

COVINGTON, KENTUCKY

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2015



CITY OF COVINGTON, KENTUCKY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Issued by:
Finance Department

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Interim Finance Director

Prepared by:
Finance Department

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Assistant Finance Director

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INTRODUCTORY SECTION



OFFICE OF THE CITY MANAGER

December 7, 2015

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

Formal Transmittal of the Comprehensive Annual Financial Report (CAFR)

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in accordance with the implementation of 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 comprehensive annual financial report of the City of Covington for the fiscal year ended June 30, 2015.

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

The City of Covington's financial statements have been audited by Clark Schaefer, Hackett, Certified Public Accountants, with a local office in Cincinnati, Ohio. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Covington for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor

concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Covington's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

The City of Covington, founded in 1815 and celebrating its bicentennial year in 2015, is located in the northern most part of the state, situated in Kenton County and is part of the Northern Kentucky Region, which ranks as one of the top growth areas in Kentucky. The City of Covington currently occupies a land area of 13.1 square miles and serves an estimated population of 40,640 based on the 2010 U.S. Census. The City of Covington is empowered to levy numerous taxes and fees. Its major revenue sources include an occupational license tax levied on gross wages and net profits of businesses, an insurance premium license fee and a property tax on both real and personal properties.

The City of Covington operates under the City Manager form of government. Legislative authority is vested in the City Board of Commissioners, consisting of the Mayor and four City Commission members. The Board of Commissioners is responsible for among other 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 of Commissioners and is responsible for carrying out policies and ordinances of the City Board of Commissioners, the development of short and long range planning, capital improvement programs, and the running of day-to-day operations of the City. The City Board of Commissioners is elected on a non-partisan basis. The Mayor serves a four year term and the City Commissioners serve two year terms. Elections for the four City Commissioners were in November of 2014. The term of the new City Commission began on January 1, 2015. The next election for the Board of Commissioners will be held in November of 2016 and for the Mayor in November of 2016.

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

The annual budget serves as the foundation for the City of Covington's financial planning and control. Budget targets are set for each city department based on current revenue estimates and adjusted for current trends. All departments of the City of Covington are required to submit budget requests for appropriation to the City Manager. The budget requests must be within budget targets. The City Manager uses these requests as the starting point for developing a proposed structurally balanced budget. The City Manager then presents the proposed structurally balanced budget to the Board of Commissioners 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 (e.g., police). Department heads may make transfers of appropriations within a department with the approval of the City Manager, or his designee. The City Manager cannot make transfers of appropriations between funds without the approval of the Board of Commissioners. 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 of Commissioners. 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 broader perspective of the environment within which the City of Covington operates.

Local Economy: The City of Covington has maintained its efforts in developing economic resources in the Greater Cincinnati/Northern Kentucky region and has developed important partners in doing so including the Catalytic Development Funding Corporation, Northern Kentucky Tri-County Economic Development Corporation, and the Northern Kentucky Chamber of Commerce. The consistent and persistent effort put forth by Covington's elected and appointed officials and other community leaders over the past six years has positioned the City for economic growth in the foreseeable future. Also during the past six years the City has been working hard to reduce expenditures including the elimination of many full time positions and transitioning some full time positions into part time positions in order to reduce employee health and pension benefit expenses. Employment growth and a reduction in the unemployment rate is still the most important issue facing the economy over the coming years.

Like all cities in Kentucky, Covington is very reliant on economically sensitive revenue. The City's revenues source options are dictated by the state. Occupational license fees (payroll tax and net profit taxes) represent 53.10% of all General Fund Revenue. Detailed information can be found in the Management Discussion & Analysis in the Financial Section of this report.

Fairly flat revenue is predicted in the near future, but some uptick in property tax revenue and occupational license fees is anticipated. Total building permit value in 2014 was \$24 million. In 2015 that figure is \$52 million dollars as of this date. Commercial property values increased by approximately \$50 million dollars in 2015. Barring any unforeseen events, the City's 2016 budget process does not anticipate staff reductions for the first time in six years. The 2015 budget has trimmed costs on overtime and eliminated staff positions. In October of 2014 the City refinanced a variable rate bond on its pension plans with an interest rate swap into a fixed rate bond issue. It is projected to save the City \$2 million for the pension plans over time, thereby reducing the unfunded liability portion by more than 50%.

In July 2015, the City secured a renewal of the \$3.5 million dollar TAN (tax anticipation note). The City plans to pay this note down by \$350,000 each year for the next ten years utilizing collections of delinquent property taxes, waste fees, occupational license fees, unpaid City parking citations and recovery of misappropriated funds. As of this date the City has made one payment, with another budgeted in same fiscal year, and increasing its Minimum General Fund Unreserved Fund at the same time, lessening the need for the TAN at the same time as planning to accelerate this plan to pay down the TAN in less than ten years.

In August of 2014, the City refinanced a variable rate bond to a fixed rate and incurred a new \$15 million bond for continued emphasis on reinvestment in infrastructure and economic development, which have not only stabilized the City's financial status, but provided resources to replenish depleted fund balances, jump start reinvestment in infrastructure and economic development efforts. The City kept its annual debt service payment amounts within historical ranges.

The City of Covington has several completed and in progress, infrastructure improvement projects that began in the FY 2014-2015 budget year. The City has been very successful at leveraging its capital bond funds to attract several million dollars from state and federal government over past 5 years, primarily from OKI (Ohio-Kentucky-Indiana), the MPO (Metropolitan Planning Organization) that allocates millions of federal transportation dollars each year within its jurisdictional area that includes Covington, for local road infrastructure projects. Some of these projects were initiated in FY 14, and carried over into FY 15.

Below are brief summaries of these projects:

1. **Caroline Underpass Reconstruction: \$620,000; 80% SNK**
Complete reconstruction of Caroline Avenue from 34th to 36th Street. This is a heavily traveled commercial and residential roadway that had surpassed its useful life to the point where resurfacing was no longer a viable option. The grade on the roadway was changed and a new storm water system was constructed to alleviate flooding during heavy rain events.
2. **Madison Avenue Streetscape: \$635,000; 80% Grant**
Utilities were placed underground and all sidewalks were replaced on Madison Avenue from 5th to 8th Street. This is one of the key business corridors in the City.
3. **6th Street and Scott Street Design and Construction: \$1.7 million**
A grant to cover 80% of the costs of both the design and construction was approved. Design took place this year and construction will begin in the spring of 2016. The project will replace the sidewalks, place utilities underground, install mast arm traffic signals, and resurface the road on Scott between 4th and 6th and on 6th Street from Scott to Russell. These are key business corridors, connecting the Gateway Community and Technical College urban campus with Mainstrasse, the City's dining and entertainment corridor.
4. **Demolitions**
52 vacant and dilapidated buildings were demolished throughout the City to help improve the building stock and safety issues. 51 more are in the process of being demolished. This is the City's third year in a row demolishing blighted and unsafe

structures that are havens for unsafe and illegal activity and have a depressing effect on surrounding property values.

5. Phase 1 Riverfront Commons

\$328,100 in funds for engineering design and permitting of improvements along the Ohio River were allocated by the City. The City applied for state Transportation Assistance Program funds and was awarded \$3.9 million by the Governor in October of 2015. Federal pass through SNK funds for a portion of the trail system were awarded last year and that phase of the Riverfront Commons project is set for bid, with match funding from a third party. Ultimately the Riverfront Commons project will include the development of all the riverfront property within the City and will be part of a complete multi use trail that will ultimately connect the 6 river cities from Ludlow to Fort Thomas. The Covington portion will include a large plaza area that will serve as a gathering space and a park/recreation area that will attract residents and visitors of all ages. Access to the river will also be provided for fishing, kayaking, and other recreational activities.

6. Mainstrasse Parking Improvement

\$73,305. The City has developed a parking plan for the Mainstrasse area that includes pay stations in the parking lot and on the street. The total cost of the equipment is \$73,305. These changes will provide a better parking system to the businesses, residents, and visitors.

7. KY Route 16 Reconstruction/Widening

KY Route 16 was completely reconstructed and widened in South Covington allowing for better access and economic development opportunities.

8. Sidewalk Replacement

\$3 million worth of sidewalks in South Covington and Latonia were completed. All of the sidewalk blocks in South Covington that were 10% deteriorated or worse were replaced. All of the sidewalk blocks in Latonia that were 25% deteriorated or worse were replaced. Sidewalk work in the northern part of Covington is planned for this year. That work will begin early in 2016. The Board of Commissioners approved a sidewalk maintenance plan for future sidewalk improvements in the City, recognizing that property owners are ultimately responsible for maintenance, but offering several financing options to assist property owners. The improvements make the City a much more walkable place for residents and visitors.

9. Licking River Greenway

Phase II of the Licking River Greenway began. This Greenway includes improvements and access along the Licking River in Covington and beyond.

10. Peaselsburg Storm Water Improvements

Three new detention basins were constructed in Peaselsburg to help reduce the storm water runoff and flooding issues the neighborhood was dealing with. The City received two \$300,000 KIA (Kentucky Infrastructure Authority) Grants to construct projects and used some bond money to supplement the costs. The basins will help reduce both

surface flooding and underground pipe capacity that leads to sewage backing up into basements.

11. Devou Park Wall Reconstruction

The City completed two new retaining walls along a key access road to Devou Park, a 700 acre regional green space owned and maintained by the City that includes a golf course; museum; picnic shelters; fishing lake; playgrounds; concert bandshell, hiking and mountain biking trail system, and other amenities. The walls were constructed along Devou Drive and Western Avenue. The storm system in this area was also upgraded to allow for better drainage in the area.

12. Latonia Avenue Reconstruction

The City received SNK funding through the Kentucky Transportation Cabinet to perform a complete reconstruction of Latonia Avenue from Southern to W 36th. This is a heavily traveled roadway that has surpassed its useful life to the point where resurfacing was no longer a viable option. The project will include sidewalk and curb replacement. The total estimated cost of the project is \$785,000 and 80% will be funded through the grant. The grant includes both design and construction. Design will be completed this fiscal year and construction is scheduled for next fiscal year.

13. Johnson Street Reconstruction

The City received SNK funding through the Kentucky Transportation Cabinet to perform a complete reconstruction and sidewalk widening of Johnson Street/Rivercenter Blvd. This is a heavily traveled roadway that has surpassed its useful life to the point where resurfacing was no longer a viable option. The project will also include sidewalk widening so that the area meets ADA standards and is more walkable. The total estimated cost of the project is \$891,000 and 80% will be funded through the grant. The grant includes both design and construction which will both be completed this fiscal year.

14. City Center Parking Garage

\$247,582 worth of repairs to the exterior stabilization of the parking garage were made to bring the garage up to current codes. The joints along the driving surface were also replaced to prevent water from seeping through and creating more issues. The garage was built by the state and was turned over to the City. The State notified the City of the design error upon the transfer.

15. 21st Street Slide

There is a significant slide along the earthen levee that runs along the Licking River. This area has been closely monitored and studied for 2 years so that a detailed fix could be designed. The levee will need to be stabilized in order for the properties in this area to avoid having to get flood insurance and for the City's flood protection system to maintain certification with the US Army Corps of Engineers. The project will be phased and the first phase is underway. The total cost of the repairs will be in the order of \$2 million and the project will be completed in late spring/early summer 2016.

16. 11th Street Bridge

The Kentucky Transportation Cabinet has secured federal bridge money to replace the 11th Street Bridge over the railroad. The bridge is currently closed to vehicular traffic because of structural deficiencies and does not meet current railroad vertical clearance requirements. The roadway bridge will be removed and the sidewalk portion of the bridge will be removed, replaced, and widened. The project will also include landscaping and lighting improvements.

17. Electric Alley

The City was just awarded a Transportation Alternative Grant for Electric Alley. This will convert an underutilized vehicular alley into a pedestrian/bike facility and will include placing all of the utilities underground. The estimated cost of the design and construction is \$800,000 and 80% of the costs will be funded through the grant. With Gateway College owning buildings on both sides of the alley, it was important to make this a safe and inviting place for pedestrians.

Additionally, the City has several development projects underway including the following:

1. Hotel Covington – 638 Madison Avenue

The project is underway. The project is anticipated to utilize a variety of complex funding sources, including historic tax credits, tourism tax credits, and new market tax credits, along with equity investments. Hotel Covington is an approximate \$25 million project and will produce more than 100 new jobs. The City successfully transferred the building to the Developer, along with issuing a \$4 Million Bond to support the project.

2. 409-415 Scott Street

The City entered into a development agreement with Alan Haehnle for the redevelopment of the building for the City's Bike Patrol on the first floor and new development on the upper floors. Construction is well underway, the Police Bike Patrol space is completed and the Police are moved in. The space is being white boxed for a single tenant user, and the developer has a parking agreement with the City for ample spaces to market the space.

3. 5th Street Properties

Floyd's 7-11 (along 5th Street between Scott and Madison) was purchased by the City and was be packaged with the Laundromat property next door and 11 East 5th Street under an RFP for developers. Three submissions were received and one was selected. The properties are being transferred before the 2016.

4. Martin Luther King, Jr. Street State Owned Properties (remnants from 12th Street/MLK Widening)

The State auctioned off the buildings along MLK to various bidders. Several have been acquired by private parties and development plans are underway. The 'Hellman Building' was purchased and is being renovated by the Center For Great Neighborhoods for their offices and for additional Makers Space. The City is still in discussion with the state on the additional remaining right of way property.

5. **501 Main Street**

After many showings and cost estimates for the existing building that resulted in no positive outcomes, the City Commission approved the issuance of an RFQ for developers, with the intent of selecting a preferred developer. The developer is expected to be selected early 2016

6. **114 Pike Street – Former Tanino’s**

The City sold this property to a local developer who is rehabbing the upper floor into residential units and the space on first floor will be occupied by Bad Girl Ventures, a business accelerator for women entrepreneurs. The City has transferred the property to the developer and has executed the master lease and sublease for Bad Girl Ventures (rent subsidy). Financing has been secured and demolition is underway.

7. **Lincoln Grant Scholar House**

The Lincoln Grant School building, at 824 Greenup Street, is the future home of a Family Scholar House (<http://www.familyscholarhouse.org/>). The City recently finalized documents for a transfer of the property. The developer is finalizing documents for financing. The City and Developer have entered into a development agreement which, along with CDBG/HOME funding, includes a contribution from the developer toward the improvements of adjacent Randolph Park in exchange for adjacent parking. The project has also been awarded Project Based Section 8 vouchers from the City’s Housing Choice Voucher Program.

8. **CDBG Upper Floor Residential Rehab Projects Utilizing City Loan/Grant Sources** (2 units each project).

- a. 7-9 E 5th Street
- b. 605 Madison Avenue
- c. 2 W Pike Street

9. **629 Madison/Mutual Building**

The City provided assistance for the redevelopment of the Mutual Building into a mixed use redevelopment, overcoming several obstacles to successfully redevelop one of the most prominent buildings in the urban core. The building is being developed into 12 market rate residential rental units and first floor commercial space.

10. **625 Main /Commonwealth Bistro and 602 Main /Frida**

The City provided resources to facilitate the redevelopment of two blighted structure into niche restaurants in the City’s entertainment district. The Frida restaurant opened this summer and has been a great success. The Commonwealth Bistro property is still in the process of being rehabbed.

11. **402-422 Scott – Boone Block**

In partnership with the Catalytic Fund, the property owner and a developer, the City facilitated the financing for 9 new market rate single family attached homes on Scott Street in Covington. Demolition is underway and six of the nine units are already presold.

12. **Duveneck Square**

The City is currently working with a developer on a mixed use development in the general vicinity of 7th and Washington in the downtown. This will include several market rate residential units and retail on the first floor. A development agreement has been signed and

is being updated. The City is also considering an IRB to assist with financing of the development.

13. Jackson Square

The Catalytic Fund was given a Grant from LISC to undertake a planning study for the 'Jackson Square' area in Covington (just north of Martin Luther King Blvd.) The City owns several properties in the area and is considering the proposal for future redevelopment of those properties.

Financial Policies and Planning

This report has been prepared in compliance with the requirements of Government Accounting Standards Board (GASB) No. 54. The goal of GASB 54 is to report governmental fund balances based on a hierarchy that shows from the highest to the lowest, the level or form of constraints on fund balances and, accordingly, the extent to which governments are bound to honor those constraints. GASB No. 54 also clarified the definition of a Special Revenue Fund. A Special Revenue Fund should not be reported unless one or more specific restricted or committed revenues are the foundation.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements. The City did not prepare a CAFR for Fiscal Year June 30, 2013, due to the extenuating circumstances surrounding the misappropriation of funds case begun in August of 2013.

The preparation of this comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Department of Finance and various members of other City departments. Each member has our sincere appreciation for the contributions made in the preparation of this report. We also acknowledge the efforts of Clark Schaefer Hackett for all of their work in preparing this report. Credit is also given to the Mayor and Commissioners for their unfailing interest, support, and integrity in directing the City's financial operations.

Respectfully submitted,



Larry Klein
City Manager



Lisa Desmarais
Interim Finance Director

City of Covington, Kentucky
Elected and Appointed Officials
June 30, 2015

Elected Officials

Mayor	Sherry Carran
Commissioner/Mayor Pro Tem.....	Steve Frank
Commissioner	Charles Eilerman
Commissioner	Jordan Huizenga
Commissioner	William Wells

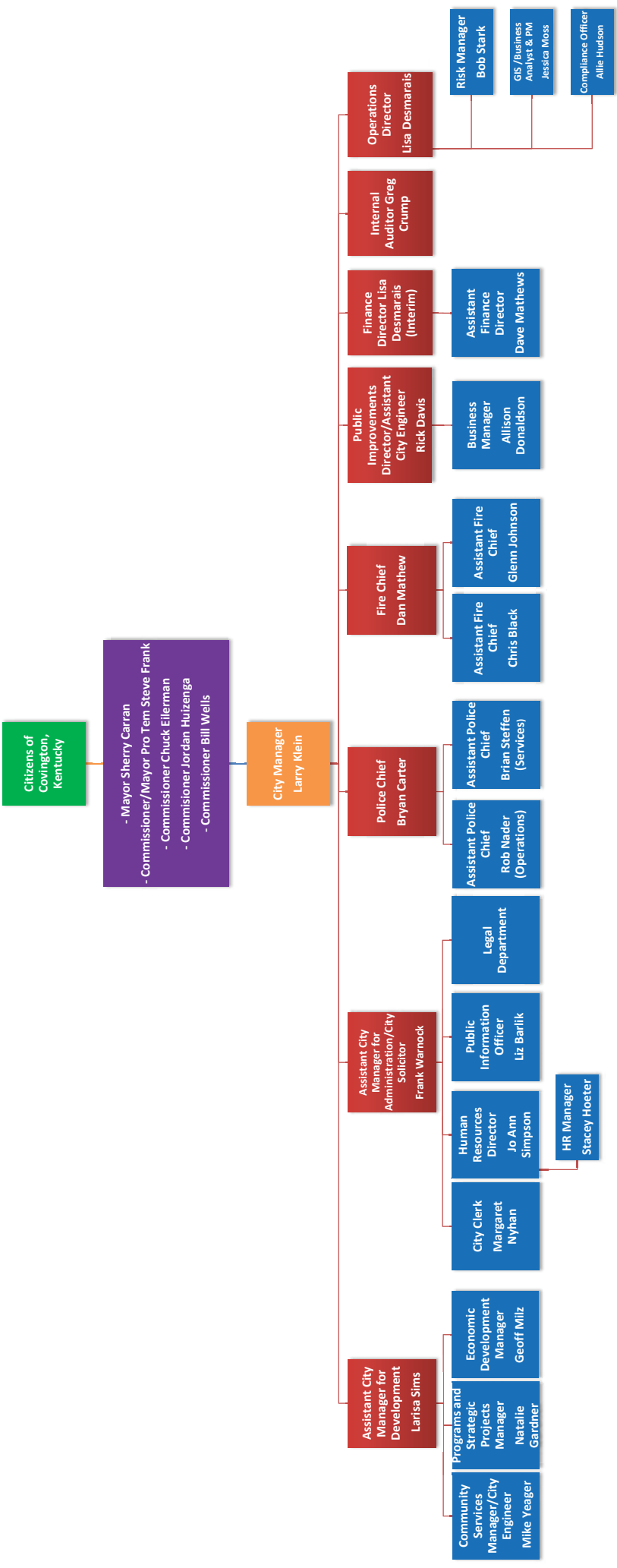
Appointed Officials

City Manager	Larry Klein
Assistant City Manager for Development	Larisa Sims
Assistant City Manager/City Solicitor.....	Frank Warnock
Finance Director	Lisa Goetz
City Operations Director	Lisa Desmarais
Internal Auditor	Greg Crump
City Clerk.....	Margaret Nyhan
Interim City Solicitor	Christian Dennery
Chief of Police	Bryan Carter
Fire Chief.....	Dan Mathew
DPI Director/Assistant City Engineer.....	Rick Davis
Community Service Manager/City Engineer.....	Mike Yeager
Human Resources Director	Jo Ann Simpson

City of Covington

City-Wide Organizational Chart

August 2015





Government Finance Officers Association

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

Presented to

**City of Covington
Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

A handwritten signature in black ink, reading "Jeffrey R. Emen". The signature is written in a cursive, flowing style.

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Covington, Kentucky (the "City") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Devou Properties, Inc. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Devou Properties, Inc., is based on solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Covington, Kentucky, as of June 30, 2015, 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.

Effect of Adopting New Accounting Standards

As discussed in Note 13, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions were not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified 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's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015 on our consideration of the City of Covington'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 the City of Covington's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
December 7, 2015

City of Covington, Kentucky
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(*unaudited*)

The management discussion and analysis (MD&A) of the City of Covington, Kentucky's (the City's) financial statements provides readers a narrative overview and analysis of the City's financial position and activities for the fiscal year ended June 30, 2015. The information presented here should be read in conjunction with the City's basic financial statements which immediately follow this overview and analysis.

Financial Highlights

Some of the City's financial highlights for the fiscal year ended June 30, 2015 include:

- At the end of the fiscal year end, unassigned fund balance for the general fund was \$4,271,673, or approximately 9% of total general fund expenditures, an increase of \$2,092,745 over the previous fiscal year's unassigned fund balance of \$2,178,928.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$20,188,676, an increase of \$11,275,751 in comparison with the prior year.
- The City's total outstanding long-term debt increased by \$12,915,013 during the fiscal year because of the issuance of new debt, offset by the payment of bond and lease payments \$16,910,683.
- The liabilities and deferred inflows of resources exceeded assets and deferred outflows at the close of the most recent fiscal year by \$25,268,916 (*net position*).
- Program revenues of \$16,801,411 reduced the net cost of the City's functions to be financed from the City's general revenue to \$49,452,272.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

The government-wide financial statements include functions of the City, including police, fire, street maintenance, 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 not only the City itself (known as the *primary government*), but also Devou Properties, Inc., a legally separate non-profit organization. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. The Municipal Properties Corporation, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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, the Pension Obligation 2004 Fund, Neighborhood Stabilization Program Fund, and the Capital Improvement Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation.

The City adopts an annual appropriation budget for its governmental funds. Budgetary comparison schedules have been provided for its general and special revenue major funds in required supplementary information to demonstrate compliance with its budgets.

Proprietary Funds. Proprietary funds can be classified into two subcategories; enterprise funds and internal service funds. The City does not have any enterprise funds. 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 its retained risks and for self-insured for medical and dental coverage for its employees. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Because both of these services benefit governmental functions, they have been included within *governmental activities* in the government-wide financial statements.

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

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

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

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$25,268,916, at the close of the most recent fiscal year.

City's Net Position

	Governmental Activities		
		<i>Restated</i>	
	2015	2014	Change
Current and other assets	\$ 33,210,090	\$ 21,568,048	\$ 11,642,042
Capital assets	57,321,100	59,932,539	(2,611,439)
Total assets	90,531,190	81,500,587	9,030,603
Deferred outflows of resources	7,411,555	6,511,831	899,724
Long-term liabilities:			
Net pension liability	52,560,458	51,962,504	597,954
Other long-term amounts	58,175,519	45,180,621	12,994,898
Other liabilities	8,173,684	7,833,234	340,450
	118,909,661	104,976,359	13,933,302
Deferred inflows of resources	4,302,000	-	4,302,000
Net position:			
Net investment in capital assets	26,636,560	29,360,778	(2,724,218)
Restricted	3,339,475	6,653,643	(3,314,168)
Unrestricted (deficit)	(55,244,951)	(52,978,362)	(2,266,589)
Total net position	\$ (25,268,916)	\$ (16,963,941)	\$ (8,304,975)

By far, the largest portion of the City's net position (\$26,636,560) 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 these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$3,339,475) represents resources that are subject to external restrictions on how they may be used. Any remaining balance is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City's overall net position decreased from the prior fiscal year. The reasons for this overall decrease are discussed in the following section.

City's Changes in Net Position

	Governmental Activities		
	<u>2015</u>	<u>Restated 2014</u>	<u>Change</u>
Program revenues:			
Charges for services	\$ 6,759,447	\$ 7,027,222	\$ (267,775)
Operating grants and contributions	8,898,601	10,842,196	(1,943,595)
Capital grants and contributions	<u>1,143,363</u>	<u>2,317,723</u>	<u>(1,174,360)</u>
Total program revenues	<u>16,801,411</u>	<u>20,187,141</u>	<u>(3,385,730)</u>
General revenues:			
Taxes	40,645,613	39,770,408	875,205
Investment earnings	3,932	4,287	(355)
Miscellaneous	<u>497,752</u>	<u>159,730</u>	<u>338,022</u>
Total general revenues	<u>41,147,297</u>	<u>39,934,425</u>	<u>1,212,872</u>
Total revenues	<u>57,948,708</u>	<u>60,121,566</u>	<u>(2,172,858)</u>
Expenses:			
General government	12,474,158	5,916,248	6,557,910
Police	13,287,449	14,177,725	(890,276)
Fire	12,882,780	13,060,943	(178,163)
Public improvements	14,691,139	13,769,904	921,235
Community development	9,179,648	11,159,338	(1,979,690)
Parking garage	738,147	734,598	3,549
Interest on long-term debt	<u>3,000,362</u>	<u>1,654,352</u>	<u>1,346,010</u>
Total expenses	<u>66,253,683</u>	<u>60,473,108</u>	<u>5,780,575</u>
Special item	-	(17,000)	17,000
Change in net position	(8,304,975)	(368,542)	(7,936,433)
Net position beginning of year	(16,963,941)	24,841,864	(41,805,805)
GASB 68 Restatement	-	(41,437,263)	41,437,263
Net position end of year	<u>\$ (25,268,916)</u>	<u>\$ (16,963,941)</u>	<u>\$ (8,304,975)</u>

During the current fiscal year, net position for governmental activities decreased \$8,304,975 from the prior fiscal year for an ending balance of (\$25,268,916). Total revenues decreased by \$2,172,858, or less than 4%. The City's expenses increased by \$5,780,575, or 10%.

The special item amount \$17,000 in 2014, represents amounts identified as alleged embezzlement transactions incurred in prior years by the former finance director. The City has filed lawsuits to recover these funds and is currently involved in litigation.

Financial Analysis of Governmental Funds

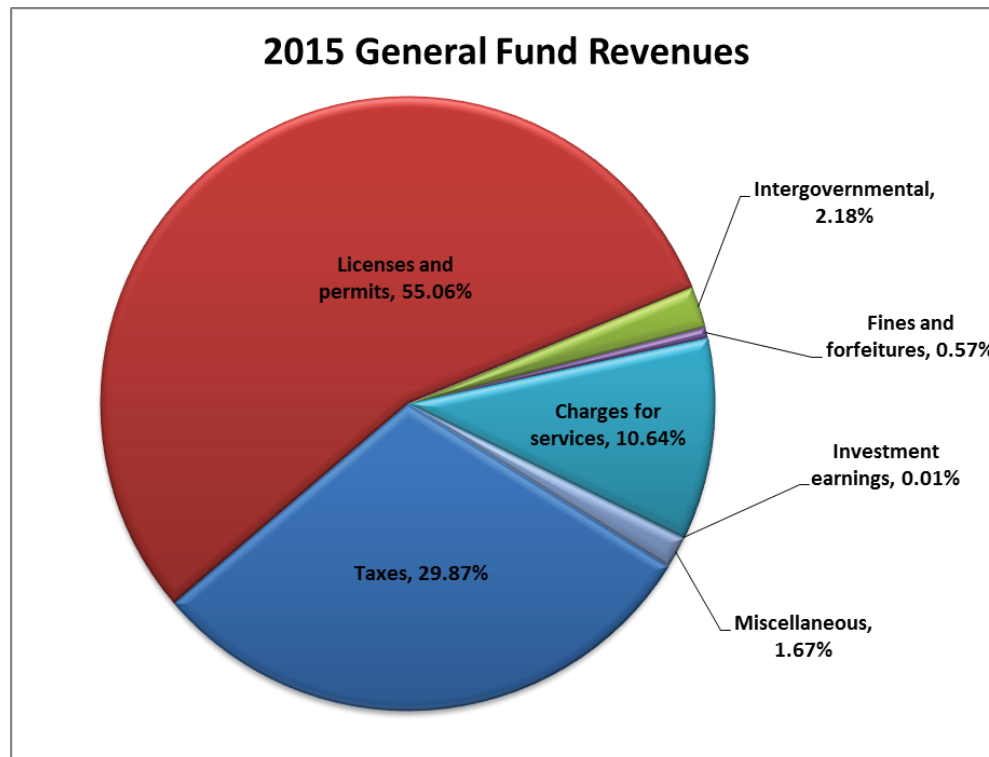
At June 30, 2015, the City's governmental funds reported combined fund balances of \$20,188,676, an increase of \$11,275,751 in comparison with the prior year. The majority of this increase occurred in the Capital Improvement Fund. Approximately 19% of this amount (\$3,875,184) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, or committed to indicate that it is 1) not in spendable form (\$123,378), 2) restricted for particular purposes (\$15,879,690), or 3) committed for particular purposes (\$310,424).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,271,673, or 9% of total General Fund expenditures. The following schedules present a summary of the General Fund revenues and expenditures for the current fiscal year.

General Fund Revenues for the Fiscal Year Ended June 30,

	2015	Percent of Total	2014	Percent Change
Taxes	\$ 14,237,675	29.87%	\$ 14,291,815	-0.38%
Licenses and permits	26,245,716	55.06%	25,353,330	3.52%
Intergovernmental	1,038,957	2.18%	1,179,402	-11.91%
Fines and forfeitures	271,735	0.57%	414,625	-34.46%
Charges for services	5,073,318	10.64%	5,936,837	-14.55%
Investment earnings	3,179	0.01%	3,181	-0.06%
Miscellaneous	798,656	1.67%	564,563	41.46%
Total Revenue	\$ 47,669,236	100.00%	\$ 47,743,753	-0.16%

Revenue remained fairly consistent, with total General Fund revenue decreasing by \$74,517, or less than 1% fiscal year over fiscal year. However, revenue was up \$389,959 as compared with budgeted revenue for the current fiscal year.



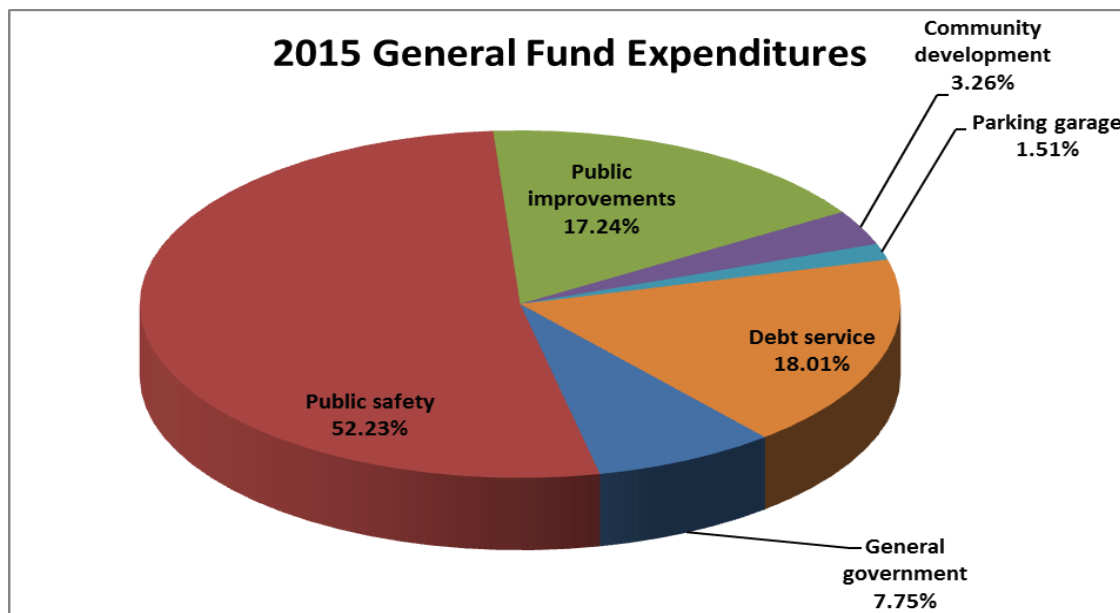
Taxes, which include real estate taxes, personal property taxes, and insurance premium taxes decreased by \$54,140, or 0.4% from the prior fiscal year. Total taxable assessed value increased by \$32 million, or 1.5%, to increase to approximately \$2.1 billion.

License and permit revenue includes both a payroll occupational license fee and a net profit occupational license fee on businesses. License and permit revenue increased by \$892,386, or 3.5%, from the prior fiscal year and is expected to remain flat into the next fiscal year.

General Fund Expenditures for the Fiscal Year Ended June 30,

	2015	Percent of Total	2014	Percent Change
General government	\$ 3,776,368	7.75%	\$ 3,629,368	4.05%
Public safety	25,449,562	52.23%	25,435,948	0.05%
Public improvements	8,402,255	17.24%	8,791,581	-4.43%
Community development	1,588,637	3.26%	2,454,467	-35.28%
Parking garage	738,147	1.51%	731,835	0.86%
Debt service	8,769,359	18.01%	3,546,286	147.28%
Total Expenditures	\$ 48,724,328	100.00%	\$ 44,589,485	9.27%

Total General Fund expenditures increased by \$4,134,843, or 9.27%, primarily due to funding more debt service expenditures.



The Neighborhood Stabilization Program is a cost reimbursement HUD-funded program. There is no fund balance, and therefore, no change in fund balance to report.

The Capital Improvement Fund, the City's remaining major governmental fund, is used to account for the City's acquisition and construction of public improvements and equipment. The fund balance increased \$10,198,457 to \$14,903,725. The City entered into a bond agreement in August 2014 in the amount of \$18.64 million to finance various public improvements. At the end of the fiscal year, the City had \$15.07 million remaining from this bond to fund its planned capital improvements.

General Fund Budgetary Highlights

Over the course of the fiscal year, the City Commission approved revisions to the General Fund budget. The final amended budget resulted in no change in total appropriations and transfers, while the final budgeted revenue and transfers remained unchanged as well. The budget amendments were made to more closely reflect the anticipated actual results for the fiscal year and to formally adopt as part of the budget changes in staff and activities that were approved by the City Commission during the fiscal year.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2015 amounts to \$57,321,100 (net of accumulated depreciation), a decrease of \$2,611,439 from the prior year. This investment in capital assets includes land and improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. The total decrease in capital assets for the current fiscal year was approximately 4%, as the City continued work on its capital plans financed by the \$18.64 million bond issued in 2014.

Capital Assets at June 30, (Net of Depreciation)

	Governmental Activities	
	2015	2014
Land	\$ 14,377,961	\$ 14,424,312
Land improvements	1,620,996	1,755,297
Buildings	15,048,403	15,620,738
Building improvements	4,726,399	5,513,113
Machinery and equipment	1,105,323	1,358,532
Vehicles	1,679,660	1,750,262
Infrastructure	18,206,958	18,842,076
Construction in progress	555,400	668,209
Totals	<u>\$ 57,321,100</u>	<u>\$ 59,932,539</u>

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

Long-term debt. At the end of the current fiscal year, the City had outstanding notes, bonds and capital leases of \$56,714,833, which is backed by the full faith and credit of the City.

Outstanding Long-term Debt Obligations at June 30,

	Governmental Activities	
	2015	2014
Mortgage bonds and notes	\$ 33,584,331	\$ 15,825,835
Capital Leases	23,130,502	27,973,985
Total	<u>\$ 56,714,833</u>	<u>\$ 43,799,820</u>

The City issues and incurs debt in order to fund capital improvement projects, purchase capital equipment and facilities, and respond to other economic development needs. The City's outstanding debt increased by \$12,915,013 (29%) from the prior year, however, the City's debt service payments per Capita remained consistent with prior years' payments.

The Kentucky Constitution states the total principal amount of indebtedness, which excludes self-supporting obligations, revenue bonds, special assessment debt, and non-tax supported debt, cannot exceed 10% of the value of taxable property in the City. The debt limit for the City is \$213 million.

Additional information on the City's long-term debt can be found in Note 7.

Economic Factors and Next Year's Budget

The budget for the 2016 fiscal year was developed to structurally balance its operating budget while maintaining current levels of City services as much as possible. Some positions went unfilled and two positions were removed from the budget. Capital investment will be funded by a \$15 million bond. The City is committed to a structurally balanced budget and will not permit further erosion of the General Fund balance.

An action plan is under development to ensure financial stability and growth in fiscal year 2016 and beyond. As the City plans for the next fiscal year budgeting process, considering no planned contractual wage increases, the economic outlook is cautiously optimistic.

Requests for Information

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

CITY OF COVINGTON, KENTUCKY

Statement of Net Position

June 30, 2015

	Primary Government <u>Governmental Activities</u>	Component Unit <u>Devou Properties, Inc.</u>
Assets		
Cash and cash equivalents	\$ 6,513,574	\$ 2,399,389
Cash with fiscal agent	15,070,295	-
Cash held in escrow	429,734	-
Receivables (net of allowance for doubtful accounts)		
Taxes	5,473,937	-
Intergovernmental	476,210	-
Notes	2,910,720	-
Accounts	1,211,761	82,985
Due from fiduciary activities	1,000,481	-
Prepaid items	123,378	15,829
Nondepreciable capital assets	16,554,357	-
Depreciable capital assets, net	40,766,743	41,699
<i>Total assets</i>	<u>90,531,190</u>	<u>2,539,902</u>
Deferred Outflows of Resources		
Deferred outflows - pensions	7,411,555	-
<i>Total deferred outflows of resources</i>	<u>7,411,555</u>	<u>-</u>
Liabilities		
Accounts payable	2,391,775	38,815
Accrued liabilities	1,710,672	379,608
Claims payable	2,908,064	-
Accrued interest payable	238,830	-
Unearned revenue	924,343	-
Noncurrent liabilities:		-
Due within one year	4,436,692	-
Due in more than one year:		-
Net pension liability	52,560,458	-
Other	53,738,827	-
<i>Total liabilities</i>	<u>118,909,661</u>	<u>418,423</u>
Deferred Inflows of Resources		
Deferred inflows - pensions	4,302,000	-
Net Position		
Net investment in capital assets	26,636,560	41,699
Restricted for:		
Debt service	401,000	
HUD programs	2,938,475	-
Unrestricted (deficit)	(55,244,951)	2,079,780
<i>Total net position</i>	<u>\$ (25,268,916)</u>	<u>\$ 2,121,479</u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY
Statement of Activities
Fiscal Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
<u>Primary Government</u>						
Governmental activities:						
General government	\$ 12,474,158	\$ 1,028,301	\$ 104,034	\$ 1,143,363	\$ (10,198,460)	\$ -
Police	13,287,449	3,891	1,028,272	-	(12,255,286)	-
Fire	12,882,780	1,238,640	-	-	(11,644,140)	-
Public improvements	14,691,139	1,292,573	934,923	-	(12,463,643)	-
Community development	9,179,648	1,389,251	6,831,372	-	(959,025)	-
Parking garage	738,147	1,806,791	-	-	1,068,644	-
Interest on long-term debt	3,000,362	-	-	-	(3,000,362)	-
Total governmental activities	66,253,683	6,759,447	8,898,601	1,143,363	(49,452,272)	-
<u>Component Unit</u>						
Devou Properties, Inc.	500,420	854,738	-	-	-	354,318
Total	\$ 66,754,103	\$ 7,614,185	\$ 8,898,601	\$ 1,143,363	\$ (49,452,272)	\$ 354,318
General Revenues:						
Taxes:						
Real property taxes					6,392,706	-
Personal property taxes					654,885	-
Public service taxes					2,141,952	-
Taxes, levied for bank deposits					72,843	-
Insurance premium taxes					5,430,601	-
Payroll taxes					22,791,569	-
Net profit taxes					3,161,057	-
Investment earnings					3,932	1,141
Miscellaneous					497,752	-
Total general revenues					41,147,297	1,141
						-
Change in net position					(8,304,975)	355,459
Net position beginning of year, restated					(16,963,941)	1,766,020
Net position end of year					\$ (25,268,916)	\$ 2,121,479

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY
Balance Sheet
Governmental Funds
June 30, 2015

	General	Pension Obligation 2004 Fund	Neighborhood Stabilization Program	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,137,116	\$ -	\$ -	\$ 764,749	\$ 1,624,464	\$ 3,526,329
Cash with fiscal agent	-	-	-	15,070,295	-	15,070,295
Cash held in escrow	-	401,000	-	-	28,734	429,734
Receivables (net of allowance for doubtful accounts):						
Taxes	5,473,937	-	-	-	-	5,473,937
Intergovernmental	-	-	-	-	476,210	476,210
Notes	496,607	-	2,414,113	-	-	2,910,720
Accounts	855,921	-	-	-	355,840	1,211,761
Due from other funds	885,736	-	-	25,330	992	912,058
Due from fiduciary funds	1,000,481	-	-	-	-	1,000,481
Prepaid items	123,378	-	-	-	-	123,378
Total assets	<u>\$ 9,973,176</u>	<u>\$ 401,000</u>	<u>\$ 2,414,113</u>	<u>\$ 15,860,374</u>	<u>\$ 2,486,240</u>	<u>\$ 31,134,903</u>
Liabilities:						
Accounts payable	\$ 832,275	\$ -	\$ -	\$ 956,649	\$ 567,976	\$ 2,356,900
Accrued liabilities	1,710,672	-	-	-	-	1,710,672
Due to other funds	320	-	-	-	911,738	912,058
Unearned revenue	406,717	-	-	-	517,626	924,343
Total liabilities	<u>2,949,984</u>	<u>-</u>	<u>-</u>	<u>956,649</u>	<u>1,997,340</u>	<u>5,903,973</u>
Deferred Inflow of Resources:						
Unavailable revenue	2,628,141	-	2,414,113	-	-	5,042,254
Fund balances:						
Nonspendable	123,378	-	-	-	-	123,378
Restricted	-	401,000	-	14,903,725	574,965	15,879,690
Committed	-	-	-	-	310,424	310,424
Unassigned	4,271,673	-	-	-	(396,489)	3,875,184
Total fund balances	<u>4,395,051</u>	<u>401,000</u>	<u>-</u>	<u>14,903,725</u>	<u>488,900</u>	<u>20,188,676</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,973,176</u>	<u>\$ 401,000</u>	<u>\$ 2,414,113</u>	<u>\$ 15,860,374</u>	<u>\$ 2,486,240</u>	<u>\$ 31,134,903</u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total fund balances - governmental funds \$ 20,188,676

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 57,321,100

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 5,042,254

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. 44,306

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	33,353,635	
Capital lease payable	23,130,502	
Accrued interest payable	238,830	
Unamortized premiums	230,696	
Compensated absences	<u>1,460,686</u>	
Total		(58,414,349)

The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows and inflows of resources are not reported in the governmental funds:

Deferred outflows - pensions	(7,411,555)	
Deferred inflows - pensions	4,302,000	
Net pension liability	<u>52,560,458</u>	
Total		<u>(49,450,903)</u>

Net position of governmental activities \$ (25,268,916)

CITY OF COVINGTON, KENTUCKY

Statement of Revenues, Expenditures and Changes
in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2015

	General	Pension Obligation 2004 Fund	Neighborhood Stabilization Program	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 14,237,675	\$ -	\$ -	\$ -	\$ -	\$ 14,237,675
Licenses and permits	26,245,716	-	-	-	-	26,245,716
Intergovernmental	1,038,957	-	-	-	8,983,363	10,022,320
Charges for services	5,073,318	-	-	-	336,313	5,409,631
Fines and forfeitures	271,735	-	-	-	-	271,735
Investment earnings	3,179	-	-	-	753	3,932
Miscellaneous	798,656	-	-	-	676,036	1,474,692
Total revenues	<u>47,669,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,996,465</u>	<u>57,665,701</u>
Expenditures:						
Current:						
General government	3,776,368	-	-	160,434	468,590	4,405,392
Police	12,760,450	-	-	-	777,093	13,537,543
Fire	12,689,112	-	-	-	501,457	13,190,569
Public improvements	8,402,255	-	-	3,606,302	868,722	12,877,279
Community development	1,588,637	-	-	393	7,573,887	9,162,917
Parking garage	738,147	-	-	-	-	738,147
Debt service:						
Principal	6,290,683	10,620,000	-	-	-	16,910,683
Interest	1,968,938	-	-	-	-	1,968,938
Bond issuance costs	509,738	342,517	-	-	-	852,255
Capital outlay	-	-	-	1,264,709	495,860	1,760,569
Total expenditures	<u>48,724,328</u>	<u>10,962,517</u>	<u>-</u>	<u>5,031,838</u>	<u>10,685,609</u>	<u>75,404,292</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,055,092)</u>	<u>(10,962,517)</u>	<u>-</u>	<u>(5,031,838)</u>	<u>(689,144)</u>	<u>(17,738,591)</u>
Other financing sources (uses):						
Transfers in	424,170	-	-	160,000	15,135	599,305
Transfers out	(1,270,481)	(274,170)	-	-	(165,135)	(1,709,786)
Sale of assets	299,127	-	-	-	-	299,127
Issuance of refunding bonds	-	10,960,000	-	-	-	10,960,000
Issuance of bonds	3,564,705	-	-	15,070,295	-	18,635,000
Premiums on issuance of bonds	228,179	2,517	-	-	-	230,696
Total other financing sources (uses)	<u>3,245,700</u>	<u>10,688,347</u>	<u>-</u>	<u>15,230,295</u>	<u>(150,000)</u>	<u>29,014,342</u>
Net change in fund balances	2,190,608	(274,170)	-	10,198,457	(839,144)	11,275,751
Fund balance, beginning of year	2,204,443	675,170	-	4,705,268	1,328,044	8,912,925
Fund balance, end of year	<u>\$ 4,395,051</u>	<u>\$ 401,000</u>	<u>\$ -</u>	<u>\$ 14,903,725</u>	<u>\$ 488,900</u>	<u>\$ 20,188,676</u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Fiscal Year Ended June 30, 2015

Net change in fund balances - total governmental funds **\$ 11,275,751**

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

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

Capital additions	4,982,529
Depreciation expense	(7,180,475)

In the statement of activities, loss on disposal of capital assets is reported, whereas only proceeds from sales are reported in the governmental funds.	(413,493)
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Revenue in the statement of activities that do not provide current financial resources are reported as deferred inflows in the governmental funds.	(16,121)
--	----------

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	(79,885)
Interest on long-term debt	(179,169)

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	16,910,683
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The issuance and refunding of bonds and capital leases and premiums are recorded as other financing sources and uses in the governmental funds, but are used to adjust bonds and capital leases on the statement of net position.	(29,825,696)
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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.	(21,963)
--	----------

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.	6,499,081
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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.	<u>(10,256,217)</u>
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Change in net position of governmental activities **\$ (8,304,975)**

CITY OF COVINGTON, KENTUCKY

Statement of Net Position

Proprietary Funds

June 30, 2015

	Governmental Activities
	<u>Internal Service Funds</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 2,987,245
Total assets	<u>2,987,245</u>
Liabilities	
Current Liabilities	
Accounts payable	34,875
Claims payable	<u>1,683,817</u>
	1,718,692
Noncurrent Liabilities	
Claims payable	<u>1,224,247</u>
Total liabilities	<u>2,942,939</u>
Net Position	
Unrestricted	<u>44,306</u>
Total net position	<u>\$ 44,306</u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY

Statement of Revenues, Expenses

and Changes in Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2015

	Governmental Activities Internal Service Funds
<i>Operating revenues:</i>	
Insurance premiums	\$ 4,483,012
Other	<u>2,374</u>
Total operating revenues	<u>4,485,386</u>
<i>Operating expenses:</i>	
Contractual services	1,019,467
Claims and judgments	<u>4,598,671</u>
Total operating expenses	<u>5,618,138</u>
Operating loss	(1,132,752)
<i>Non-operating revenues:</i>	
Investment income	<u>308</u>
Loss before transfers	(1,132,444)
Transfers in	<u>1,110,481</u>
Change in net position	(21,963)
Net position, beginning of year	<u>66,269</u>
Net position, end of year	<u>\$ 44,306</u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY

Statement of Cash Flows

Proprietary Funds

Fiscal Year Ended June 30, 2015

	Governmental Activities Internal Service Funds
<i>Cash flows from operating activities:</i>	
Cash received from other funds	\$ 5,320,266
Cash received from other income	2,374
Cash payments for claims	<u>(4,457,329)</u>
Net cash from operating activities	<u>865,311</u>
<i>Cash flows from noncapital financing activities:</i>	
Transfers	<u>1,110,481</u>
<i>Cash flows from investing activities:</i>	
Interest income	<u>308</u>
Net change	1,976,100
Cash and cash equivalents, beginning of year	<u>1,011,145</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,987,245</u></u>
Reconciliation of operating loss to net cash from by operating activities:	
Operating loss	\$ (1,132,752)
Adjustments to reconcile operating loss to net cash from by operating activities:	
Changes in assets and liabilities:	
Due from/to other funds	837,254
Accounts payable	(87,641)
Claims payable	<u>1,248,450</u>
Net cash from operating activities	<u><u>\$ 865,311</u></u>

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Pension Trusts		
	Employees' Retirement	Police and Firemen's Retirement	Agency
Assets			
Cash and cash equivalents	\$ 426,762	\$ 1,027,174	\$ 168,484
Bond mutual funds	422,094	1,005,149	-
Equity mutual funds	1,684,052	3,823,131	-
Other assets	446,831	1,011,716	-
Total assets	<u>2,979,739</u>	<u>6,867,170</u>	<u>168,484</u>
Liabilities			
Accounts Payable	900	-	-
Due to the primary government	487,522	512,959	-
Due to others	-	-	168,484
	<u>488,422</u>	<u>512,959</u>	<u>\$ 168,484</u>
Net Position			
Net position restricted for pensions	<u>\$ 2,491,317</u>	<u>\$ 6,354,211</u>	

See accompanying notes to the basic financial statements.

CITY OF COVINGTON, KENTUCKY

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Fiscal Year Ended June 30, 2015

	Pension Trusts	
	Employees' Retirement	Police and Firemen's Retirement
Additions		
Contributions:		
Employer contributions	\$ 127,078	\$ 269,327
Impounding lot	-	2,578
Total revenue	<u>127,078</u>	<u>271,905</u>
Investment return:		
Interest and dividends	97,885	253,560
Net appreciation in fair value of investments	<u>(193,192)</u>	<u>(506,648)</u>
Total net investment return	<u>(95,307)</u>	<u>(253,088)</u>
Total additions	<u>31,771</u>	<u>18,817</u>
Deductions		
Benefit payments	600,962	1,403,457
Administration	<u>6,233</u>	<u>6,968</u>
Total deductions	<u>607,195</u>	<u>1,410,425</u>
Change in net position	(575,424)	(1,391,608)
Net position, beginning of year	<u>3,066,741</u>	<u>7,745,820</u>
Net position, end of year	<u>\$ 2,491,317</u>	<u>\$ 6,354,212</u>

See accompanying notes to the basic financial statements.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies

Basis of Presentation

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

Financial Reporting Entity

The City of Covington is a municipality that operates under a City Manager form of government. Legislative authority is vested in the elected Mayor and four City Commissioners. As required by U.S. generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. 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 is included in the City's reporting entity as part of the primary government because of the significance of its operational and/or financial relationship with the City.

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

Discretely Presented Component Units Included Within the Reporting Entity. Devou Properties, Inc. (a non-profit organization) is included in the City's financial statements as a discretely presented component unit. Although a legally separate entity, Devou Properties, Inc. is included in these financial statements because of its financial accountability to the City. Devou Properties, Inc. was formed to maintain and operate the Drees Pavilion at Devou Memorial Overlook for the City of Covington, for the benefit of Devou Park. Devou Properties, Inc. is responsible for renting out the facilities for events, including weddings, receptions and corporate events. Directors of Devou Properties, Inc. are appointed by the City's Board of Commissioners, upon the recommendation of the Mayor. Any excess funds from operations of the facility are to be set aside to be used on Devou Park projects. As a discretely presented component unit, the financial statements of Devou Properties, Inc. are only included on the City's government-wide financial statements in a column that makes it clearly separate from the primary government. Devou Properties, Inc. operates on a calendar year-end basis; therefore, the financial statements for the year ended December 31, 2014, 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.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies - continued

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies - continued

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government that are not accounted for in the other funds.
- The Neighborhood Stabilization Program Fund accounts for U.S. Department of Housing and Urban Development funds, passed through from the State, to develop low income rental units and owner occupied homes purchased out of foreclosure.
- The Capital Improvement Fund accounts for funds provided to the City by the Federal and State governments and public financing for the acquisition and/or construction of capital improvements and equipment.
- The Pension Obligation 2004 Fund accounts for the retirement of the Series 2004 Pension Obligation bonds to fund the Employees' Retirement Fund and the Police and Firemen's Retirement Fund the bonds were refunded on October 21, 2014.

The City reports the following proprietary funds:

- The City has two internal service funds. One fund is for self-insurance for the City's health and dental insurance program for City employees. The second fund is for the self-insurance of the City's liability claims. Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the City reports three fiduciary funds. The two pension trust funds account for the activities of the Employees' Retirement Fund and the Police and Firemen's Retirement Fund. These funds are for the accumulation of resources for pension benefit payments to qualified retired employees (see Note 9). The agency fund is for Covington's Community Development Initiative to develop vacant and abandoned properties.

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

Cash and Cash Equivalents

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

The City is authorized by state statute to invest in:

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

Cash with fiscal agent represents the balance available to be drawn from the issuance of bond proceeds for public improvements. Cash held in escrow represents a debt service reserve account to satisfy debt service requirements in the final year of maturity and amounts for Devou Park maintenance.

Property Tax Receivable

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015, the City had housing development and small business loans outstanding of \$17,657,952 and \$1,189,392, respectively. The City has recorded an allowance of \$15,243,839 on housing development and \$692,785 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.

Short-Term Interfund Receivables/Payables

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015, are recorded as prepaid items in both the government-wide and fund statements. The consumption method is used in the fund statements.

Capital Assets

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

The accounting and reporting treatment applied to capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure, such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical costs, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are recorded at their fair value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. The City maintains a capitalization threshold of one thousand dollars with the exception of infrastructure for which the threshold is twenty-five thousand dollars.

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

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies - continued

Deferred Outflows of Resources

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

Compensated Absences

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

Long-Term Obligations

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

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, statement of net position. 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 reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Unearned Revenue

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

Deferred Inflows of Resources

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies - continued

Net Position/Fund Equity

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 the City Ordinance, 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 or resolution.
- Assigned - Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Commission.
- Unassigned- All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense 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 internal insurance premiums.

Interfund Transactions

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

Use of Estimates

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

Budgetary Information

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds and for proprietary funds.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 2 - Stewardship, Compliance and Accountability

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

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

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

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

Excess of Expenditures over Appropriations

The following funds had expenditures including other financing sources in excess of legally adopted appropriations for the year ended June 30, 2015:

	<u>Budget</u>	<u>Actual</u>
Federal & State Grants Fund	\$671,659	\$1,202,452
Police & Fire Supplemental Pay Fund	901,339	975,150
General Fund	47,259,518	50,194,809
HOME Consortium	242,760	272,490

See Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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, 2015, \$475,144 of the City's deposits are insured by the FDIC, and \$22,276,493 of the City's deposits are collateralized with securities held by the pledging institution's trust department but not in the City's name. As of June 30, 2015, the City did not have any deposits in excess of insured and/or collateralized amounts.

During fiscal year 2015, the City issued bond proceeds of \$15.07 million to fund specific public improvements. As of June 30, 2015, the City had \$15,070,295 available to be drawn. Additionally, the City had \$429,734 in escrow balances for debt reserves and park maintenance.

As of December 31, 2014, Devou Properties, Inc. (a component unit of the City) had \$2,149,389 in cash in excess of insured limits.

Investments

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, 2015 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	\$ 426,762	426,762	-	-	-
Bond mutual funds	422,094	422,094	-	-	-
Equity mutual funds	1,684,052	1,684,052	-	-	-
Other assets	446,831	288	14,547	46,913	385,083
	<u>\$ 2,979,739</u>	<u>2,533,196</u>	<u>14,547</u>	<u>46,913</u>	<u>385,083</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	\$ 1,027,174	1,027,174	-	-	-
Bond mutual funds	1,005,149	1,005,149	-	-	-
Equity mutual funds	3,823,131	3,823,131	-	-	-
Other assets	1,011,716	666	35,107	108,966	866,977
	<u>\$ 6,867,170</u>	<u>5,856,120</u>	<u>35,107</u>	<u>108,966</u>	<u>866,977</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 pension systems' investment policies do not contain a formal policy relating to interest rate risk. No limit 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. No policy regarding credit risk/ratings of bond investments.

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 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, 2015, all of the City's investments were covered by SIPC coverage or excess SIPC coverage provided by the institution, and are therefore not subject to custodial credit risk.

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 pension systems' investment policy does not allow for an investment in global equity that is in excess of 75% of the portfolio's market value, nor does it allow for an investment in global fixed income in excess of 40% of the portfolio's market value, nor an investment in real assets in excess of 30% of the portfolio's market value, nor an investment in diversifying strategies in excess of 20% of the portfolio's market value. The following table includes the percentage of each investment type held by the pension systems at June 30, 2015:

Investment Type	City Employees'		Police and Firemen's	
	Fair Value	Percent Of Total	Fair Value	Percent Of Total
Cash and cash equivalents	\$ 426,762	14%	\$ 1,027,174	15%
Bond mutual funds	422,094	14%	1,005,149	15%
Equity mutual funds	1,684,052	57%	3,823,131	56%
Other assets	446,831	15%	1,011,716	15%
	<u>\$ 2,979,739</u>	<u>100%</u>	<u>\$ 6,867,170</u>	<u>100%</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 4 - Capital Assets and Depreciation

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance Beginning of Year	Additions	Retirements	Balance End of Year
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 14,424,312	\$ 48,415	\$ 94,766	\$ 14,377,961
Land improvements	1,755,297	14,570	148,871	1,620,996
Construction in progress	668,209	555,400	668,209	555,400
Total capital assets not being depreciated	<u>16,847,818</u>	<u>618,385</u>	<u>911,846</u>	<u>16,554,357</u>
Depreciable capital assets				
Buildings	26,083,465	17,500	-	26,100,965
Building improvements	15,096,708	46,932	436,714	14,706,926
Infrastructure	119,167,126	4,119,311	-	123,286,437
Machinery and equipment	4,420,207	300,587	162,949	4,557,845
Vehicles	12,080,551	548,023	330,235	12,298,339
Total depreciable capital assets	<u>176,848,057</u>	<u>5,032,353</u>	<u>929,898</u>	<u>180,950,512</u>
Less accumulated depreciation				
Buildings	10,462,727	589,835	-	11,052,562
Building improvements	9,583,595	666,975	270,043	9,980,527
Infrastructure	100,325,050	4,754,429	-	105,079,479
Machinery and equipment	3,061,675	553,796	162,949	3,452,522
Vehicles	10,330,289	615,440	327,050	10,618,679
Total accumulated depreciation	<u>133,763,336</u>	<u>7,180,475</u>	<u>760,042</u>	<u>140,183,769</u>
Total depreciable capital assets, net	<u>43,084,721</u>	<u>(2,148,122)</u>	<u>169,856</u>	<u>40,766,743</u>
Governmental Activities capital assets, net	<u>\$ 59,932,539</u>	<u>\$ (1,529,737)</u>	<u>\$ 1,081,702</u>	<u>\$ 57,321,100</u>
Component Unit				
Devou Properties, Inc.				
Depreciable capital assets				
Property and equipment	\$ 151,401	\$ -	\$ -	\$ 151,401
Less accumulated depreciation	83,441	26,261	-	109,702
Component Unit property and equipment, net	<u>\$ 67,960</u>	<u>\$ (26,261)</u>	<u>\$ -</u>	<u>\$ 41,699</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 4 - Capital Assets and Depreciation - continued

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 771,579
Police	587,545
Fire	216,874
Public improvements	5,400,640
Community development	<u>203,837</u>
 Total Governmental Activities depreciation expense	 <u><u>\$7,180,475</u></u>

Note 5 - Interfund Activity

Interfund transactions at June 30, 2015 consisted of the following due to/from other funds and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ 885,736	\$ 320	\$ 424,170	\$ 1,270,481
Pension Obligation 2004 Fund	-	-	-	274,170
Capital Improvement Fund	25,330	-	160,000	-
Nonmajor Governmental Funds	992	911,738	15,135	165,135
Internal Service Funds	<u>-</u>	<u>-</u>	<u>1,110,481</u>	<u>-</u>
	<u><u>\$ 912,058</u></u>	<u><u>\$ 912,058</u></u>	<u><u>\$ 1,709,786</u></u>	<u><u>\$ 1,709,786</u></u>

Due To/From Other Funds

Interfund receivables/payables represent short-term loans from one fund to another to avoid cash overdrafts. Much of the City's revenue is received in the general fund, and then transferred to various other funds in order to fund immediate expenditures.

Due From Fiduciary Activities/Due To Primary Government

As of June 30, 2015, the General Fund provided short-term loans of \$487,522 to the Employees' Retirement Fund and \$512,959 to the Police & Firemen's Retirement Fund.

Interfund Transfers

Transfers are typically used to move unrestricted revenues collected in one fund to finance various programs accounted for in another fund in accordance with budgetary authorizations and to fund debt service payment 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.

Note 6 - Short-Term Debt

On July 1, 2014, the City issued a Tax and Revenue Anticipation Note (TRAN) in the amount of \$3,500,000 for the purpose of providing working capital in advance of tax and revenue cash flows. This note carried a fixed rate of 2.75% and matured on June 30, 2015, at which time it was repaid out of the General Fund.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 7 - General Long-Term Debt

Capital Lease Obligations

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

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

The following is an analysis of the capital assets acquired through capital leases as of June 30, 2015:

	<u>Capital Assets</u>
Buildings	\$ 9,639,565
Building improvements	5,325,157
Equipment	1,105,104
Land	7,028,833
Infrastructure	8,825,141
Vehicles	<u>1,185,645</u>
Total cost	33,109,445
Accumulated depreciation	<u>(4,612,874)</u>
Net Book Value	<u>\$ 28,496,571</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 7 - General Long-Term Debt – continued

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2015:

Fiscal Year Ending June 30,	
2016	\$ 2,200,294
2017	2,213,185
2018	1,947,307
2019	1,893,405
2020	1,932,667
2021-2025	7,546,785
2026-2030	4,929,118
2031-2035	4,527,025
2036-2039	2,741,223
Total minimum lease payments	29,931,009
Less amounts representing interest	6,800,507
Present value of minimum lease payments	\$ 23,130,502

Notes and Bonds

The following schedule summarizes outstanding long-term mortgage bonds and notes payable at June 30, 2015:

	Purpose	Interest Rate	Mature Date June 30,	Issued	Outstanding
Mortgage Bonds					
2003 Series	Refunding	2.00-4.50%	2018	\$ 4,996,000	\$ 1,285,000
2004 Series	Pension funding	Variable	2014	14,410,000	-
KY Infrastructure Auth.	Rainwater project	2.00%	2030	1,197,390	463,635
KY Bond Corp. 2010 Series A	Refinancing	2.00%	2014	315,000	-
Recovery Zone Economic Dev	River Center	4.90-7.00%	2030	2,650,000	2,410,000
Series 2014	Capital Improvements	3.00-4.00%	2030	18,635,000	18,235,000
2014 Pension	Pension refunding	2.00-4.00%	2030	10,960,000	10,960,000

Interest on the variable rate 2004 Series Pension Obligation Bonds is paid at the rate of interest determined by the Remarketing Agent, determined on a weekly basis. The 2004 Series Pension Obligation Bond was paid off at June 30, 2015.

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 7 - General Long-Term Debt – continued

Assuming no issues are called prior to maturity, the minimum obligations of the City at June 30, 2015 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 1,471,869	\$ 1,265,476	\$ 2,737,345
2017	1,536,411	1,223,912	2,760,323
2018	1,773,964	1,176,844	2,950,808
2019	1,823,529	1,128,805	2,952,334
2020	1,439,105	1,072,818	2,511,923
2021-2025	9,469,575	4,515,089	13,984,664
2026-2030	10,594,182	2,446,095	13,040,277
2031-2034	5,245,000	529,950	5,774,950
	<u>\$ 33,353,635</u>	<u>\$ 13,358,989</u>	<u>\$ 46,712,624</u>

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 7 - General Long-Term Debt – continued

Conduit Debt Obligations

The City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, state, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2015, there was \$53.3 million outstanding in Industrial Revenue Bonds.

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

Debt Issue	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Mortgage bonds and notes:					
2003 Refunding	\$ 1,679,000	\$ -	\$ (394,000)	\$ 1,285,000	\$ 410,000
2004 Series	11,090,000	-	(11,090,000)	-	-
Series 2014	-	18,635,000	(400,000)	18,235,000	310,000
2014 Pension	-	10,960,000	-	10,960,000	600,000
Premium on Issuance	-	230,696	-	230,696	-
KIA Rainwater Harvest	488,918	-	(25,283)	463,635	26,869
KY Bond Corp 2010					
Series A	37,917	-	(37,917)	-	-
Recovery Zone Bonds	2,530,000	-	(120,000)	2,410,000	125,000
Total mortgage bonds and notes	15,825,835	29,825,696	(12,067,200)	33,584,331	1,471,869
Capital lease obligations:					
Infrastructure/equipment	27,973,985	-	(4,843,483)	23,130,502	1,504,137
Net pension liability:					
Kentucky CERS - Nonhazardous	9,506,000	-	(1,105,000)	8,401,000	-
Kentucky CERS - Hazardous	38,200,000	-	(3,992,999)	34,207,001	-
Employees' Retirement	1,619,009	2,317,602	(1,137,956)	2,798,655	-
Police & Firemen's Retirement	2,637,495	7,329,625	(2,813,318)	7,153,802	-
Total net pension liability	51,962,504	9,647,227	(9,049,273)	52,560,458	-
Compensated absences	1,380,801	1,460,686	(1,380,801)	1,460,686	1,460,686
Total Long-Term Liabilities	\$ 97,143,125	\$40,933,609	\$ (27,340,757)	\$ 110,735,977	\$ 4,436,692

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.

Current Refunding

On October 21, 2014, the City issued \$10,960,000 of Taxable General Obligation Bonds with interest rates ranging from 2% to 4% for the purpose of a current refunding of the outstanding 2004 Variable Rate General Obligation Funding Bonds which had been issued to finance the costs of unfunded liabilities in the City's pension plans. The City refunded the bonds to reduce its total debt service payments by \$633,000 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$520,000.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 8 - Risk Management

The City is exposed to various risks to loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City has established a Liability Self Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Liability Self Insurance Fund provides coverage for all losses. The City purchases commercial insurance for fire and extended coverage losses.

All funds of the City participate in the program and make payments to the Liability Self Insurance Fund; however, the payments are not based on actuarial estimates of the amounts needed to pay prior and current-year claims but are intended to establish a reserve for catastrophic losses. That reserve was \$1,224,247 at June 30, 2015. Changes in the Liability Self Insurance Fund's claims liability amount during the fiscal years ended June 30, 2015 and 2014 were as follows:

	2015	2014
Claims liability at July 1	\$ 714,000	\$ 714,000
Change in claims and estimates	582,066	652,118
Claims payments	(71,819)	(652,118)
Claims liability at June 30	<u>\$ 1,224,247</u>	<u>\$ 714,000</u>

The City has also established a Medical Self Insurance Fund. Employees may elect to participate in this program or certain other medical insurance programs offered by the City. Under this program the first \$125,000 of a participants' medical claims are payable by the Medical Self Insurance Fund. The City purchases insurance for claims in excess of coverage provided by the fund. All funds of the City participate in the program and make payments to the Medical Self Insurance Fund based on historical estimates of the amounts needed to pay prior and current year claims. The claims liability reported at June 30, 2015 is \$1,683,817. Of that amount, \$1,683,817 represents current liabilities. Changes in the Medical Self Insurance Fund's claims liability amount during the fiscal years ended June 30, 2015 and 2014 were as follows:

	2015	2014
Claims liability at July 1	\$ 945,614	\$ 1,088,724
Change in claims and estimates	4,754,809	4,937,955
Claims payments	(4,016,606)	(5,081,065)
Claims liability at June 30	<u>\$ 1,683,817</u>	<u>\$ 945,614</u>

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

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Retirement Plans

The City of Covington maintains two single employer, defined benefit pension plans: Employees' Retirement Plan and Police and Firemen's Retirement Plan. A separate, audited post-employment benefit plan report prepared in accordance with U.S. generally accepted accounting principles is not available for these plans. The City also participates in the County Employees Retirement System (CERS).

Summary of Significant Accounting Policies

Employers 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 all established market are reported at estimated fair value.

County Employees Retirement Systems (CERS)

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

A. Employees' Retirement Plan

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Retirement Plans – continued

A. Employees' Retirement Plan - continued

are entitled to an annuity equal to 2.5% of their average salary, subject to a minimum payment of 25% of such average salary, and a maximum payment of 65% of their average salary, if they have at least 10 years of service.

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

Cost-of-living adjustments (COLA) are provided at the discretion of the Board of Trustees. Benefits are provided and may be amended by City ordinance. The Board of Trustees approved a 1.5% COLA as of January 1, 2014.

Contributions. As of June 30, 2015, there are 39 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 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, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	4.0%
Equity funds	60%	8.0%
Real assets	10%	6.5%
Low volatility	10%	5.0%
Total	<u>100%</u>	

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Retirement Plans – continued

A. Employees' Retirement Plan - continued

Concentrations. The Employees' Retirement Plan investments concentration as of June 30, 2015:

<u>Investment</u>	<u>Concentration</u>
Cash and money markets	14%
Bond mutual funds	14%
Equity mutual funds	57%
Other assets	15%
	<u>100%</u>

Rate of Return. For the year ended June 30, 2015, the annual money-weighted rate of return on the plan investments, net of pension plan investment expense was (3.70%). 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, 2015, 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, 2015, were as follows:

Total pension liability	\$ 5,290,873
Employee's Retirement Plan fiduciary net position	<u>(2,492,218)</u>
City's net pension liability	<u>\$ 2,798,655</u>
Employees' Retirement Plan net position as a percentage of total pension liability	47.10%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5%, 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-2014.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2015.

Discount rate. The discount rate used to measure the total pension liability was 5.25 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 forecast to be depleted in year 12 from the measurement date using the assumptions in the actuarial report and the Employer contribution policy adopted. The discount rate is determined by blending a 7.5% expected return rate until the fund is depleted and then a 3.74% twenty year tax-exempt municipal bond rate based upon actual municipal bonds available to the City.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Retirement Plans – continued

A. Employees' Retirement Plan - continued

Changes in Employees' Net Pension Liability. Changes in the Employees' Retirement net pension liability for the year ended June 30, 2015 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2014	\$ 4,685,750	\$ 3,066,741	\$ 1,619,009
Changes for the year:			
Interest	330,480	-	330,480
Difference between expected and actual experience	(185,296)	-	(185,296)
Changes of assumptions	1,028,917	-	1,028,917
Benefit payments	(568,978)	-	(568,978)
Contributions - employer	-	127,078	(127,078)
Net investment income	-	(132,623)	132,623
Benefit payments	-	(568,978)	568,978
Net changes	<u>605,123</u>	<u>(574,523)</u>	<u>1,179,646</u>
Balance, June 30, 2015	<u>\$ 5,290,873</u>	<u>\$ 2,492,218</u>	<u>\$ 2,798,655</u>

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	<u>\$ 277,086</u>
Total	<u>\$ 277,086</u>

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

Year Ended June 30:	
2016	\$ 69,271
2017	69,271
2018	69,271
2019	69,273
Thereafter	-

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 5.25 %, 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 (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Retirement Plans – continued

A. Employees' Retirement Plan - continued

	<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease	4.25%	\$ 3,236,029
Current discount rate	5.25%	\$ 2,798,655
1% increase	6.25%	\$ 2,419,001

Pension Revenue/Expense. For the year ended June 30, 2015, the City recognized pension expense of \$902,560.

B. Police and Firemen's Retirement Plan

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

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

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

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Retirement Plans – continued

B. Police and Firemen's Retirement Plan - continued

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

Cost-of-living adjustments (COLA) are provided at the discretion of the Board of Trustees. Benefits are provided and may be amended by City ordinance. The Board of Trustees approved a 2.0% COLA as of July 1, 2013.

Contributions. As of June 30, 2015, there are 69 retirees and beneficiaries currently receiving benefits. The City is required to contribute at an actuarially determined rate. Contribution requirements of the City are established under KRS 95.868. Administrative costs are financed through investment earnings. The plan is closed to new entrants and doesn't have any active plan members.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	20%	4.0%
Equity funds	60%	8.0%
Real assets	10%	6.5%
Low volatility	10%	5.0%
Total	100%	

Concentrations. The Police and Firemen's Retirement Plan investments concentration as of June 30, 2015:

<u>Investment</u>	<u>Concentration</u>
Cash and money markets	15%
Bond mutual funds	15%
Equity mutual funds	56%
Other assets	14%
	100%

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Retirement Plans – continued

B. Police and Firemen's Retirement Plan - continued

Rate of Return. For the year ended June 30, 2015, the annual money-weighted rate of return on the plan investments, net of pension plan investment expense was (3.95%). 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, 2015, 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, 2015, were as follows:

Total pension liability	\$ 13,507,113
Police and Firemen's Retirement Plan fiduciary net position	<u>(6,353,311)</u>
City's net pension liability	<u>\$ 7,153,802</u>
Police and Firemen's Retirement Plan net position as a percentage of total pension liability	47.04%

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return 7.5%, net of pension plan investment expense, including inflation.

Mortality rates were based on the RP-2014 Total Mortality Table with Blue Collar adjustment projected generationally with scale MP-2014 for healthy retirees and surviving spouses; and RP-2014 Disabled Mortality Table projected generationally with scale MP-2014 for disabled retirees.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2015.

Discount rate. The discount rate used to measure the total pension liability was 4.9%. 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 forecast to be depleted in year 10 from the measurement date using the assumptions in the actuarial report and the Employer contribution policy adopted. The discount rate is determined by blending a 7.5% expected return rate until the fund is depleted and then a 3.74% twenty year tax-exempt municipal bond rate based upon actual municipal bonds available to the City.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Retirement Plans – continued

B. Police and Firemen's Retirement Plan - continued

Changes in Police and Firemen's Net Pension Liability. Changes in the Police and Firemen's net pension liability for the year ended June 30, 2015 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2014	\$ 10,383,315	\$ 7,745,820	\$ 2,637,495
Changes for the year:			
Interest	726,953	-	726,953
Difference between expected and actual experience	124,618	-	124,618
Changes of assumptions	3,678,886	-	3,678,886
Benefit payments	(1,406,659)	-	(1,406,659)
Contributions - employer	-	269,327	(269,327)
Net investment income	-	(255,177)	255,177
Benefit payments	-	(1,406,659)	1,406,659
Net changes	<u>3,123,798</u>	<u>(1,392,509)</u>	<u>4,516,307</u>
Balance, June 30, 2015	<u>\$ 13,507,113</u>	<u>\$ 6,353,311</u>	<u>\$ 7,153,802</u>

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	<u>\$ 635,388</u>
Total	<u>\$ 635,388</u>

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

Year Ended June 30:		
	2016	\$ 158,847
	2017	158,847
	2018	158,847
	2019	158,847
	Thereafter	-

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 4.9 %, 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 (3.9%) or 1-percentage-point higher (5.9%) than the current rate:

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Retirement Plans – continued

B. Police and Firemen's Retirement Plan - continued

	<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease	3.9%	\$ 8,273,694
Current discount rate	4.9%	\$ 7,153,802
1% increase	5.9%	\$ 6,183,366

Pension Revenue/Expense. For the year ended June 30, 2015, the City recognized pension expense of \$3,880,919.

C. County Employees Retirement System (CERS)

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

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

General Information about the Pension Plan

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

Effective July 1, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands. On July 1, 2014, the COLA was not granted.

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

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Retirement Plans - continued

C. County Employees Retirement System (CERS) - continued

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

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

Non-hazardous Contributions - For the year ended June 30, 2015, all plan members who began participating before September 1, 2008, were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2015, participating employers contributed 17.67% of each employee's creditable compensation, which was the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

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

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

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Retirement Plans - continued

C. County Employees Retirement System (CERS) - continued

Contributions to the non-hazardous pension plan from the City were \$954,549 for the year ended June 30, 2015.

Hazardous Contributions - For the year ended June 30, 2015, all plan members who began participating before September 1, 2008, were required to contribute 8% of their annual creditable compensation. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2015, participating employers contributed 34.31% of each employee's creditable compensation, which was the actuarially determined rate set by the Board. Administrative costs of KRS are financed through employer contributions and investment earnings.

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

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

Contributions to the hazardous pension plan from the City were \$5,544,532 for the year ended June 30, 2015.

Insurance Benefits

Plan Description – The Kentucky Retirement Insurance Fund (Fund) was established to provide hospital and medical insurance for members receiving benefits from KERS, CERS and SPRS. The Fund pays a prescribed contribution for the whole or partial payment of required premiums to purchase hospital and medical insurance. The Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

Insurance Benefits – For members participating prior to July 1, 2003, the amount of contribution paid for hospital and medical insurance is based on the years of service and respective percentages of the maximum contribution as follows:

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Retirement Plans - continued

C. County Employees Retirement System (CERS) - continued

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>
20 or More	100%
15-19	75%
10-14	50%
4-9	25%
Less than 4	0%

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on, or after, July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment (COLA), which is updated annually due to changes in the Consumer Price Index for all urban consumers. This benefit is not protected under the inviolable contract provisions of the Kentucky Revised Statute 16.652, 61.692 and 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

Insurance Contributions – In prior years, the employer's required medical insurance contribution rate was being increased annually by a percentage that would result in advance-funding the medical liability on an actuarially determined basis using the entry age normal cost method within a 20-year period measured from 1987. In November 1992, the Board of Trustees adopted a fixed percentage contribution rate and suspended future increases under the current medical premium funding policy until the next experience study could be performed. In May 1996, the Board of Trustees adopted a policy to increase the insurance contribution rate by the amount needed to achieve a target rate for the full entry age normal funding within 20 years.

The Board elected to contract with Humana Insurance Company to provide healthcare benefits to KRS' retirees through a fully-insured Medicare Advantage Plan. The Humana Medicare Advantage Plan became effective January 1, 2013.

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

At June 30, 2015, the City reported a liability of \$8,401,100 for its proportionate share of the net pension liability for non-hazardous and \$34,207,001 for hazardous. The City's net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the City's proportion was 0.26 percent for non-hazardous and 2.85 percent for hazardous.

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Retirement Plans - continued

C. County Employees Retirement System (CERS) - continued

For the year ended June 30, 2015, the City recognized pension expense of \$803,804 for non-hazardous and \$4,668,933 for hazardous. At June 30, 2015, the City reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	NON-HAZARDOUS		HAZARDOUS		TOTAL	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to the measurement date	954,549		5,544,532		6,499,081	
Proportionate share of deferred inflows at measurement date		938,000		3,364,000		4,302,000
	<u>\$ 954,549</u>	<u>\$ 938,000</u>	<u>\$ 5,544,532</u>	<u>\$ 3,364,000</u>	<u>\$ 6,499,081</u>	<u>\$ 4,302,000</u>

\$6,499,081 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Hazardous	Non-Hazardous	Total
2016	\$ (841,000)	\$ (234,500)	\$ (1,075,500)
2017	(841,000)	(234,500)	(1,075,500)
2018	(841,000)	(234,500)	(1,075,500)
2019	(841,000)	(234,500)	(1,075,500)
	<u>\$ (3,364,000)</u>	<u>\$ (938,000)</u>	<u>\$ (4,302,000)</u>

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary Increases	4.5 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

The rates of mortality for the period after the service retirement are according to the 1983 Group Annuity Mortality Table for all retired member and beneficiaries as of June 30, 2006 and the 1994 Group Annuity mortality Table for all other members. The Group Annuity Mortality Table set forward 5 years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2014 valuation were based on results of an actuarial experience study for the period July 1, 2005-June 30, 2008.

The long-term expected return on system 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 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Retirement Plans - continued

C. County Employees Retirement System (CERS) - continued

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 and net of investment expense) were developed by the investment consultant for each major asset class. These ranges were combined to produce long-term expected rate of return by weighing 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 cover 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, 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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Nominal Return
Domestic equity	30%	8.45%
International equity	22%	8.85%
Emerging market equity	5%	10.50%
Private equity	7%	1.25%
Real Estate	5%	7.00%
Core US fixed income	10%	5.25%
High yield US fixed income	5%	7.25%
Non US fixed income	5%	5.50%
Commodities	5%	7.75%
TIPS	5%	5.00%
Cash	1%	3.25%
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability for the system was 7.75% for both, nonhazardous and hazardous. The discount rate determination does not use a municipal bond rate. Projected future benefit payments for all current plan members were projected through 2116.

The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 29 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability calculated using the discount rate of percent, as well as what the systems' net position liability would be if it were calculated using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate for non-hazardous and (6.75%) or one percentage point higher (8.75%) than the current rate for hazardous:

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 9 - Employee Retirement Plans - continued

C. County Employees Retirement System (CERS) - continued

CERS	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
Non-hazardous	\$ 11,055,000	\$ 8,401,100	\$ 6,056,000
Hazardous	44,748,000	34,207,001	25,257,000

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

Note 10 - Fund Balances

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

Fund Balances	General	Pension Obligation 2004 Fund	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<i>Nonspendable</i>					
Prepaid expenses	\$ 123,378	\$ -	\$ -	\$ -	\$ 123,378
<i>Restricted for</i>					
Capital projects	-	-	14,903,725	-	14,903,725
Debt service	-	401,000	-	-	401,000
HUD programs	-	-	-	558,827	558,827
Other grant programs	-	-	-	16,138	16,138
<i>Total Restricted</i>	-	401,000	14,903,725	574,965	15,879,690
<i>Committed to</i>					
One Stop Shop	-	-	-	196,786	196,786
Police	-	-	-	113,638	113,638
<i>Total Committed</i>	-	-	-	310,424	310,424
<i>Unassigned</i>	4,271,673	-	-	(396,489)	3,875,184
<i>Total Fund Balance</i>	\$ 4,395,051	\$ 401,000	\$ 14,903,725	\$ 488,900	\$ 20,188,676

At June 30, 2015, the following funds had a deficit fund balance:

Home Consortium	\$ 94,570
Devou Park Maintenance Fund	\$ 100,066
Devou Park Master Plan	\$ 86,807
Police & Fire Sup Pay	\$ 115,046

City of Covington, Kentucky
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

Note 10 - Fund Balances - continued

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

Note 11 - Contingencies

The City is a defendant in a number of lawsuits pertaining to matters that are incidental to performing routine governmental and other funds. 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, 2015.

Note 12 - Subsequent Events

On July 1, 2015, the City issued \$3,500,000 in tax and revenue anticipation notes, bearing interest at 2.75% and maturing on June 30, 2016.

On August 27, 2015, the City issued \$4,000,000 in general obligation bonds to finance the construction of Hotel Covington.

Note 13 - Change in Accounting Principles and Restatement

The City was required to adopt GASB Statement No. 68, "Accounting and Financial reporting for Pensions", and GASB Statement No. 71, "Pension Transitions for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68." GASB No. 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources and expense. As a result of that adoption, a prior period adjustment was made to record the beginning net pension liability amounts.

The implementation of these pronouncements had the following effect:

	<u>Governmental Activities</u>
Net position, June 30, 2014	\$ 24,473,322
Net Pension Liabilities	(47,706,000)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>6,268,737</u>
Restated net position, June 30, 2014	<u><u>\$ (16,963,941)</u></u>

**Required
Supplementary
Information**

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual -

General Fund

Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Taxes:				
Real property	\$ 6,716,664	\$ 6,735,745	\$ 6,665,122	\$ (70,623)
Franchise	2,028,888	2,028,888	2,141,952	113,064
Insurance premium	5,759,752	5,759,752	5,430,601	(329,151)
Licenses and permits:				
Payroll license fees	22,090,209	22,415,710	22,791,569	375,859
Net profits license fees	2,709,557	2,806,575	3,161,057	354,482
Liquor and beer licenses	120,275	120,275	127,450	7,175
Other licenses and permits	148,441	162,187	165,640	3,453
Intergovernmental	1,142,729	1,081,350	1,038,957	(42,393)
Fines and forfeitures	368,082	315,888	271,735	(44,153)
Charges for services:				
Waste fees	2,484,044	1,618,538	1,597,346	(21,192)
Parking	1,596,053	1,608,208	1,819,791	211,583
Squad runs	1,332,835	1,332,835	1,238,640	(94,195)
Rental property	307,683	308,183	308,342	159
Other	59,113	99,992	109,199	9,207
Interest	5,000	5,000	3,179	(1,821)
Miscellaneous	409,952	880,151	798,656	(81,495)
Total revenues	<u>47,279,277</u>	<u>47,279,277</u>	<u>47,669,236</u>	<u>389,959</u>
Expenditures:				
Current:				
General government:				
Administration department:				
Payroll	\$ 903,044	\$ 903,044	\$ 1,068,893	(165,849)
Contractual services	619,831	621,261	586,106	35,155
Materials and supplies	7,100	15,770	13,243	2,527
Miscellaneous	14,500	13,900	16,654	(2,754)
Total administrative	<u>1,544,475</u>	<u>1,553,975</u>	<u>1,684,896</u>	<u>(130,921)</u>

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual -

General Fund - *continued*

Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<i>Expenditures - continued</i>				
Current - <i>continued</i> :				
General government - <i>continued</i> :				
Legal department:				
Payroll	\$ 607,297	\$ 597,797	\$ 591,503	\$ 6,294
Contractual services	79,250	79,250	75,361	3,889
Materials and supplies	2,124	2,124	2,760	(636)
Miscellaneous	10,360	10,360	3,943	6,417
Total legal	<u>699,031</u>	<u>689,531</u>	<u>673,567</u>	<u>15,964</u>
Finance department:				
Payroll	797,725	774,725	773,320	1,405
Contractual services	521,126	543,807	620,966	(77,159)
Materials and supplies	13,138	13,457	16,763	(3,306)
Miscellaneous	3,905	3,905	6,856	(2,951)
Total finance	<u>1,335,894</u>	<u>1,335,894</u>	<u>1,417,905</u>	<u>(82,011)</u>
Total general government	<u>3,579,400</u>	<u>3,579,400</u>	<u>3,776,368</u>	<u>(196,968)</u>
Police:				
Payroll	11,809,261	11,833,981	12,126,657	(292,676)
Contractual services	373,900	372,400	245,067	127,333
Materials and supplies	449,315	426,095	376,095	50,000
Miscellaneous	13,000	13,000	12,631	369
Total police	<u>12,645,476</u>	<u>12,645,476</u>	<u>12,760,450</u>	<u>(114,974)</u>
Fire:				
Payroll	11,673,257	11,668,257	12,011,022	(342,765)
Contractual services	299,010	307,163	299,441	7,722
Materials and supplies	336,451	332,042	310,158	21,884
Miscellaneous	-	1,256	68,491	(67,235)
Total fire	<u>12,308,718</u>	<u>12,308,718</u>	<u>12,689,112</u>	<u>(380,394)</u>

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual -

General Fund - *continued*

Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<i>Expenditures - continued</i>				
Current - <i>continued</i> :				
Public improvement:				
Payroll	\$ 4,360,250	\$ 4,375,894	\$ 4,034,268	\$ 341,626
Contractual services	3,583,652	3,552,280	3,369,496	182,784
Materials and supplies	1,087,734	1,103,462	994,573	108,889
Miscellaneous	14,300	14,300	3,918	10,382
Total public improvement	<u>9,045,936</u>	<u>9,045,936</u>	<u>8,402,255</u>	<u>643,681</u>
Community development:				
Economic development:				
Payroll	1,320,375	1,320,375	1,106,364	214,011
Contractual services	533,160	543,160	359,433	183,727
Materials and supplies	58,300	49,300	34,097	15,203
Miscellaneous	6,800	5,800	88,743	(82,943)
Total economic development	<u>1,918,635</u>	<u>1,918,635</u>	<u>1,588,637</u>	<u>329,998</u>
Total community development	<u>1,918,635</u>	<u>1,918,635</u>	<u>1,588,637</u>	<u>329,998</u>
Parking garages:				
Contractual services	<u>779,940</u>	<u>779,940</u>	<u>738,147</u>	<u>41,793</u>
Total parking garages	<u>779,940</u>	<u>779,940</u>	<u>738,147</u>	<u>41,793</u>
Debt service:				
Principal	2,653,034	2,613,034	6,290,676	(3,677,642)
Interest	2,226,928	2,226,928	1,968,945	257,983
Bond Issuance Costs	-	-	509,738	(509,738)
Total debt service	<u>4,879,962</u>	<u>4,839,962</u>	<u>8,769,359</u>	<u>(3,929,397)</u>
Total expenditures	<u>\$45,158,067</u>	<u>\$45,118,067</u>	<u>\$48,724,328</u>	<u>\$ (3,606,261)</u>

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual -

General Fund - *concluded*

Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<i>Expenditures - concluded</i>				
Excess (deficiency) of revenues over (under) expenditures	\$ 2,121,210	\$ 2,161,210	\$ (1,055,092)	\$ (3,216,302)
<i>Other Financing Sources (Uses)</i>				
Transfers in	-	-	424,170	424,170
Proceeds on sale of assets	-	-	299,127	299,127
Issuance of refunding bonds	-	-	3,564,705	3,564,705
Premiums on issuance of bonds	-	-	228,179	228,179
Transfers out	<u>(2,101,451)</u>	<u>(2,141,451)</u>	<u>(1,270,481)</u>	<u>870,970</u>
Total other financing sources (uses)	<u>(2,101,451)</u>	<u>(2,141,451)</u>	<u>3,245,700</u>	<u>5,387,151</u>
Net change in fund balance	19,759	19,759	2,190,608	\$ 2,170,849
Fund balance, beginning of year	<u>2,204,443</u>	<u>2,204,443</u>	<u>2,204,443</u>	
Fund balance, end of year	<u>\$ 2,224,202</u>	<u>\$ 2,224,202</u>	<u>\$ 4,395,051</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual -

Neighborhood Stabilization Program Fund

Fiscal Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<i>Revenues:</i>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
<i>Expenditures:</i>				
Current:				
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	-	-	-	\$ -
Fund balance, beginning of year	-	-	-	
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

CITY OF COVINGTON, KENTUCKY
Required Supplementary Information -
Employees' Retirement Plan
Fiscal Years 2015 and 2014 ⁽¹⁾

	2015	2014
Schedule of City Contributions		
Actuarially determined contribution	\$ 183,493	\$ 138,459
Contributions in relation to the actuarially determined contribution	\$ 127,078	\$ 138,459
Contribution deficiency (excess)	\$ 56,415	\$ -
Covered-employee payroll	N/A ⁽²⁾	N/A ⁽²⁾
Actual contributions as a percentage of covered-employee payroll	N/A ⁽²⁾	N/A ⁽²⁾
Schedule of Changes in the Net Position Liability and Related Ratios		
Total pension liability		
Interest	\$ 330,480	\$ 342,966
Benefit changes	-	64,980
Difference between expected and actual experience	(185,296)	(20,562)
Changes of assumptions	1,028,917	24,786
Benefit payments	(568,978)	(587,963)
Net change in total pension liability	605,123	(175,793)
Total pension liability - beginning	4,685,750	4,861,543
Total pension liability - ending	\$ 5,290,873	\$ 4,685,750
Plan fiduciary net position		
Contributions-employer	\$ 127,078	\$ 138,459
Other	-	67
Net investment income	(132,623)	474,728
Benefit payments	(568,978)	(623,756)
Administrative expense	-	(12,221)
Net change in plan fiduciary net position	(574,523)	(22,723)
Plan fiduciary net position - beginning	3,066,741	3,089,464
Plan fiduciary net position - ending	\$ 2,492,218	\$ 3,066,741
Net pension liability	\$ 2,798,655	\$ 1,619,009
Plan fiduciary net position as percentage of the total pension liability	47.10%	65.45%
Covered-employee payroll	N/A ⁽²⁾	N/A ⁽²⁾
Net pension liability as a percentage of covered-employee payroll	N/A ⁽²⁾	N/A ⁽²⁾
Schedule of Investment Returns		
Annual money-weighted rate of return, net of investment expense	-3.70%	16.20%

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

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

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

	2015	2014
Schedule of City Contributions		
Actuarially determined contribution	\$ 445,224	\$ 283,601
Contributions in relation to the actuarially determined contribution	<u>\$ 269,327</u>	<u>\$ 384,806</u>
Contribution deficiency (excess)	<u>\$ 175,897</u>	<u>\$ (101,205)</u>
Covered-employee payroll	N/A ⁽²⁾	N/A ⁽²⁾
Actual contributions as a percentage of covered-employee payroll	N/A ⁽²⁾	N/A ⁽²⁾
Schedule of Changes in the Net Position Liability and Related Ratios		
Total pension liability		
Interest	\$ 726,953	\$ 774,059
Benefit changes	-	38,609
Difference between expected and actual experience	124,618	(17,688)
Changes of assumptions	3,678,886	-
Benefit payments	<u>(1,406,659)</u>	<u>(1,438,900)</u>
Net change in total pension liability	3,123,798	(643,920)
Total pension liability - beginning	<u>10,383,315</u>	<u>11,027,235</u>
Total pension liability - ending	<u>\$ 13,507,113</u>	<u>\$ 10,383,315</u>
Plan fiduciary net position		
Contributions-employer	\$ 269,327	\$ 359,506
Impounding lot	2,578	30,383
Net investment income	(253,088)	1,133,103
Benefit payments	(1,403,457)	(1,446,162)
Administrative expense	<u>(7,869)</u>	<u>(28,113)</u>
Net change in plan fiduciary net position	(1,392,509)	48,717
Plan fiduciary net position - beginning	<u>7,745,820</u>	<u>7,697,103</u>
Plan fiduciary net position - ending	<u>\$ 6,353,311</u>	<u>\$ 7,745,820</u>
Net pension liability	<u>\$ 7,153,802</u>	<u>\$ 2,637,495</u>
Plan fiduciary net position as percentage of the total pension liability	47.04%	74.60%
Covered-employee payroll	N/A ⁽²⁾	N/A ⁽²⁾
Net pension liability as a percentage of covered-employee payroll	N/A ⁽²⁾	N/A ⁽²⁾
Schedule of Investment Returns		
Annual money-weighted rate of return, net of investment expense	-3.95%	16.48%

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

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

CITY OF COVINGTON, KENTUCKY

Notes to Required Supplementary Information

Year Ended June 30, 2015

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 an ad hoc COLA increases of 2.0%, effective July 1, 2013, and 1.5%, effective July 1, 2014, for participants of the Police and Firemen's Retirement Plan.

Note 3. Change in Assumptions: In 2015, the discount rate was revised in accordance with GASB 67. The mortality table was updated to the current table and projection to better reflect anticipated future mortality experience under the plan.

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

	Employees' Retirement Plan	Police and Firemen's Retirement Plan
Actuarial cost method	Entry age	Entry age
Amortization method	20-year closed amortization	20-year closed amortization
Asset valuation method	Market Value	Market Value
Investment rate of return	7.5%, compounded annually net of investment expenses, including inflation	7.5%, compounded annually net of investment expenses, including inflation
Retirement age	Immediate	Immediate
Mortality	RP-2014 Total Mortality Table projected generationally using Scale MP-2014	RP-2014 Total Mortality Table with Blue Collar adjustment projected generationally with scale MP-2014 for healthy retirees and surviving spouses; and RP-2014 Disabled Mortality Table projected generationally with scale MP-

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

Non-hazardous and Hazardous

County Employee Retirement System

Last two fiscal years ⁽¹⁾

	June 30, 2014	June 30, 2013
Non-hazardous:		
City's proportion of the net pension liability	0.26%	0.26%
City's proportionate share of the net pension liability	\$ 8,401,100	9,506,000
City's covered-employee payroll	\$ 5,942,202	5,668,276
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.38%	167.71%
Plan fiduciary net position as a percentage of the total pension liability	66.8%	61.2%
Hazardous:		
City's proportion of the net pension liability	2.85%	2.85%
City's proportionate share of the net pension liability	\$ 34,207,001	38,200,000
City's covered-employee payroll	\$ 14,427,951	14,110,813
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	237.09%	270.71%
Plan fiduciary net position as a percentage of the total pension liability	63.4%	57.7%

(1) Information prior to 2013 is not available

CITY OF COVINGTON, KENTUCKY

Schedule of City Contributions

For the Years Ended June 30, 2015 and 2014 ⁽¹⁾

	<u>2015</u>	<u>2014</u>
Non-hazardous:		
Contractually required contribution	\$ 1,001,928	\$ 1,122,482
Contributions in relation to the contractually required contribution	<u>1,001,928</u>	<u>1,122,482</u>
Contribution excess (deficiency)	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 5,670,221	\$ 5,942,202
Contributions as a percentage of covered-employee payroll	17.67%	18.89%
Hazardous:		
Contractually required contribution	\$ 5,082,951	5,150,779
Contributions in relation to the contractually required contribution	<u>5,082,951</u>	<u>5,150,779</u>
Contribution excess (deficiency)	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 14,814,779	\$ 14,427,951
Contributions as a percentage of covered-employee payroll	34.31%	35.70%

(1) Information prior to 2014 is not available

Supplement Section

Combining Statements And Individual Fund Schedules

CITY OF COVINGTON, KENTUCKY

SPECIAL REVENUE FUNDS

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

Nonmajor Special Revenue Funds:

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

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

The **HOME Program Fund** accounts for resources provided by the U.S. Department of Housing and Urban Development under the HOME Program. Proceeds are used for deferred loans which are used to acquire, construct or rehabilitate housing for low income families.

The **Renaissance Grant Fund** accounts for revenues and expenditures related to renaissance grants received by the City.

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

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

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

The **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.

CITY OF COVINGTON, KENTUCKY

Nonmajor Special Revenue Funds:

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

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

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

INTERNAL SERVICE FUNDS

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

Internal Service Funds:

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

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

AGENCY FUND

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

Agency Fund:

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

CITY OF COVINGTON, KENTUCKY
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Nonmajor Special Revenue Funds											Total Nonmajor Governmental Funds
	Federal & State Grants	Community Development Block Grant	HOME Program	Renaissance Grant	One Stop Shop	Police Forfeiture Justice	HOME Consortium	Housing Voucher Program	Police & Fire Supplemental Pay	Devou Park Maintenance	Devou Park Master Plan	
Assets												
Cash and cash equivalents	\$ 35,109	\$ 303,511	\$ 209,852	\$ -	\$ 266,120	\$ 123,420	\$ -	\$ 383,201	\$ 37,472	\$ 265,779	\$ -	\$ 1,624,464
Cash held in escrow	-	-	-	-	-	-	-	-	-	28,734	-	28,734
Receivables (net of allowance for doubtful accounts):												
Intergovernmental	346,198	126,550	3,462	-	-	-	-	-	-	-	-	476,210
Accounts	321,442	-	-	-	-	-	-	34,398	-	-	-	355,840
Due from other funds	-	-	672	-	-	-	-	320	-	-	-	992
Total assets	\$ 702,749	\$ 430,061	\$ 213,986	\$ -	\$ 266,120	\$ 123,420	\$ -	\$ 417,919	\$ 37,472	\$ 294,513	\$ -	\$ 2,486,240
Liabilities:												
Accounts payable	\$ 298,418	\$ 138,205	\$ 51	\$ -	\$ -	\$ 9,782	\$ 13,796	\$ 23,451	\$ -	\$ 6,591	\$ 77,682	\$ 567,976
Due to other funds	388,193	211,794	-	-	69,334	-	80,774	-	152,518	-	9,125	911,738
Unearned revenue	-	-	-	-	-	-	-	129,638	-	387,988	-	517,626
Total liabilities	686,611	349,999	51	-	69,334	9,782	94,570	153,089	152,518	394,579	86,807	1,997,340
Fund balances:												
Restricted	16,138	80,062	213,935	-	-	-	-	264,830	-	-	-	574,965
Committed	-	-	-	-	196,786	113,638	-	-	-	-	-	310,424
Unassigned	-	-	-	-	-	-	(94,570)	-	(115,046)	(100,066)	(86,807)	(396,489)
Total fund balances	16,138	80,062	213,935	-	196,786	113,638	(94,570)	264,830	(115,046)	(100,066)	(86,807)	488,900
Total liabilities and fund balances	\$ 702,749	\$ 430,061	\$ 213,986	\$ -	\$ 266,120	\$ 123,420	\$ -	\$ 417,919	\$ 37,472	\$ 294,513	\$ -	\$ 2,486,240

CITY OF COVINGTON, KENTUCKY

Combining Statement of Revenues, Expenditures and

Changes in Fund Balances

Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2015

	Nonmajor Special Revenue Funds											Total
	Federal & State Grants	Community Development Block Grant	HOME Program	Renaissance Grant	One Stop Shop	Police Forfeiture Justice	HOME Consortium	Housing Voucher Program	Police & Fire Supplemental Pay	Devou Park Maintenance	Devou Park Master Plan	Nonmajor Governmental Funds
Revenues:												
Intergovernmental	\$ 1,172,204	\$ 1,213,508	\$ 242,152	\$ -	\$ -	\$ 139,327	\$ 162,668	\$ 5,193,400	\$ 860,104	\$ -	\$ -	\$ 8,983,363
Charges for services	-	-	-	-	336,313	-	-	-	-	-	-	336,313
Investment earnings	-	-	193	-	-	98	-	334	-	127	1	753
Miscellaneous	30,247	164,185	202,219	-	-	-	15,252	66	-	-	264,067	676,036
Total revenues	1,202,451	1,377,693	444,564	-	336,313	139,425	177,920	5,193,800	860,104	127	264,068	9,996,465
Expenditures:												
Current:												
General government	35,881	-	-	-	-	-	-	-	-	34,845	397,864	468,590
Police	123,918	-	-	-	-	179,482	-	-	473,693	-	-	777,093
Fire	-	-	-	-	-	-	-	-	501,457	-	-	501,457
Public improvements	868,722	-	-	-	-	-	-	-	-	-	-	868,722
Community development	153,931	881,621	321,355	-	129,289	-	272,490	5,815,201	-	-	-	7,573,887
Capital outlay	20,000	475,860	-	-	-	-	-	-	-	-	-	495,860
Total expenditures	1,202,452	1,357,481	321,355	-	129,289	179,482	272,490	5,815,201	975,150	34,845	397,864	10,685,609
Excess (deficiency) of revenues over (under) expenditures	(1)	20,212	123,209	-	207,024	(40,057)	(94,570)	(621,401)	(115,046)	(34,718)	(133,796)	(689,144)
Other financing sources (uses):												
Transfers in	15,135	-	-	-	-	-	-	-	-	-	-	15,135
Transfers out	-	(150,000)	-	(15,135)	-	-	-	-	-	-	-	(165,135)
Total other financing sources (uses)	15,135	(150,000)	-	(15,135)	-	-	-	-	-	-	-	(150,000)
Net change in fund balances	15,134	(129,788)	123,209	(15,135)	207,024	(40,057)	(94,570)	(621,401)	(115,046)	(34,718)	(133,796)	(839,144)
Fund balance, beginning of year	1,004	209,850	90,726	15,135	(10,238)	153,695	-	886,231	-	(65,348)	46,989	1,328,044
Fund balance, end of year	\$ 16,138	\$ 80,062	\$ 213,935	\$ -	\$ 196,786	\$ 113,638	\$ (94,570)	\$ 264,830	\$ (115,046)	\$ (100,066)	\$ (86,807)	\$ 488,900

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Federal & State Grants Fund

Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Intergovernmental	\$ 233,233	\$ 1,172,204	\$ 938,971
Miscellaneous	438,426	30,247	(408,179)
Total revenues	<u>671,659</u>	<u>1,202,451</u>	<u>530,792</u>
Expenditures:			
Current:			
General government	-	35,881	(35,881)
Police	84,982	123,918	(38,936)
Public improvements	-	868,722	(868,722)
Community development	586,677	153,931	432,746
Capital outlay	<u>-</u>	<u>20,000</u>	<u>(20,000)</u>
Total expenditures	<u>671,659</u>	<u>1,202,452</u>	<u>(530,793)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>15,135</u>	<u>15,135</u>
Total other financing sources (uses)	<u>-</u>	<u>15,135</u>	<u>15,135</u>
Net change in fund balance	-	15,134	\$ 15,134
Fund balance, beginning of year	<u>1,004</u>	<u>1,004</u>	
Fund balance, end of year	<u>\$ 1,004</u>	<u>\$ 16,138</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Community Development Block Grant Fund

Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 1,691,792	\$ 1,213,508	\$ (478,284)
Miscellaneous	<u>225,000</u>	<u>164,185</u>	<u>(60,815)</u>
Total revenues	<u>1,916,792</u>	<u>1,377,693</u>	<u>(539,099)</u>
Expenditures:			
Current:			
Community development	1,448,792	881,621	567,171
Capital outlay	<u>468,000</u>	<u>475,860</u>	<u>(7,860)</u>
Total expenditures	<u>1,916,792</u>	<u>1,357,481</u>	<u>559,311</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>20,212</u>	<u>20,212</u>
Other financing sources (uses):			
Transfers out	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>
Net change in fund balances	-	(129,788)	\$ (129,788)
Fund balance, beginning of year	<u>209,850</u>	<u>209,850</u>	
Fund balance, end of year	<u>\$ 209,850</u>	<u>\$ 80,062</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

HOME Program Fund

Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<i>Revenues:</i>			
Intergovernmental	\$ 309,943	\$ 242,152	\$ (67,791)
Investment earnings	41	193	152
Miscellaneous	<u>48,014</u>	<u>202,219</u>	<u>154,205</u>
Total revenues	<u>357,998</u>	<u>444,564</u>	<u>86,566</u>
<i>Expenditures:</i>			
Current:			
Community development	<u>358,197</u>	<u>321,355</u>	<u>36,842</u>
Total expenditures	<u>358,197</u>	<u>321,355</u>	<u>36,842</u>
Net change in fund balance	(199)	123,209	\$ 123,408
Fund balance, beginning of year	<u>90,726</u>	<u>90,726</u>	
Fund balance, end of year	<u>\$ 90,527</u>	<u>\$ 213,935</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Renaissance Grant Fund

Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<i>Expenditures:</i>			
Current:			
Capital outlay	<u>\$ 59,096</u>	<u>\$ -</u>	<u>\$ 59,096</u>
Total expenditures	<u>59,096</u>	<u>-</u>	<u>59,096</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>(59,096)</u>	 <u>-</u>	 <u>59,096</u>
<i>Other financing sources (uses):</i>			
Transfers out	<u>-</u>	<u>(15,135)</u>	<u>(15,135)</u>
Total other financing sources (uses)	<u>-</u>	<u>(15,135)</u>	<u>(15,135)</u>
 Net change in fund balance	 \$ (59,096)	 \$ (15,135)	 \$ 43,961
 Fund balance, beginning of year	 <u>15,135</u>	 <u>15,135</u>	
Fund balance, end of year	<u>\$ (43,961)</u>	<u>\$ -</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

One Stop Shop Fund

Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<i>Revenues:</i>			
Miscellaneous	\$ 331,718	\$ 336,313	\$ 4,595
Total revenues	<u>331,718</u>	<u>336,313</u>	<u>4,595</u>
<i>Expenditures:</i>			
Current:			
Community development	<u>331,718</u>	<u>129,289</u>	<u>202,429</u>
Total expenditures	<u>331,718</u>	<u>129,289</u>	<u>202,429</u>
Net change in fund balance	-	207,024	\$ 207,024
Fund balance, beginning of year	<u>(10,238)</u>	<u>(10,238)</u>	
Fund balance, end of year	<u>\$ (10,238)</u>	<u>\$ 196,786</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Police Forfeiture Justice Fund

Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<i>Revenues:</i>			
Intergovernmental	\$ 238,531	\$ 139,327	\$ (99,204)
Investment earnings	-	98	98
Total revenues	<u>238,531</u>	<u>139,425</u>	<u>(99,106)</u>
<i>Expenditures:</i>			
Current:			
Police	<u>238,531</u>	<u>179,482</u>	<u>59,049</u>
Total expenditures	<u>238,531</u>	<u>179,482</u>	<u>59,049</u>
Net change in fund balance	-	(40,057)	\$ (40,057)
Fund balance, beginning of year	<u>153,695</u>	<u>153,695</u>	
Fund balance, end of year	<u>\$ 153,695</u>	<u>\$ 113,638</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

HOME Consortium Fund

Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<i>Revenues:</i>			
Intergovernmental	\$ 222,760	\$ 162,668	\$ (60,092)
Miscellaneous	<u>20,000</u>	<u>15,252</u>	<u>(4,748)</u>
Total revenues	<u>242,760</u>	<u>177,920</u>	<u>(64,840)</u>
<i>Expenditures:</i>			
Current:			
Community development	<u>242,760</u>	<u>272,490</u>	<u>(29,730)</u>
Total expenditures	<u>242,760</u>	<u>272,490</u>	<u>(29,730)</u>
Net change in fund balance	-	(94,570)	\$ (94,570)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	
Fund balance, end of year	<u>\$ -</u>	<u>\$ (94,570)</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Housing Voucher Program Fund

Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 5,995,144	\$ 5,193,400	\$ (801,744)
Investment earnings	363	334	(29)
Miscellaneous	<u>-</u>	<u>66</u>	<u>66</u>
Total revenues	<u>5,995,507</u>	<u>5,193,800</u>	<u>(801,707)</u>
Expenditures:			
Current:			
Community development	<u>6,274,536</u>	<u>5,815,201</u>	<u>459,335</u>
Total expenditures	<u>6,274,536</u>	<u>5,815,201</u>	<u>459,335</u>
Net change in fund balance	(279,029)	(621,401)	\$ (342,372)
Fund balance, beginning of year	<u>886,231</u>	<u>886,231</u>	
Fund balance, end of year	<u>\$ 607,202</u>	<u>\$ 264,830</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Police & Fire Supplemental Pay Fund

Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<i>Revenues:</i>			
Intergovernmental	\$ 901,339	\$ 860,104	\$ (41,235)
Total revenues	<u>901,339</u>	<u>860,104</u>	<u>(41,235)</u>
<i>Expenditures:</i>			
Current:			
Police	423,029	473,693	(50,664)
Fire	<u>478,310</u>	<u>501,457</u>	<u>(23,147)</u>
Total expenditures	<u>901,339</u>	<u>975,150</u>	<u>(73,811)</u>
Net change in fund balance	-	(115,046)	\$ (115,046)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	
Fund balance, end of year	<u>\$ -</u>	<u>\$ (115,046)</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Devou Park Maintenance Fund

Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Investment earnings	\$ 167	\$ 127	\$ (40)
Total revenues	<u>167</u>	<u>127</u>	<u>(40)</u>
Expenditures:			
Current:			
General government	81,546	34,845	46,701
Capital outlay	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Total expenditures	<u>91,546</u>	<u>34,845</u>	<u>56,701</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(91,379)</u>	<u>(34,718)</u>	<u>56,661</u>
Other financing sources (uses):			
Transfers in	<u>91,379</u>	<u>-</u>	<u>(91,379)</u>
Total other financing sources (uses)	<u>91,379</u>	<u>-</u>	<u>(91,379)</u>
Net change in fund balance	-	(34,718)	\$ (34,718)
Fund balance, beginning of year	<u>(65,348)</u>	<u>(65,348)</u>	
Fund balance, end of year	<u>\$ (65,348)</u>	<u>\$ (100,066)</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Devou Park Master Plan Fund

Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 625,000	\$ -	\$ (625,000)
Investment earnings	-	1	1
Miscellaneous	-	264,067	264,067
Total revenues	<u>625,000</u>	<u>264,068</u>	<u>(360,932)</u>
Expenditures:			
Current:			
General government	\$ 625,000	\$ 397,864	\$ 227,136
Total expenditures	<u>625,000</u>	<u>397,864</u>	<u>227,136</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(133,796)</u>	<u>(133,796)</u>
Other financing sources (uses):			
Transfers in	<u>625,000</u>	<u>-</u>	<u>(625,000)</u>
Total other financing sources (uses)	<u>625,000</u>	<u>-</u>	<u>(625,000)</u>
Net change in fund balance	625,000	(133,796)	\$ (758,796)
Fund balance, beginning of year	<u>46,989</u>	<u>46,989</u>	
Fund balance, end of year	<u>\$ 671,989</u>	<u>\$ (86,807)</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Pension Obligation 2004 Fund

Fiscal Year Ended June 30, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<i>Expenditures:</i>			
Current:			
Debt service:			
Principal	\$ -	\$ 10,620,000	\$ (10,620,000)
Bond issuance costs	-	<u>342,517</u>	<u>(342,517)</u>
Total expenditures	-	<u>10,962,517</u>	<u>(10,962,517)</u>
Excess (deficiency) of revenues over (under) expenditures	-	<u>(10,962,517)</u>	<u>(10,962,517)</u>
<i>Other financing sources (uses):</i>			
Transfers out	-	(274,170)	(274,170)
Issuance of refunding bonds	-	10,960,000	10,960,000
Premiums on issuance of bonds	-	<u>2,517</u>	<u>2,517</u>
Total other financing sources (uses)	-	<u>10,688,347</u>	<u>10,688,347</u>
Net change in fund balances	-	(274,170)	\$ (274,170)
Fund balance, beginning of year	<u>675,170</u>	<u>675,170</u>	
Fund balance, end of year	<u>\$ 675,170</u>	<u>\$ 401,000</u>	

CITY OF COVINGTON, KENTUCKY

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Capital Improvement Fund

Fiscal Year Ended June 30, 2015

	Final Budget	Actual	Variance with Final Budget
Revenues:			
Miscellaneous	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures:			
Current:			
General government	-	160,434	(160,434)
Public improvements	-	3,606,302	(3,606,302)
Community development	-	393	(393)
Capital outlay	-	1,264,709	(1,264,709)
Total expenditures	-	5,031,838	(5,031,838)
Excess (deficiency) of revenues over (under) expenditures	-	(5,031,838)	(5,031,838)
Other financing sources (uses):			
Transfers in	-	160,000	160,000
Issuance of bonds	-	15,070,295	15,070,295
Total other financing sources (uses)	-	15,230,295	15,230,295
Net change in fund balances	-	10,198,457	\$ 10,198,457
Fund balance, beginning of year	4,705,268	4,705,268	
Fund balance, end of year	\$ 4,705,268	\$ 14,903,725	

CITY OF COVINGTON, KENTUCKY
Combining Statement of Net Position
Internal Service Funds
June 30, 2015

	Liability Self Insurance	Medical Self Insurance	Total Internal Service Funds
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,291,216	\$ 1,696,029	\$ 2,987,245
Total assets	<u>1,291,216</u>	<u>1,696,029</u>	<u>2,987,245</u>
Liabilities			
Current Liabilities			
Accounts payable	22,138	12,737	34,875
Claims payable	<u>-</u>	<u>1,683,817</u>	<u>1,683,817</u>
	22,138	1,696,554	1,718,692
Noncurrent Liabilities			
Claims payable	<u>1,224,247</u>	<u>-</u>	<u>1,224,247</u>
Total liabilities	<u>1,246,385</u>	<u>1,696,554</u>	<u>2,942,939</u>
Net Position			
Unrestricted	<u>44,831</u>	<u>(525)</u>	<u>44,306</u>
Total net position	<u>\$ 44,831</u>	<u>\$ (525)</u>	<u>\$ 44,306</u>

CITY OF COVINGTON, KENTUCKY

Combining Statement of Revenues, Expenses

and Changes in Net Position

Internal Service Funds

Fiscal Year Ended June 30, 2015

	Liability Self Insurance	Medical Self Insurance	Total Internal Service Funds
<i>Operating revenues:</i>			
Insurance premiums	\$ -	\$ 4,483,012	\$ 4,483,012
Other	-	2,374	2,374
Total operating revenues	-	4,485,386	4,485,386
<i>Operating expenses:</i>			
Contractual services	260,505	758,962	1,019,467
Claims and judgments	582,066	4,016,605	4,598,671
Total operating expenses	842,571	4,775,567	5,618,138
Operating loss	(842,571)	(290,181)	(1,132,752)
<i>Non-operating revenues (expenses):</i>			
Investment income	169	139	308
Loss before transfers	(842,402)	(290,042)	(1,132,444)
Transfers in	820,964	289,517	1,110,481
Change in net position	(21,438)	(525)	(21,963)
Net position, beginning of year	66,269	-	66,269
Net position, end of year	\$ 44,831	\$ (525)	\$ 44,306

CITY OF COVINGTON, KENTUCKY
Combining Statement of Cash Flows
Internal Service Funds
Fiscal Year Ended June 30, 2015

	Liability Self Insurance	Medical Self Insurance	Total Internal Service Funds
<i>Cash flows from operating activities:</i>			
Cash received from other funds	\$ 818,348	\$ 4,501,918	\$ 5,320,266
Cash received from other income	-	2,374	2,374
Cash payments for claims	(413,796)	(4,043,533)	(4,457,329)
Net cash flows from operating activities	<u>404,552</u>	<u>460,759</u>	<u>865,311</u>
<i>Cash flows from noncapital financing activities:</i>			
Transfers	<u>820,964</u>	<u>289,517</u>	<u>1,110,481</u>
Net cash provided by noncapital financing activities	<u>820,964</u>	<u>289,517</u>	<u>1,110,481</u>
<i>Cash flows from investing activities:</i>			
Interest income	<u>169</u>	<u>139</u>	<u>308</u>
Net cash provided by investing activities	<u>169</u>	<u>139</u>	<u>308</u>
Net change	1,225,685	750,415	1,976,100
Cash and cash equivalents, beginning of year	<u>65,531</u>	<u>945,614</u>	<u>1,011,145</u>
Cash and cash equivalents, end of year	<u>\$ 1,291,216</u>	<u>\$ 1,696,029</u>	<u>\$ 2,987,245</u>
Reconciliation of operating loss to net cash flows from operating activities			
Operating loss	\$ (842,571)	\$ (290,181)	\$ (1,132,752)
Adjustments to reconcile operating loss to net cash flows from operating activities:			
Changes in assets and liabilities:			
Due from/to other funds	\$ 818,348	\$ 18,906	\$ 837,254
Accounts payable	(81,472)	(6,169)	(87,641)
Claims payable	<u>510,247</u>	<u>738,203</u>	<u>1,248,450</u>
Net cash flows from operating activities	<u>\$ 404,552</u>	<u>\$ 460,759</u>	<u>\$ 865,311</u>

CITY OF COVINGTON, KENTUCKY

Statement of Changes in Fiduciary Assets & Liabilities

Agency Funds

Fiscal Year Ended June 30, 2015

	Beginning Balance 7/1/2014	Additions	Deductions	Ending Balance 6/30/2015
Real Estate Transactions				
Assets:				
Cash	\$ -	\$ 179,184	\$ 10,700	\$ 168,484
Liabilities:				
Due to others	\$ -	\$ 21,427	\$ 189,911	\$ 168,484
TOTAL				
Assets:				
Cash	-	179,184	10,700	168,484
	<u>\$ -</u>	<u>\$ 179,184</u>	<u>\$ 10,700</u>	<u>\$ 168,484</u>
Liabilities:				
Due to others	-	21,427	189,911	168,484
	<u>\$ -</u>	<u>\$ 21,427</u>	<u>\$ 189,911</u>	<u>\$ 168,484</u>

See accompanying notes to the basic financial statements.

STATISTICAL SECTION

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

	Fiscal Year									
	2015	(as restated) 2014	(as restated) 2013	2012	2011	2010	2009	2008	2007	2006
Governmental Activities / Primary Government										
Net Investment in Capital Assets	\$ 26,636,560	\$ 29,360,778	\$ 33,666,204	\$ 34,173,497	\$ 36,088,303	\$ 34,539,885	\$ 36,577,167	\$ 41,334,965	\$ 39,709,313	\$ 40,851,867
Restricted for Capital Improvements	-	2,614,198	580,454	190,681	1,577,223	-	-	-	-	-
Restricted for Debt Service	401,000	401,000	401,000	-	-	-	-	-	-	-
Restricted for HUD Programs	2,938,475	3,622,306	3,565,125	16,648,464	1,318,568	-	-	-	-	-
Restricted for other purposes	-	16,139	14,887	-	27,361	91,138	193,693	550,682	888,123	1,307,719
Restricted for Grant Programs	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted (deficit)	(55,244,951)	(52,978,362)	(13,385,806)	(4,806,437)	8,933,230	13,587,660	16,638,487	16,603,105	17,286,863	15,104,828
Total Governmental Activities Net Position	<u>\$ (25,268,916)</u>	<u>\$ (16,963,941)</u>	<u>\$ 24,841,864</u>	<u>\$ 46,206,205</u>	<u>\$ 47,944,685</u>	<u>\$ 48,218,683</u>	<u>\$ 53,409,347</u>	<u>\$ 58,488,752</u>	<u>\$ 57,884,299</u>	<u>\$ 57,264,414</u>

Note: The City implemented GASB Statement Nos. 67 and 68 in fiscal year 2014, restating fiscal year 2013.

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental Activities										
Expenses										
General Government	\$ 12,474,158	\$ 5,916,248	\$ 4,028,857	\$ 4,250,735	\$ 3,814,055	\$ 6,089,518	\$ 12,149,528	\$ 7,807,872	\$ 6,975,709	\$ 7,781,587
Police	13,287,449	14,177,725	15,464,519	16,455,964	16,536,402	16,498,516	15,593,684	15,501,195	14,873,868	14,482,761
Fire	12,882,780	13,060,943	13,727,885	15,180,999	15,318,421	15,048,966	14,224,985	14,753,208	13,595,531	12,512,512
Public Improvements	14,691,139	13,769,904	10,916,212	11,349,786	11,780,808	11,847,116	7,185,210	5,995,347	6,001,968	5,324,831
Recreation	-	242,112	683,742	711,584	734,672	796,215	2,740,960	2,426,639	2,350,546	2,325,250
Community Development	9,179,648	10,917,226	13,912,337	15,379,018	13,771,124	12,484,045	10,217,357	9,777,154	9,345,867	9,817,626
Parking Garage	738,147	734,598	783,059	768,661	865,947	732,362	701,986	747,677	734,401	727,419
Interest on Long-term Debt	3,000,362	1,654,352	2,181,165	1,324,845	1,676,776	1,716,153	2,052,549	1,935,242	1,872,816	1,919,888
Total Governmental Activities Expenses	66,253,683	60,473,108	61,697,776	65,421,592	64,498,205	65,212,891	64,866,259	58,944,334	55,750,706	54,891,874
Program Revenues										
General Government	1,028,301	940,479	1,214,447	936,996	968,682	1,136,249	993,267	1,145,333	1,096,558	1,215,111
Police	3,891	58,002	133,915	189,671	307,539	412,722	406,557	382,318	331,579	372,192
Fire	1,238,640	1,391,914	1,238,042	1,333,724	1,175,621	1,282,105	1,077,448	1,084,825	1,073,548	912,526
Public Improvements	1,292,573	2,343,079	2,506,617	2,342,050	2,082,635	1,918,838	1,859,171	1,464,056	1,170,789	1,226,952
Community Development	1,389,251	738,833	91,612	191,962	98,196	79,317	37,833	41,860	114,177	56,017
Parking Garage	1,806,791	1,554,915	1,353,754	1,674,834	1,458,784	1,179,276	1,143,276	1,120,916	1,041,332	1,059,369
Operating Grants and Contributions	8,898,601	10,842,196	11,932,368	12,518,909	13,533,951	10,727,972	9,664,170	10,823,567	8,840,224	9,652,316
Capital Grants and Contributions	1,143,363	2,317,723	1,290,469	1,647,156	2,558,805	1,624,312	1,650,920	2,050,654	1,279,884	716,322
Total Governmental Activities Revenues	16,801,411	20,187,141	19,761,224	20,835,302	22,184,213	18,360,791	16,832,642	18,113,529	14,948,091	15,210,805
Program Revenues Over (Under) Expenses	(49,452,272)	(40,285,967)	(41,936,552)	(44,586,290)	(42,313,992)	(46,852,100)	(48,033,617)	(40,830,805)	(40,802,615)	(39,681,069)
General Revenues and Changes in Net Assets										
Taxes										
Real Property-Levied for General Purposes	6,392,706	6,085,654	6,043,907	6,141,332	6,481,511	6,114,035	6,024,885	4,680,355	5,590,772	5,913,401
Personal Property-Levied for General Purposes	654,885	764,100	655,275	796,259	516,905	557,999	653,748	601,109	553,057	589,401
Public Services	2,141,952	2,131,042	2,018,535	1,944,431	2,107,927	2,085,706	2,140,821	2,178,804	1,978,504	2,092,335
Taxes-Levied for Bank Deposits	72,843	65,134	62,729	87,014	71,391	60,603	53,161	67,789	59,042	62,232
Insurance Premium	5,430,601	5,672,059	5,279,824	4,988,428	5,155,801	5,588,067	5,430,628	4,860,194	5,242,337	5,324,223
Payroll	22,791,569	22,222,546	22,974,835	22,764,392	22,595,598	22,850,229	23,697,247	23,287,559	21,656,929	21,263,831
Net Profit	3,161,057	2,829,873	2,710,237	3,011,825	2,404,497	2,285,504	2,555,089	2,779,489	2,959,729	2,554,150
Other	-	-	303,944	805,015	840,953	796,091	790,752	647,217	552,641	490,889
Investment Earnings	3,932	4,287	96,889	23,084	47,503	25,094	112,064	317,416	389,885	310,239
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-	-	-	214,010	576,242
Miscellaneous	497,752	159,730	577,261	2,286,030	1,817,908	1,298,108	1,495,817	2,015,326	2,225,594	1,710,802
Special Item	-	(17,000)	(102,445)	-	-	-	-	-	-	-
Total General Revenues and Transfers	41,147,297	39,917,425	40,620,991	42,847,810	42,039,994	41,661,436	42,954,212	41,435,258	41,422,500	40,887,745
Change in Net Position	\$ (8,304,975)	\$ (368,542)	\$ (1,315,561)	\$ (1,738,480)	\$ (273,998)	\$ (5,190,664)	\$ (5,079,405)	\$ 604,453	\$ 619,885	\$ 1,206,676

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

	Fiscal Year									
	2015	2014	2013	2012	2011 (as restated)	2010	2009	2008	2007	2006
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,414	\$ 4,483	\$ 1,611	\$ 122,892
Unreserved	-	-	-	-	-	342,498	730,555	735,839	675,320	550,513
Nonspendable	123,378	25,515	41,593	98,617	-	-	-	-	-	-
Restricted	-	-	-	190,681	1,577,223	-	-	-	-	-
Assigned	-	-	-	-	1,345,041	-	-	-	-	-
Unassigned	4,271,673	2,178,928	738,275	1,043,176	698,391	-	-	-	-	-
Total General Fund	4,395,051	2,204,443	779,868	1,332,474	3,620,655	342,498	771,969	740,322	676,931	673,405
All Other Governmental Funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-	-	-	-
Special Revenue Funds	-	-	-	-	-	4,007,906	4,821,080	4,296,812	3,713,572	810,353
Capital Projects Funds	-	-	-	-	-	(12,984)	158,251	91,947	469,730	-
Debt Service Funds	-	-	-	-	-	91,138	193,693	550,682	888,123	1,307,719
Nonspendable	-	-	250,000	-	-	-	-	-	-	-
Restricted	15,879,690	5,955,203	16,339,191	1,574,894	1,345,929	-	-	-	-	-
Committed	310,424	828,865	299,239	385,496	255,605	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned (deficit)	(396,489)	(75,586)	-	-	(27,062)	-	-	-	-	-
Total All Other Governmental Funds	15,793,625	6,708,482	16,888,430	1,960,390	1,574,472	4,086,060	5,173,024	4,939,441	5,071,425	2,118,072
Total Governmental Funds	\$ 20,188,676	\$ 8,912,925	\$ 17,668,298	\$ 3,292,864	\$ 5,195,127	\$ 4,428,558	\$ 5,944,993	\$ 5,679,763	\$ 5,748,356	\$ 2,791,477

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

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Taxes	\$ 14,237,675	\$ 14,291,815	\$ 14,029,560	\$ 14,462,247	\$ 14,643,134	\$ 14,987,054	\$ 14,707,297	\$ 13,682,151	\$ 13,554,260	\$ 13,466,713
Licenses and Permits	26,245,715	25,353,330	25,979,427	26,175,310	25,362,255	25,429,776	26,550,329	26,357,476	24,897,197	24,123,130
Intergovernmental	10,022,321	13,142,623	12,897,498	14,510,735	13,684,242	12,166,647	11,691,463	12,063,637	11,204,089	10,345,557
Charges for Services	5,409,631	5,936,837	6,063,670	6,063,323	5,394,348	5,227,073	4,744,058	4,527,680	4,104,170	4,128,721
Fines and Forfeitures	271,735	414,625	367,591	439,189	558,465	746,322	712,072	669,260	711,786	603,286
Investment Earnings	3,932	4,287	96,889	23,084	47,244	24,439	99,619	270,519	330,536	278,531
Miscellaneous	1,474,692	1,045,589	1,845,656	2,449,022	2,004,920	1,351,353	1,557,868	2,382,312	2,342,372	1,734,234
Total Revenues	57,665,701	60,189,106	61,280,291	64,122,910	61,694,608	59,932,664	60,062,706	59,953,035	57,144,410	54,680,172
Expenditures										
General Government										
Police	4,405,392	8,988,027	3,982,552	3,618,888	4,315,649	3,785,714	3,783,523	3,554,133	3,092,518	3,537,750
Fire	13,537,543	13,945,665	14,207,005	15,588,778	15,913,878	15,593,494	14,886,861	15,013,636	14,359,432	14,109,828
General Service	13,190,569	12,745,412	13,203,841	13,842,762	13,630,059	13,812,934	13,306,319	13,959,222	12,989,464	12,168,065
Recreation	12,877,279	8,815,377	5,994,547	5,891,702	6,268,883	6,514,905	6,690,503	5,644,983	5,292,360	5,180,111
Community Development (includes recreation in 2014)	-	-	437,483	475,601	455,212	504,309	2,533,103	2,347,048	2,309,959	2,289,413
Parking Garage	9,162,917	10,864,968	13,051,903	14,104,562	13,075,265	12,175,797	10,138,570	9,771,182	9,098,909	9,832,881
Debt Service	738,147	731,835	780,016	743,506	865,947	732,362	701,986	747,677	734,401	727,419
Principal	16,910,676	2,771,777	3,510,165	3,682,521	3,131,379	2,980,841	3,516,517	2,918,585	2,727,985	2,763,879
Interest and Other Charges	1,968,945	1,754,969	2,273,447	1,223,546	1,503,485	1,679,854	2,054,516	1,829,031	1,701,223	1,965,386
Bond Issuance Costs	852,255	-	-	-	59,623	-	-	-	-	-
Capital Outlay	1,760,569	8,139,287	5,485,409	5,847,540	4,300,102	4,982,528	6,715,050	4,159,916	3,257,621	2,701,215
Total Expenditures	75,404,292	68,757,317	62,926,368	65,019,406	63,519,482	62,762,738	64,326,948	59,945,413	55,563,872	55,275,947
Excess (Deficit) of Revenues Over Expenditures	(17,738,591)	(8,568,211)	(1,646,077)	(896,496)	(1,824,874)	(2,830,074)	(4,264,242)	7,622	1,580,538	(595,775)
Other Financing Sources (Uses)										
Proceeds From Issuance of Debt	18,635,000	-	-	-	2,806,827	-	4,509,181	-	1,630,000	-
Proceeds From Bond Refinancing	10,960,000	-	-	-	315,000	-	-	-	-	-
Premiums on the Issuance of Debt	230,696	-	-	-	-	-	-	-	-	-
Payment to Refunded Lease Escrow Agent	-	-	-	-	(303,694)	-	-	-	-	-
Inception of Capital Leases	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	16,040,000	-	-	-	-	-	-	-
Transfer Out	599,305	1,387,729	6,009,757	4,090,194	3,565,394	6,028,123	6,063,518	5,377,180	6,169,710	6,006,833
Proceeds From Short-term Debt	(1,709,786)	(2,361,142)	(6,066,893)	(5,101,478)	(3,865,395)	(6,228,123)	(6,747,200)	(5,881,142)	(6,663,029)	(6,252,032)
Proceeds from Sale of Assets	-	-	-	-	-	1,040,563	75,419	427,747	-	596,202
Miscellaneous	299,127	33,684	141,092	5,517	13,647	-	-	-	-	-
Total Other Financing Sources (Uses)	29,014,342	(939,729)	16,123,956	(1,005,767)	2,531,779	840,563	3,900,918	(76,215)	1,136,681	351,003
Special Item										
Increase (Decrease) in Fund Balance	\$ 11,275,751	\$ (9,524,940)	\$ 14,375,434	\$ (1,902,263)	\$ 706,905	\$ (1,989,511)	\$ (363,324)	\$ (69,593)	\$ 2,717,219	\$ (244,772)
Debt Service as a Percentage of Non-Capital Expenditures	27.06%	8.03%	10.02%	8.11%	7.81%	8.07%	9.67%	8.51%	8.47%	9.00%

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

Fiscal Year	Total Gross Taxable Wages	Total Withholding Fees	Total Direct Rate
2015	\$ 952,288,327	\$ 23,331,064	0.0245
2014	\$ 940,233,510	\$ 23,035,721	0.0245
2013	\$ 949,297,388	\$ 23,257,786	0.0250
2012	\$ 910,575,680	\$ 22,764,392	0.0250
2011	\$ 903,823,920	\$ 22,595,598	0.0250
2010	\$ 914,009,160	\$ 22,850,229	0.0250
2009	\$ 947,889,880	\$ 23,697,247	0.0250
2008	\$ 931,502,360	\$ 23,287,559	0.0250
2007	\$ 866,277,160	\$ 21,656,929	0.0250
2006	\$ 850,553,240	\$ 21,263,831	0.0250

Source: City of Covington Finance Department

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

Taxpayer	
2015	2006
Ashland Inc.	Atkins & Pearce Manufacturing
Atkins & Pearce Manufacturing	BBI Marketing
Club Chef	Covington Board of Education
Commonwealth of Kentucky	Fidelity Investments
Covington Board of Education	Internal Revenue Service
Diocese of Covington Board of Education	No. Ky. Mental Health and Retardation Board
Fidelity Investments	Omnicare
Internal Revenue Service	Rosedale Manor
Rosedale Manor	St. Elizabeth Hospital
St. Elizabeth Hospital	State of Kentucky

Notes: Taxpayer information is listed alphabetically.

Source: City of Covington Finance Department

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

Fiscal Year	Real Property		Personal Property	Tax-Exempt Property	Total Taxable Assessed Value		Total Direct Tax Rate	
2015	\$	2,077,290	\$	130,602	\$	77,448	\$ 2,130,444	0.3130
2014	\$	1,962,172	\$	139,733	\$	74,707	\$ 2,098,172	0.3045
2013	\$	1,906,233	\$	150,542	\$	72,839	\$ 1,983,936	0.3045
2012	\$	2,019,671	\$	156,875	\$	65,087	\$ 2,111,459	0.2995
2011	\$	2,027,907	\$	168,468	\$	61,769	\$ 2,134,606	0.2995
2010	\$	2,014,385	\$	159,294	\$	62,311	\$ 2,111,368	0.2995
2009	\$	1,897,368	\$	217,242	\$	59,898	\$ 2,054,712	0.2995
2008	\$	1,861,435	\$	187,585	\$	61,243	\$ 1,987,777	0.2995
2007	\$	1,828,664	\$	195,876	\$	58,296	\$ 1,966,244	0.2920
2006	\$	1,687,690	\$	203,668	\$	57,570	\$ 1,833,788	0.2842

Notes: Property in Covington is reassessed once every four years. City property was reassessed in 2011. The next reassessment will occur in 2015. The reassessment is conducted by the Kenton County Property Value Administrator. The property is assessed at 100% of value.

Values are stated in thousands of dollars

Tax rates are per \$100 of assessed value.

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

Fiscal Year	City Direct Rate	School Districts		County	State	Other	Totals	
		Covington Independent	Kenton County				Covington Schools Area	Kenton County Schools Area
2015	0.3130	1.111	0.591	0.1480	0.012	0.1713	1.7555	1.2355
2014	0.3045	1.132	0.591	0.1480	0.122	0.1713	1.8778	1.3368
2013	0.3045	1.153	0.557	0.1480	0.122	0.1713	1.8988	1.3028
2012	0.2995	1.117	0.557	0.1480	0.122	0.1720	1.8585	1.2985
2011	0.2995	1.056	0.557	0.1480	0.122	0.1740	1.7995	1.3005
2010	0.2995	1.026	0.558	0.1480	0.122	0.1650	1.7605	1.2925
2009	0.2995	0.989	0.558	0.1420	0.122	0.1530	1.7055	1.2745
2008	0.2924	0.961	0.564	0.1420	0.124	0.1488	1.6682	1.2712
2007	0.2842	0.961	0.564	0.1410	0.124	0.1488	1.6590	1.2620
2006	0.2990	0.922	0.556	0.1380	0.128	0.1410	1.6132	1.2472

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

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

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

Taxpayer	2015			2014			2013			2012			2011		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Fidelity Properties Inc	\$184,387,500	1	6.85%	\$184,387,500	1	6.85%	\$184,387,500	1	6.85%	\$195,571,500	1	9.16%	\$193,937,500	1	9.09%
CPX-Rivercenter Development Corp	82,842,400	2	3.09%	82,844,400	2	3.09%	82,844,400	2	3.09%	95,978,100	2	4.49%	127,955,600	2	5.99%
EHP Rivercenter Landmark	33,578,000	3	1.25%	33,578,000	3	1.25%	33,578,000	3	1.25%	33,578,000	3	1.57%	-		
Scott Street Land Co. LLLP	32,965,500	4	1.23%	-			-			-			-		
CIP II Buckeye Hotel	15,174,000	5	0.56%	15,174,000	4	0.56%	13,947,100	5	0.52%	13,947,100	5	0.65%	14,960,900	3	0.70%
Scott Street Land Co. Inc	14,960,900	6	0.56%	14,960,900	5	0.56%	14,960,900	4	0.56%	14,960,900	4	0.70%	10,482,000	6	0.49%
J & S Latonia Centre Ky LLC	12,314,000	7	0.46%	12,314,000	6	0.46%	12,314,000	6	0.46%	10,482,000	7	0.49%	11,460,000	5	0.54%
Atkins & Pearce Manufacturing	11,460,000	8	0.43%	11,460,000	7	0.43%	11,460,000	7	0.43%	11,460,000	6	0.54%	6,824,500	8	0.32%
FMR Kentucky I LLC	9,550,000	9	0.35%	11,184,000	8	0.42%	7,916,000	9	0.29%	6,824,500	9	0.31%	13,947,100	4	0.65%
Trustees Latonia Plaza KY LLC	7,916,000	10	0.29%	7,916,000	9	0.29%	7,916,000	8	0.29%	3,812,500	10	0.32%	8,691,500	7	0.41%
Truss Latonia Plaza KY LLC				6,824,500	10	0.25%	6,824,500	10	0.25%				6,812,500	9	0.32%
Anchor Cogdell Covington LLC													6,565,000	10	0.31%
OZRE Lodging I LLC															
Packaging Unlimited															
CCO LLC															
Truss Realty															
Castilimi Company															
Scottenstein Trust															
Atria Highland Crossing															
Pioneer Park Association #2 LLC															
Latonia Realty Inc.															
Total	\$405,148,300		15.06%	\$380,643,300		14.15%	\$379,416,400		14.10%	\$393,540,600		18.72%	\$401,636,600		18.82%
Taxpayer	2010			2009			2008			2007			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Fidelity Properties Inc	\$195,571,500	1	9.41%	\$85,021,500	2	4.53%	85,021,500	2	4.33%	91,854,600	2	4.67%	\$84,387,500	2	3.55%
CPX-Rivercenter Development Corp	140,213,500	2	6.75%	140,183,400	1	7.38%	106,605,400	1	5.36%	140,563,400	1	7.15%	141,778,300	1	5.97%
EHP Rivercenter Landmark	-														
CIP II Buckeye Hotel															
Scott Street Land Co. Inc	14,960,900	3	0.72%	14,960,900	3	0.79%	14,960,900	4	0.75%	14,960,000	3	0.76%	14,960,900	3	0.63%
J & S Latonia Centre Ky LLC	10,482,000	6	0.50%	10,482,000	6	0.55%	10,482,000	6	0.53%	10,482,000	4	0.53%	10,482,000	4	0.44%
Atkins & Pearce Manufacturing	10,482,000	6	0.50%	10,900,000	5	5.70%	10,000,000	7	0.50%	10,000,000	6	0.51%	10,000,000	5	0.42%
FMR Kentucky I LLC	10,900,000	5	0.52%												
Trustees Latonia Plaza KY LLC															
Truss Latonia Plaza KY LLC															
Anchor Cogdell Covington LLC	6,565,000	9	0.32%	13,947,100	4	0.73%	13,947,100	5	0.70%	13,947,100	5	0.71%	13,947,100	6	5.90%
OZRE Lodging I LLC															
Packaging Unlimited	13,947,100	4	0.67%												
CCO LLC	8,691,500	7	0.42%												
Truss Realty	6,812,500	8	0.33%	6,550,000	9	0.35%	6,550,000	10	0.33%						
Castilimi Company	6,550,000	10	0.32%	6,565,000	8	0.35%	6,565,000	9	0.33%	6,565,000	9	0.33%	6,565,000	9	0.28%
Scottenstein Trust															
Atria Highland Crossing															
Eagle Hospitality															
Pioneer Park Association #2 LLC															
Latonia Realty Inc.															
Total	\$414,694,000		19.96%	\$302,902,400		21.08%	\$295,522,400		14.86%	\$307,938,600		15.66%	\$301,648,300		18.34%

Source: City of Covington Finance Department

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

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year		Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date				
			Amount	Percentage of Levy		Amount	Percentage of Levy			
2015	\$	6,924,630	\$	6,423,314	92.76%	N/A	\$	6,423,314	92.76%	
2014	\$	6,490,788	\$	5,843,739	90.03%	\$	413,439	\$	6,257,178	96.40%
2013	\$	6,376,341	\$	6,076,779	95.30%	\$	111,300	\$	6,188,079	97.05%
2012	\$	6,287,872	\$	6,042,731	96.10%	\$	131,259	\$	6,173,990	98.19%
2011	\$	6,328,051	\$	6,145,818	97.12%	\$	88,675	\$	6,234,493	98.52%
2010	\$	6,411,125	\$	6,146,928	95.88%	\$	179,599	\$	6,326,527	98.68%
2009	\$	6,330,592	\$	6,099,103	96.34%	\$	163,832	\$	6,262,935	98.93%
2008	\$	6,159,153	\$	5,989,960	97.25%	\$	121,330	\$	6,111,290	99.22%
2007	\$	5,849,979	\$	5,695,725	97.36%	\$	121,602	\$	5,817,327	99.44%
2006	\$	5,590,484	\$	5,438,599	97.28%	\$	123,682	\$	5,562,281	99.50%

Source: City of Covington Finance Department

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

Fiscal Year	General Obligation Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2015	\$ 33,584	\$ 23,131	\$ 56,715	6.79%	\$ 1,380
2014	15,826	27,974	43,800	5.25%	\$ 1,010
2013	16,864	29,708	46,572	5.55%	\$ 1,137
2012	18,961	15,081	34,042	5.58%	\$ 834
2011	21,289	16,248	37,537	4.19%	\$ 924
2010	20,811	17,663	38,474	4.16%	\$ 893
2009	21,622	18,782	40,404	3.75%	\$ 932
2008	23,790	15,271	39,061	3.62%	\$ 901
2007	25,888	16,153	42,041	3.90%	\$ 970
2006	27,907	15,231	43,138	4.00%	\$ 995

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

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

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

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

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita	Debt Service Payments Per Capita
2015	\$ 33,584	0.16%	\$ 814.62	\$ 126.88
2014	\$ 15,826	0.75%	\$ 364.91	\$ 112.93
2013	\$ 16,865	0.85%	\$ 411.78	\$ 141.22
2012	\$ 18,961	0.90%	\$ 464.61	\$ 119.77
2011	\$ 21,289	1.00%	\$ 523.84	\$ 111.86
2010	\$ 20,811	0.99%	\$ 483.06	\$ 106.03
2009	\$ 21,622	1.05%	\$ 498.55	\$ 126.62
2008	\$ 23,790	1.20%	\$ 548.54	\$ 107.16
2007	\$ 25,888	1.32%	\$ 596.91	\$ 99.74
2006	\$ 27,907	1.52%	\$ 596.86	\$ 106.58

Source: City of Covington Finance Department

Legal Debt Margin Calculation for Fiscal Year 2015										
	Assessed value									
	\$ 2,130,444									
	Debt limit (10% of assessed value)									
	\$ 213,044									
	Debt applicable to limit: General Obligation									
	\$ 33,354									
	Total debt applicable to limit									
	\$ 33,354									
	Legal debt margin									
	\$ 179,690									
	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt limit	\$ 213,044	\$ 209,817	\$ 198,394	\$ 211,146	\$ 213,461	\$ 207,746	\$ 205,471	\$ 198,778	\$ 196,624	\$ 183,379
Total net debt applicable to limit	33,584	15,826	16,865	18,961	21,289	20,811	21,622	23,790	25,888	27,907
Legal debt margin	\$ 179,460	\$ 193,991	\$ 181,529	\$ 192,185	\$ 192,172	\$ 186,935	\$ 183,849	\$ 174,988	\$ 170,736	\$ 155,472
Total net debt applicable to the limit as a percentage of debt limit	15.76%	7.54%	8.50%	8.98%	9.97%	10.02%	10.52%	11.97%	13.17%	15.22%

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

Fiscal Year	Population (a)	Personal Income (a) <i>(thousands of dollars)</i>	Per Capita Personal Income (a)	Median Age (a)	School Enrollment (b)	Unemployment Rate (c)
2015	40,944	834,667	20,563	33.1	4,165	5.1%
2014	40,713	834,667	20,563	33.1	4,165	6.5%
2013	40,956	839,270	20,492	35.7	4,053	8.2%
2012	40,811	834,667	20,492	35.7	3,572	8.9%
2011	40,640	813,003	20,005	34.6	3,914	9.7%
2010	43,082	924,927	21,469	35.9	4,066	10.2%
2009	43,235	928,212	21,469	35.9	4,002	10.4%
2008	43,370	1,077,787	24,581	33.1	3,958	5.6%
2007	43,370	1,077,787	24,851	33.1	3,937	4.5%
2006	43,370	1,077,787	24,851	33.1	3,975	5.2%

Sources:

- (a) City Data Moving Information & Guides - movingideas.org
U. S. Department of the Census (2010 Census) & (1996 Census)
2009 Data U. S. Census Bureau 2006-2008 American Community Survey 3-Year Estimate
- (b) Kentucky Department of Education
- (c) Kentucky Cabinet for Workforce Development

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

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

Employer	2010			2009			2008			2007			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Internal Revenue Service	4,500	1	20.74%	3,500	2	17.97%	4,500	2	22.58%	4,800	1	24.24%	4,800	1	18.38%
Fidelity Investments	3,900	2	17.97%	4,900	1	20.74%	4,900	1	20.74%	4,100	2	20.71%	3,627	2	17.86%
Covington Board of Education	925	3	4.26%	925	3	4.26%	925	3	4.26%	925	3	4.69%	914	3	3.20%
St. Elizabeth Hospital	800	4	3.69%	800	4	3.69%	800	4	3.69%	775	4	3.91%	800	4	3.17%
State of Kentucky	360	6	1.66%	360	6	1.66%	360	6	1.66%	360	6	1.82%	360	6	1.64%
Omnicare	325	7	1.50%	325	7	1.50%	325	7	1.50%	325	7	1.64%	285	7	1.38%
Club Chef	300	8	1.38%	300	8	1.38%	300	8	1.38%	300	8	1.52%			
Rosedale Manor	280	9	1.29%	280	9	1.29%	280	9	1.29%	290	9	1.46%	304	10	0.67%
No. KY MH-MR Board	225	10	1.04%	225	10	1.04%	225	10	1.04%	250	10	1.26%	270	9	0.82%
Atkins & Pearce Mftg				400	5	1.84%	400	5	1.84%	425	5	2.15%	250	8	1.12%
A.C. Nielsen	400	5	1.84%							400	5	2.28%	400	5	2.28%
BBI Marketing															
Ashland Inc															
Total	12,015		55.37%	12,015		55.37%	13,015		59.98%	12,950		65.68%	12,010		32.14%

Note: Data is unavailable fiscal 2005

Source: City of Covington Finance Department

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

<u>Function/Program</u>	Full-time-Equivalent Employees as of June 30									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government										
Management Services	16	14	10	16	17	16	16	16	16	17
Finance	9	10	10	11	13	13	14	14	14	15
Economic Development	8	10	12	7	7	7	7	7	6	5
Code Enforcement	7	8	9	11	12	12	11	11	9	10
Housing	7	7	8	12	15	16	16	16	16	16
Police										
Officers	104	106	104	110	112	116	116	116	116	116
Civilians	7	9	9	24	28	31	31	31	33	34
Fire										
Firefighters and Officers	108	113	121	118	118	118	118	118	118	118
Civilians	0	1	1	1	1	1	1	1	1	1
Other										
Public Improvements	47	47	47	47	47	51	35	35	35	36
Engineering	0	0	1	4	4	4	4	4	3	2
Parks and Recreation	0	1	1	2	2	2	20	20	18	20
Total	313	326	333	363	376	387	389	389	385	390

Source: City of Covington Finance Department

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<u>Function/Program</u>										
Police										
Physical arrests	4,663	4,678	4,909	5,420	5,763	5,899	5,248	5,321	5,762	5,819
Parking violations	13,847	10,952	11,133	15,891	14,520	13,926	15,873	14,230	14,863	15,622
Traffic violation	5,979	5,117	4,990	4,991	5,149	5,796	5,116	5,856	5,778	5,721
Fire										
Fire responses	3,930	3,126	2,798	2,716	2,731	2,657	2,818	3,658	3,752	3,985
Ambulance runs	9,603	9,304	9,106	9,523	9,112	8,595	10,542	11,549	10,246	9,742
Inspections	1,481	1,963	1,839	1,853	2,058	1,966	2,212	2,440	2,540	2,576

Sources: City of Covington Police and Fire Record Management System

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

Function/Program	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	126	128	83	83	83	83	83	83	83	83
Fire stations	5	5	5	5	5	5	5	5	5	5
Other Public Works										
Streets (miles)	235	191	191	120	120	120	120	120	120	130
Streetslights	3,785	3,785	3,785	3,246	3,246	3,246	3,246	3,246	3,246	3,246
Miles of Sidewalks	1,545	1,545								
Parks and recreation										
Parks	24	22	850	850	850	850	850	850	850	850
Acreage	859	850	28	28	28	28	28	28	28	28
Playgrounds	13	28		10	10	10	10	10	10	10
Baseball/softball diamonds	7	9	9							
Soccer/football fields	2	2	4	5	5	5	5	5	5	5
Swimming pools	2	2	3	4	4	4	4	4	4	4
Water Park	1	1								
Golf Courses	1	1								

Source: City of Covington Police Department
City of Covington Fire Department
City of Covington Department of Public Improvements

Schedule 19
City of Covington, Kentucky
Direct and Overlapping Governmental Activities Debt
June 30, 2015
(amounts in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (3)	Estimated Share of Overlapping Debt
Kenton County	\$ 66,425 (1)	25.45%	\$ 16,905
Covington Independent School District	12,267 (2)	100.00%	12,267
Subtotal, overlapping debt	<u>\$ 78,692</u>		<u>29,172</u>
City of Covington direct debt			33,584
Total direct and overlapping			<u>\$ 62,756</u>

Source: Kentucky local Debt Report

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

(1) Kenton County Treasurer's office

(2) Covington Independent School District, Finance Department

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