



# COVINGTON, KENTUCKY

Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2016

**CITY OF COVINGTON, KENTUCKY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED June 30, 2016**

**Issued by:**  
**Finance Department**

**Lisa Desmarais**  
**Director of Finance & Operations**

**Prepared by:**  
**Finance Department**

**David Mathews**  
**Assistant Finance Director**

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CITY OF COVINGTON, KENTUCKY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED June 30, 2016

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## INTRODUCTORY SECTION

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## OFFICE OF THE CITY MANAGER

November 15, 2016

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, 2016.

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 RFH Certified Public Accountants, with a local office in Lexington, KY. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Covington for the fiscal year ended June 30, 2016, 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, 2016, 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, 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 40,944 based on the 2015 population estimates U.S. Census (<http://www.census.gov>). 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 and for the Mayor in was held in November of 2016. Elected City Commissioners and Mayor begin their new terms on January 1, 2017.

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 recommended structurally balanced budget. The City Manager then presents the recommended 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 perspective of the environment within which the City of Covington operates.

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 seven years has positioned the City for economic growth in the foreseeable future.

The City has also been working to reduce expenditures and improve its cash flow management. During fiscal year 2016, the City implemented a new financial management software system that greatly enhanced its ability to manage spending against the approved FY2016 budget. The City also implemented new internal controls to assure that its cash flow was closely monitored on a monthly basis. These controls included:

- automated signatory workflows for purchasing and disbursements across All Funds
- monthly bank reconciliations for all accounts and a faster reconciliation of the General Fund, now completed within 10 - 15 days of receipt of bank statements
- segregated checking accounts, by Fund, to ensure timely processing of payments and reimbursements so cash is on hand and available for projects
- new credit card policy and procedures with monthly monitoring and control
- monthly cash balance monitoring and financial modeling using historical revenue and expenditure data to forecast General Fund cash balances 6 months into the future

Like all cities in Kentucky, Covington is reliant on economically sensitive revenue. The City's revenue source options are dictated by the Commonwealth of Kentucky. Occupational license fees (payroll tax and net profit taxes) represent 51.79% of all General Fund Revenue. Detailed information can be found in the Management Discussion & Analysis in the Financial Section of this report.

A modest increase in revenue is predicted in the near future. In 2016, the City realized an uptick in property tax revenue driven primarily by increased property valuations and new growth. Since 2013, total taxable assessed value has increased by 8%. Between 2015 and 2016 growth in taxable property was 2%.

The City also recognized an increase in payroll tax revenue of 5.88% over fiscal year 2015. Total building permit value in 2015 was \$63 million and in 2016 that figure is \$34 million dollars as of the date of this report. The City's 2016-2017 budget process did not reduce staff or departmental expenditures for the first time in six years.

In June 2016, the City paid off its \$3.1 Million TAN (tax anticipation note) and did not renew it for the first time in 40 years.

The City received a positive affirmation from Moody's Investors Service when Moody's changed the City's financial outlook from negative to positive. This change was primarily due to the City's strengthened financial management and improved fiscal planning.

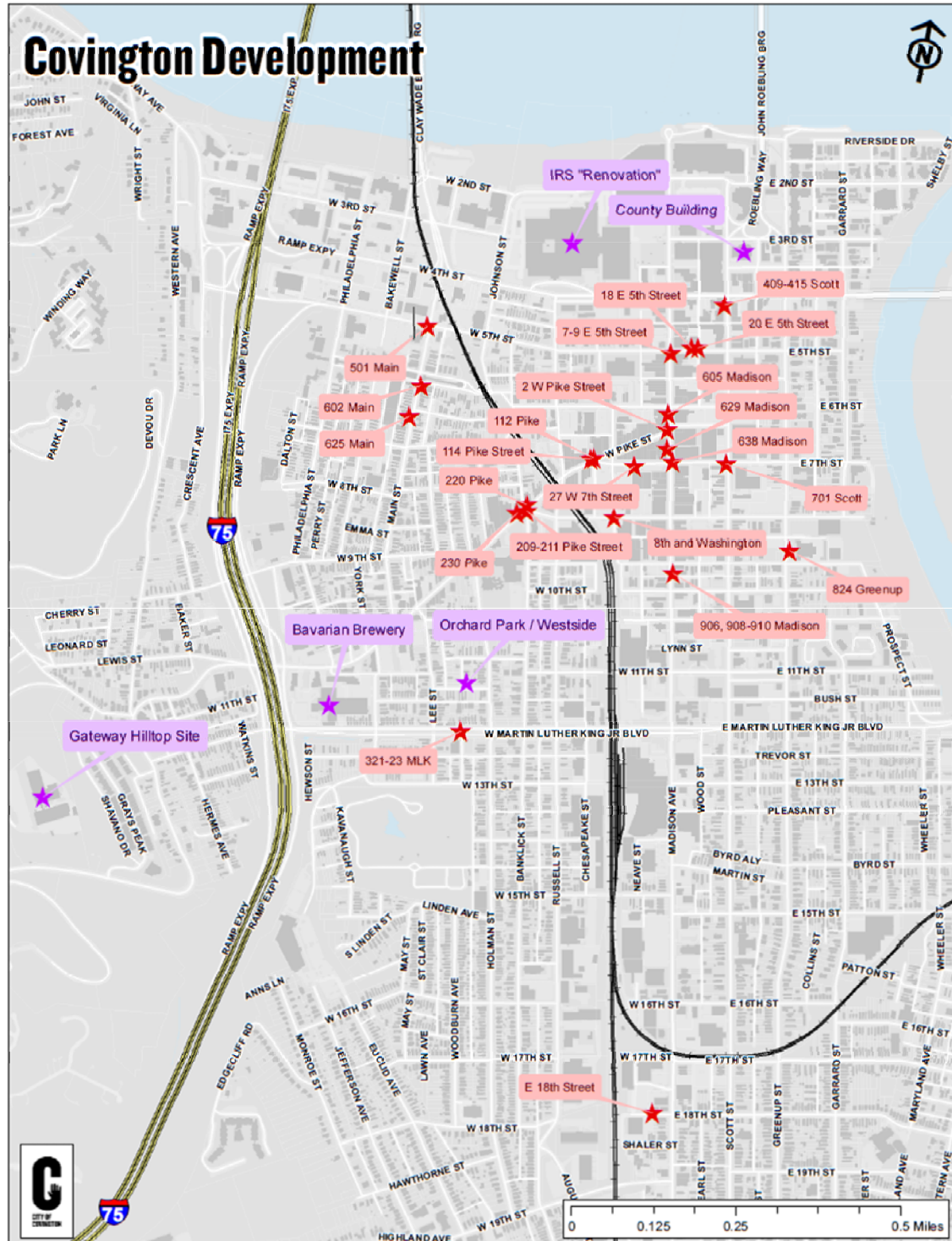
Moody's based the City's rating on various considerations including a large stable tax base, departmental cost savings, recent policy implementation (Fiscal Stability Ordinance), and improved fiscal planning. Moody's June report indicated that an important contributor to the positive outlook rating was the City's enactment of the Fiscal Stability Ordinance which established a formal policy for developing future budgets and for allocating carryover funds for years when the City's inflows exceeds its outflows. Moody's also recognized the City's commitment to ending its reliance on short-term debt (by paying off its TAN) citing that *"....eliminating the city's need for cash-flow borrowing, [was] an important consideration for the positive outlook"*. Source: Moody's Investor Service Credit Opinion, June 21, 2016.

The City kept its annual debt service payment amounts within historical ranges and through enactment of the Fiscal Stability Ordinance, strengthened its commitment to funding its two single-employer pension plans; City Employees' Retirement Plan and Police & Firemen's Retirement Plan. The Fiscal Stability Ordinance requires increased contributions to these plans, based upon the most recent actuarial reports, to achieve a level of 100% annual funding in no less than 4 years, thereby ensuring the solvency of these plans.

The City has experienced a renaissance since it focused its energies on the Center City Action Plan. This plan brought together several other community investment plans into a comprehensive plan of action to revitalize the city's urban core. The City has also been very successful at leveraging its capital bond funds to attract several million dollars from state and federal government entities over the past 6 years. Funding has come primarily from OKI (Ohio-Kentucky-Indiana) and the MPO (Metropolitan Planning Organization) which allocates millions of federal transportation dollars each year for local road infrastructure projects within its jurisdictional area including Covington.

The map below , **Map # 1**, shows the multiple sites under development or recently completed since the Center City Action plan's adoption in 2012. Following this map are listings of the projects by type and the City's investments in those projects.

**Map # 1**



The following listing, **Chart # 1**, shows the projects initiated upon the completion of the Center City Action Plan. Most notable in the listing is the leveraged funding of the City's investments. The chart shows that for every \$.11 cents invested by the City, \$.89 cents has been leveraged through other investment instruments including private funding.

**Chart # 1**

<b>Projects</b>	<b>Type</b>	<b>City Investment</b>	<b>Leverage</b>	<b>Total Cost</b>
501 Main Street	Residential + Garage	\$ 1,200,000	\$ 33,800,000	\$ 35,000,000
638 Madison Avenue	Hotel Covington	4,000,000	23,000,000	27,000,000
8th and Washington Sts	Duveneck Square	3,000,000	14,800,000	17,800,000
824 Greenup Street	Lincoln Grant	700,000	9,948,488	10,648,488
E 18 <sup>th</sup> Street	Life Learning Center	750,000	2,250,000	3,000,000
629 Madison Avenue	Mutual Building	725,000	1,951,500	2,676,500
321-23 MLK Blvd	Hellman Building	0	2,200,000	2,200,000
27 W 7th Street	Braxton	89,000	1,788,000	1,877,000
409-415 Scott Street	Office	350,000	1,378,000	1,728,000
701 Scott Street	Doctor's Building	228,000	1,085,443	1,313,443
209-211 Pike Street	Market Lofts	2,000	1,298,000	1,300,000
112 Pike Street	UpTech Startups	185,000	915,000	1,100,000
625 Main Street	Commonwealth Bistro	150,000	600,000	750,000
114 Pike Street	Bad Girl Ventures	34,800	515,200	550,000
230 Pike Street	Retail	0	510,000	510,000
220 Pike Street	Mixed Use	50,000	459,500	509,500
602 Main Street	Frida's Restaurant	20,000	473,250	493,250
20 E 5 <sup>th</sup> Street	5th Street Properties	150,000	237,190	387,190
18 E 5 <sup>th</sup> Street	5th Street Properties	150,000	178,610	328,610
605 Madison	Upper Floor Residential	40,000	155,360	195,360
7-9 E 5 <sup>th</sup> Street	Upper Floor Residential	40,000	115,419	155,419
906, 908-910 Madison	Upper Floor Residential	40,000	260,000	300,000
2 West Pike Street	Upper Floor Residential	16,053	16,052	32,105
<b>Total Dollars</b>		<b>\$ 11,919,853</b>	<b>\$ 97,935,012</b>	<b>\$ 109,854,865</b>
<b>Percentage</b>		<b>11%</b>	<b>89%</b>	<b>100%</b>

In addition to the Center City Action Plan, the City continues to invest in its infrastructure to support economic development, using its own funds and other sources of funding. The below listing, **Chart # 2**, depicts the projects currently underway throughout the City.


**Chart # 2**

<b>Projects</b>	<b>City Investment</b>	<b>Leverage</b>	<b>Total Cost</b>
Riverfront Commons	3,767,000	4,913,910	8,680,910
6 <sup>th</sup> Street Improvements	346,000	1,384,000	1,730,000
Licking River Greenway	200,000	1,176,500	1,376,500
Downtown Sidewalk	1,500,000		1,500,000
Electric Alley Pedestrian/	200,000	800,000	1,000,000
3 <sup>rd</sup> and Johnson Street	178,200	712,800	891,000
Riverside Drive	700,000		700,000
Riverfront Commons	380,400	1,521,600	1,902,000
Center City Garage	300,000		300,000
Randolph Park	500,000		500,000
Southern / Latonia	158,000	632,000	790,000
Southern / Latonia	157,000	628,000	785,000
Caroline Underpass	55,000	495,000	550,000
21 <sup>st</sup> Street Levee Slide	1,750,000		1,750,000
Point Benton Storm	150,000	150,000	300,000
Austinburg Neighborhood	50,000	200,000	250,000
Devou Clubhouse Project	0	5,250,000	5,250,000
<b>Total Dollars</b>	<b>10,391,600</b>	<b>17,863,810</b>	<b>28,255,410</b>
<b>Percentage</b>	<b>37%</b>	<b>63%</b>	<b>100%</b>

The preparation of this comprehensive annual financial report 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 RFH, CPAs for their work in preparing this report. Recognition is also given to the Mayor and Commissioners of the City of Covington, KY for their unfailing interest, support, and integrity in guiding the City's financial operations.

Respectfully submitted,

  
 Larry Klein  
 City Manager

  
 Lisa Desmarais  
 Director of Finance & Operations

City of Covington, Kentucky  
Elected and Appointed Officials  
June 30, 2016

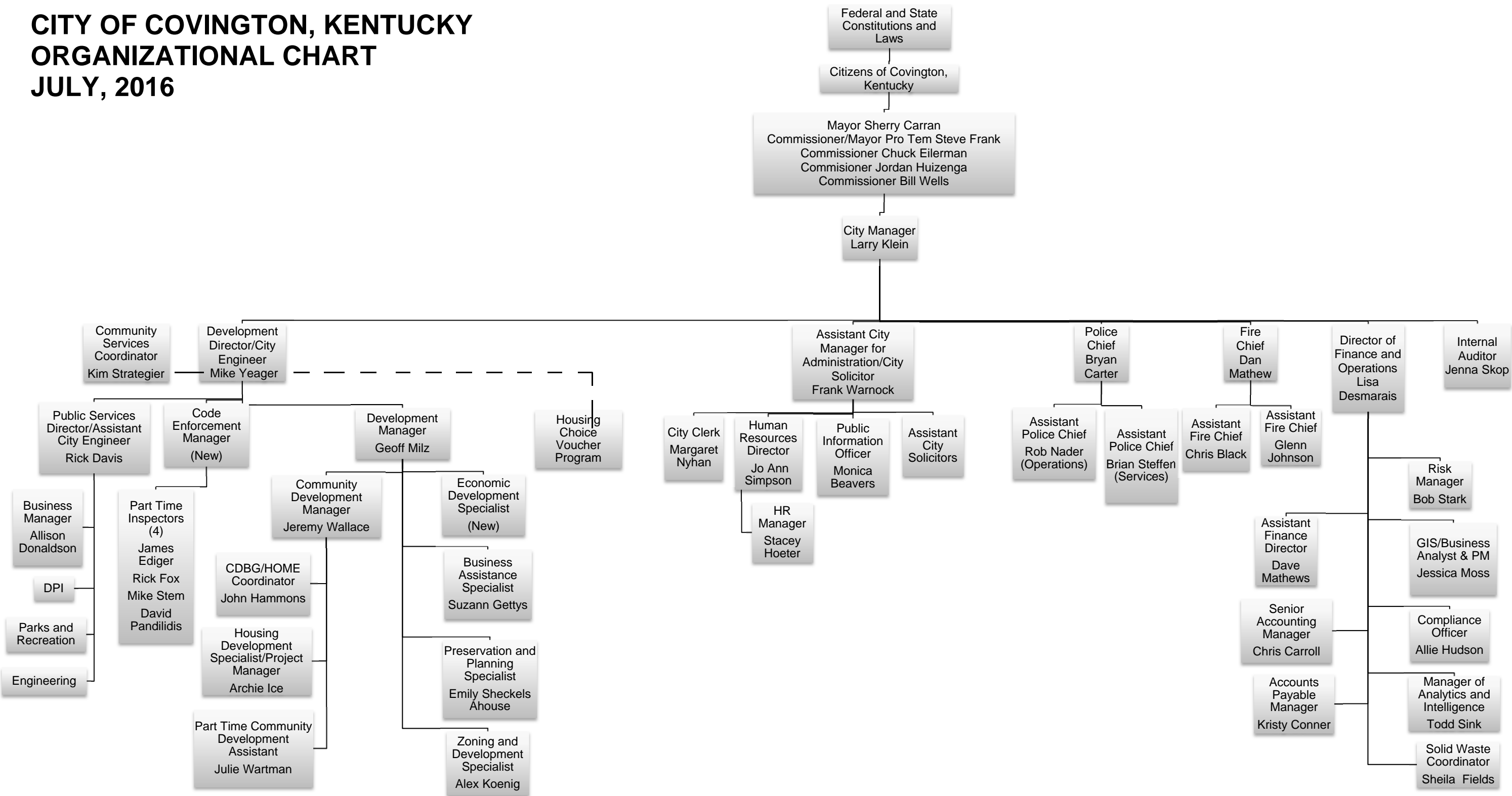
Elected Officials

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
Director Finance & Operations .....	Lisa Desmarais
Internal Auditor .....	Jenna Skop
City Clerk.....	Margaret Nyhan
Chief of Police .....	Bryan Carter
Fire Chief.....	Dan Mathew
Public Services Director/Assistant City Engineer .....	Rick Davis
Development Director/City Engineer .....	Mike Yeager
Human Resources Director .....	Jo Ann Simpson

CITY OF COVINGTON, KENTUCKY  
ORGANIZATIONAL CHART  
JULY, 2016







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, 2015**

Executive Director/CEO

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## **FINANCIAL SECTION**

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## 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 units, each major fund, and the aggregate remaining fund information of the City of Covington, Kentucky as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Covington, Kentucky's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Covington, Kentucky, as of June 30, 2016, 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.

### ***Prior Period Restatement***

As described in Note 13 to the financial statements, the City restated beginning fund balance and net position. Our opinion is not modified with respect to that matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 13–23, 70–73, and 74–79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Covington, Kentucky's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016, on our consideration of the City of Covington, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Covington, Kentucky's internal control over financial reporting and compliance.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
November 10, 2016

**City of Covington, Kentucky**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

*(Unaudited)*

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The following is a narrative overview and analysis of the financial activities of the City of Covington, Kentucky for the Fiscal Year ending June 30, 2016. This discussion and analysis serves as an introduction to the City's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

**Financial Highlights**

The City's financial highlights for the fiscal year ended June 30, 2016 include:

- Governmental funds are \$23,908,421, an increase of \$3,719,745 in comparison to the FY 2015.
- Government-wide revenues increased over FY 2015 by approximately \$5.9 million and government-wide expenses decreased by approximately \$3.7 million.
- The City realized an uptick in property tax revenue driven primarily by increased property valuations and new growth. Between 2015 and 2016 growth in taxable property was 2%.
- The City recognized an increase in payroll tax revenue of 5.88% over FY 2015.
- The City's FY 2016 carry-over is \$4,731,296 resulting in a General Fund balance at end of year of \$8,891,909.
- Liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by \$24.8 million. While total assets increased from the prior fiscal year by \$8,037,771, long-term liabilities also increased by \$21,178,655 driven primarily by increases in net pension liability that is calculated by the state and not under the City's control.

**Overview of the Financial Statements**

This discussion and analysis serves 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.

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

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

The *Statement of Activities* presents information regarding changes to the City's net position during the most recent 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, police, fire, public improvements, parks and recreation, and general administration services, that are principally supported by licenses, fees, taxes and intergovernmental revenues (*governmental activities*).

The government-wide financial statements include the *primary government* and Devou Properties, Inc., a legally separate non-profit organization. Financial information for Devou Properties, Inc. is reported separately from the financial information presented for the primary government itself. The Municipal Properties Corporation, although a legally separate entity, functions 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 used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

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

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 other governmental funds are combined into a single aggregated presentation.

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

**Proprietary Funds:** Proprietary funds 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 the City's risks and for medical and dental coverage for its employees. Internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Because both of these services benefit governmental functions, they have been included within *governmental activities* in the government-wide financial statements.

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

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

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

## Financial Analysis of the Government-Wide Financial Statements

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

Net position, over time, may serve as a useful indicator of a government's financial position. In the case of the City, liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$27,360,093, at the close of the most recent fiscal year.

### Statement of Net Position

	<b>Governmental Activities</b>		
		<i>Restated</i>	
	2016	2015	Change
Current and other assets	\$ 41,171,856	\$ 33,598,078	\$ 7,573,778
Capital assets	59,048,138	58,584,145	463,993
<b>Total assets</b>	<b>100,219,994</b>	<b>92,182,223</b>	<b>8,037,771</b>
<b>Deferred outflows of resources</b>	<b>12,063,581</b>	<b>7,411,555</b>	<b>4,652,026</b>
<b>Long-term liabilities:</b>			
Net pension liability	68,771,025	55,194,137	13,576,888
Other long-term amounts	61,618,626	52,208,453	9,410,173
Other liabilities	8,829,495	8,173,684	655,811
	<b>139,219,146</b>	<b>115,576,274</b>	<b>23,642,872</b>
<b>Deferred inflows of resources</b>	<b>424,522</b>	<b>4,302,000</b>	<b>(3,877,478)</b>
<b>Net position:</b>			
Net investment in capital assets	26,724,688	27,899,605	(1,174,917)
Restricted	2,654,014	3,339,475	(685,461)
Unrestricted (deficit)	(56,738,795)	(51,523,576)	(5,215,219)
<b>Total net position</b>	<b>\$ (27,360,093)</b>	<b>\$ (20,284,496)</b>	<b>\$ (7,075,597)</b>

By far, the largest portion of the City's net position (\$26,724,688) reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings and improvements, machinery and equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$2,654,014) represents resources that are subject to use restrictions from external sources. The remaining balance is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

As noted earlier, increases and decreases of net position can serve as a useful indicator of changes in a government's financial position. In Fiscal Year 2016, liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by \$27.4 million. While total assets increased from the prior fiscal year (FY2015) by \$8,037,771, long-term liabilities also increased by \$23,642,872 driven primarily by



increases in net pension liability. For detailed information on the City's net pension liability, see Note 9 – Employee Retirement Plans.

## Statement of Activities

	<b>Governmental Activities</b>		
	2016	<i>Restated</i> 2015	Change
<b>Program revenues:</b>			
Charges for services	\$ 9,314,685	\$ 6,759,447	\$ 2,555,238
Operating grants and contributions	9,564,948	8,898,601	666,347
Capital grants and contributions	867,341	1,143,363	(276,022)
<b>Total program revenues</b>	<b>19,746,974</b>	<b>16,801,411</b>	<b>2,945,563</b>
<b>General revenues:</b>			
Taxes	43,511,223	40,645,613	2,865,610
Investment earnings	164,973	3,932	161,041
Miscellaneous	430,663	497,752	(67,089)
<b>Total general revenues</b>	<b>44,106,859</b>	<b>41,147,297</b>	<b>2,959,562</b>
<b>Total revenues</b>	<b>63,853,833</b>	<b>57,948,708</b>	<b>5,905,125</b>
<b>Expenses:</b>			
General government	10,612,219	12,474,158	(1,861,939)
Police	16,091,991	13,287,449	2,804,542
Fire	15,301,811	12,882,780	2,419,031
Public improvements	7,806,788	14,691,139	(6,884,351)
Community development	9,789,169	9,179,648	609,521
Parking garage	774,460	738,147	36,313
Interest on long-term debt	2,171,812	3,000,362	(828,550)
<b>Total expenses</b>	<b>62,548,250</b>	<b>66,253,683</b>	<b>(3,705,433)</b>
Change in net position	1,305,583	(8,304,975)	9,610,558
Net position beginning of year	(28,665,676)	(16,963,941)	(11,701,735)
Restatement	-	(3,396,760)	3,396,760
<b>Net position end of year</b>	<b>\$ (27,360,093)</b>	<b>\$ (28,665,676)</b>	<b>\$ 1,305,583</b>

In Fiscal Year 2016, government-wide revenues increased from Fiscal Year 2015 by approximately \$5.9 million and government-wide expenses decreased by approximately \$3.7 million.

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

- Charges for Services Revenue was higher in Fiscal Year 2016 than Fiscal Year 2015 due to:
  - An increase in Waste Management Fees collected, however this includes an extra ½ year of revenues because charges for 2015 Waste Management fees were split billed in calendar year 2015. 2015 Waste Management Fees collected in September of 2015 were recognized in the Fiscal Year 2016 Charges for Services revenue
  - An increase in Parking Fees collected of 11.3%.
  - An increase in Life Squad Runs Fees collected of 14.5%.
  - An early payment of Rental Property Fees – contributing to an increase of 38.4%
  - Miscellaneous other increases including an increase in collections of delinquent taxes, fees, fines, and liens by 59%.

- Taxes Revenue was higher in Fiscal Year 2016 than Fiscal Year 2015 due to
  - Increases in property valuations and new growth driving an increase in total property taxes collected of 7%
  - An increase in Insurance Premium Fees collected of \$1.5 million – of which \$1 million is attributable to an increase in the Insurance Premium fees charged from 10% to 12% and an overall net increase in fees collected of \$501,951

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

- Police and Fire Expenditures were higher in Fiscal Year 2016 than Fiscal Year 2015 due to:
  - Recognition of expenditures related to the City's proportionate share of the CERS pension expenses.
  - It is important to note that expenditures in the General Fund – a component of the overall governmental activities statement - did not increase substantially for these departments over Fiscal Year 2015. In fact, expenditures in the Fire Department in the General Fund were \$287,749 less than those in Fiscal Year 2015 and expenditures in the Police Department in the General Fund were a mere \$81,260 more than those in Fiscal Year 2015.
- Public Improvements Expenditures were lower in Fiscal Year 2016 than Fiscal Year 2015 due to:
  - A budgetary change that moved waste management expenditures from Public Improvements to General Government as well as a budgetary change that moved City-wide facilities maintenance and gas & electric charges to General Government.
  - The City's spending on Maintenance and Repairs were also lower than the previous fiscal year.

**Financial Analysis of Governmental Funds**

At June 30, 2016, the City's governmental funds reported combined fund balances of \$23,908,421, an increase of \$3,719,745 in comparison to the prior fiscal year. The majority of this increase occurred in the General Fund - *Cash and Cash Equivalents*. At the end of Fiscal Year 2016, the City's General Fund *Cash and Cash Equivalents* was \$10,126,079 representing an increase of \$8,988,963 over Fiscal Year 2015. In addition, the City's balance in *Cash with Fiscal Agent* for the Capital Improvement fund decreased by \$4.5 million as the City continued to make progress with its Capital Improvement projects.

Approximately 20% of the \$23,908,421 (\$4,389,181) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is non-spendable, restricted, or committed. Non-spendable, \$139,181, cannot be spent either because it is in non-spendable form or because there are legal or contractual reasons it cannot be spent. Restricted funds, \$12,814,908, are amounts that can be spent only for specific purposes e.g. (1) for approved Capital Improvement projects, (2) or restricted by state or federal laws, or (3) or restricted by externally imposed conditions by grantors or creditors.

Committed funds, \$6,565,151, are amounts that can be used only for specific purposes as determined by formal action of the City Commission by ordinance or resolution. Funds within the Committed category include deposits in accounts per the City's Fiscal Stability Ordinance, O-11-16. The City's Fiscal Stability Ordinance was created to establish and prioritize fiscal stability, sustainability, and growth. The ordinance specifically authorizes a process for ensuring that the City's legal and financial obligations are met by specifying deposit accounts such as the (1) Minimum General Fund – Unreserved Fund - used to meet the general operating expenses of the City including payroll, benefits and other operating expenses when the City experiences a downturn, (2) the Self-insured Liability Fund – used to manage the City's risk exposure for general liability claims against the City, and (3) the Self-insured Employee Health Plan Fund – used to provide for reliable funding of the City's Self-Insured Employees Health Plan.

Funds within the Committed category also include deposits in the (1) Personnel and Benefits Fund – used for the staffing and compensation needs of the City as determined by the Board of Commissioners, (2) Infrastructure Fund – used to provide for more reliable funding and reinvestment in the City's infrastructure needs, e.g. streets, curbs, sidewalks, street lights, sewers, and bridges, and (3) Capital

Reserve Fund – used to provide for more reliable funding and reinvestment in the City’s infrastructure needs and to reduce the City’s reliance on long-term debt as a financing tool for such needs.

The Fiscal Stability Ordinance also reaffirmed previous ordinances that established deposit accounts specific to purposeful spending. The ordinances reaffirmed by the Fiscal Stability Ordinance and contributing to the Committed category include:

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

**CITY OF COVINGTON, KENTUCKY**

**Balance Sheet**

**Governmental Funds**

**June 30, 2016**

	General	Pension Obligation 2004 Fund	Neighborhood Stabilization Program	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 10,126,079	\$ -	\$ -	\$ 1,008,155	\$ 2,349,139	\$ 13,483,373
Cash with fiscal agent	-	-	-	10,570,295	-	10,570,295
Cash held in escrow	-	401,000	-	-	-	401,000
Receivables (net of allowance for doubtful accounts):						
Taxes	5,902,446	-	-	-	-	5,902,446
Intergovernmental	-	-	-	-	311,004	311,004
Notes	-	-	2,464,217	-	496,608	2,960,825
Accounts	954,795	-	-	475	34,808	990,078
Due from other funds	1,401,479	-	-	-	1,996,532	3,398,011
Due from fiduciary funds	621,525	-	-	-	-	621,525
Prepaid items	139,181	-	-	-	-	139,181
Total assets	<u>\$ 19,145,505</u>	<u>\$ 401,000</u>	<u>\$ 2,464,217</u>	<u>\$ 11,578,925</u>	<u>\$ 5,188,091</u>	<u>\$ 38,777,738</u>
<b>Liabilities:</b>						
Accounts payable	\$ 1,097,684	\$ -	\$ -	\$ 486,076	\$ 89,630	\$ 1,673,390
Accrued liabilities	1,829,047	-	-	-	-	1,829,047
Due to other funds	4,349,540	-	-	-	951,096	5,300,636
Unearned revenue	9,525	-	-	-	122,483	132,008
Total liabilities	<u>7,285,796</u>	<u>-</u>	<u>-</u>	<u>486,076</u>	<u>1,163,209</u>	<u>8,935,081</u>
<b>Deferred Inflow of Resources:</b>						
Unavailable revenue	<u>2,967,800</u>	<u>-</u>	<u>2,464,217</u>	<u>-</u>	<u>502,219</u>	<u>5,934,236</u>
<b>Fund balances:</b>						
Nonspendable	139,181	-	-	-	-	139,181
Restricted	-	401,000	-	11,092,849	1,321,059	12,814,908
Committed	4,076,011	-	-	-	2,489,140	6,565,151
Unassigned	4,676,717	-	-	-	(287,536)	4,389,181
Total fund balances	<u>8,891,909</u>	<u>401,000</u>	<u>-</u>	<u>11,092,849</u>	<u>3,522,663</u>	<u>23,908,421</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 19,145,505</u>	<u>\$ 401,000</u>	<u>\$ 2,464,217</u>	<u>\$ 11,578,925</u>	<u>\$ 5,188,091</u>	<u>\$ 38,777,738</u>

In 2016, the City realized an uptick in property tax revenue driven primarily by increased property values and new growth. Since 2013, total taxable assessed value has increased by 8%. Between 2015 and 2016 growth in taxable property was 2%. The City also recognized an increase in payroll tax revenue of 5.88% over Fiscal Year 2015. Total building permit value in 2015 was \$63 million and in 2016 that figure is \$34 million dollars as of the date of this report. The City's 2016-2017 budget process did not reduce staff or departmental expenditures for the first time in six years.

In June 2016, the City paid off its \$3.1 Million TAN (tax anticipation note) and did not renew it for the first time in 40 years. General Fund expenditures were \$189,929 below the Fiscal Year 2016 approved budget giving an overall accuracy of budgeted versus actual expenditures in the General Fund of 99.58%.

The City's Fiscal Year 2016 carry-over is \$4,731,296 resulting in a General Fund balance at end of year of \$8,891,909. Significant drivers to this year's carry-over include an increase in general fund revenues, tighter controls on expenditures, and proceeds of a one-time sale of assets, \$775,000 – sale of former City Hall.

**CITY OF COVINGTON, KENTUCKY**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balances**  
**Governmental Funds**  
**Fiscal Year Ended June 30, 2016**

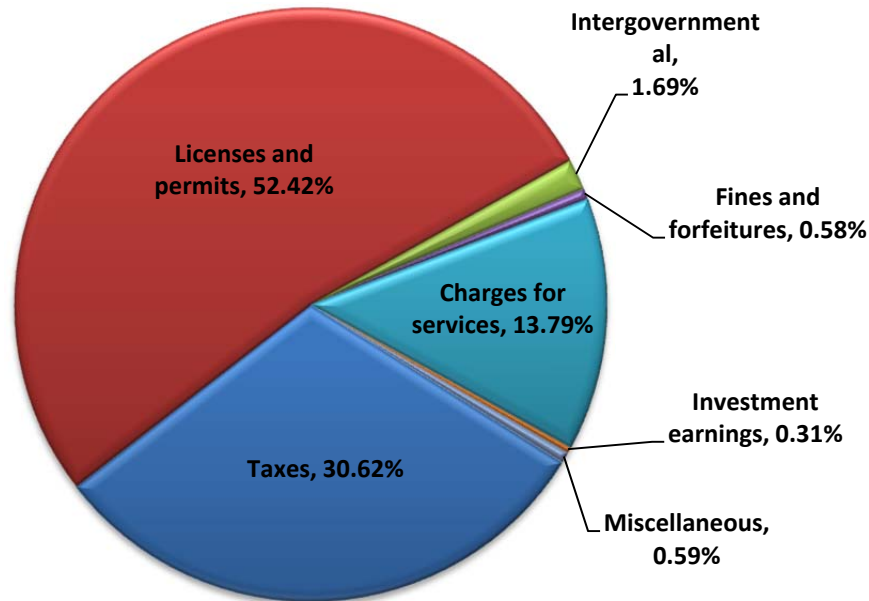
	General	Pension Obligation 2004 Fund	Neighborhood Stabilization Program	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 16,042,423	\$ -	\$ -	\$ -	\$ -	\$ 16,042,423
Licenses and permits	27,465,856	-	-	-	-	27,465,856
Intergovernmental	884,029	-	-	-	8,978,890	9,862,919
Charges for services	7,225,496	-	-	214	637,724	7,863,434
Fines and forfeitures	304,473	-	-	-	-	304,473
Investment earnings	164,777	-	-	-	273	165,050
Miscellaneous	309,325	-	-	125,034	1,122,359	1,556,718
Total revenues	52,396,379	-	-	125,248	10,739,246	63,260,873
<b>Expenditures:</b>						
Current:						
General government	6,496,468	-	-	949	86,168	6,583,585
Police	12,841,710	-	-	-	551,766	13,393,476
Fire	12,401,363	-	-	-	495,637	12,897,000
Public improvements	5,382,692	-	-	472,569	8,583	5,863,844
Community development	1,431,088	-	-	-	7,965,914	9,397,002
Parking garage	774,460	-	-	-	-	774,460
Debt service:						
Principal	3,103,572	-	-	-	-	3,103,572
Interest	2,116,885	-	-	-	-	2,116,885
Capital outlay	738,336	-	-	3,462,606	1,008,388	5,209,330
Total expenditures	45,286,574	-	-	3,936,124	10,116,456	59,339,154
Excess (deficiency) of revenues over (under) expenditures	7,109,805	-	-	(3,810,876)	622,790	3,921,719
<b>Other financing sources (uses):</b>						
Transfers in	537,820	-	-	-	2,599,805	3,137,625
Transfers out	(3,691,367)	-	-	-	(811,258)	(4,502,625)
Lending	(4,000,000)	-	-	-	-	(4,000,000)
Sale of assets	775,038	-	-	-	-	775,038
Issuance of bonds	4,000,000	-	-	-	-	4,000,000
Total other financing sources (uses)	(2,378,509)	-	-	-	1,788,547	(589,962)
Net change in fund balances	4,731,296	-	-	(3,810,876)	2,411,337	3,331,757
Fund balance, beginning of year- <i>restated</i>	4,160,613	401,000	-	14,903,725	1,111,326	20,576,664
<b>Fund balance, end of year</b>	<b>\$ 8,891,909</b>	<b>\$ 401,000</b>	<b>\$ -</b>	<b>\$ 11,092,849</b>	<b>\$ 3,522,663</b>	<b>\$ 23,908,421</b>

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, 2016

		<b>Percent of Total</b>		<b>Percent Change</b>
	<b><u>2016</u></b>		<b><u>2015</u></b>	
Taxes	\$ 16,042,423	30.62%	\$ 14,237,675	12.68%
Licenses and permits	27,465,856	52.42%	26,245,716	4.65%
Intergovernmental	884,029	1.69%	1,038,957	-14.91%
Fines and forfeitures	304,473	0.58%	271,735	12.05%
Charges for services	7,225,496	13.79%	5,073,318	42.42%
Investment earnings	164,777	0.31%	3,179	5083.30%
Miscellaneous	<u>309,325</u>	<u>0.59%</u>	<u>798,666</u>	<u>-61.27%</u>
<b>Total Revenue</b>	<b>\$ <u>52,396,379</u></b>	<b><u>100.00%</u></b>	<b>\$ <u>47,669,246</u></b>	<b><u>9.92%</u></b>

### 2016 General Fund Revenues



Revenue increased in Fiscal Year 2016, with total General Fund revenue increasing by \$4,727,133, or 9.92% Fiscal Year 2016 over Fiscal Year 2015. Revenue was up \$3,428,104 as compared with budgeted revenue for the current fiscal year driven primarily by a robust increase in Occupational Taxes, specifically Payroll License Fees. An increase in Payroll License Fees is a strong indicator of job growth in the City. Over the previous fiscal year, Payroll License Fees increased 5.88% or by \$1,424,919.

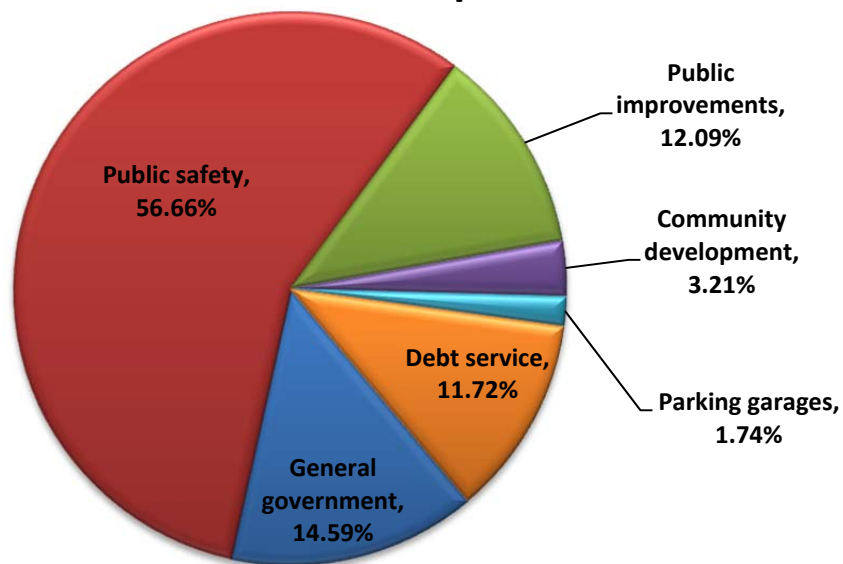
Taxes, which include Real Estate Taxes, Personal Property Taxes, and Insurance Premium Fees increased by \$1,804,748, or 12.7% from the prior fiscal year. Total taxable assessed values increased by \$30 million, or 1.4%, contributing to the increase in total property taxes collected of 7% over Fiscal Year 2015. As noted earlier, Charges for Services fees were also up in Fiscal Year 2016 over Fiscal Year 2015. The City anticipates modest growth to continue into Fiscal Year 2017.

### General Fund Expenditures for the Fiscal Year Ended June 30, 2016

		<u>2016</u>	<u>Percent of Total</u>		<u>2015</u>	<u>Percent Change</u>
General government	\$	6,496,468	14.35%	\$	3,776,368	72.03%
Public safety		25,243,073	55.74%		25,449,562	-0.81%
Public improvements		5,382,692	11.89%		8,402,255	-35.94%
Community development		1,431,088	3.16%		1,588,637	-9.92%
Parking garage		774,460	1.71%		738,147	4.92%
Debt service		5,220,457	11.53%		8,769,359	-40.47%
<b>Total Expenditures</b>	<b>\$</b>	<b><u>45,286,574</u></b>	<b><u>100.01%</u></b>	<b>\$</b>	<b><u>48,724,328</u></b>	<b><u>-7.06%</u></b>

General Fund expenditures decreased in Fiscal Year 2016, with total General Fund expenditures decreasing by \$3,437,754, or 7.06% Fiscal Year 2016 over Fiscal Year 2015. Expenditures were slightly lower than budgeted at \$189,932 below budget. The overall budget versus actual accuracy was 99.58%. Spending in Public Safety, which includes the Police Department and the Fire Department, was relatively stable as compared with FY 2015. Spending in the General Government was up over last fiscal year due to a change in budgeting processes. In the 2016 Fiscal Year budget spending on Waste Management as well as City-wide facilities and maintenance was moved from the Public Improvements department to the General Government departments. The most significant change in expenditures was in Debt Service. This change was due to recognition of a refunding of a variable rate bond of \$3.2 million in FY 2015. The refunding in FY 2015 was purposefully executed to fix the interest rate of the bond from a variable rate. In FY 2016 the City did not perform any bond refunding; however, the City did borrow \$4 million to support the development of the former City Hall into the new Hotel Covington. On August 27, 2015, the City issued \$4,000,000 of Taxable General Obligation Bonds with interest rates ranging from 3.0% to 4.5% for the purpose of assisting the development of the Hotel Covington. The City has a note receivable in the amount of \$4,000,000 to repay the bond.

### 2016 General Fund Expenditures



## Capital Assets and Debt Administration

**Capital Assets:** The City's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$59,048,138 (*net of accumulated depreciation*), an increase of \$1,727,038 from the prior fiscal year. This investment includes land and improvements, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. The total increase in capital assets for the current fiscal year was 2.9% over the prior fiscal year.

### Capital Assets at June 30, 2016

(Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 14,800,827	\$ 14,377,961
Land improvements	2,072,096	1,620,996
Buildings	13,149,747	15,048,403
Building improvements	4,556,660	4,726,399
Machinery and equipment	860,709	1,105,323
Vehicles	1,230,140	1,679,660
Infrastructure	19,678,987	18,206,958
Construction in progress	<u>2,698,972</u>	<u>555,400</u>
<b>Totals</b>	<b><u>\$ 59,048,138</u></b>	<b><u>\$ 57,321,100</u></b>

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

**Long-term Debt:** At the close of the current fiscal year, the City had outstanding notes, bonds and capital leases of \$57,599,726, which is backed by the full faith and credit of the City.

### Outstanding Long-term Debt Obligations at June 30, 2016

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Mortgage bonds and notes	35,952,005	\$ 33,584,331
Capital Leases	<u>21,647,721</u>	<u>23,130,502</u>
<b>Total</b>	<b><u>\$ 57,599,726</u></b>	<b><u>\$ 56,714,833</u></b>

The City issues and incurs debt in order to fund capital improvement projects, purchase capital equipment and facilities, and to support economic development. The City's outstanding debt increased by \$884,893, or 1.5%, over the prior fiscal year. This represents the net difference of paying down existing debt on Mortgage Bonds and Notes by \$1,632,326 offset by adding the 2015 Series Taxable General Obligation Bond of \$4 million issued on behalf of the Hotel Covington project. The City has a note receivable in the amount of \$4 million for repayment of this bond. The repayment structure includes an additional 1% interest paid to the City above the rate charged on the bond. Capital Leases decreased by \$1,482,781, a decrease of 6.4%. The City continues to benefit from bond refunding activities it executed in FY 2014 and FY 2015. 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 Fiscal Year 2017 was developed and adopted by the Board of Commissioners as a structurally balanced budget per Kentucky Revised Statute(s), KRS 83A.150(7)(c), KRS 91A.030 and the State's Constitution.

### **Fiscal Year 2017 Goals** included:

- Establishing a rolling five-year (5) Capital Plan
- Reducing reliance on long-term debt to finance Capital Needs using a Capital Reserve fund with an annual funding commitment from the General Fund
- Establishing a long-term debt policy
- Continuing to improve the City's Credit Rating
- Continuing to leverage the City's investments in infrastructure with non-City investments
- Establishing a long-term Tax Rate Reduction plan with the goal of fairness, balance and competitiveness

### **Fiscal Year 2017 Assumptions** included:

- No staffing reductions in any department across the City
- No departmental operational items deductions
- No increases in taxes or fees, including the Property Tax Rate
- Maintenance of the four (4) new police officers added in the Fall of 2016
- Addition of the new Computer Forensic Analyst in the Police department
- Maintaining staffing in the Fire Department
- Paying off the City's short-term debt, the Tax Anticipation Note, and not renewing it
- No planned wage increases for any employees
- Continued discussion with the City's three (3) Unions regarding Collective Bargaining Agreements that expired in December of 2015
- A reduction in the City's Employer Contribution Rate for pension contributions from 32.95% to 31.06% for Public Safety personnel
- An increase in the City's Employer Contribution Rate for pension contributions from 17.06% to 18.68% for all other personnel
- Increased contributions to the City's legacy Pension Funds per the Fiscal Stability Ordinance moving the contributions closer to the goal of 100% funding per the most recent actuarial reports
- The introduction of a new Health Plan Option – Referenced Based Plan – offered to non-union employees and as Union contracts are negotiated, to union employees

The City was able to successfully develop a Fiscal Year 2017 budget based upon the above goals and assumptions. In addition, the City committed additional funds for several projects including new Body Cameras and Software in the Police Department, Personal Protective Equipment Replacements in the Fire Department, a part-time Administrative Assistant in the Public Improvements Department, additional spending on software automation to improve efficiencies and increase transparency – specifically a new Code Enforcement Case Management system, a new Licensing and Permitting system, and a new Public Improvements Work Order Management system. The City additionally approved an investment in Business Attraction Strategy Software – this investment is focused on stimulating growth in the Latonia area of the City. The City also approved an investment in a comprehensive Zoning Ordinance Review.

The City budgeted in FY 2017 a modest increase in Revenues based upon the past three-year trend of 1 – 3% in revenue growth.

### **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, 2016

	Primary Government <u>Governmental Activities</u>	Component Unit <u>Devou Properties, Inc.</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 15,375,502	\$ 2,321,040
Cash with fiscal agent	10,570,295	-
Cash held in escrow	401,000	
Receivables (net of allowance for doubtful accounts)		
Taxes	5,902,446	-
Intergovernmental	311,004	-
Notes	6,886,588	-
Accounts	964,315	81,044
Due from fiduciary activities	621,525	-
Prepaid items	139,181	15,608
Nondepreciable capital assets	19,571,895	-
Depreciable capital assets, net	<u>39,476,243</u>	<u>100,439</u>
<i>Total assets</i>	<u>100,219,994</u>	<u>2,518,131</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows - pensions	<u>12,063,581</u>	-
<i>Total deferred outflows of resources</i>	<u>12,063,581</u>	-
<b>Liabilities</b>		
Accounts payable	1,772,913	31,167
Accrued liabilities	1,829,047	371,783
Claims payable	1,627,096	-
Accrued interest payable	305,292	-
Unearned revenue	3,295,147	-
Noncurrent liabilities:		-
Due within one year	4,714,195	-
Due in more than one year:		-
Net pension liability	68,771,025	-
Claims payable	2,568,280	-
Other	<u>54,336,151</u>	-
<i>Total liabilities</i>	<u>139,219,146</u>	<u>402,950</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows - pensions	<u>424,522</u>	-
<b>Net Position</b>		
Net investment in capital assets	26,724,688	100,439
Restricted for:		
Debt service	401,000	
HUD programs	632,116	-
Other purposes	1,620,898	-
Unrestricted (deficit)	<u>(56,738,795)</u>	<u>2,014,742</u>
<i>Total net position</i>	<u><u>\$ (27,360,093)</u></u>	<u><u>\$ 2,115,181</u></u>

See accompanying notes to the basic financial statements.

**CITY OF COVINGTON, KENTUCKY**

Statement of Activities

Fiscal Year Ended June 30, 2016

					Net (Expense) Revenue and Changes in Net Position	
					Primary Government	Component Unit
					Governmental Activities	Devou Properties, Inc.
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<u>Functions/Programs</u>						
<u>Primary Government</u>						
Governmental activities:						
General government	\$ 10,612,219	\$ 1,815,216	\$ 79,920	\$ 317,341	\$ (8,399,742)	\$ -
Police	16,091,991	-	1,114,540	-	(14,977,451)	-
Fire	15,301,811	1,449,356	-	-	(13,852,455)	-
Public improvements	7,806,788	2,952,715	809,029	550,000	(3,495,044)	-
Recreation	-	-	-	-	-	-
Community development	9,789,169	1,065,050	7,561,459	-	(1,162,660)	-
Parking garage	774,460	2,032,348	-	-	1,257,888	-
Interest on long-term debt	2,171,812	-	-	-	(2,171,812)	-
Total governmental activities	62,548,250	9,314,685	9,564,948	867,341	(42,801,276)	-
<u>Component Unit</u>						
Devou Properties, Inc.	1,011,123	1,003,581	-	-	-	(7,542)
Total	\$ 63,559,373	\$ 10,318,266	\$ 9,564,948	\$ 867,341	(42,801,276)	(7,542)
General Revenues:						
Taxes:						
Real property taxes					6,701,787	-
Personal property taxes					706,359	-
Public service taxes					1,946,897	-
Taxes, levied for bank deposits					82,872	-
Insurance premium taxes					6,932,552	-
Payroll taxes					24,216,488	-
Net profit taxes					2,924,268	-
Investment earnings					164,973	1,244
Miscellaneous					430,663	-
Total general revenues					44,106,859	1,244
					-	-
Change in net position					1,305,583	(6,298)
Net position beginning of year- <i>restated</i>					(28,665,676)	2,121,479
Net position end of year					\$ (27,360,093)	\$ 2,115,181

See accompanying notes to the basic financial statements.

**CITY OF COVINGTON, KENTUCKY**  
Balance Sheet  
Governmental Funds  
June 30, 2016

	General	Pension Obligation 2004 Fund	Neighborhood Stabilization Program	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 10,126,079	\$ -	\$ -	\$ 1,008,155	\$ 2,349,139	\$ 13,483,373
Cash with fiscal agent	-	-	-	10,570,295	-	10,570,295
Cash held in escrow	-	401,000	-	-	-	401,000
Receivables (net of allowance for doubtful accounts):						
Taxes	5,902,446	-	-	-	-	5,902,446
Intergovernmental	-	-	-	-	311,004	311,004
Notes	-	-	2,464,217	-	496,608	2,960,825
Accounts	954,795	-	-	475	34,808	990,078
Due from other funds	1,401,479	-	-	-	1,996,532	3,398,011
Due from fiduciary funds	621,525	-	-	-	-	621,525
Prepaid items	139,181	-	-	-	-	139,181
Total assets	<u>\$ 19,145,505</u>	<u>\$ 401,000</u>	<u>\$ 2,464,217</u>	<u>\$ 11,578,925</u>	<u>\$ 5,188,091</u>	<u>\$ 38,777,738</u>
<b>Liabilities:</b>						
Accounts payable	\$ 1,097,684	\$ -	\$ -	\$ 486,076	\$ 89,630	\$ 1,673,390
Accrued liabilities	1,829,047	-	-	-	-	1,829,047
Due to other funds	4,349,540	-	-	-	951,096	5,300,636
Unearned revenue	9,525	-	-	-	122,483	132,008
Total liabilities	<u>7,285,796</u>	<u>-</u>	<u>-</u>	<u>486,076</u>	<u>1,163,209</u>	<u>8,935,081</u>
<b>Deferred Inflow of Resources:</b>						
Unavailable revenue	<u>2,967,800</u>	<u>-</u>	<u>2,464,217</u>	<u>-</u>	<u>502,219</u>	<u>5,934,236</u>
<b>Fund balances:</b>						
Nonspendable	139,181	-	-	-	-	139,181
Restricted	-	401,000	-	11,092,849	1,321,059	12,814,908
Committed	4,076,011	-	-	-	2,489,140	6,565,151
Unassigned	<u>4,676,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(287,536)</u>	<u>4,389,181</u>
Total fund balances	<u>8,891,909</u>	<u>401,000</u>	<u>-</u>	<u>11,092,849</u>	<u>3,522,663</u>	<u>23,908,421</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,145,505</u>	<u>\$ 401,000</u>	<u>\$ 2,464,217</u>	<u>\$ 11,578,925</u>	<u>\$ 5,188,091</u>	<u>\$ 38,777,738</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, 2016

<b>Total fund balances - governmental funds</b>		<b>\$ 23,908,421</b>
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		59,048,138
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		6,671,099
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.		(500,147)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds payable	35,732,844	
Capital lease payable	21,647,718	
Accrued interest payable	305,292	
Unamortized Premiums	219,161	
Compensated absences	<u>1,450,623</u>	
Total		<u>(59,355,638)</u>
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		
Deferred outflows - pensions	(12,063,581)	
Deferred inflows - pensions	424,522	
Net pension liability	<u>68,771,025</u>	
Total		<u>(57,131,966)</u>
<b>Net position of governmental activities</b>		<b>\$ <u>(27,360,093)</u></b>

**CITY OF COVINGTON, KENTUCKY**

Statement of Revenues, Expenditures and Changes  
in Fund Balances  
Governmental Funds  
Fiscal Year Ended June 30, 2016

	General	Pension Obligation 2004 Fund	Neighborhood Stabilization Program	Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 16,042,423	\$ -	\$ -	\$ -	\$ -	\$ 16,042,423
Licenses and permits	27,465,856	-	-	-	-	27,465,856
Intergovernmental	884,029	-	-	-	8,978,890	9,862,919
Charges for services	7,225,496	-	-	214	637,724	7,863,434
Fines and forfeitures	304,473	-	-	-	-	304,473
Investment earnings	164,777	-	-	-	273	165,050
Miscellaneous	309,325	-	-	125,034	1,122,359	1,556,718
Total revenues	<u>52,396,379</u>	<u>-</u>	<u>-</u>	<u>125,248</u>	<u>10,739,246</u>	<u>63,260,873</u>
<b>Expenditures:</b>						
Current:						
General government	6,496,468	-	-	949	86,168	6,583,585
Police	12,841,710	-	-	-	551,766	13,393,476
Fire	12,401,363	-	-	-	495,637	12,897,000
Public improvements	5,382,692	-	-	472,569	8,583	5,863,844
Community development	1,431,088	-	-	-	7,965,914	9,397,002
Parking garage	774,460	-	-	-	-	774,460
Debt service:						
Principal	3,103,572	-	-	-	-	3,103,572
Interest	2,116,885	-	-	-	-	2,116,885
Capital outlay	738,336	-	-	3,462,606	1,008,388	5,209,330
Total expenditures	<u>45,286,574</u>	<u>-</u>	<u>-</u>	<u>3,936,124</u>	<u>10,116,456</u>	<u>59,339,154</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,109,805</u>	<u>-</u>	<u>-</u>	<u>(3,810,876)</u>	<u>622,790</u>	<u>3,921,719</u>
<b>Other financing sources (uses):</b>						
Transfers in	537,820	-	-	-	2,599,805	3,137,625
Transfers out	(3,691,367)	-	-	-	(811,258)	(4,502,625)
Lending	(4,000,000)	-	-	-	-	(4,000,000)
Sale of assets	775,038	-	-	-	-	775,038
Issuance of bonds	4,000,000	-	-	-	-	4,000,000
Total other financing sources (uses)	<u>(2,378,509)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,788,547</u>	<u>(589,962)</u>
Net change in fund balances	4,731,296	-	-	(3,810,876)	2,411,337	3,331,757
Fund balance, beginning of year- <i>restated</i>	4,160,613	401,000	-	14,903,725	1,111,326	20,576,664
Fund balance, end of year	<u>\$ 8,891,909</u>	<u>\$ 401,000</u>	<u>\$ -</u>	<u>\$ 11,092,849</u>	<u>\$ 3,522,663</u>	<u>\$ 23,908,421</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, 2016

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 3,331,757</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
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	5,760,565
Depreciation expense	(3,459,460)
In the statement of activities, loss on disposal of capital assets is reported, whereas only proceeds from sales are reported in the governmental funds.	(1,837,106)
Revenue in the statement of activities that do not provide current financial resources are reported as deferred inflows in the governmental funds.	142,958
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	10,063
Interest on long-term debt	(66,462)
Amortization of Premiums	11,535
Repayment of bonds, notes and lease principal is an expenditure in the governmental funds, whereas the payments reduce long-term liabilities in the statement of net position	3,103,572
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.	(544,453)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.	3,786,225
Revenue in the statement of revenues, expenditures and changes in fund balances that provide current financial resources	(100,000)
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>(8,833,611)</u>
<b>Change in net position of governmental activities</b>	<b><u>\$ 1,305,583</u></b>

**CITY OF COVINGTON, KENTUCKY**

## Statement of Net Position

## Proprietary Funds

June 30, 2016

	Governmental Activities
	Internal Service Funds
	<hr/>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,892,129
Due from other funds	<u>1,902,625</u>
Total assets	<u>3,794,754</u>
 <b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	99,525
Claims payable	<u>1,627,096</u>
	1,726,621
<b>Noncurrent Liabilities</b>	
Claims payable	<u>2,568,280</u>
Total Liabilities	<u>4,294,901</u>
 <b>Net Position</b>	
Unrestricted	<u>(500,147)</u>
Total net position	<u>\$ (500,147)</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, 2016

	Governmental Activities <u>Internal Service Funds</u>
<b><i>Operating revenues:</i></b>	
Insurance premiums	\$ 4,785,614
Other	<u>19,115</u>
Total operating revenues	<u>4,804,729</u>
<b><i>Operating expenses:</i></b>	
Contractual services	2,499,165
Claims and judgments	<u>4,215,649</u>
Total operating expenses	<u>6,714,814</u>
Operating loss	(1,910,085)
<b><i>Non-operating revenues (expenses):</i></b>	
Investment income	<u>632</u>
Total non-operating revenues (expenses)	<u>632</u>
Loss before transfers	(1,909,453)
Transfers in	<u>1,365,000</u>
Change in net position	(544,453)
Net position, beginning of year	<u>44,306</u>
Net position, end of year	<u><u>\$ (500,147)</u></u>

See accompanying notes to the basic financial statements.



**CITY OF COVINGTON, KENTUCKY**

## Statement of Cash Flows

## Proprietary Funds

Fiscal Year Ended June 30, 2016

	Governmental Activities <u>Internal Service Funds</u>
<b><i>Cash flows from operating activities:</i></b>	
Cash received from other funds	\$ 2,882,989
Cash received from other income	19,115
Cash payments for claims	<u>(5,362,852)</u>
Net cash used by operating activities	<u>(2,460,748)</u>
<b><i>Cash flows from noncapital financing activities:</i></b>	
Transfers	<u>1,365,000</u>
Net cash provided by noncapital financing activities	<u>1,365,000</u>
<b><i>Cash flows from investing activities:</i></b>	
Interest income	<u>632</u>
Net cash provided by investing activities	<u>632</u>
Net change	(1,095,116)
Cash and cash equivalents, beginning of year	<u>2,987,245</u>
Cash and cash equivalents, end of year	<u>\$ 1,892,129</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (1,910,085)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Changes in assets and liabilities:	
Due from/to other funds	(1,902,625)
Accounts payable	64,650
Claims payable	<u>1,287,312</u>
Net cash used by operating activities	<u>\$ (2,460,748)</u>

See accompanying notes to the basic financial statements.

**CITY OF COVINGTON, KENTUCKY**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

	Pension Trusts		
	Employees' Retirement	Police and Firemen's Retirement	Agency
<b>Assets</b>			
Cash and cash equivalents	\$ 101,801	\$ 114,674	\$ 22,629
Bond mutual funds	201,362	459,355	-
Equity mutual funds	381,841	864,508	-
Other assets	<u>1,672,819</u>	<u>3,797,419</u>	<u>-</u>
Total assets	<u>2,357,823</u>	<u>5,235,956</u>	<u>22,629</u>
<b>Liabilities</b>			
Due to the primary government	377,944	243,580	\$ -
Due to others	<u>-</u>	<u>-</u>	<u>22,629</u>
	<u>377,944</u>	<u>243,580</u>	<u>22,629</u>
<b>Net Position</b>			
Net position restricted for pensions	<u>\$ 1,979,879</u>	<u>\$ 4,992,376</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, 2016

	Pension Trusts	
	Employees' Retirement	Police and Firemen's Retirement
<b>Additions</b>		
Contributions:		
Employer contributions	\$ 127,078	\$ 269,327
Impounding lot	-	708
Miscellaneous	-	715
Total revenue	<u>127,078</u>	<u>270,750</u>
Investment return:		
Interest and dividends	74,809	160,290
Net depreciation in fair value of investments	<u>(186,536)</u>	<u>(402,158)</u>
Total net investment return	<u>(111,727)</u>	<u>(241,868)</u>
Total additions	<u>15,351</u>	<u>28,882</u>
<b>Deductions</b>		
Benefit payments	517,999	1,380,301
Administration	<u>8,792</u>	<u>10,416</u>
Total deductions	<u>526,791</u>	<u>1,390,717</u>
Change in net position	(511,440)	(1,361,835)
Net position, beginning of year	<u>2,491,319</u>	<u>6,354,211</u>
Net position, end of year	<u>\$ 1,979,879</u>	<u>\$ 4,992,376</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, 2016

**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, 2015, 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, 2016

**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, 2016

**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 two 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.

***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, 2016

**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, 2016, the City had housing development and small business loans outstanding of \$18,008,555 and \$1,942,539, respectively. The City has recorded an allowance of \$15,544,338 on housing development and \$1,445,931 on small business loans. Although some loans are repaid, repayment may be limited to net proceeds after payment of the first mortgage and seller closing costs and; therefore most repayments are minimal. Additionally, many loans have favorable repayments terms to encourage home ownership that include deferral and/or forgiveness if homeowners remain in the home for a specified period of time. The City of Covington has a note receivable of \$3,900,000 from the 638 Madison LLC, in regards to the Hotel Covington.

***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, 2016, 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 four thousand dollars.

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

<b><u>Description</u></b>	<b>Governmental Activities</b>
	<b><u>Estimated Lives</u></b>
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, 2016

**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, 2016

**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 constitutional provisions or enabling legislation, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed - Amounts that can be used only for specific purposes determined by a formal action by City Commission ordinance or resolution.
- Assigned - Amounts that are designated by the Board of Commissioners for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Commission.
- Unassigned- All amounts not included in other spendable classifications.

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, 2016

**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, 2016:

	<u>Budget</u>	<u>Actual</u>
Community Development Block Grant Fund	\$1,188,759	\$1,263,421
Police Forfeiture Justice Fund	112,890	117,689
HOME Consortium Fund	100,576	119,176
Housing Voucher Program Fund	5,701,031	5,713,043
Police & Fire Supplemental Pay Fund	872,682	944,456
Devou Park Maintenance Fund	75,526	80,906
Devou Park Master Plan	496,129	404,095

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, 2016

**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, 2016, \$753,940 of the City's deposits are insured by the FDIC, and \$18,614,446 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, 2016, the City had \$91,391 of 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, 2016, the City had \$10,570,295 available to be drawn. Additionally, the City had \$401,000 in escrow balances for debt reserves and park maintenance.

As of December 31, 2015, Devou Properties, Inc. (a component unit of the City) had \$2,071,040 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, 2016 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	\$ 101,801	101,801	-	-	-
Bond mutual funds	201,362	201,362	-	-	-
Equity mutual funds	381,841	381,841	-	-	-
Other assets	1,672,819	1,627,013	-	-	45,806
	<u>\$ 2,357,823</u>	<u>2,312,017</u>	<u>-</u>	<u>-</u>	<u>45,806</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	\$ 114,674	114,674	-	-	-
Bond mutual funds	459,355	459,355	-	-	-
Equity mutual funds	864,508	864,508	-	-	-
Other assets	3,797,419	3,696,263	-	-	101,156
	<u>\$ 5,235,956</u>	<u>5,134,800</u>	<u>-</u>	<u>-</u>	<u>101,156</u>

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**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, 2016, 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, 2016:

Investment Type	City Employees'		Police and Firemen's	
	Fair Value	Percent Of Total	Fair Value	Percent Of Total
Cash and cash equivalents	\$ 101,801	14%	\$ 114,674	15%
Bond mutual funds	201,362	14%	459,355	15%
Equity mutual funds	381,841	57%	864,508	56%
Other assets	1,672,819	15%	3,797,419	15%
	<u>\$ 2,357,823</u>	<u>100%</u>	<u>\$ 5,235,956</u>	<u>100%</u>

*Fair Value Measured:* Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2016:

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 3 – Deposits – continued**

**City Employees**

Investments	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Cash and Cash Equivalents				
US Bank Account (WP 400-A)	\$ 88,540	\$ 88,540	\$ -	\$ -
Charles Schwab	13,261	13,261	-	-
Total Cash and Cash Equivalents	101,801	101,801	-	-
Bond Mutual Funds				
Doubleline Total Return	201,362	201,362	-	-
Total Bond Mutual Funds	201,362	201,362	-	-
Equity Mutual Funds				
AQR Intl Equity CL I	108,827	108,827	-	-
AQR Style Permia Alt LV	44,966	44,966	-	-
Boston Partners Long	32,215	32,215	-	-
Gateway Fund	33,369	33,369	-	-
Johcm Intl Slct Fd	162,464	162,464	-	-
Total Equity Mutual Funds	381,841	381,841	-	-
Other Assets				
Ishares Intern Credit	230,308	230,308	-	-
Ishares MSCI EAFE Small	39,573	39,573	-	-
Ishares MSCI Emerging	44,668	44,668	-	-
Ishares Russell 3000	1,003,942	1,003,942	-	-
Ishares Tips Bond ETF	29,168	29,168	-	-
Ishares 20 Pls Year	75,006	75,006	-	-
Ishares 3-7 year Trery	157,914	157,914	-	-
JP Morgan Chase Alerian	45,806	45,806	-	-
SPDR Dow Jones REIT ETF	46,434	46,434	-	-
Total Other Assets	1,672,819	1,672,819	-	-
Total Investments	\$ 2,357,823	\$ 2,357,823	\$ -	\$ -

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 3 – Deposits – continued**

Police and Firemens		Fair Value Measurements Using			
		Investments	Total	Level 1	Level 2
Cash and Cash Equivalents					
US Bank Account (WP 400-A)	\$	84,529	\$ 84,529	\$ -	\$ -
Charles Schwab		30,145	30,145	-	-
Total Cash and Cash Equivalents		114,674	114,674	-	-
Bond Mutual Funds					
Doubleline Total Return		459,355	459,355	-	-
Total Bond Mutual Funds		459,355	459,355	-	-
Equity Mutual Funds					
AQR Intl Equity CL I		243,410	243,410	-	-
AQR Style Permia Alt LV		86,443	86,443	-	-
Boston Partners Long		69,683	69,683	-	-
Gateway Fund		71,761	71,761	-	-
Johcm Intl Slct Fd		393,212	393,212	-	-
Total Equity Mutual Funds		864,508	864,508	-	-
Other Assets					
Ishares Interm Credit		526,260	526,260	-	-
Ishares MSCI EAFE Small		92,659	92,659	-	-
Ishares MSCI Emerging		97,926	97,926	-	-
Ishares Russell 3000		2,287,549	2,287,549	-	-
Ishares Tips Bond ETF		61,368	61,368	-	-
Ishares 20 Pls Year		169,458	169,458	-	-
Ishares 3-7 year Trry		359,127	359,127	-	-
JP Morgan Chase Alerian		101,156	101,156	-	-
SPDR Dow Jones REIT ETF		101,916	101,916	-	-
Total Other Assets		3,797,419	3,797,419	-	-
Total Investments	\$	5,235,956	\$ 5,235,956	\$ -	\$ -

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 4 - Capital Assets and Depreciation**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance End of Year</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 14,377,961	\$ 855,287	\$ 432,421	\$ 14,800,827
Land improvements	1,629,315	448,569	5,788	2,072,096
Construction in progress	565,642	2,688,730	555,400	2,698,972
Total capital assets not being depreciated	<u>16,572,918</u>	<u>3,992,586</u>	<u>993,609</u>	<u>19,571,895</u>
Depreciable capital assets				
Buildings	26,100,965	-	2,716,173	23,384,792
Building improvements	14,713,201	573,821	250,395	15,036,627
Infrastructure	124,500,463	1,212,248	-	125,712,711
Machinery and equipment	4,576,828	386,313	318,948	4,644,193
Vehicles	12,303,539	150,992	88,000	12,366,531
Total depreciable capital assets	<u>182,194,996</u>	<u>2,323,374</u>	<u>3,373,516</u>	<u>181,144,854</u>
Less accumulated depreciation				
Buildings	11,052,562	589,835	1,407,351	10,235,046
Building improvements	9,980,527	670,889	171,449	10,479,967
Infrastructure	105,079,479	954,245	-	106,033,724
Machinery and equipment	3,452,522	638,779	307,818	3,783,483
Vehicles	10,618,679	605,712	88,000	11,136,391
Total accumulated depreciation	<u>140,183,769</u>	<u>3,459,460</u>	<u>1,974,618</u>	<u>141,668,611</u>
Total depreciable capital assets, net	<u>42,011,227</u>	<u>(1,136,086)</u>	<u>1,398,898</u>	<u>39,476,243</u>
Governmental Activities capital assets, net	<u>\$ 58,584,145</u>	<u>\$ 2,856,500</u>	<u>\$ 2,392,507</u>	<u>\$ 59,048,138</u>
<b>Component Unit</b>				
Devou Properties, Inc.				
Depreciable capital assets				
Property and equipment	\$ 151,401	\$ 87,796	\$ 6,219	\$ 232,978
Less accumulated depreciation	109,702	35,882	13,045	132,539
Component Unit property and equipment, net	<u>\$ 41,699</u>	<u>\$ 51,914</u>	<u>\$ (6,826)</u>	<u>\$ 100,439</u>

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 4 - Capital Assets and Depreciation - continued**

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 854,096
Police	566,167
Fire	210,300
Public improvements	1,611,983
Community development	<u>216,914</u>
 Total Governmental Activities depreciation expense	 <u><u>\$3,459,460</u></u>

**Note 5 - Interfund Activity**

Interfund transactions at June 30, 2016 consisted of the following due to/from other funds and transfers in/out:

	Interfund		Transfers	
	Receivable	Payable	In	Out
General Fund	\$ 1,401,479	\$ 4,349,540	\$ 537,820	\$ 3,691,367
Nonmajor Governmental Funds	1,996,532	951,096	2,599,805	811,258
Internal Service Funds	<u>1,902,625</u>	<u>-</u>	<u>1,365,000</u>	<u>-</u>
	<u><u>\$ 5,300,636</u></u>	<u><u>\$ 5,300,636</u></u>	<u><u>\$ 4,502,625</u></u>	<u><u>\$ 4,502,625</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, 2016, the General Fund provided short-term loans of \$377,944 to the Employees' Retirement Fund and \$243,580 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, 2015, 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, 2016, 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, 2016

**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, 2016:

	<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>(5,567,244)</u>
Net Book Value	<u>\$ 27,542,201</u>

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**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, 2016:

Fiscal Year Ending June 30,	
2017	\$ 2,233,993
2018	1,951,704
2019	1,897,816
2020	1,937,094
2021	1,978,802
2022-2026	6,608,936
2027-2031	4,824,637
2032-2036	4,527,719
2037-2041	1,834,693
Total minimum lease payments	27,795,394
Less amounts representing interest	6,147,673
Present value of minimum lease payments	\$ 21,647,721

**Notes and Bonds**

The following schedule summarizes outstanding long-term mortgage bonds and notes payable at June 30, 2016:

	<u>Purpose</u>	<u>Interest Rate</u>	<u>Mature Date June 30,</u>	<u>Issued</u>	<u>Outstanding</u>
<b>Mortgage Bonds</b>					
2003 Series	Refunding	2.00-4.50%	2018	\$ 4,996,000	\$ 875,000
2004 Series	Pension funding	Variable	2030	14,410,000	-
KY Infrastructure Auth.	Rainwater project	2.00%	2030	1,197,390	437,844
KY Bond Corp. 2010 Series A	Refinancing	2.00%	2030	315,000	-
Recovery Zone Economic Dev	River Center	4.90-7.00%	2030	2,650,000	2,285,000
Series 2014	Capital Improvements	3.00-4.00%	2030	18,635,000	17,925,000
2014 Pension	Pension refunding	2.00-4.00%	2030	10,960,000	10,360,000
Series 2015	Hotel Covington	3.00-4.50%	2035	4,000,000	3,850,000

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

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 7 - General Long-Term Debt – continued**

Assuming no issues are called prior to maturity, the minimum obligations of the City at June 30, 2016 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,686,411	\$ 1,370,446	\$ 3,056,857
2018	1,928,964	1,318,878	3,247,842
2019	1,978,529	1,266,189	3,244,718
2020	1,599,105	1,205,551	2,804,656
2021	1,654,692	1,153,464	2,808,156
2022-2026	10,922,695	4,718,223	15,640,918
2027-2031	11,022,448	2,366,499	13,388,947
2032-2035	4,940,000	436,038	5,376,038
	<u>\$ 35,732,844</u>	<u>\$ 13,835,288</u>	<u>\$ 49,568,132</u>

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**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, 2016, there was \$48.9 million outstanding in Industrial Revenue Bonds.

During the year ended June 30, 2016, the following changes occurred in long-term liabilities:

<b>Debt Issue</b>	<b>Beginning Balance</b>	<b>Issued</b>	<b>Redeemed</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Mortgage bonds and notes:					
2003 Refunding	\$ 1,285,000	\$ -	\$ (410,000)	\$ 875,000	\$ 429,000
Series 2014	18,235,000	-	(310,000)	17,925,000	315,000
2014 Pension	10,960,000	-	(600,000)	10,360,000	640,000
Series 2015	-	4,000,000	(150,000)	3,850,000	150,000
Premium on Issuance	230,696	-	(11,535)	219,161	-
KIA Rainwater Harvest	463,635	-	(25,791)	437,844	27,411
Recovery Zone Bonds	2,410,000	-	(125,000)	2,285,000	125,000
Total mortgage bonds and notes	33,584,331	4,000,000	(1,632,326)	35,952,005	1,686,411
Capital lease obligations:					
Infrastructure/equipment	23,130,502	-	(1,482,781)	21,647,721	1,577,161
Net pension liability:					
Kentucky CERS - Nonhazardous	8,401,000	2,024,610	-	10,425,610	
Kentucky CERS - Hazardous	34,207,001	10,416,089	-	44,623,090	
Employees' Retirement	2,798,655	1,711,913	(1,006,780)	3,503,788	-
Police & Firemen's Retirement	7,153,802	5,829,972	(2,765,236)	10,218,538	-
Total net pension liability	52,560,458	19,982,584	(3,772,016)	68,771,026	
Compensated absences	1,460,686	1,450,623	(1,460,686)	1,450,623	1,450,623
Total Long-Term Liabilities	<u>\$ 110,735,977</u>	<u>\$ 25,433,207</u>	<u>\$ (8,347,809)</u>	<u>\$ 127,821,375</u>	<u>\$ 4,714,195</u>

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

Current Refunding

On August 27, 2015, the City issued \$4,000,000 of Taxable General Obligation Bonds with interest rates ranging from 3.0% to 4.5% for the purpose of assisting the development of the Hotel Covington. The City has a note receivable in the amount of \$4,000,000 to repay the bond.

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**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 \$2,568,280 at June 30, 2016. Changes in the Liability Self Insurance Fund's claims liability amount during the fiscal years ended June 30, 2016 and 2015 were as follows:

	<u><b>2016</b></u>	<u><b>2015</b></u>
Claims liability at July 1	\$ 1,224,247	\$ 714,000
Change in claims and estimates	1,395,225	582,066
Claims payments	<u>(51,192)</u>	<u>(71,819)</u>
Claims liability at June 30	<u><u>\$ 2,568,280</u></u>	<u><u>\$ 1,224,247</u></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, 2016 is \$1,627,096. Of that amount, \$1,627,096 represents current liabilities. Changes in the Medical Self Insurance Fund's claims liability amount during the fiscal years ended June 30, 2016 and 2015 were as follows:

	<u><b>2016</b></u>	<u><b>2015</b></u>
Claims liability at July 1	\$ 1,683,817	\$ 945,614
Change in claims and estimates	4,107,736	4,754,809
Claims payments	<u>(4,164,457)</u>	<u>(4,016,606)</u>
Claims liability at June 30	<u><u>\$ 1,627,096</u></u>	<u><u>\$ 1,683,817</u></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, 2016

**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**

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

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

*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, 2016

**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. There was no COLA for 2016.

*Contributions.* As of June 30, 2016, there are 37 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, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	30%	5.5%
Equity funds	70%	5.5%
Real assets	0%	0.0%
Low volatility	0%	0.0%
Total	100%	

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 9 - Employee Retirement Plans – continued**

**A. Employees' Retirement Plan - continued**

*Concentrations.* The Employees' Retirement Plan investments concentration as of June 30, 2016:

<u>Investment</u>	<u>Concentration</u>
Cash and money markets	4%
Bond mutual funds	9%
Equity mutual funds	16%
Other assets	71%
	<u>100%</u>

*Rate of Return.* For the year ended June 30, 2016, the annual money-weighted rate of return on the plan investments, net of pension plan investment expense was (3.74%). 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, 2016, 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, 2016, were as follows:

Total pension liability	\$ 5,483,666
Employee's Retirement Plan fiduciary net position	<u>(1,979,878)</u>
City's net pension liability	<u>\$ 3,503,788</u>
Employees' Retirement Plan net position as a percentage of total pension liability	36.11%

*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 5.5%, net of pension plan investment expense, including inflation.

Mortality rates were based on the RP-2014 Total Mortality Table projected generationally using scale MP-2015.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2016.

*Discount rate.* The discount rate used to measure the total pension liability was 2.96 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 11 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 5.5% expected return rate until the fund is depleted and then a 1.79% 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, 2016

**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, 2016 were as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balance, June 30, 2015	\$ 5,290,873	\$ 2,492,218	\$ 2,798,655
Changes for the year:			
Interest	264,726	-	264,726
Difference between expected and actual experience	(444,003)	-	(444,003)
Changes of assumptions	875,460	-	875,460
Benefit payments	(503,390)	-	(503,390)
Contributions - employer	-	127,078	(127,078)
Net investment income	-	(129,228)	129,228
Benefit payments	-	(503,390)	503,390
Administrative expense	-	(6,800)	6,800
Net changes	<u>192,793</u>	<u>(512,340)</u>	<u>705,133</u>
Balance, June 30, 2016	<u>\$ 5,483,666</u>	<u>\$ 1,979,878</u>	<u>\$ 3,503,788</u>

	<b>Deferred Outflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	<u>\$ 408,069</u>
Total	<u>\$ 408,069</u>

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

Year Ended June 30:	
2017	\$ 119,334
2018	119,334
2019	119,336
2020	50,065
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 2.96 %, 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 (1.96%) or 1-percentage-point higher (3.96%) than the current rate:

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 9 - Employee Retirement Plans – continued**

**A. Employees' Retirement Plan - continued**

	<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease	1.96%	\$ 4,013,187
Current discount rate	2.96%	\$ 3,503,788
1% increase	3.96%	\$ 3,066,652

*Pension Revenue/Expense.* For the year ended June 30, 2016, the City recognized pension expense of \$297,064.

**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, 2016

**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. There was no COLA for 2016.

*Contributions.* As of June 30, 2016, there are 66 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, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	30%	5.5%
Equity funds	70%	5.5%
Real assets	0%	0.0%
Low volatility	0%	0.0%
Total	<u>100%</u>	

*Concentrations.* The Police and Firemen's Retirement Plan investments concentration as of June 30, 2016:

<u>Investment</u>	<u>Concentration</u>
Cash and money markets	2%
Bond mutual funds	9%
Equity mutual funds	17%
Other assets	72%
	<u>100%</u>

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 9 - Employee Retirement Plans – continued**

**B. Police and Firemen's Retirement Plan - continued**

*Rate of Return.* For the year ended June 30, 2016, the annual money-weighted rate of return on the plan investments, net of pension plan investment expense was (3.56%). 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, 2016, 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, 2016, were as follows:

Total pension liability	\$ 15,210,862
Police and Firemen's Retirement Plan fiduciary net position	<u>(4,992,324)</u>
City's net pension liability	<u>\$ 10,218,538</u>
Police and Firemen's Retirement Plan net position as a percentage of total pension liability	32.82%

*Actuarial Assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2014 Total Mortality Table with Blue Collar adjustment projected generationally with scale MP-2015 for healthy retirees and surviving spouses; and RP-2014 Disabled Mortality Table projected generationally with scale MP-2015 for disabled retirees.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2016.

*Discount rate.* The discount rate used to measure the total pension liability was 2.65%. 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 9 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 5.5% expected return rate until the fund is depleted and then a 1.79% 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, 2016

**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, 2016 were as follows:

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balance, June 30, 2015	\$ 13,507,113	\$ 6,353,311	\$ 7,153,802
Changes for the year:			
Interest	628,379	-	628,379
Difference between expected and actual experience	57,418	-	57,418
Changes of assumptions	2,400,570	-	2,400,570
Benefit payments	(1,382,618)	-	(1,382,618)
Contributions - employer	-	269,327	(269,327)
Net investment income	-	(240,496)	240,496
Benefit payments	-	(1,382,618)	1,382,618
Administrative expense	-	(7,200)	7,200
Net changes	<u>1,703,749</u>	<u>(1,360,987)</u>	<u>3,064,736</u>
Balance, June 30, 2016	<u><u>\$ 15,210,862</u></u>	<u><u>\$ 4,992,324</u></u>	<u><u>\$ 10,218,538</u></u>

	<b>Deferred Outflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	<u>\$ 896,428</u>
Total	<u><u>\$ 896,428</u></u>

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

Year Ended June 30:	
2016	\$ 263,819
2017	263,819
2018	263,819
2019	104,971
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 2.65 %, 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 (1.65%) or 1-percentage-point higher (3.65%) than the current rate:

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**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	1.65%	\$ 11,654,449
Current discount rate	2.65%	\$ 10,218,538
1% increase	3.65%	\$ 8,990,373

*Pension Revenue/Expense.* For the year ended June 30, 2016, the City recognized pension expense of \$2,168,308.

**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. No COLA has been granted since July 1, 2011.

*Non-hazardous Benefits* – For members who began contributing to CERS prior to September 1, 2008, final compensation represents the average 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, 2016

**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, 2016, 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, 2016, participating employers contributed 17.06% 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, 2016

**Note 9 - Employee Retirement Plans - continued**

**C. County Employees Retirement System (CERS) - continued**

Contributions to the non-hazardous pension plan from the City were \$710,807 for the year ended June 30, 2016.

*Hazardous Contributions* - For the year ended June 30, 2016, 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, 2016, participating employers contributed 32.95% 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 \$3,075,418 for the year ended June 30, 2016.

*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, 2016

**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, 2016, the City reported a liability of \$10,425,611 for its proportionate share of the net pension liability for non-hazardous and \$44,623,090 for hazardous. The City's 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 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, 2015, the City's proportion decreased 0.02 percent from 0.26 percent at June 30, 2014 to 0.24 percent for non-hazardous and increased 0.06 percent from 2.85 percent at June 30, 2014 to 2.91 percent for hazardous.

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 9 - Employee Retirement Plans - continued**

**C. County Employees Retirement System (CERS) - continued**

For the year ended June 30, 2016, the City recognized pension expense of \$917,675 for non-hazardous and \$4,538,092 for hazardous. At June 30, 2016, 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	710,807		3,075,418		3,786,225	
Proportionate share of deferred outflows at measurement date	1,231,407		5,741,452		6,972,859	
Proportionate share of deferred inflows at measurement date		424,522		-		424,522
	<u>\$ 1,942,214</u>	<u>\$ 424,522</u>	<u>\$ 8,816,870</u>	<u>\$ -</u>	<u>\$ 10,759,084</u>	<u>\$ 424,522</u>

\$3,786,225 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, 2017. Other amounts reported as deferred inflows and deferred outflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Hazardous	Non-Hazardous	Total
2017	\$ 1,267,339	\$ 248,974	\$ 1,516,313
2018	1,267,339	248,974	1,516,313
2019	1,267,339	109,699	1,377,038
2020	1,939,435	199,238	2,138,673
	<u>\$ 5,741,452</u>	<u>\$ 806,885</u>	<u>\$ 6,548,337</u>

*Actuarial Assumptions* – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	4.0 percent, average, including inflation
Investment rate of return	7.50 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, 2015 valuation were based on results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

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 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**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
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash	2%	-0.25%
Total	<u>100%</u>	

*Discount Rate* – The discount rate used to measure the total pension liability for the system was 7.5% 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 2117.

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 28 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 (6.5%) or one percentage point higher (8.5%) than the current rate for non-hazardous and (6.5%) or one percentage point higher (8.5%) than the current rate for hazardous:

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 9 - Employee Retirement Plans - continued**

**C. County Employees Retirement System (CERS) - continued**

<b>CERS</b>	<b>1% Decrease 6.50%</b>	<b>Discount Rate 7.50%</b>	<b>1% Increase 8.50%</b>
Non-hazardous	\$ 13,309,431	\$ 10,425,611	\$ 7,955,648
Hazardous	57,119,028	44,623,090	34,269,870

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

*Payable to the Pension Plan* – The total outstanding payable as of June 30, 2016 is \$1,307,683. The total hazardous payable is \$720,823, total non-hazardous is \$153,686, total insurance is \$11,969, and total invoices are \$421,206.

**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:

<b>Fund Balances</b>	<b>General</b>	<b>Pension Obligation 2004 Fund</b>	<b>Capital Improvement</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><i>Nonspendable</i></b>					
Prepaid expenses	\$ 139,181	\$ -	\$ -	\$ -	\$ 139,181
<b><i>Restricted for</i></b>					
Capital projects	-	-	11,092,849	-	11,092,849
Debt service	-	401,000	-	-	401,000
HUD programs	-	-	-	740,229	740,229
Other grant programs	-	-	-	580,830	580,830
<i>Total Restricted</i>	-	401,000	11,092,849	1,321,059	12,814,908
<b><i>Committed to</i></b>					
Fiscal Stability Ordinance	4,076,011	-	-	1,407,607	5,483,618
Economic Development Authority	-	-	-	370,884	370,884
Capital Reserve	-	-	-	350,000	350,000
Leased Properties	-	-	-	360,649	360,649
<i>Total Committed</i>	4,076,011	-	-	2,489,140	6,565,151
<b><i>Unassigned</i></b>	4,676,717	-	-	(287,536)	4,389,181
<b><i>Total Fund Balance</i></b>	<b>\$ 8,891,909</b>	<b>\$ 401,000</b>	<b>\$ 11,092,849</b>	<b>\$ 3,522,663</b>	<b>\$ 23,908,421</b>

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 10 - Fund Balances - continued**

At June 30, 2016, the following funds had a deficit fund balance:

Home Consortium	\$ 108,113
Devou Park Master Plan	\$ 26,576
Police & Fire Sup Pay	\$ 152,847

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

The City established the Fiscal Stability Ordinance, O-11-16 during the fiscal year. This ordinance commits the carryover funds at each fiscal year end for various purposes. The goal of this legislation is to stabilize the City's revenue and expenditure cycles, mitigating financial risks and improving the City's credit rating. It also follows the three themes outlined by the City: Responsibility, Sustainability, and Investment.

**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, 2016.

**Note 12 - Subsequent Events**

On August 3, 2016 the City issued \$9,185,000 in refunding bonds. The purpose of the refunding was to pay off several variable rate bonds and set a fixed rate.

There is a judgement against the City for \$1.3 million. The City was ordered by the court to deposit the money into an account while the case is being appealed.

**Note 13 - Restatement**

The City was required to restate deferred outflows of resources for the insurance portion of the 2015 CERS contributions. The City previously deferred all of the 2015 CERS contributions, when the insurance portion should have been expensed. The City also restated for capital assets that were originally expensed instead of being capitalized. The City restated the Neighborhood Stabilization Program Fund to reflect that the deferred income is not owed to the City, but rather to the Department of Local Government. The City restated for unearned revenue related to the Devou Park Maintenance fund. It was determined that the unearned revenue was really earned during the fiscal year ended June 30, 2015.

City of Covington, Kentucky  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2016

**Note 13 – Restatement - continued**

The implementation of these restatements had the following effect:

	<u>Governmental Activities</u>
Net position, June 30, 2015	\$ (25,268,916)
Net Pension Liabilities	(2,633,679)
Capital Asset Restatement	1,263,044
Neighborhood Stabilization Program	(2,414,113)
Devou Park Restatement	<u>387,988</u>
Restated net position, June 30, 2015	<u><u>\$ (28,665,676)</u></u>

In addition, the City reclassified the Economic Development Authority Fund out of the General Fund and into Nonmajor Special Revenue Funds. The reclassification had the following effect:

Unassigned General Fund Balance, June 30, 2015	\$ 4,271,673
Nonspendable Fund Balance	\$ 123,378
Economic Development Authority Fund Balance reclassified	<u>(234,438)</u>
Restated Unassigned General Fund Balance, June 30, 2015	<u><u>\$ 4,160,613</u></u>

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**Required  
Supplementary  
Information**

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**CITY OF COVINGTON, KENTUCKY**

## Schedule of Revenues, Expenditures, and Changes in

Fund Balance - Budget and Actual -

General Fund

Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>Revenues:</b>				
Taxes:				
Real property	\$ 6,786,772	\$ 7,123,648	\$ 7,162,974	\$ 39,326
Franchise	2,028,888	1,939,729	1,946,897	7,168
Insurance premium	5,759,752	6,679,186	6,932,552	253,366
Licenses and permits:				
Payroll license fees	22,103,006	22,648,190	24,216,488	1,568,298
Net profits license fees	2,709,557	3,071,004	2,924,268	(146,736)
Liquor and beer licenses	120,275	55,101	164,636	109,535
Other licenses and permits	147,310	169,727	160,464	(9,263)
Intergovernmental	756,990	883,756	884,029	273
Fines and forfeitures	315,917	296,234	304,473	8,239
Charges for services:				
Waste fees	2,288,096	2,503,933	2,952,715	448,782
Parking	1,835,058	1,774,749	2,051,073	276,324
Squad runs	1,342,835	1,049,038	1,449,356	400,318
Rental property	306,483	302,330	500,864	198,534
Other	63,309	38,887	271,488	232,601
Interest	5,000	149,182	164,777	15,595
Miscellaneous	405,268	283,581	309,325	25,744
Total revenues	<u>46,974,516</u>	<u>48,968,275</u>	<u>52,396,379</u>	<u>3,428,104</u>
<b>Expenditures:</b>				
Current:				
General government:				
Administration department:				
Payroll	\$ 1,061,599	\$ 1,150,552	1,284,458	(133,906)
Contractual services	3,626,384	3,302,282	3,119,552	182,730
Materials and supplies	21,183	14,556	14,316	240
Miscellaneous	55,556	54,849	54,179	670
Total administrative	<u>\$ 4,764,722</u>	<u>\$ 4,522,239</u>	<u>\$ 4,472,505</u>	<u>\$ 49,734</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b><i>Expenditures - continued</i></b>				
Current - <i>continued</i> :				
General government - <i>continued</i> :				
Legal department:				
Payroll	\$ 693,696	\$ 691,457	\$ 693,872	\$ (2,415)
Contractual services	63,184	68,613	78,441	(9,828)
Materials and supplies	2,000	1,399	1,492	(93)
Miscellaneous	9,860	5,016	6,233	(1,217)
Total legal	<u>768,740</u>	<u>766,485</u>	<u>780,038</u>	<u>(13,553)</u>
Finance department:				
Payroll	763,714	765,729	767,245	(1,516)
Contractual services	511,628	440,490	432,022	8,468
Materials and supplies	35,000	39,009	40,313	(1,304)
Miscellaneous	3,030	4,405	4,345	60
Total finance	<u>1,313,372</u>	<u>1,249,633</u>	<u>1,243,925</u>	<u>5,708</u>
Total general government	<u>6,846,834</u>	<u>6,538,357</u>	<u>6,496,468</u>	<u>41,889</u>
Police:				
Payroll	11,941,896	12,002,350	12,288,197	(285,847)
Contractual services	261,374	263,084	196,883	66,201
Materials and supplies	396,180	332,856	342,516	(9,660)
Miscellaneous	13,000	17,500	14,114	3,386
Total police	<u>12,612,450</u>	<u>12,615,790</u>	<u>12,841,710</u>	<u>(225,920)</u>
Fire:				
Payroll	11,374,419	11,844,185	11,775,769	68,416
Contractual services	341,319	313,890	246,085	67,805
Materials and supplies	326,411	377,028	376,707	321
Miscellaneous	3,455	3,455	2,802	653
Total fire	<u>\$12,045,604</u>	<u>\$12,538,558</u>	<u>\$12,401,363</u>	<u>\$ 137,195</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b><i>Expenditures - continued</i></b>				
Current - <i>continued</i> :				
Public improvement:				
Payroll	\$ 4,477,931	\$ 4,121,233	\$ 4,097,117	\$ 24,116
Contractual services	563,516	773,155	618,489	154,666
Materials and supplies	1,187,634	1,078,835	664,700	414,135
Miscellaneous	2,650	715	2,386	(1,671)
Total public improvement	<u>6,231,731</u>	<u>5,973,938</u>	<u>5,382,692</u>	<u>591,246</u>
Community development:				
Payroll	1,065,789	1,018,688	1,016,010	2,678
Contractual services	341,224	396,012	375,031	20,981
Materials and supplies	54,500	37,606	36,662	944
Miscellaneous	6,800	2,983	3,385	(402)
Total community development	<u>1,468,313</u>	<u>1,455,289</u>	<u>1,431,088</u>	<u>24,201</u>
Total community development	<u>1,468,313</u>	<u>1,455,289</u>	<u>1,431,088</u>	<u>24,201</u>
Parking garages:				
Contractual services	<u>830,582</u>	<u>696,395</u>	<u>774,460</u>	<u>(78,065)</u>
Total parking garages	<u>830,582</u>	<u>696,395</u>	<u>774,460</u>	<u>(78,065)</u>
Capital outlay:				
General government	<u>-</u>	<u>-</u>	<u>738,336</u>	<u>(738,336)</u>
Total capital outlay	<u>-</u>	<u>-</u>	<u>738,336</u>	<u>(738,336)</u>
Debt service:				
Principal	3,739,134	3,573,295	3,103,572	469,723
Interest	1,610,866	2,084,389	2,116,885	(32,496)
Contractual services	8,970	495	-	495
Total debt service	<u>5,358,970</u>	<u>5,658,179</u>	<u>5,220,457</u>	<u>437,722</u>
Total expenditures	<u>\$45,394,484</u>	<u>\$45,476,506</u>	<u>\$45,286,574</u>	<u>\$ 189,932</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b><i>Expenditures - concluded</i></b>				
Excess (deficiency) of revenues over (under) expenditures	\$ 1,580,032	\$ 3,491,769	\$ 7,109,805	\$ 3,618,036
<b><i>Other Financing Sources (Uses)</i></b>				
Transfers in	-	636,094	537,820	(98,274)
Proceeds on sale of assets	35,889	38	775,038	775,000
Issuance of refunding bonds	-	-	4,000,000	4,000,000
Lending	-	-	(4,000,000)	(4,000,000)
Transfers out	<u>(1,581,885)</u>	<u>(3,928,165)</u>	<u>(3,691,367)</u>	<u>236,798</u>
Total other financing sources (uses)	<u>(1,545,996)</u>	<u>(3,292,033)</u>	<u>(2,378,509)</u>	<u>913,524</u>
Net change in fund balance	34,036	199,736	4,731,296	\$ 4,531,560
Fund balance, beginning of year	<u>4,160,613</u>	<u>4,160,613</u>	<u>4,160,613</u>	
Fund balance, end of year	<u>\$ 4,194,649</u>	<u>\$ 4,360,349</u>	<u>\$ 8,891,909</u>	

**CITY OF COVINGTON, KENTUCKY**  
Required Supplementary Information -  
Employees' Retirement Plan  
Fiscal Years 2016, 2015 and 2014 <sup>(1)</sup>

	2016	2015	2014
<b>Schedule of City Contributions</b>			
Actuarially determined contribution	\$ 183,493	\$ 183,493	\$ 138,459
Contributions in relation to the actuarially determined contribution	\$ 127,078	\$ 127,078	\$ 138,459
Contribution deficiency (excess)	\$ 56,415	\$ 56,415	\$ -
Covered-employee payroll	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
Actual contributions as a percentage of covered-employee payroll	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
<b>Schedule of Changes in the Net Position Liability and Related Ratios</b>			
Total pension liability			
Interest	\$ 264,726	\$ 330,480	\$ 342,966
Benefit changes	-	-	64,980
Difference between expected and actual experience	(444,003)	(185,296)	(20,562)
Changes of assumptions	875,460	1,028,917	24,786
Benefit payments	(503,390)	(568,978)	(587,963)
Net change in total pension liability	192,793	605,123	(175,793)
Total pension liability - beginning	5,290,873	4,685,750	4,861,543
Total pension liability - ending	\$ 5,483,666	\$ 5,290,873	\$ 4,685,750
Plan fiduciary net position			
Contributions-employer	\$ 127,078	\$ 127,078	\$ 138,459
Other	-	-	67
Net investment income	(129,228)	(132,623)	474,728
Benefit payments	(503,390)	(568,978)	(623,756)
Administrative expense	(6,800)	-	(12,221)
Net change in plan fiduciary net position	(512,340)	(574,523)	(22,723)
Plan fiduciary net position - beginning	2,492,218	3,066,741	3,089,464
Plan fiduciary net position - ending	\$ 1,979,878	\$ 2,492,218	\$ 3,066,741
Net pension liability	\$ 3,503,788	\$ 2,798,655	\$ 1,619,009
Plan fiduciary net position as percentage of the total pension liability	36.11%	47.10%	65.45%
Covered-employee payroll	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
Net pension liability as a percentage of covered-employee payroll	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
<b>Schedule of Investment Returns</b>			
Annual money-weighted rate of return, net of investment expense	-3.74%	-3.70%	16.20%

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

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

**CITY OF COVINGTON, KENTUCKY**  
Required Supplementary Information -  
Police and Firemen's Retirement Plan  
Fiscal Years 2016, 2015 and 2014 <sup>(1)</sup>

	2016	2015	2014
<b>Schedule of City Contributions</b>			
Actuarially determined contribution	\$ 445,224	\$ 445,224	\$ 283,601
Contributions in relation to the actuarially determined contribution	\$ 269,327	\$ 269,327	\$ 384,806
Contribution deficiency (excess)	\$ 175,897	\$ 175,897	\$ (101,205)
Covered-employee payroll	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
Actual contributions as a percentage of covered-employee payroll	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
<b>Schedule of Changes in the Net Position Liability and Related Ratios</b>			
Total pension liability			
Interest	\$ 628,379	\$ 726,953	\$ 774,059
Benefit changes	-	-	38,609
Difference between expected and actual experience	57,418	124,618	(17,688)
Changes of assumptions	2,400,570	3,678,886	-
Benefit payments	(1,382,618)	(1,406,659)	(1,438,900)
Net change in total pension liability	1,703,749	3,123,798	(643,920)
Total pension liability - beginning	13,507,113	10,383,315	11,027,235
Total pension liability - ending	\$ 15,210,862	\$ 13,507,113	\$ 10,383,315
Plan fiduciary net position			
Contributions-employer	\$ 269,327	\$ 269,327	\$ 359,506
Impounding lot	-	2,578	30,383
Net investment income	(240,496)	(253,088)	1,133,103
Benefit payments	(1,382,618)	(1,403,457)	(1,446,162)
Administrative expense	(7,200)	(7,869)	(28,113)
Net change in plan fiduciary net position	(1,360,987)	(1,392,509)	48,717
Plan fiduciary net position - beginning	6,353,311	7,745,820	7,697,103
Plan fiduciary net position - ending	\$ 4,992,324	\$ 6,353,311	\$ 7,745,820
Net pension liability	\$ 10,218,538	\$ 7,153,802	\$ 2,637,495
Plan fiduciary net position as percentage of the total pension liability	32.82%	47.04%	74.60%
Covered-employee payroll	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
Net pension liability as a percentage of covered-employee payroll	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>
<b>Schedule of Investment Returns</b>			
Annual money-weighted rate of return, net of investment expense	-3.56%	-3.95%	16.48%

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

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

## CITY OF COVINGTON, KENTUCKY

### Notes to Required Supplementary Information

Year Ended June 30, 2016

**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-2015.	RP-2014 Total Mortality Table with Blue Collar adjustment projected generationally with scale MP-2015 for healthy retirees and surviving spouses; and RP-2014 Disabled Mortality Table projected generationally with scale MP- 2015.

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

Non-hazardous and Hazardous

County Employee Retirement System

Last three fiscal years <sup>(1)</sup>

	June 30, 2015	June 30, 2014	June 30, 2013
Non-hazardous:			
City's proportion of the net pension liability	0.24%	0.26%	0.26%
City's proportionate share of the net pension liability	\$ 10,425,611	8,401,100	9,506,000
City's covered-employee payroll	\$ 5,670,221	5,942,202	5,668,276
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	183.87%	141.38%	167.71%
Plan fiduciary net position as a percentage of the total pension liability	60.0%	66.8%	61.2%
Hazardous:			
City's proportion of the net pension liability	2.91%	2.85%	2.85%
City's proportionate share of the net pension liability	\$ 44,623,090	34,207,001	38,200,000
City's covered-employee payroll	\$ 14,814,779	14,427,951	14,110,813
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	301.21%	237.09%	270.71%
Plan fiduciary net position as a percentage of the total pension liability	57.5%	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, 2016, 2015 and 2014 <sup>(1)</sup>

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Non-hazardous:			
Contractually required contribution	\$ 976,359	\$ 1,001,928	\$ 1,122,482
Contributions in relation to the contractually required contribution	<u>976,359</u>	<u>1,001,928</u>	<u>1,122,482</u>
Contribution excess (deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 5,723,087	\$ 5,670,221	\$ 5,942,202
Contributions as a percentage of covered-employee payroll	17.06%	17.67%	18.89%
Hazardous:			
Contractually required contribution	\$ 4,902,272	5,082,951	5,150,779
Contributions in relation to the contractually required contribution	<u>4,902,272</u>	<u>5,082,951</u>	<u>5,150,779</u>
Contribution excess (deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 14,877,913	\$ 14,814,779	\$ 14,427,951
Contributions as a percentage of covered-employee payroll	32.95%	34.31%	35.70%

(1) Information prior to 2014 is not available

The contributions include both the pension and insurance portions

**CITY OF COVINGTON, KENTUCKY**

Notes to Required Supplementary Information  
Year Ended June 30, 2016

**Note 1. Methods and Assumptions Used to Determine Contribution Rates:**

	CERS
Investment rate of return	7.5%, compounded annually net of investment expenses, including inflation
Rate of Inflation	3.25%
Wage Inflation	0.75%
Payroll Growth Assumption	4.00%
Mortality	RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males & 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

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## **Supplement Section**

### **Combining Statements And Individual Fund Schedules**

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

The **Capital Reserve Fund** accounts for revenue and expenditures generated by the fiscal stability ordinance to provide financing for projects instead of using bond proceeds.

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.

# CITY OF COVINGTON, KENTUCKY

## Nonmajor Special Revenue Funds:

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

The **Infrastructure Fund** accounts for revenue and expenditures generated by the fiscal stability ordinance to provide for streets, sewer basins, and other various road projects.

The **Economic Development Authority Fund** accounts for revenue and expenditures generated by tax increment financing district to provide for various small business incentives and various projects to promote business growth in the City.

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

The **Fleet, Equipment, & Technology Fund** accounts for revenue and expenditures generated by the fiscal stability ordinance to provide for new capital assets for the City's various departments.

The **Personnel & Benefits Fund** accounts for revenue and expenditures generated by the fiscal stability ordinance to provide for the City's employees.

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.

# CITY OF COVINGTON, KENTUCKY

## 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, 2016

	Nonmajor Special Revenue Funds																	Total
	Federal & State Grants	Community Development Block Grant	HOME Program	Renaissance Grant	One Stop Shop	Capital Reserve	Police Forfeiture Justice	HOME Consortium	Housing Voucher Program	Infrastructure Fund	CEDA	Neighborhood Stabilization Program	Police & Fire Supplemental Pay	Fleet Equipment & Technology	Personnel & Benefits	Devou Park Maintenance	Devou Park Master Plan	Nonmajor Governmental Funds
<b>Assets</b>																		
Cash and cash equivalents	\$ 12,511	\$ 297,047	\$ 144,113	\$ -	\$ 364,446	\$ -	\$ 181,818	\$ -	\$ 517,506	\$ -	\$ 185,419	\$ -	\$ -	\$ -	\$ -	\$ 359,754	\$ 286,525	\$ 2,349,139
Receivables (net of allowance for doubtful accounts):																		
Intergovernmental	129,088	109,712	24,463	-	-	-	-	13,476	-	-	-	-	34,265	-	-	-	-	311,004
Notes	-	-	-	-	-	-	-	-	-	-	496,608	-	-	-	-	-	-	496,608
Accounts	-	-	-	-	-	-	-	-	34,808	-	-	-	-	-	-	-	-	34,808
Due from other funds	-	-	18,872	-	-	350,000	12,832	-	-	-	191,294	-	-	1,155,300	252,307	14,751	1,176	1,996,532
Total assets	\$ 141,599	\$ 406,759	\$ 187,448	\$ -	\$ 364,446	\$ 350,000	\$ 194,650	\$ 13,476	\$ 552,314	\$ -	\$ 873,321	\$ -	\$ 34,265	\$ 1,155,300	\$ 252,307	\$ 374,505	\$ 287,701	\$ 5,188,091
<b>Liabilities:</b>																		
Accounts payable	\$ 47,310	\$ 23,608	\$ 8,910	\$ -	\$ -	\$ -	\$ -	\$ 5,021	\$ 897	\$ -	\$ 218	\$ -	\$ -	\$ -	\$ -	\$ 3,287	\$ 379	\$ 89,630
Due to other funds	78,151	232,629	443	-	3,797	-	-	116,568	17,322	-	-	-	187,112	-	-	1,176	313,898	951,096
Unearned revenue	-	-	-	-	-	-	-	-	122,483	-	-	-	-	-	-	-	-	122,483
Total liabilities	125,461	256,237	9,353	-	3,797	-	-	121,589	140,702	-	218	-	187,112	-	-	4,463	314,277	1,163,209
<b>Deferred Inflow of Resources:</b>																		
Unavailable revenue	-	-	-	-	-	-	-	-	-	-	502,219	-	-	-	-	-	-	502,219
<b>Fund balances:</b>																		
Restricted	16,138	150,522	178,095	-	-	-	194,650	-	411,612	-	-	-	-	-	-	370,042	-	1,321,059
Committed	-	-	-	-	360,649	350,000	-	-	-	-	370,884	-	-	1,155,300	252,307	-	-	2,489,140
Assigned	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(108,113)	-	-	-	-	(152,847)	-	-	-	(26,576)	(287,536)
Total fund balances	16,138	150,522	178,095	-	360,649	350,000	194,650	(108,113)	411,612	-	370,884	-	(152,847)	1,155,300	252,307	370,042	(26,576)	3,522,663
Total liabilities, deferred inflows of																		
Total liabilities and fund balances	\$ 141,599	\$ 406,759	\$ 187,448	\$ -	\$ 364,446	\$ 350,000	\$ 194,650	\$ 13,476	\$ 552,314	\$ -	\$ 873,321	\$ -	\$ 34,265	\$ 1,155,300	\$ 252,307	\$ 374,505	\$ 287,701	\$ 5,188,091



**CITY OF COVINGTON, KENTUCKY**

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
Fiscal Year Ended June 30, 2016

	Nonmajor Special Revenue Funds																	Total Nonmajor Governmental Funds
	Federal & State Grants	Community Development Block Grant	HOME Program	Renaissance Grant	One Stop Shop	Capital Reserve	Police Forfeiture Justice	HOME Consortium	Housing Voucher Program	Infrastructure Fund	CEDA	Neighborhood Stabilization Program	Police & Fire Supplemental Pay	Fleet Equipment & Technology	Personnel & Benefits	Devou Park Maintenance	Devou Park Master Plan	
<b>Revenues:</b>																		
Intergovernmental	\$ 331,445	\$ 1,299,698	\$ 315,047	\$ -	\$ -	\$ -	\$ 198,624	\$ 67,675	\$ 5,859,746	\$ -	\$ -	\$ -	\$ 906,655	\$ -	\$ -	\$ -	\$ -	\$ 8,978,890
Charges for services	-	-	-	-	556,366	-	-	-	-	-	81,358	-	-	-	-	-	-	637,724
Investment earnings	-	-	-	-	-	-	77	-	58	-	19	-	-	-	-	100	19	273
Miscellaneous	67,810	139,242	164,241	-	-	-	-	37,958	21	-	30,560	-	-	-	-	218,220	464,307	1,122,359
Total revenues	399,255	1,438,940	479,288	-	556,366	-	198,701	105,633	5,859,825	-	111,937	-	906,655	-	-	218,320	464,326	10,739,246
<b>Expenditures:</b>																		
Current:																		
General government	20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,894	22,274	86,168
Police	39,450	-	-	-	-	-	63,497	-	-	-	-	-	448,819	-	-	-	-	551,766
Fire	-	-	-	-	-	-	-	-	-	-	-	-	495,637	-	-	-	-	495,637
Public improvements	8,583	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,583
Community development	(2,347)	1,061,627	515,128	-	119,065	-	-	119,176	5,713,043	-	440,222	-	-	-	-	-	-	7,965,914
Capital outlay	333,569	201,794	-	-	-	-	54,192	-	-	-	-	-	-	-	-	37,012	381,821	1,008,388
Total expenditures	399,255	1,263,421	515,128	-	119,065	-	117,689	119,176	5,713,043	-	440,222	-	944,456	-	-	80,906	404,095	10,116,456
Excess (deficiency) of revenues over (under) expenditures	-	175,519	(35,840)	-	437,301	-	81,012	(13,543)	146,782	-	(328,285)	-	(37,801)	-	-	137,414	60,231	622,790
<b>Other financing sources (uses):</b>																		
Transfers in	-	-	-	-	-	350,000	-	-	-	314,887	464,731	-	-	1,155,300	314,887	-	-	2,599,805
Transfers out	-	(105,059)	-	-	(273,438)	-	-	-	-	(314,887)	-	-	-	-	(62,580)	(55,294)	-	(811,258)
Total other financing sources (uses)	-	(105,059)	-	-	(273,438)	350,000	-	-	-	-	464,731	-	-	1,155,300	252,307	(55,294)	-	1,788,547
Net change in fund balances	-	70,460	(35,840)	-	163,863	350,000	81,012	(13,543)	146,782	-	136,446	-	(37,801)	1,155,300	252,307	82,120	60,231	2,411,337
Fund balance, beginning of year - restated	16,138	80,062	213,935	-	196,786	-	113,638	(94,570)	264,830	-	234,438	-	(115,046)	-	-	287,922	(86,807)	1,111,326
Fund balance, end of year	\$ 16,138	\$ 150,522	\$ 178,095	\$ -	\$ 360,649	\$ 350,000	\$ 194,650	\$ (108,113)	\$ 411,612	\$ -	\$ 370,884	\$ -	\$ (152,847)	\$ 1,155,300	\$ 252,307	\$ 370,042	\$ (26,576)	\$ 3,522,663

**CITY OF COVINGTON, KENTUCKY**

## Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Federal &amp; State Grants Fund

Fiscal Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Intergovernmental	\$ 827,204	\$ 331,445	\$ (495,759)
Miscellaneous	7,616	67,810	60,194
Total revenues	<u>834,820</u>	<u>399,255</u>	<u>(435,565)</u>
<b>Expenditures:</b>			
Current:			
General government	31,468	11,469	19,999
Police	46,773	46,773	-
Public improvements	321,907	321,281	626
Community development	32,798	(268)	33,066
Capital outlay	-	20,000	(20,000)
Total expenditures	<u>432,946</u>	<u>399,255</u>	<u>33,691</u>
Excess (deficiency) of revenues over (under) expenditures	<u>401,874</u>	<u>-</u>	<u>(401,874)</u>
<b>Other financing sources (uses):</b>			
Transfers in	<u>225,372</u>	<u>-</u>	<u>(225,372)</u>
Total other financing sources (uses)	<u>225,372</u>	<u>-</u>	<u>(225,372)</u>
Net change in fund balance	627,246	-	(627,246)
Fund balance, beginning of year	<u>16,138</u>	<u>16,138</u>	
Fund balance, end of year	<u>\$ 643,384</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Intergovernmental	\$ 1,399,297	\$ 1,299,698	\$ (99,599)
Miscellaneous	<u>-</u>	<u>139,242</u>	<u>139,242</u>
Total revenues	<u>1,399,297</u>	<u>1,438,940</u>	<u>39,643</u>
<b>Expenditures:</b>			
Current:			
Community development	1,188,759	1,055,386	133,373
Capital outlay	<u>-</u>	<u>208,035</u>	<u>(208,035)</u>
Total expenditures	<u>1,188,759</u>	<u>1,263,421</u>	<u>(74,662)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>210,538</u>	<u>175,519</u>	<u>(35,019)</u>
<b>Other financing sources (uses):</b>			
Transfers out	<u>(203,333)</u>	<u>(105,059)</u>	<u>98,274</u>
Total other financing sources (uses)	<u>(203,333)</u>	<u>(105,059)</u>	<u>98,274</u>
Net change in fund balances	7,205	70,460	63,255
Fund balance, beginning of year	<u>80,062</u>	<u>80,062</u>	
Fund balance, end of year	<u>\$ 87,267</u>	<u>\$ 150,522</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><i>Revenues:</i></b>			
Intergovernmental	\$ 356,846	\$ 315,047	\$ (41,799)
Miscellaneous	-	164,241	164,241
Total revenues	<u>356,846</u>	<u>479,288</u>	<u>122,442</u>
<b><i>Expenditures:</i></b>			
Current:			
Community development	<u>536,686</u>	<u>515,128</u>	<u>21,558</u>
Total expenditures	<u>536,686</u>	<u>515,128</u>	<u>21,558</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(179,840)</u>	<u>(35,840)</u>	<u>144,000</u>
Net change in fund balance	(179,840)	(35,840)	144,000
Fund balance, beginning of year	<u>213,935</u>	<u>213,935</u>	
Fund balance, end of year	<u>\$ 34,095</u>	<u>\$ 178,095</u>	

**CITY OF COVINGTON, KENTUCKY**

## Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Leased Properties

Fiscal Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Miscellaneous	\$ 702,000	\$ 556,366	\$ (145,634)
Total revenues	<u>702,000</u>	<u>556,366</u>	<u>(145,634)</u>
<b>Expenditures:</b>			
Current:			
Community development	<u>129,941</u>	<u>119,065</u>	<u>10,876</u>
Total expenditures	<u>129,941</u>	<u>119,065</u>	<u>10,876</u>
Excess (deficiency) of revenues over (under) expenditures	<u>572,059</u>	<u>437,301</u>	<u>(134,758)</u>
<b>Other financing sources (uses):</b>			
Transfers out	<u>(350,000)</u>	<u>(273,438)</u>	<u>76,562</u>
Total other financing sources (uses)	<u>(350,000)</u>	<u>(273,438)</u>	<u>76,562</u>
Net change in fund balance	222,059	163,863	(58,196)
Fund balance, beginning of year	<u>196,786</u>	<u>196,786</u>	
Fund balance, end of year	<u>\$ 418,845</u>	<u>\$ 360,649</u>	

**CITY OF COVINGTON, KENTUCKY**

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Capital Reserve Fund

Fiscal Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><i>Other financing sources (uses):</i></b>			
Transfers in	\$ 350,000	\$ 350,000	\$ -
Total other financing sources (uses)	<u>350,000</u>	<u>350,000</u>	<u>-</u>
Net change in fund balance	350,000	350,000	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	
Fund balance, end of year	<u><u>\$ 350,000</u></u>	<u><u>\$ 350,000</u></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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><i>Revenues:</i></b>			
Intergovernmental	\$ 144,945	\$ 198,624	\$ 53,679
Investment earnings	55	77	22
Total revenues	<u>145,000</u>	<u>198,701</u>	<u>53,701</u>
<b><i>Expenditures:</i></b>			
Current:			
Police	<u>112,890</u>	<u>117,689</u>	<u>(4,799)</u>
Total expenditures	<u>112,890</u>	<u>117,689</u>	<u>(4,799)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,110</u>	<u>81,012</u>	<u>48,902</u>
Net change in fund balance	32,110	81,012	\$ 48,902
Fund balance, beginning of year	<u>113,638</u>	<u>113,638</u>	
Fund balance, end of year	<u>\$ 145,748</u>	<u>\$ 194,650</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><i>Revenues:</i></b>			
Intergovernmental	\$ 64,198	\$ 67,675	\$ 3,477
Miscellaneous	37,958	37,958	-
Total revenues	<u>102,156</u>	<u>105,633</u>	<u>3,477</u>
<b><i>Expenditures:</i></b>			
Current:			
Community development	<u>100,576</u>	<u>119,176</u>	<u>(18,600)</u>
Total expenditures	<u>100,576</u>	<u>119,176</u>	<u>(18,600)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,580</u>	<u>(13,543)</u>	<u>(15,123)</u>
Net change in fund balance	1,580	(13,543)	(15,123)
Fund balance, beginning of year	<u>(94,570)</u>	<u>(94,570)</u>	
Fund balance, end of year	<u>\$ (92,990)</u>	<u>\$ (108,113)</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Intergovernmental	\$ 5,895,684	\$ 5,859,746	\$ (35,938)
Investment earnings	59	58	(1)
Miscellaneous	-	21	21
Total revenues	<u>5,895,743</u>	<u>5,859,825</u>	<u>(35,918)</u>
<b>Expenditures:</b>			
Current:			
Community development	<u>5,701,031</u>	<u>5,713,043</u>	<u>(12,012)</u>
Total expenditures	<u>5,701,031</u>	<u>5,713,043</u>	<u>(12,012)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>194,712</u>	<u>146,782</u>	<u>(47,930)</u>
Net change in fund balance	194,712	146,782	(47,930)
Fund balance, beginning of year	<u>264,830</u>	<u>264,830</u>	
Fund balance, end of year	<u>\$ 459,542</u>	<u>\$ 411,612</u>	

**CITY OF COVINGTON, KENTUCKY**

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Infrastructure Fund

Fiscal Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><i>Other financing sources (uses):</i></b>			
Transfers in	314,887	314,887	-
Transfers out	<u>(314,887)</u>	<u>(314,887)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	

**CITY OF COVINGTON, KENTUCKY**

## Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Economic Development Authority Fund

Fiscal Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	420,582	81,358	(339,224)
Fines and forfeitures	-	-	-
Investment earnings	18	19	1
Miscellaneous	-	30,560	30,560
Total revenues	<u>420,600</u>	<u>111,937</u>	<u>(308,663)</u>
<b>Expenditures:</b>			
Current:			
Community development	<u>509,196</u>	<u>440,222</u>	<u>68,974</u>
Total expenditures	<u>509,196</u>	<u>440,222</u>	<u>68,974</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(88,596)</u>	<u>(328,285)</u>	<u>(239,689)</u>
<b>Other financing sources (uses):</b>			
Transfers in	<u>571,853</u>	<u>464,731</u>	<u>107,122</u>
Total other financing sources (uses)	<u>571,853</u>	<u>464,731</u>	<u>107,122</u>
Net change in fund balance	483,257	136,446	(132,566)
Fund balance, beginning of year	<u>234,438</u>	<u>234,438</u>	
Fund balance, end of year	<u>\$ 717,695</u>	<u>\$ 370,884</u>	

**CITY OF COVINGTON, KENTUCKY**

Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

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

Fiscal Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><i>Other financing sources (uses):</i></b>			
Transfers in	\$ 1,113,153	\$ 1,155,300	\$ (42,147)
Total other financing sources (uses)	<u>1,113,153</u>	<u>1,155,300</u>	<u>(42,147)</u>
Net change in fund balance	1,113,153	1,155,300	(42,147)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	
Fund balance, end of year	<u><u>\$ 1,113,153</u></u>	<u><u>\$ 1,155,300</u></u>	

**CITY OF COVINGTON, KENTUCKY**

## Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Personnel &amp; Benefits Fund

Fiscal Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
<b>Other financing sources (uses):</b>			
Transfers in	\$ 314,887	\$ 314,887	\$ -
Transfers out	(62,580)	(62,580)	-
Total other financing sources (uses)	<u>252,307</u>	<u>252,307</u>	<u>-</u>
Net change in fund balance	252,307	252,307	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	
Fund balance, end of year	<u>\$ 252,307</u>	<u>\$ 252,307</u>	

**CITY OF COVINGTON, KENTUCKY**

## Schedule of Revenues, Expenditures and Changes in

Fund Balance - Budget and Actual -

Police &amp; Fire Supplemental Pay Fund

Fiscal Year Ended June 30, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Intergovernmental	\$ 871,678	\$ 906,655	\$ 34,977
Total revenues	<u>871,678</u>	<u>906,655</u>	<u>34,977</u>
<b>Expenditures:</b>			
Current:			
General government	-	-	-
Police	415,303	448,819	(50,664)
Fire	<u>457,379</u>	<u>495,637</u>	<u>(23,147)</u>
Total expenditures	<u>872,682</u>	<u>944,456</u>	<u>(73,811)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,004)</u>	<u>(37,801)</u>	<u>(36,797)</u>
Net change in fund balance	(1,004)	(37,801)	(36,797)
Fund balance, beginning of year	<u>(115,046)</u>	<u>(115,046)</u>	
Fund balance, end of year	<u>\$ (116,050)</u>	<u>\$ (152,847)</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Investment earnings	\$ 104	\$ 100	\$ (4)
Miscellaneous	<u>236,726</u>	<u>218,220</u>	<u>(18,506)</u>
Total revenues	<u>236,830</u>	<u>218,320</u>	<u>(18,510)</u>
<b>Expenditures:</b>			
Current:			
General government	<u>75,526</u>	<u>80,906</u>	<u>(5,380)</u>
Total expenditures	<u>75,526</u>	<u>80,906</u>	<u>(5,380)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>161,304</u>	<u>137,414</u>	<u>(23,890)</u>
<b>Other financing sources (uses):</b>			
Transfers out	<u>(55,294)</u>	<u>(55,294)</u>	<u>-</u>
Total other financing sources (uses)	<u>(55,294)</u>	<u>(55,294)</u>	<u>-</u>
Net change in fund balance	106,010	82,120	(23,890)
Fund balance, beginning of year - <i>restated</i>	<u>287,922</u>	<u>287,922</u>	
Fund balance, end of year	<u>\$ 393,932</u>	<u>\$ 370,042</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Investment earnings	\$ 17	\$ 19	\$ 2
Miscellaneous	<u>549,305</u>	<u>464,307</u>	<u>(84,998)</u>
Total revenues	<u>549,322</u>	<u>464,326</u>	<u>(84,996)</u>
<b>Expenditures:</b>			
Current:			
General government	<u>496,129</u>	<u>404,095</u>	<u>92,034</u>
Total expenditures	<u>496,129</u>	<u>404,095</u>	<u>92,034</u>
Excess (deficiency) of revenues over (under) expenditures	<u>53,193</u>	<u>60,231</u>	<u>7,038</u>
<b>Other financing sources (uses):</b>			
Transfers in	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
Total other financing sources (uses)	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
Net change in fund balance	303,193	60,231	(242,962)
Fund balance, beginning of year	<u>(86,807)</u>	<u>(86,807)</u>	
Fund balance, end of year	<u>\$ 216,386</u>	<u>\$ (26,576)</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><i>Expenditures:</i></b>			
Debt service:			
Principal	\$ -	\$ -	\$ -
Interest	-	-	-
Bond issuance costs	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-
Fund balance, beginning of year	401,000	401,000	
Fund balance, end of year	<u>\$ 401,000</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, 2016

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Miscellaneous	\$ 124,057	125,248	\$ 1,191
Total revenues	<u>124,057</u>	<u>125,248</u>	<u>1,191</u>
<b>Expenditures:</b>			
Current:			
General government	-	37,434	(37,434)
Public improvements	-	152,400	(152,400)
Capital outlay	<u>3,338,305</u>	<u>3,746,290</u>	<u>(407,985)</u>
Total expenditures	<u>3,338,305</u>	<u>3,936,124</u>	<u>(597,819)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,214,248)</u>	<u>(3,810,876)</u>	<u>596,628</u>
<b>Other financing sources (uses):</b>			
Transfers in	<u>214</u>	<u>-</u>	<u>214</u>
Total other financing sources (uses)	<u>214</u>	<u>-</u>	<u>214</u>
Net change in fund balances	(3,214,034)	(3,810,876)	596,842
Fund balance, beginning of year	<u>14,903,725</u>	<u>14,903,725</u>	
Fund balance, end of year	<u>\$ 11,689,691</u>	<u>\$ 11,092,849</u>	

**CITY OF COVINGTON, KENTUCKY**  
Combining Statement of Net Position  
Internal Service Funds  
June 30, 2016

	Liability Self Insurance	Medical Self Insurance	Total Internal Service Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 1,716,630	\$ 175,499	\$ 1,892,129
Due from other funds	<u>459,068</u>	<u>1,443,557</u>	<u>1,902,625</u>
Total assets	<u>2,175,698</u>	<u>1,619,056</u>	<u>3,794,754</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	89,821	9,704	99,525
Claims payable	<u>-</u>	<u>1,627,096</u>	<u>1,627,096</u>
Total liabilities	<u>89,821</u>	<u>1,636,800</u>	<u>1,726,621</u>
<b>Noncurrent Liabilities</b>			
Claims payable	<u>2,568,280</u>	<u>-</u>	<u>2,568,280</u>
Total liabilities	<u>2,658,101</u>	<u>1,636,800</u>	<u>4,294,901</u>
<b>Net Position</b>			
Unrestricted	<u>(482,403)</u>	<u>(17,744)</u>	<u>(500,147)</u>
Total net position	<u>\$ (482,403)</u>	<u>\$ (17,744)</u>	<u>\$ (500,147)</u>

**CITY OF COVINGTON, KENTUCKY**

## Combining Statement of Revenues, Expenses

## and Changes in Net Position

## Internal Service Funds

Fiscal Year Ended June 30, 2016

	Liability Self Insurance	Medical Self Insurance	Total Internal Service Funds
<b><i>Operating revenues:</i></b>			
Insurance premiums	\$ -	\$ 4,785,614	\$ 4,785,614
Other	<u>1,772</u>	<u>17,343</u>	<u>19,115</u>
Total operating revenues	<u>1,772</u>	<u>4,802,957</u>	<u>4,804,729</u>
<b><i>Operating expenses:</i></b>			
Contractual services	1,843,249	655,916	2,499,165
Claims and judgments	<u>51,192</u>	<u>4,164,457</u>	<u>4,215,649</u>
Total operating expenses	<u>1,894,441</u>	<u>4,820,373</u>	<u>6,714,814</u>
Operating loss	(1,892,669)	(17,416)	(1,910,085)
<b><i>Non-operating revenues (expenses):</i></b>			
Investment income	<u>435</u>	<u>197</u>	<u>632</u>
Total non-operating revenues (expenses)	<u>435</u>	<u>197</u>	<u>632</u>
Loss before transfers	(1,892,234)	(17,219)	(1,909,453)
Transfers in	<u>1,365,000</u>	<u>-</u>	<u>1,365,000</u>
Change in net position	(527,234)	(17,219)	(544,453)
Net position, beginning of year	<u>44,831</u>	<u>(525)</u>	<u>44,306</u>
Net position, end of year	<u>\$ (482,403)</u>	<u>\$ (17,744)</u>	<u>\$ (500,147)</u>

**CITY OF COVINGTON, KENTUCKY**  
Combining Statement of Cash Flows  
Internal Service Funds  
Fiscal Year Ended June 30, 2016

	Liability Self Insurance	Medical Self Insurance	Total Internal Service Funds
<b><i>Cash flows from operating activities:</i></b>			
Cash received from other funds	\$ (459,068)	\$ 3,342,057	\$ 2,882,989
Cash received from other income	1,772	17,343	19,115
Cash payments for other activities	-	-	-
Cash payments to other funds	-	-	-
Cash payments for claims	(482,725)	(4,880,127)	(5,362,852)
Net cash flows from operating activities	(940,021)	(1,520,727)	(2,460,748)
<b><i>Cash flows from noncapital financing activities:</i></b>			
Transfers	1,365,000	-	1,365,000
Net cash provided by noncapital financing activities	1,365,000	-	1,365,000
<b><i>Cash flows from investing activities:</i></b>			
Interest income	435	197	632
Net cash provided by investing activities	435	197	632
Net change	425,414	(1,520,530)	(1,095,116)
Cash and cash equivalents, beginning of year	1,291,216	1,696,029	2,987,245
Cash and cash equivalents, end of year	\$ 1,716,630	\$ 175,499	\$ 1,892,129
Reconciliation of operating loss to net cash flows from operating activities			
Operating loss	\$ (1,892,669)	\$ (17,416)	\$ (1,910,085)
Adjustments to reconcile operating loss to net cash flows from operating activities:			
Changes in assets and liabilities:			
Due from/to other funds	\$ (459,068)	\$ (1,443,557)	\$ (1,902,625)
Accounts payable	67,683	(3,033)	64,650
Claims payable	1,344,033	(56,721)	1,287,312
Net cash flows from operating activities	\$ (940,021)	\$ (1,520,727)	\$ (2,460,748)

**CITY OF COVINGTON, KENTUCKY**

## Statement of Changes in Fiduciary Net Position

## Agency Funds

Fiscal Year Ended June 30, 2016

	Beginning Balance 7/1/2015	Additions	Deductions	Ending Balance 6/30/2016
<b>Real Estate Transactions</b>				
<b>Assets:</b>				
Cash	\$ 168,484	\$ 90,113	\$ 235,968	\$ 22,629
<b>Liabilities:</b>				
Due to others	\$ 168,484	\$ 145,855	\$ -	\$ 22,629
<b>TOTAL</b>				
<b>Assets:</b>				
Cash	168,484	90,113	235,968	22,629
	<u>\$ 168,484</u>	<u>\$ 90,113</u>	<u>\$ 235,968</u>	<u>\$ 22,629</u>
<b>Liabilities:</b>				
Due to others	168,484	145,855	-	22,629
	<u>\$ 168,484</u>	<u>\$ 145,855</u>	<u>\$ -</u>	<u>\$ 22,629</u>

See accompanying notes to the basic financial statements.

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## STATISTICAL SECTION

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

	<b>Fiscal Year</b>									
	<b>2016</b>	<i>(as restated)</i> <b>2015</b>	<i>(as restated)</i> <b>2014</b>	<i>(as restated)</i> <b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Governmental Activities / Primary Government										
Net Investment in Capital Assets	\$ 26,724,688	\$ 27,899,604	\$ 29,360,778	\$ 33,666,204	\$ 34,173,497	\$ 36,088,303	\$ 34,539,885	\$ 36,577,167	\$ 41,334,965	\$ 39,709,313
Restricted for Capital Improvements	-	-	2,614,198	580,454	190,681	1,577,223	-	-	-	-
Restricted for Debt Service	401,000	401,000	401,000	401,000	-	-	-	-	-	-
Restricted for HUD Programs	632,116	2,938,475	3,622,306	3,565,125	16,648,464	1,318,568	-	-	-	-
Restricted for other purposes	1,620,898	-	16,139	14,887	-	27,361	91,138	193,693	550,682	888,123
Restricted for Grant Programs	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted (deficit)	(56,738,795)	(59,904,755)	(52,978,362)	(13,385,806)	(4,806,437)	8,933,230	13,587,660	16,638,487	16,603,105	17,286,863
Total Governmental Activities Net Position	<u><u>\$ (27,360,093)</u></u>	<u><u>\$ (28,665,676)</u></u>	<u><u>\$ (16,963,941)</u></u>	<u><u>\$ 24,841,864</u></u>	<u><u>\$ 46,206,205</u></u>	<u><u>\$ 47,944,685</u></u>	<u><u>\$ 48,218,683</u></u>	<u><u>\$ 53,409,347</u></u>	<u><u>\$ 58,488,752</u></u>	<u><u>\$ 57,884,299</u></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									
	2016	(as restated) 2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental Activities</b>										
<b>Expenses</b>										
General Government	\$ 10,612,219	\$ 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
Police	16,091,991	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
Fire	15,301,811	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
Public Improvements	7,806,788	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
Recreation	-	-	-	683,742	711,584	734,672	796,215	2,740,960	2,426,639	2,350,546
Community Development	9,789,169	9,179,648	11,159,338	13,912,337	15,379,018	13,771,124	12,484,045	10,217,357	9,777,154	9,345,867
Parking Garage	774,460	738,147	734,598	783,059	768,661	865,947	732,362	701,986	747,677	734,401
Interest on Long-term Debt	2,171,812	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
<b>Total Governmental Activities Expenses</b>	<b>62,548,250</b>	<b>66,253,683</b>	<b>60,473,108</b>	<b>61,697,776</b>	<b>65,421,592</b>	<b>64,498,205</b>	<b>65,212,891</b>	<b>64,866,259</b>	<b>58,944,334</b>	<b>55,750,706</b>
<b>Program Revenues</b>										
General Government	1,815,216	1,028,301	940,479	1,214,447	936,996	968,682	1,136,249	993,267	1,145,333	1,096,558
Police	-	3,891	58,002	133,915	189,671	307,539	412,722	406,557	382,318	331,579
Fire	1,449,356	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
Public Improvements	2,952,715	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
Community Development	1,065,050	1,389,251	738,833	79,873	169,209	98,196	79,317	37,833	41,860	114,177
Parking Garage	2,032,348	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
Operating Grants and Contributions	9,564,948	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
Capital Grants and Contributions	867,341	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
<b>Total Governmental Activities Revenues</b>	<b>19,746,974</b>	<b>16,801,411</b>	<b>20,187,141</b>	<b>19,761,224</b>	<b>20,835,302</b>	<b>22,184,213</b>	<b>18,360,791</b>	<b>16,832,642</b>	<b>18,113,529</b>	<b>14,948,091</b>
<b>Program Revenues Over (Under) Expenses</b>	<b>(42,801,276)</b>	<b>(49,452,272)</b>	<b>(40,285,967)</b>	<b>(41,936,552)</b>	<b>(44,586,290)</b>	<b>(42,313,992)</b>	<b>(46,852,100)</b>	<b>(48,033,617)</b>	<b>(40,830,805)</b>	<b>(40,802,615)</b>
<b>General Revenues and Changes in Net Assets</b>										
Taxes										
Real Property-Levied for General Purposes	6,701,787	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
Personal Property-Levied for General Purposes	706,359	654,885	764,100	655,275	796,259	516,905	557,999	653,748	601,109	553,057
Public Services	1,946,897	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
Taxes-Levied for Bank Deposits	82,872	72,843	65,134	62,729	87,014	71,391	60,603	53,161	67,789	59,042
Insurance Premium	6,932,552	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
Payroll	24,216,488	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
Net Profit	2,924,268	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
Other	-	-	-	303,944	805,015	840,953	796,091	790,752	647,217	552,641
Investment Earnings	164,973	3,932	4,287	96,889	23,084	47,503	25,094	112,064	317,416	389,885
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-	-	-	-	214,010
Miscellaneous	430,663	497,752	159,730	577,261	2,286,030	1,817,908	1,298,108	1,495,817	2,015,326	2,225,594
Special Item	-	-	(17,000)	(102,445)	-	-	-	-	-	-
<b>Total General Revenues and Transfers</b>	<b>44,106,859</b>	<b>41,147,297</b>	<b>39,917,425</b>	<b>40,620,991</b>	<b>42,847,810</b>	<b>42,039,994</b>	<b>41,661,436</b>	<b>42,954,212</b>	<b>41,435,258</b>	<b>41,422,500</b>
<b>Restatement</b>	<b>-</b>	<b>(982,647)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>\$ 1,305,583</b>	<b>\$ (9,287,622)</b>	<b>\$ (368,542)</b>	<b>\$ (1,315,561)</b>	<b>\$ (1,738,480)</b>	<b>\$ (273,998)</b>	<b>\$ (5,190,664)</b>	<b>\$ (5,079,405)</b>	<b>\$ 604,453</b>	<b>\$ 619,885</b>

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

	Fiscal Year									
	2016	(as restated) 2015	2014	2013	2012	(as restated) 2011	2010	2009	2008	2007
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,414	\$ 4,483	\$ 1,611
Unreserved	-	-	-	-	-	-	342,498	730,555	735,839	675,320
Nonspendable	139,181	123,378	25,515	41,593	98,617	-				
Restricted	-	-	-	-	190,681	1,577,223				
Committed	4,076,011									
Assigned	-	-	-	-	-	1,345,041				
Unassigned	4,676,717	4,037,235	2,178,928	738,275	1,043,176	698,391	-	-	-	-
Total General Fund	8,891,909	4,160,613	2,204,443	779,868	1,332,474	3,620,655	342,498	771,969	740,322	676,931
All Other Governmental Funds										
Reserved	-	-	-	-	-	-	-	-	-	-
Unreserved										
Special Revenue Funds	-	-	-	-	-	-	4,007,906	4,821,080	4,296,812	3,713,572
Capital Projects Funds	-	-	-	-	-	-	(12,984)	158,251	91,947	469,730
Debt Service Funds	-	-	-	-	-	-	91,138	193,693	550,682	888,123
Nonspendable	-	-	-	250,000	-	-				
Restricted	12,814,908	15,785,120	6,356,203	16,339,191	1,574,894	1,345,929	-	-	-	-
Committed	2,489,140	348,076	427,865	299,239	385,496	255,605				
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned (deficit)	(287,536)	282,855	(75,586)	-	-	(27,062)	-	-	-	-
Total All Other Governmental Funds	15,016,512	16,416,051	6,708,482	16,888,430	1,960,390	1,574,472	4,086,060	5,173,024	4,939,441	5,071,425
Total Governmental Funds	\$ 23,908,421	\$ 20,576,664	\$ 8,912,925	\$ 17,668,298	\$ 3,292,864	\$ 5,195,127	\$ 4,428,558	\$ 5,944,993	\$ 5,679,763	\$ 5,748,356

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									
	(as restated)									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Taxes	16,042,423	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
Licenses and Permits	27,465,856	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
Intergovernmental	9,862,919	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
Charges for Services	7,863,434	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
Fines and Forfeitures	304,473	271,735	414,625	367,591	439,189	558,465	746,322	712,072	669,260	711,786
Investment Earnings	165,050	3,932	4,287	96,889	23,084	47,244	24,439	99,619	270,519	330,536
Miscellaneous	1,556,718	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
Total Revenues	63,260,873	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
Expenditures										
General Government	6,583,585	4,405,392	8,990,541	3,982,552	3,618,888	4,315,649	3,785,714	3,783,523	3,554,133	3,092,518
Police	13,393,476	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
Fire	12,897,000	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
General Service	5,863,844	12,877,279	8,816,579	5,994,547	5,891,702	6,268,883	6,514,905	6,690,503	5,644,983	5,292,360
Recreation	-	-	-	437,483	475,601	455,212	504,309	2,533,103	2,347,048	2,309,959
Community Development (includes recreation in 2014)	9,397,002	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
Parking Garage	774,460	738,147	731,835	780,016	743,506	865,947	732,362	701,986	747,677	734,401
Debt Service										
Principal	3,103,572	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
Interest and Other Charges	2,116,885	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
Bond Issuance Costs	-	852,255	-	-	-	59,623	-	-	-	-
Capital Outlay	5,209,330	1,760,569	8,135,571	5,485,409	5,847,540	4,300,102	4,982,528	6,715,050	4,159,916	3,257,621
Total Expenditures	59,339,154	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
Excess (Deficit) of Revenues Over Expenditures	3,921,719	(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
Other Financing Sources (Uses)										
Proceeds From Issuance of Debt	4,000,000	15,070,295	-	-	-	2,806,827	-	4,509,181	-	1,630,000
Proceeds From Bond Refinancing	-	14,524,705	-	-	-	315,000	-	-	-	-
Premiums on the Issuance of Debt	-	230,696	-	-	-	-	-	-	-	-
Payment to Refunded Lease Escrow Agent	-	-	-	-	-	(303,694)	-	-	-	-
Inception of Capital Leases	-	-	-	16,040,000	-	-	-	-	-	-
Transfers In	3,168,184	799,305	1,387,729	6,009,757	4,090,194	3,565,394	6,028,123	6,063,518	5,377,180	6,169,710
Transfer Out	(4,533,184)	(1,909,786)	(2,361,142)	(6,066,893)	(5,101,478)	(3,865,395)	(6,228,123)	(6,747,200)	(5,881,142)	(6,663,029)
Lending	(4,000,000)	-	-	-	-	-	-	-	-	-
Proceeds From Short-term Debt	-	-	-	-	-	-	1,040,563	75,419	427,747	-
Proceeds from Sale of Assets	775,038	299,127	33,684	141,092	5,517	13,647	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(589,962)	29,014,342	(939,729)	16,123,956	(1,005,767)	2,531,779	840,563	3,900,918	(76,215)	1,136,681
Special Item	-	-	(17,000)	(102,445)	-	-	-	-	-	-
Restatement	-	387,988	-	-	-	-	-	-	-	-
Increase (Decrease) in Fund Balance	\$ 3,331,757	\$ 11,663,739	\$ (9,524,940)	\$ 14,375,434	\$ (1,902,263)	\$ 706,905	\$ (1,989,511)	\$ (363,324)	\$ (68,593)	\$ 2,717,219
Debt Service as a Percentage of Non-Capital Expenditures	9.74%	27.06%	8.03%	10.02%	8.11%	7.81%	8.07%	9.67%	8.51%	8.47%

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

<b>Fiscal Year</b>	<b>Total Gross Taxable Wages</b>	<b>Total Withholding Fees</b>	<b>Total Direct Rate</b>
2016	\$ 1,010,486,122	\$ 24,756,910	0.0245%
2015	\$ 952,288,327	\$ 23,331,064	0.0245%
2014	\$ 940,233,510	\$ 23,035,721	0.0245%
2013	\$ 949,297,388	\$ 23,257,786	0.0245%
2012	\$ 910,575,680	\$ 22,764,392	0.0250%
2011	\$ 903,823,920	\$ 22,595,598	0.0250%
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%

**Source:** City of Covington Finance Department

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

<b>Taxpayer</b>	
<b>2016</b>	<b>2007</b>
Ashland Inc.	A.C. Nielsen
Atkins & Pearce Manufacturing	Atkins & Pearce Manufacturing
Club Chef	Club Chef
Commonwealth of Kentucky	Commonwealth of Kentucky
Covington Board of Education	Covington Board of Education
Diocese of Covington Board of Education	Fidelity Investments
Fidelity Investments	Internal Revenue Service
Internal Revenue Service	No. Ky. Mental Health and Retardation Board
Rosedale Manor	Omnicare
St. Elizabeth Hospital	St. Elizabeth Hospital

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

**Source:** City of Covington Finance Department

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

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Tax-Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2016	\$ 2,106,871	\$ 138,635	\$ 78,889	\$ 2,166,617	0.3130
2015	\$ 2,077,290	\$ 130,602	\$ 77,448	\$ 2,130,444	0.3130
2014	\$ 1,962,172	\$ 139,733	\$ 74,707	\$ 2,098,172	0.3045
2013	\$ 1,906,233	\$ 150,542	\$ 72,839	\$ 1,983,936	0.3045
2012	\$ 2,019,671	\$ 156,875	\$ 65,087	\$ 2,111,459	0.2995
2011	\$ 2,027,907	\$ 168,468	\$ 61,769	\$ 2,134,606	0.2995
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

**Notes:** Property in Covington is reassessed once every four years. City property was reassessed in 2015. The next reassessment will occur in 2019. 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
2016	0.3130	1.099	0.621	0.1480	0.122	0.1715	1.8535	1.3755
2015	0.3130	1.111	0.609	0.1480	0.122	0.1713	1.8653	1.3633
2014	0.3045	1.132	0.591	0.1480	0.122	0.1713	1.8778	1.3368
2013	0.3045	1.153	0.557	0.1480	0.122	0.1713	1.8988	1.3028
2012	0.2995	1.117	0.557	0.1480	0.122	0.1720	1.8585	1.2985
2011	0.2995	1.056	0.557	0.1480	0.122	0.1740	1.7995	1.3005
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

**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	2016			2015			2014			2013			2012		
	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	\$ 184,246,829	1	6.59%	\$ 184,387,500	1	6.85%	\$ 184,387,500	1	6.85%	\$ 184,387,500	1	6.85%	\$ 195,571,500	1	9.16%
ARCP OFC Covington LLC	82,625,000	2	2.95%	-		0.00%	-		0.00%	-		0.00%	-		0.00%
CPX-Rivercenter Development Corp	76,340,000	3	2.73%	82,842,400	2	3.08%	82,844,400	2	3.08%	82,844,400	2	3.08%	95,878,100	2	4.49%
EHP Rivercenter Landmark	33,578,000	4	1.20%	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	-		0.00%	32,965,500	4	1.23%	-		0.00%	-		0.00%	-		0.00%
OH-16 FO Cincinnati	21,783,300	5	0.78%	-		0.00%	-		0.00%	-		0.00%	-		0.00%
CIP II Buckeye Hotel	-		0.00%	15,174,000	5	0.56%	15,174,000	4	0.56%	13,947,100	5	0.52%	13,947,100	5	0.65%
Scott Street Land Co. Inc	-		0.00%	14,960,900	6	0.56%	14,960,900	5	0.56%	14,960,900	4	0.56%	14,960,900	4	0.70%
Northern Kentucky Assisted Living LLC	18,000,000	6	0.64%	-		0.00%	-		0.00%	-		0.00%	-		0.00%
J & S Latonia Centre Ky LLC	10,482,000	8	0.37%	12,314,000	7	0.46%	12,314,000	6	0.46%	12,314,000	6	0.46%	10,482,000	7	0.49%
Atkins & Pearce Manufacturing	11,460,000	7	0.41%	11,460,000	8	0.43%	11,460,000	7	0.43%	11,460,000	7	0.43%	11,460,000	6	0.54%
FMR Kentucky I LLC	9,550,000	9	0.34%	9,550,000	9	0.35%	11,184,000	8	0.42%	11,184,000	8	0.42%			
Trustees Latonia Plaza KY LLC	-		0.00%	7,916,000	10	0.29%	7,916,000	9	0.29%	7,916,000	9	0.29%			
Truss Latonia Plaza KY LLC	6,824,500	10	0.24%				6,824,500	10	0.25%	6,824,500	10	0.25%	6,824,500	9	0.31%
Anchor Cogdell Covington LLC													7,026,000	8	0.49%
OZRE Lodging I LLC															
Packaging Unlimited															
CCO LLC													3,812,500	10	0.32%
Total	\$ 454,889,629		16.26%	\$ 405,148,300		15.06%	\$ 380,643,300		14.15%	\$ 379,416,400		14.11%	\$ 393,540,600		18.72%

Taxpayer	2011			2010			2009			2008			2007		
	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	\$ 193,937,500	1	9.09%	\$ 195,571,500	1	9.41%	\$ 86,021,500	2	4.53%	86,021,500	2	4.33%	91,854,600	2	4.67%
CPX-Rivercenter Development Corp	127,955,600	2	5.99%	140,213,500	2	6.75%	140,183,400	1	7.38%	106,605,400	1	5.36%	140,563,400	1	7.15%
EHP Rivercenter Landmark															
CIP II Buckeye Hotel	-			-											
Scott Street Land Co. Inc							14,960,900	3	0.79%	14,960,900	4	0.75%	14,960,000	3	0.76%
J & S Latonia Centre Ky LLC	14,960,900	3	0.70%	14,960,900	3	0.72%	10,482,000	6	0.55%	10,482,000	6	0.53%	10,482,000	4	0.53%
Atkins & Pearce Manufacturing	10,482,000	6	0.49%	10,482,000	6	0.50%	10,900,000	5	5.70%	10,000,000	7	0.50%	10,000,000	6	0.51%
FMR Kentucky I LLC	11,460,000	5	0.54%	10,900,000	5	0.52%									
Trustees Latonia Plaza KY LLC															
Truss Latonia Plaza KY LLC															
Anchor Cogdell Covington LLC	6,824,500	8	0.32%	6,565,000	9	0.32%									
OZRE Lodging I LLC							13,947,100	4	0.73%	13,947,100	5	0.70%	13,947,100	5	0.71%
Packaging Unlimited	13,947,100	4	0.65%	13,947,100	4	0.67%									
CCO LLC	8,691,500	7	0.41%	8,691,500	7	0.42%									
Truss Realty	6,812,500	9	0.32%	6,812,500	8	0.33%	6,550,000	9	0.35%	6,550,000	10	0.33%			
Castilinni Company	6,565,000	10	0.31%	6,550,000	10	0.32%	6,812,500	7	0.36%	6,812,500	8	0.34%			
Scottenstein Trust							6,565,000	8	0.35%	6,565,000	9	0.33%	6,565,000	9	0.33%
Atria Highland Crossing							6,480,000	10	0.34%				6,165,000	10	0.31%
Eagle Hospitality										33,578,000	3	1.69%			
Pioneer Park Association #2 LLC													6,812,500	7	0.35%
Latonia Realty Inc.													6,590,000	8	0.34%
Total	\$ 401,636,600		18.82%	\$ 414,694,000		19.96%	\$ 302,902,400		21.08%	\$ 295,522,400		14.86%	\$ 307,939,600		15.66%

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
2016	\$ 7,064,377	\$ 6,922,314	97.99%	N/A	\$ 6,922,314	97.99%
2015	\$ 6,924,630	\$ 6,423,314	92.76%	\$ 422,246	\$ 6,845,560	98.86%
2014	\$ 6,490,788	\$ 5,843,739	90.03%	\$ 289,820	\$ 6,133,559	94.50%
2013	\$ 6,376,341	\$ 6,076,779	95.30%	\$ 253,453	\$ 6,330,232	99.28%
2012	\$ 6,287,872	\$ 6,042,731	96.10%	\$ 169,317	\$ 6,212,048	98.79%
2011	\$ 6,328,051	\$ 6,145,818	97.12%	\$ 140,152	\$ 6,285,970	99.34%
2010	\$ 6,411,125	\$ 6,146,928	95.88%	\$ 117,644	\$ 6,264,572	97.71%
2009	\$ 6,330,592	\$ 6,099,103	96.34%	\$ 88,794	\$ 6,187,897	97.75%
2008	\$ 6,159,153	\$ 5,989,960	97.25%	\$ 63,990	\$ 6,053,950	98.29%
2007	\$ 5,849,979	\$ 5,695,725	97.36%	\$ 41,743	\$ 5,737,468	98.08%

**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)*

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Capital Leases</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income (a)</b>	<b>Per Capita (a)</b>
2016	\$ 35,952	\$ 21,648	\$ 57,600	6.84%	\$ 1,405
2015	33,584	23,131	56,715	6.79%	\$ 1,385
2014	15,826	27,974	43,800	5.25%	\$ 1,076
2013	16,864	29,708	46,572	5.55%	\$ 1,137
2012	18,961	15,081	34,042	4.08%	\$ 834
2011	21,289	16,248	37,537	4.62%	\$ 924
2010	20,811	17,663	38,474	4.16%	\$ 893
2009	21,622	18,782	40,404	4.35%	\$ 935
2008	23,790	15,271	39,061	3.62%	\$ 901
2007	25,888	16,153	42,041	3.90%	\$ 969

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

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

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

<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Percentage of Actual Taxable Value of Property</b>	<b>Per Capita</b>	<b>Debt Service Payments Per Capita</b>
2016	\$ 35,952	0.16%	\$ 813.56	\$ 126.72
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

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

<b>Legal Debt Margin Calculation for Fiscal Year 2016</b>	
Assessed value	<u>\$ 2,166,617</u>
Debt limit (10% of assessed value)	\$ 216,662
Debt applicable to limit: General Obligation	<u>\$ 35,952</u>
Total debt applicable to limit	<u>\$ 35,952</u>
Legal debt margin	<u>\$ 180,710</u>

	<b>Fiscal Year</b>									
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Debt limit	\$ 216,662	\$ 213,044	\$ 209,817	\$ 198,394	\$ 211,146	\$ 213,461	\$ 207,746	\$ 205,471	\$ 198,778	\$ 196,624
Total net debt applicable to limit	<u>35,952</u>	<u>33,584</u>	<u>15,826</u>	<u>16,865</u>	<u>18,961</u>	<u>21,289</u>	<u>20,811</u>	<u>21,622</u>	<u>23,790</u>	<u>25,888</u>
Legal debt margin	<u>\$ 180,710</u>	<u>\$ 179,460</u>	<u>\$ 193,991</u>	<u>\$ 181,529</u>	<u>\$ 192,185</u>	<u>\$ 192,172</u>	<u>\$ 186,935</u>	<u>\$ 183,849</u>	<u>\$ 174,988</u>	<u>\$ 170,736</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>16.59%</u>	<u>15.76%</u>	<u>7.54%</u>	<u>8.50%</u>	<u>8.98%</u>	<u>9.97%</u>	<u>10.02%</u>	<u>10.52%</u>	<u>11.97%</u>	<u>13.17%</u>

**Source:** City of Covington Finance Department

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

<b>Fiscal Year</b>	<b>Population (a)</b>	<b>Personal Income (a)</b> <i>(thousands of dollars)</i>	<b>Per Capita Personal Income (a)</b>	<b>Median Age (d)</b>	<b>School Enrollment (b)</b>	<b>Unemployment Rate (c)</b>
2016	40,997	842,406	20,548	35.5	3,771	4.4%
2015	40,944	834,667	20,563	33.1	4,165	5.1%
2014	40,713	834,667	20,563	33.1	4,165	6.5%
2013	40,956	839,270	20,492	35.7	4,053	8.2%
2012	40,811	834,667	20,492	35.7	3,572	8.9%
2011	40,640	813,003	20,005	34.6	3,914	9.7%
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%

**Sources:**

- (a) City Data Moving Information & Guides - [movingideas.org](http://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  
2013 U.S. Census
- (b) Kentucky Department of Education
- (c) Kentucky Cabinet for Workforce Development
- (d) City of Covington Economic Dashboard

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

Employer	2016			2015			2014			2013			2012		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Internal Revenue Service	4,046	1	15.10%	4,500	1	16.79%	4,500	1	16.79%	4,500	1	16.79%	4,500	1	16.79%
Fidelity Investments	3,923	2	14.64%	3,923	2	14.64%	4,100	2	15.30%	4,100	2	15.30%	4,100	2	15.30%
Covington Board of Education	914	4	3.41%	760	3	2.84%	925	3	3.45%	925	3	3.45%	925	3	3.45%
St. Elizabeth Hospital	445	6	1.66%	431	6	1.61%	800	4	2.99%	800	4	2.99%	800	4	2.99%
State of Kentucky	561	5	2.09%	501	5	1.87%	360	5	1.34%	360	5	1.34%	360	5	1.34%
Ommicare			0.00%	-		0.00%			0.00%			0.00%	325	6	1.21%
Club Chef	1,281	3	4.78%	659	4	2.46%	590	6	2.20%	320	6	1.19%	320	7	1.19%
Rosedale Manor	414	7	1.54%	408	7	1.52%	463	7	1.73%	310	7	1.16%	310	8	1.16%
No. KY MH-MR Board	89	9	0.33%	173	9	0.65%	162	8	0.60%	280	8	1.04%	280	9	1.04%
Atkins & Pearce Mftg	329	8	1.23%	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%			0.00%			
Diocese of Covington Bd of Ed															
Ashland Inc	81	10	0.30%	94	10	0.35%	100	10	0.37%	85	10				
Total	12,083		45.09%	11,669		43.54%	12,225		45.62%	11,945		44.57%	12,185		45.47%

Employer	2011			2010			2009			2008			2007		
	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%	4,500	1	20.74%	3,500	2	17.97%	4,500	2	22.58%	4,800	1	24.24%
Fidelity Investments	4,100	2	18.89%	3,900	2	17.97%	4,900	1	20.74%	4,900	1	20.74%	4,100	2	20.71%
Covington Board of Education	925	3	4.26%	925	3	4.26%	925	3	4.26%	925	3	4.26%	925	3	4.69%
St. Elizabeth Hospital	800	4	3.69%	800	4	3.69%	800	4	3.69%	800	4	3.69%	775	4	3.91%
State of Kentucky	360	6	1.66%	360	6	1.66%	360	6	1.66%	360	6	1.66%	360	6	1.82%
Ommicare	325	7	1.50%	325	7	1.50%	325	7	1.50%	325	7	1.50%	325	7	1.64%
Club Chef	300	8	1.38%	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%									
No. KY MH-MR Board	225	10	1.04%	225	10	1.04%	280	9	1.29%	280	9	1.29%	290	9	1.46%
Atkins & Pearce Mftg							225	10	1.04%	225	10	1.04%	250	10	1.26%
A.C. Nielsen	400	5	1.84%	400	5	1.84%	400	5	1.84%	400	5	1.84%	425	5	2.15%
BBI Marketing													400	5	2.28%
Ashland Inc															
Total	12,215		56.29%	12,015		55.37%	12,015		55.37%	13,015		59.98%	12,950		65.68%

**Source:** City of Covington Finance Department

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

	Full-time-Equivalent Employees as of June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Function/Program										
General Government										
Management Services	16	16	14	10	16	17	16	16	16	16
Finance	9	9	10	10	11	13	13	14	14	14
Community Development	7	8	10	12	7	7	7	7	7	6
Code Enforcement	5	7	8	9	11	12	12	11	11	9
Housing	7	7	7	8	12	15	16	16	16	16
Police										
Officers	102	104	106	104	110	112	116	116	116	116
Civilians	7	7	9	9	24	28	31	31	31	33
Fire										
Firefighters and Officers	114	108	113	121	118	118	118	118	118	118
Civilians	0	0	1	1	1	1	1	1	1	1
Other										
Public Improvements	30	47	47	47	47	47	51	35	35	35
Engineering	0	0	0	1	4	4	4	4	4	3
Parks and Recreation	19	0	1	1	2	2	2	20	20	18
Total	316	313	326	333	363	376	387	389	389	385

**Source:** City of Covington Finance Department



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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Police										
Physical arrests	5,182	4,663	4,678	4,909	5,420	5,763	5,899	5,248	5,321	5,762
Parking violations	13,333	13,847	10,952	11,133	15,891	14,520	13,926	15,873	14,230	14,863
Traffic violation	5,097	5,979	5,117	4,990	4,991	5,149	5,796	5,116	5,856	5,778
Fire										
Fire responses	2,620	3,930	3,126	2,798	2,716	2,731	2,657	2,818	3,658	3,752
Ambulance runs	9,604	9,603	9,304	9,106	9,523	9,112	8,595	10,542	11,549	10,246
Inspections	2,310	1,481	1,963	1,839	1,853	2,058	1,966	2,212	2,440	2,540

**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**

	Fiscal Year									
<u>Function/Program</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	126	126	128	83	83	83	83	83	83	83
<b>Fire stations</b>	5	5	5	5	5	5	5	5	5	5
<b>Other Public Works</b>										
Streets (miles)	235	235	191	191	120	120	120	120	120	120
Streetlights	3,785	3,785	3,785	3,785	3,246	3,246	3,246	3,246	3,246	3,246
Miles of Sidewalks	1,545	1,545	1,545							
<b>Parks and recreation</b>										
Parks	24	24	22							
Acreage	859	859	850	850	850	850	850	850	850	850
Playgrounds	13	13	28	28	28	28	28	28	28	28
Baseball/softball diamonds	7	7	9	9	10	10	10	10	10	10
Soccer/football fields	2	2	2	4	5	5	5	5	5	5
Swimming pools	2	2	2	3	4	4	4	4	4	4
Water Park	1	1	1							
Golf Courses	1	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, 2016**  
**(amounts in thousands)**

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable (3)</b>	<b>Estimated Share of Overlapping Debt</b>
Kenton County	\$ 61,401 (1)	25.45%	\$ 15,627
Covington Independent School District	19,768 (2)	100.00%	19,768
Subtotal, overlapping debt	<u>\$ 81,169</u>		<u>35,395</u>
City of Covington direct debt			35,592
Total direct and overlapping			<u>\$ 70,987</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