

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

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 30, 2024

**Book-Entry Only
New Issue – Not Bank Qualified**

**Rating: Moody’s “A1”
See “RATING” herein**

In the opinion of Bond Counsel, based upon an analysis of laws, regulations, rulings, and court decisions, and assuming continuing compliance with certain covenants made by the City, and subject to the conditions and limitations set forth herein under the caption “TAX TREATMENT,” (i) interest on the Series 2024A Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, (ii) interest on the Series 2024B Bonds is not excludable from gross income for federal income tax purposes, (iii) interest on the Series 2024A Bonds is exempt from Kentucky income tax, (iv) interest on the Series 2024B bonds is not exempt from Kentucky income tax, and (v) the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.



\$12,055,000*
CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2024A

and

\$5,210,000*
CITY OF COVINGTON, KENTUCKY
TAXABLE GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2024B

Dated: Date of Initial Delivery

Due: See Inside Cover

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

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

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

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

The Bonds are offered when, as, and if issued, subject to the approval of legality and tax treatment by Dinsmore & Shohl LLP, Covington, Kentucky, as Bond Counsel. Certain legal matters have been passed upon for the City by Frank Schultz, Esq., Interim City Solicitor. The Bonds are expected to be available for delivery on or about October 22, 2024.

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

R | S | A

Dated October __, 2024

* Preliminary, subject to change.

\$12,055,000*
CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2024A

Dated: Date of Delivery

Due: October 1, as shown below

| <u>Year</u> | <u>Amount*</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP</u> <u>223255</u> | <u>Year</u> | <u>Amount*</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP</u> <u>223255</u> |
|-------------|----------------|----------------------|--------------|--------------|-------------------------------|-------------|----------------|----------------------|--------------|--------------|-------------------------------|
| 2025 | \$25,000 | | | | | 2035 | \$735,000 | | | | |
| 2026 | 25,000 | | | | | 2036 | 765,000 | | | | |
| 2027 | 50,000 | | | | | 2037 | 790,000 | | | | |
| 2028 | 50,000 | | | | | 2038 | 820,000 | | | | |
| 2029 | 50,000 | | | | | 2039 | 850,000 | | | | |
| 2030 | 400,000 | | | | | 2040 | 885,000 | | | | |
| 2031 | 645,000 | | | | | 2041 | 915,000 | | | | |
| 2032 | 670,000 | | | | | 2042 | 950,000 | | | | |
| 2033 | 690,000 | | | | | 2043 | 1,000,000 | | | | |
| 2034 | 705,000 | | | | | 2044 | 1,035,000 | | | | |

\$5,210,000*
CITY OF COVINGTON, KENTUCKY
TAXABLE GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2024B

Dated: Date of Delivery

Due: December 1, as shown below

| <u>Year</u> | <u>Amount*</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP</u> <u>223255</u> | <u>Year</u> | <u>Amount*</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>Price</u> | <u>CUSIP</u> <u>223255</u> |
|-------------|----------------|----------------------|--------------|--------------|-------------------------------|-------------|----------------|----------------------|--------------|--------------|-------------------------------|
| 2024 | \$25,000 | | | | | 2032 | \$405,000 | | | | |
| 2025 | 30,000 | | | | | 2033 | 420,000 | | | | |
| 2026 | 50,000 | | | | | 2034 | 445,000 | | | | |
| 2027 | 60,000 | | | | | 2035 | 470,000 | | | | |
| 2028 | 75,000 | | | | | 2036 | 490,000 | | | | |
| 2029 | 350,000 | | | | | 2037 | 520,000 | | | | |
| 2030 | 365,000 | | | | | 2038 | 545,000 | | | | |
| 2031 | 385,000 | | | | | 2039 | 575,000 | | | | |

* Preliminary, subject to change.

CITY OF COVINGTON, KENTUCKY

Mayor

Joseph U. Meyer

Board of Commissioners

Ron Washington, Mayor Pro Tem

Tim Downing

Steve Hayden

Shannon Smith

City Manager

Ken Smith

Finance Director

Steve Webb

Interim City Solicitor

Frank Schultz, Esq.

City Clerk

Susan Ellis

BOND COUNSEL

Dinsmore & Shohl LLP

Covington, Kentucky

MUNICIPAL ADVISOR

RSA Advisors, LLC

Lexington, Kentucky

PAYING AGENT AND BOND REGISTRAR

U.S. Bank Trust Company, National Association

Louisville, Kentucky

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REGARDING THIS OFFICIAL STATEMENT

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

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

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

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

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

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

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and inside cover hereof and the appendices hereto, is to provide certain information with respect to the issuance of \$12,055,000* aggregate principal amount of City of Covington, Kentucky General Obligation Refunding Bonds, Series 2024A (the “Series 2024A Bonds”) and \$5,210,000* aggregate principal amount of City of Covington, Kentucky Taxable General Obligation Refunding Bonds, Series 2024B (the “Series 2024B Bonds”) and, together with the Series 2024A Bonds, the “Bonds”), as specified on the cover page and inside cover hereof.

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

The Issuer

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

Authority for Issuance

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

Security and Source of Payment for the Bonds

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

Purpose of the Bonds

The Series 2024A Bonds are being issued for the purposes of (i) currently refunding all or a portion of the City’s outstanding General Obligation Bonds, Series 2014 dated August 15, 2014, and (ii) paying the costs of issuance of the Series 2024A Bonds.

The Series 2024B Bonds are being issued for the purposes of (i) currently refunding all or a portion of the City’s outstanding Taxable General Obligation Refunding Bonds, Series 2014B dated October 31, 2014, and (ii) paying the costs of issuance of the Series 2024B Bonds. (See “PLAN OF REFUNDING” herein.)

Description of the Bonds

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

Redemption

The Series 2024A Bonds maturing on and after October 1, 2033 are subject to optional redemption before maturity on and after October 1, 2032. The Series 2024B Bonds maturing on and after December 1, 2033 are subject to optional redemption before maturity on and after December 1, 2032. (See “DESCRIPTION OF THE BONDS – Redemption Provisions – Optional Redemption” herein).

* Preliminary, subject to change.

[The Series 2024A Bonds maturing on October 1, 20__ are subject to mandatory sinking fund redemption before maturity commencing October 1, 20__. The Series 2024B Bonds maturing on December 1, 20__ are subject to mandatory sinking fund redemption before maturity commencing December 1, 20__. (See “DESCRIPTION OF THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption” herein).]

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

Book-Entry

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

Payment of the Bonds

The principal of and interest on the Bonds are payable in lawful money of the United States of America. The principal of the Bonds shall be paid upon their surrender by the registered owners thereof at the designated corporate trust office of the Paying Agent and Bond Registrar in Louisville, Kentucky, and interest on the Bonds shall be mailed by the Paying Agent and Bond Registrar to the registered owners of the Bonds, as of the applicable record date set forth below, at their addresses appearing on the registration books maintained by the Paying Agent and Bond Registrar. Alternatively, the principal of and interest on the Bonds may be paid by any other transfer of funds acceptable to the Paying Agent and Bond Registrar and the registered owners of the Bonds. The record date for each April 1 and October 1 interest payment date for the Series 2024A Bonds shall be the preceding March 15 and September 15, respectively. The record date for each June 1 and December 1 interest payment date for the Series 2024B Bonds shall be the preceding May 15 and November 15, respectively.

Interest

The Bonds shall be dated their date of initial issuance and delivery and shall bear interest at the rates set forth on the inside cover page hereof. Interest on the Series 2024A Bonds shall be payable semiannually on April 1 and October 1 of each year, commencing April 1, 2025. Interest on the Series 2024B Bonds shall be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2024.

Tax Treatment

In accordance with the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest, including original issue discount, if any, on the Series 2024A Bonds (i) is excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”), (ii) will not be treated as a specific item of tax preference in computing the federal alternative minimum tax imposed on individuals, and (iii) is exempt from Kentucky income taxation. However, interest on the Series 2024B Bonds is not exempt from federal income taxation or Kentucky income taxation. In addition, the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. In rendering the opinions set forth in this paragraph, Dinsmore & Shohl LLP, Bond Counsel for the Bonds, has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal or state tax consequences of purchasing, holding, or disposing of the Bonds.

The City has not designated the Series 2024A Bonds as “qualified tax-exempt obligations” with respect to certain financial institutions under Section 265 of the Code. (See “TAX TREATMENT” herein).

See “APPENDIX E – Form of Approving Legal Opinion of Bond Counsel for the Series 2024A Bonds” and “APPENDIX F – Form of Approving Legal Opinion of Bond Counsel for the Series 2024B Bonds” hereto for the forms of the opinions Bond Counsel proposes to deliver in connection with the Bonds.

Parties to the Issuance of the Bonds

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

Offering and Delivery of the Bonds

The Bonds are offered when, as, and if issued by the City, and will be delivered on or about October 22, 2024, in New York, New York through the Depository Trust Company (DTC).

Disclosure Information

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

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

Additional Information

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

DESCRIPTION OF THE BONDS

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

Interest on the Series 2024A Bonds is payable semiannually on April 1 and October 1 of each year, commencing on April 1, 2025. Interest on the Series 2024B Bonds is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2024. Interest on the Bonds shall be paid by check or draft mailed to the registered owners thereof, as of the applicable record date set forth below, by U.S. Bank Trust Company, National Association, the Paying Agent and Bond Registrar. Principal is payable when due to the registered owners of the Bonds, upon the surrender thereof at the corporate trust office of the Paying Agent and Bond Registrar in Louisville, Kentucky. Alternatively, the principal of and interest on the Bonds may be paid by any other transfer of funds acceptable to the Paying Agent and Bond Registrar and the registered owners thereof. The record date for each April 1 and October 1 interest payment date for the Series 2024A Bonds shall be the preceding March 15 and September 15, respectively. The record date for each June 1 and December 1 interest payment date for the Series 2024B Bonds shall be the preceding May 15 and November 15, respectively.

Redemption Provisions

Optional Redemption

The Series 2024A Bonds maturing on and after October 1, 2033 shall be subject to optional redemption before maturity on and after October 1, 2032, in whole or in part, in such order of maturity as shall be designated in writing by the City and by lot within a maturity, at the election of the City upon thirty-five days' written notice to the Paying Agent and Bond Registrar, at a redemption price equal to the principal amount of the Series 2024A Bonds to be redeemed, plus accrued interest to the date of redemption.

The Series 2024B Bonds maturing on and after December 1, 2033 shall be subject to optional redemption before maturity on and after December 1, 2032, in whole or in part, in such order of maturity as shall be designated in writing by

the City and by lot within a maturity, at the election of the City upon thirty-five days' written notice to the Paying Agent and Bond Registrar, at a redemption price equal to the principal amount of the Series 2024B Bonds to be redeemed, plus accrued interest to the date of redemption.

[Mandatory Sinking Fund Redemption]

The Series 2024A Bonds maturing on the dates set forth below are subject to mandatory sinking fund redemption before maturity at a redemption price of 100% of the principal amount of Series 2024A Bonds to be redeemed, plus accrued interest to the redemption date, on the dates, in the years, and in the principal amounts as follows:

| Maturing October 1, 20__ | |
|---|---------------|
| <u>Date</u> | <u>Amount</u> |
| October 1, 20__ | |
| October 1, 20__ | |
| October 1, 20__* | |
| <hr style="width: 50%; margin: 0 auto;"/> | |
| * Final Maturity | |

The Series 2024B Bonds maturing on the dates set forth below are subject to mandatory sinking fund redemption before maturity at a redemption price of 100% of the principal amount of Series 2024B Bonds to be redeemed, plus accrued interest to the redemption date, on the dates, in the years, and in the principal amounts as follows:

| Maturing December 1, 20__ | |
|---|---------------|
| <u>Date</u> | <u>Amount</u> |
| December 1, 20__ | |
| December 1, 20__ | |
| December 1, 20__* | |
| <hr style="width: 50%; margin: 0 auto;"/> | |
| * Final Maturity | |

Notice of Redemption

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

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

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

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

Security and Source of Payment for the Bonds

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

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

Statutory Lien

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

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

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

Book-Entry Only System

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

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

PLAN OF REFUNDING

The Series 2024A Bonds are being issued for the purposes of (i) currently refunding all or a portion of the City’s outstanding General Obligation Bonds, Series 2014 dated August 15, 2014 (the “Series 2014A Bonds”), the proceeds of which were used (a) to finance the acquisition, construction, installation, and equipping of various public projects for the City, including infrastructure improvements, economic development and neighborhood revitalization projects, fleet and equipment upgrades, and various parks, facilities, and land improvements, (b) to fully refund a Lease Agreement dated as of September 12, 2008, by and between the City and the Kentucky League of Cities Funding Trust, the proceeds of which financed the acquisition, construction, installation, and equipping of public works vehicles, police cruisers, 911 dispatch equipment, fire pumpers, and energy savings related improvements, and (c) to pay the costs of issuance of the Series 2014A Bonds, and (ii) paying the costs of issuance of the Series 2024A Bonds.

The Series 2024B Bonds are being issued for the purposes of (i) currently refunding all or a portion of the City’s outstanding Taxable General Obligation Refunding Bonds, Series 2014B dated October 31, 2014 (the “Series 2014B Bonds”), the proceeds of which were used (a) to fully refund the City’s Taxable Variable Rate General Obligation Funding Bonds, Series 2004, the proceeds of which financed unfunded liabilities in the City’s police and firemen’s pension plan and the City’s employees’ retirement fund, and (b) to pay the costs of issuance of the Series 2014B Bonds, and (ii) paying the costs of issuance of the Series 2024B Bonds.

SOURCES AND USES OF FUNDS

Proceeds from the sale of the Series 2024A Bonds are expected to be received and applied by the City as follows:

Sources:

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

Uses:

| | |
|---|----------|
| Underwriter’s Discount | \$ _____ |
| Deposit to Series 2014A Bond Payment Fund | _____ |
| Costs of Issuance | _____ |
| Total Uses | \$ _____ |

Proceeds from the sale of the Series 2024B Bonds are expected to be received and applied by the City as follows:

Sources:

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

Uses:

| | |
|---|----------|
| Underwriter’s Discount | \$ _____ |
| Deposit to Series 2014B Bond Payment Fund | _____ |
| Costs of Issuance | _____ |
| Total Uses | \$ _____ |

INVESTMENT CONSIDERATIONS

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

Limitation on Enforcement of Remedies

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

Risk of Bankruptcy

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

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

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

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

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

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

Suitability of Investment

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

Additional Debt

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

General Economic Conditions

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

Market for the Bonds

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

Bond Rating

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

Tax Implications

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

PROFILE OF THE CITY AND SURROUNDING AREA

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

CITY GOVERNMENT

Elected and Appointed Officials

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

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

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

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

The currently appointed City officials are:

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

Financial Matters

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

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

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

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

Financial Management

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

Financial Reports and Examinations of Accounts

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

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

The governmental accounting procedures established and prescribed by the Kentucky Department for Local Government are generally applicable to all cities in Kentucky and may be different from the generally accepted government accounting principles presented and recommended in (a) the Governmental Accounting Standards Board's publication entitled "Governmental Accounting, Auditing, and Financial Reporting," and (b) the American Institute of Certified Public

Accountants' publication entitled "State and Local Governments – Audit and Accounting Guide." Those publications provide for, among other things, (1) a modified accrual basis of accounting for the general fund and all special revenue funds, capital project funds, and debt service funds, (2) a full accrual basis of accounting for all other funds, and (3) the preparation, for each fund, of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances. In addition, government-wide financial statements are also required for all governmental activities and all business-type activities.

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

Budgeting and Appropriations Procedures

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

Investment Policies

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

- (a) Obligations of the United States and its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of the obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, any national or state banks chartered in Kentucky;
- (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including, but not limited to:
 - 1. United States Treasury obligations;
 - 2. Export-Import Bank of the United States notes or guaranteed participation certificates;
 - 3. Farmers Home Administration insured notes;
 - 4. Governmental National Mortgage Corporation obligations; and
 - 5. Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including, but not limited to:
 - 1. the Federal Home Loan Mortgage Corporation;
 - 2. Federal Farm Credit Banks;
 - 3. the Bank for Cooperatives (CoBank);
 - 4. Federal Intermediate Credit Banks;
 - 5. Federal Land Banks;
 - 6. Federal Home Loan Banks;
 - 7. the Federal National Mortgage Association; and
 - 8. the Tennessee Valley Authority;
- (d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by Section 41.240(4) of the Kentucky Revised Statutes;
- (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution having a physical presence in Kentucky rated in one of the three highest categories by a competent rating agency;

- (f) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;
- (g) Commercial paper rated in the highest category by a competent rating agency;
- (h) Bonds or certificates of indebtedness of the Commonwealth and of its agencies and instrumentalities;
- (i) Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;
- (j) Shares of mutual funds, each of which shall have the following characteristics:
 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 2. The management company of the investment company shall have been in operation for at least five years; and
 3. All of the securities in the mutual fund shall be eligible investments under this section.
- (k) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent of the equity allocation; and
- (l) Individual high-quality corporate bonds that are managed by a professional investment manager that:
 1. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
 2. Have a standard maturity of no more than ten years; and
 3. Are rated in the three highest rating categories by at least two competent credit rating agencies.

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

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

Debt Limitation

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

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

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

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

Appendix D to this Official Statement contains a Statement of Indebtedness for the City, certified by the Finance Director, calculating the amount of all outstanding obligations of the City (including the Bonds) that are subject to the 10%

total direct debt limitation applicable to the City. The total principal amount of general obligation debt that could be issued by the City, subject to the 10% direct debt limit, is \$304,860,100, and the City's net indebtedness subject to such limit and presently outstanding (including the Bonds) is \$[79,927,017]*, leaving a balance of approximately \$[224,933,083]* borrowing capacity issuable within such limitation.

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

Tax Limitation

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

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

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

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

Future Borrowings of the City

The City may issue one or more additional series of general obligation bonds in the future to finance the costs of additional public projects, subject to the constitutional and statutory restrictions described herein. Currently, the City has plans to incur approximately \$29,240,000 of general obligation indebtedness in calendar year 2024 to finance the costs of the acquisition, construction, installation, and equipping of a new city hall building. Outside of the planned financing of the new city hall building, the City has no formal plans to issue any additional general obligation indebtedness to finance the costs of any designated public projects. Nevertheless, the City reserves the right to issue additional general obligation indebtedness in the future.

LEGAL MATTERS

General Information

Legal matters incident to the issuance of the Bonds and relating to the tax-exempt status thereof are subject to the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel for the Bonds. Upon their delivery to the respective successful bidders therefor, the Series 2024A Bonds and Series 2024B Bonds will each be accompanied by an approving legal opinion rendered by Dinsmore & Shohl LLP dated the date of delivery of the Bonds. The applicable forms of such legal opinions are attached hereto as Appendix E and Appendix F, respectively.

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

* Preliminary, subject to adjustment.

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

Transcript and Closing Certificates

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

Litigation

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

TAX TREATMENT

Tax Treatment of the Series 2024A Bonds

General

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Series 2024A Bonds will be excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). In addition, Bond Counsel is also of the opinion that interest on the Series 2024A Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals (for a discussion of the corporate alternative minimum tax, see “TAX TREATMENT – Tax Treatment of the Series 2024A Bonds – Corporate Alternative Minimum Tax” herein). Further, Bond Counsel is also of the opinion that interest on the Series 2024A Bonds will be exempt from Kentucky income taxation and that the Series 2024A Bonds will be exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the approving legal opinion Bond Counsel will deliver in connection with the Series 2024A Bonds is set forth in “APPENDIX E – Form of Approving Legal Opinion of Bond Counsel for the Series 2024A Bonds” hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of interest on certain obligations, such as the Series 2024A Bonds, from gross income for federal income tax purposes. The City has covenanted to comply with certain restrictions designed to ensure that interest on the Series 2024A Bonds will not be includable in gross income for federal income tax purposes. Any failure to comply with these covenants could result in the interest on the Series 2024A Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the issue date of the Series 2024A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2024A Bonds may adversely affect the tax status of the interest on the Series 2024A Bonds.

Certain requirements and procedures contained or referred to in the Series 2024A Bonds and any other relevant documents with respect thereto may be changed, and certain actions (including, without limitation, the defeasance of the Series 2024A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinions as to any Series 2024A Bonds or the tax status of the interest thereon if any such change occurs or if any such action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that interest on the Series 2024A Bonds will be excludible from gross income for federal income tax purposes and that interest on the Series 2024A Bonds will be excludible from gross income

for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2024A Bonds may otherwise affect the federal, state, or local tax liabilities of the holders of the Series 2024A Bonds. The nature and extent of these tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion, and each Bondholder or potential Bondholder is urged to consult with its tax counsel with respect to the effects of purchasing, holding, or disposing of the Series 2024A Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Series 2024A Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, (i) increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, (ii) increasing the federal tax liability of certain insurance companies under Section 832 of the Code, (iii) increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code, (iv) increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code, and (v) limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Series 2024A Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Series 2024A Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series 2024A Bonds.

The City has not designated the Series 2024A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of any bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next call date. The Series 2024A Bonds that bear an interest rate that is higher than the yield (as shown on the inside cover page hereof), are initially being offered and sold to the public at an Acquisition Premium (the "Series 2024A Premium Bonds"). For federal income tax purposes, the amount of the Acquisition Premium on each bond, the interest on which is excludable from gross income of the holder thereof for federal income tax purposes (collectively, the "tax-exempt bonds"), must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on any tax-exempt bonds may be deducted in determining a bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on Series 2024A Premium Bonds, or on any of the Series 2024A Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Series 2024A Bonds purchased at an Acquisition Premium, including any Series 2024A Premium Bonds, should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

The Series 2024A Bonds with a yield that is higher than the interest rate (as shown on the inside cover hereof) are being offered and sold to the public at an original issue discount (OID) from the amounts payable on such Series 2024A Bonds at maturity (the "Series 2024A Discount Bonds"). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold in accordance with that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of such bond, and for Series 2024A Discount Bonds, the amount of such accretion will be based on a single rate of interest, compounded semiannually (the "yield to maturity"). The amount of OID that accrues during each semiannual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Series 2024A Discount Bond at its issue price, the portion of OID that accrues during the period such purchaser owns the Series 2024A Discount Bond is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale, or other disposition of that Series 2024A Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

In addition to the foregoing, any OID that accrues in each year to an owner of a Series 2024A Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies, and may result in some of the collateral federal income tax consequences discussed above. Consequently, the owners of any Series 2024A Discount Bonds should be aware that the accrual of OID in each year may result in an alternative minimum tax liability, additional distribution requirements, or other collateral federal income tax consequences even though the owner of such Series 2024A Discount Bond has not received cash attributable to such OID in such year.

Holders of any Series 2024A Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Series 2024A Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

Corporate Alternative Minimum Tax

The Inflation Reduction Act of 2022 imposes a corporate alternative minimum tax equal to 15% of the “adjusted financial statement income” of “applicable corporations,” both as defined in Section 59(k) of the Code. Generally, an applicable corporation includes any corporation (as defined for federal income tax purposes, other than S corporations, regulated investment companies, and real estate investment trusts) with an “average annual adjusted financial statement income” of more than \$1,000,000,000 over any preceding period of three tax years (ending with a tax year ending after December 31, 2021). The corporate alternative minimum tax applies for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, the interest on tax-exempt bonds, including the interest on the Series 2024A Bonds, is included (i) in computing “average annual adjusted financial statement income” for the purpose of determining whether a corporation qualifies as an “applicable corporation,” and (ii) in calculating an applicable corporation’s “adjusted financial statement income” for the purpose of determining the alternative minimum tax to be imposed on such applicable corporation under Section 55 of the Code, regardless of the issue date of such tax-exempt bonds.

Tax Treatment of the Series 2024B Bonds

General

IN THE OPINION OF BOND COUNSEL FOR THE BONDS, BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS, AND COURT DECISIONS, THE SERIES 2024B BONDS ARE TAXABLE DEBT INSTRUMENTS FOR FEDERAL AND KENTUCKY INCOME TAX PURPOSES AND AS SUCH, BOND COUNSEL IS OF THE OPINION THAT INTEREST ON THE SERIES 2024B BONDS IS **NOT** EXCLUDIBLE FROM GROSS INCOME FOR FEDERAL AND KENTUCKY INCOME TAX PURPOSES. OWNERS OF THE SERIES 2024B BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF THE SERIES 2024B BONDS. Notwithstanding the foregoing, the Series 2024B Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

In general, all interest paid on the Series 2024B Bonds, including original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Series 2024B Bonds, and all principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

A copy of the approving legal opinion Bond Counsel will deliver in connection with the Series 2024B Bonds is set forth in “APPENDIX F – Form of Approving Legal Opinion of Bond Counsel for the Series 2024B Bonds” hereto.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership, and disposition of the Series 2024B Bonds under the Code, and the United States Treasury Regulations issued thereunder, and the judicial and administrative rulings and decisions now in effect, all of which are subject to change or to differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of individual circumstances, nor certain types of investors subject to special treatment under the Code.

Bond Premium

An investor that acquires a Series 2024B Bond for a cost greater than its remaining stated redemption price at maturity and holds such bond as a capital asset will be considered to have purchased such bond at a premium and, subject to prior election permitted by Section 171(c) of the Code may generally amortize such premium under the constant yield

method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to all amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the bond's term using constant yield principles, based on the purchaser's yield to maturity. Investors holding any Series 2024B Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purpose.

Original Issue Discount

If any Series 2024B Bonds are issued with original issue discount (OID), Section 1272 of the Code requires the current ratable inclusion in income of OID greater than a specified de minimis amount using a constant yield method of accounting. In general, OID is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest allocable to the period. The aggregate OID allocable to an accrual period is allocated to each day included in such period. As a general rule, the owner of a debt instrument must include in income the sum of the daily portions of OID attributable to the number of days the owner owned the instrument. Owners of Series 2024B Bonds purchased at a discount (the "Series 2024B Discount Bonds") should consult their tax advisors with respect to (i) the determination and treatment of OID accrued as of any date, (ii) when such OID must be recognized as an item of gross income (notwithstanding the general rule described above in this paragraph), and (iii) the state and local tax consequences of owning such Series 2024B Discount Bonds.

Market Discount

An investor that acquires a Series 2024B Bond for a price less than the adjusted issue price of such bond may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections of the Code and the principles applied by the United States Treasury Regulations issued thereunder, "market discount" means (i) in the case of a Series 2024B Discount Bond, the amount by which the issue price of such bond, increased by all accrued OID (as if held since the issue date thereof), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (ii) in the case of a Series 2024B Bond not originally issued at a discount, the amount by which the stated redemption price of such bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Series 2024B Bond will generally be required (a) to allocate each principal payment to any accrued market discount not previously included in income and, upon any sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond, or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are so issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (i) on a constant interest basis, or (ii) in proportion to the accrual of stated interest or, in the case of a Series 2024B Discount Bond, in proportion to the accrual of OID.

An owner of a Series 2024B Bond that acquired such bond at a market discount also may be required to defer, until the maturity date of such bond or its earlier disposition in any taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on any indebtedness incurred or maintained to purchase or carry such bond in excess of the aggregate amount of interest (including OID) includable in such owner's gross income for the taxable year with respect to such bond. The amount of such net interest expense deferred in any taxable year may not exceed the amount of market discount accrued on the Series 2024B Bond for the days during the taxable year in which the owner held such Series 2024B Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2024B Bond matures or is disposed of in a taxable transaction. In the case of any disposition in which gain or loss is not recognized, in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that United States Treasury Regulations implementing the market discount rules have not yet been issued. Therefore, owners of any Series 2024B Bonds should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Unearned Income Medicare Contribution Tax

In accordance with Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on all individuals earning certain investment income. Holders of the Series 2024B Bonds should consult their own tax advisors regarding the application of this tax to interest earned on the Series 2024B Bonds and to any gain on the sale of a Series 2024B Bond.

Sales or Other Dispositions

If an owner of a Series 2024B Bond sells the bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such Series 2024B Bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Series 2024B Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of any nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Series 2024B Bond should consult its own tax advisor concerning the circumstances in which such bond would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance

The legal defeasance of the Series 2024B Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Series 2024B Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding

An owner of a Series 2024B Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Series 2024B Bonds, if such owner fails to provide to any person required to collect such information under Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends, or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors

An owner of a Series 2024B Bond that is not a "United States person" (as defined below) and that is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2024B Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2024B Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalty of perjury, certifying that such owner is not a United States person, and providing the name and address of such owner). For this purpose, the term "United States person" means any citizen or resident of the United States of America, any corporation, partnership, or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or any estate or trust whose income from sources within the United States of America is includable in gross income for federal income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of applicable tax treaties, a United States withholding tax will apply to interest paid and original issue discount accruing on Series 2024B Bonds owned by foreign investors. In those instances in which payments of interest on the Series 2024B Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of any Series 2024B Bonds having original issue discount and held by foreign investors. Potential owners that are foreign persons should consult their own tax advisors regarding the specific tax consequences of owning a Series 2024B Bond.

Tax-Exempt Investors

In general, an entity that is exempt from federal income tax under Section 501 of the Code is subject to tax on its unrelated business taxable income. Unrelated business taxable income generally means the gross income derived by

an organization from any unrelated trade or business (defined in Section 512 of the Code as any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption). However, under Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Thus, except to the extent an owner of a Series 2024B Bond incurs acquisition indebtedness with respect to such Series 2024B Bond, the interest paid or accrued with respect to such Series 2024B Bond may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Series 2024B Bond is urged to consult with its own tax advisor regarding the application of these provisions.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose assets are considered to include the assets of such plans (collectively, the "ERISA Plans"), and on any persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series 2024B Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, both ERISA and the Code generally prohibit certain transactions between an ERISA Plan or other qualified employee benefit plan under the Code and persons who, with respect to such plan, are fiduciaries or other "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Series 2024B Bonds, could be viewed as violating such prohibitions. In addition, Section 4975 of the Code also prohibits transactions between certain tax-favored vehicles, such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code also includes similar restrictions with respect to governmental and church plans. In this regard, the City or any dealer of the Series 2024B Bonds might be considered or become a "party in interest," within the meaning of ERISA, or a "disqualified person," within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Section 4975 or Section 503 of the Code. Prohibited transactions under ERISA and the Code may arise if the Series 2024B Bonds are acquired by such plans or arrangements with respect to which the City or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2024B Bonds. The sale of the Series 2024B Bonds to a plan is, in no respect, a representation by the City or the Underwriter (as defined herein under the heading "UNDERWRITING") that such an investment meets the relevant legal requirements with respect to benefit plans generally or a particular plan. Any plan proposing to invest in the Series 2024B Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code, and all other applicable law.

In order to address the concerns described above, by the acceptance of a Series 2024B Bond, each owner and subsequent transferee thereof will be deemed to have represented and warranted that either (i) no portion of the assets used to acquire or hold the Series 2024B Bond or any interest therein constitutes assets of any plan, or (ii) the acquisition and holding of the Series 2024B Bond or any interest therein will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation of any applicable similar law. Neither the City nor the Underwriter are acting as a fiduciary, or undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, to such owner or transferee with respect to the decision to purchase or hold the Series 2024B Bonds or an interest in the Series 2024B Bonds.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed on any persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Series 2024B Bonds on behalf of, or with the assets of, any plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of

the Code, and any similar laws to such investment and whether any exemption would be applicable to the purchase and holding of the Series 2024B Bonds.

RATING

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

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

CONTINUING DISCLOSURE

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

- (i) to the Municipal Securities Rulemaking Board (the "MSRB") or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system, as described in 1934 Act Release No. 59062, or any other similar system acceptable to the Securities and Exchange Commission, certain annual financial information and operating data for the City, including audited financial statements of the City, generally consistent with the information set forth in "APPENDIX B – Demographic and Economic Data" and "APPENDIX E – Annual Comprehensive Financial Report of the City of Covington, Kentucky for the Fiscal Year Ended June 30, 2023" attached hereto (collectively, the "Annual Financial Information"). The Annual Financial Information will be provided on or before the March 1 following the fiscal year ending on the preceding June 30, commencing with the fiscal year ending June 30, 2024; provided that the audited financial statements may not be available by such date, but will be made available immediately upon the delivery thereof by the auditors for the City; and
- (ii) to the MSRB, through EMMA, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:
 - (a) Principal and interest payment delinquencies;
 - (b) Non-payment related defaults, if material;
 - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) Substitution of credit or liquidity providers, or their failure to perform;
 - (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or any other material notices or determinations with respect to the tax status of the security, or any other material events affecting the tax-exempt status of the security;
 - (g) Modifications to rights of security holders, if material;
 - (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
 - (i) Defeasances;
 - (j) Release, substitution, or sale of any property securing repayment of the securities, if material;
 - (k) Rating changes;

- (l) Bankruptcy, insolvency, receivership, or similar event of the City (Note: This event is considered to occur upon the occurrence of the following: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);
 - (m) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (o) Incurrence of a material financial obligation by the City or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any financial obligation of the City, any of which affect security holders, if material; and
 - (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any financial obligation of the City, any of which reflect financial difficulties.
- (iii) to the MSRB, through EMMA, in a timely manner, notice of any failure of the City (of which the City has knowledge) to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

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

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

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

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

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

UNDERWRITING

The Bonds are being purchased for reoffering by [____] (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$[____] (reflecting the par amount of the Bonds, [plus/less]

original issue [premium/discount] of \$[____], and less underwriter’s discount of \$[____]). The initial public offering prices which produce the yields set forth on the inside cover page of this Official Statement may be changed by the Underwriter, and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the inside cover page hereof.

MUNICIPAL ADVISOR

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

MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

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

CITY OF COVINGTON, KENTUCKY

By: _____
Mayor

Dated: October __, 2024

APPENDIX A

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024A
AND
TAXABLE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024B**

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

ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE SERIES 2024A BONDS

| <u>Date</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Fiscal Year Total</u> |
|-------------|------------------|-----------------|--------------|--------------------------|
| 04/01/2025 | | \$195,663 | \$195,663 | |
| 06/30/2025 | | | | \$195,663 |
| 10/01/2025 | \$25,000 | \$221,505 | \$246,505 | |
| 04/01/2026 | | \$221,111 | \$221,111 | |
| 06/30/2026 | | | | \$467,616 |
| 10/01/2026 | \$25,000 | \$221,111 | \$246,111 | |
| 04/01/2027 | | \$220,720 | \$220,720 | |
| 06/30/2027 | | | | \$466,831 |
| 10/01/2027 | \$50,000 | \$220,720 | \$270,720 | |
| 04/01/2028 | | \$219,945 | \$219,945 | |
| 06/30/2028 | | | | \$490,665 |
| 10/01/2028 | \$50,000 | \$219,945 | \$269,945 | |
| 04/01/2029 | | \$219,170 | \$219,170 | |
| 06/30/2029 | | | | \$489,115 |
| 10/01/2029 | \$50,000 | \$219,170 | \$269,170 | |
| 04/01/2030 | | \$218,395 | \$218,395 | |
| 06/30/2030 | | | | \$487,565 |
| 10/01/2030 | \$400,000 | \$218,395 | \$618,395 | |
| 04/01/2031 | | \$212,155 | \$212,155 | |
| 06/30/2031 | | | | \$830,550 |
| 10/01/2031 | \$645,000 | \$212,155 | \$857,155 | |
| 04/01/2032 | | \$201,996 | \$201,996 | |
| 06/30/2032 | | | | \$1,059,151 |
| 10/01/2032 | \$670,000 | \$201,996 | \$871,996 | |
| 04/01/2033 | | \$191,276 | \$191,276 | |
| 06/30/2033 | | | | \$1,063,273 |
| 10/01/2033 | \$690,000 | \$191,276 | \$881,276 | |
| 04/01/2034 | | \$180,064 | \$180,064 | |
| 06/30/2034 | | | | \$1,061,340 |
| 10/01/2034 | \$705,000 | \$180,064 | \$885,064 | |
| 04/01/2035 | | \$168,431 | \$168,431 | |
| 06/30/2035 | | | | \$1,053,495 |
| 10/01/2035 | \$735,000 | \$168,431 | \$903,431 | |
| 04/01/2036 | | \$155,936 | \$155,936 | |
| 06/30/2036 | | | | \$1,059,368 |
| 10/01/2036 | \$765,000 | \$155,936 | \$920,936 | |
| 04/01/2037 | | \$142,549 | \$142,549 | |
| 06/30/2037 | | | | \$1,063,485 |
| 10/01/2037 | \$790,000 | \$142,549 | \$932,549 | |
| 04/01/2038 | | \$128,329 | \$128,329 | |
| 06/30/2038 | | | | \$1,060,878 |
| 10/01/2038 | \$820,000 | \$128,329 | \$948,329 | |
| 04/01/2039 | | \$113,159 | \$113,159 | |
| 06/30/2039 | | | | \$1,061,488 |
| 10/01/2039 | \$850,000 | \$113,159 | \$963,159 | |
| 04/01/2040 | | \$97,009 | \$97,009 | |
| 06/30/2040 | | | | \$1,060,168 |
| 10/01/2040 | \$885,000 | \$97,009 | \$982,009 | |
| 04/01/2041 | | \$79,751 | \$79,751 | |
| 06/30/2041 | | | | \$1,061,760 |
| 10/01/2041 | \$915,000 | \$79,751 | \$994,751 | |
| 04/01/2042 | | \$61,451 | \$61,451 | |
| 06/30/2042 | | | | \$1,056,203 |
| 10/01/2042 | \$950,000 | \$61,451 | \$1,011,451 | |
| 04/01/2043 | | \$41,976 | \$41,976 | |
| 06/30/2043 | | | | \$1,053,428 |
| 10/01/2043 | \$1,000,000 | \$41,976 | \$1,041,976 | |
| 04/01/2044 | | \$21,476 | \$21,476 | |
| 06/30/2044 | | | | \$1,063,453 |
| 10/01/2044 | \$1,035,000 | \$21,476 | \$1,056,476 | |
| 06/30/2045 | | | | \$1,056,476 |

ESTIMATED DEBT SERVICE REQUIREMENTS FOR THE SERIES 2024B BONDS

| <u>Date</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Fiscal Year Total</u> |
|-------------|------------------|-----------------|--------------|--------------------------|
| 12/01/2024 | \$25,000 | \$28,332 | \$53,332 | |
| 06/01/2025 | | \$130,140 | \$130,140 | |
| 06/30/2025 | | | | \$183,473 |
| 12/01/2025 | \$30,000 | \$130,140 | \$160,140 | |
| 06/01/2026 | | \$129,398 | \$129,398 | |
| 06/30/2026 | | | | \$289,538 |
| 12/01/2026 | \$50,000 | \$129,398 | \$179,398 | |
| 06/01/2027 | | \$128,173 | \$128,173 | |
| 06/30/2027 | | | | \$307,571 |
| 12/01/2027 | \$60,000 | \$128,173 | \$188,173 | |
| 06/01/2028 | | \$126,718 | \$126,718 | |
| 06/30/2028 | | | | \$314,891 |
| 12/01/2028 | \$75,000 | \$126,718 | \$201,718 | |
| 06/01/2029 | | \$124,918 | \$124,918 | |
| 06/30/2029 | | | | \$326,636 |
| 12/01/2029 | \$350,000 | \$124,918 | \$474,918 | |
| 06/01/2030 | | \$116,605 | \$116,605 | |
| 06/30/2030 | | | | \$591,523 |
| 12/01/2030 | \$365,000 | \$116,605 | \$481,605 | |
| 06/01/2031 | | \$107,937 | \$107,937 | |
| 06/30/2031 | | | | \$589,542 |
| 12/01/2031 | \$385,000 | \$107,937 | \$492,937 | |
| 06/01/2032 | | \$98,793 | \$98,793 | |
| 06/30/2032 | | | | \$591,729 |
| 12/01/2032 | \$405,000 | \$98,793 | \$503,793 | |
| 06/01/2033 | | \$89,073 | \$89,073 | |
| 06/30/2033 | | | | \$592,866 |
| 12/01/2033 | \$420,000 | \$89,073 | \$509,073 | |
| 06/01/2034 | | \$78,888 | \$78,888 | |
| 06/30/2034 | | | | \$587,961 |
| 12/01/2034 | \$445,000 | \$78,888 | \$523,888 | |
| 06/01/2035 | | \$67,874 | \$67,874 | |
| 06/30/2035 | | | | \$591,762 |
| 12/01/2035 | \$470,000 | \$67,874 | \$537,874 | |
| 06/01/2036 | | \$56,007 | \$56,007 | |
| 06/30/2036 | | | | \$593,881 |
| 12/01/2036 | \$490,000 | \$56,007 | \$546,007 | |
| 06/01/2037 | | \$43,389 | \$43,389 | |
| 06/30/2037 | | | | \$589,396 |
| 12/01/2037 | \$520,000 | \$43,389 | \$563,389 | |
| 06/01/2038 | | \$29,739 | \$29,739 | |
| 06/30/2038 | | | | \$593,128 |
| 12/01/2038 | \$545,000 | \$29,739 | \$574,739 | |
| 06/01/2039 | | \$15,324 | \$15,324 | |
| 06/30/2039 | | | | \$590,063 |
| 12/01/2039 | \$575,000 | \$15,324 | \$590,324 | |
| 06/30/2039 | | | | \$590,324 |

APPENDIX B

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024A
AND
TAXABLE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024B**

DEMOGRAPHIC AND ECONOMIC DATA

CITY OF COVINGTON, KENTUCKY

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

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

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

The Economic Framework

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

LABOR MARKET STATISTICS

Population

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

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

Population Projections

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

Source: Kentucky Center for Statistics – University of Louisville

Unemployment Statistics

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

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

LOCAL GOVERNMENT

Structure

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

Planning and Zoning

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

Sales and Use Tax

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

State and Local Property Taxes

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

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

Assessed Value of Property

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

Source: City of Covington, Kentucky

Ten Largest Taxpayers

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

Largest City Principal Taxpayers

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

Source: City of Covington, Kentucky

PROPERTY TAX RATES

City Assessment Rates (per \$100.00 assessed valuation)

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

Source: City of Covington, Kentucky

City Property Tax Levy and Collection

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

Source: City of Covington, Kentucky

APPENDIX C
CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024A
AND
TAXABLE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024B

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

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year ended June 30, 2023



Photo Credit: Sam Greenhill

POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year ended June 30, 2023



Photo Credit: Sam Greenhill

CITY OF COVINGTON, KENTUCKY

June 30, 2023

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June 30, 2023

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CITY OF COVINGTON, KENTUCKY

June 30, 2023

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OFFICE OF THE CITY MANAGER

April 12, 2024

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

We are pleased to present the City of Covington, Kentucky's (City) Annual Comprehensive Financial Report (ACFR), for the fiscal year (FY) that ended on June 30, 2023. This report is intended to provide informative and relevant financial data to the residents of the City, the City Commission, investors, creditors, and any other interested reader. It includes all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities. The reader should pay particular attention to the required Management's Discussion and Analysis (MD&A) - a narrative overview and analysis of the financial statements – included in this document. Any individual with comments or questions concerning this report is encouraged to contact the City's Finance Department at (859) 292-2180. This report may also be found online at www.covingtonky.gov/financials

State law requires that all general-purpose local governments publish each FY a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) in accordance with the implementation of Governmental Accounting Standards Board (GASB) Statement 34 and audited in accordance with generally accepted auditing standards by an independent firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the ACFR for the City for the FY that ended on June 30, 2023.

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

The City's financial statements have been audited by Barnes Dennig Certified Public Accountants, with a local office in Crestview Hills, KY. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year that ended on June 30, 2023, are free of material misstatement(s). The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year that ended on June 30, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

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

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

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

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

Information Useful in Assessing the Economic Condition

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

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

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

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

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

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

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

The numbers tell the story:

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

Completed projects in 2023:

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

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

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

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

Projects under construction/in design in 2023:

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

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

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

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

Respectfully submitted,



Ken Smith
City Manager



Steve Webb
Finance Director

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

Elected Officials

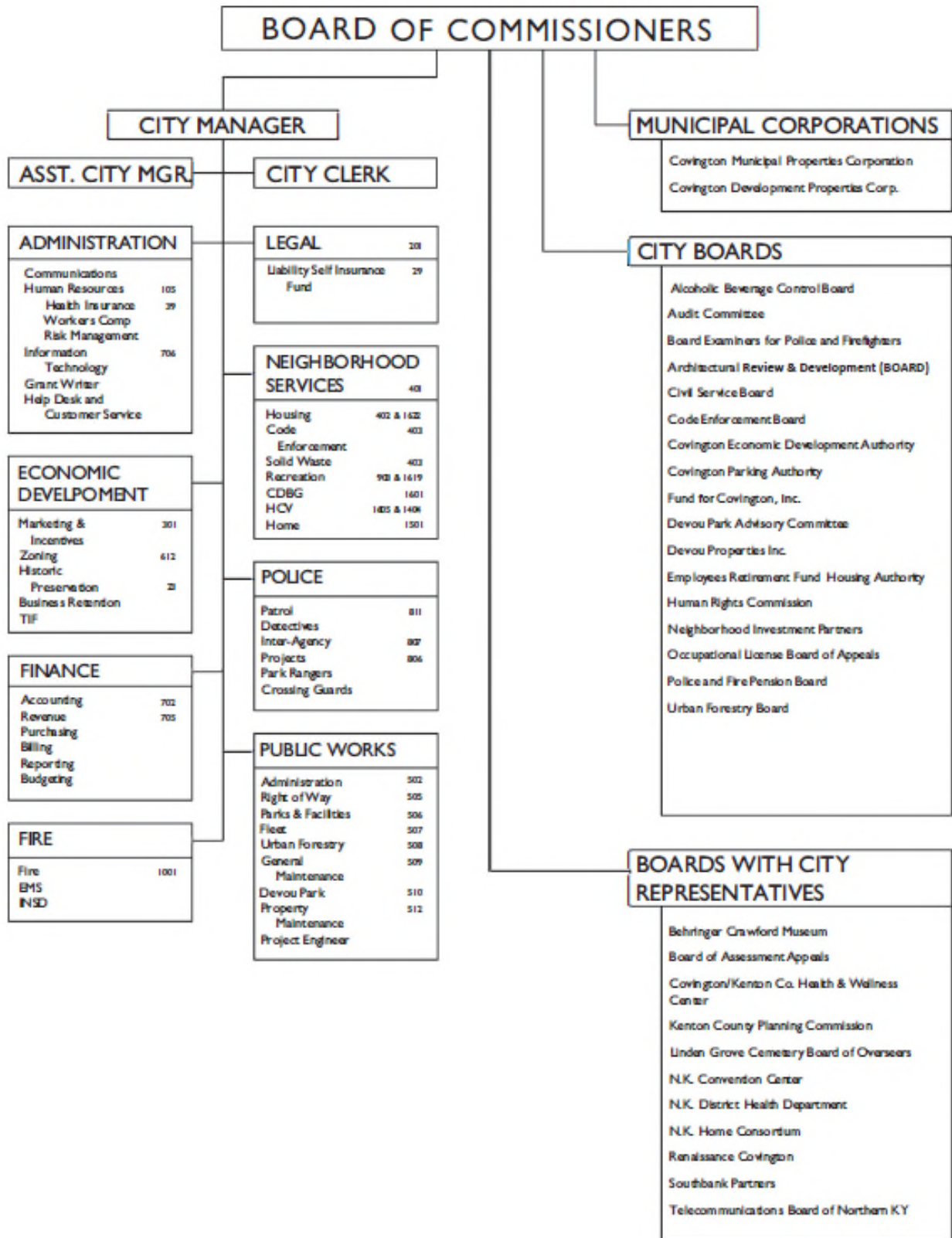
| | |
|---------------------------------|----------------|
| Mayor | Joseph Meyer |
| Commissioner/Mayor Pro Tem..... | Ron Washington |
| Commissioner | Tim Downing |
| Commissioner | Shannon Smith |
| Commissioner | Nolan Nicaise |

Appointed Officials

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

COVINGTON, KENTUCKY

ORGANIZATION CHART



Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

**Independent Auditors' Report
(Continued)**

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (unaudited), budgetary comparison and pension liability and OPEB liability and contributions information on pages 11-23, 90-93, and 97-104 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

**Independent Auditors' Report
(Continued)**

Other Matters (Continued)

Other Information (Continued)

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

Other Reporting Required by Government Auditing Standards

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

Change in Accounting Principle

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



Crestview Hills, Kentucky
April 12, 2024

CITY OF COVINGTON, KENTUCKY

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

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

FINANCIAL HIGHLIGHTS

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

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

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

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

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

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

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

Financial Analysis of the Government-Wide Financial Statements

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

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

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

The largest portion of the City's net position (\$38,659,351) reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings and improvements, machinery and equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

As noted earlier, increases, and decreases of net position can serve as a useful indicator of changes in a government's financial position. In FY 2023, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$58,219,892. Total assets increased from the prior FY (FY 2022) by \$9,456,974 and total liabilities increased by \$12,282,399.

CITY OF COVINGTON, KENTUCKY

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

Statement of Activities – Governmental:

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

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

Statement of Activities – Business-type:

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

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

CITY OF COVINGTON, KENTUCKY

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

Financial Analysis of the Government's Funds

Governmental Funds

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

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

CITY OF COVINGTON, KENTUCKY

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

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

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

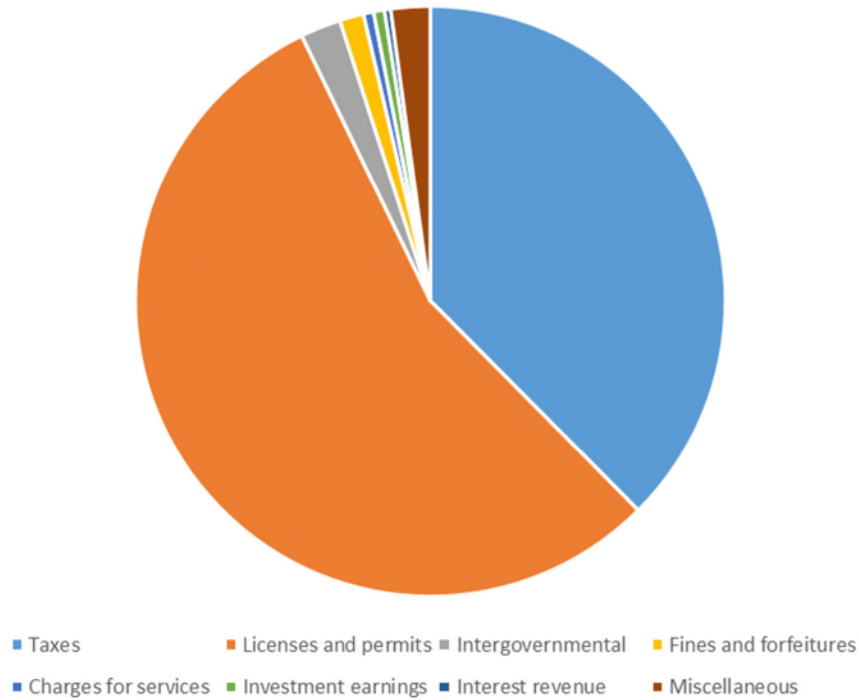
| | General Fund | IRS Site Construction | American Rescue Plan Act Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------------|--------------------------------------|--|--|---|
| Revenues | | | | | |
| Taxes | \$ 22,224,037 | \$ - | \$ - | \$ - | \$ 22,224,037 |
|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

CITY OF COVINGTON, KENTUCKY

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

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

2023 General Fund Revenues



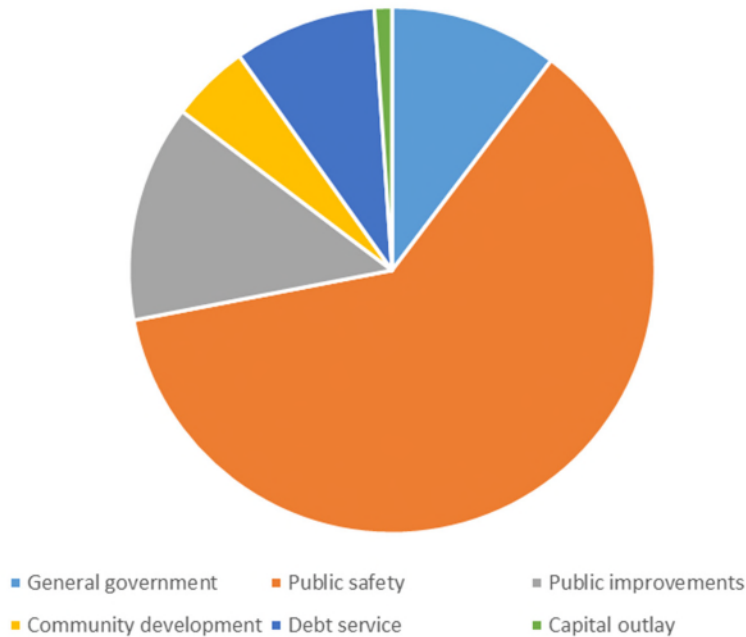
Total General Fund revenues increased by \$4,165,855, or 7.67% year over year due to a substantial decrease in unrealized losses on the investment portfolio. Licenses and permits, which include Payroll Taxes and Net Profit Taxes decreased by \$3,571,220, or -9.85% compared to the previous FY.

CITY OF COVINGTON, KENTUCKY

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

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

2023 General Expenditures



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

Proprietary Funds

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

CITY OF COVINGTON, KENTUCKY

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

Capital Assets and Debt Administration

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

Economic Factors and Next Year's Budget

The FY 2023 Budget was developed and adopted by the Board of Commissioners as a structurally balanced budget per Kentucky Revised Statute, KRS 83A.150(7)(c) and the State's Constitution.

FY 2024 Goals included:

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

FY 2024 Assumptions included:

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

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

Requests for Information

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

CITY OF COVINGTON, KENTUCKY

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

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

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

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

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

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

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

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

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

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

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

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

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

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

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

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

Net change in fund balances - total governmental funds **\$ 5,209,746**

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

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

| | |
|---------------------------------------|-------------|
| Capital additions | 7,667,281 |
| Depreciation and amortization expense | (4,837,136) |
| Recognition of subscription asset | 1,789,397 |
| Amortization of subscription asset | (446,909) |
| Subscription liability | (1,184,301) |

Net book value of disposed capital assets is reported as a gain in the statement of activities. (611,009)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the governmental funds. 1,868,408

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

| | |
|--|-----------|
| Compensated absences | 406,421 |
| Interest on long-term debt | 20,567 |
| Amortization of premiums | 29,142 |
| Amortization of defeasance on bond refunding | (370,826) |

Repayment of bonds, notes and lease principal is an expenditure in the governmental funds, whereas the payments reduce long-term liabilities in the statement of net position. 3,912,000

Internal service funds are used to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities. (733,554)

Except for amounts reported as deferred outflows or inflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities. (6,661,650)

Net proceeds issued on debt obligations outstanding is an other financing source in the governmental funds but increases long-term liabilities in the statement of net position. (250,619)

Changes in net position of governmental activities \$ 5,806,958

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

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

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

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

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

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

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

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

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

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

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

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

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

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

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

The accompanying notes are an integral part of these financial statements

CITY OF COVINGTON, KENTUCKY

Notes to the Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Financial Reporting Entity

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

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

Blended Component Units Included Within the Reporting Entity.

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

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

Discretely Presented Component Unit Included Within the Reporting Entity.

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

CITY OF COVINGTON, KENTUCKY

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity (Continued)

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

As a discretely presented component unit, the financial statements of Devou Properties, Inc. are only included on the City's government-wide financial statements in a column that makes it clearly separate from the primary government. Devou Properties, Inc. operates on a calendar year-end basis; therefore, the financial statements for the year ended December 31, 2023 are included in the City's current financial statements. Audited financial statements of Devou Properties Inc. are available and may be obtained by contacting the City Manager.

Basis of Presentation Government-Wide Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

CITY OF COVINGTON, KENTUCKY

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government that are not accounted for in the other funds.
- The IRS Site Construction Fund accounts for the debt issuance and proceeds used to acquire and redevelop the site of the former IRS office in Covington.
- The American Rescue Plan Act (ARPA) Fund accounts for funds provided to the City under the American Rescue Plan Act of 2021.

The City reports the following proprietary funds:

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

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

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

Cash and Cash Equivalents

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

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

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

Property Tax Receivable

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Notes Receivable

Notes receivable are comprised of housing development and small business loans financed by a combination of resources appropriated by the City and allocations from the U.S. Department of Housing and Urban Development (HUD). As of June 30, 2023, the City had housing development and small business loans outstanding of \$16,134,695 and \$1,043,645, respectively. The City has recorded an allowance of \$13,708,365 on housing development and \$191,565 on small business loans. Although some loans are repaid, repayment may be limited to net proceeds after payment of the first mortgage and seller closing costs and; therefore most repayments are minimal. Additionally, many loans have favorable repayments terms to encourage home ownership that include deferral and/or forgiveness if homeowners remain in the home for a specified period of time. The City has a note receivable of \$2,815,000 from 638 Madison LLC, in regards to the Hotel Covington.

Interfund Receivables/Payables

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as prepaid items in both the government-wide and fund financial statements. The consumption method is used in the fund statements.

Capital and Leased Assets

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

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

CITY OF COVINGTON, KENTUCKY

Notes to the Financial Statements
(Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital and Leased Assets (Continued)

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

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

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Compensated Absences

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

CITY OF COVINGTON, KENTUCKY

Notes to the Financial Statements (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long Term Obligations

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

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

Unearned Revenue

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

Net Position/Fund Balance

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

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

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

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

Revenues and Expenses

Operating Revenues and Expenses

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions

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

Use of Estimates

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

Budgetary Information

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

Pensions

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

OPEB

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

CITY OF COVINGTON, KENTUCKY

Notes to the Financial Statements (Continued)

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

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

NOTE 3 DEPOSITS

Cash and Cash Equivalents

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 3 DEPOSITS

Investments

Governmental Funds

As of June 30, 2023, the City had \$24,403,550 invested in certificates of deposit, US Government bonds, and municipal bonds. The investments held by the Governmental Funds at June 30, 2023 are summarized as follows:

| Investment Type | Fair Value* | Investment Maturities | | | |
|---|----------------------|-----------------------|-------------------|---------------------|----------------------|
| | | Less Than 1 Year | 1 to 2 Years | 3 to 5 Years | Beyond 5 Years |
| Certificates of deposit - nonnegotiable | \$ 531,651 | \$ 281,651 | \$ 250,000 | \$ - | \$ - |
| US Government bonds | 10,086,817 | - | - | - | 10,086,817 |
| Municipal bonds | 13,785,082 | - | 302,699 | 2,953,880 | 10,528,503 |
| | <u>\$ 24,403,550</u> | <u>\$ 281,651</u> | <u>\$ 552,699</u> | <u>\$ 2,953,880</u> | <u>\$ 20,615,320</u> |

Investments are made by the City as an agent for the City Employees' Retirement Fund and the Police and Firemen's Retirement Fund. The investments held by each fund at June 30, 2023 are summarized as follows:

City Employees' Retirement Fund

| Investment Type | Fair Value | Investment Maturities | | | |
|---------------------------|---------------------|-----------------------|--------------|--------------|----------------|
| | | Less Than 1 Year | 1 to 2 Years | 3 to 5 Years | Beyond 5 Years |
| Cash and cash equivalents | \$ 41,840 | \$ 41,840 | \$ - | \$ - | \$ - |
| Bond mutual funds | 315,857 | 315,857 | - | - | - |
| Equity mutual funds | 339,720 | 339,720 | - | - | - |
| Exchange traded funds | 887,490 | 887,490 | - | - | - |
| | <u>\$ 1,584,907</u> | <u>\$ 1,584,907</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Police and Firemen's Retirement Fund

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 3 DEPOSITS (CONTINUED)

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 3 DEPOSITS (CONTINUED)

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 3 DEPOSITS (CONTINUED)

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 3 DEPOSITS (CONTINUED)

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

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

Governmental Funds

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

City Employees' Retirement Fund

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 3 DEPOSITS (CONTINUED)

Police and Firemen's Retirement Fund

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 4 CAPITAL ASSETS

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 5 INTERFUND ACTIVITY

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

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

Due To/From Other Funds

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

Due From Primary Government/Due To Enterprise Activities

As of June 30, 2023, the Parking Authority provided short-term loans of \$2,358,754 to the General Fund.

Advances From Primary Government/Due From Enterprise Activities

During the FY ended June 30, 2020, the General Fund provided a long-term advance of \$2,500,000 to the Parking Authority Fund. The advance was used by the Parking Authority to fund a payment to the developer of a parking garage for the allocation of a portion of the garage for public use. The advance to the Parking Authority bears interest at a rate of 2% per annum. As of June 30, 2023, the balance of the advance due from the Parking Authority to the General Fund, including interest, was \$2,592,858. The Parking Authority intends to repay the General Fund with parking revenues.

Interfund Transfers

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 6 LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

Governmental Activities

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

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

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

Business-type Activities

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

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

Short Term Lease agreement

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

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

NOTE 7 LONG-TERM DEBT

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

Governmental Activities

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 7 LONG-TERM DEBT (CONTINUED)

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 7 LONG-TERM DEBT (CONTINUED)

Conduit Debt Obligations

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

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

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

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

The General Fund has typically been used in prior years to liquidate pension and OPEB liabilities.

CITY OF COVINGTON, KENTUCKY

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

NOTE 7 LONG-TERM DEBT (CONTINUED)

Business-Type Activities

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

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

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 8 LEASE LIABILITIES

Governmental Activities

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

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 9 RISK MANAGEMENT

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

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 10 COMBINING FIDUCIARY FUND FINANCIAL STATEMENTS

The financial statements of the City include the statement of fiduciary net position and the statement of changes in fiduciary net position as of June 30, 2023, and for the year then ended, for the combined pension trusts. The following table presents the combining statement of fiduciary net position as of June 30, 2023:

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

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

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

CITY OF COVINGTON, KENTUCKY

Notes to the Financial Statements (Continued)

NOTE 11 EMPLOYEE RETIREMENT PLANS

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

Summary of Significant Accounting Policies

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

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

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

Employees' Retirement Plan

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Employees' Retirement Plan (Continued)

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

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Employees' Retirement Plan (Continued)

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

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

Rate of Return. For the FY ended June 30, 2023, the annual money-weighted rate of return on the plan investments, net of pension plan investment expense was 7.50%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability. The Employees' Retirement net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the City at June 30, 2023, were as follows:

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

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2014 Total Mortality Table projected generationally using scale MP-2021.

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Employees' Retirement Plan (Continued)

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

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

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

| | Deferred Outflows of Resources |
|---|---|
| Net difference between projected and actual earnings on pension plan investments | \$ 56,367 |
| | \$ 56,367 |

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Employees' Retirement Plan (Continued)

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

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

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

Police and Firemen's Retirement Plan

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Police and Firemen's Retirement Plan (Continued)

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Police and Firemen’s Retirement Plan (Continued)

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

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

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

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

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

Net Pension Liability. The Police and Firemen’s Retirement net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The components of the net pension liability of the City at June 30, 2023, were as follows:

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Police and Firemen’s Retirement Plan (Continued)

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2014 Total Mortality Table projected generationally using scale MP- 2021.

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

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

Changes in Police and Firemen’s Net Pension Liability. Changes in the Police and Firemen’s net pension liability for the FY ended June 30, 2023 were as follows:

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Police and Firemen’s Retirement Plan (Continued)

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

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

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

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

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

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

CERS

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

CERS (Continued)

General Information about the Pension Plan

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

CERS (Continued)

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

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

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

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

For the FY ended June 30, 2023, the City contributed \$8,558,018, or 100% of the required contribution for hazardous job classifications to the pension trust.

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

At June 30, 2023, the City reported a liability for its proportionate share of the net pension liability for CERS. The amount recognized by the City as its proportionate share of the net pension liability were as follows:

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

CERS (Continued)

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

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

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

CERS (Continued)

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 11 EMPLOYEE RETIREMENT PLANS (CONTINUED)

CERS (Continued)

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

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

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

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

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

NOTE 12 OPEB

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 12 OPEB (CONTINUED)

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

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

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 12 OPEB (CONTINUED)

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

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

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

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

Mortality rates used for active members was PUB-2010 General Mortality table projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on a mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 12 OPEB (CONTINUED)

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

Notes to the Financial Statements
(Continued)

NOTE 12 OPEB (CONTINUED)

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 13 FUND BALANCE

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 13 FUND BALANCE (CONTINUED)

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

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

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

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

NOTE 14 CONTINGENCIES

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

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

NOTE 15 TAX ABATEMENTS

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 15 TAX ABATEMENTS (CONTINUED)

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

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

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

For the FY ended June 30, 2023, the City abated property taxes totaling \$284,476 under this program, including the following tax abatements agreements that each exceeded 10 percent of the total, which is the percentage the City considers to be material for purposes of individual disclosure:

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 16 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

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

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

NOTE 17 CHANGE IN ACCOUNTING PRINCIPLE

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

SUPPLEMENTARY
INFORMATION

CITY OF COVINGTON, KENTUCKY

Nonmajor Funds

Special Revenue Funds

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

Nonmajor Special Revenue Funds:

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY

Nonmajor Funds (Continued)

Special Revenue Funds (Continued)

Nonmajor Special Revenue Funds (Continued):

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

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

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

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

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

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

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

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

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

Capital Projects Fund

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

Nonmajor Capital Projects Fund:

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

CITY OF COVINGTON, KENTUCKY

Nonmajor Funds (Continued)

Internal Service Funds

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

Internal Service Funds:

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

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

CITY OF COVINGTON, KENTUCKY

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

| | Nonmajor Special Revenue Funds | | | | | | | | | | Subtotal | | |
|--|--------------------------------|-----------------------------------|----------------------|----------------------------|--------------|-------------------|----------------------------|--------------------------|---------------------------|-------------------------|-----------|---------------------|---------------|
| | Federal & State Grants | Community Development Block Grant | City Hall Operations | Lead Hazard Reduction Fund | HOME Program | Leased Properties | National Opioid Settlement | Capital Improvement Fund | Police Forfeiture Justice | Housing Voucher Program | | Infrastructure Fund | EDF |
| Assets | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,208,046 | \$ - | \$ - | \$ 1,654,378 |
| Investments | - | - | - | - | - | - | - | - | - | 444,864 | - | - | 444,864 |
| Receivables | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Intergovernmental | 1,554,744 | 429,117 | - | - | 11,678 | - | - | - | - | - | - | - | 1,995,539 |
| Notes | - | 293,832 | - | - | - | - | - | 9,970 | - | - | - | 546,607 | 850,409 |
| Accounts | - | - | - | - | - | - | - | - | - | 14,044 | - | - | 14,044 |
| Leases | - | - | - | - | - | 1,380,607 | - | - | - | - | - | 6,459 | 1,387,066 |
| Due from other funds | - | - | - | 97,000 | 147,806 | 1,301,971 | 792,140 | 368,608 | - | - | - | 1,183,819 | 3,891,344 |
| Total assets | \$ 1,554,744 | \$ 722,949 | \$ - | \$ 97,000 | \$ 159,484 | \$ 2,682,578 | \$ 792,140 | \$ 378,578 | \$ 446,332 | \$ 1,666,954 | \$ - | \$ 1,736,885 | \$ 10,237,644 |
| Liabilities: | | | | | | | | | | | | | |
| Accounts payable | \$ 388,071 | \$ 9,654 | \$ 71,334 | \$ - | \$ 14 | \$ - | \$ - | \$ - | \$ 11,877 | \$ 475 | \$ - | \$ 36,674 | \$ 518,089 |
| Accrued liabilities | 10,000 | - | - | - | - | - | - | - | - | - | - | - | 10,000 |
| Due to other funds | 1,516,141 | 239,310 | - | 97,000 | - | - | 792,140 | - | 41,784 | 275,610 | 285,564 | - | 2,455,409 |
| Unearned revenue | - | - | - | - | - | - | - | - | 10 | 146,915 | - | - | 939,065 |
| Total liabilities | 1,914,212 | 248,964 | 71,334 | 97,000 | 14 | - | 792,140 | - | 53,671 | 423,000 | 285,564 | 36,674 | 3,922,573 |
| Deferred Inflow of Resources: | | | | | | | | | | | | | |
| Leases | - | - | - | - | - | 1,355,774 | - | - | - | - | - | 6,077 | 1,361,851 |
| Unavailable revenue | 1,113,073 | 293,832 | - | - | - | - | - | 9,970 | - | - | - | 546,607 | 1,963,482 |
| Total deferred inflow of resources | 1,113,073 | 293,832 | - | - | - | 1,355,774 | - | 9,970 | - | - | - | 552,684 | 3,325,333 |
| Fund Balances: | | | | | | | | | | | | | |
| Restricted | - | 180,153 | - | - | 159,470 | - | - | 368,608 | 392,661 | 1,243,954 | - | - | 2,344,846 |
| Committed | - | - | - | - | - | 1,326,804 | - | - | - | - | - | 1,147,527 | 2,474,331 |
| Assigned | (1,472,541) | - | (71,334) | - | - | - | - | - | - | - | (285,564) | - | (1,829,439) |
| Unassigned | (1,472,541) | 180,153 | (71,334) | - | 159,470 | 1,326,804 | - | 368,608 | 392,661 | 1,243,954 | (285,564) | 1,147,527 | 2,989,738 |
| Total fund balance | \$ 1,554,744 | \$ 722,949 | \$ - | \$ 97,000 | \$ 159,484 | \$ 2,682,578 | \$ 792,140 | \$ 378,578 | \$ 446,332 | \$ 1,666,954 | \$ - | \$ 1,736,885 | \$ 10,237,644 |
| Total liabilities, deferred inflows of resources and fund balances | | | | | | | | | | | | | |

CITY OF COVINGTON, KENTUCKY

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

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

CITY OF COVINGTON, KENTUCKY

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

| | Federal & State Grants Fund | Community Development Block Grant | City Hall Operations | Lead Hazard Reduction Fund | Nonmajor Special Revenue Funds | | | | Housing Voucher Program | Infrastructure Fund | EDF | Subtotal |
|---|-----------------------------|-----------------------------------|----------------------|----------------------------|--------------------------------|-------------------|----------------------------|--------------------------|-------------------------|---------------------|---------------|----------|
| | | | | | HOME Program | Leased Properties | National Opioid Settlement | Capital Improvement Fund | | | | |
| Revenues: | | | | | | | | | | | | |
| Intergovernmental | \$ 1,095,536 | \$ 2,520,028 | \$ - | \$ 95,710 | \$ 111,752 | \$ - | \$ - | \$ 114,671 | \$ 3,366 | \$ - | \$ 11,566,607 | |
| Charges for services | - | - | - | - | - | 512,415 | - | - | - | 28,939 | 541,354 | |
| Investment (loss) | - | - | - | - | - | 505 | - | 323 | (10,820) | - | (9,992) | |
| Interest Revenue | - | - | - | - | - | 37,086 | - | - | - | 457 | 37,543 | |
| Miscellaneous | - | 137,929 | - | - | 306,369 | - | - | - | - | - | 465,245 | |
| Total revenues | 1,095,536 | 2,657,957 | - | 95,710 | 418,121 | 550,006 | - | 114,994 | 3,366 | 29,396 | 12,600,757 | |
| Expenditures: | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | |
| General government | 461,993 | - | (210,386) | - | - | - | - | - | - | - | 251,607 | |
| Police | 28,666 | - | - | - | - | - | - | 102,089 | - | - | 130,765 | |
| Fire | 53,066 | - | - | - | - | - | - | - | - | - | 53,066 | |
| Public works | 5,559 | 97,287 | - | - | - | - | 11,594 | - | 6,533 | - | 120,973 | |
| Community development | 48,338 | 1,101,166 | - | 95,710 | 507,414 | 165,073 | - | - | - | 467,392 | 9,881,024 | |
| Debt service: | | | | | | | | | | | | |
| Principal | - | 18,000 | - | - | - | - | - | - | - | 81,498 | 109,792 | |
| Interest | - | 11,364 | - | - | - | - | - | - | - | 2,313 | 14,001 | |
| Capital Outlay | 1,247,607 | 1,337,227 | 328,833 | - | - | - | 11,480 | 21,438 | 518,330 | 250,619 | 3,715,534 | |
| Total expenditures | 1,845,229 | 2,565,044 | 118,447 | 95,710 | 507,414 | 165,073 | 23,074 | 123,537 | 524,863 | 801,822 | 14,276,762 | |
| Excess (deficit) of revenues (under) expenditures | (749,693) | 92,913 | (118,447) | - | (89,293) | 384,933 | (3,431) | (8,543) | (521,497) | (772,429) | (1,676,005) | |
| Other Financing Sources (Uses): | | | | | | | | | | | | |
| Transfers in | 299,647 | - | 50,312 | - | - | - | - | - | 550,000 | 200,000 | 1,099,959 | |
| Transfers out | - | (95,985) | - | - | - | (200,000) | - | - | (299,647) | - | (599,632) | |
| Issuance of debt | - | - | - | - | - | - | - | - | - | 250,619 | 250,619 | |
| Total other financing sources (uses) | 299,647 | (95,985) | 50,312 | - | - | (200,000) | - | - | 250,353 | 450,619 | 750,946 | |
| Net change in fund balance | (450,046) | (7,072) | (68,135) | - | (89,293) | 184,933 | (3,431) | (8,543) | (271,144) | (321,807) | (925,059) | |
| Fund balance, July 1, 2022 | (1,022,495) | 187,225 | (3,199) | - | 248,763 | 1,141,871 | 372,039 | 401,204 | (14,420) | 1,469,334 | 3,914,797 | |
| Fund balance, June 30, 2023 | \$ (1,472,541) | \$ 180,153 | \$ (71,334) | \$ - | \$ 199,470 | \$ 1,326,804 | \$ 368,608 | \$ 392,661 | \$ (285,564) | \$ 1,147,527 | \$ 2,989,738 | |

over

CITY OF COVINGTON, KENTUCKY

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

| | Subtotal from prior page | Nonmajor Special Revenue Funds | | | | | | | | | | Nonmajor Capital Projects Fund | | | | | |
|---|--------------------------|--------------------------------|--------------------------------|------------------------------|-------------|---|-------------|------------------------|------------------------|------------------------|--------------|--------------------------------|----------|------|------|---------|---------------|
| | | TIF | Police & Fire Supplemental Pay | Fleet Equipment & Technology | Waste | Neighborhood Stabilization Program Fund | Ambulance | Devou Park Maintenance | Devou Park Master Plan | Stormwater Maintenance | Construction | Facility | Subtotal | | | | |
| Revenues: | | | | | | | | | | | | | | | | | |
| Intergovernmental | \$ 11,566,607 | | \$ 1,414,207 | \$ - | \$ - | \$ - | \$ 741,075 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 13,721,889 |
| Charges for services | 541,354 | | | | 2,504,062 | | 1,532,856 | | | | | | | | | | 5,803,333 |
| Investment (loss) | (9,992) | 2,370 | 128 | | | | 411 | | | | 198 | | | | | | (6,885) |
| Interest Revenue | 37,543 | | | | | | | | | | | | | | | | 37,543 |
| Miscellaneous | 465,245 | 334,674 | | 100,000 | 93 | | | | | | 182,129 | | | | | | 5,582,141 |
| Total revenues | 12,600,757 | 337,044 | 1,414,335 | 100,000 | 2,504,155 | | 2,274,342 | | | | 182,327 | | | | | | 25,138,021 |
| Expenditures: | | | | | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | | | | | |
| General government | 251,607 | | | | 140,269 | | 194,800 | | | | | | | | | | 586,676 |
| Police | 130,765 | | 596,982 | | | | | | | | | | | | | | 727,747 |
| Fire | 53,066 | | 709,525 | 4,504 | | | | | | | | | | | | | 767,095 |
| Public works | 120,973 | | | 112,224 | 2,532,125 | | | | | | | | | | | 391,162 | 3,156,484 |
| Community development | 9,881,024 | 548,890 | | | | | | | | | 74,167 | 3,250 | | | | | 10,507,331 |
| Debt service: | | | | | | | | | | | | | | | | | |
| Principal | 109,792 | | | | | | | | | | | | | | | | 315,861 |
| Interest | 14,001 | | | | | | | | | | | | | | | | 49,528 |
| Capital Outlay | 3,715,534 | | | | | | 238,219 | | | | 35,837 | | | | | | 5,186,670 |
| Total expenditures | 14,276,762 | 548,890 | 1,306,507 | 1,225,474 | 2,672,394 | | 433,019 | | | | 110,004 | 3,250 | | | | | 21,297,392 |
| Excess (deficit) of revenues (under) expenditures | (1,676,005) | (211,846) | 107,828 | (1,125,474) | (168,239) | | 1,841,323 | | | | 72,323 | (3,250) | | | | | 3,840,629 |
| Other Financing Sources (Uses): | | | | | | | | | | | | | | | | | |
| Transfers in | 1,099,959 | | | 1,490,256 | | | | | | | | | | | | | 4,010,984 |
| Transfers out | (599,632) | 1,420,769 | | | (25,000) | | (1,881,860) | | | | (60,000) | | | | | | (3,441,147) |
| Issuance of debt | 250,619 | (874,635) | | | | | | | | | | | | | | | 250,619 |
| Total other financing sources (uses) | 750,946 | 546,134 | | 1,490,256 | (25,000) | | (1,881,860) | | | | (60,000) | | | | | | 820,456 |
| Net change in fund balance | (925,059) | 334,288 | 107,828 | 364,782 | (193,239) | | (40,557) | | | | 12,323 | (3,250) | | | | | 4,661,085 |
| Fund balance, July 1, 2022 | 3,914,797 | 5,263,103 | (40,526) | 792,452 | (1,651,330) | | 664,130 | | | | 438,899 | (4,593) | | | | | 3,762,377 |
| Fund balance, June 30, 2023 | 2,989,738 | 5,597,391 | 67,302 | 1,157,234 | (1,844,569) | | 623,573 | | | | 451,222 | (7,843) | | | | | 8,423,462 |

CITY OF COVINGTON, KENTUCKY

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

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

CITY OF COVINGTON, KENTUCKY

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

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

CITY OF COVINGTON, KENTUCKY

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

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

CITY OF COVINGTON, KENTUCKY

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

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

CITY OF COVINGTON, KENTUCKY

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

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

CITY OF COVINGTON, KENTUCKY

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

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

CITY OF COVINGTON, KENTUCKY

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

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

CITY OF COVINGTON, KENTUCKY
Employees' Retirement Plan

Last 10 fiscal years

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

* No active employees participating in the plan.

CITY OF COVINGTON, KENTUCKY

Police and Firemen's Retirement Plan

Last 10 fiscal years

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Schedule of City Contributions | | | | | | | | | | |
| Actuarially determined contribution | \$ 512,699 | \$ 512,699 | \$ 512,699 | \$ 512,699 | \$ 512,699 | \$ 577,711 | \$ 577,711 | \$ 445,224 | \$ 445,224 | \$ 283,601 |
| Contributions in relation to the actuarially determined contribution | 446,000 | 446,000 | 451,477 | 451,021 | 365,078 | 551,000 | 573,000 | 269,327 | 269,327 | 384,806 |
| Contribution deficiency (excess) | \$ 66,699 | \$ 66,699 | \$ 61,222 | \$ 61,678 | \$ 147,621 | \$ 26,711 | \$ 4,711 | \$ 175,897 | \$ 175,897 | \$ (101,205) |
| Covered payroll | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * |
| Actual contribution as a percentage of covered payroll | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * |
| Schedule of Changes in the Net position Liability and Related Ratios | | | | | | | | | | |
| Total pension liability | \$ 457,316 | \$ 475,834 | \$ 530,439 | \$ 528,193 | \$ 552,986 | \$ 595,322 | \$ 385,334 | \$ 628,379 | \$ 726,953 | \$ 774,059 |
| Interest | 178,989 | 250,197 | 179,994 | - | - | 209,181 | 146,022 | - | - | 36,609 |
| Benefit changes | (119,375) | (47,684) | (621,342) | 238,320 | 256,919 | (218,038) | 123,207 | 57,418 | 124,618 | (17,688) |
| Difference between expected and actual experience | 810,269 | 27,501 | (76,642) | 486,557 | (26,062) | (102,614) | (3,069,911) | 2,400,570 | 3,678,986 | - |
| Changes of assumptions | (1,013,578) | (1,070,710) | (1,138,940) | (1,224,369) | (1,244,618) | (1,262,330) | (1,348,765) | (1,382,618) | (1,406,659) | (1,438,900) |
| Benefit payments | 313,821 | (364,862) | (1,026,491) | (1,299) | (460,775) | (778,479) | (3,764,115) | 1,703,749 | 3,123,798 | (643,920) |
| Net change in total pension liability | 8,814,843 | 9,179,705 | 10,206,196 | 10,207,495 | 10,668,270 | 11,446,749 | 15,210,862 | 13,507,113 | 10,383,315 | 11,027,235 |
| Total pension liability - beginning | \$ 9,128,464 | \$ 8,814,843 | \$ 9,179,705 | \$ 10,206,196 | \$ 10,207,495 | \$ 10,668,270 | \$ 11,446,749 | \$ 15,210,862 | \$ 13,507,113 | \$ 10,383,315 |
| Total pension liability - ending | \$ 446,000 | \$ 446,000 | \$ 451,477 | \$ 451,021 | \$ 365,078 | \$ 551,000 | \$ 573,000 | \$ 269,327 | \$ 269,327 | \$ 359,506 |
| Plan fiduciary net position | - | - | - | - | - | - | - | - | - | 30,383 |
| Contributions - employer | 152,038 | (317,620) | 760,081 | 142,078 | 261,260 | 753,872 | 592,661 | (240,496) | (253,086) | 1,133,103 |
| Other | (1,013,578) | (1,070,710) | (1,138,940) | (1,224,369) | (1,244,618) | (1,262,330) | (1,348,765) | (1,382,618) | (1,403,457) | (1,446,162) |
| Net investment income | (19,745) | (22,648) | (24,976) | (25,116) | (40,951) | (4,000) | (7,080) | (7,200) | (7,869) | (28,113) |
| Benefit payments | (435,285) | (964,978) | 47,642 | (656,386) | (659,231) | 38,542 | (190,184) | (1,360,987) | (1,392,509) | 48,717 |
| Administrative expense | 2,607,729 | 3,572,707 | 3,525,065 | 4,181,451 | 4,840,882 | 4,802,140 | 4,992,324 | 6,353,311 | 7,745,820 | 7,697,103 |
| Net change in plan fiduciary net position | \$ 2,172,444 | \$ 2,607,729 | \$ 3,572,707 | \$ 3,525,065 | \$ 4,181,451 | \$ 4,840,682 | \$ 4,802,140 | \$ 4,992,324 | \$ 6,353,311 | \$ 7,745,820 |
| Plan fiduciary net position - beginning | \$ 6,956,020 | \$ 6,207,114 | \$ 5,606,998 | \$ 6,681,131 | \$ 6,026,044 | \$ 5,827,588 | \$ 6,644,609 | \$ 10,218,538 | \$ 7,153,802 | \$ 2,637,495 |
| Plan fiduciary net position - ending | 23.80% | 29.58% | 38.92% | 34.54% | 40.96% | 45.37% | 41.95% | 32.82% | 47.04% | 74.60% |
| Net pension liability | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * |
| Plan fiduciary net position as percentage of the pension liability | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * |
| Covered payroll | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * |
| Net pension liability as a percentage of covered payroll | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * | N/A * |
| Schedule of Investment Returns | | | | | | | | | | |
| Annual money-weighted rate of return, net of investment expense | 7.80% | -11.90% | 20.60% | 3.60% | 5.80% | 9.90% | 10.90% | -3.56% | -3.95% | 16.48% |

* No active employees participating in the plan.

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

NOTE 1 VALUATION DATE

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

NOTE 2 BENEFIT CHANGES

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

NOTE 3 CHANGES IN ASSUMPTIONS

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

NOTE 4 METHODS USED AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

| | Employees' Retirement Plan | Police and Firemen's Retirement Plan |
|---------------------------|--|--|
| Actuarial cost method | Entry age | Entry Age |
| Amortization method | 20-year closed amortization | 20-year closed amortization |
| Asset valuation method | Market Value | Market Value |
| Investment rate of return | 5.5%, compounded annually net of investment expenses, including inflation | 5.5%, compounded annually net of investment expenses, including inflation |
| Retirement age | Immediate | Immediate |
| Mortality | General Employees Mortality Table Pub-2010 projected generationally using Scale MP-2021. | Public Safety Mortality Table Pub-2010 projected generationally using Scale MP-2021. |

CITY OF COVINGTON, KENTUCKY

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

| | Last 10 Fiscal Years | | | | | | | | | |
|--|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Non-hazardous: | | | | | | | | | | |
| City's proportion of the net pension liability | 0.308% | 0.284% | 0.262% | 0.258% | 0.240% | 0.242% | 0.240% | 0.242% | 0.260% | 0.260% |
| City's proportionate share of the net pension liability | \$ 22,288,784 | \$ 18,090,714 | \$ 20,071,176 | \$ 18,135,760 | \$ 14,558,021 | \$ 14,147,444 | \$ 11,836,501 | \$ 10,425,611 | \$ 8,401,100 | \$ 9,506,000 |
| City's covered payroll | \$ 8,578,128 | \$ 7,305,612 | \$ 6,744,019 | \$ 6,544,282 | \$ 5,977,993 | \$ 5,933,424 | \$ 5,732,547 | \$ 5,670,221 | \$ 5,942,202 | \$ 5,668,276 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 259.83% | 247.63% | 297.61% | 277.12% | 243.53% | 238.44% | 206.48% | 183.87% | 141.38% | 167.71% |
| Plan fiduciary as a percentage of the total pension liability | 52.4% | 57.3% | 47.8% | 50.5% | 53.5% | 53.3% | 55.5% | 60.0% | 66.8% | 61.2% |
| Hazardous: | | | | | | | | | | |
| City's proportion of the net pension liability | 3.15% | 3.04% | 3.02% | 3.02% | 2.91% | 2.96% | 2.81% | 2.91% | 2.85% | 2.85% |
| City's proportionate share of the net pension liability | \$ 96,267,771 | \$ 80,814,982 | \$ 91,152,690 | \$ 83,420,630 | \$ 70,413,204 | \$ 66,320,811 | \$ 48,235,603 | \$ 44,623,090 | \$ 34,207,001 | \$ 38,200,000 |
| City's covered payroll | \$ 20,705,732 | \$ 18,305,399 | \$ 17,795,103 | \$ 17,284,115 | \$ 16,290,175 | \$ 16,096,264 | \$ 14,877,913 | \$ 14,814,779 | \$ 14,427,951 | \$ 14,110,813 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 464.93% | 441.48% | 512.23% | 482.64% | 432.24% | 412.03% | 324.21% | 301.21% | 237.09% | 270.71% |
| Plan fiduciary as a percentage of the total pension liability | 47.1% | 52.3% | 44.1% | 46.6% | 49.3% | 49.8% | 54.0% | 57.5% | 63.4% | 57.7% |

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

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF COVINGTON, KENTUCKY
Schedule of City Pension Contributions

Last 10 Fiscal Years

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Non-Hazardous: | | | | | | | | | | |
| Contractually required contribution | 1,989,872 | 1,815,990 | 1,409,983 | 1,301,596 | 1,061,483 | 865,621 | 827,713 | 710,807 | 722,953 | 816,459 |
| Contributions in relation to the contractually required contribution | 1,989,872 | 1,815,990 | 1,409,983 | 1,301,596 | 1,061,483 | 865,621 | 827,713 | 710,807 | 722,953 | 816,459 |
| Contribution excess (deficiency) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 8,460,015 | \$ 8,578,128 | \$ 7,305,612 | \$ 6,744,019 | \$ 6,544,282 | \$ 5,977,993 | \$ 5,933,424 | \$ 5,732,547 | \$ 5,670,221 | \$ 5,942,202 |
| Contributions as a percentage of covered payroll | 23.52% | 21.17% | 19.30% | 19.30% | 16.22% | 14.48% | 13.95% | 12.40% | 12.75% | 13.74% |
| Hazardous: | | | | | | | | | | |
| Contractually required contribution | \$ 8,558,018 | \$ 7,010,691 | \$ 5,502,603 | \$ 5,349,208 | \$ 4,298,559 | \$ 3,616,419 | \$ 3,494,499 | \$ 3,014,265 | \$ 3,071,104 | \$ 3,140,965 |
| Contributions in relation to the contractually required contribution | 8,558,018 | 7,010,691 | 5,502,603 | 5,349,208 | 4,298,559 | 3,616,419 | 3,494,499 | 3,014,265 | 3,071,104 | 3,140,965 |
| Contribution excess (deficiency) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 19,653,175 | \$ 20,705,732 | \$ 18,305,399 | \$ 17,795,103 | \$ 17,284,115 | \$ 16,290,175 | \$ 16,096,264 | \$ 14,877,913 | \$ 14,814,779 | \$ 14,427,951 |
| Contributions as a percentage of covered payroll | 43.55% | 33.86% | 30.06% | 30.06% | 24.87% | 22.20% | 21.71% | 20.26% | 20.73% | 21.77% |

CITY OF COVINGTON, KENTUCKY

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

| | Last 10 Fiscal Years* | | | | | | | | | |
|---|-----------------------|---------------|---------------|---------------|---------------|---------------|---------------|------|------|------|
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Non-hazardous: | | | | | | | | | | |
| City's proportion of the net OPEB liability | 0.308% | 0.284% | 0.262% | 0.258% | 0.240% | 0.242% | 0.240% | * | * | * |
| City's proportionate share of the net OPEB liability | \$ 6,083,770 | \$ 5,430,816 | \$ 6,317,110 | \$ 4,337,392 | \$ 4,244,161 | \$ 4,858,997 | \$ 3,811,252 | * | * | * |
| City's covered payroll | \$ 8,578,128 | \$ 7,305,612 | \$ 6,744,019 | \$ 6,544,282 | \$ 5,977,993 | \$ 5,933,424 | \$ 5,732,547 | * | * | * |
| City's proportionate share of the net OPEB liability as a percentage of its covered payroll | 70.92% | 74.34% | 93.67% | 66.28% | 71.00% | 81.89% | 66.48% | * | * | * |
| Plan fiduciary net position as a percentage of the total OPEB liability | 70.0% | 62.9% | 51.7% | 60.4% | 57.6% | 52.4% | N/A | * | * | * |
| Hazardous: | | | | | | | | | | |
| City's proportion of the net OPEB liability | 3.15% | 3.04% | 3.02% | 3.02% | 2.91% | 2.96% | 2.81% | * | * | * |
| City's proportionate share of the net OPEB liability | \$ 26,858,748 | \$ 24,545,306 | \$ 27,930,859 | \$ 22,340,089 | \$ 20,758,934 | \$ 24,505,455 | \$ 14,642,905 | * | * | * |
| City's covered payroll | \$ 20,705,732 | \$ 18,305,399 | \$ 17,795,103 | \$ 17,284,115 | \$ 16,290,175 | \$ 16,096,264 | \$ 14,877,913 | * | * | * |
| City's proportionate share of the net OPEB liability as a percentage of its covered payroll | 129.72% | 134.09% | 156.96% | 129.25% | 127.43% | 152.24% | 98.42% | * | * | * |
| Plan fiduciary net position as a percentage of the total OPEB liability | 64.1% | 66.80% | 58.80% | 64.40% | 64.20% | 59.00% | N/A | * | * | * |

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

Changes of benefit terms - None.

2018: Updated health care trend rates were implemented.

CITY OF COVINGTON, KENTUCKY

Schedule of the City OPEB Contributions

Last 10 Fiscal Years

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Non-Hazardous: | | | | | | | | | | |
| Contractually required contribution | \$ 288,276 | \$ 495,816 | \$ 347,747 | \$ 321,015 | \$ 344,229 | \$ 280,968 | \$ 280,651 | \$ 265,551 | \$ 278,975 | \$ 306,023 |
| Contributions in relation to the contractually required contribution | 288,276 | 495,816 | 347,747 | 321,015 | 344,229 | 280,968 | 280,651 | 265,551 | 278,975 | 306,023 |
| Contribution excess (deficiency) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 8,460,015 | \$ 8,578,128 | \$ 7,305,612 | \$ 6,744,019 | \$ 6,544,282 | \$ 5,977,993 | \$ 5,933,424 | \$ 5,732,547 | \$ 5,670,221 | \$ 5,942,202 |
| Contributions as a percentage of covered payroll | 3.41% | 5.78% | 4.76% | 4.76% | 5.26% | 4.70% | 4.73% | 4.63% | 4.92% | 5.15% |
| Hazardous: | | | | | | | | | | |
| Contractually required contribution | \$ 1,239,815 | \$ 2,167,890 | \$ 1,742,674 | \$ 1,694,094 | \$ 1,809,647 | \$ 1,523,131 | \$ 1,505,001 | \$ 1,888,007 | \$ 2,011,847 | \$ 2,009,814 |
| Contributions in relation to the contractually required contribution | 1,239,815 | 2,167,890 | 1,742,674 | 1,694,094 | 1,809,647 | 1,523,131 | 1,505,001 | 1,888,007 | 2,011,847 | 2,009,814 |
| Contribution excess (deficiency) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 19,653,175 | \$ 20,705,732 | \$ 18,305,399 | \$ 17,795,103 | \$ 17,284,115 | \$ 16,290,175 | \$ 16,096,264 | \$ 14,877,913 | \$ 14,814,779 | \$ 14,427,951 |
| Contributions as a percentage of covered payroll | 6.31% | 10.47% | 9.52% | 9.52% | 10.47% | 9.35% | 9.35% | 12.69% | 13.58% | 13.93% |

CITY OF COVINGTON, KENTUCKY

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

NOTE 1 GENERAL INFORMATION

Contributions

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

Payroll

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

Expense

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

CITY OF COVINGTON, KENTUCKY

Statistical Section

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

Section 1 – Financial Trend Data:

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

Section 2 – Revenue Capacity:

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

Section 3 – Debt Capacity:

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

Section 4 – Demographic and Economic Information:

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

Section 5 – Operating Information:

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

CITY OF COVINGTON, KENTUCKY

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

| | Fiscal Year | | | | | | | | | |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Governmental Activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 31,182,822 | \$ 41,855,830 | \$ 36,210,108 | \$ 27,799,625 | \$ 23,743,357 | \$ 27,309,024 | \$ 23,790,740 | \$ 26,724,688 | \$ 27,899,604 | \$ 29,360,778 |
| Restricted for Capital Improvements | 4,014,599 | 372,039 | 352,785 | 27,305,688 | 2,555,939 | 2,924,098 | 4,376,137 | - | - | 2,614,198 |
| Restricted for Debt Service | - | - | 468,774 | 469,574 | 462,321 | 421,769 | 401,000 | 401,000 | 401,000 | 401,000 |
| Restricted for HUD Programs | 1,583,577 | 1,553,692 | 865,701 | 1,047,342 | 915,720 | 922,485 | 651,007 | 632,116 | 2,938,475 | 3,622,306 |
| Restricted for other purposes | 1,212,491 | 840,103 | 1,162,301 | 954,176 | 1,004,081 | 623,989 | 426,695 | 1,620,898 | - | 16,139 |
| Unrestricted (deficit) | (103,819,932) | (116,255,065) | (111,360,427) | (122,345,513) | (81,316,610) | (72,524,243) | (66,127,088) | (56,738,795) | (59,904,755) | (52,978,362) |
| Total Governmental Activities Net Position | \$ (65,826,443) | \$ (71,633,401) | \$ (72,300,758) | \$ (64,769,108) | \$ (52,635,192) | \$ (40,322,878) | \$ (36,481,509) | \$ (27,360,093) | \$ (28,665,676) | \$ (16,963,941) |
| Business-type Activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 7,476,529 | \$ 7,430,383 | \$ 7,353,593 | \$ 7,467,344 | \$ 5,022,418 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unrestricted (deficit) | 130,022 | (1,208,746) | (2,014,799) | (2,352,028) | 196,788 | - | - | - | - | - |
| Total Governmental Activities Net Position | \$ 7,606,551 | \$ 6,221,637 | \$ 5,338,794 | \$ 5,115,316 | \$ 5,219,206 | \$ - | \$ - | \$ - | \$ - | \$ - |

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

CITY OF COVINGTON, KENTUCKY

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

| | Fiscal Year | | | | | | | | | |
|---|---------------|--------------|----------------|-----------------|----------------|----------------|--------------|---------------|----------------|--------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| | (as restated) | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Expenses | | | | | | | | | | |
| General Government | \$ 36,108,200 | \$ 8,506,292 | \$ 9,537,832 | \$ 9,443,391 | \$ 7,243,552 | \$ 7,944,679 | \$ 6,604,320 | \$ 10,612,219 | \$ 12,474,158 | \$ 5,916,248 |
| Police | 19,823,132 | 20,177,159 | 22,864,540 | 23,704,389 | 21,111,281 | 20,397,256 | 14,453,789 | 16,091,991 | 13,287,449 | 14,177,725 |
| Fire | 19,997,532 | 21,584,434 | 24,583,443 | 25,325,490 | 21,221,513 | 19,695,653 | 13,176,016 | 15,301,811 | 12,882,790 | 13,060,943 |
| Public Improvements | 13,715,835 | 14,862,875 | 15,714,874 | 12,709,620 | 11,206,541 | 10,382,982 | 8,784,729 | 7,806,788 | 14,691,139 | 13,769,904 |
| Community Development | 14,512,942 | 12,584,194 | 11,889,364 | 11,168,156 | 10,806,389 | 10,371,116 | 10,312,912 | 9,789,169 | 9,179,648 | 11,159,338 |
| Parking Garage | - | - | - | - | - | 900,712 | 868,353 | 774,460 | 738,147 | 734,598 |
| Interest on Long-term Debt | 1,754,215 | 2,154,136 | 2,010,596 | 1,471,171 | 1,510,745 | 1,654,623 | 1,984,708 | 2,171,812 | 3,000,362 | 1,654,352 |
| Total Governmental Activities Expenses | 105,911,856 | 79,819,090 | 86,600,649 | 83,822,217 | 73,100,021 | 71,347,001 | 56,184,827 | 62,548,250 | 66,253,693 | 60,473,108 |
| Program Revenues | | | | | | | | | | |
| General Government | 636,217 | 517,805 | 158,027 | 763,145 | 2,183,781 | 2,197,465 | 2,640,012 | 1,815,216 | 1,028,301 | 940,479 |
| Police | - | 5,231 | 100,000 | 60,000 | 80,000 | - | - | - | 3,891 | 58,002 |
| Fire | 1,532,856 | 1,360,780 | 1,785,248 | 1,284,170 | - | 11,029 | 11,029 | 1,449,356 | 1,238,640 | 1,391,914 |
| Public Improvements | 3,728,922 | 3,650,474 | 2,663,594 | 2,183,962 | 2,271,448 | 1,245,706 | 1,098,612 | 2,952,715 | 1,289,573 | 2,343,079 |
| Community Development | 1,252,058 | 1,193,820 | 2,260,648 | 1,481,571 | 1,471,895 | 1,603,315 | 1,086,948 | 1,065,050 | 1,389,251 | 738,833 |
| Parking Garage | - | - | - | - | - | 1,845,342 | 2,078,859 | 2,032,348 | 1,806,791 | 1,554,915 |
| Operating Grants and Contributions | 22,860,484 | 18,440,881 | 16,688,868 | 11,553,487 | 10,876,303 | 11,087,041 | 10,178,394 | 9,564,948 | 8,898,601 | 10,842,196 |
| Capital Grants and Contributions | 1,082,376 | 2,643,766 | 4,047,867 | 3,513,632 | 1,516,820 | 1,771,776 | 456,927 | 867,341 | 1,143,363 | 2,317,723 |
| Total Governmental Activities Revenues | 30,892,913 | 27,812,757 | 27,704,252 | 20,839,967 | 18,400,247 | 19,690,645 | 17,550,781 | 19,746,974 | 16,801,411 | 20,187,141 |
| Program Revenues Over (Under) Expenses | (75,018,943) | (52,006,333) | (58,896,397) | (62,982,250) | (54,699,774) | (51,656,356) | (38,634,046) | (42,801,276) | (49,452,282) | (40,285,967) |
| Business-type Activities | | | | | | | | | | |
| Expenses | | | | | | | | | | |
| Parking Authority | 1,791,125 | 1,334,287 | 1,349,481 | 1,546,899 | 1,504,763 | - | - | - | - | - |
| Program revenues | 3,145,553 | 2,188,591 | 1,572,916 | 1,443,009 | 1,679,612 | - | - | - | - | - |
| Parking Authority | 1,354,428 | 854,304 | 223,435 | (103,890) | 174,849 | - | - | - | - | - |
| Program Revenues Over (Under) Expenses | - | - | - | - | - | - | - | - | - | - |
| Governmental Activities | | | | | | | | | | |
| General Revenues and Changes in Net Assets | | | | | | | | | | |
| Taxes | 8,202,476 | 7,341,680 | 7,424,000 | 7,158,077 | 6,845,272 | 7,101,877 | 6,566,434 | 6,701,787 | 6,392,706 | 6,085,654 |
| Real Property-Levied for General Purposes | 582,475 | 983,071 | 809,369 | 819,557 | 732,222 | 660,376 | 676,397 | 706,359 | 654,885 | 764,100 |
| Personal Property-Levied for General Purposes | 2,653,341 | 2,539,841 | 2,133,952 | 2,280,841 | 2,362,740 | 2,229,746 | 2,110,822 | 1,946,897 | 2,141,952 | 2,131,042 |
| Public Services | 156,884 | 157,069 | 122,205 | 86,840 | 68,619 | 84,652 | 73,367 | 82,872 | 72,843 | 65,134 |
| Taxes-Levied for Bank Deposits | 10,828,861 | 8,010,784 | 8,567,805 | 8,066,151 | 7,613,448 | 7,592,489 | 7,909,903 | 6,932,552 | 5,430,601 | 5,672,059 |
| Insurance Premium | 26,911,246 | 31,217,496 | 26,660,836 | 26,719,178 | 27,039,037 | 26,291,746 | 25,097,302 | 24,216,488 | 22,791,569 | 22,222,546 |
| Payroll | 5,452,266 | 4,659,654 | 3,879,759 | 4,080,042 | 3,597,615 | 2,980,516 | 3,325,037 | 2,924,268 | 3,161,057 | 2,829,873 |
| Net Profit | (357,891) | (4,294,468) | 560,021 | 543,726 | 750,298 | 208,636 | 222,575 | 164,973 | 3,932 | 4,287 |
| Investment Earnings (Loss) | 240,416 | - | - | - | - | - | - | - | - | - |
| Interest Income | 26,863,224 | 1,733,454 | 997,524 | 1,071,293 | 1,018,066 | 664,949 | 368,406 | 430,663 | 497,752 | 159,730 |
| Miscellaneous | (527,397) | 85,379 | 200,276 | 22,029 | - | - | - | - | - | (17,000) |
| Special Item | - | - | - | - | - | - | - | - | - | - |
| Total Governmental Activities | 80,856,387 | 52,711,229 | 51,355,790 | 50,848,334 | 50,027,317 | 47,814,987 | 46,350,243 | 44,106,859 | 41,147,297 | 39,917,425 |
| Business-type Activities | | | | | | | | | | |
| General Revenues and Changes in Net Assets | | | | | | | | | | |
| Investment Earnings | - | - | 43 | - | - | - | - | - | - | - |
| Interest Income | - | - | - | - | - | - | - | - | - | - |
| Total General Revenues and Transfers | - | - | - | - | - | - | - | - | - | - |
| Restatement | - | - | - | - | - | - | - | - | (982,647) | - |
| Change in Net Position | \$ 7,191,872 | \$ 1,559,200 | \$ (7,317,172) | \$ (12,237,806) | \$ (4,497,608) | \$ (3,841,369) | \$ 7,716,197 | \$ 1,305,583 | \$ (8,304,985) | \$ (368,542) |

CITY OF COVINGTON, KENTUCKY

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

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

CITY OF COVINGTON, KENTUCKY

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

| | Fiscal Year | | | | | | | | | |
|---|---------------------|-----------------------|------------------------|----------------------|---------------------|---------------------|-----------------------|---------------------|----------------------|-----------------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Revenues | | | | | | | | | | |
| Taxes | \$ 22,224,037 | \$ 18,979,995 | \$ 18,697,799 | \$ 18,175,073 | \$ 17,735,156 | \$ 17,119,584 | \$ 17,071,793 | \$ 16,042,423 | \$ 14,237,675 | \$ 14,291,815 |
| Licenses and Permits | 32,689,261 | 36,260,481 | 30,610,205 | 31,108,770 | 30,955,990 | 29,590,400 | 28,674,704 | 27,465,856 | 26,245,715 | 25,353,330 |
| Intergovernmental | 23,923,997 | 20,843,628 | 20,098,634 | 13,896,126 | 12,503,550 | 12,809,096 | 10,616,507 | 9,862,919 | 10,022,321 | 13,142,623 |
| Charges for Services | 779,071 | 5,580,851 | 5,505,042 | 4,393,449 | 4,593,760 | 5,413,149 | 6,028,757 | 7,863,434 | 5,409,631 | 5,936,837 |
| Fines and Forfeitures | 6,134,062 | 490,664 | 326,440 | 397,934 | 337,821 | 221,225 | 309,267 | 304,473 | 271,735 | 414,625 |
| Investment Earnings | (357,891) | (4,294,468) | 356,907 | 326,974 | 571,433 | 208,636 | 222,575 | 165,050 | 3,932 | 4,287 |
| Interest Revenue | 240,416 | 248,750 | 203,114 | 216,752 | 178,867 | - | - | - | - | - |
| Miscellaneous | 6,856,959 | 2,364,977 | 2,204,339 | 1,959,256 | 1,937,046 | 1,916,084 | 1,189,471 | 1,556,718 | 1,474,692 | 1,045,589 |
| Total Revenues | 92,489,912 | 80,474,878 | 78,002,480 | 70,474,334 | 68,813,623 | 67,278,174 | 64,113,074 | 63,260,873 | 57,665,701 | 60,189,106 |
| Expenditures | | | | | | | | | | |
| General Government | 8,157,477 | 6,186,416 | 5,876,054 | 6,024,385 | 5,898,144 | 6,015,240 | 5,846,967 | 6,583,585 | 4,405,392 | 8,990,541 |
| Police | 19,141,678 | 18,139,281 | 16,430,002 | 16,084,590 | 15,382,419 | 15,296,168 | 14,333,931 | 13,393,476 | 13,537,543 | 13,945,665 |
| Fire | 19,724,581 | 19,299,020 | 17,179,503 | 16,546,025 | 15,104,657 | 14,355,370 | 13,333,336 | 12,897,476 | 13,190,569 | 12,745,412 |
| General Service | 11,254,204 | 12,011,366 | 12,046,457 | 9,719,958 | 9,166,811 | 8,116,595 | 6,752,337 | 5,863,844 | 12,877,279 | 8,816,579 |
| Community Development (includes recreation in 2014) | 13,982,394 | 11,622,857 | 11,714,752 | 10,609,180 | 10,128,614 | 9,623,457 | 9,856,641 | 9,397,002 | 9,162,917 | 10,864,968 |
| Parking Garage | - | - | - | - | - | 900,712 | 868,353 | 774,460 | 738,147 | 731,835 |
| Debt Service | - | - | - | - | - | - | - | - | - | - |
| Principal | 3,912,000 | 3,660,406 | 3,226,422 | 3,500,011 | 3,689,017 | 3,932,977 | 12,233,087 | 3,103,572 | 16,910,676 | 2,771,777 |
| Interest and Other Charges | 1,774,782 | 1,779,958 | 1,746,281 | 1,443,955 | 1,533,222 | 1,682,726 | 1,788,432 | 2,116,885 | 1,963,945 | 1,754,969 |
| Bond Issuance Costs | 7,667,281 | 315,355 | 31,662 | - | - | - | 252,629 | - | 852,255 | - |
| Capital Outlay | - | 9,288,351 | 28,589,684 | 10,266,703 | 4,850,317 | 4,603,398 | 13,487,402 | 5,209,330 | 1,760,569 | 8,135,571 |
| Total Expenditures | 85,614,397 | 82,303,010 | 96,850,817 | 74,194,807 | 65,753,201 | 64,526,643 | 78,753,115 | 59,339,154 | 75,404,292 | 68,757,317 |
| Excess (Deficit) of Revenues Over Expenditures | 6,875,515 | (1,828,132) | (18,848,337) | (3,720,473) | 3,060,422 | 2,751,531 | (14,640,041) | 3,921,719 | (17,738,591) | (8,568,211) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Proceeds From Issuance of Debt | 250,619 | 101,381 | 300,000 | 30,030,000 | - | - | 12,976,165 | 4,000,000 | 15,070,295 | - |
| Proceeds From Bond Refinancing | - | 11,723,726 | - | - | - | - | - | - | 14,524,705 | - |
| Premiums on the Issuance of Debt | - | - | - | - | - | - | - | - | 230,696 | - |
| Bond refunding | - | (11,977,497) | - | - | - | - | - | - | - | - |
| Transfers In | 13,350,681 | 9,891,158 | 10,348,269 | 7,221,148 | 4,871,102 | 6,907,113 | 6,743,730 | 3,168,184 | 799,305 | 1,387,729 |
| Transfer Out | (15,350,681) | (9,991,158) | (11,436,820) | (8,866,148) | (5,342,983) | (7,257,113) | (7,802,207) | (4,533,184) | (1,909,786) | (2,361,142) |
| Lending | - | - | - | - | - | - | - | (4,000,000) | - | - |
| Proceeds from Sale of Assets | 83,612 | 194,719 | 255,259 | 210,561 | 50,260 | 67,664 | 141,591 | 775,038 | 299,127 | 33,684 |
| Total Other Financing Sources (Uses) | (1,665,769) | (57,671) | (533,292) | 28,595,561 | (421,697) | (282,336) | 12,059,279 | (589,962) | 29,014,342 | (939,729) |
| Special Item | - | - | - | - | - | - | - | - | - | (17,000) |
| Restatement | - | - | - | - | - | - | - | - | 387,988 | - |
| Increase (Decrease) in Fund Balance | \$ 5,209,746 | \$ (1,885,803) | \$ (19,381,629) | \$ 24,875,088 | \$ 2,638,725 | \$ 2,469,195 | \$ (2,580,762) | \$ 3,331,757 | \$ 11,663,739 | \$ (9,524,940) |
| Debt Service as a Percentage of Non-Capital Expenditures | 15.60% | 7.88% | 7.33% | 7.73% | 8.57% | 9.37% | 21.48% | 9.74% | 27.06% | 8.03% |

CITY OF COVINGTON, KENTUCKY

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

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

CITY OF COVINGTON, KENTUCKY

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

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

Notes: Taxpayer information is listed alphabetically.

Source: City of Covington Finance Department

CITY OF COVINGTON, KENTUCKY

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

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

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

Values are stated in thousands of dollars

Tax rates are per \$100 of assessed value.

CITY OF COVINGTON, KENTUCKY

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

| Fiscal Year | City Direct Rate | School Districts | | | Totals | | | |
|-------------|------------------|-----------------------|---------------|---------------|------------------------|--------|----------------------------|--------|
| | | Covington Independent | Kenton County | Kenton County | Covington Schools Area | Other | Kenton County Schools Area | |
| 2023 | 0.2710 | 0.895 | 0.666 | 0.1440 | 0.115 | 0.1670 | 1.5920 | 1.3630 |
| 2022 | 0.3270 | 0.895 | 0.666 | 0.1440 | 0.115 | 0.1670 | 1.5920 | 1.3630 |
| 2021 | 0.3270 | 1.081 | 0.671 | 0.1540 | 0.119 | 0.1715 | 1.8525 | 1.4425 |
| 2020 | 0.3270 | 1.061 | 0.671 | 0.1590 | 0.122 | 0.1756 | 1.8446 | 1.4546 |
| 2019 | 0.3270 | 1.076 | 0.672 | 0.1590 | 0.122 | 0.1529 | 1.8369 | 1.4329 |
| 2018 | 0.3270 | 1.084 | 0.659 | 0.1550 | 0.122 | 0.1758 | 1.8638 | 1.4388 |
| 2017 | 0.3130 | 1.118 | 0.638 | 0.1480 | 0.122 | 0.1719 | 1.8869 | 1.4069 |
| 2016 | 0.3130 | 1.099 | 0.621 | 0.1480 | 0.122 | 0.1715 | 1.8535 | 1.3755 |
| 2015 | 0.3045 | 1.111 | 0.609 | 0.1480 | 0.122 | 0.1713 | 1.8653 | 1.3633 |
| 2014 | 0.3045 | 1.132 | 0.591 | 0.1480 | 0.122 | 0.1713 | 1.8778 | 1.3368 |

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

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

CITY OF COVINGTON, KENTUCKY

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

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

| Taxpayer | 2018 | | | 2017 | | | 2016 | | | 2015 | | | 2014 | | |
|---------------------------------------|------------------------|---|------|------------------------|---|------|------------------------|---|------|------------------------|---|------|------------------------|---|------|
| | Taxable Assessed Value | Percentage of Total City Taxable Assessed Value | Rank | Taxable Assessed Value | Percentage of Total City Taxable Assessed Value | Rank | Taxable Assessed Value | Percentage of Total City Taxable Assessed Value | Rank | Taxable Assessed Value | Percentage of Total City Taxable Assessed Value | Rank | Taxable Assessed Value | Percentage of Total City Taxable Assessed Value | Rank |
| Fidelity Properties Inc | \$ 204,181,958 | 9.29% | 1 | \$ 184,387,500 | 9.01% | 1 | \$ 184,246,829 | 9.08% | 1 | \$ 184,387,500 | 9.22% | 1 | \$ 184,387,500 | 9.77% | 1 |
| ARCP OFC Covington LLC | 82,625,000 | 3.76% | 2 | 82,625,000 | 4.04% | 2 | 82,625,000 | 4.07% | 2 | 82,625,000 | 4.07% | 2 | 82,625,000 | 4.39% | 2 |
| CPX-Rivercenter Development Corp | 58,055,000 | 2.64% | 3 | 76,991,700 | 3.76% | 3 | 76,340,000 | 3.76% | 3 | 82,842,400 | 4.14% | 2 | 82,844,400 | 4.39% | 2 |
| EHP Rivercenter Landmark | 33,578,000 | 1.53% | 4 | 33,578,000 | 1.64% | 4 | 33,578,000 | 1.66% | 4 | 33,578,000 | 1.68% | 3 | 33,578,000 | 1.78% | 3 |
| AHP KY Covington | - | 0.00% | - | - | 0.00% | - | 21,783,300 | 1.07% | 5 | 21,783,300 | 1.07% | 5 | - | 1.00% | - |
| OH-16 FO Cincinnati | 21,783,300 | 0.99% | 5 | 21,783,300 | 1.06% | 5 | - | 0.00% | - | - | 0.00% | - | - | 0.00% | - |
| Cambridge Preservation LP | - | 0.00% | - | 18,000,000 | 0.88% | 6 | 18,000,000 | 0.89% | 6 | 18,000,000 | 0.89% | 8 | 11,184,000 | 0.59% | 8 |
| Northern Kentucky Assisted Living LLC | - | 0.00% | - | 10,482,000 | 0.56% | 7 | 10,482,000 | 0.52% | 8 | 12,314,000 | 0.62% | 7 | 12,314,000 | 0.65% | 6 |
| Akins & Pearce Manufacturing | - | 0.00% | - | 12,454,000 | 0.61% | 8 | 11,460,000 | 0.57% | 7 | 9,550,000 | 0.48% | 9 | 7,916,000 | 0.42% | 9 |
| J & S Latonia Centre Ky LLC | - | 0.00% | - | 9,550,000 | 0.47% | 9 | 9,550,000 | 0.47% | 9 | 15,174,000 | 0.76% | 5 | 15,174,000 | 0.80% | 4 |
| FMR Kentucky I LLC | 10,482,000 | 0.49% | 9 | 7,916,000 | 0.39% | 10 | 6,824,500 | 0.34% | 10 | 32,965,500 | 1.65% | 4 | 14,960,900 | 0.79% | 5 |
| Truss Latonia Plaza KY LLC | 9,550,000 | 0.43% | 10 | - | 0.00% | - | - | 0.00% | - | 14,960,900 | 0.75% | 6 | 11,460,000 | 0.61% | 7 |
| CIP II Buckeye Hotel | 20,340,000 | 0.93% | 6 | - | 0.00% | - | - | 0.00% | - | 7,916,000 | 0.40% | 10 | 6,824,500 | 0.36% | 10 |
| Scott Street Land Co. Inc | 10,917,884 | 0.50% | 8 | - | 0.00% | - | - | 0.00% | - | - | 0.00% | - | - | 0.00% | - |
| Trustees Latonia Plaza KY LLC | 16,229,962 | 0.74% | 7 | - | 0.00% | - | - | 0.00% | - | - | 0.00% | - | - | 0.00% | - |
| Total | \$ 467,743,104 | 21.29% | | \$ 458,745,500 | 22.41% | | \$ 454,889,629 | 22.43% | | \$ 405,148,300 | 20.26% | | \$ 380,643,300 | 20.17% | |

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

Source: City of Covington Finance Department

CITY OF COVINGTON, KENTUCKY

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

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

Source: City of Covington Finance Department

CITY OF COVINGTON, KENTUCKY

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

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

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

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

CITY OF COVINGTON, KENTUCKY

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

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

Source: City of Covington Finance Department

CITY OF COVINGTON, KENTUCKY

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

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

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

Source: City of Covington Finance Department

CITY OF COVINGTON, KENTUCKY

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

| Fiscal Year | Population (a) | Personal Income (thousands of dollars) | Per Capita Personal Income (b) | Median Age (c) | School Enrollment (d) | Unemployment Rate (e) |
|--------------------|-----------------------|---|---------------------------------------|-----------------------|------------------------------|------------------------------|
| 2023 | 40,956 | 1,219,383 | 29,773 | 36.7 | 3,642 | 4.4% |
| 2022 | 40,837 | 1,185,825 | 29,038 | 36.7 | 3,796 | 4.3% |
| 2021 | 40,961 | 1,062,569 | 25,941 | 36.0 | 4,119 | 3.7% |
| 2020 | 40,552 | 982,210 | 24,221 | 36.0 | 3,950 | 5.6% |
| 2019 | 40,845 | 931,715 | 22,811 | 35.8 | 4,073 | 4.0% |
| 2018 | 40,766 | 903,008 | 22,151 | 35.6 | 3,910 | 3.6% |
| 2017 | 40,797 | 903,694 | 22,151 | 33.1 | 3,799 | 5.3% |
| 2016 | 40,997 | 842,406 | 20,548 | 35.5 | 4,165 | 4.4% |
| 2015 | 40,944 | 841,931 | 20,563 | 33.1 | 4,165 | 5.1% |
| 2014 | 40,713 | 837,181 | 20,563 | 33.1 | 4,165 | 6.5% |

Sources:

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

CITY OF COVINGTON, KENTUCKY

**Schedule 15 – Principal Employers
Current and Past Nine Fiscal Years**

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

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

Source: City of Covington Finance Department

CITY OF COVINGTON, KENTUCKY

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

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

Source: City of Covington Finance Department

CITY OF COVINGTON, KENTUCKY

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

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

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

Source: City of Covington Police and Fire Record Management System

CITY OF COVINGTON, KENTUCKY

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

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

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

CITY OF COVINGTON, KENTUCKY

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

(amounts in thousands)

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

Source: Kentucky local Debt Report

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

(1) Kenton County Treasurer's office

(2) Covington Independent School District, Finance Department

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

CITY OF COVINGTON, KENTUCKY

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

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

CITY OF COVINGTON, KENTUCKY

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

NOTE 1 BASIS OF PRESENTATION

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 INDIRECT COST RATE

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

NOTE 4 PASSTHROUGH ENTITIES

Passthrough entity numbers were presented when available.

NOTE 5 SUBRECIPIENTS

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

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

To the Mayor and City Commissioners
City of Covington, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Covington, Kentucky, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Covington, Kentucky's basic financial statements, and have issued our report thereon dated April 12, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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

Purpose of this Report

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



Crestview Hills, Kentucky
April 12, 2024

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

To the Mayor and City Commissioners
City of Covington, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Covington, Kentucky's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Covington, Kentucky's major federal programs for the year ended June 30, 2023. The City of Covington, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Covington, Kentucky complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Management's Responsibility

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

Report on Internal Control Over Compliance (Continued)

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

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

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

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
April 12, 2024

CITY OF COVINGTON, KENTUCKY

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

SECTION I -SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs

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

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

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

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

CITY OF COVINGTON, KENTUCKY

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

SECTION I – SUMMARY OF PRIOR YEAR AUDITOR’S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Finding 2022-001 – Significant Deficiency – Audit Adjustments

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

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

Finding 2022-002 – Significant Deficiency – Credit Card Controls

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

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

Finding 2022-003 – Significant Deficiency – Accounting Software Controls

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

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

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

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

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

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

APPENDIX D
CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024A
AND
TAXABLE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024B

STATEMENT OF INDEBTEDNESS

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

IN WITNESS WHEREOF, I have hereunto set my hand this October 22, 2024.

CITY OF COVINGTON, KENTUCKY

By: _____
Finance Director

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

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

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

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

APPENDIX E

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024A
AND
TAXABLE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024B**

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL FOR THE SERIES 2024A BONDS

The form of the legal approving opinion of Dinsmore & Shohl LLP, Bond Counsel for the Bonds, is set forth below. The actual opinion will be delivered on the date of delivery of the Series 2024A Bonds and may vary from the form set forth below in order to reflect circumstances, both factual and legal, at the time of such delivery. Recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in its approving legal opinion subsequent to the date of such opinion.

[Date of Delivery]

Ladies and Gentlemen:

We have examined the transcript of proceedings for the issue of \$12,055,000* General Obligation Refunding Bonds, Series 2024A (the “Series 2024A Bonds”) of the City of Covington, Kentucky (the “City”), dated October 22, 2024, numbered R-1 upward, respectively, and of denominations of \$5,000 and any integral multiple thereof. The Series 2024A Bonds mature, bear interest, and are subject to [mandatory and] optional redemption upon the terms set forth therein. We have also examined a specimen Series 2024A Bond.

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

1. The Series 2024A Bonds constitute valid obligations of the City in accordance with their terms, which, unless paid from other sources, are payable from taxes to be levied by the City without limitation as to rate.

2. Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the Series 2024A Bonds is excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Further, interest on the Series 2024A Bonds will not be treated as a specific item of tax preference in computing the federal alternative minimum tax imposed on individuals. In rendering the opinions set forth in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal or state tax consequences of purchasing, holding, or disposing of the Series 2024A Bonds.

3. The interest on the Series 2024A Bonds is not subject to taxation by the Commonwealth of Kentucky.

4. The Series 2024A Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

The City has not designated the Series 2024A Bonds as “qualified tax-exempt obligations” with respect to investments by certain financial institutions under Section 265 of the Code.

In giving this opinion, we have relied upon covenants and certifications of facts, estimates, and expectations made by officials of the City and others contained in the transcript, which we have not independently verified. It is to be understood that the enforceability of the Series 2024A Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws in effect from time to time affecting creditors’ rights, and to the exercise of judicial discretion.

Very truly yours,

* Preliminary; subject to change.

APPENDIX F

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024A
AND
TAXABLE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024B**

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL FOR THE SERIES 2024B BONDS

The form of the legal approving opinion of Dinsmore & Shohl LLP, Bond Counsel for the Bonds, is set forth below. The actual opinion will be delivered on the date of delivery of the Series 2024B Bonds and may vary from the form set forth below in order to reflect circumstances, both factual and legal, at the time of such delivery. Recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in its approving legal opinion subsequent to the date of such opinion.

[Date of Delivery]

Ladies and Gentlemen:

We have examined the transcript of proceedings relating to the issue of \$5,210,000* Taxable General Obligation Refunding Bonds, Series 2024B (the “Series 2024B Bonds”) of the City of Covington, Kentucky (the “City”), dated October 22, 2024, numbered R-1 upward, respectively, and of denominations of \$5,000 and any integral multiple thereof. The Series 2024B Bonds mature, bear interest, and are subject to [mandatory and] optional redemption upon the terms set forth therein. We have also examined a specimen Series 2024B Bond.

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

1. The Series 2024B Bonds constitute valid obligations of the City in accordance with their terms, which, unless paid from other sources, are payable from taxes to be levied by the City without limitation as to rate.
2. Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the Series 2024B Bonds is not excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). We express no other opinion as to the federal tax consequences of purchasing, holding, or disposing of the Series 2024B Bonds.
3. The interest on the Series 2024B Bonds is subject to taxation by the Commonwealth of Kentucky.
4. The Series 2024B Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

In giving this opinion, we have relied upon covenants and certifications of facts, estimates, and expectations made by officials of the City and others contained in the transcript, which we have not independently verified. It is to be understood that the enforceability of the Series 2024B Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws in effect from time to time affecting creditors’ rights, and to the exercise of judicial discretion.

Very truly yours,

* Preliminary; subject to change.

APPENDIX G

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024A
AND
TAXABLE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024B**

BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX H

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024A
AND
TAXABLE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024B**

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$12,055,000*

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024A**

AND

\$5,210,000*

**CITY OF COVINGTON, KENTUCKY
TAXABLE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024B**

Notice is hereby given that electronic bids will be received by the City of Covington, Kentucky (the “City”), (i) until 11:00 a.m., E.S.T., on October 8, 2024, (or at such later time and date announced at least 48 hours in advance via the BiDCOMP™/PARITY™ system) for the purchase of \$12,055,000* aggregate principal amount of the City’s General Obligation Refunding Bonds, Series 2024A (the “Series 2024A Bonds”), and (ii) until 11:30 a.m., E.S.T., on October 8, 2024 (or at such later time and date announced at least 48 hours in advance via the BiDCOMP™/PARITY™ system), for the purchase of \$5,210,000* aggregate principal amount of the City’s Taxable General Obligation Refunding Bonds, Series 2024B (the “Series 2024B Bonds” and, together with the Series 2024A Bonds, the “Bonds”). Alternatively, written and sealed or facsimile bids for the Bonds submitted by the designated times will be received by the Finance Director of the City at 20 West Pike Street, Covington, Kentucky 41011 (FAX: (859) 292-2131). Electronic bids for the Bonds must be submitted through the BiDCOMP™/PARITY™ system, as described herein. No other provider of electronic bidding services will be accepted. Bids will be opened and acted upon on October 8, 2024.

STATUTORY AUTHORITY, SECURITY, AND PURPOSE OF ISSUES

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

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

The Series 2024A Bonds are being issued for the purposes of (i) currently refunding all or a portion of the City’s outstanding General Obligation Bonds, Series 2014 dated August 15, 2014 (the “Series 2014A Bonds”), the proceeds of which were used (a) to finance the acquisition, construction, installation, and equipping of various public projects for the City, including infrastructure improvements, economic development and neighborhood revitalization projects, fleet and equipment upgrades, and various parks, facilities, and land improvements, (b) to fully refund a Lease Agreement dated as of September 12, 2008, by and between the City and the Kentucky League of Cities Funding Trust, the proceeds of which financed the acquisition, construction, installation, and equipping of public works vehicles, police cruisers, 911 dispatch equipment, fire pumpers, and energy savings related improvements, and (c) to pay the costs of issuance of the Series 2014A Bonds, and (ii) paying the costs of issuance of the Series 2024A Bonds.

The Series 2024B Bonds are being issued for the purposes of (i) currently refunding all or a portion of the City’s outstanding Taxable General Obligation Refunding Bonds, Series 2014B dated October 31, 2014 (the “Series 2014B Bonds”), the proceeds of which were used (a) to fully refund the City’s Taxable Variable Rate General Obligation Funding Bonds, Series 2004, the proceeds of which financed unfunded liabilities in the City’s police and firemen’s pension plan and the City’s employees’ retirement fund, and (b) to pay the costs of issuance of the Series 2014B Bonds, and (ii) paying the costs of issuance of the Series 2024B Bonds.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS, AND PAYING AGENT

The Bonds shall be dated their date of initial issuance and delivery and shall bear interest from such date. Interest on the Series 2024A Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2025. Interest on the Series 2024B Bonds is payable semiannually on each June 1 and December 1, commencing December 1, 2024.

* Preliminary, subject to change.

The Series 2024A Bonds are scheduled to mature on October 1, in each of the years as follows:

| <u>MATURITY</u> | <u>AMOUNT*</u> | <u>MATURITY</u> | <u>AMOUNT*</u> |
|-----------------|----------------|-----------------|----------------|
| October 1, 2025 | \$25,000 | October 1, 2035 | \$735,000 |
| October 1, 2026 | \$25,000 | October 1, 2036 | \$765,000 |
| October 1, 2027 | \$50,000 | October 1, 2037 | \$790,000 |
| October 1, 2028 | \$50,000 | October 1, 2038 | \$820,000 |
| October 1, 2029 | \$50,000 | October 1, 2039 | \$850,000 |
| October 1, 2030 | \$400,000 | October 1, 2040 | \$885,000 |
| October 1, 2031 | \$645,000 | October 1, 2041 | \$915,000 |
| October 1, 2032 | \$670,000 | October 1, 2042 | \$950,000 |
| October 1, 2033 | \$690,000 | October 1, 2043 | \$1,000,000 |
| October 1, 2034 | \$705,000 | October 1, 2044 | \$1,035,000 |

The Series 2024B Bonds are scheduled to mature on December 1, in each of the years as follows:

| <u>MATURITY</u> | <u>AMOUNT*</u> | <u>MATURITY</u> | <u>AMOUNT*</u> |
|------------------|----------------|------------------|----------------|
| December 1, 2024 | \$25,000 | December 1, 2032 | \$405,000 |
| December 1, 2025 | \$30,000 | December 1, 2033 | \$420,000 |
| December 1, 2026 | \$50,000 | December 1, 2034 | \$445,000 |
| December 1, 2027 | \$60,000 | December 1, 2035 | \$470,000 |
| December 1, 2028 | \$75,000 | December 1, 2036 | \$490,000 |
| December 1, 2029 | \$350,000 | December 1, 2037 | \$520,000 |
| December 1, 2030 | \$365,000 | December 1, 2038 | \$545,000 |
| December 1, 2031 | \$385,000 | December 1, 2039 | \$575,000 |

The Series 2024A Bonds maturing on and after October 1, 2033 are subject to optional redemption before maturity on and after October 1, 2032, and the Series 2024B Bonds maturing on and after December 1, 2033 are subject to optional redemption before maturity on and after December 1, 2032, in each case, in whole or in part, in such order of maturity as shall be designated in writing by the City and by lot within a maturity, at the election of the City upon thirty-five days' prior written notice to U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Paying Agent and Bond Registrar for the Bonds (the "Paying Agent and Bond Registrar"), at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest on such principal amount to the date of redemption.

At least thirty days before the redemption date of any Bonds, the Paying Agent and Bond Registrar shall cause a notice of such redemption, either in whole or in part, signed by the Paying Agent and Bond Registrar, to be mailed, first class, postage prepaid, to all of the registered owners of the Bonds to be redeemed at their addresses as they appear on the registration books kept by the Paying Agent and Bond Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption of Bonds for which such notice has been sent. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive number or letters, if any, of such Bonds to be redeemed.

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Bonds are as follows:

(A) The aggregate principal amount of the Series 2024A Bonds and the Series 2024B Bonds and the annual maturing principal amount of the Series 2024A Bonds and the Series 2024B Bonds (collectively, with respect to each series, the "Preliminary Amounts") offered for sale as set forth herein may be revised before the submission of bids for the purchase of the Series 2024A Bonds or the Series 2024B Bonds, as the case may be. Any such revisions (the "Revised Amounts") WILL BE GIVEN BY A NOTIFICATION PUBLISHED NO LATER THAN (1) 10:00 A.M., E.S.T., WITH RESPECT TO THE SERIES 2024A BONDS, OR (2) 10:30 A.M., E.S.T., WITH RESPECT TO THE SERIES 2024B BONDS, ON OCTOBER 8, 2024. If no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts and will remain as stated herein. BIDDERS SHALL SUBMIT BIDS BASED ON THE REVISED AMOUNTS, IF ANY. Any prospective bidders may request notification by facsimile transmission or by email of any revisions to the Preliminary Amounts, together with receipt of a revised Official Bid Form for the Series 2024A Bonds or the Series 2024B

Bonds, as applicable, by so advising and providing their telecopier number(s) or providing their email information to RSA Advisors, LLC, Lexington, Kentucky, the Municipal Advisor to the City, at (800) 255-0795, by (i) 10:00 a.m., E.S.T., with respect to the Series 2024A Bonds, or (ii) 10:30 a.m., E.S.T., with respect to the Series 2024B Bonds, on October 8, 2024.

(B) Electronic bids for the Series 2024A Bonds and the Series 2024B Bonds must be submitted through BiDCOMP™/PARITY™ system. No other provider of electronic bidding services will be accepted. A subscription to the BiDCOMP™/PARITY™ Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For purposes of the bidding process, the time maintained by BiDCOMP™/PARITY™ shall constitute the official time with respect to all bids, whether in electronic or written form. To the extent any instructions or directions of BiDCOMP™/PARITY™ conflict with the terms of these Official Terms and Conditions of Bond Sale, these Official Terms and Conditions of Bond Sale shall prevail. All electronic bids made through the facilities of BiDCOMP™/PARITY™ shall be deemed an offer to purchase the Series 2024A Bonds or the Series 2024B Bonds, as applicable, in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed and sealed written bids delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of prospective bidders. Notwithstanding the foregoing, non-electronic bids for the Series 2024A Bonds or Series 2024B Bonds may be submitted via facsimile or by hand delivery utilizing the applicable Official Bid Form. In addition, written bids (in a sealed envelope marked “Official Bid for Series 2024A Bonds” or “Official Bid for Series 2024B Bonds,” as the case may be) or facsimile bids for the Bonds by the designated time will be received by the Finance Director of the City at 20 West Pike Street, Covington, Kentucky 41011 (FAX: (859) 292-2131).

(C) Bidders for the Series 2024A Bonds are required to bid for the entire issue of Series 2024A Bonds at a minimum price of not less than \$11,813,900 (98.00% of par), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS. Bidders for the Series 2024B Bonds are required to bid for the entire issue of Series 2024B Bonds at a minimum price of not less than \$5,105,800 (98.00% of par), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.

(D) Interest rates for the Bonds must be in multiples of 0.125% and/or 0.05%. The rate on the Bonds in any maturity may be less than the rate on the Bonds for any preceding maturity. All Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

(E) The determination of the best bid for the purchase of the Series 2024A Bonds shall be made on the basis of all bids submitted for exactly \$12,055,000 aggregate principal amount of Series 2024A Bonds offered for sale hereunder and the determination of the best bid for the purchase of the Series 2024B Bonds shall be made on the basis of all bids submitted for exactly \$5,210,000 aggregate principal amount of Series 2024B Bonds offered for sale hereunder; provided that the City may adjust the principal amount of the Series 2024A Bonds or the Series 2024B Bonds awarded to the best bidder therefor downward by any amount, in increments of \$5,000 (the “Permitted Adjustment”). The price at which such adjusted principal amount of Series 2024A Bonds or Series 2024B Bonds, as the case may be, will be sold will be the same price per \$1,000 of Series 2024A Bonds or Series 2024B Bonds as the price per \$1,000 for the Series 2024A Bonds or Series 2024B Bonds bid, as the case may be. If the principal amount of any maturity of the Series 2024A Bonds or the Series 2024B Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter’s Discount on the Series 2024A Bonds or Series 2024B Bonds, as the case may be, as submitted by the successful bidder, shall be held constant. With respect to each series, the Underwriter’s Discount shall be defined as the difference between the purchase price of the Series 2024A Bonds or Series 2024B Bonds, as applicable, submitted by the successful bidder for such series and the price at which such Series 2024A Bonds or Series 2024B Bonds, as the case may be, will be issued to the public, calculated from information provided by the applicable bidder, divided by the par amount of the Series 2024A or Series 2024B Bonds, as applicable, bid.

While it is the City’s intention to sell and issue the approximate par amounts of the Bonds as set forth herein, there is no guarantee that adjustments or revisions may not be necessary in order to properly size the Bonds. Accordingly, the City reserves the right, in its sole discretion, to adjust up or down the original par amount of the Bonds per maturity, even if the issue size of the Bonds does not change from \$1. Among other factors the City may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds, is the size of individual maturities or sinking fund installments, assuring aggregate level debt service, and/or other preferences of the City.

In the event of any such adjustment and/or revision with respect to the Series 2024A Bonds or the Series 2024B Bonds, as the case may be, no rebidding for such series will be permitted, and the portion of such premium or discount (as may have been bid on the Series 2024A or Series 2024B Bonds, as applicable) shall be adjusted in the same proportion

as the amount of such revision in the par amount of the Series 2024A Bonds or Series 2024B Bonds, as the case may be, bears to the original par amount of such Bonds offered for sale.

The successful bidder for each series of Bonds will be notified by no later than 5:00 p.m. E.S.T., on October 8, 2024 of the exact revisions and/or the adjustment required with respect to such series of Bonds, if any.

(F) Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of Bonds scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such term Bonds scheduled in the year of maturity of the term Bonds, which principal amount shall mature in that year.

(G) The successful bidder for each series of the Bonds will be required to pay the cost for obtaining CUSIP identification numbers for such series of Bonds. CUSIP numbers will be printed on the Bonds at the expense of the City. Improper imprintation or the failure to imprint CUSIP numbers on the Bonds shall not constitute cause for a failure or refusal by the applicable purchaser to accept delivery of and to pay for such Bonds in accordance with the terms of any accepted proposal for the purchase of such Bonds.

(H) The City will provide the successful bidders with a Final Official Statement, in accordance with SEC Rule 15c2-12. The Final Official Statement will be provided in electronic form to the successful bidders, in sufficient time to meet the delivery requirements of the SEC and the Municipal Securities Rulemaking Board. The successful bidders will be required to pay for the printing of Final Official Statements.

(I) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder for each series of the Bonds will be required to wire transfer, to the order of the City, an amount equal to 2% of the amount of the principal amount of the Series 2024A Bonds or Series 2024B Bonds, as the case may be, awarded by the close of business on the day following the award. This good faith amount shall be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of the Series 2024A or Series 2024B Bonds, as applicable, when ready. With respect to each series of Bonds, the good faith amount will be applied (without interest) to the purchase price of such Bonds, upon the delivery of such Bonds to the successful bidder therefor. The successful bidder for each series of Bonds shall not be required to take delivery of and pay for the Series 2024A Bonds or Series 2024B Bonds, as the case may be, unless delivery is made within 45 days from the date the bid is accepted.

(J) The Depository Trust Company ("DTC"), New York, New York, will act as the securities depository for the Bonds. The Bonds will be issued as fully-registered securities, registered in the name of Cede & Co. (as DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is, in turn, to be recorded on the records of the Direct Participants or of securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). The Beneficial Owners of the Bonds will not receive written confirmation from DTC of their purchase, but are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into such transaction. Any transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. The successful bidder may also elect to notify the Municipal Advisor within 24 hours of the award that standard bond certificates be issued. If certificated Bonds are to be issued at the election of a successful bidder, the costs of printing such Bond Certificates shall be borne by such bidder.

(K) The City reserves the right to reject any bid, to waive any informality in a bid, or, upon 24 hours advance notice before the sale date given through BiDCOMP™/PARITY™ to postpone the sale date of either series of the Bonds.

The Series 2024A Bonds are offered for sale subject to the principal of and interest on the Series 2024A Bonds not being subject to federal income taxation, Kentucky income taxation, or Kentucky ad valorem taxation on the date of the delivery thereof to the successful bidder therefor, all in accordance with the final approving legal opinion with respect to the Series 2024A Bonds provided by Dinsmore & Shohl LLP, Covington, Kentucky, which opinion will be qualified in accordance with the section hereof entitled TAX TREATMENT.

The Series 2024B Bonds are offered for sale subject to the principal of and interest on the Series 2024B Bonds being subject to federal income taxation, but not being subject to Kentucky income taxation nor Kentucky ad valorem taxation on the date of the delivery thereof to the successful bidder therefor, all in accordance with the final approving legal opinion with respect to the Series 2024B Bonds provided by Dinsmore & Shohl LLP, Covington, Kentucky, which opinion will be qualified in accordance with the section hereof entitled TAX TREATMENT.

(L) Bidders are hereby advised that RSA Advisors, LLC has been employed as an independent registered municipal advisor in connection with the issuance of the Bonds. Their fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.

(M) The purchasers of the Bonds will be required to certify to the City regarding certain of their activities concerning any reoffering to the public of the Bonds, including any reoffering prices, which information shall also be made available to the Municipal Advisor immediately after the sale of the Bonds.

(N) Unless bids for the Bonds are rejected, the Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid result in the lowest true interest rate to be calculated as that rate (or yield) that, when used in computing the present worth of all payments of principal and interest on the applicable series of Bonds (compounded semiannually from the date of the applicable series of Bonds), produces an amount equal to the purchase price of the applicable series of Bonds. For purposes of calculating the true interest cost, the principal amount of any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the Bonds. If two or more bidders offer to purchase Bonds at the same lowest true interest cost, then the Finance Director or the City Manager, upon the advice of the Municipal Advisor, shall determine (in his sole discretion) which of the bidders shall be awarded such Bonds.

(O) Additional information regarding the Bonds, including the Preliminary Official Statement, the Official Terms and Conditions of Bond Sale, and the Official Bid Forms for the Bonds, may be obtained from the City's Municipal Advisor, RSA Advisors, LLC at 147 East Third Street, Lexington, Kentucky 40508, Telephone: (800) 255-0795. Further information regarding BiDCOMP™/PARITY™ may be obtained from BiDCOMP™/PARITY™, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: (800) 850-7422.

(P) At the election and cost of the purchaser of the Series 2024A Bonds or the Series 2024B Bonds, one or more maturities of the Series 2024A Bonds or Series 2024B Bonds, as the case may be, may be insured under a municipal bond insurance policy. In such event, the City agrees to cooperate with such purchaser to qualify the Series 2024A Bonds or Series 2024B Bonds, as the case may be, for bond insurance; provided, however, that the City will not assume any of the expenses incident to the issuance of such bond insurance policy, other than the costs for securing a rating of the Bonds from Moody's Investors Service, Inc.

(Q) The winning bidder for each series of the Bonds shall assist the City in establishing the issue price of the applicable series of the Bonds and shall execute and deliver to the City, on or before the closing date, an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or sale prices of the applicable series of Bonds, together with the supporting pricing wires or equivalent communications, substantially in the applicable form attached hereto as Exhibit A-1 or Exhibit A-2, as the case may be, with such modifications as may be appropriate or necessary, in the reasonable judgment of such winning bidder, the City, and Bond Counsel. All actions to be taken by the City under these Official Terms and Conditions of Bond Sale to establish the issue prices of the Bonds may be taken on behalf of the City by the City's Municipal Advisor identified herein and any notice or report to be provided to the City shall be provided to the City's Municipal Advisor.

The City intends that the provisions of Treasury Regulation § 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of each series of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- (1) the City shall disseminate these Official Terms and Conditions of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the City anticipates awarding the Series 2024A Bonds to the bidder who submits a firm offer to purchase the Series 2024A Bonds at the lowest true interest cost, and awarding the Series 2024B Bonds to the bidder who submits a firm offer to purchase the Series 2024B Bonds at the lowest true interest cost, all as set forth in these Official Terms and Conditions of Bond Sale.

Any bid submitted in accordance with these Official Terms and Conditions of Bond Sale shall be considered a firm offer for the purchase of the Series 2024A Bonds or the Series 2024B Bonds, as specified in the bid.

(R) If the competitive sale requirements are not satisfied for the Series 2024A Bonds or the Series 2024B Bonds, the City shall so advise the winning bidder for the affected series. Thereupon, the City will treat the initial offering price of such series of the Bonds to the public as of the sale date of any maturity of such Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). A bid for the Series 2024A Bonds or the Series 2024B Bonds, as the case may be, will not be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of such series of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the applicable series of Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of such series of Bonds.

If the competitive sale requirements are not satisfied for a series of the Bonds, the winning bidder for such series of Bonds shall assist the City in establishing the issue price of such Bonds and shall execute and deliver to the City, at closing, an “issue price” or similar certificate setting forth the hold-the-offering-price rule as the issue price of that maturity, in each case, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each CUSIP number within that maturity), substantially in the form attached hereto as Exhibit A-2, with any such modifications as may be appropriate or necessary in the reasonable judgment of such winning bidder, the City, and Bond Counsel.

(S) The City acknowledges that, in making the representations set forth above, each winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires; (ii) in the event a selling group has been created in connection with the initial sale of the applicable series of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires; and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the applicable series of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, any dealer who is a member of a selling group, or any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(T) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement, and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the applicable series of the Bonds to the public, and the related pricing wires, contains or will contain language obligating each underwriter, each dealer that is a member of any such selling group, and each broker-dealer that is a party to any such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires; and (ii) any agreement among underwriters relating to the initial sale of the applicable series of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to any retail distribution agreement to be employed in connection with the initial sale of such series of Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”) the City will agree, pursuant to a Continuing Disclosure Undertaking to be dated as of the date of issuance and delivery of the Bonds (the “Disclosure Undertaking”), to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board (the “MSRB”), or to any successor thereto for the purposes of the Rule, through the continuing disclosure service portal provided by the MSRB’s Electronic

Municipal Market Access (“EMMA”) system, as described in 1934 Act Release No. 59062, or any similar system acceptable to the Securities and Exchange Commission, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained in Appendix B and Appendix C to the Official Statement (the “Annual Financial Information”). The Annual Financial Information shall be provided on or before the March 1 following the end of the fiscal year ending on the preceding June 30, commencing with the fiscal year ended June 30, 2024; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the City;

(ii) to the MSRB through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
- (g) Modifications to rights of security holders, if material;
- (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
- (i) Defeasances;
- (j) Release, substitution, or sale of any property securing repayment of the securities, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership, or similar event of the City (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession of the assets and business of the City, but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming any plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);
- (m) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) Appointment of any successor or additional trustee or the change of name of any trustee, if material.
- (o) Incurrence of a material financial obligation by the City, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any financial obligation of the City, any of which affect security holders, if material; and
- (p) Default, event of acceleration, termination event, modification of terms, or any other similar events under the terms of any financial obligation of the City, any of which reflect financial difficulties.

(iii) to the MSRB, through EMMA, in a timely manner, notice of any failure (of which the City has knowledge) of the City to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

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

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

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds;
- (c) there are no liquidity providers applicable to the Bonds; and
- (d) there is no property securing the repayment of the Bonds.

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

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

TAX TREATMENT

Tax Treatment of the Series 2024A Bonds

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Series 2024A Bonds will be excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”). Bond Counsel is also of the opinion that the interest on the Series 2024A Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In addition, Bond Counsel is also of the opinion that interest on the Series 2024A Bonds is exempt from Kentucky income taxation and that the Series 2024A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The City has not designated the Series 2024A Bonds as “qualified tax-exempt obligations” within the meaning of Section 265 of the Code.

A copy of the approving legal opinion of Bond Counsel with respect to the Series 2024A Bonds is set forth in Appendix E to the Official Statement.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of interest on certain obligations, such as the Series 2024A Bonds, from gross income for federal income tax purposes. The City has covenanted to comply with certain restrictions designed to ensure that interest on the Series 2024A Bonds will not be includable in gross income for federal income tax purposes. Any failure to comply with these covenants could result in the interest on the Series 2024A Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the issue date of the Series 2024A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2024A Bonds may adversely affect the tax status of the interest on the Series 2024A Bonds.

Certain requirements and procedures contained or referred to in the Series 2024A Bonds and any other relevant documents with respect thereto may be changed, and certain actions (including, without limitation, the defeasance of the Series 2024A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinions as to any Series 2024A Bonds or the tax status of the interest thereon if any such change occurs or if any such action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that interest on the Series 2024A Bonds will be excludible from gross income for federal income tax purposes and that interest on the Series 2024A Bonds will be excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2024A Bonds may otherwise affect the federal, state, or local tax liabilities of the holders of the Series 2024A Bonds. The nature and extent of these tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion, and each Bondholder or potential Bondholder is urged to consult with its tax counsel with respect to the effects of purchasing, holding, or disposing of the Series 2024A Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Series 2024A Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, (i) increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, (ii) increasing the federal tax liability of certain insurance companies under Section 832 of the Code, (iii) increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code, (iv) increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code, and (v) limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Series 2024A Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Series 2024A Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series 2024A Bonds.

Tax Treatment of the Series 2024B Bonds

IN THE OPINION OF BOND COUNSEL FOR THE BONDS, BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS, AND COURT DECISIONS, THE SERIES 2024B BONDS ARE TAXABLE DEBT INSTRUMENTS FOR FEDERAL AND KENTUCKY INCOME TAX PURPOSES AND AS SUCH, BOND COUNSEL IS OF THE OPINION THAT INTEREST ON THE SERIES 2024B BONDS IS **NOT** EXCLUDIBLE FROM GROSS INCOME FOR FEDERAL AND KENTUCKY INCOME TAX PURPOSES. OWNERS OF THE SERIES 2024B BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF THE SERIES 2024B BONDS. Notwithstanding the foregoing, the Series 2024B Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

In general, all interest paid on the Series 2024B Bonds, including original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Series 2024B Bonds, and all principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

A copy of the approving legal opinion Bond Counsel will deliver in connection with the Series 2024B Bonds is set forth in Appendix F to the Official Statement.

A discussion of certain anticipated federal income tax consequences of the purchase, ownership, and disposition of the Series 2024B Bonds is set forth in the Official Statement under the heading "TAX TREATMENT – Tax Treatment of the Series 2024B Bonds."

/s/ Joseph U. Meyer

Mayor,
City of Covington, Kentucky

EXHIBIT A-1

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of at least three qualified bids for the Bonds]

ISSUE PRICE CERTIFICATE

Dated October 22, 2024

Re: \$[Final Par] City of Covington, Kentucky [Taxable] General Obligation Refunding Bonds,
Series 2024[A/B], dated October 22, 2024

The undersigned, on behalf of [Underwriter Name] (the “Underwriter”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned bonds (the “Bonds”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in Schedule I attached hereto (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. A true and correct copy of the bid provided by the Underwriter to purchase the Bonds is attached hereto as Schedule II.

(b) The Underwriter was not given the opportunity to review any other bids prior to submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. Yield on the Bonds. It computed the yield on the Bonds, [Yield]%, as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds, is the Expected Offering Prices, determined without taking into account issuance expenses and Underwriter’s discount.

3. Weighted Average Maturity. The weighted average maturity of the Bonds has been calculated to be [WAM] years. The weighted average maturity is the sum of the products of the respective Expected Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Expected Offering Prices of the Bonds as of the date hereof.

4. Defined Terms.

(a) *Issuer* means the City of Covington, Kentucky.

(b) *Maturity* means any Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, a trust, an estate, a partnership, a company, an association, or a corporation) other than an Underwriter or a related party to an Underwriter. The term “related party,” for the purposes of this certificate, generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 8, 2024.

(e) *Underwriter* means (i) any person that agrees, under a written contract with the Issuer (or the lead underwriter to form an underwriting syndicate), to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees, under a written contract, directly or indirectly, with a person described in clause (i) of this paragraph,

to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing contained in this certificate represents the Underwriter's interpretation of any laws, including, specifically, Section 103 and Section 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued thereunder. The Underwriter understands that the information set forth in this certificate will be relied upon (i) by the Issuer with respect to certain representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and (ii) by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and any other federal income tax advice that it may give to the Issuer from time to time in connection with the Bonds.

[UNDERWRITER NAME]

By: _____

Name: _____

Title: _____

SCHEDULE I
TO
ISSUE PRICE CERTIFICATE
EXPECTED OFFERING PRICES

(See attachment)

SCHEDULE II
TO
ISSUE PRICE CERTIFICATE

COPY OF BID

(See attachment)

EXHIBIT A-2

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of less than three qualified bids for the Bonds]

ISSUE PRICE CERTIFICATE

Dated October 22, 2024

Re: \$[Final Par] City of Covington, Kentucky [Taxable] General Obligation Refunding Bonds,
Series 2024[A/B], dated October 22, 2024

The undersigned, [Underwriter Name] (the “Transaction Underwriter”), hereby certifies as set forth below with respect to the sale of the above-captioned bonds (the “Bonds”).

1. Issue Price.

(a) As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule I attached hereto (the “Sale Price,” as applicable to each Maturity of the General Rule Maturities).

(b) The Transaction Underwriter offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule I attached hereto (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule II.

(c) As set forth in the Official Terms and Conditions of Bond Sale, the Transaction Underwriter has agreed in writing that (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Under the Official Terms and Conditions of Bond Sale or any selling group agreement or any third-party distribution agreement, no Underwriter (as defined herein) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

(d) The aggregate of the Sale Prices of the General Rule Maturities and the Initial Offering Prices of the Hold-the-Offering-Price Maturities is \$[Issue Price] (the “Issue Price”).

2. Yield on the Bonds. It computed the yield on the Bonds, [Yield]%, as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds, is the Issue Price, determined without taking into account issuance expenses and Underwriter’s discount.

3. Weighted Average Maturity. The weighted average maturity of the Bonds has been calculated to be [WAM] years. The weighted average maturity is the sum of the products of the respective Sale Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Sale Price of the Bonds as of the date hereof.

4. Defined Terms.

(a) *General Rule Maturities* means those Maturities of the Bonds listed as the “General Rule Maturities” in Schedule I attached hereto.

(b) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed as the “Hold-the-Offering Price Maturities” in Schedule I attached hereto.

(c) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day following the Sale Date (October 15, 2024), or (ii) the date on which the Transaction Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) *Issuer* means the City of Covington, Kentucky.

(e) *Maturity* means any Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or any Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(f) *Official Terms and Conditions of Bond Sale* means the Official Terms and Conditions of Bond Sale prepared for distribution to potential bidders prior to the Sale Date of the Bonds.

(g) *Public* means any person (including an individual, a trust, an estate, a partnership, a company, an association, or a corporation) other than an Underwriter or a related party to an Underwriter. The term “related party,” for the purposes of this certificate, generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(h) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is October 8, 2024.

(i) *Underwriter* means (i) any person that agrees, under a written contract with the Issuer (or the lead underwriter to form an underwriting syndicate), to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees, under a written contract, directly or indirectly, with a person described in clause (i) of this paragraph, to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing contained in this certificate represents the Transaction Underwriter’s interpretation of any laws, including, specifically, Section 103 and Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations issued thereunder. The Transaction Underwriter understands that the foregoing information will be relied upon (i) by the Issuer with respect to certain representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and (ii) by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and any other federal income tax advice that it may give to the Issuer from time to time in connection with the Bonds. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose.

[TRANSACTION UNDERWRITER NAME]

By: _____

Name: _____

Title: _____

SCHEDULE I
TO
ISSUE PRICE CERTIFICATE

SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE BONDS

General Rule Maturities

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | Actual Sale Price of <u>First 10%</u> | <u>Issue Price</u> | <u>CUSIP</u> |
|----------------------|-------------------------|----------------------|---|--------------------|--------------|
|----------------------|-------------------------|----------------------|---|--------------------|--------------|

Hold-the-Offering-Price Maturities

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | Initial <u>Offering Price</u> | <u>Issue Price</u> | <u>CUSIP</u> |
|----------------------|-------------------------|----------------------|----------------------------------|--------------------|--------------|
|----------------------|-------------------------|----------------------|----------------------------------|--------------------|--------------|

APPENDIX I

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024A
AND
TAXABLE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024B**

OFFICIAL BID FORM FOR THE SERIES 2024A BONDS

OFFICIAL BID FORM

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024A**

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$12,055,000* aggregate principal amount of General Obligation Refunding Bonds, Series 2024A (the “Series 2024A Bonds”), dated their date of initial issuance and delivery, offered for sale by the City of Covington, Kentucky (the “City”) under and in accordance with the Preliminary Official Statement for the Bonds dated September 30, 2024 and the Notice of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Series 2024A Bonds.

We hereby bid for the \$12,055,000* principal amount of Series 2024A Bonds, the total sum of \$_____ (not less than \$11,813,900) at the following annual rate(s), payable semiannually (rates of any maturity may be less than any preceding maturity, number of interest rates unlimited):

| MATURITY | AMOUNT* | INTEREST RATE | MATURITY | AMOUNT* | INTEREST RATE |
|-----------------|----------------|----------------------|-----------------|----------------|----------------------|
| October 1, 2025 | \$25,000 | _____ % | October 1, 2035 | \$735,000 | _____ % |
| October 1, 2026 | \$25,000 | _____ % | October 1, 2036 | \$765,000 | _____ % |
| October 1, 2027 | \$50,000 | _____ % | October 1, 2037 | \$790,000 | _____ % |
| October 1, 2028 | \$50,000 | _____ % | October 1, 2038 | \$820,000 | _____ % |
| October 1, 2029 | \$50,000 | _____ % | October 1, 2039 | \$850,000 | _____ % |
| October 1, 2030 | \$400,000 | _____ % | October 1, 2040 | \$885,000 | _____ % |
| October 1, 2031 | \$645,000 | _____ % | October 1, 2041 | \$915,000 | _____ % |
| October 1, 2032 | \$670,000 | _____ % | October 1, 2042 | \$950,000 | _____ % |
| October 1, 2033 | \$690,000 | _____ % | October 1, 2043 | \$1,000,000 | _____ % |
| October 1, 2034 | \$705,000 | _____ % | October 1, 2044 | \$1,035,000 | _____ % |

The Series 2024A Bonds maturing in the following years _____ are sinking fund redemption amounts for term bonds due October 1, 20___. The Series 2024A Bonds maturing in the following years _____ are sinking fund redemption amounts for term bonds due October 1, 20__.

Bids may be submitted electronically via the BiDCOMP™/PARITY™ system in accordance with the Official Terms and Conditions of Bond Sale for the Series 2024A Bonds, until the appointed date and time, but no bids will be received after such time. Notwithstanding the foregoing, completed bid forms for the Series 2024A Bonds may also be submitted until the appointed date and time (i) in a sealed envelope marked “Official Bid for Series 2024A Bonds,” or (ii) by facsimile transmission, and, in each case, delivered to the office of the Finance Director of the City at 20 West Pike Street, Covington, Kentucky 41011 (FAX: (859) 292-2131). Neither the City nor RSA Advisors, LLC, the independent registered municipal advisor to the City, assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment will be available to accept all facsimile transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or have been delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone.

We understand this bid may be accepted with variations in maturing amounts at the same price per \$1,000 of Series 2024A Bonds, with the variation in such amount occurring in any maturity of all maturities, such variations to be determined by the City at the time of acceptance of the best bid.

It is understood that the City will furnish the final, approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel, Covington, Kentucky, concurrently with the delivery of the Series 2024A Bonds.

No certified or bank cashier’s check will be required to accompany the bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Series 2024A Bonds awarded by the close of business on the day following the award. The good faith amount will be applied (without interest) to the purchase price when the Series 2024A Bonds are tendered for delivery.

* Preliminary, subject to change.

If we are the successful bidder, we agree to accept and make payment for the Series 2024A Bonds in federal funds within forty-five days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

Bidder

Address

By: _____
Signature

Total interest cost: Date of Delivery (estimated to be October 22, 2024) to Final Maturity \$ _____
 (Less Premium) or Plus Discount, if any \$ _____
 Aggregate interest cost \$ _____
 True interest cost (i.e., TIC) _____%

The above computation of true interest cost is submitted for informational purposes only and is not a part of this Bid.

Accepted by the Finance Director of the City of Covington, Kentucky for \$ _____ principal amount of Series 2024A Bonds at the price of \$ _____, as follows:

| MATURITY | AMOUNT | INTEREST RATE | MATURITY | AMOUNT | INTEREST RATE |
|-----------------|---------------|----------------------|-----------------|---------------|----------------------|
| October 1, 2025 | \$ _____ | _____ % | October 1, 2035 | \$ _____ | _____ % |
| October 1, 2026 | \$ _____ | _____ % | October 1, 2036 | \$ _____ | _____ % |
| October 1, 2027 | \$ _____ | _____ % | October 1, 2037 | \$ _____ | _____ % |
| October 1, 2028 | \$ _____ | _____ % | October 1, 2038 | \$ _____ | _____ % |
| October 1, 2029 | \$ _____ | _____ % | October 1, 2039 | \$ _____ | _____ % |
| October 1, 2030 | \$ _____ | _____ % | October 1, 2040 | \$ _____ | _____ % |
| October 1, 2031 | \$ _____ | _____ % | October 1, 2041 | \$ _____ | _____ % |
| October 1, 2032 | \$ _____ | _____ % | October 1, 2042 | \$ _____ | _____ % |
| October 1, 2033 | \$ _____ | _____ % | October 1, 2043 | \$ _____ | _____ % |
| October 1, 2034 | \$ _____ | _____ % | October 1, 2044 | \$ _____ | _____ % |

Finance Director,
City of Covington, Kentucky

Dated: October __, 2024

APPENDIX J

**CITY OF COVINGTON, KENTUCKY
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024A
AND
TAXABLE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024B**

OFFICIAL BID FORM FOR THE SERIES 2024B BONDS

OFFICIAL BID FORM

**CITY OF COVINGTON, KENTUCKY
TAXABLE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2024B**

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$5,210,000* aggregate principal amount of Taxable General Obligation Refunding Bonds, Series 2024B (the “Series 2024B Bonds”), dated their date of initial issuance and delivery, offered for sale by the City of Covington, Kentucky (the “City”) under and in accordance with the Preliminary Official Statement for the Series 2024B Bonds dated September 30, 2024 and the Notice of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Series 2024B Bonds.

We hereby bid for the \$5,210,000* principal amount of Series 2024B Bonds, the total sum of \$_____ (not less than \$5,105,800) at the following annual rate(s), payable semiannually (rates of any maturity may be less than any preceding maturity, number of interest rates unlimited):

| MATURITY | AMOUNT* | INTEREST RATE | MATURITY | AMOUNT* | INTEREST RATE |
|------------------|----------------|--------------------------|------------------|----------------|--------------------------|
| December 1, 2024 | \$25,000 | _____ % | December 1, 2032 | \$405,000 | _____ % |
| December 1, 2025 | \$30,000 | _____ % | December 1, 2033 | \$420,000 | _____ % |
| December 1, 2026 | \$50,000 | _____ % | December 1, 2034 | \$445,000 | _____ % |
| December 1, 2027 | \$60,000 | _____ % | December 1, 2035 | \$470,000 | _____ % |
| December 1, 2028 | \$75,000 | _____ % | December 1, 2036 | \$490,000 | _____ % |
| December 1, 2029 | \$350,000 | _____ % | December 1, 2037 | \$520,000 | _____ % |
| December 1, 2030 | \$365,000 | _____ % | December 1, 2038 | \$545,000 | _____ % |
| December 1, 2031 | \$385,000 | _____ % | December 1, 2039 | \$575,000 | _____ % |

The Series 2024B Bonds maturing in the following years _____ are sinking fund redemption amounts for term bonds due December 1, 20___. The Series 2024B Bonds maturing in the following years _____ are sinking fund redemption amounts for term bonds due December 1, 20__.

Bids may be submitted electronically via the BiDCOMP™/PARITY™ system in accordance with the Official Terms and Conditions of Bond Sale for the Series 2024B Bonds, until the appointed date and time, but no bids will be received after such time. Notwithstanding the foregoing, completed bid forms for the Series 2024B Bonds may also be submitted until the appointed date and time (i) in a sealed envelope marked “Official Bid for Series 2024B Bonds,” or (ii) by facsimile transmission, and, in each case, delivered to the office of the Finance Director of the City at 20 West Pike Street, Covington, Kentucky 41011 (FAX: (859) 292-2131). Neither the City nor RSA Advisors, LLC, the independent registered municipal advisor to the City, assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment will be available to accept all facsimile transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or have been delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone.

We understand this bid may be accepted with variations in maturing amounts at the same price per \$1,000 of Series 2024B Bonds, with the variation in such amount occurring in any maturity of all maturities, such variations to be determined by the City at the time of acceptance of the best bid.

It is understood that the City will furnish the final, approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel, Covington, Kentucky, concurrently with the delivery of the Series 2024B Bonds.

No certified or bank cashier’s check will be required to accompany the bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Series 2024B Bonds awarded by the close of business on the day following the award. The good faith amount will be applied (without interest) to the purchase price when the Series 2024A Bonds are tendered for delivery.

* Preliminary, subject to change.

If we are the successful bidder, we agree to accept and make payment for the Series 2024B Bonds in federal funds within forty-five days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

Bidder

Address

By: _____
Signature

Total interest cost: Date of Delivery (estimated to be October 22, 2024) to Final Maturity \$ _____
 (Less Premium) or Plus Discount, if any \$ _____
 Aggregate interest cost \$ _____
 True interest cost (i.e., TIC) _____%

The above computation of true interest cost is submitted for informational purposes only and is not a part of this Bid.

Accepted by the Finance Director of the City of Covington, Kentucky for \$ _____ principal amount of Series 2024B Bonds at the price of \$ _____, as follows:

| MATURITY | AMOUNT | INTEREST RATE | MATURITY | AMOUNT | INTEREST RATE |
|------------------|---------------|----------------------|------------------|---------------|----------------------|
| December 1, 2024 | \$ _____ | _____ % | December 1, 2032 | \$ _____ | _____ % |
| December 1, 2025 | \$ _____ | _____ % | December 1, 2033 | \$ _____ | _____ % |
| December 1, 2026 | \$ _____ | _____ % | December 1, 2034 | \$ _____ | _____ % |
| December 1, 2027 | \$ _____ | _____ % | December 1, 2035 | \$ _____ | _____ % |
| December 1, 2028 | \$ _____ | _____ % | December 1, 2036 | \$ _____ | _____ % |
| December 1, 2029 | \$ _____ | _____ % | December 1, 2037 | \$ _____ | _____ % |
| December 1, 2030 | \$ _____ | _____ % | December 1, 2038 | \$ _____ | _____ % |
| December 1, 2031 | \$ _____ | _____ % | December 1, 2039 | \$ _____ | _____ % |

Finance Director,
City of Covington, Kentucky

Dated: October __, 2024