

CITY OF COVINGTON, KENTUCKY

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – American Rescue Plan Act Fund
Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 30,002,528	\$ 30,002,528	\$ 8,889,043	\$ (21,113,485)
Total revenues	<u>30,002,528</u>	<u>30,002,528</u>	<u>8,889,043</u>	<u>(21,113,485)</u>
Expenditures				
Current:				
General government	3,628,961	3,628,961	1,309,669	2,319,292
Fire	125,000	125,000	-	125,000
Public Works	200	200	156	44
Community Development	5,506,130	5,506,130	924,795	4,581,335
Capital Outlay	<u>11,889,800</u>	<u>11,889,800</u>	<u>256,226</u>	<u>11,633,574</u>
Total Expenditures	<u>21,150,091</u>	<u>21,150,091</u>	<u>2,490,846</u>	<u>18,659,245</u>
Excess (deficiency) of revenues over (under) expenditures	<u>8,852,437</u>	<u>8,852,437</u>	<u>6,398,197</u>	<u>2,454,240</u>
Other financing sources (uses):				
Transfers out	<u>(8,852,437)</u>	<u>(8,852,437)</u>	<u>(6,398,197)</u>	<u>(2,454,240)</u>
Total other financing sources (uses)	<u>(8,852,437)</u>	<u>(8,852,437)</u>	<u>(6,398,197)</u>	<u>(2,454,240)</u>
Net change in fund balances	-	-	-	<u>\$ -</u>
Fund balance, beginning of year	-	-	-	
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

CITY OF COVINGTON, KENTUCKY

**Combining Statement of Net Position
Internal Service Funds
As of June 30, 2023**

	<u>Liability Self Insurance</u>	<u>Medical Self Insurance</u>	<u>Total Internal Service Funds</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ -	\$ (58)	\$ (58)
Total assets	<u>-</u>	<u>(58)</u>	<u>(58)</u>
Liabilities			
Current Liabilities			
Accounts payable	23,184	19,606	42,790
Claims payable	-	1,350,000	1,350,000
Due to other funds	1,201,941	726,176	1,928,117
Total current liabilities	<u>1,225,125</u>	<u>2,095,782</u>	<u>3,320,907</u>
Noncurrent Liabilities			
Claims payable	750,000	-	750,000
Total noncurrent liabilities	<u>750,000</u>	<u>-</u>	<u>750,000</u>
Total liabilities	<u>1,975,125</u>	<u>2,095,782</u>	<u>4,070,907</u>
Net Position			
Unrestricted	<u>(1,975,125)</u>	<u>(2,095,840)</u>	<u>(4,070,965)</u>
Total net position	<u>\$ (1,975,125)</u>	<u>\$ (2,095,840)</u>	<u>\$ (4,070,965)</u>

CITY OF COVINGTON, KENTUCKY

**Combining Statement of Revenues, Expenses and
Changes in Net Position – Internal Service Funds
Year Ended June 30, 2023**

	<u>Liability Self Insurance</u>	<u>Medical Self Insurance</u>	<u>Total Internal Service Funds</u>
Operating revenues			
Insurance premiums	\$ -	\$ 6,524,669	\$ 6,524,669
Other	477	27,802	28,279
Total operating revenues	<u>477</u>	<u>6,552,471</u>	<u>6,552,948</u>
Operating expenses			
Contractual services	680,071	639,683	1,319,754
Claims and judgments	141,056	7,826,015	7,967,071
Total operating expenses	<u>821,127</u>	<u>8,465,698</u>	<u>9,286,825</u>
Operating loss	<u>(820,650)</u>	<u>(1,913,227)</u>	<u>(2,733,877)</u>
Non-operating income (expenses)			
Interest revenue	-	323	323
Total nonoperating revenues	<u>-</u>	<u>323</u>	<u>323</u>
Transfers in (out)	<u>500,000</u>	<u>1,500,000</u>	<u>2,000,000</u>
Change in net position	(320,650)	(412,904)	(733,554)
Total net position, July 1, 2022	<u>(1,654,475)</u>	<u>(1,682,936)</u>	<u>(3,337,411)</u>
Total net position, June 30, 2023	<u>\$ (1,975,125)</u>	<u>\$ (2,095,840)</u>	<u>\$ (4,070,965)</u>

CITY OF COVINGTON, KENTUCKY

**Combining Statement Cash Flows
Internal Service Funds
Year Ended June 30, 2023**

	Liability Self Insurance	Medical Self Insurance	Total Internal Service Funds
Cash flows from operating activities:			
Cash received from other funds	\$ 344,739	\$ 6,550,678	\$ 6,895,417
Cash received from other income	477	27,802	28,279
Cash payments for claims	<u>(845,216)</u>	<u>(8,670,669)</u>	<u>(9,515,885)</u>
Net cash used in operating activities	<u>(500,000)</u>	<u>(2,092,189)</u>	<u>(2,592,189)</u>
Cash flows from noncapital financing activities:			
Transfers	500,000	1,500,000	2,000,000
Interest Revenue	<u>-</u>	<u>323</u>	<u>323</u>
Net cash provided by noncapital financing activities	<u>500,000</u>	<u>1,500,323</u>	<u>2,000,323</u>
Net change	-	(591,866)	(591,866)
Cash and cash equivalents, beginning of year	<u>-</u>	<u>591,808</u>	<u>591,808</u>
Cash and cash equivalents, end of year	<u><u>\$ -</u></u>	<u><u>\$ (58)</u></u>	<u><u>\$ (58)</u></u>
Reconciliation of operating loss to net cash provided by operating activities			
Operating loss	\$ (820,650)	\$ (1,913,227)	\$ (2,733,877)
Adjustments to reconcile operating loss to net cash (used by) operating activities:			
Changes in assets and liabilities:			
Prepaid items	-	49,448	49,448
Due from/to other funds	344,739	26,009	370,748
Accounts payable	(24,089)	(2,551)	(26,640)
Claims payable	<u>-</u>	<u>(251,868)</u>	<u>(251,868)</u>
Net cash used in operating activities	<u><u>\$ (500,000)</u></u>	<u><u>\$ (2,092,189)</u></u>	<u><u>\$ (2,592,189)</u></u>

CITY OF COVINGTON, KENTUCKY

Employees' Retirement Plan

	Last 10 fiscal years									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Schedule of City Contributions										
Actuarially determined contribution	\$ 169,363	\$ 169,363	\$ 169,393	\$ 169,363	\$ 169,363	\$ 203,351	\$ 203,351	\$ 183,493	\$ 183,493	\$ 138,459
Contributions in relation to the actuarially determined contribution	138,000	138,000	138,000	138,000	709,424	187,000	195,000	127,078	127,078	138,459
Contribution deficiency (excess)	\$ 31,363	\$ 31,363	\$ 31,393	\$ 31,363	\$ (540,061)	\$ 16,351	\$ 8,351	\$ 56,415	\$ 56,415	\$ -
Covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
Actual contribution as a percentage of covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
Schedule of Changes in the Net position Liability and Related Ratios										
Total pension liability										
Interest	\$ 166,285	\$ 170,998	\$ 178,468	\$ 188,620	\$ 199,494	\$ 214,819	\$ 155,134	\$ 264,726	\$ 330,480	\$ 342,966
Benefit changes	65,087	93,573	64,616	-	-	-	80,924	-	-	64,980
Difference between expected and actual experience	(29,805)	20,306	30,533	(48,297)	24,929	(21,834)	(54,286)	(444,003)	(185,296)	(20,562)
Changes of assumptions	288,828	10,395	(25,747)	71,170	(8,423)	(34,982)	(1,049,356)	875,460	1,028,917	24,786
Benefit payments	(383,828)	(378,133)	(389,132)	(402,842)	(424,269)	(448,698)	(488,931)	(503,390)	(568,978)	(587,963)
Net change in total pension liability	106,567	(82,861)	(141,262)	(191,349)	(208,269)	(290,695)	(1,356,515)	192,793	605,123	(175,793)
Total pension liability - beginning	3,212,715	3,295,576	3,436,838	3,628,187	3,836,456	4,127,151	5,483,666	5,290,873	4,685,750	4,861,543
Total pension liability - ending	\$ 3,319,282	\$ 3,212,715	\$ 3,295,576	\$ 3,436,838	\$ 3,628,187	\$ 3,836,456	\$ 4,127,151	\$ 5,483,666	\$ 5,290,873	\$ 4,685,750
Plan fiduciary net position										
Contributions - employer	\$ 138,000	\$ 138,000	\$ 138,000	\$ 138,000	\$ 709,423	\$ 187,000	\$ 195,000	\$ 127,078	\$ 127,078	\$ 138,459
Other	-	-	-	-	-	-	-	-	-	67
Net investment income	124,616	(217,694)	449,414	91,778	144,125	262,030	301,655	(129,228)	(132,623)	474,728
Benefit payments	(383,828)	(378,133)	(389,132)	(402,842)	(424,268)	(448,698)	(488,931)	(503,390)	(568,978)	(623,756)
Administrative expense	(14,252)	(16,028)	(16,762)	(17,187)	(7,310)	(3,900)	(18,024)	(6,800)	-	(12,221)
Net change in plan fiduciary net position	(135,464)	(473,855)	181,520	(190,251)	421,970	(3,568)	(10,300)	(512,340)	(574,523)	(22,723)
Plan fiduciary net position - beginning	1,905,394	2,379,249	2,197,729	2,387,980	1,966,010	1,969,578	1,979,878	2,492,218	3,066,741	3,089,464
Plan fiduciary net position - ending	\$ 1,769,930	\$ 1,905,394	\$ 2,379,249	\$ 2,197,729	\$ 2,387,980	\$ 1,966,010	\$ 1,969,578	\$ 1,979,878	\$ 2,492,218	\$ 3,066,741
Net pension liability	\$ 1,549,352	\$ 1,307,321	\$ 916,327	\$ 1,239,109	\$ 1,240,207	\$ 1,870,446	\$ 2,157,573	\$ 3,503,788	\$ 2,798,655	\$ 1,619,009
Plan fiduciary net position as percentage of the total pension liability	53.32%	59.31%	72.20%	63.95%	65.82%	51.25%	47.72%	36.11%	47.10%	65.45%
Covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
Net pension liability as a percentage of covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
Schedule of Investment Returns										
Annual money-weighted rate of return, net of investment expense	7.50%	-11.80%	20.60%	3.90%	5.90%	9.90%	5.70%	-3.74%	-3.70%	16.20%

* No active employees participating in the plan.

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

	Last 10 fiscal years									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Schedule of City Contributions										
Actuarially determined contribution	\$ 512,699	\$ 512,699	\$ 512,699	\$ 512,699	\$ 512,699	\$ 577,711	\$ 577,711	\$ 445,224	\$ 445,224	\$ 283,601
Contributions in relation to the actuarially determined contribution	446,000	446,000	451,477	451,021	365,078	551,000	573,000	269,327	269,327	384,806
Contribution deficiency (excess)	\$ 66,699	\$ 66,699	\$ 61,222	\$ 61,678	\$ 147,621	\$ 26,711	\$ 4,711	\$ 175,897	\$ 175,897	\$ (101,205)
Covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
Actual contribution as a percentage of covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
Schedule of Changes in the Net position Liability and Related Ratios										
Total pension liability										
Interest	\$ 457,316	\$ 475,834	\$ 530,439	\$ 528,193	\$ 552,986	\$ 595,322	\$ 385,334	\$ 628,379	\$ 726,953	\$ 774,059
Benefit changes	178,989	250,197	179,994	-	-	209,181	146,022	-	-	38,609
Difference between expected and actual experience	(119,375)	(47,684)	(521,342)	238,320	256,919	(218,038)	123,207	57,418	124,618	(17,688)
Changes of assumptions	810,269	27,501	(76,642)	456,557	(26,062)	(102,614)	(3,069,911)	2,400,570	3,678,886	-
Benefit payments	(1,013,578)	(1,070,710)	(1,138,940)	(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	313,621	(364,862)	(1,026,491)	(1,299)	(460,775)	(778,479)	(3,764,113)	1,703,749	3,123,798	(643,920)
Total pension liability - beginning	8,814,843	9,179,705	10,206,196	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	\$ 9,128,464	\$ 8,814,843	\$ 9,179,705	\$ 10,206,196	\$ 10,207,495	\$ 10,668,270	\$ 11,446,749	\$ 15,210,862	\$ 13,507,113	\$ 10,383,315
Plan fiduciary net position										
Contributions - employer	\$ 446,000	\$ 446,000	\$ 451,477	\$ 451,021	\$ 365,078	\$ 551,000	\$ 573,000	\$ 269,327	\$ 269,327	\$ 359,506
Other	-	-	-	-	-	-	-	-	2,578	30,383
Net investment income	152,038	(317,620)	760,081	142,078	261,260	753,872	592,661	(240,496)	(253,088)	1,133,103
Benefit payments	(1,013,578)	(1,070,710)	(1,138,940)	(1,224,369)	(1,244,618)	(1,262,330)	(1,348,765)	(1,382,618)	(1,403,457)	(1,446,162)
Administrative expense	(19,745)	(22,648)	(24,976)	(25,116)	(40,951)	(4,000)	(7,080)	(7,200)	(7,869)	(28,113)
Net change in plan fiduciary net position	(435,285)	(964,978)	47,642	(656,386)	(659,231)	38,542	(190,184)	(1,360,987)	(1,392,509)	48,717
Plan fiduciary net position - beginning	2,607,729	3,572,707	3,525,065	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	\$ 2,172,444	\$ 2,607,729	\$ 3,572,707	\$ 3,525,065	\$ 4,181,451	\$ 4,840,682	\$ 4,802,140	\$ 4,992,324	\$ 6,353,311	\$ 7,745,820
Net pension liability	\$ 6,956,020	\$ 6,207,114	\$ 5,606,998	\$ 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	23.80%	29.58%	38.92%	34.54%	40.96%	45.37%	41.95%	32.82%	47.04%	74.60%
Covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
Net pension liability as a percentage of covered payroll	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *	N/A *
Schedule of Investment Returns										
Annual money-weighted rate of return, net of investment expense	7.80%	-11.90%	20.60%	3.60%	5.80%	9.90%	10.90%	-3.56%	-3.95%	16.48%

* No active employees participating in the plan.

CITY OF COVINGTON, KENTUCKY
Notes to the Required Supplementary Information
For the Year Ended June 30, 2023

NOTE 1 VALUATION DATE

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

NOTE 2 BENEFIT CHANGES

The City granted an ad hoc COLA increase of 1.5% effective as of January 1, 2014, for participants of the Employees' Retirement Plan. The City also granted ad hoc COLA increases of 2.0%, effective July 1, 2013, 2.0% effective July 1, 2014, 2.0% effective July 1, 2017, 2.0% effective January 1, 2018, 2.0% effective July 1, 2021, 3.0% effective July 1, 2022, and 2% effective July 1, 2023, for participants of the Police and Firemen's Retirement Plan.

NOTE 3 CHANGES IN ASSUMPTIONS

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

NOTE 4 METHODS USED 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-2021.	Public Safety Mortality Table Pub-2010 projected generationally using Scale MP-2021.

CITY OF COVINGTON, KENTUCKY

**Schedule of the Proportionate Share of the Net Pension Liability
Non-hazardous and Hazardous County Employee Retirement System**

Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Non-hazardous:										
City's proportion of the net pension liability	0.308%	0.284%	0.262%	0.258%	0.240%	0.242%	0.240%	0.242%	0.260%	0.260%
City's proportionate share of the net pension liability	\$ 22,288,784	\$ 18,090,714	\$ 20,071,176	\$ 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	\$ 8,578,128	\$ 7,305,612	\$ 6,744,019	\$ 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	259.83%	247.63%	297.61%	277.12%	243.53%	238.44%	206.48%	183.87%	141.38%	167.71%
Plan fiduciary as a percentage of the total pension liability	52.4%	57.3%	47.8%	50.5%	53.5%	53.3%	55.5%	60.0%	66.8%	61.2%
Hazardous:										
City's proportion of the net pension liability	3.15%	3.04%	3.02%	3.02%	2.91%	2.96%	2.81%	2.91%	2.85%	2.85%
City's proportionate share of the net pension liability	\$ 96,267,771	\$ 80,814,982	\$ 91,152,690	\$ 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	\$ 20,705,732	\$ 18,305,399	\$ 17,795,103	\$ 17,284,115	\$ 16,290,175	\$ 16,096,264	\$ 14,877,913	\$ 14,814,779	\$ 14,427,951	\$ 14,110,813
City's proportionate share of the net pension liability as a percentage of its covered payroll	464.93%	441.48%	512.23%	482.64%	432.24%	412.03%	324.21%	301.21%	237.09%	270.71%
Plan fiduciary as a percentage of the total pension liability	47.1%	52.3%	44.1%	46.6%	49.3%	49.8%	54.0%	57.5%	63.4%	57.7%

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

Changes of assumption: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2015: The assumed investment rate of return was decreased from 7.75% to 7.50%.

2015: The assumed rate of inflation was reduced from 3.50% to 3.25%.

2015: The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

2015: Payroll growth assumption was reduced from 4.50% to 4.00%.

2015: The mortality table used for active members is RP-2000 Combined Mortality table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

2015: For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

2015: The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2017: The assumed investment rate of return was decreased from 7.50% to 6.25%.

2017: The assumed rate of inflation was reduced from 3.25% to 2.30%.

2017: The assumed rate of salary growth was reduced from 4.00% to 3.05%.

CITY OF COVINGTON, KENTUCKY
Schedule of City Pension Contributions

Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Non-Hazardous:										
Contractually required contribution	1,989,872	1,815,990	1,409,983	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>1,989,872</u>	<u>1,815,990</u>	<u>1,409,983</u>	<u>1,301,596</u>	<u>1,061,483</u>	<u>865,621</u>	<u>827,713</u>	<u>710,807</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 8,460,015	\$ 8,578,128	\$ 7,305,612	\$ 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	23.52%	21.17%	19.30%	19.30%	16.22%	14.48%	13.95%	12.40%	12.75%	13.74%
Hazardous:										
Contractually required contribution	\$ 8,558,018	\$ 7,010,691	\$ 5,502,603	\$ 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>8,558,018</u>	<u>7,010,691</u>	<u>5,502,603</u>	<u>5,349,208</u>	<u>4,298,559</u>	<u>3,616,419</u>	<u>3,494,499</u>	<u>3,014,265</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 19,653,175	\$ 20,705,732	\$ 18,305,399	\$ 17,795,103	\$ 17,284,115	\$ 16,290,175	\$ 16,096,264	\$ 14,877,913	\$ 14,814,779	\$ 14,427,951
Contributions as a percentage of covered payroll	43.55%	33.86%	30.06%	30.06%	24.87%	22.20%	21.71%	20.26%	20.73%	21.77%

CITY OF COVINGTON, KENTUCKY

**Schedule of the Proportionate Share of the Net OPEB Liability
Non-hazardous and Hazardous County Employee Retirement System**

Last 10 Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Non-hazardous:										
City's proportion of the net OPEB liability	0.308%	0.284%	0.262%	0.258%	0.240%	0.242%	0.240%	*	*	*
City's proportionate share of the net OPEB liability	\$ 6,083,770	\$ 5,430,816	\$ 6,317,110	\$ 4,337,392	\$ 4,244,161	\$ 4,858,997	\$ 3,811,252	*	*	*
City's covered payroll	\$ 8,578,128	\$ 7,305,612	\$ 6,744,019	\$ 6,544,282	\$ 5,977,993	\$ 5,933,424	\$ 5,732,547	*	*	*
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	70.92%	74.34%	93.67%	66.28%	71.00%	81.89%	66.48%	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	70.0%	62.9%	51.7%	60.4%	57.6%	52.4%	N/A	*	*	*
Hazardous:										
City's proportion of the net OPEB liability	3.15%	3.04%	3.02%	3.02%	2.91%	2.96%	2.81%	*	*	*
City's proportionate share of the net OPEB liability	\$ 26,858,748	\$ 24,545,306	\$ 27,930,859	\$ 22,340,089	\$ 20,758,934	\$ 24,505,455	\$ 14,642,905	*	*	*
City's covered payroll	\$ 20,705,732	\$ 18,305,399	\$ 17,795,103	\$ 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	129.72%	134.09%	156.96%	129.25%	127.43%	152.24%	98.42%	*	*	*
Plan fiduciary net position as a percentage of the total OPEB liability	64.1%	66.80%	58.80%	64.40%	64.20%	59.00%	N/A	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms - None.

2018: Updated health care trend rates were implemented.

CITY OF COVINGTON, KENTUCKY

Schedule of the City OPEB Contributions

Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Non-Hazardous:										
Contractually required contribution	\$ 288,276	\$ 495,816	\$ 347,747	\$ 321,015	\$ 344,229	\$ 280,968	\$ 280,651	\$ 265,551	\$ 278,975	\$ 306,023
Contributions in relation to the contractually required contribution	<u>288,276</u>	<u>495,816</u>	<u>347,747</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 8,460,015	\$ 8,578,128	\$ 7,305,612	\$ 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	3.41%	5.78%	4.76%	4.76%	5.26%	4.70%	4.73%	4.63%	4.92%	5.15%
Hazardous:										
Contractually required contribution	\$ 1,239,815	\$ 2,167,890	\$ 1,742,674	\$ 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>1,239,815</u>	<u>2,167,890</u>	<u>1,742,674</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 19,653,175	\$ 20,705,732	\$ 18,305,399	\$ 17,795,103	\$ 17,284,115	\$ 16,290,175	\$ 16,096,264	\$ 14,877,913	\$ 14,814,779	\$ 14,427,951
Contributions as a percentage of covered payroll	6.31%	10.47%	9.52%	9.52%	10.47%	9.35%	9.35%	12.69%	13.58%	13.93%

CITY OF COVINGTON, KENTUCKY

**Notes to the Required Supplementary Information
For the Year Ended June 30, 2023**

NOTE 1 GENERAL INFORMATION

Contributions

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

Payroll

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

Expense

The City's pension expense for all plans for the year ended June 30, 2023, totaled \$14,519,614. The City's OPEB expense for all plans for the year ended June 30, 2023, totaled \$4,585,627.

CITY OF COVINGTON, KENTUCKY

Statistical Section

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

Section 1 – Financial Trend Data:

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

Section 2 – Revenue Capacity:

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

Section 3 – Debt Capacity:

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

Section 4 – Demographic and Economic Information:

These tables show demographic and economic indicators to help the reader understand the local environment in which the City's financial activities take place.

Section 5 – Operating Information:

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

CITY OF COVINGTON, KENTUCKY

Schedule 1 – Net Position by Component
Current and Past Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2023	2022	2021	2020	<i>(as restated)</i> 2019	<i>(as restated)</i> 2018	<i>(as restated)</i> 2017	2016	<i>(as restated)</i> 2015	<i>(as restated)</i> 2014
Governmental Activities										
Net Investment in Capital Assets	\$ 31,182,822	\$ 41,855,830	\$ 36,210,108	\$ 27,799,625	\$ 23,743,357	\$ 27,309,024	\$ 23,790,740	\$ 26,724,688	\$ 27,899,604	\$ 29,360,778
Restricted for Capital Improvements	4,014,599	372,039	352,785	27,305,688	2,555,939	2,924,098	4,376,137	-	-	2,614,198
Restricted for Debt Service	-	-	468,774	469,574	462,321	421,769	401,000	401,000	401,000	401,000
Restricted for HUD Programs	1,583,577	1,553,692	865,701	1,047,342	915,720	922,485	651,007	632,116	2,938,475	3,622,306
Restricted for other purposes	1,212,491	840,103	1,162,301	954,176	1,004,081	623,989	426,695	1,620,898	-	16,139
Unrestricted (deficit)	<u>(103,819,932)</u>	<u>(116,255,065)</u>	<u>(111,360,427)</u>	<u>(122,345,513)</u>	<u>(81,316,610)</u>	<u>(72,524,243)</u>	<u>(66,127,088)</u>	<u>(56,738,795)</u>	<u>(59,904,755)</u>	<u>(52,978,362)</u>
Total Governmental Activities Net Position	<u>\$ (65,826,443)</u>	<u>\$ (71,633,401)</u>	<u>\$ (72,300,758)</u>	<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>
Business-type Activities										
Net Investment in Capital Assets	\$ 7,476,529	\$ 7,430,383	\$ 7,353,593	\$ 7,467,344	\$ 5,022,418	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted (deficit)	<u>130,022</u>	<u>(1,208,746)</u>	<u>(2,014,799)</u>	<u>(2,352,028)</u>	<u>196,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities Net Position	<u>\$ 7,606,551</u>	<u>\$ 6,221,637</u>	<u>\$ 5,338,794</u>	<u>\$ 5,115,316</u>	<u>\$ 5,219,206</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.

CITY OF COVINGTON, KENTUCKY

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

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Governmental Activities Expenses									<i>(as restated)</i>	
General Government	\$ 36,108,200	\$ 8,506,292	\$ 9,537,832	\$ 9,443,391	\$ 7,243,552	\$ 7,944,679	\$ 6,604,320	\$ 10,612,219	\$ 12,474,158	\$ 5,916,248
Police	19,823,132	20,177,159	22,864,540	23,704,389	21,111,281	20,397,256	14,453,789	16,091,991	13,287,449	14,177,725
Fire	19,997,532	21,564,434	24,583,443	25,325,490	21,221,513	19,695,653	13,176,016	15,301,811	12,882,790	13,060,943
Public Improvements	13,715,835	14,862,875	15,714,874	12,709,620	11,206,541	10,382,962	8,784,729	7,806,788	14,691,139	13,769,904
Community Development	14,512,942	12,554,194	11,889,364	11,168,156	10,806,389	10,371,116	10,312,912	9,789,169	9,179,648	11,159,338
Parking Garage	-	-	-	-	-	900,712	868,353	774,460	738,147	734,598
Interest on Long-term Debt	1,754,215	2,154,136	2,010,596	1,471,171	1,510,745	1,654,623	1,984,708	2,171,812	3,000,362	1,654,352
Total Governmental Activities Expenses	105,911,856	79,819,090	86,600,649	83,822,217	73,100,021	71,347,001	56,184,827	62,548,250	66,253,693	60,473,108
Program Revenues										
General Government	636,217	517,805	158,027	763,145	2,183,781	2,197,465	2,640,012	1,815,216	1,028,301	940,479
Police	-	5,231	100,000	60,000	80,000	-	-	-	3,891	58,002
Fire	1,532,856	1,360,780	1,785,248	1,284,170	-	-	11,029	1,449,356	1,238,640	1,391,914
Public Improvements	3,728,922	3,650,474	2,663,594	2,183,962	2,271,448	1,245,706	1,098,612	2,952,715	1,292,573	2,343,079
Community Development	1,252,058	1,193,820	2,260,648	1,481,571	1,471,895	1,603,315	1,086,948	1,065,050	1,389,251	738,833
Parking Garage	-	-	-	-	-	1,845,342	2,078,859	2,032,348	1,806,791	1,554,915
Operating Grants and Contributions	22,660,484	18,440,881	16,688,868	11,553,487	10,876,303	11,087,041	10,178,394	9,564,948	8,898,601	10,842,196
Capital Grants and Contributions	1,082,376	2,643,766	4,047,867	3,513,632	1,516,820	1,711,776	456,927	867,341	1,143,363	2,317,723
Total Governmental Activities Revenues	30,892,913	27,812,757	27,704,252	20,839,967	18,400,247	19,690,645	17,550,781	19,746,974	16,801,411	20,187,141
Program Revenues Over (Under) Expenses	(75,018,943)	(52,006,333)	(58,896,397)	(62,982,250)	(54,699,774)	(51,656,356)	(38,634,046)	(42,801,276)	(49,452,282)	(40,285,967)
Business-type Activities Expenses										
Parking Authority	1,791,125	1,334,287	1,349,481	1,546,899	1,504,763	-	-	-	-	-
Program revenues										
Parking Authority	3,145,553	2,188,591	1,572,916	1,443,009	1,679,612	-	-	-	-	-
Program Revenues Over (Under) Expenses	1,354,428	854,304	223,435	(103,890)	174,849	-	-	-	-	-
Governmental Activities General Revenues and Changes in Net Assets										
Taxes										
Real Property-Levied for General Purposes	8,202,476	7,341,680	7,424,000	7,158,077	6,845,272	7,101,877	6,566,434	6,701,787	6,392,706	6,085,654
Personal Property-Levied for General Purposes	582,475	983,071	809,369	819,557	732,222	660,376	676,397	706,359	654,885	764,100
Public Services	2,653,341	2,539,841	2,133,952	2,280,841	2,362,740	2,229,746	2,110,822	1,946,897	2,141,952	2,131,042
Taxes-Levied for Bank Deposits	156,884	157,069	122,205	86,840	68,619	84,652	73,367	82,872	72,843	65,134
Insurance Premium	10,628,861	8,010,764	8,567,805	8,066,151	7,613,448	7,592,489	7,909,903	6,932,552	5,430,601	5,672,059
Payroll	26,911,246	31,217,496	26,660,836	26,719,778	27,039,037	26,291,746	25,097,302	24,216,488	22,791,569	22,222,546
Net Profit	5,452,266	4,659,654	3,879,759	4,080,042	3,597,615	2,980,516	3,325,037	2,924,268	3,161,057	2,829,873
Investment Earnings (Loss)	(357,891)	(4,294,468)	560,021	543,726	750,298	208,636	222,575	164,973	3,932	4,287
Interest Income	240,416	248,750	-	-	-	-	-	-	-	-
Miscellaneous	26,883,224	1,733,454	997,524	1,071,293	1,018,066	664,949	368,406	430,663	497,752	159,730
Special Item	(527,397)	85,379	200,276	22,029	-	-	-	-	-	(17,000)
Business-type Activities General Revenues and Changes in Net Assets										
Investment Earnings	-	-	43	-	-	-	-	-	-	-
Interest Income	30,486	28,539	-	-	-	-	-	-	-	-
Total General Revenues and Transfers	80,856,387	52,711,229	51,355,790	50,848,334	50,027,317	47,814,987	46,350,243	44,106,859	41,147,297	39,917,425
Restatement	-	-	-	-	-	-	-	-	(982,647)	-
Change in Net Position	\$ 7,191,872	\$ 1,559,200	\$ (7,317,172)	\$ (12,237,806)	\$ (4,497,608)	\$ (3,841,369)	\$ 7,716,197	\$ 1,305,583	\$ (8,304,985)	\$ (368,542)

CITY OF COVINGTON, KENTUCKY

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

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	(as restated) 2016	2015	2014
General Fund										
Nonspendable	\$ 2,620,485	\$ 3,019,587	\$ 2,705,603	\$ 2,663,497	\$ 155,908	\$ 128,902	\$ 157,023	\$ 139,181	\$ 123,378	\$ 25,515
Restricted	-	-	468,774	469,574	462,321	421,769	-	-	-	-
Committed	-	-	-	-	7,390,770	5,530,433	3,761,124	4,076,011	-	-
Assigned	10,000,000	10,000,000	10,000,000	9,400,000	-	-	-	-	-	-
Unassigned	10,194,435	8,057,082	7,160,237	7,200,197	9,327,450	8,514,395	9,035,883	4,676,717	4,037,235	2,178,928
Total General Fund	22,814,920	21,076,669	20,334,614	19,733,268	17,336,449	14,595,499	12,954,030	8,891,909	4,160,613	2,204,443
All Other Governmental Funds										
Nonspendable	-	19,516	2,331	2,130	1,000	-	-	-	-	-
Restricted	6,810,667	7,970,023	8,754,128	29,307,206	4,475,740	4,470,572	5,854,839	12,814,908	15,785,120	6,356,203
Committed	10,690,516	9,912,605	8,584,293	5,257,361	5,447,465	5,168,294	2,955,845	2,489,140	348,076	427,865
Assigned	750,000	500,000	-	-	-	-	-	-	-	-
Unassigned (deficit)	(5,813,122)	(9,435,578)	(5,746,328)	(2,989,298)	(825,075)	(437,511)	(437,055)	(287,536)	282,855	(75,586)
Total All Other Governmental Funds	12,438,061	8,966,566	11,594,424	31,577,399	9,099,130	9,201,355	8,373,629	15,016,512	16,416,051	6,708,482
Total Governmental Funds	\$ 35,252,981	\$ 30,043,235	\$ 31,929,038	\$ 51,310,667	\$ 26,435,579	\$ 23,796,854	\$ 21,327,659	\$ 23,908,421	\$ 20,576,664	\$ 8,912,925

CITY OF COVINGTON, KENTUCKY

**Schedule 4 – Changes in Fund Balances, Governmental Funds
Current and Past Nine Fiscal Years
(modified accrual basis of accounting)**

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	(as restated)	
									2015	2014
Revenues										
Taxes	\$ 22,224,037	\$ 18,979,995	\$ 18,697,799	\$ 18,175,073	\$ 17,735,156	\$ 17,119,584	\$ 17,071,793	\$ 16,042,423	\$ 14,237,675	\$ 14,291,815
Licenses and Permits	32,689,261	36,260,481	30,610,205	31,108,770	30,955,990	29,590,400	28,674,704	27,465,856	26,245,715	25,353,330
Intergovernmental	23,923,997	20,843,628	20,098,634	13,896,126	12,503,550	12,809,096	10,616,507	9,862,919	10,022,321	13,142,623
Charges for Services	779,071	5,580,851	5,505,042	4,393,449	4,593,760	5,413,149	6,028,757	7,863,434	5,409,631	5,936,837
Fines and Forfeitures	6,134,062	490,664	326,440	397,934	337,821	221,225	309,267	304,473	271,735	414,625
Investment Earnings	(357,891)	(4,294,468)	356,907	326,974	571,433	208,636	222,575	165,050	3,932	4,287
Interest Revenue	240,416	248,750	203,114	216,752	178,867	-	-	-	-	-
Miscellaneous	6,856,959	2,364,977	2,204,339	1,959,256	1,937,046	1,916,084	1,189,471	1,556,718	1,474,692	1,045,589
Total Revenues	92,489,912	80,474,878	78,002,480	70,474,334	68,813,623	67,278,174	64,113,074	63,260,873	57,665,701	60,189,106
Expenditures										
General Government	8,157,477	6,186,416	5,876,054	6,024,385	5,898,144	6,015,240	5,846,967	6,583,585	4,405,392	8,990,541
Police	19,141,678	18,139,281	16,430,002	16,084,590	15,382,419	15,296,168	14,333,931	13,393,476	13,537,543	13,945,665
Fire	19,724,581	19,299,020	17,179,503	16,546,025	15,104,657	14,355,370	13,333,336	12,897,000	13,190,569	12,745,412
General Service	11,254,204	12,011,366	12,046,457	9,719,958	9,166,811	8,116,595	6,752,337	5,863,844	12,877,279	8,816,579
Community Development (includes recreation in 2014)	13,982,394	11,622,857	11,714,752	10,609,180	10,128,614	9,623,457	9,856,641	9,397,002	9,162,917	10,864,968
Parking Garage	-	-	-	-	-	900,712	868,353	774,460	738,147	731,835
Debt Service										
Principal	3,912,000	3,660,406	3,226,422	3,500,011	3,689,017	3,932,977	12,233,087	3,103,572	16,910,676	2,771,777
Interest and Other Charges	1,774,782	1,779,958	1,746,281	1,443,955	1,533,222	1,682,726	1,788,432	2,116,885	1,968,945	1,754,969
Bond Issuance Costs	7,667,281	315,355	31,662	-	-	-	252,629	-	852,255	-
Capital Outlay	-	9,288,351	28,599,684	10,266,703	4,850,317	4,603,398	13,487,402	5,209,330	1,760,569	8,135,571
Total Expenditures	85,614,397	82,303,010	96,850,817	74,194,807	65,753,201	64,526,643	78,753,115	59,339,154	75,404,292	68,757,317
Excess (Deficit) of Revenues Over Expenditures	6,875,515	(1,828,132)	(18,848,337)	(3,720,473)	3,060,422	2,751,531	(14,640,041)	3,921,719	(17,738,591)	(8,568,211)
Other Financing Sources (Uses)										
Proceeds From Issuance of Debt	250,619	101,381	300,000	30,030,000	-	-	12,976,165	4,000,000	15,070,295	-
Proceeds From Bond Refinancing	-	11,723,726	-	-	-	-	-	-	14,524,705	-
Premiums on the Issuance of Debt	-	-	-	-	-	-	-	-	230,696	-
Bond refunding	-	(11,977,497)	-	-	-	-	-	-	-	-
Transfers In	13,350,681	9,891,158	10,348,269	7,221,148	4,871,026	6,907,113	6,743,730	3,168,184	799,305	1,387,729
Transfer Out	(15,350,681)	(9,991,158)	(11,436,820)	(8,866,148)	(5,342,983)	(7,257,113)	(7,802,207)	(4,533,184)	(1,909,786)	(2,361,142)
Lending	-	-	-	-	-	-	-	(4,000,000)	-	-
Proceeds from Sale of Assets	83,612	194,719	255,259	210,561	50,260	67,664	141,591	775,038	299,127	33,684
Total Other Financing Sources (Uses)	(1,665,769)	(57,671)	(533,292)	28,595,561	(421,697)	(282,336)	12,059,279	(589,962)	29,014,342	(939,729)
Special Item	-	-	-	-	-	-	-	-	-	(17,000)
Restatement	-	-	-	-	-	-	-	-	387,988	-
Increase (Decrease) in Fund Balance	\$ 5,209,746	\$ (1,885,803)	\$ (19,381,629)	\$ 24,875,088	\$ 2,638,725	\$ 2,469,195	\$ (2,580,762)	\$ 3,331,757	\$ 11,663,739	\$ (9,524,940)
Debt Service as a Percentage of Non-Capital Expenditures	15.60%	7.88%	7.33%	7.73%	8.57%	9.37%	21.48%	9.74%	27.06%	8.03%

CITY OF COVINGTON, KENTUCKY

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

Fiscal Year	Total Gross Taxable Wages	Total Withholding Fees	Total Direct Rate
2023	\$ 1,139,492,449	\$ 27,917,565	2.45%
2022	\$ 1,343,748,286	\$ 32,921,833	2.45%
2021	\$ 1,149,322,776	\$ 28,158,408	2.45%
2020	\$ 1,122,425,452	\$ 27,499,424	2.45%
2019	\$ 1,103,634,163	\$ 27,039,037	2.45%
2018	\$ 1,073,132,490	\$ 26,291,746	2.45%
2017	\$ 1,047,293,224	\$ 25,658,684	2.45%
2016	\$ 1,010,486,122	\$ 24,756,910	2.45%
2015	\$ 952,288,327	\$ 23,331,064	2.45%
2014	\$ 940,233,510	\$ 23,035,721	2.45%

CITY OF COVINGTON, KENTUCKY

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

Taxpayer	
2023	2014
Atkins & Pearce Manufacturing	Ashland Inc.
Covington Board of Education	Atkins & Pearce Manufacturing
CTI- Clinical Trial Services	Club Chef
Current HR LLC	Commonwealth of Kentucky
Erigo Inc.	Covington Board of Education
Fidelity Investments	Diocese of Covington
Gravity Diagnostics LLC	Fidelity Investments
Internal Revenue Service	Internal Revenue Service
Kentucky State Treasury	Rosedale Manor
St. Elizabeth Medical Center Inc.	St. Elizabeth Medical Center Inc.

Notes: Taxpayer information is listed alphabetically.

Source: City of Covington Finance Department

CITY OF COVINGTON, KENTUCKY

**Schedule 7 – Assessed Value and Estimated Actual Value of Taxable Property
Current and Past Nine Fiscal Years**

Fiscal Year	Real Property	Personal Property	Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2023	\$ 3,845,718	\$ 146,812	\$ 943,929	\$ 3,048,601	0.2710
2022	\$ 3,160,371	\$ 130,605	\$ 908,441	\$ 2,382,535	0.3270
2021	\$ 3,051,147	\$ 133,187	\$ 892,239	\$ 2,292,095	0.3270
2020	\$ 2,912,743	\$ 139,040	\$ 825,929	\$ 2,225,854	0.3270
2019	\$ 2,857,305	\$ 132,986	\$ 793,226	\$ 2,197,065	0.3270
2018	\$ 2,823,972	\$ 137,040	\$ 779,986	\$ 2,181,026	0.3270
2017	\$ 2,810,306	\$ 138,635	\$ 782,178	\$ 2,166,763	0.3130
2016	\$ 2,797,036	\$ 130,602	\$ 797,055	\$ 2,130,583	0.3130
2015	\$ 2,744,855	\$ 139,733	\$ 782,683	\$ 2,101,905	0.3045
2014	\$ 2,690,535	\$ 150,542	\$ 784,302	\$ 2,056,775	0.3045

Notes: Property in Covington is reassessed once every four years. City property was reassessed in 2022. The next reassessment will occur in 2026. The reassessment is conducted by the Kenton County Property Value Administrator. The property is assessed at 100% of value.

Values are stated in thousands of dollars

Tax rates are per \$100 of assessed value.

CITY OF COVINGTON, KENTUCKY

**Schedule 8 – Direct and Overlapping Property Tax Rates
Current and Past Nine Fiscal Years
(rate per \$100 of assessed value)**

Fiscal Year	City Direct Rate	School Districts					Totals	
		Covington Independent	Kenton County	County	State	Other	Covington Schools Area	Kenton County Schools Area
2023	0.2710	0.895	0.666	0.1440	0.115	0.1670	1.5920	1.3630
2022	0.3270	0.895	0.666	0.1440	0.115	0.1670	1.5920	1.3630
2021	0.3270	1.081	0.671	0.1540	0.119	0.1715	1.8525	1.4425
2020	0.3270	1.061	0.671	0.1590	0.122	0.1756	1.8446	1.4546
2019	0.3270	1.076	0.672	0.1590	0.122	0.1529	1.8369	1.4329
2018	0.3270	1.084	0.659	0.1550	0.122	0.1758	1.8638	1.4388
2017	0.3130	1.118	0.638	0.1480	0.122	0.1719	1.8869	1.4069
2016	0.3130	1.099	0.621	0.1480	0.122	0.1715	1.8535	1.3755
2015	0.3045	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

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

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

CITY OF COVINGTON, KENTUCKY

**Schedule 9 – Principal Real Property Tax Payers
Current and Past Nine Fiscal Years**

Taxpayer	2023		Percentage of Total City		2022		Percentage of Total City		2021		Percentage of Total City		2020		Percentage of Total City		2019		Percentage of Total City	
	Taxable Assessed	Rank	Value	Assessed	Value	Rank	Value	Assessed	Value	Rank	Value	Assessed	Value	Rank	Value	Assessed	Value	Rank	Value	
	Value																			
Fidelity Properties Inc	\$ 128,283,300	1	5.10%	\$ 148,302,761	1	5.11%	\$ 128,618,200	1	5.71%	\$ 128,693,700	1	5.96%	\$ 129,618,200	1	6.21%					
ARCP OFC Covington LLC	94,808,000	2	2.85%	82,625,000	3	2.85%	82,625,000	2	3.67%	82,625,000	2	3.83%	82,625,000	2	3.96%					
CPX-Rivercenter Development Corp	82,625,000	3	2.80%	83,911,618	2	2.89%	70,497,500	3	3.13%	51,000,000	3	2.36%	51,000,000	3	2.44%					
EHP Rivercenter Landmark	27,285,000	4	0.87%	25,297,600	4	0.87%	25,297,600	4	1.12%	33,578,000	4	1.56%	33,578,000	4	1.61%					
AHIP KY Covington	25,297,600	5	0.78%	22,500,000	5	0.78%	22,500,000	5	1.00%	22,500,000	5	1.04%	-		0.00%					
OH-16 FO Cincinnati	16,850,400	6	0.58%	16,850,400	6	0.58%	16,850,400	6	0.75%	19,964,000	6	0.92%	21,783,300	5	1.04%					
Cambridge Preservation LP	16,500,000	7	0.57%	16,500,000	7	0.57%	-		0.00%	-		0.00%	-		0.00%					
Atkins & Pearce Manufacturing	11,937,900	8	0.41%	11,937,900	8	0.41%	11,937,900	7	0.53%	11,937,900	7	0.55%	11,937,920	6	0.57%					
FMR Kentucky I LLC	11,381,800	9	0.39%	11,381,800	9	0.39%	11,381,800	8	0.51%	11,381,800	8	0.53%	10,482,000	9	0.50%					
J & S Latonia Centre Ky LLC	10,895,000	10	0.38%	10,895,000	10	0.38%	10,895,000	9	0.48%	10,895,000	9	0.50%	10,895,000	7	0.52%					
CIP II Buckeye Hotel	-		0.00%	-		0.00%	-		0.00%	-		0.00%	-		0.00%					
Scott Street Land Co. Inc	-		0.00%	-		0.00%	-		0.00%	-		0.00%	-		0.00%					
Trustees Latonia Plaza KY LLC	-		0.00%	-		0.00%	-		0.00%	-		0.00%	-		0.00%					
Truss Latonia Plaza KY LLC	-		0.00%	-		0.00%	-		0.00%	-		0.00%	-		0.00%					
Stronghaven Inc.	-		0.00%	-		0.00%	-		0.00%	-		0.00%	8,944,500	10	0.43%					
638 Madison LLC	-		0.00%	-		0.00%	10,774,000	10	0.48%	10,774,000	10	0.50%	10,774,000	8	0.52%					
Total	\$ 425,864,000		14.72%	\$ 430,202,079		14.83%	\$ 391,377,400		17.38%	\$ 383,349,400		17.76%	\$ 371,637,920		17.81%					

Taxpayer	2018		Percentage of Total City		2017		Percentage of Total City		2016		Percentage of Total City		2015		Percentage of Total City		2014		Percentage of Total City	
	Taxable Assessed	Rank	Value	Assessed	Value	Rank	Value	Assessed	Value	Rank	Value	Assessed	Value	Rank	Value	Assessed	Value	Rank	Value	
	Value																			
Fidelity Properties Inc	\$ 204,181,958	1	9.29%	\$ 184,387,500	1	9.01%	\$ 184,246,829	1	9.08%	\$ 184,387,500	1	9.22%	\$ 184,387,500	1	9.77%					
ARCP OFC Covington LLC	82,625,000	2	3.76%	82,625,000	2	4.04%	82,625,000	2	4.07%	82,625,000	2	0.00%	-		0.00%					
CPX-Rivercenter Development Corp	58,055,000	3	2.64%	76,991,700	3	3.76%	76,340,000	3	3.76%	82,842,400	2	4.14%	82,844,400	2	4.39%					
EHP Rivercenter Landmark	33,578,000	4	1.53%	33,578,000	4	1.64%	33,578,000	4	1.66%	33,578,000	3	1.68%	33,578,000	3	1.78%					
AHIP KY Covington	-		0.00%	-		0.00%	21,783,300	5	1.07%	21,783,300	5	0.00%	-		0.00%					
OH-16 FO Cincinnati	21,783,300	5	0.99%	21,783,300	5	1.06%	-		0.00%	-		0.00%	-		0.00%					
Cambridge Preservation LP	-		0.00%	18,000,000	6	0.88%	18,000,000	6	0.89%	11,460,000	8	0.57%	11,184,000	8	0.59%					
Northern Kentucky Assisted Living LLC	-		0.00%	11,460,000	7	0.56%	10,482,000	8	0.52%	12,314,000	7	0.62%	12,314,000	6	0.65%					
Atkins & Pearce Manufacturing	-		0.00%	12,454,000	8	0.61%	11,460,000	7	0.57%	9,550,000	9	0.48%	7,916,000	9	0.42%					
J & S Latonia Centre Ky LLC	-		0.00%	9,550,000	9	0.47%	9,550,000	9	0.47%	-		0.00%	-		0.00%					
FMR Kentucky I LLC	10,482,000	9	0.48%	7,916,000	10	0.39%	6,824,500	10	0.34%	15,174,000	5	0.76%	15,174,000	4	0.80%					
Truss Latonia Plaza KY LLC	9,550,000	10	0.43%	-		0.00%	-		0.00%	32,965,500	4	1.65%	14,960,900	5	0.79%					
CIP II Buckeye Hotel	20,340,000	6	0.93%	-		0.00%	-		0.00%	14,960,900	6	0.75%	11,460,000	7	0.61%					
Scott Street Land Co. Inc	10,917,884	8	0.50%	-		0.00%	-		0.00%	7,916,000	10	0.40%	6,824,500	10	0.36%					
Trustees Latonia Plaza KY LLC	16,229,962	7	0.74%	-		0.00%	-		0.00%	-		0.00%	-		0.00%					
Total	\$ 467,743,104		21.29%	\$ 458,745,500		22.41%	\$ 454,889,629		22.43%	\$ 405,148,300		20.26%	\$ 380,643,300		20.17%					

Prior year data has been restated to correct for errors identified by the City

Source: City of Covington Finance Department

CITY OF COVINGTON, KENTUCKY

**Schedule 10 – Property Tax Levies and Collections
Current and Past Nine Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2023	\$ 8,455,735	\$ 8,054,636	95.26%	\$ 23,298	\$ 8,077,934	95.53%
2022	7,974,171	7,093,676	88.96%	\$ 451,493	7,545,169	94.62%
2021	7,655,452	6,685,932	87.34%	\$ 279,547	6,965,479	90.99%
2020	7,415,494	6,992,813	94.30%	\$ 405,361	7,398,174	99.77%
2019	7,314,474	6,790,766	92.84%	\$ 557,708	7,348,474	100.46%
2018	7,145,767	6,925,324	96.92%	\$ 122,554	7,047,878	98.63%
2017	7,062,522	6,673,927	94.50%	\$ 54,328	6,728,255	95.27%
2016	7,064,377	6,922,314	97.99%	\$ 69,552	6,991,866	98.97%
2015	6,924,630	6,423,314	92.76%	\$ 473,261	6,896,575	99.59%
2014	6,490,788	5,843,739	90.03%	\$ 320,532	6,164,271	94.97%

Source: City of Covington Finance Department

CITY OF COVINGTON, KENTUCKY

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

Fiscal Year	General Obligation Bonds	Notes	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2023	\$ 34,260	\$ 31,069	\$ 65,329	5.36%	\$ 1,595
2022	37,749	31,561	69,310	5.84%	1,697
2021	28,958	43,948	72,905	6.86%	1,780
2020	31,629	44,657	76,286	7.77%	1,881
2019	34,600	15,610	50,210	5.39%	1,229
2018	37,602	16,786	54,388	6.02%	1,334
2017	40,540	17,791	58,331	6.45%	1,430
2016	35,952	21,648	57,600	6.84%	1,405
2015	33,584	23,131	56,715	6.79%	1,385
2014	15,826	27,974	43,800	5.25%	1,076

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

(a) See Schedule 14 for personal income and population data.

CITY OF COVINGTON, KENTUCKY

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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita	Debt Service Payments Per Capita
2023	\$ 34,260	1.12%	\$ 836.51	\$ 138.85
2022	37,749	1.58%	924.39	125.34
2021	28,958	1.26%	706.95	123.45
2020	31,629	1.44%	780.72	124.49
2019	34,600	1.61%	847.10	129.52
2018	37,602	1.78%	922.38	137.75
2017	40,540	1.93%	993.70	343.69
2016	35,952	1.60%	813.56	126.72
2015	33,584	1.60%	814.62	126.88
2014	15,826	0.75%	364.91	112.93

Source: City of Covington Finance Department

CITY OF COVINGTON, KENTUCKY

**Schedule 13 – Legal Debt Margin Information
Current and Past Nine Fiscal Years
(dollars in thousands)**

Legal Debt Margin Calculation for Fiscal Year 2023	
Assessed value	\$ 3,048,601
Debt limit (10% of assessed value)	\$ 304,860
Debt applicable to limit:	
General Obligation	\$ 65,329
Total debt applicable to limit	\$ 65,329
Legal debt margin	\$ 239,531

	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Debt limit	\$ 304,860	\$ 238,254	\$ 229,235	\$ 229,210	\$ 214,326	\$ 211,372	\$ 210,304	\$ 216,662	\$ 213,044	\$ 209,817
Total net debt applicable to limit	65,329	69,310	72,906	76,287	50,209	54,388	58,331	57,600	56,715	43,800
Legal debt margin	\$ 239,531	\$ 168,944	\$ 156,329	\$ 152,923	\$ 164,117	\$ 156,984	\$ 151,973	\$ 159,062	\$ 156,329	\$ 166,017
Total net debt applicable to the limit as a percentage of debt limit	21.43%	29.09%	31.80%	33.28%	23.43%	25.73%	27.74%	26.59%	26.62%	20.88%

Source: City of Covington Finance Department

CITY OF COVINGTON, KENTUCKY

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

Fiscal Year	Population (a)	Personal Income (thousands of dollars)	Per Capita Personal Income (b)	Median Age (c)	School Enrollment (d)	Unemployment Rate (e)
2023	40,956	1,219,383	29,773	36.7	3,642	4.4%
2022	40,837	1,185,825	29,038	36.7	3,796	4.3%
2021	40,961	1,062,569	25,941	36.0	4,119	3.7%
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	841,931	20,563	33.1	4,165	5.1%
2014	40,713	837,181	20,563	33.1	4,165	6.5%

Sources:

- (a) <https://www.census.gov/quickfacts/fact/table/covingtoncitykentucky#>
- (b) <https://www.neighborhoodscout.com/ky/covington/demographics>
- (c) <https://datausa.io/profile/geo/covington-ky/>
- (d) <nces.ed.gov>
- (e) https://ycharts.com/indicators/covington_ky_unemployment_rate

CITY OF COVINGTON, KENTUCKY

Schedule 15 – Principal Employers
Current and Past Nine Fiscal Years

Employer	2023			2022			2021			2020			2019		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fidelity Investments	6,553	1	10.37%	4,957	1	8.65%	4,837	1	8.44%	4,729	1	12.49%	2,069	2	5.87%
Internal Revenue Service	2,592	2	4.10%	2,592	2	4.52%	1,993	2	3.48%	1,993	2	5.26%	3,951	1	11.21%
Covington Board of Education	687	3	1.09%	691	3	1.21%	914	3	1.59%	914	3	2.41%	914	4	2.59%
United States Postal Service	678	4	1.07%	678	4	1.18%	678	5	1.18%	658	4	1.74%	-	-	0.00%
Erigo	517	5	0.82%	450	6	0.78%	400	10	0.70%	-	-	-	-	-	-
Commonwealth of Kentucky	505	6	0.80%	437	7	0.76%	553	6	0.96%	512	7	1.35%	477	7	1.35%
RDI Corporation	489	7	0.77%	-	-	0.00%	802	4	1.40%	-	-	0.00%	-	-	0.00%
CTI-Clinical Trial Services Inc	427	8	0.68%	404	8	0.70%	-	-	0.00%	402	10	1.06%	408	8	1.16%
St. Elizabeth Hospital	427	9	0.68%	387	9	0.67%	-	-	0.00%	-	-	0.00%	-	-	0.00%
Kroger LTD Partnership I	406	10	0.64%	374	10	0.65%	405	9	0.71%	-	-	-	-	-	-
Gravity Diagnostics LLC	-	-	0.00%	466	5	0.81%	-	-	-	-	-	-	-	-	-
Taylor Farms Tennessee	-	-	0.00%	-	-	0.00%	550	7	0.96%	550	5	1.45%	-	-	0.00%
Ngroup Inc.	-	-	0.00%	-	-	0.00%	537	8	0.94%	-	-	-	1,039	3	2.95%
Club Chef	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	-	488	6	1.38%
Rosedale Manor	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	-	339	10	0.96%
Atkins & Pearce Mfg	-	-	0.00%	-	-	0.00%	-	-	0.00%	-	-	-	524	5	1.49%
Crown Services Inc.	-	-	0.00%	-	-	0.00%	-	-	0.00%	549	6	1.45%	-	-	0.00%
Kenton County Fiscal Court	-	-	0.00%	-	-	0.00%	421	9	0.74%	421	9	1.11%	-	-	0.00%
Diocese of Covington Bd of Ed	-	-	0.00%	-	-	0.00%	427	8	0.74%	427	8	1.13%	403	9	1.14%
Total	13,281		21.01%	11,436		19.94%	11,669		20.35%	11,155		29.46%	10,612		30.10%

Employer	2018			2017			2016			2015			2014		
	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	4,046	1	15.10%	4,088	1	15.25%	4,046	1	15.10%	4,500	1	16.79%	4,500	1	16.79%
Fidelity Investments	3,923	2	14.64%	4,028	2	15.03%	3,923	2	14.64%	3,923	2	14.64%	4,100	2	15.30%
Club Chef	1,270	3	4.74%	-	-	0.00%	1,281	3	4.78%	408	7	1.52%	-	-	0.00%
Covington Board of Education	914	4	3.41%	940	3	3.51%	914	4	3.41%	760	3	2.84%	925	3	3.45%
Commonwealth of Kentucky	561	5	2.09%	487	5	1.82%	561	5	2.09%	501	5	1.87%	360	5	1.34%
Diocese of Covington Bd of Ed	404	6	1.51%	398	7	1.49%	-	-	-	431	6	1.61%	800	4	2.99%
St. Elizabeth Hospital	397	7	1.48%	414	6	1.54%	445	6	1.66%	173	9	0.65%	590	6	2.20%
Rosedale Manor	488	8	1.82%	233	9	0.87%	329	8	1.23%	-	-	0.00%	162	8	0.60%
Atkins & Pearce Mfg	329	9	1.23%	-	-	0.00%	81	10	0.30%	94	10	0.35%	100	10	0.37%
CTI-Clinical Trial Services Inc	220	10	0.82%	742	4	2.77%	742	4	2.77%	-	-	-	-	-	-
Ashland Inc	-	-	-	351	8	1.31%	-	-	-	-	-	-	225	9	0.84%
Kenton County Fiscal Court	-	-	-	220	10	0.82%	-	-	-	659	4	2.46%	-	-	0.00%
A.C. Nielsen	-	-	-	-	-	0.00%	89	9	0.33%	220	8	0.82%	463	7	1.73%
KY Community & Tech College	-	-	-	-	-	0.00%	-	-	-	-	-	-	-	-	-
No. KY MH-MR Board	-	-	-	-	-	0.00%	-	-	-	-	-	-	-	-	-
Total	12,552		46.84%	11,901		44.41%	12,083		45.09%	11,669		43.54%	12,225		45.62%

Source: City of Covington Finance Department

CITY OF COVINGTON, KENTUCKY

**Schedule 16 – Full-Time Equivalent City Government Employees by Function/Program
Current and Past Nine Fiscal Years**

	<u>Full-time-Equivalent Employees as of June 30</u>									
<u>Function/Program</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Government										
Management Services	25	22	18	15	15	15	16	16	16	14
Finance	13	11	13	12	13	10	7	9	9	10
Economic Development/Neighborhood	14	11	12	10	9	8	12	12	8	10
Code Enforcement	6	6	6	2	2	2	1	0	7	8
Housing	6	6	6	6	6	6	7	7	7	7
Waste	3	2	2	2	2	0	0	0	0	0
Police										
Officers	118	107	112	111	111	110	102	102	104	106
Civilians	10	10	10	11	11	8	7	7	7	9
Fire										
Firefighters and Officers	152	118	122	119	119	121	114	114	108	113
Civilians	1	1	1	1	1	1	0	0	0	1
Other										
Public Improvements	48	47	51	45	32	30	30	30	47	47
Parks and Recreation	21	4	4	4	19	19	19	19	0	1
Total	417	345	357	338	340	330	315	316	313	326

Source: City of Covington Finance Department

CITY OF COVINGTON, KENTUCKY

**Schedule 17 – Operating Indicators by Function/Program
Current and Past Nine Fiscal Years**

<u>Function/Program</u>	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police										
Physical arrests	2,986	2,885	3,413	4,013	4,018	4,016	3,943	4,141	4,047	4,346
Parking violations *	20,643	14,703	7,659	13,230	11,233	12,352	11,637	13,333	13,847	10,952
Traffic violation *	7,451	8,143	7,781	5,421	6,341	3,606	2,925	5,097	5,979	5,117
Fire										
Fire responses	2,322	2,193	2,262	2,522	2,450	2,346	2,413	2,620	3,930	3,126
Ambulance runs	9,389	9,219	8,704	9,052	9,515	9,420	9,449	9,604	9,603	9,304
Inspections	1,160	912	818	1,566	2,307	2,909	2,465	2,310	1,481	1,963

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

Source: City of Covington Police and Fire Record Management System

CITY OF COVINGTON, KENTUCKY

**Schedule 18 – Capital Assets Statistics by Function/Program
Current and Past Nine Fiscal Years**

<u>Function/Program</u>	Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-Stations	2	2	2	2	2					
Patrol units	114	114	114	114	114	114	118	126	126	128
Fire stations	5	5	5	5	5	5	5	5	5	5
Other Public Works										
Streets (miles)	260	260	260	260	260	260	235	235	235	191
Streetlights	3,535	3,231	3,231	3,231	3,231	3,231	3,785	3,785	3,785	3,785
Miles of Sidewalks	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545	1,545
Parks and recreation										
Parks	24	27	27	27	27	24	24	24	24	22
Acreage	859	859	859	859	859	859	859	859	859	850
Playgrounds	14	14	14	14	14	14	13	13	13	28
Baseball/softball diamonds	6	7	7	7	7	7	9	7	7	9
Soccer/football fields	3	3	3	3	3	2	2	2	2	2
Swimming pools	2	2	2	2	2	2	2	2	2	2
Water Park	1	1	1	1	1	1	1	1	1	1
Golf Courses	1	1	1	1	1	1	1	1	1	1
Disc Golf Course	1	-	-	-	-	-	-	-	-	-

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

CITY OF COVINGTON, KENTUCKY

**Schedule 19 – Direct and Overlapping Governmental Activities Debt
June 30, 2023**

(amounts in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (3)	Estimated Share of Overlapping Debt
Kenton County	\$ 76,714 (1)	24.16%	\$ 18,534
Covington Independent School District	<u>22,305 (2)</u>	100.00%	<u>22,305</u>
Subtotal, overlapping debt	<u><u>\$ 99,019</u></u>		<u><u>40,839</u></u>
 City of Covington direct debt			 65,329
Total direct and overlapping			<u><u>\$ 106,168</u></u>

Source: Kentucky local Debt Report

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

(1) Kenton County Treasurer's office

(2) Covington Independent School District, Finance Department

(3) The percentage of overlapping debt applicable to the City of Covington is estimated using the percentage of Covington residents in each of the overlapping districts by the 2020 U.S. Census

CITY OF COVINGTON, KENTUCKY

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Agreement Number</u>	<u>Revenues for FYE June 30, 2023</u>	<u>Expenditures for FYE June 30, 2023</u>
<u>U.S. Department of Housing and Urban Development</u>				
Section 8 Housing Choice Voucher			\$ 7,494,498	\$ 7,494,498
Community Development Block Grants/Entitlement Grants (see Note 4)	14.218	B-21-MC-21-0001	2,635,663	2,635,663
Community Development Block Grants/Entitlement Grants	14.218	Loans Outstanding	-	150,000
Total Community Development Block Grants/Entitlement Grants			<u>2,635,663</u>	<u>2,785,663</u>
HOME Investment Partnership Programs	14.239	M-20-DC-21-0200	507,413	507,413
		Loans Outstanding	-	378,717
Total Home Investment Partnership Programs			<u>507,413</u>	<u>886,130</u>
Lead Based Paint Hazard Reduction Program	14.900	KYLHB0676-18	95,710	95,710
Total U.S. Department of Housing and Urban Development			<u>10,733,284</u>	<u>11,262,001</u>
<u>Department of Justice</u>				
Bulletproof Vest Partnership Program	16.607	N/A	14,969	14,969
Equitable sharing program	16.922	N/A	68,434	68,434
<i>Pass through from Kenton County</i>				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0159	12,094	12,094
Total U.S. Department of Justice			<u>95,497</u>	<u>95,497</u>
<u>Department of Transportation</u>				
<i>Pass through from Kentucky Transportation Cabinet</i>				
Highway Planning and Construction - 7th Street Streetscape	20.205	3002-340	2,797	2,797
Highway Planning and Construction - Madison Avenue Streetscape	20.205	3002-340	2,762	2,762
Total Highway Planning and Construction			<u>5,559</u>	<u>5,559</u>
State and Community Highway Safety	20.600	AL-2019-09-00-00	89,978	89,978
<i>Pass through from City of Erlanger</i>				
State and Community Highway Safety	20.600	AL-2019-09-00-00	35,770	35,770
Total State and Community Highway Safety			<u>125,748</u>	<u>125,748</u>
Total Department of Transportation			<u>131,307</u>	<u>131,307</u>
<u>Department of the Interior</u>				
<i>Pass through from the Kentucky Heritage Council</i>				
Historic Preservation Fund Grants-in-Aid	15.904	N/A	\$ 48,338	\$ 48,338
Total Department of Interior			<u>48,338</u>	<u>48,338</u>
<u>Department of Homeland Security</u>				
FEMA Port Security Grant Program	97.056	EMW-2018-PU-0036	19,837	19,837
FEMA Port Security Grant Program	97.056	EMW-2018-PU-0036	209,123	209,123
Total FEMA Port Security Grant Program			<u>228,960</u>	<u>228,960</u>
Total Department of Homeland Security			<u>228,960</u>	<u>228,960</u>
<u>Department of the Treasury</u>				
COVID-19 - Coronavirus State Fiscal Recovery Fund	21.027	P0 1122100000770	8,889,043	8,889,043
Total Department of the Treasury			<u>8,889,043</u>	<u>8,889,043</u>
<u>Department of Commerce</u>				
Economic Adjustment Program for Covington Central Riverfront Development	11.307	4-79-07697	1,471,558	1,471,558
Total Department of Commerce			<u>1,471,558</u>	<u>1,471,558</u>
Total Expenditures of Federal Awards			<u>\$ 21,597,987</u>	<u>\$ 22,126,704</u>

CITY OF COVINGTON, KENTUCKY

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Covington, Kentucky under programs of the federal government for the year ended June 30, 2023 and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the City of Covington, Kentucky, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 4 PASSTHROUGH ENTITIES

Passthrough entity numbers were presented when available.

NOTE 5 SUBRECIPIENTS

The City passed through \$197,047 of Community Development Block Grant (14.218) funds to subrecipients during the year ended June 30, 2023.

**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, each major fund, and the aggregate remaining fund information of the City of Covington, Kentucky, as of and for the year ended June 30, 2023, 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 April 12, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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

Purpose of this Report

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



Crestview Hills, Kentucky
April 12, 2024

**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

Opinion on Each Major Federal Program

We have audited the City of Covington, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Covington, Kentucky's major federal programs for the year ended June 30, 2023. 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.

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, 2023.

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.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Covington, Kentucky and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Covington, Kentucky's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Covington, Kentucky's federal programs.

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Covington, Kentucky's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Covington, Kentucky's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Covington, Kentucky's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Covington, Kentucky's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Covington, Kentucky's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Crestview Hills, Kentucky
April 12, 2024

CITY OF COVINGTON, KENTUCKY

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

SECTION I -SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None noted

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR Section 200.516(a)? _____ Yes X No

Identification of major programs

ALN No.	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Voucher
21.027	Coronavirus State Fiscal Recovery Fund
11.307	Economic Adjustment Program

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

Auditee qualified as low-risk auditee? X Yes _____ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

CITY OF COVINGTON, KENTUCKY

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

SECTION I – SUMMARY OF PRIOR YEAR AUDITOR’S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Finding 2022-001 – Significant Deficiency – Audit Adjustments

Statement of prior year deficiency: Significant audit adjustments were necessary to adjust receivables, revenues, deferred income, bond proceeds, debt service, capital outlay and depreciation expense.

Current year status: Resolved during the year ended June 30, 2022. The City made improvements to enhance internal controls through management review of transactions and reconciliations.

Finding 2022-002 – Significant Deficiency – Credit Card Controls

Statement of prior year deficiency: The City did not communicate the change in the credit card policy, detailing that employees are required to provide written documentation of their review and approval of their credit card statement.

Current year status: Resolved during the year ended June 30, 2022. The City implemented several new credit card controls during the period and intends to continue to enhance its internal controls over employee credit card usage.

Finding 2022-003 – Significant Deficiency – Accounting Software Controls

Statement of prior year deficiency: The City did not effectively monitor internal controls within the accounting software, including software access levels, and the function that was designed to reject invoices in excess of 110% of the value of the approved purchase order.

Current year status: Resolved during the year ended June 30, 2022. The City updated its accounting software controls to restrict PO editing to 110% by fiscal year end.

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

Finding 2022-004 – Significant Deficiency – Coronavirus State and Local Fiscal Recovery Funds (21.027) – Reporting

Statement of prior year deficiency: A deficiency in the operation of internal controls resulted in the City not reporting expenditures in the Replace Lost Revenue category on their Project and Expenditure report.

Current year status: Resolved during the year ended June 30, 2022. The City enhanced its internal controls over ARPA reporting through improved internal communication and training of staff to ensure proper reporting of the Replace Lost Revenue category.

APPENDIX D
CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024C

STATEMENT OF INDEBTEDNESS

STATEMENT OF INDEBTEDNESS

**KY CONST. §§ 157 and 158
KRS § 66.041**

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF KENTON)

The undersigned Finance Director of the City of Covington, Kentucky (the ‘‘City’’), does hereby certify that the following statements concerning the financial condition of the City are all true and correct, as they appear from the records of the City:

1. The assessed valuation of all of the taxable property in the City, as estimated on the last certified assessment is	\$3,048,601,000
2. The current population of the City is	40,956
3. The total of all bonds, notes, and other obligations issued and outstanding, including the Bonds of \$26,580,000*	\$111,337,201*
4. Bonds, notes, and other obligations excluded from the calculation of net indebtedness are as follows:	
(a) Obligations issued in anticipation of the levy or collection of special assessments that are payable solely from those assessments or are otherwise self-supporting obligations	\$0
(b) Obligations issued in anticipation of the collection of current taxes or revenues for the fiscal year which are payable within that fiscal year	\$0
(c) Obligations, which are not self-supporting obligations, issued after July 15, 1996, by any instrumentality of the City established for the purpose of financing public projects for which there has been no pledge to the payment of debt charges of any tax of the City or for which there is no covenant by the City to collect or levy a tax to pay debt charges	\$0
(d) Self-supporting obligations and other obligations for which there has been no pledge to the payment of debt charges of any tax of the City or for which there is no covenant by the City to collect or levy a tax to pay debt charges	\$5,150,184
(e) Obligations issued to pay the costs of public projects to the extent they are issued in anticipation of the receipt of, and are payable as to principal from, federal or state grants within that fiscal year	\$0
(f) Leases entered into under KRS Sections 65.940 to 65.956 after July 15, 1996 which are not tax-supported leases	\$0
(g) Bonds issued in the case of any emergency, when the public health or safety should so require	\$0
(h) Bonds issued to fund a floating indebtedness	<u> \$0</u>
TOTAL EXEMPT OBLIGATIONS	<u>\$5,150,184</u>
5. The total of bonds, notes, and other obligations subject to the debt limitation set forth in KRS Section 66.041 (Line 3 minus Line 4) is	\$106,187,017*

* Preliminary, subject to change.

6. The total of all bonds, notes, and other obligations subject to the debt limitation set forth in KRS Section 66.041, as computed in Line 5, does not exceed 10% of the assessed valuation of all of the taxable property in the City.**
7. The current tax rates of the City, for other than school purposes, upon the value of its taxable property is \$0.277 per \$100.00 of assessed valuation for real property and \$0.359 per \$100.00 of assessed valuation for tangible property, which rates do not exceed the maximum permissible tax rates for the City set forth in Section 157 of the Kentucky Constitution.***
8. The issuance of the bonds, bond anticipation notes, or other obligations set forth in Line 3 hereof will not cause the tax rate set forth in Paragraph 7 hereof to increase in an amount which would exceed the maximum permissible tax rate for the City as set forth in Section 157 of the Kentucky Constitution.***

IN WITNESS WHEREOF, I have hereunto set my hand this November 12, 2024.

CITY OF COVINGTON, KENTUCKY

By: _____
Finance Director

** In accordance with KRS Section 66.041, a city, county, urban-county, consolidated local government, charter county, or taxing district shall not incur net indebtedness in an amount exceeding the following maximum percentages on the value of taxable property within the city, county, urban-county, consolidated local government, charter county, or taxing district, as estimated by the last certified assessment before the incurring of the indebtedness:

- (a) Cities, urban-counties, consolidated local governments, and charter counties having a population of 15,000 or more, 10%;
- (b) Cities, urban-counties, and charter counties having a population of less than 15,000 but not less than 3,000, 5%;
- (c) Cities, urban-counties, and charter counties having a population of less than 3,000, 3%; and
- (d) Counties and taxing districts, 2%.

*** In accordance with Section 157 of the Kentucky Constitution, the tax rates of cities, counties, and taxing districts, for other than school purposes, shall not, at any time, exceed the following rates upon the value of the taxable property therein:

- (a) Cities having a population of 15,000 or more, \$1.50 per \$100.00 of assessed valuation;
- (b) Cities having a population of less than 15,000 but not less than 10,000, \$1.00 per \$100.00 of assessed valuation;
- (c) Cities having a population of less than 10,000, \$0.75 per \$100.00 of assessed valuation; and
- (d) Counties and taxing districts, \$0.50 per \$100.00 of assessed valuation.

APPENDIX E

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024C**

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL FOR THE BONDS

The form of the legal approving opinion of Dinsmore & Shohl LLP, Bond Counsel for the Bonds, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds and may vary from the form set forth below in order to reflect circumstances, both factual and legal, at the time of such delivery. Recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in its approving legal opinion subsequent to the date of such opinion.

[Date of Delivery]

Ladies and Gentlemen:

We have examined the transcript of proceedings for the issue of \$26,580,000* General Obligation Bonds, Series 2024C (the “Bonds”) of the City of Covington, Kentucky (the “City”), dated November 12, 2024, numbered R-1 upward, respectively, and of denominations of \$5,000 and any integral multiple thereof. The Bonds mature, bear interest, and are subject to [mandatory and] optional redemption upon the terms set forth therein. We have also examined a specimen Bond.

Based on this examination, we are of the opinion, based upon laws, regulations, rulings, and decisions in effect on the date hereof, that:

1. The Bonds constitute valid obligations of the City in accordance with their terms, which, unless paid from other sources, are payable from taxes to be levied by the City without limitation as to rate.

2. Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the Bonds is excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Further, interest on the Bonds will not be treated as a specific item of tax preference in computing the federal alternative minimum tax imposed on individuals. In rendering the opinions set forth in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal or state tax consequences of purchasing, holding, or disposing of the Bonds.

3. The interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky.

4. The Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

The City has not designated the Bonds as “qualified tax-exempt obligations” with respect to investments by certain financial institutions under Section 265 of the Code.

In giving this opinion, we have relied upon covenants and certifications of facts, estimates, and expectations made by officials of the City and others contained in the transcript, which we have not independently verified. It is to be understood that the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws in effect from time to time affecting creditors’ rights, and to the exercise of judicial discretion.

Very truly yours,

* Preliminary; subject to change.

APPENDIX F

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024C**

BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity date of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered under the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of any sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between the Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, the National Securities Clearing Corporation, and the Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners of the Bonds will not receive written confirmation from DTC of their purchase. Beneficial Owners of the Bonds are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of any notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants or Indirect Participants to Beneficial Owners of the Bonds will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails

an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (as identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from The City or the Paying Agent, on the payable date in accordance with their respective holdings, as shown on DTC's records. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as the securities depository with respect to the Bonds at any time by giving reasonable notice to the City or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX G

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024C**

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$26,580,000*

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024C**

Notice is hereby given that electronic bids will be received by the City of Covington, Kentucky (the “City”), until 11:00 a.m., E.S.T., on October 29, 2024, (or at such later time and date announced at least 48 hours in advance via the BiDCOMP™/PARITY™ system) for the purchase of \$26,580,000* aggregate principal amount of the City’s General Obligation Bonds, Series 2024C (the “Bonds”). Alternatively, written and sealed or facsimile bids for the Bonds submitted by the designated time will be received by the Finance Director of the City at 20 West Pike Street, Covington, Kentucky 41011 (FAX: (859) 292-2131). Electronic bids for the Bonds must be submitted through the BiDCOMP™/PARITY™ system, as described herein. No other provider of electronic bidding services will be accepted. Bids will be opened and acted upon on October 29, 2024.

STATUTORY AUTHORITY, SECURITY, AND PURPOSE OF ISSUES

The Bonds are authorized by Sections 66.011 to 66.191, inclusive, of the Kentucky Revised Statutes and are being issued under and in accordance with a Bond Ordinance adopted by the Board of Commissioners of the City on August 27, 2024 (the “Bond Ordinance”).

The Bonds are general obligation bonds and constitute a direct indebtedness of the City. The Bonds are secured by the City’s ability to levy, and its pledge to levy, an ad valorem tax on all property within the City in a sufficient amount to pay the principal of and interest on the Bonds when due.

The Bonds are being issued for the purposes of (i) financing all or a portion of the costs of the acquisition, construction, installation, and equipping of a new city hall building for the well-being and benefit of the citizens of the City, (ii) paying the costs of credit enhancement for the Bonds, if any, and (iii) paying all or a portion of the costs of issuance of the Bonds.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS, AND PAYING AGENT

The Bonds shall be dated their date of initial issuance and delivery and shall bear interest from such date. Interest on the Bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2025.

The Bonds are scheduled to mature on December 1, in each of the years as follows:

Maturity	Amount*	Maturity	Amount*
December 1, 2025	\$25,000	December 1, 2040	\$870,000
December 1, 2026	25,000	December 1, 2041	905,000
December 1, 2027	30,000	December 1, 2042	940,000
December 1, 2028	35,000	December 1, 2043	980,000
December 1, 2029	40,000	December 1, 2044	1,015,000
December 1, 2030	65,000	December 1, 2045	1,570,000
December 1, 2031	50,000	December 1, 2046	1,645,000
December 1, 2032	50,000	December 1, 2047	1,710,000
December 1, 2033	50,000	December 1, 2048	1,785,000
December 1, 2034	50,000	December 1, 2049	1,860,000
December 1, 2035	290,000	December 1, 2050	1,950,000
December 1, 2036	280,000	December 1, 2051	2,030,000
December 1, 2037	725,000	December 1, 2052	2,105,000
December 1, 2038	755,000	December 1, 2053	2,200,000
December 1, 2039	785,000	December 1, 2054	1,760,000

The Bonds maturing on and after December 1, 2033 are subject to optional redemption before maturity on and after December 1, 2032, in whole or in part, in such order of maturity as shall be designated in writing by the City and

* Preliminary, subject to change.

by lot within a maturity, at the election of the City upon thirty-five days' prior written notice to U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Paying Agent and Bond Registrar for the Bonds (the "Paying Agent and Bond Registrar"), at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest on such principal amount to the date of redemption.

At least thirty days before the redemption date of any Bonds, the Paying Agent and Bond Registrar shall cause a notice of such redemption, either in whole or in part, signed by the Paying Agent and Bond Registrar, to be mailed, first class, postage prepaid, to all of the registered owners of the Bonds to be redeemed at their addresses as they appear on the registration books kept by the Paying Agent and Bond Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption of Bonds for which such notice has been sent. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive number or letters, if any, of such Bonds to be redeemed.

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Bonds are as follows:

(A) The aggregate principal amount of the Bonds and the annual maturing principal amount of the Bonds (collectively, the "Preliminary Amounts") offered for sale as set forth herein may be revised before the submission of bids for the purchase of the Bonds. Any such revisions (the "Revised Amounts") WILL BE GIVEN BY A NOTIFICATION PUBLISHED NO LATER THAN (1) 10:00 A.M., E.S.T., ON OCTOBER 29, 2024. If no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts and will remain as stated herein. BIDDERS SHALL SUBMIT BIDS BASED ON THE REVISED AMOUNTS, IF ANY. Any prospective bidders may request notification by facsimile transmission or by email of any revisions to the Preliminary Amounts, together with receipt of a revised Official Bid Form for the Bonds by so advising and providing their telecopier number(s) or providing their email information to RSA Advisors, LLC, Lexington, Kentucky, the Municipal Advisor to the City, at (800) 255-0795, by (i) 9:00 a.m., E.S.T., with respect to the Bonds, on October 29, 2024.

(B) Electronic bids for the Bonds must be submitted through BiDCOMP™/PARITY™ system. No other provider of electronic bidding services will be accepted. A subscription to the BiDCOMP™/PARITY™ Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For purposes of the bidding process, the time maintained by BiDCOMP™/PARITY™ shall constitute the official time with respect to all bids, whether in electronic or written form. To the extent any instructions or directions of BiDCOMP™/PARITY™ conflict with the terms of these Official Terms and Conditions of Bond Sale, these Official Terms and Conditions of Bond Sale shall prevail. All electronic bids made through the facilities of BiDCOMP™/PARITY™ shall be deemed an offer to purchase the Bonds in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed and sealed written bids delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of prospective bidders. Notwithstanding the foregoing, non-electronic bids for the Bonds may be submitted via facsimile or by hand delivery utilizing the applicable Official Bid Form. In addition, written bids (in a sealed envelope marked "Official Bid for Bonds") or facsimile bids for the Bonds by the designated time will be received by the Finance Director of the City at 20 West Pike Street, Covington, Kentucky 41011 (FAX: (859) 292-2131).

(C) Bidders for the Bonds are required to bid for the entire issue of Bonds at a minimum price of not less than \$26,048,400 (98.00% of par), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.

(D) Interest rates for the Bonds must be in multiples of 0.125% and/or 0.05%. The rate on the Bonds in any maturity may be less than the rate on the Bonds for any preceding maturity. All Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

(E) The determination of the best bid for the purchase of the Bonds shall be made on the basis of all bids submitted for exactly \$26,580,000 aggregate principal amount of Bonds offered for sale hereunder; provided that the City may adjust the principal amount of the Bonds awarded to the best bidder therefor downward by any amount, in increments of \$5,000 (the "Permitted Adjustment"). The price at which such adjusted principal amount of Bonds will be sold will be

the same price per \$1,000 of Bonds as the price per \$1,000 for the Bonds bid. If the principal amount of any maturity of the Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter's Discount on the Bonds as submitted by the successful bidder, shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the successful bidder for such Bonds and the price at which such Bonds will be issued to the public, calculated from information provided by the applicable bidder, divided by the par amount of the Bonds bid.

While it is the City's intention to sell and issue the approximate par amounts of the Bonds as set forth herein, there is no guarantee that adjustments or revisions may not be necessary in order to properly size the Bonds. Accordingly, the City reserves the right, in its sole discretion, to adjust up or down the original par amount of the Bonds per maturity, even if the issue size of the Bonds does not change. Among other factors the City may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds, is the size of individual maturities or sinking fund installments, assuring aggregate level debt service, or other preferences of the City.

Upon any such adjustment or revision with respect to the Bonds, no rebidding for the Bonds will be permitted, and the portion of such premium or discount (as may have been bid on the Bonds) shall be adjusted in the same proportion as the amount of such revision in the par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be notified by no later than 5:00 p.m. E.S.T., on October 29, 2024 of the exact revisions or the adjustment required with respect to the Bonds, if any.

(F) Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of Bonds scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such term Bonds scheduled in the year of maturity of the term Bonds, which principal amount shall mature in that year.

(G) The successful bidder for the Bonds will be required to pay the cost for obtaining CUSIP identification numbers for the Bonds. CUSIP numbers will be printed on the Bonds at the expense of the City. Improper imprintation or the failure to imprint CUSIP numbers on the Bonds shall not constitute cause for a failure or refusal by the applicable purchaser to accept delivery of and to pay for such Bonds in accordance with the terms of any accepted proposal for the purchase of such Bonds.

(H) The City will provide the successful bidders with a Final Official Statement, in accordance with SEC Rule 15c2-12. The Final Official Statement will be provided in electronic form to the successful bidders, in sufficient time to meet the delivery requirements of the SEC and the Municipal Securities Rulemaking Board. The successful bidders will be required to pay for the printing of Final Official Statements.

(I) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder for the Bonds will be required to wire transfer, to the order of the City, an amount equal to 2% of the amount of the principal amount of the Bonds awarded by the close of business on the day following the award. This good faith amount shall be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of the Bonds when ready. The good faith amount will be applied (without interest) to the purchase price of such Bonds, upon the delivery of such Bonds to the successful bidder therefor. The successful bidder for the Bonds shall not be required to take delivery of and pay for the Bonds unless delivery is made within 45 days from the date the bid is accepted.

(J) The Depository Trust Company ("DTC"), New York, New York, will act as the securities depository for the Bonds. The Bonds will be issued as fully-registered securities, registered in the name of Cede & Co. (as DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is, in turn, to be recorded on the records of the Direct Participants or of securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). The Beneficial Owners of the Bonds will not receive written confirmation from DTC of their purchase, but are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into such transaction. Any transfers of ownership interests in the Bonds are to be

accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. The successful bidder may also elect to notify the Municipal Advisor within 24 hours of the award that standard bond certificates be issued. If certificated Bonds are to be issued at the election of a successful bidder, the costs of printing such Bond Certificates shall be borne by such bidder.

(K) The City reserves the right to reject any bid, to waive any informality in a bid, or, upon 24 hours advance notice before the sale date given through BiDCOMP™/PARITY™ to postpone the sale date of the Bonds.

The Bonds are offered for sale subject to the principal of and interest on the Bonds not being subject to federal income taxation, Kentucky income taxation, or Kentucky ad valorem taxation on the date of the delivery thereof to the successful bidder therefor, all in accordance with the final approving legal opinion with respect to the Bonds provided by Dinsmore & Shohl LLP, Covington, Kentucky, which opinion will be qualified in accordance with the section hereof entitled TAX TREATMENT.

(L) Bidders are hereby advised that RSA Advisors, LLC has been employed as an independent registered municipal advisor in connection with the issuance of the Bonds. Their fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

(M) The purchasers of the Bonds will be required to certify to the City regarding certain of their activities concerning any reoffering to the public of the Bonds, including any reoffering prices, which information shall also be made available to the Municipal Advisor immediately after the sale of the Bonds.

(N) Unless bids for the Bonds are rejected, the Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid result in the lowest true interest rate to be calculated as that rate (or yield) that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semiannually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds. For purposes of calculating the true interest cost, the principal amount of any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the Bonds. If two or more bidders offer to purchase Bonds at the same lowest true interest cost, then the Finance Director or the City Manager, upon the advice of the Municipal Advisor, shall determine (in his sole discretion) which of the bidders shall be awarded such Bonds.

(O) Additional information regarding the Bonds, including the Preliminary Official Statement, the Official Terms and Conditions of Bond Sale, and the Official Bid Forms for the Bonds, may be obtained from the City's Municipal Advisor, RSA Advisors, LLC at 147 East Third Street, Lexington, Kentucky 40508, Telephone: (800) 255-0795. Further information regarding BiDCOMP™/PARITY™ may be obtained from BiDCOMP™/PARITY™, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: (800) 850-7422.

(P) At the election and cost of the purchaser of the Bonds, one or more maturities of the Bonds may be insured under a municipal bond insurance policy. In such event, the City agrees to cooperate with such purchaser to qualify the Bonds for bond insurance; provided, however, that the City will not assume any of the expenses incident to the issuance of such bond insurance policy, other than the costs for securing a rating of the Bonds from Moody's Investors Service, Inc.

(Q) The winning bidder of the Bonds shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City, on or before the closing date, an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or sale prices of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the applicable form attached hereto as Exhibit A-1 or Exhibit A-2, as the case may be, with such modifications as may be appropriate or necessary, in the reasonable judgment of such winning bidder, the City, and Bond Counsel. All actions to be taken by the City under these Official Terms and Conditions of Bond Sale to establish the issue prices of the Bonds may be taken on behalf of the City by the City's Municipal Advisor identified herein and any notice or report to be provided to the City shall be provided to the City's Municipal Advisor.

The City intends that the provisions of Treasury Regulation § 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) the City shall disseminate these Official Terms and Conditions of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost, all as set forth in these Official Terms and Conditions of Bond Sale.

Any bid submitted in accordance with these Official Terms and Conditions of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(R) If the competitive sale requirements are not satisfied for the Bonds, the City shall so advise the winning bidder. Thereupon, the City will treat the initial offering price of the Bonds to the public as of the sale date of any maturity of such Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). A bid for the Bonds will not be subject to cancellation if the City determines to apply the hold-the-offering-price rule to any maturity of such Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of such Bonds.

If the competitive sale requirements are not satisfied for the Bonds, the winning bidder for the Bonds shall assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City, at closing, an “issue price” or similar certificate setting forth the hold-the-offering-price rule as the issue price of that maturity, in each case, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each CUSIP number within that maturity), substantially in the form attached hereto as Exhibit A-2, with any such modifications as may be appropriate or necessary in the reasonable judgment of such winning bidder, the City, and Bond Counsel.

(S) The City acknowledges that, in making the representations set forth above, each winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires; (ii) if a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires; and (iii) if an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, any dealer who is a member of a selling group, or any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(T) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement, and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, and the related pricing wires, contains or will contain language obligating each underwriter, each dealer that is a member of any such selling group, and each broker-dealer that is a party to any such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires; and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to any retail distribution agreement to be employed in connection with the initial sale of Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”) the City will agree, pursuant to a Continuing Disclosure Undertaking to be dated as of the date of issuance and delivery of the Bonds (the “Disclosure Undertaking”), to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board (the “MSRB”), or to any successor thereto for the purposes of the Rule, through the continuing disclosure service portal provided by the MSRB’s Electronic Municipal Market Access (“EMMA”) system, as described in 1934 Act Release No. 59062, or any similar system acceptable to the Securities and Exchange Commission, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained in Appendix B and Appendix D to the Official Statement (the “Annual Financial Information”). The Annual Financial Information shall be provided on or before the March 1 following the end of the fiscal year ending on the preceding June 30, commencing with the fiscal year ended June 30, 2024; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the City;

(ii) to the MSRB through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (g) Modifications to rights of security holders, if material;
- (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (i) Defeasances;
- (j) Release, substitution, or sale of any property securing repayment of the securities, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership, or similar event of the City (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession of the assets and business of the City, but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming any plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);
- (m) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) Appointment of any successor or additional trustee or the change of name of any trustee, if material.

- (o) Incurrence of a material financial obligation by the City, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any financial obligation of the City, any of which affect security holders, if material; and
- (p) Default, event of acceleration, termination event, modification of terms, or any other similar events under the terms of any financial obligation of the City, any of which reflect financial difficulties.

(iii) to the MSRB, through EMMA, in a timely manner, notice of any failure (of which the City has knowledge) of the City to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

The Disclosure Undertaking provides bondholders, including the beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the City to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Bond Ordinance. The Disclosure Undertaking may be amended or terminated under certain circumstances in accordance with the Rule, as more fully described therein.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds;
- (c) there are no liquidity providers applicable to the Bonds; and
- (d) there is no property securing the repayment of the Bonds.

The City has previously entered into continuing disclosure undertakings in accordance with the Rule (the “Prior Disclosure Undertakings”). During the past five years, the City has materially complied with its continuing disclosure obligations under the Prior Disclosure Undertakings and the Rule, provided, however, that Annual Financial Information required to be filed by March 1, 2024 under the Prior Disclosure Undertakings was filed on April 12, 2024, as contemplated by a notice of late filing posted to EMMA on March 1, 2024.

The City intends to file all future Annual Financial Information within the time requirements specified in the Prior Disclosure Undertakings and in the Disclosure Undertaking with respect to the Bonds, and has adopted policies and procedures to ensure the timely filing thereof, which policies and procedures are available to public upon request.

TAX TREATMENT

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds will be excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that the interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In addition, Bond Counsel is also of the opinion that interest on the Bonds is exempt from Kentucky income taxation and that the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The City has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265 of the Code.

A copy of the approving legal opinion of Bond Counsel with respect to the Bonds is set forth in Appendix F to the Official Statement.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of interest on certain obligations, such as the Bonds, from gross income for federal income tax purposes. The City has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be includable in gross income for federal income tax purposes. Any failure to comply with these covenants could result in the interest on the Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the issue date of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events

occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bonds and any other relevant documents with respect thereto may be changed, and certain actions (including, without limitation, the defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinions as to any Bonds or the tax status of the interest thereon if any such change occurs or if any such action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that interest on the Bonds will be excludible from gross income for federal income tax purposes and that interest on the Bonds will be excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect the federal, state, or local tax liabilities of the holders of the Bonds. The nature and extent of these tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion, and each Bondholder or potential Bondholder is urged to consult with its tax counsel with respect to the effects of purchasing, holding, or disposing of the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, (i) increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, (ii) increasing the federal tax liability of certain insurance companies under Section 832 of the Code, (iii) increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code, (iv) increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code, and (v) limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

/s/ Joseph U. Meyer

Mayor,
City of Covington, Kentucky

EXHIBIT A-1

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of at least three qualified bids for the Bonds]

ISSUE PRICE CERTIFICATE

Dated November 12, 2024

Re: \$[Final Par] City of Covington, Kentucky General Obligation Bonds, Series 2024C, dated
November 12, 2024

The undersigned, on behalf of [Underwriter Name] (the “Underwriter”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in Schedule I attached hereto (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. A true and correct copy of the bid provided by the Underwriter to purchase the Bonds is attached hereto as Schedule II.

(b) The Underwriter was not given the opportunity to review any other bids prior to submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Yield on the Bonds. It computed the yield on the Bonds, [Yield]%, as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds, is the Expected Offering Prices, determined without taking into account issuance expenses and Underwriter’s discount.

3. Weighted Average Maturity. The weighted average maturity of the Bonds has been calculated to be [WAM] years. The weighted average maturity is the sum of the products of the respective Expected Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Expected Offering Prices of the Bonds as of the date hereof.

4. Defined Terms.

(a) *Issuer* means the City of Covington, Kentucky.

(b) *Maturity* means any Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, a trust, an estate, a partnership, a company, an association, or a corporation) other than an Underwriter or a related party to an Underwriter. The term “related party,” for the purposes of this certificate, generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 29, 2024.

(e) *Underwriter* means (i) any person that agrees, under a written contract with the Issuer (or the lead underwriter to form an underwriting syndicate), to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees, under a written contract, directly or indirectly, with a person described in clause (i) of this paragraph,

to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing contained in this certificate represents the Underwriter's interpretation of any laws, including, specifically, Section 103 and Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued thereunder. The Underwriter understands that the information set forth in this certificate will be relied upon (i) by the Issuer with respect to certain representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and (ii) by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and any other federal income tax advice that it may give to the Issuer from time to time in connection with the Bonds.

[UNDERWRITER NAME]

By: _____

Name: _____

Title: _____

SCHEDULE I
TO
ISSUE PRICE CERTIFICATE
EXPECTED OFFERING PRICES

(See attachment)

SCHEDULE II
TO
ISSUE PRICE CERTIFICATE

COPY OF BID

(See attachment)

EXHIBIT A-2

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of less than three qualified bids for the Bonds]

ISSUE PRICE CERTIFICATE

Dated November 12, 2024

Re: \$[Final Par] City of Covington, Kentucky General Obligation Bonds, Series 2024C, dated
November 12, 2024

The undersigned, [Underwriter Name] (the “Transaction Underwriter”), hereby certifies as set forth below with respect to the sale of the above-captioned bonds (the “Bonds”).

1. Issue Price.

(a) As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule I attached hereto (the “Sale Price,” as applicable to each Maturity of the General Rule Maturities).

(b) The Transaction Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule I attached hereto (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule II.

(c) As set forth in the Official Terms and Conditions of Bond Sale, the Transaction Underwriter has agreed in writing that (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Under the Official Terms and Conditions of Bond Sale or any selling group agreement or any third-party distribution agreement, no Underwriter (as defined herein) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

(d) The aggregate of the Sale Prices of the General Rule Maturities and the Initial Offering Prices of the Hold-the-Offering-Price Maturities is \$[Issue Price] (the “Issue Price”).

2. Yield on the Bonds. It computed the yield on the Bonds, [Yield]%, as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds, is the Issue Price, determined without taking into account issuance expenses and Underwriter’s discount.

3. Weighted Average Maturity. The weighted average maturity of the Bonds has been calculated to be [WAM] years. The weighted average maturity is the sum of the products of the respective Sale Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Sale Price of the Bonds as of the date hereof.

4. Defined Terms.

(a) *General Rule Maturities* means those Maturities of the Bonds listed as the “General Rule Maturities” in Schedule I attached hereto.

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed as the “Hold-the-Offering Price Maturities” in Schedule I attached hereto.

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day following the Sale Date (October 29, 2024), or (ii) the date on which the Transaction Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the City of Covington, Kentucky.

(e) *Maturity* means any Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or any Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) *Official Terms and Conditions of Bond Sale* means the Official Terms and Conditions of Bond Sale prepared for distribution to potential bidders prior to the Sale Date of the Bonds.

(g) *Public* means any person (including an individual, a trust, an estate, a partnership, a company, an association, or a corporation) other than an Underwriter or a related party to an Underwriter. The term “related party,” for the purposes of this certificate, generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 29, 2024.

(i) *Underwriter* means (i) any person that agrees, under a written contract with the Issuer (or the lead underwriter to form an underwriting syndicate), to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees, under a written contract, directly or indirectly, with a person described in clause (i) of this paragraph, to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing contained in this certificate represents the Transaction Underwriter’s interpretation of any laws, including, specifically, Section 103 and Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations issued thereunder. The Transaction Underwriter understands that the foregoing information will be relied upon (i) by the Issuer with respect to certain representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and (ii) by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and any other federal income tax advice that it may give to the Issuer from time to time in connection with the Bonds. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose.

[TRANSACTION UNDERWRITER NAME]

By: _____

Name: _____

Title: _____

SCHEDULE I
TO
ISSUE PRICE CERTIFICATE

SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE BONDS

General Rule Maturities

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	Actual Sale Price of <u>First 10%</u>	<u>Issue Price</u>	<u>CUSIP</u>
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Hold-the-Offering-Price Maturities

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	Initial <u>Offering Price</u>	<u>Issue Price</u>	<u>CUSIP</u>
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APPENDIX H

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024C**

OFFICIAL BID FORM FOR THE BONDS

OFFICIAL BID FORM

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2024C**

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$26,580,000* aggregate principal amount of General Obligation Bonds, Series 2024C (the “Bonds”), dated their date of initial issuance and delivery, offered for sale by the City of Covington, Kentucky (the “City”) under and in accordance with the Preliminary Official Statement for the Bonds dated October 22, 2024 and the Notice of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for the \$26,580,000* principal amount of Bonds, the total sum of \$_____ (not less than \$26,048,400) at the following annual rate(s), payable semiannually (rates of any maturity may be less than any preceding maturity, number of interest rates unlimited):

Maturity	Amount*	Interest Rate	Maturity	Amount*	Interest Rate
December 1, 2025	\$25,000	_____%	December 1, 2040	\$870,000	_____%
December 1, 2026	25,000	_____%	December 1, 2041	905,000	_____%
December 1, 2027	30,000	_____%	December 1, 2042	940,000	_____%
December 1, 2028	35,000	_____%	December 1, 2043	980,000	_____%
December 1, 2029	40,000	_____%	December 1, 2044	1,015,000	_____%
December 1, 2030	65,000	_____%	December 1, 2045	1,570,000	_____%
December 1, 2031	50,000	_____%	December 1, 2046	1,645,000	_____%
December 1, 2032	50,000	_____%	December 1, 2047	1,710,000	_____%
December 1, 2033	50,000	_____%	December 1, 2048	1,785,000	_____%
December 1, 2034	50,000	_____%	December 1, 2049	1,860,000	_____%
December 1, 2035	290,000	_____%	December 1, 2050	1,950,000	_____%
December 1, 2036	280,000	_____%	December 1, 2051	2,030,000	_____%
December 1, 2037	725,000	_____%	December 1, 2052	2,105,000	_____%
December 1, 2038	755,000	_____%	December 1, 2053	2,200,000	_____%
December 1, 2039	785,000	_____%	December 1, 2054	1,760,000	_____%

The Bonds maturing in the following years _____ are sinking fund redemption amounts for term bonds due December 1, 20___. The Bonds maturing in the following years _____ are sinking fund redemption amounts for term bonds due December 1, 20__.

Bids may be submitted electronically via the BidCOMP™/PARITY™ system in accordance with the Official Terms and Conditions of Bond Sale for the Bonds, until the appointed date and time, but no bids will be received after such time. Notwithstanding the foregoing, completed bid forms for the Bonds may also be submitted until the appointed date and time (i) in a sealed envelope marked “Official Bid for Bonds,” or (ii) by facsimile transmission, and, in each case, delivered to the office of the Finance Director of the City at 20 West Pike Street, Covington, Kentucky 41011 (FAX: (859) 292-2131). Neither the City nor RSA Advisors, LLC, the independent registered municipal advisor to the City, assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment will be available to accept all facsimile transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or have been delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone.

We understand this bid may be accepted with variations in maturing amounts at the same price per \$1,000 of Bonds, with the variation in such amount occurring in any maturity of all maturities, such variations to be determined by the City at the time of acceptance of the best bid.

It is understood that the City will furnish the final, approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel, Covington, Kentucky, concurrently with the delivery of the Bonds.

* Preliminary, subject to change.

No certified or bank cashier's check will be required to accompany the bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the day following the award. The good faith amount will be applied (without interest) to the purchase price when the Bonds are tendered for delivery.

If we are the successful bidder, we agree to accept and make payment for the Bonds in federal funds within forty-five days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

Bidder

Address

By: _____
Signature

Total interest cost: Date of Delivery (estimated to be November 12, 2024) to Final Maturity \$ _____
 (Less Premium) or Plus Discount, if any \$ _____
 Aggregate interest cost \$ _____
 True interest cost (i.e., TIC) _____%

The above computation of true interest cost is submitted for informational purposes only and is not a part of this Bid.

Accepted by the Finance Director of the City of Covington, Kentucky for \$ _____ principal amount of Bonds at the price of \$ _____, as follows:

MATURITY	AMOUNT	INTEREST RATE	MATURITY	AMOUNT	INTEREST RATE
December 1, 2025	\$ _____	_____ %	December 1, 2040	\$ _____	_____ %
December 1, 2026	\$ _____	_____ %	December 1, 2041	\$ _____	_____ %
December 1, 2027	\$ _____	_____ %	December 1, 2042	\$ _____	_____ %
December 1, 2028	\$ _____	_____ %	December 1, 2043	\$ _____	_____ %
December 1, 2029	\$ _____	_____ %	December 1, 2044	\$ _____	_____ %
December 1, 2030	\$ _____	_____ %	December 1, 2045	\$ _____	_____ %
December 1, 2031	\$ _____	_____ %	December 1, 2046	\$ _____	_____ %
December 1, 2032	\$ _____	_____ %	December 1, 2047	\$ _____	_____ %
December 1, 2033	\$ _____	_____ %	December 1, 2048	\$ _____	_____ %
December 1, 2034	\$ _____	_____ %	December 1, 2049	\$ _____	_____ %
December 1, 2035	\$ _____	_____ %	December 1, 2050	\$ _____	_____ %
December 1, 2036	\$ _____	_____ %	December 1, 2051	\$ _____	_____ %
December 1, 2037	\$ _____	_____ %	December 1, 2052	\$ _____	_____ %
December 1, 2038	\$ _____	_____ %	December 1, 2053	\$ _____	_____ %
December 1, 2039	\$ _____	_____ %	December 1, 2054	\$ _____	_____ %

Finance Director,
City of Covington, Kentucky

Dated: October __, 2024