

**CITY OF ASHLAND**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2018**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

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## INDEPENDENT AUDITOR'S REPORT

Steve Gilmore, Mayor  
City Commissioners and City Manager  
City of Ashland  
Ashland, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Kentucky (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Kentucky as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As described in Note 17 to the financial statements, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, as amended by GASB Statement No. 85, *Omnibus 2017* effective July 1, 2017. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information, the Schedule of Employer Contributions and Investment Returns, the Schedule of Funding Progress, the Schedule of Changes in Net Pension Liabilities, the Schedule of City's Proportionate Share of the Net Pension and OPEB Liability and the Schedule of Pension and OPEB Contributions on pages 5 through 16 and on pages 70 through 79, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

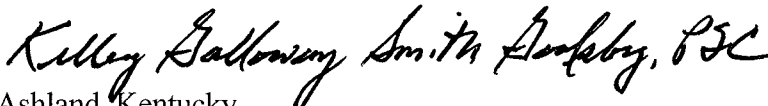
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statements and schedules contained on pages 80 through 86 and the Financial Data Schedule on pages 87 and 88 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.

The supplemental statements and schedules contained on pages 80 through 86, the Financial Data Schedule contained on pages 87 and 88 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 information is 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 December 6, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

  
Ashland, Kentucky  
December 6, 2018

## MANAGEMENT DISCUSSION AND ANALYSIS

The management discussion and analysis (MD&A) gives readers an overview and analysis of the financial position and activities of the City of Ashland (“Government”) for the fiscal year ended June 30, 2018. This information should be read in conjunction with the financial statements immediately following the analysis.

### FINANCIAL HIGHLIGHTS

- The assets of the Government exceeded its liabilities at the end of the fiscal year by \$52,546,802 (net position). Governmental activities’ unrestricted net position was (\$27,256,018). Business-type activities’ unrestricted net position was (\$13,927,397). Unrestricted net position may be used to meet the government’s ongoing obligations to citizens and creditors.
- The Government’s total net position decreased by (\$4,294,535). Net position of governmental activities decreased by (\$5,748,432) and net position of business-type activities increased by \$1,453,897.
- At June 30, 2018, the governmental activities had \$73,424,247 in assets and \$65,176,596 in liabilities. Business-type activities had \$65,407,150 in assets and \$37,153,169 in liabilities.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City’s basic financial statements, which consist of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

### REPORTING THE GOVERNMENT AS A WHOLE

This report is published under the standards for government financial reporting as prescribed by the Governmental Accounting Standards Board, Statement Number 34 (GASB 34). The reporting format consists of a series of financial statements that provide an overview of all services provided by or supported by the Government (the Government-wide Statements) and provides more detailed information about major programs of the Government (“the Fund Statements”).

These statements present a financial picture of the Government as a whole through the use of a consolidated statement of all funds and eliminating interfund transfers. The value of capital assets of governmental type operations is presented in this statement. The infrastructure assets for governmental type funds, including roads, bridges, sidewalks, etc., are reported and depreciated under these reporting standards. These reporting standards provide improved information to the reader.

Government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the revenues earned and expenses incurred in the fiscal year are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the Government’s assets, deferred outflows of resources, liabilities and deferred inflows of resources at the end of the fiscal year. Net position is the difference between assets and deferred outflows of resources vs. its liabilities and deferred inflows of resources. Over time, an increase or decrease in net position is one indicator of whether financial health is improving or deteriorating. Information on other factors such as changes in the revenue

structure and the condition of the Government's assets is also needed to assess the overall financial position of the Government.

The Statement of Activities presents revenues and expenses and shows how the government's net position changed during the most recent fiscal year, as well as any other transactions that increase or decrease net position. Program revenues are offset by program expenses to provide better information as to program costs financed by general government revenues.

The government-wide statements divide the Government's activities into two kinds of activities:

Governmental activities - Most of the Government's basic services are reported here, including general government, economic development, police, fire, public services and engineering. Property taxes, insurance tax and occupational license fees finance most of these activities.

Business-type activities - Activities primarily paid from charges and user fees cover the cost of services that are reported here. This includes water production, sanitary sewer services, Ashland bus system, recreation operating fund and cemetery fund.

### **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

Fund financial statements report the Government's operations in more detail than the government-wide statements by providing information about the Government's most significant funds. Some funds are required to be established by local law or by bond covenants. However, many other funds are established to help control and manage money for a particular purpose. These types of funds are presented in the fund financial statements: governmental funds, proprietary funds and fiduciary funds.

Governmental funds - Most of the Government's basic services are reported in the governmental funds. These statements provide a short-term view of general government operations and how these services are financed as well as the balances left at year end that are available for future spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash.

Proprietary funds - The Government charges fees for business-type services which are intended to cover the cost of providing those services. The governing body decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The subcategories of the funds include enterprise funds, which are business-type activities, and internal service funds, which report services provided to internal units of government. The proprietary funds are reported in the same way that all activities are reported in the government-wide statements but the fund statements provide more detail. The City considers the Utility Fund, Ashland Bus System, Recreation Operating Fund and Ashland Cemetery Fund to be its major proprietary funds.

Internal service funds - These funds are used to accumulate and allocate costs internally among the various functions or cost centers. The City uses an internal service fund to account for the employee health insurance, dental and life insurance benefits.

Notes to the financial statements - The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplemental Information* concerning the City's contributions to certain employees' pension plans and other post-employment benefits to its employees. Additionally, *Supplemental Information* includes more detail on the City's General Fund, details of the City's capital assets, statement of net position and revenue and expenditures for Ashland's Housing Authority.



## **THE GOVERNMENT AS A TRUSTEE**

The Government is trustee, or fiduciary, for two employees' pension plans, the Police and Firefighter's pension fund and the Utility employee pension fund. The fiduciary activities are reported separately. These activities are excluded from the other government-wide and fund statements because the Government cannot use these assets to finance its operations.

## **THE GOVERNMENT AS A WHOLE**

### **NET POSITION**

As of June 30, 2018, the Government as a whole had a net position greater than its liabilities by \$52,546,802. Net position of governmental activities was \$21,072,632 and decreased by (\$5,748,432) over the prior year. Fiscal year 2017 net position was restated due to the implementation of GASB Statement No. 75 as amended by GASB Statement No. 85. This restatement concerning other post-employment benefits reduced net position by (\$6,875,428). Other post-employment benefit liabilities have contributed significantly to the reduction in the City's net position. Property tax collections were short of revenue projections by \$64,687 as well as business license / net profits by \$72,280. Occupational license fee receipts due to focused collection efforts excelled once again this fiscal year for \$442,559 in additional revenue. A building and fencing were purchased for our recycling center. Eight police interceptors and one truck were purchased increasing our automotive assets. Streetscape projects and a city-wide phone system upgrade are restricted for capital projects in the amount of \$1,145,343. Of ending Governmental Activities Net Position, \$47,056,359, is invested in capital assets net of related debt; \$1,272,291, is restricted for capital projects and grant programs; and unrestricted net position is (\$27,256,018). Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repair this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The net position of the Government's business-type activities is \$31,474,170 and increased by \$1,453,897 over the prior year. Fiscal year 2017 net position was restated due to the implementation of GASB Statement No. 75 as amended by GASB Statement No. 85. This restatement concerning other post-employment benefits reduced net position by (\$2,697,068). Industrial meter sales and sewer service charges exceeded projections by \$319,252 due to meter replacements that were outdated and faulty. Consistent bulk water sales to Big Sandy Water, which began in Fiscal Year 2016, produced revenue of \$262,210. Unexpected revenue of \$132,854 was received for the fire at the Wastewater Plant from insurance claims and a reimbursement from Columbia Gas for repairs they performed that caused damages to our infrastructure. Utility Fund rates in all classes remained the same this fiscal year. The City Commission did not raise any utility rates as we continue to monitor area economic uncertainty with the idling of the AK Steel plant. Focus was placed on cost containment and capital purchases. Construction of the Water Distribution building and the CSO project on 29<sup>th</sup> Street continued placing an additional \$2,682,691 in construction-in-progress. Of the business-type net position, \$38,815,146 is net investment in capital assets and (\$13,927,397) is unrestricted. The largest portion of the City's combined net position reflects its investment in capital assets (land, buildings, machinery and equipment) less outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens, and as a result, these assets are not available for future spending. The City's capital asset investment is reported net of related debt, but the resources to pay this debt must be provided from other sources, since the capital assets cannot be used to liquidate the liabilities.

An additional portion of the City's business-type net position, \$6,586,421, represents resources that are subject to limitations on their use through legislation adopted by the City or through external restrictions. The largest restricted portion, \$5,257,086, is for sewer improvements.

ANALYSIS OF THE CITY'S NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017*	2018	2017*	2018	2017*
Current and other assets	\$ 14,654,479	\$ 10,852,895	\$ 13,470,766	\$ 15,779,086	\$ 28,125,245	\$ 26,631,981
Capital assets	58,769,768	59,280,157	51,936,384	50,273,176	110,706,152	109,553,333
Total assets	<u>73,424,247</u>	<u>70,133,052</u>	<u>65,407,150</u>	<u>66,052,262</u>	<u>138,831,397</u>	<u>136,185,314</u>
Deferred outflows of resources	<u>16,592,872</u>	<u>7,310,189</u>	<u>4,598,454</u>	<u>2,486,029</u>	<u>21,191,326</u>	<u>9,796,218</u>
Liabilities	4,849,582	3,879,688	2,298,247	4,796,915	7,147,829	8,676,603
Long-term liabilities	60,327,014	39,084,848	34,854,922	30,810,894	95,181,936	69,895,742
Total Liabilities	<u>65,176,596</u>	<u>42,964,536</u>	<u>37,153,169</u>	<u>35,607,809</u>	<u>102,329,765</u>	<u>78,572,345</u>
Deferred inflows of resources	<u>3,767,891</u>	<u>7,657,641</u>	<u>1,378,265</u>	<u>2,910,209</u>	<u>5,146,156</u>	<u>10,567,850</u>
Net position						
Net investment in capital assets	47,056,359	51,767,907	38,815,146	36,594,780	85,871,505	88,362,687
Restricted	1,272,291	1,328,056	6,586,421	7,738,541	7,858,712	9,066,597
Unrestricted	<u>(27,256,018)</u>	<u>(26,274,899)</u>	<u>(13,927,397)</u>	<u>(14,313,048)</u>	<u>(41,183,415)</u>	<u>(40,587,947)</u>
Total Net Position	<u>\$ 21,072,632</u>	<u>\$ 26,821,064</u>	<u>\$ 31,474,170</u>	<u>\$ 30,020,273</u>	<u>\$ 52,546,802</u>	<u>\$ 56,841,337</u>

\*As restated, June 30th, 2017

ANALYSIS OF THE CITY'S OPERATIONS

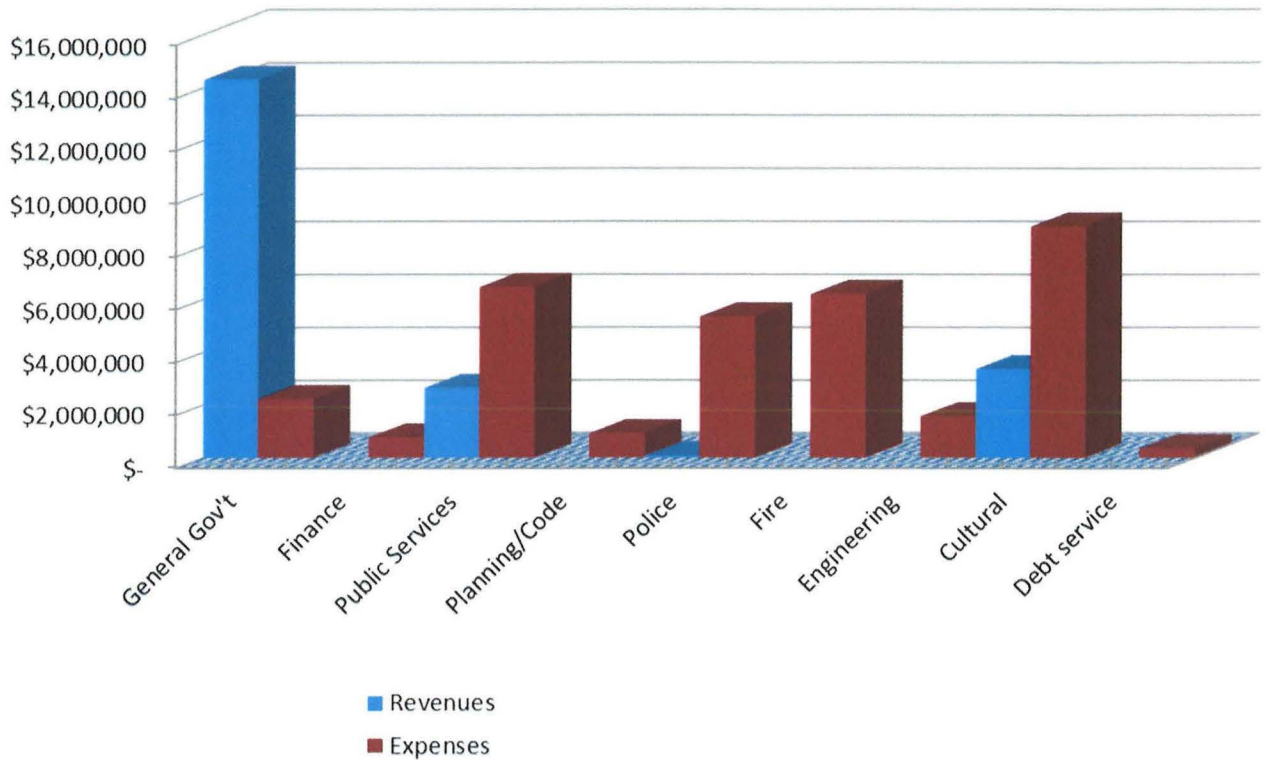
Revenues	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Taxes	\$ 7,837,931	\$ 8,248,971	\$ -	\$ -	\$ 7,837,931	\$ 8,248,971
Charges for Services	16,761,361	16,142,695	16,995,726	17,093,142	33,757,087	33,235,837
Operating Grants / Contr.	3,619,265	4,160,293	277,595	261,406	3,896,860	4,421,699
Capital Grants / Contr.	-	-	211,869	275,650	211,869	275,650
Other Income	137,887	425,555	887,967	825,893	1,025,854	1,251,448
<b>Total Revenue</b>	<b>28,356,444</b>	<b>28,977,514</b>	<b>18,373,157</b>	<b>18,456,091</b>	<b>46,729,601</b>	<b>47,433,605</b>

Expenses	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General Government	2,222,981	2,608,336	-	-	2,222,981	2,608,336
Finance	760,728	680,224	-	-	760,728	680,224
Public Services	6,456,885	6,026,093	-	-	6,456,885	6,026,093
Planning / Code	912,064	816,974	-	-	912,064	816,974
Police	6,759,240	5,744,758	-	-	6,759,240	5,744,758
Fire	8,103,647	6,811,004	-	-	8,103,647	6,811,004
Engineering	146,723	211,252	-	-	146,723	211,252
Community / Cultural	6,828,989	3,495,752	-	-	6,828,989	3,495,752
Debt Service	346,466	269,266	-	-	346,466	269,266
Utility Fund	-	-	15,775,239	15,345,611	15,775,239	15,345,611
Ashland Bus System	-	-	1,355,883	1,201,653	1,355,883	1,201,653
Recreation Operating Fund	-	-	1,046,238	985,140	1,046,238	985,140
Cemetery	-	-	309,053	313,839	309,053	313,839
<b>Total Expense</b>	<b>32,537,723</b>	<b>26,663,659</b>	<b>18,486,413</b>	<b>17,846,243</b>	<b>51,024,136</b>	<b>44,509,902</b>
Changes before transfers	(4,181,279)	2,313,855	(113,256)	609,848	(4,294,535)	2,923,703
Transfers	(1,567,153)	(1,538,299)	1,567,153	1,538,299	-	-
Change in Net Position	(5,748,432)	775,556	1,453,897	2,148,147	(4,294,535)	2,923,703
Net Position Beg of Year*	26,821,064	32,920,936	30,020,273	30,569,194	56,841,337	63,490,130
<b>Net Position End of Year</b>	<b>\$ 21,072,632</b>	<b>\$ 33,696,492</b>	<b>\$ 31,474,170</b>	<b>\$ 32,717,341</b>	<b>\$ 52,546,802</b>	<b>\$ 66,413,833</b>

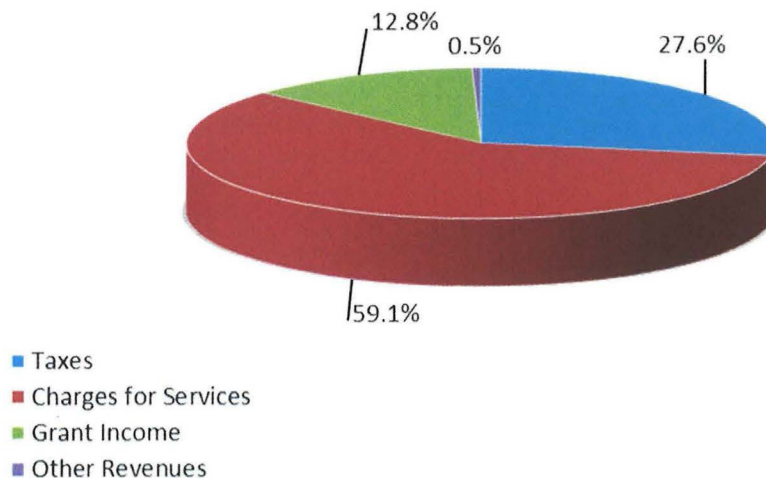
\*As restated, June 30th, 2017

**GOVERNMENTAL ACTIVITIES**

**EXPENSES AND PROGRAM REVENUES-  
GOVERNMENTAL ACTIVITIES**

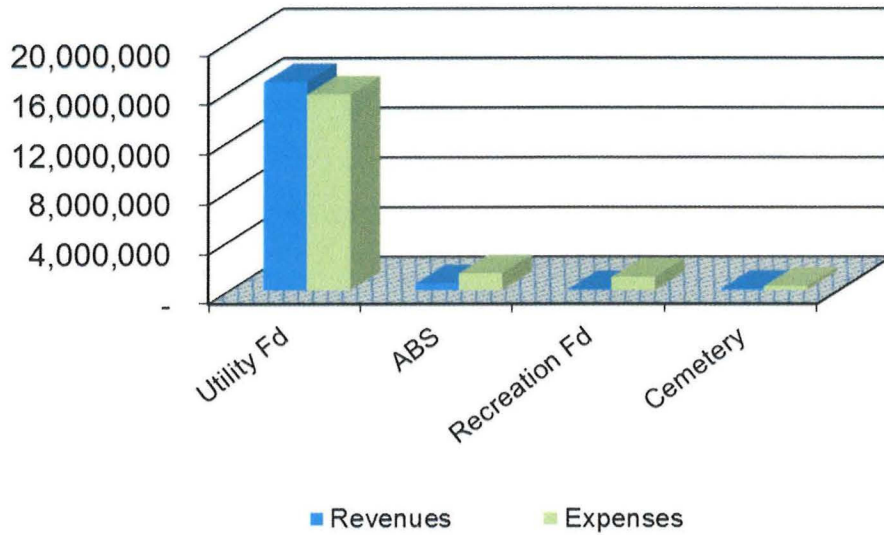


**REVENUE BY SOURCE - GOVERNMENT ACTIVITIES**

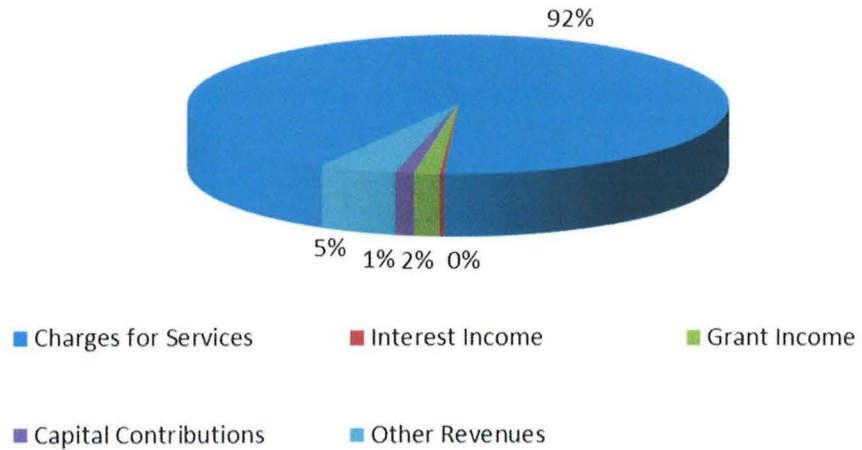


**BUSINESS-TYPE ACTIVITIES**

**EXPENSES AND REVENUES - BUSINESS-TYPE ACTIVITIES**



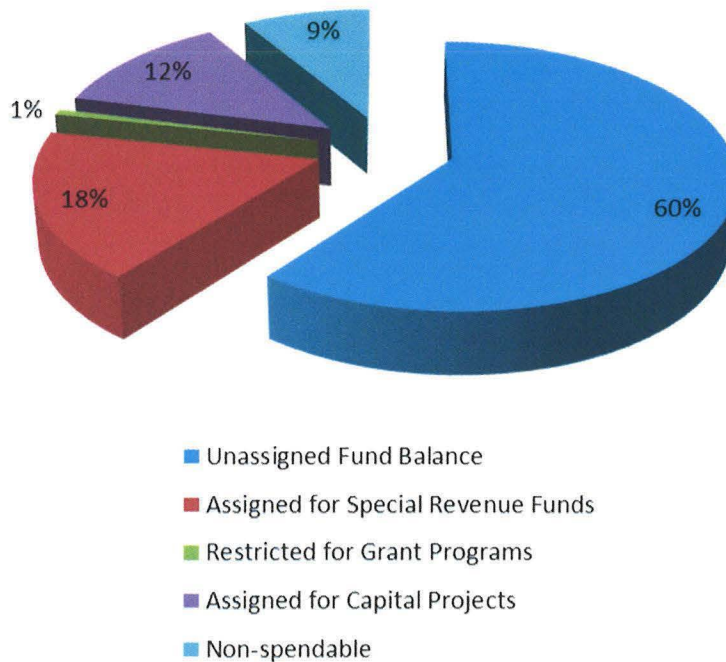
**REVENUE BY SOURCE - BUSINESS -TYPE ACTIVITIES**



**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

A. The focus of the City's governmental funds is to provide information on near-term inflows or outflows and balances of spendable resources which are useful in determining the City's financing requirements. Unassigned fund balance serves as a useful measure of the City's net resources available for spending at the end of the fiscal year. At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$9,717,794. Of this total, \$5,876,507, or 60%, is unassigned fund balance. The remainder of fund balance is assigned / non-spendable / restricted to indicate it is not available for new spending because it has previously been restricted. Fiscal Year 2018 reports assigned for special revenue funds at \$1,739,859, restricted for grant programs at \$68,239, non-spendable at \$829,137 and assigned for capital projects at \$1,204,052. The increase in the governmental funds assigned for capital projects is due to \$234,624 for phone equipment and \$969,428 for Streetscape Improvements. Assigned for special revenue funds increased this year as the City created a Tax Increment Financing district for infrastructure improvements to transform the existing Ashland Plaza Hotel into a Marriott Delta.

**Ending Fund Balances Governmental Activities**



**MAJOR GOVERNMENTAL FUNDS**

For the year ending June 30, 2018, the major governmental funds reported as follows:

The General Fund had revenues of \$24,311,481, expenditures of \$20,564,450 and net other financing uses of \$2,879,479. The total fund balance was \$6,708,220.

The Tax Increment Finance Fund had revenues of \$1,535, expenditures of \$3,390,754 and net other financing sources of \$4,685,872. The total fund balance was \$1,296,653.

The Municipal Aid Road Fund had revenues of \$438,449 and expenditures of \$287,473. The total fund balance was \$189,875.

The Floodwall Operating Fund had revenues of \$241,134 and expenditures of \$226,667. The total fund balance was \$187,894.

The Community Development Fund had revenues of \$444,022 and expenditures of \$444,022. The total fund balance was \$65,437.

The Housing Assistance Fund had revenues of \$2,919,823 and expenditures of \$2,940,852. The total fund balance was \$65,663.

The Capital Purchase Improvement Fund had revenues of \$0, other financing sources of \$1,195,456 and expenditures of \$1,006,637. The total fund balance was \$1,204,052.

### **PROPRIETARY FUNDS**

The City's proprietary funds, or business-type activities, had total assets of \$68,064,620, total deferred outflows of resources of \$4,598,454, total liabilities of \$39,810,639 and total deferred inflows of resources of \$1,378,265, leaving net position of \$31,474,170. Of the total proprietary funds' unrestricted net position, the Utility Fund had (\$12,251,576), Ashland Bus Fund had (\$1,492,458), Recreation Fund had (\$1,490,229 and the Ashland Cemetery Fund had \$1,306,866. All proprietary funds are considered major funds. Total increase in unrestricted net position for the four proprietary funds was \$1,453,897, including a restatement detailed in Note (17).

### **BUDGETARY HIGHLIGHTS**

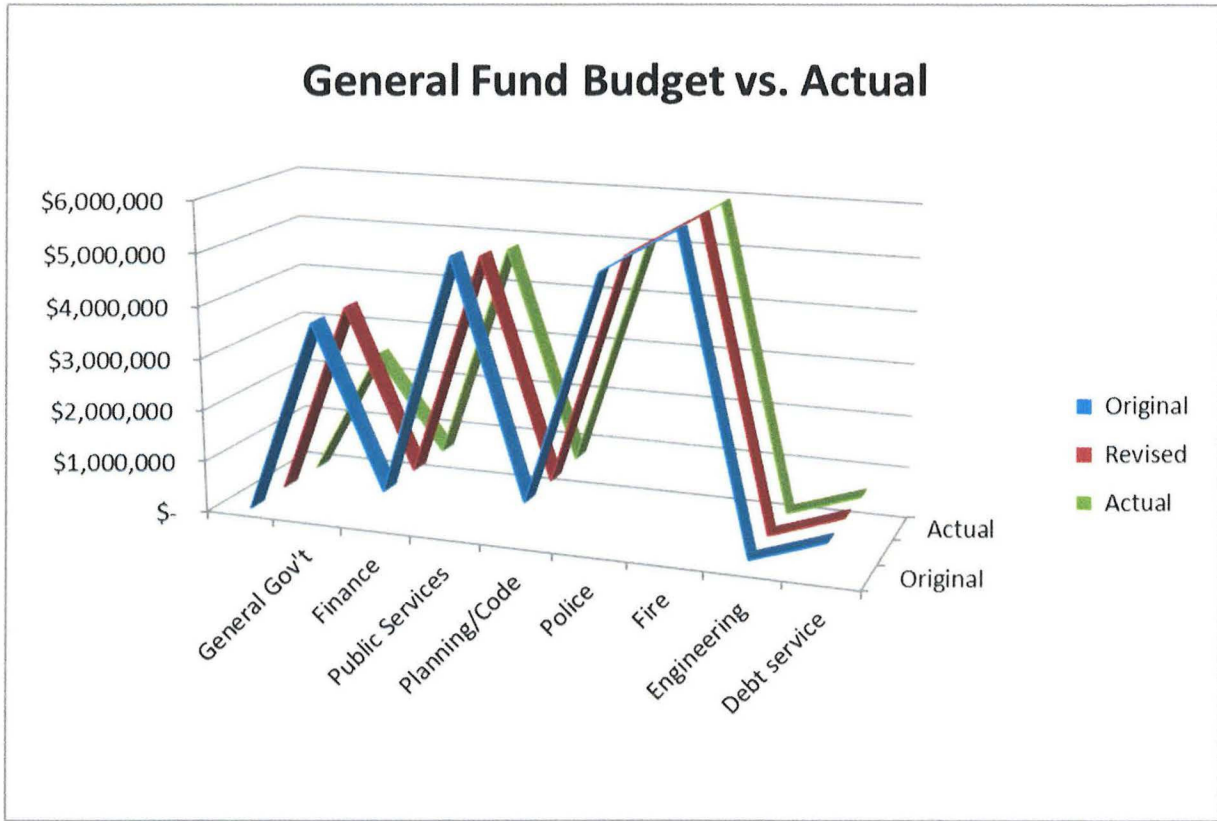
The General Fund budget was amended during the year to reflect the following:

- ⇒ \$54,001 increase in budgeted revenues for the General Fund. This increase includes \$8,171 for various donations, \$2,830 insurance claim reimbursements and \$43,000 for PSC property / bank franchise tax excess due to county reassessments.
- ⇒ \$38,124 increase for Public Information Officer salary package and additional hiring costs.
- ⇒ \$10,930 increase for YMCA benefits available to City employees.
- ⇒ \$9,001 increase in police expenditures for accreditation fees, forensic computer / ammunition purchases and vehicle damage repairs.
- ⇒ \$95,500 increase in professional services related to TIF incentive developments.
- ⇒ \$58,321 increase in the transfer to Capital Purchase Improvement Fund for Public Services engine and roof replacement. \$250,000 transfer for work that began on the Streetscape Project. Police vehicles and equipment totaling \$5,326 was also an increase to the transfer for Capital Purchase Improvement Fund for this fiscal year.

Significant budget versus actual variances include the following:

- ⇒ The General Fund is the primary operating governmental fund of the City. General Fund actual revenues were \$24,311,481 versus budgeted revenues of \$23,904,073. Licenses / Permits was \$12,009,715 budgeted and actual revenues were \$12,345,544 for a variance of \$335,829. Finance staff focused on collection efforts and new business in the City is to be credited for this positive variance. Miscellaneous Revenues did not meet projections by \$65,730. This is due to the PILOT payment not being remitted to the City of Ashland in a timely fashion.
- ⇒ General Fund had a positive variance concerning expenditures this fiscal year. The positive variance can be attributed to the contingency in Unclassified division not being utilized and the health insurance plan modifications bringing the claims in below projected

costs for the year. Two departments with a negative variance were the Central Garage and the Planning & Code divisions. Both divisions passed their operating parameters due to the use of temporary staff in place of full-time employees.



### CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for governmental and business-type activities as of June 30, 2018 is \$110,706,152 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads and construction in progress. See Note (6) for additional discussion of the City's capital assets.

Major construction projects through June 30, 2018 include:

Project	Approved Contract	Paid / Accrued to Date	Outstanding Commitment
Mill Street Facility	\$ 765,394	\$ 381,881	\$ 383,513
Louisa Street Water Main	99,709	76,650	23,059
Catlettsburg Tank	46,760	4,800	41,960
Hydrants	139,620	50,263	89,357
CSO - 29th Street Storm Water	3,058,769	2,552,140	506,629
CSO - 29th Street Storm Water	179,780	173,070	6,710
Concrete & Handrails	233,822	77,188	156,634
Safe Routes to School	215,180	210,869	4,311
	<u>\$ 4,739,034</u>	<u>\$ 3,526,861</u>	<u>\$ 1,212,173</u>



**CITY OF ASHLAND - CAPITAL ASSETS  
(NET OF DEPRECIATION)**

Asset	Governmental Activities	Business-type Activities	Total 2018
Land	\$ 3,883,268	\$ 449,401	\$ 4,332,669
Buildings and improvements	12,296,255	4,582,081	16,878,336
Automotive equipment	4,526,787	2,321,463	6,848,250
Operating equipment	4,783,254	4,237,304	9,020,558
Office equipment	574,705	335,060	909,765
Capital improvements	899,464	797,437	1,696,901
Right-of-way	15,038,909		15,038,909
Infrastructure	80,214,259		80,214,259
Utility plant		94,575,619	94,575,619
Construction (CIP)	124,053	4,821,927	4,945,980
	<u>122,340,954</u>	<u>112,120,292</u>	<u>234,461,246</u>
Less depreciation	(63,571,186)	(60,183,908)	(123,755,094)
Total	<u>\$ 58,769,768</u>	<u>\$ 51,936,384</u>	<u>\$ 110,706,152</u>

**DEBT**

At the end of fiscal year 2018, the City had governmental activities debt of \$12,438,138 compared to \$8,263,808 at June 30, 2017, which represents an increase of \$4,174,330. General obligation bonds of \$4,490,000 were issued this year to fund the Ashland Plaza Redevelopment Project which is a tax increment finance project. Business-type activities had debt of \$14,258,082 compared to \$15,493,100 at June 30, 2017, which represents a decrease of \$1,235,018. See Note (8) for additional discussion of the City's long term debt. The following chart summarizes governmental and business-type activities debt.

<u>Governmental Activities Debt</u>	<u>Amount</u>
General obligation bond series 2015	\$ 2,135,000
General obligation bond series 2017	4,490,000
Capital lease - police station	3,605,412
Capital lease - Melody Mtn Phase II	1,415,834
Premium on bonds	144,515
Compensated absences obligation	647,377
Total	<u>\$ 12,438,138</u>
<u>Business-Type Activities Debt</u>	<u>Amount</u>
Revenue & Improvement Bonds 2013	\$ 2,825,000
Water & Sewer Revenue Bonds 2015	3,070,000
Capital lease - Radio Meters	1,231,249
Kentucky Infrastructure Authority loan	7,045,805
Discount on bonds	(14,834)
Premium on bonds	100,862
Total	<u>\$ 14,258,082</u>

## **DESCRIPTION OF MUNICIPAL DEBT**

- ⇒ General Obligation Refunding Bonds 2015 - \$2,135,000.
- ⇒ General Obligation Bonds 2017 Ashland Plaza Redevelopment Project - \$4,490,000.
- ⇒ General Obligation Bonds 2013 Melody Mountain Phase II - \$1,415,834.
- ⇒ Premium on bonds - \$144,515.
- ⇒ Capital Lease - Police station - \$3,605,412.
- ⇒ Employee compensated absences payable after 60 days at \$647,377.
- ⇒ Utility Revenue bond issue 2013 for phase II upgrade of the water plant - \$2,825,000.
- ⇒ K.I.A. Loans used to upgrade the utility system and correct CSO - \$7,045,805.
- ⇒ KLC lease payable for the purchase of radio read meters - \$1,231,249.
- ⇒ Water & Sewer Revenue Bonds 2015 – water system improvements - \$3,070,000.
- ⇒ Discount on bonds - (\$14,834).
- ⇒ Premium on bonds - \$100,862.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Unemployment rate for the City of Ashland as of June 2018 is 6.7%. This rate is higher than the State of Kentucky rate at 5.0% and the national rate of 4.0%.

The following summarizes the 2019 fiscal year budgeted expenses.

- ⇒ General Fund - \$23,613,240
- ⇒ Tax Increment Finance Fund - \$297,225
- ⇒ Municipal Aid Program - \$634,865
- ⇒ Community Development Block Grant Fund - \$1,239,669
- ⇒ Section 8 Voucher - \$2,943,755
- ⇒ Floodwall Operating Fund - \$186,429
- ⇒ Utility Fund - \$19,661,492
- ⇒ Ashland Bus System - \$1,554,761
- ⇒ Recreation Operating Fund - \$947,739
- ⇒ Ashland Cemetery Fund - \$152,993
- ⇒ Capital Purchase Improvement Fund - \$1,525,142

Fiscal year 2019 contains three significant budget items. The Utility Fund will complete work on the second phase of construction pertaining to the Combined Sewer Overflow decree from the EPA. Also in the Utility Fund is the final construction phase of the water distribution building. The third item is to continue the Streetscape project that began several years ago.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of financial data for the City of Ashland. Requests for additional information should be addressed to:

Tony D. Grubb, CGFM  
Director of Finance  
City of Ashland  
P.O. Box 1839  
Ashland, KY 41105-1839  
Email: Tdgrubb@windstream.net

**CITY OF ASHLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,869,986	\$ 2,960,579	\$ 10,830,565
Accounts receivable	40,832	2,913,285	2,954,117
Allowance for uncollectible accounts	-	(108,224)	(108,224)
Taxes receivable	3,165,066	-	3,165,066
Allowance for uncollectible taxes	(488,096)	-	(488,096)
Grants receivable	112,330	375,507	487,837
Internal balances, net	2,615,140	(2,615,140)	-
Program receivables	36,137	-	36,137
Allowance for uncollectible accounts	(36,137)	-	(36,137)
Other receivables	423,902	-	423,902
Allowance for uncollectible accounts	(63,818)	-	(63,818)
Prepaid expenses	694,861	86,560	781,421
Inventories	134,276	2,219,623	2,353,899
Restricted assets -			
Cash and cash equivalents	-	4,521,523	4,521,523
Certificates of deposit	-	3,117,053	3,117,053
Note receivable	150,000	-	150,000
Nondepreciable capital assets	19,060,351	5,271,328	24,331,679
Depreciable capital assets	103,280,603	106,848,964	210,129,567
Accumulated depreciation	(63,571,186)	(60,183,908)	(123,755,094)
<b>Total assets</b>	<b>73,424,247</b>	<b>65,407,150</b>	<b>138,831,397</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred savings from refunding bonds	77,352	134,689	212,041
Deferred outflows - OPEB related	4,748,652	995,064	5,743,716
Deferred outflows - pension related	11,766,868	3,468,701	15,235,569
<b>Total deferred outflows of resources</b>	<b>16,592,872</b>	<b>4,598,454</b>	<b>21,191,326</b>

**CITY OF ASHLAND**  
**STATEMENT OF NET POSITION (CONCLUDED)**  
**JUNE 30, 2018**

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Accounts payable	2,208,888	875,894	3,084,782
Due to Board of Education	41,645	-	41,645
Payable to fiduciary fund	258,295	54,953	313,248
Other accrued expenses and liabilities	2,213,402	490,685	2,704,087
Deposits	-	590,622	590,622
Matured revenue bonds and notes	-	50,000	50,000
Accrued compensated absences, current	127,352	236,093	363,445
Current portion of long-term debt	545,804	1,257,237	1,803,041
Net OPEB liabilities	11,939,198	3,692,119	15,631,317
Net pension liabilities	35,949,678	16,904,721	52,854,399
Accrued compensated absences, non-current	647,377	-	647,377
Capital lease obligations, non-current	4,775,442	1,126,250	5,901,692
Revenue and Improvement bonds, net of discounts	-	5,351,027	5,351,027
Kentucky Infrastructure Authority loans, non-current	-	6,523,568	6,523,568
General obligation bonds, non-current, plus premiums	6,469,515	-	6,469,515
	<u>65,176,596</u>	<u>37,153,169</u>	<u>102,329,765</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - OPEB related	744,922	193,310	938,232
Deferred inflows - pension related	3,022,969	1,184,955	4,207,924
	<u>3,767,891</u>	<u>1,378,265</u>	<u>5,146,156</u>
<b>NET POSITION</b>			
Net investment in capital assets	47,056,359	38,815,146	85,871,505
Restricted			
Capital projects	1,204,052	-	1,204,052
Debt service	-	1,100,163	1,100,163
Grant programs	68,239	-	68,239
Sewer improvements	-	5,257,086	5,257,086
Other	-	229,172	229,172
Unrestricted	<u>(27,256,018)</u>	<u>(13,927,397)</u>	<u>(41,183,415)</u>
	<u>\$ 21,072,632</u>	<u>\$ 31,474,170</u>	<u>\$ 52,546,802</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ASHLAND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 2,222,981	\$ 14,286,479	\$ 10,950	\$ -	\$ 12,074,448	\$ -	\$ 12,074,448
Finance	760,728	-	-	-	(760,728)	-	(760,728)
Public services	6,456,885	2,214,055	438,437	-	(3,804,393)	-	(3,804,393)
Planning and code enforcement	912,064	-	-	-	(912,064)	-	(912,064)
Police	6,759,240	-	67,031	-	(6,692,209)	-	(6,692,209)
Fire	8,103,647	-	-	-	(8,103,647)	-	(8,103,647)
Engineering	146,723	-	-	-	(146,723)	-	(146,723)
Community and cultural	6,828,989	260,827	3,102,847	-	(3,465,315)	-	(3,465,315)
Debt service - interest	346,466	-	-	-	(346,466)	-	(346,466)
Total governmental activities	<u>32,537,723</u>	<u>16,761,361</u>	<u>3,619,265</u>	<u>-</u>	<u>(12,157,097)</u>	<u>-</u>	<u>(12,157,097)</u>
<b>Business-Type Activities</b>							
Utilities	15,775,239	16,789,603	-	-	-	1,014,364	1,014,364
Recreation	1,046,238	54,268	-	-	-	(991,970)	(991,970)
Cemetery	309,053	95,595	-	-	-	(213,458)	(213,458)
Bus	1,355,883	56,260	277,595	211,869	-	(810,159)	(810,159)
Total business-type activities	<u>18,486,413</u>	<u>16,995,726</u>	<u>277,595</u>	<u>211,869</u>	<u>-</u>	<u>(1,001,223)</u>	<u>(1,001,223)</u>
Total primary government	<u>\$ 51,024,136</u>	<u>\$ 33,757,087</u>	<u>\$ 3,896,860</u>	<u>\$ 211,869</u>	<u>\$ (12,157,097)</u>	<u>\$ (1,001,223)</u>	<u>\$ (13,158,320)</u>
<b>General Revenues:</b>							
Property and other local taxes					\$ 7,837,931	\$ -	\$ 7,837,931
Interest income					5,409	41,748	47,157
Other revenues					132,478	846,219	978,697
Total general revenues					<u>7,975,818</u>	<u>887,967</u>	<u>8,863,785</u>
Transfers					<u>(1,567,153)</u>	<u>1,567,153</u>	<u>-</u>
Total general revenues and transfers					<u>6,408,665</u>	<u>2,455,120</u>	<u>8,863,785</u>
Change in net position					<u>(5,748,432)</u>	<u>1,453,897</u>	<u>(4,294,535)</u>
Net position, June 30, 2017, as restated					<u>26,821,064</u>	<u>30,020,273</u>	<u>56,841,337</u>
Net position, June 30, 2018					<u>\$ 21,072,632</u>	<u>\$ 31,474,170</u>	<u>\$ 52,546,802</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF ASHLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	Special Revenue Funds							Total Governmental Funds
	General	Tax Increment Finance	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	
<b>Assets</b>								
Cash	\$ 4,652,300	\$ 1,809,406	\$ 127,310	\$ 31,868	\$ 19,315	\$ 84,079	\$ -	\$ 6,724,278
Taxes receivable	2,977,505	-	-	187,561	-	-	-	3,165,066
Allowance for uncollectible taxes	(466,243)	-	-	(21,853)	-	-	-	(488,096)
Grants receivable	2,576	-	41,602	-	68,152	-	-	112,330
Due from other funds	2,679,408	2,733	20,963	-	-	-	1,324,168	4,027,272
Program receivables	36,137	-	-	-	-	-	-	36,137
Allowance for uncollectible accounts	(36,137)	-	-	-	-	-	-	(36,137)
Other receivables	356,330	-	-	1,031	-	66,541	-	423,902
Allowance for uncollectible accounts	-	-	-	-	-	(63,818)	-	(63,818)
Prepaid items	694,861	-	-	-	-	-	-	694,861
Inventories - supplies	134,276	-	-	-	-	-	-	134,276
<b>Total assets</b>	<b>\$ 11,031,013</b>	<b>\$ 1,812,139</b>	<b>\$ 189,875</b>	<b>\$ 198,607</b>	<b>\$ 87,467</b>	<b>\$ 86,802</b>	<b>\$ 1,324,168</b>	<b>\$ 14,730,071</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 983,826	\$ 515,486	\$ -	\$ 4,606	\$ 12,345	\$ 3,133	\$ 120,116	\$ 1,639,512
Due to other funds	2,438,368	-	-	2,165	5,926	13,847	-	2,460,306
Due to Board of Education	41,645	-	-	-	-	-	-	41,645
Accrued compensated absences	123,857	-	-	1,145	1,056	1,294	-	127,352
Accrued wages and related expenditures	735,097	-	-	2,797	2,703	2,865	-	743,462
<b>Total liabilities</b>	<b>4,322,793</b>	<b>515,486</b>	<b>-</b>	<b>10,713</b>	<b>22,030</b>	<b>21,139</b>	<b>120,116</b>	<b>5,012,277</b>
<b>Fund Balances:</b>								
Non-spendable	829,137	-	-	-	-	-	-	829,137
Restricted for grant programs	2,576	-	-	-	-	65,663	-	68,239
Assigned for capital projects	-	-	-	-	-	-	1,204,052	1,204,052
Assigned for special revenue funds	-	1,296,653	189,875	187,894	65,437	-	-	1,739,859
Unassigned	5,876,507	-	-	-	-	-	-	5,876,507
<b>Total fund balances</b>	<b>6,708,220</b>	<b>1,296,653</b>	<b>189,875</b>	<b>187,894</b>	<b>65,437</b>	<b>65,663</b>	<b>1,204,052</b>	<b>9,717,794</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,031,013</b>	<b>\$ 1,812,139</b>	<b>\$ 189,875</b>	<b>\$ 198,607</b>	<b>\$ 87,467</b>	<b>\$ 86,802</b>	<b>\$ 1,324,168</b>	<b>\$ 14,730,071</b>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF ASHLAND**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Total fund balance - total governmental funds		\$ 9,717,794
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets of \$122,340,954 net of accumulated depreciation of \$63,571,186 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		58,769,768
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds:		
Note receivable	150,000	
Deferred savings from refunding bonds	77,352	227,352
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the governmental funds.		12,747,629
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds:		
Net OPEB liabilities	(11,939,198)	
Net pension liabilities	(35,949,678)	
Bonds payable	(6,769,515)	
Accrued interest payable	(62,897)	
Accrued compensated absences	(647,377)	
Capital lease obligations	(5,021,246)	(60,389,911)
Net position, end of year - Governmental Activities		\$ 21,072,632

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ASHLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds							Total Governmental Funds
	General	Tax Increment Finance	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	
<b>Revenues</b>								
Property and other local taxes	\$ 7,596,939	\$ -	\$ -	\$ 240,992	\$ -	\$ -	\$ -	\$ 7,837,931
Licenses and permits	12,345,544	-	-	-	-	-	-	12,345,544
Charges for services	2,214,055	-	-	-	-	-	-	2,214,055
Fees, fines and reimbursements	1,940,935	-	-	-	-	-	-	1,940,935
Grant income	77,981	-	438,437	-	444,022	2,658,825	-	3,619,265
Administration fee income	-	-	-	-	-	260,827	-	260,827
Interest income	3,549	1,535	12	142	-	171	-	5,409
Other income	132,478	-	-	-	-	-	-	132,478
<b>Total revenues</b>	<b>24,311,481</b>	<b>1,535</b>	<b>438,449</b>	<b>241,134</b>	<b>444,022</b>	<b>2,919,823</b>	<b>-</b>	<b>28,356,444</b>
<b>Expenditures</b>								
General government	2,497,822	-	-	-	-	-	1,203	2,499,025
Finance	648,561	-	-	-	-	-	-	648,561
Public services	4,815,334	-	287,473	226,667	-	-	-	5,329,474
Planning and code enforcement	780,052	-	-	-	-	-	-	780,052
Police	5,104,937	-	-	-	-	-	-	5,104,937
Fire	5,950,500	-	-	-	-	-	-	5,950,500
Engineering	143,576	-	-	-	-	-	-	143,576
Community and cultural	-	3,332,384	-	-	444,022	2,940,852	-	6,717,258
Capital outlay	-	-	-	-	-	-	1,005,434	1,005,434
Debt service:								
Principal retirement	366,522	-	-	-	-	-	-	366,522
Interest charges	257,146	58,370	-	-	-	-	-	315,516
<b>Total expenditures</b>	<b>20,564,450</b>	<b>3,390,754</b>	<b>287,473</b>	<b>226,667</b>	<b>444,022</b>	<b>2,940,852</b>	<b>1,006,637</b>	<b>28,860,855</b>
Excess (deficiency) of Revenues Over (Under) Expenditures	3,747,031	(3,389,219)	150,976	14,467	-	(21,029)	(1,006,637)	(504,411)
<b>Other Financing Sources (Uses)</b>								
Proceeds from the issuance of debt	-	4,569,002	-	-	-	-	-	4,569,002
Transfers in	-	116,870	-	-	-	-	1,195,456	1,312,326
Transfers out	(2,879,479)	-	-	-	-	-	-	(2,879,479)
<b>Total other financing sources (uses)</b>	<b>(2,879,479)</b>	<b>4,685,872</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,195,456</b>	<b>3,001,849</b>
<b>Net change in fund balances</b>	<b>867,552</b>	<b>1,296,653</b>	<b>150,976</b>	<b>14,467</b>	<b>-</b>	<b>(21,029)</b>	<b>188,819</b>	<b>2,497,438</b>
Fund balances beginning of year	5,840,668	-	38,899	173,427	65,437	86,692	1,015,233	7,220,356
<b>Fund balances end of year</b>	<b>\$ 6,708,220</b>	<b>\$ 1,296,653</b>	<b>\$ 189,875</b>	<b>\$ 187,894</b>	<b>\$ 65,437</b>	<b>\$ 65,663</b>	<b>\$ 1,204,052</b>	<b>\$ 9,717,794</b>

The accompanying notes to financial statements are an integral part of this statement.



**CITY OF ASHLAND**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Net change in fund balances - total governmental funds \$ 2,497,438

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,009,969	
Depreciation expense	<u>(2,520,358)</u>	(510,389)

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Long-term portion of accrued sick leave		19,953
Amortization of deferred savings from refunding bonds		(6,876)
Amortization of bond discounts and premiums		8,197
Accrued interest payable		(32,271)

Governmental funds report pension contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.

Net change in Police & Firefighters pension liability	827,816	
CERS pension expense	(3,289,781)	
CERS OPEB expense	<u>(1,060,039)</u>	(3,522,004)

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position. 366,522

Bond and capital lease proceeds, including related premiums and discounts, are recognized as revenues in the fund financial statements, but are increases in liabilities in the statement of net position.

Bonds issued	(4,490,000)	
Premiums and discounts on bonds	<u>(79,002)</u>	<u>(4,569,002)</u>

Change in net position of governmental activities \$ (5,748,432)

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ASHLAND  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018**

	Business-Type Activities				Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		
<b>ASSETS</b>						
Unrestricted Assets:						
Cash and cash equivalents	\$ 2,910,325	\$ 9,410	\$ 10,587	\$ 30,257	\$ 2,960,579	\$ 1,145,708
Accounts receivable	2,911,646	-	365	1,274	2,913,285	40,832
Allowance for doubtful accounts	(108,224)	-	-	-	(108,224)	-
Due from other funds	-	-	-	42,330	42,330	789,879
Grants receivable - capital	-	97,912	-	-	97,912	-
Grants receivable - operating	-	277,595	-	-	277,595	-
Prepaid expenses	86,560	-	-	-	86,560	-
Inventories -						
Repair parts and supplies	664,894	42,437	11,912	-	719,243	-
Lots and vaults	-	-	-	1,500,380	1,500,380	-
<b>Total unrestricted assets</b>	<b>6,465,201</b>	<b>427,354</b>	<b>22,864</b>	<b>1,574,241</b>	<b>8,489,660</b>	<b>1,976,419</b>
Restricted Assets:						
Cash and cash equivalents	4,482,351	-	-	39,172	4,521,523	-
Investments -						
Certificates of deposit	2,927,053	-	190,000	-	3,117,053	-
<b>Total restricted assets</b>	<b>7,409,404</b>	<b>-</b>	<b>190,000</b>	<b>39,172</b>	<b>7,638,576</b>	<b>-</b>
<b>Total current assets</b>	<b>13,874,605</b>	<b>427,354</b>	<b>212,864</b>	<b>1,613,413</b>	<b>16,128,236</b>	<b>1,976,419</b>
Capital Assets:						
Land and easements	372,725	-	58,223	18,453	449,401	-
Utility plant	94,575,619	-	-	-	94,575,619	-
Buildings and improvements	670,667	1,498,076	100,529	2,312,809	4,582,081	-
Operating equipment	4,890,718	1,151,524	1,247,812	66,150	7,356,204	-
Office and computer equipment	297,911	31,829	5,320	-	335,060	-
Construction in progress	4,820,552	-	1,375	-	4,821,927	-
	105,628,192	2,681,429	1,413,259	2,397,412	112,120,292	-
Less: Accumulated depreciation	(57,509,423)	(1,530,295)	(693,444)	(450,746)	(60,183,908)	-
<b>Total capital assets - net</b>	<b>48,118,769</b>	<b>1,151,134</b>	<b>719,815</b>	<b>1,946,666</b>	<b>51,936,384</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>48,118,769</b>	<b>1,151,134</b>	<b>719,815</b>	<b>1,946,666</b>	<b>51,936,384</b>	<b>-</b>
<b>Total assets</b>	<b>61,993,374</b>	<b>1,578,488</b>	<b>932,679</b>	<b>3,560,079</b>	<b>68,064,620</b>	<b>1,976,419</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred savings from refunding bonds	134,689	-	-	-	134,689	-
Deferred outflows - OPEB related	788,458	111,834	73,973	20,799	995,064	-
Deferred outflows - pension related	2,748,492	389,843	257,863	72,503	3,468,701	-
<b>Total deferred outflows of resources</b>	<b>3,671,639</b>	<b>501,677</b>	<b>331,836</b>	<b>93,302</b>	<b>4,598,454</b>	<b>-</b>

**CITY OF ASHLAND**  
**STATEMENT OF NET POSITION (CONCLUDED)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2018**

	Business-Type Activities				Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		
<b>LIABILITIES</b>						
Current liabilities (payable from current assets):						
Accounts payable	\$ 815,285	\$ 9,202	\$ 49,367	\$ 2,040	\$ 875,894	\$ 569,376
Due to other funds	1,635,800	596,528	480,096	-	2,712,424	-
Accrued compensated absences	181,332	25,718	21,004	8,039	236,093	-
Other accrued liabilities	348,056	78,391	19,067	45,171	490,685	1,407,043
Total current liabilities (payable from current assets)	<u>2,980,473</u>	<u>709,839</u>	<u>569,534</u>	<u>55,250</u>	<u>4,315,096</u>	<u>1,976,419</u>
Current liabilities (payable from restricted assets):						
Matured revenue bonds and notes	50,000	-	-	-	50,000	-
Customer deposits	590,621	-	-	-	590,621	-
Current portion of capital lease obligations	105,000	-	-	-	105,000	-
Current portion of Revenue and Improvement bonds	630,000	-	-	-	630,000	-
Current portion of Kentucky Infrastructure Authority loans	522,237	-	-	-	522,237	-
Total current liabilities (payable from restricted assets)	<u>1,897,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,897,858</u>	<u>-</u>
Total current liabilities	<u>4,878,331</u>	<u>709,839</u>	<u>569,534</u>	<u>55,250</u>	<u>6,212,954</u>	<u>1,976,419</u>
Long-term liabilities:						
Capital lease obligations	1,126,250	-	-	-	1,126,250	-
Revenue and Improvement bonds, net of discount and premium	5,351,027	-	-	-	5,351,027	-
Kentucky Infrastructure Authority loans	6,523,568	-	-	-	6,523,568	-
Net OPEB liabilities	2,925,521	414,953	274,472	77,173	3,692,119	-
Net pension liabilities	14,665,018	1,141,795	898,463	199,445	16,904,721	-
Total long-term liabilities	<u>30,591,384</u>	<u>1,556,748</u>	<u>1,172,935</u>	<u>276,618</u>	<u>33,597,685</u>	<u>-</u>
Total liabilities	<u>35,469,715</u>	<u>2,266,587</u>	<u>1,742,469</u>	<u>331,868</u>	<u>39,810,639</u>	<u>1,976,419</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows - OPEB related	153,172	21,726	14,371	4,041	193,310	-
Deferred inflows - pension related	938,922	133,176	88,089	24,768	1,184,955	-
Total deferred inflows of resources	<u>1,092,094</u>	<u>154,902</u>	<u>102,460</u>	<u>28,809</u>	<u>1,378,265</u>	<u>-</u>
<b>NET POSITION</b>						
Net investment in capital assets	34,997,531	1,151,134	719,815	1,946,666	38,815,146	-
Restricted for debt service	1,100,163	-	-	-	1,100,163	-
Restricted for sewer improvements	5,257,086	-	-	-	5,257,086	-
Other	-	-	190,000	39,172	229,172	-
Unrestricted	<u>(12,251,576)</u>	<u>(1,492,458)</u>	<u>(1,490,229)</u>	<u>1,306,866</u>	<u>(13,927,397)</u>	<u>-</u>
Total net position	<u>\$ 29,103,204</u>	<u>\$ (341,324)</u>	<u>\$ (580,414)</u>	<u>\$ 3,292,704</u>	<u>\$ 31,474,170</u>	<u>\$ -</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ASHLAND**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities				Total	Governmental
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		Activity - Internal Service Fund
<b>OPERATING REVENUES</b>						
Residential and commercial meter sales	\$ 4,216,424	\$ -	\$ -	\$ -	\$ 4,216,424	\$ -
Sewer service	7,295,353	-	-	-	7,295,353	-
Industrial meter sales	3,598,530	-	-	-	3,598,530	-
Other municipalities	1,556,285	-	-	-	1,556,285	-
Industrial pretreatment	60,277	-	-	-	60,277	-
Water and sewer taps	62,734	-	-	-	62,734	-
Concession sales	-	-	22,221	-	22,221	-
Lot and vault sales	-	-	-	25,900	25,900	-
Opening and closing fees	-	-	-	69,695	69,695	-
Passenger fares	-	56,260	-	-	56,260	-
Admission fees	-	-	32,047	-	32,047	-
Premium charges	-	-	-	-	-	5,130,475
Miscellaneous	841,766	5,300	2,981	9,503	859,550	-
Total operating revenues	<u>17,631,369</u>	<u>61,560</u>	<u>57,249</u>	<u>105,098</u>	<u>17,855,276</u>	<u>5,130,475</u>
<b>OPERATING EXPENSES</b>						
Administration - Director	251,883	-	-	-	251,883	-
Administration - Cashier	1,030,397	-	-	-	1,030,397	-
Water - Production	2,794,614	-	-	-	2,794,614	-
Water - Distribution	3,791,458	-	-	-	3,791,458	-
Sewer - Pretreatment	1,966,508	-	-	-	1,966,508	-
Sewer - Collection	1,520,207	-	-	-	1,520,207	-
Depreciation	2,365,794	156,371	44,697	51,463	2,618,325	-
Insurance	203,188	27,111	18,584	6,165	255,048	-
Other operating expenses	1,447,014	567,118	449,196	104,421	2,567,749	9,584
Salaries	-	504,402	347,507	89,138	941,047	-
Utilities	-	32,846	119,930	14,923	167,699	-
Operating supplies	-	68,035	66,324	42,943	177,302	-
Premiums and claims	-	-	-	-	-	5,121,648
Total operating expenses	<u>15,371,063</u>	<u>1,355,883</u>	<u>1,046,238</u>	<u>309,053</u>	<u>18,082,237</u>	<u>5,131,232</u>
OPERATING INCOME (LOSS)	<u>2,260,306</u>	<u>(1,294,323)</u>	<u>(988,989)</u>	<u>(203,955)</u>	<u>(226,961)</u>	<u>(757)</u>
<b>NON-OPERATING REVENUES</b>						
<b>(EXPENSES)</b>						
Gain (loss) on disposal of assets	-	-	(13,331)	-	(13,331)	-
Interest income	39,314	127	2,122	185	41,748	757
Grant income	-	277,595	-	-	277,595	-
Interest on revenue bonds and notes	(404,176)	-	-	-	(404,176)	-
Total non-operating revenues (expenses)	<u>(364,862)</u>	<u>277,722</u>	<u>(11,209)</u>	<u>185</u>	<u>(98,164)</u>	<u>757</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>1,895,444</u>	<u>(1,016,601)</u>	<u>(1,000,198)</u>	<u>(203,770)</u>	<u>(325,125)</u>	<u>-</u>
<b>TRANSFERS</b>						
From General Fund	-	555,473	922,905	88,775	1,567,153	-
Total transfers in	<u>-</u>	<u>555,473</u>	<u>922,905</u>	<u>88,775</u>	<u>1,567,153</u>	<u>-</u>
<b>CAPITAL CONTRIBUTIONS</b>						
Federal/state grants	-	211,869	-	-	211,869	-
Total capital contributions	<u>-</u>	<u>211,869</u>	<u>-</u>	<u>-</u>	<u>211,869</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION	<u>1,895,444</u>	<u>(249,259)</u>	<u>(77,293)</u>	<u>(114,995)</u>	<u>1,453,897</u>	<u>-</u>
NET POSITION, JUNE 30, 2017, as restated	<u>27,207,760</u>	<u>(92,065)</u>	<u>(503,121)</u>	<u>3,407,699</u>	<u>30,020,273</u>	<u>-</u>
NET POSITION, JUNE 30, 2018	<u>\$ 29,103,204</u>	<u>\$ (341,324)</u>	<u>\$ (580,414)</u>	<u>\$ 3,292,704</u>	<u>\$ 31,474,170</u>	<u>\$ -</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ASHLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities				Total	Governmental Activity -
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 16,686,223	\$ 56,476	\$ 54,286	\$ 99,206	\$ 16,896,191	\$ -
Cash payments to suppliers for goods and services	(8,625,600)	(405,789)	(317,360)	(113,868)	(9,462,617)	(9,584)
Cash payments to employees	(4,312,055)	(332,715)	(254,708)	(52,029)	(4,951,507)	-
Other operating revenues	841,766	5,300	2,981	9,503	859,550	-
Payments for internal services	(1,175,444)	(152,955)	(144,329)	(37,161)	(1,509,889)	-
Cash received for internal services	-	-	-	-	-	6,072,756
Payments for premiums and claims	-	-	-	-	-	(5,236,087)
Net cash provided by (used for) operating activities	<u>3,414,890</u>	<u>(829,683)</u>	<u>(659,130)</u>	<u>(94,349)</u>	<u>1,831,728</u>	<u>827,085</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Grant income	-	-	-	-	-	-
Transfers from other funds	-	555,473	922,905	88,775	1,567,153	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>555,473</u>	<u>922,905</u>	<u>88,775</u>	<u>1,567,153</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	(3,930,657)	(64,622)	(299,583)	-	(4,294,862)	-
Proceeds from sale of assets	-	-	-	-	-	-
Principal paid on bonds, notes, and lease obligations	(1,230,225)	-	-	-	(1,230,225)	-
Interest paid on bonds, notes, and lease obligations	(404,176)	-	-	-	(404,176)	-
Capital grants received	-	228,074	-	-	228,074	-
Net cash provided by (used for) capital and related financing activities	<u>(5,565,058)</u>	<u>163,452</u>	<u>(299,583)</u>	<u>-</u>	<u>(5,701,189)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Withdrawal of investment securities	(20,752)	-	-	-	(20,752)	-
Investment income	39,314	127	2,122	185	41,748	757
Net cash provided by investing activities	<u>18,562</u>	<u>127</u>	<u>2,122</u>	<u>185</u>	<u>20,996</u>	<u>757</u>
Net increase (decrease) in cash and cash equivalents	(2,131,606)	(110,631)	(33,686)	(5,389)	(2,281,312)	827,842
Cash and cash equivalents, June 30, 2017	<u>9,524,282</u>	<u>120,041</u>	<u>44,273</u>	<u>74,818</u>	<u>9,763,414</u>	<u>317,866</u>
Cash and cash equivalents, June 30, 2018	<u>\$ 7,392,676</u>	<u>\$ 9,410</u>	<u>\$ 10,587</u>	<u>\$ 69,429</u>	<u>\$ 7,482,102</u>	<u>\$ 1,145,708</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 2,260,306	\$ (1,294,323)	\$ (988,989)	\$ (203,955)	\$ (226,961)	\$ (757)
Adjustments:						
Depreciation	2,365,794	156,371	44,697	51,463	2,618,325	-
Amortization	22,145	-	-	-	22,145	-
Net OPEB adjustment	153,976	21,652	13,432	4,237	193,297	-
Net pension adjustment	(56,650)	135,859	80,417	27,497	187,123	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(138,599)	216	18	3,611	(134,754)	2,691
(Increase) decrease in inventories	(35,693)	5,018	(188)	31,800	937	-
(Increase) decrease in prepaid expenses	(4,531)	-	-	-	(4,531)	-
(Increase) decrease in due from other funds	-	-	-	(13,151)	(13,151)	939,590
Increase (decrease) in accounts payable	19,603	(37,646)	6,859	(1,226)	(12,410)	(159,501)
Increase (decrease) in due to other funds	(1,231,067)	168,994	185,674	-	(876,399)	-
Increase (decrease) in compensated absences	15,687	(7,008)	(2,948)	2,055	7,786	-
Increase (decrease) in other accrued liabilities	8,700	21,184	1,898	3,320	35,102	45,062
Increase (decrease) in customer deposits	35,219	-	-	-	35,219	-
Net cash provided by (used for) operating activities	<u>\$ 3,414,890</u>	<u>\$ (829,683)</u>	<u>\$ (659,130)</u>	<u>\$ (94,349)</u>	<u>\$ 1,831,728</u>	<u>\$ 827,085</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ASHLAND  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018**

	<u>Pension Trust Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ -
Accrued interest receivable	2,139
Due from other funds	313,248
Investments, at fair value	
Certificates of deposit	<u>3,450,748</u>
 Total assets	 <u>3,766,135</u>
<b>LIABILITIES</b>	
Due to other funds	<u>-</u>
 Total liabilities	 <u>-</u>
 <b>NET POSITION - RESTRICTED FOR PENSION BENEFITS</b>	 <u><u>\$ 3,766,135</u></u>

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ASHLAND  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Pension Trust Funds</u>
ADDITIONS:	
CONTRIBUTIONS	
Employer	<u>\$ 1,960,380</u>
Total contributions	<u>1,960,380</u>
INVESTMENT INCOME	
Interest income	<u>36,915</u>
Total investment income	<u>36,915</u>
Total additions	<u>1,997,295</u>
DEDUCTIONS:	
Benefits	1,065,639
Administrative expenses	<u>7,194</u>
Total deductions	<u>1,072,833</u>
NET INCREASE	924,462
NET POSITION - RESTRICTED FOR PENSION BENEFITS:	
Beginning of year	<u>2,841,673</u>
End of year	<u><u>\$ 3,766,135</u></u>

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ASHLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ 7,620,430	\$ 43,000	\$ 7,663,430	\$ 7,596,939	\$ (66,491)
Licenses and permits	12,009,715	-	12,009,715	12,345,544	335,829
Charges for services	2,235,000	-	2,235,000	2,214,055	(20,945)
Fees, fines and reimbursements	1,783,350	-	1,783,350	1,940,935	157,585
Interest income	1,925	-	1,925	3,549	1,624
Grant income	5,000	5,821	10,821	77,981	67,160
Other income	194,652	5,180	199,832	132,478	(67,354)
<b>Total revenues</b>	<u>23,850,072</u>	<u>54,001</u>	<u>23,904,073</u>	<u>24,311,481</u>	<u>407,408</u>
<b>Expenditures</b>					
General government	3,773,905	(9,360)	3,764,545	2,497,822	1,266,723
Finance	653,038	-	653,038	648,561	4,477
Public services	5,212,411	(265,321)	4,947,090	4,815,334	131,756
Planning and code enforcement	744,100	-	744,100	780,052	(35,952)
Police	5,120,138	14,001	5,134,139	5,104,937	29,202
Fire	5,952,446	-	5,952,446	5,950,500	1,946
Engineering	147,773	-	147,773	143,576	4,197
Debt service:					
Principal retirement	437,821	-	437,821	366,522	71,299
Interest and fiscal charges	210,958	-	210,958	257,146	(46,188)
<b>Total expenditures</b>	<u>22,252,590</u>	<u>(260,680)</u>	<u>21,991,910</u>	<u>20,564,450</u>	<u>1,427,460</u>
Excess of Revenues Over (Under) Expenditures	<u>1,597,482</u>	<u>314,681</u>	<u>1,912,163</u>	<u>3,747,031</u>	<u>1,834,868</u>
<b>Other Financing Sources (Uses)</b>					
Transfers out	(2,939,496)	320,007	(2,619,489)	(2,879,479)	(259,990)
<b>Total other financing sources (uses)</b>	<u>(2,939,496)</u>	<u>320,007</u>	<u>(2,619,489)</u>	<u>(2,879,479)</u>	<u>(259,990)</u>
Net change in fund balance	(1,342,014)	634,688	(707,326)	867,552	1,574,878
Fund balance beginning of year	5,840,668	-	5,840,668	5,840,668	-
Fund balance end of year	<u>\$ 4,498,654</u>	<u>\$ 634,688</u>	<u>\$ 5,133,342</u>	<u>\$ 6,708,220</u>	<u>\$ 1,574,878</u>

The accompanying notes to financial statements  
are an integral part of this statement.



**CITY OF ASHLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**TAX INCREMENT FINANCE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	-	-	-	1,535	1,535
Other income	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,535</b>	<b>1,535</b>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	4,500,000	4,500,000	3,332,384	1,167,616
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	144,923	144,923	58,370	86,553
<b>Total expenditures</b>	<b>-</b>	<b>4,644,923</b>	<b>4,644,923</b>	<b>3,390,754</b>	<b>1,254,169</b>
Excess of Revenues Over (Under) Expenditures	-	(4,644,923)	(4,644,923)	(3,389,219)	1,255,704
<b>Other Financing Sources (Uses)</b>					
Proceeds from the issuance of debt	-	4,647,532	4,647,532	4,569,002	(78,530)
Transfers in	-	-	-	116,870	116,870
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>4,647,532</b>	<b>4,647,532</b>	<b>4,685,872</b>	<b>38,340</b>
Net change in fund balance	-	2,609	2,609	1,296,653	1,294,044
Fund balance beginning of year	-	-	-	-	-
Fund balance end of year	<u>\$ -</u>	<u>\$ 2,609</u>	<u>\$ 2,609</u>	<u>\$ 1,296,653</u>	<u>\$ 1,294,044</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ASHLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**MUNICIPAL AID ROAD FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	432,000	-	432,000	438,437	6,437
Administration fee income	-	-	-	-	-
Interest income	10	-	10	12	2
Other income	-	-	-	-	-
<b>Total revenues</b>	<b>432,010</b>	<b>-</b>	<b>432,010</b>	<b>438,449</b>	<b>6,439</b>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	432,010	-	432,010	287,473	144,537
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>432,010</b>	<b>-</b>	<b>432,010</b>	<b>287,473</b>	<b>144,537</b>
Excess of Revenues Over (Under) Expenditures	-	-	-	150,976	150,976
<b>Other Financing Sources (Uses)</b>					
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balance	-	-	-	150,976	150,976
Fund balance beginning of year	38,899	-	38,899	38,899	-
Fund balance end of year	<u>\$ 38,899</u>	<u>\$ -</u>	<u>\$ 38,899</u>	<u>\$ 189,875</u>	<u>\$ 150,976</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ASHLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**COMMUNITY DEVELOPMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	1,122,015	-	1,122,015	444,022	(677,993)
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
<b>Total revenues</b>	<b>1,122,015</b>	<b>-</b>	<b>1,122,015</b>	<b>444,022</b>	<b>(677,993)</b>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	1,122,015	-	1,122,015	444,022	677,993
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>1,122,015</b>	<b>-</b>	<b>1,122,015</b>	<b>444,022</b>	<b>677,993</b>
Excess of Revenues Over (Under) Expenditures	-	-	-	-	-
<b>Other Financing Sources (Uses)</b>					
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	65,437	-	65,437	65,437	-
<b>Fund balance end of year</b>	<b>\$ 65,437</b>	<b>\$ -</b>	<b>\$ 65,437</b>	<b>\$ 65,437</b>	<b>\$ -</b>

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ASHLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**HOUSING ASSISTANCE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	2,491,155	-	2,491,155	2,658,825	167,670
Administration fee income	280,000	-	280,000	260,827	(19,173)
Interest income	150	-	150	171	21
Other income	-	-	-	-	-
<b>Total revenues</b>	<b>2,771,305</b>	<b>-</b>	<b>2,771,305</b>	<b>2,919,823</b>	<b>148,518</b>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	2,771,305	-	2,771,305	2,940,852	(169,547)
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>2,771,305</b>	<b>-</b>	<b>2,771,305</b>	<b>2,940,852</b>	<b>(169,547)</b>
Excess of Revenues Over (Under) Expenditures	-	-	-	(21,029)	(21,029)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balance	-	-	-	(21,029)	(21,029)
Fund balance beginning of year	86,692	-	86,692	86,692	-
Fund balance end of year	<u>\$ 86,692</u>	<u>\$ -</u>	<u>\$ 86,692</u>	<u>\$ 65,663</u>	<u>\$ (21,029)</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ASHLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FLOODWALL OPERATING FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ 250,746	\$ -	\$ 250,746	\$ 240,992	\$ (9,754)
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	60	-	60	142	82
Other income	-	-	-	-	-
Total revenues	<u>250,806</u>	<u>-</u>	<u>250,806</u>	<u>241,134</u>	<u>(9,672)</u>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	198,145	34,463	232,608	226,667	5,941
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>198,145</u>	<u>34,463</u>	<u>232,608</u>	<u>226,667</u>	<u>5,941</u>
Excess of Revenues Over (Under) Expenditures	<u>52,661</u>	<u>(34,463)</u>	<u>18,198</u>	<u>14,467</u>	<u>(3,731)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	52,661	(34,463)	18,198	14,467	(3,731)
Fund balance beginning of year	<u>173,427</u>	<u>-</u>	<u>173,427</u>	<u>173,427</u>	<u>-</u>
Fund balance end of year	<u>\$ 226,088</u>	<u>\$ (34,463)</u>	<u>\$ 191,625</u>	<u>\$ 187,894</u>	<u>\$ (3,731)</u>

The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ASHLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**(1) REPORTING ENTITY**

The City of Ashland (the "City") is a political subdivision of the Commonwealth of Kentucky. It is governed and operated under the City Manager/Commission form of government and provides such services as public safety, transportation, recreation, streets, water, sewer, and refuse removal. The City evaluates separately administered organizations in order to determine if they are controlled by, or dependent upon, the City. GASB Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:
  - a. The ability of the government to impose its will on that organization and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the government.
2. Organizations for which the government does not appoint a voting majority but are fiscally dependent on the government.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature and significance of the relationship.

Based on the previous criteria, the City has determined that as of June 30, 2018 there are no organizations meeting the criteria.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The basic financial statements of the City include both government-wide statements and fund 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 nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are 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 the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are 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*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The City considers all governmental and proprietary funds to be major funds, due to their belief that all of these funds present financial information which is important to the financial statement users. Thus, individual governmental funds and individual proprietary funds are reported as separate columns in the fund financial statements.

## **B. 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 funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - 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 expenditures for specified purposes.

- Tax Increment Finance Fund - The Tax Increment Finance Fund is used to account for the revenue and expenditures related to the Ashland Plaza Redevelopment Project.
- Municipal Aid Road Fund - The Municipal Aid Road Fund is used to account for state grants restricted for road improvements.
- Floodwall Operating Fund - The Floodwall Operating Fund is used to account for taxes levied on real estate located within the floodwall. Resources may only be used for the repair and maintenance of the City's floodwall.
- Community Development Fund - The Community Development Fund is used to account for entitlements to the City under the provisions of Title 1 of the Housing and Development Act of 1974. Resources may only be used for activities which are directed toward developing urban communities and economic opportunities for individuals of low and moderate income.
- Housing Assistance Fund - The Housing Assistance Fund is used to account for grant revenue 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.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used in acquiring, constructing and maintaining major capital facilities and assets.

The City reports the following major Proprietary Funds:

- Utility Fund - The Utility Fund is used to account for water and wastewater (sewer) services for the City and surrounding communities.
- Ashland Bus Fund - This fund is used to account for the City's mass transportation system which is partially subsidized by the Federal government (Department of Transportation).
- Recreation Fund - The Recreation Fund is used to account for the City's swimming pool operations and other vending (concession) activities.
- Cemetery Fund - The Cemetery Fund is used to account for the operation and maintenance of the Ashland Cemetery.

Additionally, the City reports the following fund types:

Internal Service Fund - This fund is used to account for the financing of health insurance premiums and claims payments for all eligible City employees and retirees on a premium cost only reimbursement basis.

Fiduciary Funds - These funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The Police and Firefighters Pension Fund and the Utility Pension Fund are the City's two Fiduciary Funds.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City Utility Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's Enterprise Funds are charges to customers for sales and services. The City also recognizes as operating revenue tap fees intended to recover the costs of connecting new customers to the utility system. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local



resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before they can be recognized.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

### **C. Budget and Budgetary Accounting**

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

1. Prior to May 1, the City Manager obtains estimates from the department heads in order to prepare the proposed budget.
2. Prior to June 30, the City Manager submits to the City Commission a proposed budget for the fiscal year commencing the following July 1. The proposed budget includes proposed operating and capital expenditures and the means of financing them.
3. Public hearings are conducted at commission meetings in order to review the proposed budget and to obtain comments from taxpayers and other interested parties.
4. Prior to the first day beginning the fiscal year, the budget is legally adopted through the passage of an ordinance for the General Fund, all Special Revenue Funds, Capital Projects Funds and all Enterprise Funds, and a separate budgetary report is prepared for utilization by the City, and for informational purposes for the general public.
5. The City Manager is authorized to transfer budgeted amounts within departments of any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Commission. Therefore, the level of control on budgetary items is maintained at the department level.
6. Budgets for the General, Special Revenue, and Capital Projects Funds are adopted on the modified accrual basis. Budgets for all Enterprise Funds are adopted on the accrual basis. Both methods are consistent with Generally Accepted Accounting Principles (GAAP). Budgeted amounts are as originally adopted, or as amended periodically by the City Commission. Departmental revisions were not material in relation to the original appropriations which were amended. All appropriations lapse at the end of the fiscal year, even if encumbered.

### **D. Deposits and Investments**

Investments, other than Pension Trust Fund investments, are stated at amortized cost which approximates fair value. Kentucky Revised Statute 66.480 permits the City to invest in U.S. Treasury obligations, U.S. Agency obligations, certain Federal instruments, repurchase agreements, commercial banks' certificates of deposit, savings and loan deposits, certain mutual funds, Commonwealth of Kentucky investment pool and the Kentucky League of Cities investment pool.

At June 30, 2018, the City's investments consist of certificate of deposits and money market funds, which are valued at cost.

### **E. Inventories**

Inventories are valued at cost (first-in, first-out method). Inventory in the General and Enterprise-Utility Fund consists of expendable supplies held for consumption. Enterprise-Recreation Fund inventories consist of

merchandise held for sale and consumable supplies. Enterprise-Cemetery Fund inventories consist of plots and mausoleum vaults. Costs are recorded as expenditures at the time individual inventory items are purchased.

**F. Capital Assets and Depreciation**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value as of the date received. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated with the exception of land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Utility plants in service	5-50 years
Buildings and improvements	5-20 years
Operating equipment	3-10 years
Automotive equipment	3-7 years
Office furniture and equipment	3-20 years
Bus system equipment	5-10 years
Recreation equipment	5-25 years
Infrastructure	20-30 years

The City is required by GASB 34 to retroactively report all major general infrastructure assets for fiscal years beginning after June 15, 2006. The City elected to adopt the requirements of GASB 34 concerning infrastructure assets in the 2006 fiscal year. General infrastructure assets acquired prior to March 10, 2006 are reported at historical estimated cost or deflated replacement cost. Infrastructure assets acquired after March 10, 2006 are reported at cost.

**G. Encumbrances**

Encumbrance accounting is used by the City whereby purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balances in the General, Special Revenue, Enterprise and Capital Projects Funds, since the encumbrances do not constitute expenditures or liabilities, even though the City intends to honor those commitments. At June 30, 2018, there were no significant encumbrances.

**H. Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers.

## **I. Interfund Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

## **J. Compensated Absences**

The City's accrued liabilities for future compensated absences are recorded to the extent the future leaves (1) relate to rights attributable to employee services already rendered, (2) relate to rights that vest or accumulate, (3) where payment is probable, and (4) where amounts can be reasonably estimated. Amounts that normally would be paid with expendable available financial resources are recorded in the Governmental Fund Financial Statements. Amounts paid or payable within 60 days are deemed to be payable from expendable available financial resources. Liabilities for compensated absences are recorded in full in the Government-wide and Proprietary Fund financial statements.

## **K. Fund Balances**

The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance-amounts constrained to specific purposes by the City Commissioners through an ordinance, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City Commissioners take the action to remove or change the constraint;
- Assigned fund balance-amounts the City intends to use for a specific purpose (such as encumbrances); intent can be expressed by the City Commissioners or by an official or body to which the City delegates the authority;
- Unassigned fund balance-amounts that are available for any purpose; unassigned amounts are reported only in the General Fund.

Fund balance assigned for special revenue funds can only be expended on items that meet the specific purpose of the fund. When restricted, committed, assigned, and unassigned resources are available for use, it is the City's policy to use restricted, committed, and assigned resources first, then unassigned resources as they are needed.

## **L. Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of governments.

#### **M. Self-Insurance**

The City is self-insured for health and accident claims for employees and eligible retirees as more fully described in Notes 8 and 14.

#### **N. Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Proprietary and Internal Service Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

#### **O. Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenditures during the reporting period. Material estimates that are particularly susceptible to significant changes relate to the determination of the allowance for uncollectible accounts and the useful lives used to depreciate capital assets, and actuarial assumptions used in determining pension costs. Actual results could differ from estimated amounts.

#### **P. Bond Issuance Costs**

Debt issuance costs are expensed in the period they are incurred.

#### **Q. Reclassifications**

Certain reclassifications have been made to June 30, 2017 information to conform to the 2018 presentation.

#### **R. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

#### **S. Pension**

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 pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **T. Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the OPEB plan's fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as

they are reported by plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

#### **U. Recent Accounting Pronouncements**

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (“GASB 75”). GASB 75 replaces Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for other postemployment benefits (“OPEB”). In addition, GASB 75 details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. See Note (17) for the effect of this adoption on beginning net position.

In March 2016, the GASB issued Statement No. 82, *Pension Issues* (“GASB 82”). GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements that arose during the implementation of GASB Statement No. 68. The adoption of this standard did not have a material effect on the City’s financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (“GASB 84”). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the City beginning with its year ending June 30, 2020. Management is currently evaluating the impact of this Statement on its financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 20178* (“GASB 85”), which seeks to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 85 addresses several topics, including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (i.e., pensions and other post-employment benefits (OPEB)). In particular, this Statement covers:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and "negative" goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.

- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

See Note 17 for the effect of this adoption on beginning net position.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (“GASB 86”), which seeks to (1) improve consistency in accounting and financial reporting for certain debt extinguishments and (2) enhance the decision-usefulness of such information. GASB 86 establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources (i.e., resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the purpose of extinguishing debt. Additionally, it amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in-substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, GASB 86 establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. The adoption of this standard did not have a material effect on the City’s financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases* (“GASB 87”), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the City beginning with its year ending June 30, 2021 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (“GASB 88”), which seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, while providing financial statement users with additional essential information concerning debt. In particular, GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date that the contractual obligation is established, and it clarifies which liabilities governments should include when disclosing information related to debt. Furthermore, this Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including (1) unused lines of credit; (2) assets pledged as collateral for the debt; and (3) terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective

acceleration clauses. GASB 88 will be effective for the City beginning with its year ending June 30, 2019. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (“GASB 89”), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the City beginning with its year ending June 30, 2021. Management is currently evaluating the impact of this Statement on its financial statements.

### (3) DEPOSITS AND INVESTMENTS

#### Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City requires deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). The City does not have a formal policy regarding custodial credit risk.

At June 30, 2018, the carrying amounts of the City's deposits held in banks were \$21,915,089 and the bank balances were \$24,595,829. The total of the bank balances were insured or collateralized with securities held by the City's agents in the City’s name, or by letters of credit.

#### Investments

At June 30, 2018, the City had the following investments and maturities:

Investment Type -	Investment Maturities (in years)				
	Balance	Less than 1	1 - 5	6 - 10	More than 10
<b>Utility Fund</b>					
Certificates of Deposit	\$ 2,927,053	\$ 2,927,053	\$ -	\$ -	\$ -
<b>Recreation Fund</b>					
Certificates of Deposit	190,000	190,000	-	-	-
<b>Fiduciary Funds</b>					
Certificates of Deposit	3,450,748	3,450,748	-	-	-

**Interest Rate Risk:** The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk:** The City may invest their monies in interest-bearing bonds of any county, urban-county government or city in the State of Kentucky, or in any securities in which trustees are permitted to invest trust funds under the laws of the State of Kentucky, including participation in a local government pension investment fund created pursuant to KRS 95.895. The money market mutual fund invests only in U.S. Treasury

Obligations, which include securities issued or guaranteed by the U.S. Treasury where the payment of principal and interest is backed by the full faith and credit of the U.S. government.

**(4) PROPERTY TAX REVENUES**

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the City.

Real property, tangible and public utility property taxes are levied prior to June 30 of each year based upon the assessed value as of January 1. Per KRS 91.487, the lien date for assessed taxes is January 1 of each fiscal year. The City imposes penalties of 10% and interest of 0.5% per month on taxes not paid within thirty days of mailing tax bills.

Real property and tangible property taxes are due and payable by June 30 of each year. Public utility taxes are due and payable within thirty days from the date the bills are mailed.

Assessed values are established by State Law at 100% of fair value.

Real property and tangible property taxes are recognized as revenue on the modified accrual basis. Public utility taxes and tangible property taxes were not accrued at June 30, since assessed amounts are not available until the subsequent fiscal year.

Motor vehicle property taxes are assessed as of January 1 of each year and are collected by the County Clerk and remitted to the City. These taxes are not accrued, as amounts are payable upon the birth dates of the owners of the vehicles.

The 2018 assessed value for real property and tangible property was \$894,843,783 and \$103,481,315, respectively. The tax rate adopted was \$.2834 per \$100 valuation.

**(5) GRANTS RECEIVABLE**

Grants receivable from other governmental units as of June 30, 2018, are as follows:

General Fund -	
Kentucky Transportation Cabinet	\$ <u>2,576</u>
Special Revenue Funds -	
Municipal Aid Road Fund	41,602
Community Development Fund, program allocation	<u>68,152</u>
	<u>109,754</u>
Enterprise Funds –	
Ashland Bus System – FTA operating	277,595
Ashland Bus System – FTA capital	<u>97,912</u>
	<u>375,507</u>
	<u>\$ 487,837</u>

**(6) CAPITAL ASSETS**

A summary of changes in the City’s capital assets is as follows:



	Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2018</u>
<b><u>Governmental Activities</u></b>				
<b>Capital Assets, Not Depreciated:</b>				
Land	\$ 18,936,298	\$ -	\$ -	\$ 18,936,298
Construction in progress	53,583	123,003	(52,533)	124,053
<b>Capital Assets, Depreciated:</b>				
Buildings	9,085,773	9,281	-	9,095,054
Building improvements	3,243,861	38,026	(94,807)	3,187,080
Automotive equipment	4,157,927	527,288	(158,428)	4,526,787
Office furniture and equipment	544,857	29,848	-	574,705
Operating equipment	4,643,718	139,536	-	4,783,254
Capital improvements	742,170	157,294	-	899,464
Infrastructure	79,176,033	1,038,226	-	80,214,259
Totals	<u>120,584,220</u>	<u>2,062,502</u>	<u>(305,768)</u>	<u>122,340,954</u>
Less: accumulated depreciation				
Buildings	2,426,253	175,011	-	2,601,264
Building improvements	2,152,923	87,958	(94,807)	2,146,074
Automotive equipment	2,877,259	208,399	(158,428)	2,927,230
Office furniture and equipment	443,765	24,896	-	468,661
Operating equipment	2,806,424	220,695	-	3,027,119
Capital improvements	300,611	31,374	-	331,985
Infrastructure	50,296,828	1,772,025	-	52,068,853
Total accumulated depreciation	<u>61,304,063</u>	<u>2,520,358</u>	<u>(253,235)</u>	<u>63,571,186</u>
<b>Governmental Activities</b>				
<b>Capital Assets - Net</b>	<u>\$ 59,280,157</u>	<u>\$ (457,856)</u>	<u>\$ (52,533)</u>	<u>\$ 58,769,768</u>
<b><u>Business-type Activities</u></b>				
<b>Capital Assets, Not Depreciated:</b>				
Land	\$ 439,901	\$ 9,500	\$ -	\$ 449,401
Construction in progress	2,249,974	2,967,045	(395,092)	4,821,927
<b>Capital Assets, Depreciated:</b>				
Buildings	3,846,513	-	-	3,846,513
Building improvements	735,568	-	-	735,568
Utility and sewage plants	93,440,011	1,135,608	-	94,575,619
Automotive equipment	2,385,519	91,201	(155,256)	2,321,464
Office furniture and equipment	369,666	23,415	(58,021)	335,060
Operating equipment	3,810,167	151,042	(34,250)	3,926,959
Recreation equipment	271,099	39,245	-	310,344
Capital improvement	524,539	272,898	-	797,437
Totals	<u>108,072,957</u>	<u>4,689,954</u>	<u>(642,619)</u>	<u>112,120,292</u>
Less: accumulated depreciation				
Buildings	1,200,508	89,647	-	1,290,155
Building improvements	505,021	29,294	-	534,315
Utility and sewage plants	51,586,261	2,061,000	-	53,647,261
Automotive equipment	1,393,541	197,376	(141,927)	1,448,990
Office furniture and equipment	169,755	34,207	(58,021)	145,941
Operating equipment	2,487,946	171,732	(34,250)	2,625,428
Recreation equipment	225,738	6,097	-	231,835
Capital improvements	231,011	28,972	-	259,983
Total accumulated depreciation	<u>57,799,781</u>	<u>2,618,325</u>	<u>(234,198)</u>	<u>60,183,908</u>
<b>Business-type Activities</b>				
<b>Capital Assets - Net</b>	<u>\$ 50,273,176</u>	<u>\$ 2,071,629</u>	<u>\$ (408,421)</u>	<u>\$ 51,936,384</u>

Depreciation expense was allocated to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 478,450
Finance	367
Public services	1,594,678
Planning and code enforcement	8,640
Police	217,684
Fire	193,764
Engineering	6,222
Community and cultural	20,553
	<u>\$ 2,520,358</u>
Business-type activities:	
Utilities	\$ 2,365,794
Bus	156,371
Recreation	44,697
Cemetery	51,463
	<u>\$ 2,618,325</u>

## (7) RETIREMENT PLANS

Net pension liabilities of the City as of June 30, 2018 are as follows:

Governmental activities:	
Policemen and Firefighters Pension Fund	\$ 2,843,813
County Employees Retirement System	
Nonhazardous	7,994,942
Hazardous	25,110,923
	<u>\$ 35,949,678</u>
Business-type activities:	
Utility Employees Pension Fund	\$ 6,402,685
County Employees Retirement System	
Nonhazardous	10,502,036
	<u>\$ 16,904,721</u>

### Single Employer Plans

#### **Plan Descriptions, Contribution Information and Funding Policies**

The City of Ashland contributes to two single-employer, public employee retirement plans. Assets are held separately and may be used only for the payment of benefits to the members of the respective plans, as follows:

#### Utility Pension Fund (UPF)

The City of Ashland Utilities Employee's Pension Plan provides retirement benefits to City utility department employees in classified positions under civil service. The plan is closed to new participants and at June 30, 2018, there were no active employees participating in UPF. Unless otherwise indicated, UPF information in this Note is provided as of the latest actuarial valuation date, June 30, 2017, with an update to roll forward information to June 30, 2018.

Policemen and Firefighters Pension Fund (PFPF)

The City of Ashland Policemen and Firefighters Pension Plan provides retirement benefits to retirees and beneficiaries of policemen and firefighters hired prior to August 1, 1988.

The plan was frozen effective August 1, 1988. Policemen and firefighters hired after that date are required to participate in CERS. The plan is closed to new participants and at June 30, 2018, there were no active employees participating in PFPF. Unless otherwise indicated, PFPF information in this note is provided as of the latest actuarial valuation date, June 30, 2018.

**Financial Statements**

A separate audited financial statement is not available for the UPF and PFPF. The following is the statement of net position and the statement of changes in net position for the UPF and PFPF:

	<u>PENSION TRUST FUNDS</u>		
	<u>Utility Pension Fund</u>	<u>Policemen &amp; Firefighters Pension Fund</u>	<u>Total</u>
<b>STATEMENT OF NET POSITION</b>			
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accrued interest receivable	1,906	233	2,139
Due from other funds	54,953	258,295	313,248
Investments, at fair value -			
Certificates of deposit	<u>2,680,271</u>	<u>770,477</u>	<u>3,450,748</u>
Total assets	<u>2,737,130</u>	<u>1,029,005</u>	<u>3,766,135</u>
<b>LIABILITIES</b>			
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION - RESTRICTED FOR PENSION BENEFITS</b>	<u>\$ 2,737,130</u>	<u>\$ 1,029,005</u>	<u>\$ 3,766,135</u>
<b>STATEMENT OF CHANGES IN NET POSITION</b>			
<b>ADDITIONS</b>			
Contributions -			
Employer	\$ 1,010,604	\$ 949,776	\$ 1,960,380
Plan members	<u>-</u>	<u>-</u>	<u>-</u>
Total contributions	<u>1,010,604</u>	<u>949,776</u>	<u>1,960,380</u>
Investment income -			
Interest income	<u>29,588</u>	<u>7,327</u>	<u>36,915</u>
Total investment income	<u>29,588</u>	<u>7,327</u>	<u>36,915</u>
Total additions	<u>1,040,192</u>	<u>957,103</u>	<u>1,997,295</u>
<b>DEDUCTIONS</b>			
Benefits	670,968	394,671	1,065,639
Administrative expenses	<u>5,193</u>	<u>2,001</u>	<u>7,194</u>
Total deductions	<u>676,161</u>	<u>396,672</u>	<u>1,072,833</u>
<b>NET INCREASE</b>	364,031	560,431	924,462

NET POSITION - RESTRICTED FOR  
PENSION BENEFITS:

Beginning of year	<u>2,373,099</u>	<u>468,574</u>	<u>2,841,673</u>
End of year	<u>\$ 2,737,130</u>	<u>\$ 1,029,005</u>	<u>\$ 3,766,135</u>

**Pension Expense**

For the year ended June 30, 2018, the City recognized pension expense of (\$17,990) and \$121,960 for the Utility Pension Fund and Policemen and Firefighters Pension Fund, respectively. At June 30, 2018, the effect of all changes in assumptions and difference between and expected and actual experience were recognized in pension expense due to there being no active employees participating.

**Actuarial Methods and Assumptions**

Actuarial valuations are performed bi-annually. For additional information relating to basis of accounting and reported investment values, see Notes 1 and 2. These plans are defined benefit plans. The following is a summary of funding policies, contribution methods, and benefit provisions:

	<u>Utility Pension Fund</u>	<u>Policemen and Firefighters Pension Fund</u>	
Governing Authority	City Ordinance and KRS	City Ordinance and KRS	
Determination of contribution requirements	Actuarially	Actuarially	
Contribution rates as a percentage of covered payroll:			
Employer	N/A	N/A	
Plan Members	N/A	N/A	
Funding of administrative costs	Investment Earnings	Investment Earnings	
Period required to vest	20	10	
Post retirement benefit increases	As approved by City Commission	As approved by City Commission	
Eligibility for distribution	Age 50, with 20 years	N/A	
Provisions for:			
Disability benefits	Yes	Yes	
Death benefits	Yes	Yes	
Membership of the plans are as follows:			
Retirees and beneficiaries currently receiving benefits	24	17	<u>Totals</u> 41
Active plan participants:			
Vested	-	-	-
Non-Vested	-	-	-
	<u>24</u>	<u>17</u>	<u>41</u>

Actuarial assumptions and other information used to determine the actuarially determined contributions (ADC) are as follows:

	<u>Utility Pension Fund</u>	<u>Policemen And Firefighters Pension Fund</u>
Valuation date	06-30-17	06-30-18
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level % of payroll Closed	Level % of payroll Closed
Amortization	20 years	10 years
Actuarial asset valuation method	Fair market value, quoted market prices	Fair market value, quoted market prices
Actuarial assumptions		
Investments		
Rate of return	3.00 %	3.00 %
Allocation	Allowed by KRS	Allowed by KRS
Projected salary increases	None	None
Post retirement benefit increases	0.00 %	0.00 %
Cost of living adjustments	3.00 %	3.00 %
Discount rate	3.00 %	3.00 %
Mortality	RP-2000 Mortality Table	RP-2000 Mortality Table
Changes of assumptions since prior valuation	Discount rate reduced from 4.0% to 3.0%	Discount rate reduced from 4.0% to 3.0%

### Net Pension Liability

The following represents the components of the net pension liability:

<u>Date</u>	<u>Fiduciary Net Position (a)</u>	<u>Total Pension Liability (TPL) Entry Age (b)</u>	<u>Net Pension Liability (NPL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>NPL As A Percentage Of Covered Payroll (b-a)/c)</u>
<u>Utility Pension Fund</u>						
06/30/17	\$ 2,373,099	\$ 9,804,378	\$ 7,431,279	24.2%	\$ ** N/A	** N/A
06/30/18	2,737,130	9,139,815	6,402,685	29.9%	** N/A	** N/A
<u>Policemen and Firefighters Pension Fund</u>						
06/30/17	\$ 468,574	\$ 4,140,203	\$ 3,671,629	11.3%	\$ ** N/A	** N/A
06/30/18	1,029,005	3,872,818	2,843,813	26.6%	** N/A	** N/A

\*\*No active employees or covered payroll.

## Changes in Net Pension Liability

The following represents the changes in the net pension liabilities for the year ended June 30, 2018:

### Utility Pension Fund

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2017	\$ 9,804,378	\$ 2,373,099	\$ 7,431,279
Changes for the year:			
Interest on total pension liability	283,228	-	283,228
Difference in expected and actual experience	(2,629)	-	(2,629)
Effect of changes in assumptions	-	-	-
Effect of changes in benefit terms	(274,194)	-	(274,194)
Benefit payments	(670,968)	-	(670,968)
Employer contributions	-	1,010,604	(1,010,604)
Investment income, net of expenses	-	29,588	(29,588)
Benefit payments	-	(670,968)	670,968
Administrative expenses	-	(5,193)	5,193
Net changes	(664,563)	364,031	(1,028,594)
Balance, June 30, 2018	\$ 9,139,815	\$ 2,737,130	\$ 6,402,685

### Policemen and Firefighters Pension Fund

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2017	\$ 4,140,203	\$ 468,574	\$ 3,671,629
Changes for the year:			
Interest on total pension liability	157,057	-	157,057
Difference in expected and actual experience	(247,741)	-	(247,741)
Effect of changes in assumptions	324,422	-	324,422
Effect of changes in benefit terms	(106,452)	-	(106,452)
Benefit payments	(394,671)	-	(394,671)
Employer contributions	-	949,776	(949,776)
Investment income, net of expenses	-	7,327	(7,327)
Benefit payments	-	(394,671)	394,671
Administrative expenses	-	(2,001)	2,001
Net changes	(267,385)	560,431	(827,816)
Balance, June 30, 2018	\$ 3,872,818	\$ 1,029,005	\$ 2,843,813

## Deferred Outflows of Resources and Deferred Inflows

There are not deferred outflows of resources and deferred inflows related to the Utility Pension Fund and Policemen and Firefighters Pension Fund at June 30, 2018 due to all participants of the Plans being retired.

## Discount Rate

The following represents the effect on the net pension liability using a discount rate that is one percentage point higher and a discount rate that is one percentage point lower:

	1% Decrease (2.00%)	Current discount rate (3.00%)	1% Increase (4.00%)
Utility Pension Fund	\$ 7,356,680	\$ 6,402,685	\$ 5,591,230
Policemen and Firefighters Pension Fund	3,208,461	2,843,813	2,533,209

## Reserves

There are no assets legally reserved for purposes other than the payment of plan member benefits for either plan. Each plan held certificates of deposit at local financial institutions whose market value exceeds five percent of net position available for benefits. There are no long-term contracts for contributions.

## Payables

The following represents amounts due to the Utility Pension Fund and the Policemen and Firefighters Pension Fund as of June 30, 2018:

Governmental activities:		
Policemen and Firefighters Pension Fund	\$	258,295
Business-type activities:		
Utility Pension Fund	\$	54,953

## Cost - Sharing, Multiple Employer Plan - County Employees Retirement System

### Plan description

Substantially all full-time employees of the City participate in the County Employees Retirement System ("CERS"). This system consists of two plans – *Nonhazardous* and *Hazardous*. Each plan is a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members employed in nonhazardous or hazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. The plans provide for retirement, disability, and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

### Benefits provided

Benefits under the plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

### Contributions

Funding for CERS is provided by members, who contribute 5% nonhazardous and 8% hazardous (6.00% and 9.00% for employees hired after September 1, 2008, respectively) of their salary through payroll deductions and by employers of members who contribute 19.18% nonhazardous (14.48% - pension, 4.70% insurance) and 31.55% hazardous (22.20% - pension, 9.35% insurance) of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2018, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2017. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The City's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2017. At June 30 2017, the City's proportion for nonhazardous and hazardous was 0.316% and 1.122%, respectively.

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

For the year ended June 30, 2018, the City recognized pension expense of \$3,029,000 and \$3,939,000 for nonhazardous and hazardous, respectively. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Nonhazardous</u>		
Differences between expected and actual experience	\$ 22,943	\$ 469,534
Changes of assumptions	3,413,194	-
Net difference between projected and actual earnings on investments	1,464,938	1,236,152
Changes in proportion and differences between City contributions and proportionate share of contributions	50,985	333,213
City contributions subsequent to the measurement date	<u>1,016,378</u>	<u>-</u>
	<u>\$ 5,968,438</u>	<u>\$ 2,038,899</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 921,040	\$ -
Changes of assumptions	5,009,056	-
Net difference between projected and actual earnings on investments	1,647,072	1,427,638
Changes in proportion and differences between City contributions and proportionate share of contributions	244,016	741,387
City contributions subsequent to the measurement date	<u>1,445,947</u>	<u>-</u>
	<u>\$ 9,267,131</u>	<u>\$ 2,169,025</u>

At June 30, 2018, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$1,016,378 and \$1,445,947 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in pension expense as follows:

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2019	\$ 1,327,177	\$ 2,376,733
2020	1,266,833	2,640,959
2021	556,663	908,462
2022	(237,512)	(273,995)
	<u>\$ 2,913,161</u>	<u>\$ 5,652,159</u>

#### Actuarial Methods and Assumptions

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	26 years



Asset Valuation Method	5-year smoothed market
Payroll Growth	2.00%
Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

The following change of assumptions were adopted by the Board of Trustees and reflected in the liability measurement as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%
- Decreased the assumed rate of return to 6.25%
- Decreased the payroll growth assumption to 2.00%.

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). 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 one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity*	17.5%	5.97%
International Equity*	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate*	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real Return*	10.0%	6.13%
Private Equity	10.0%	8.25%
Cash	2.0%	1.88%
Total	<u>100.0%</u>	6.56%

*\*Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan*

#### 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 members 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 assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<u>1% Decrease (5.25%)</u>	<u>Current discount rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
City's proportionate share of the net pension liability			
Nonhazardous	\$ 23,329,000	\$ 18,496,978	\$ 14,455,000
Hazardous	31,572,000	25,110,923	19,775,000

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Payables to the pension plan

At June 30, 2018, there was a total payable to CERS of \$374,070 for nonhazardous and hazardous, which includes pension and OPEB contributions.

**(8) OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) PLANS**

**Single Employer Plans - UPF and PFPF Medical Insurance Plan**

In addition to UPF and PFPF pension benefits described in Note 7, the City provides pursuant to City ordinance, post-retirement health care benefits to all employees who retire from the City and are receiving benefits from a retirement plan which the City sponsors. The City has determined the post-employment health care benefits provided to retirees are not material to the financial statements. Therefore, the City has elected not to adopt the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* for the City's plans.

Currently, one retiree meets the eligibility requirements. The City pays claims up to \$100,000 per individual. Funding is provided by billings to retirees. Expenditures for post-retirement health care benefits are recognized as retirees report claims. Management has no knowledge of unreported claims incurred for which a liability has not been recognized. During the year, expenditures of \$29,984 were recognized for post-retirement health care.

**Cost - Sharing, Multiple Employer Plan - County Employees Retirement System Insurance Fund**

Plan description

The County Employees Retirement System (“CERS”) Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. This system consists of two plans – *Nonhazardous* and *Hazardous*. Each Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits provided

CERS health insurance benefits are subject to various participation dates to determine eligibility and health insurance contribution rates. For employees who initiated participation in the CERS system prior to July 1,

2003, KRS pays a percentage of the monthly contribution rate for insurance coverage based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium. Hazardous members receive a contribution subsidy for both the member and dependent coverage.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

Hazardous retirees receive \$15 toward the monthly premium and the hazardous retiree's spouse may also receive this contribution upon the retiree's death. The monthly insurance benefit has been increased annually by a Cost of Living Adjustment (COLA) since July 2004.

### Contributions

CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2018, CERS allocated 4.70% of the 19.18% nonhazardous and 9.35% of the 31.55% hazardous actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2018, the City contributed \$329,818 and \$609,123 to the CERS Nonhazardous and Hazardous Insurance Fund, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

### Implicit Subsidy

The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At June 30, 2018, the City reported a liability its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2017 was determined using standard roll-forward techniques. City's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2017. At June 30 2017, the City's proportion for nonhazardous and hazardous was 0.316% and 1.122%, respectively.

For the year ended June 30, 2018, the City recognized OPEB expense of \$695,000 and \$1,456,000 for nonhazardous and hazardous, respectively, including an implicit subsidy of \$39,862 and (\$80,946), respectively. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Nonhazardous</u>		
Differences between expected and actual experience	\$ -	\$ 17,646
Changes of assumptions	1,382,343	-
Net difference between projected and actual earnings on investments	-	300,233
Changes in proportion and differences between City contributions and proportionate share of contributions	-	14,740
City contributions subsequent to the measurement date	329,818	-
	<u>\$ 1,712,161</u>	<u>\$ 332,619</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ -	\$ 21,621
Changes of assumptions	3,422,432	-
Net difference between projected and actual earnings on investments	-	582,147
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,845
City contributions subsequent to the measurement date	609,123	-
	<u>\$ 4,031,555</u>	<u>\$ 605,613</u>

At June 30, 2018, the City reported deferred outflows of resources related to OPEB for City contributions subsequent to the measurement date of \$329,818 and \$609,123 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019.

Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions are amortized over the average service life of all members. These will be recognized in OPEB expense as follows:

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2019	\$ 180,615	\$ 814,623
2020	180,615	814,623
2021	180,615	814,623
2022	180,615	372,950
2023	255,674	-
Thereafter	71,590	-
	<u>\$ 1,049,724</u>	<u>\$ 2,816,819</u>

#### Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	28 Years, Closed

Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

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). 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 for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity*	17.5%	5.97%
International Equity*	17.5%	7.85%
Global Bonds	4.0%	2.63%
Global Credit	2.0%	3.63%
High Yield	7.0%	5.75%
Emerging Market Debt	5.0%	5.50%
Private Credit	10.0%	8.75%
Real Estate*	5.0%	7.63%
Absolute Return	10.0%	5.63%
Real return*	10.0%	6.13%
Private Equity	10.0%	8.25%
Cash	2.0%	1.88%
Total	<u>100.0%</u>	6.56%

*\*Long-Term Expected Real Rates of Return may vary by plans depending on the risk tolerance of the plan*

#### Discount rate

The discount rate used to measure the total OPEB liability for nonhazardous and hazardous was 5.84% and 5.96%, respectively. The projection of cash flows used to determine the discount rate assumed that local

employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the City's proportionate share of the collective net OPEB liability of the Nonhazardous CERS Insurance Fund, calculated using the discount rate of 5.84%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	1% Decrease (4.84%)	Current discount rate (5.84%)	1% Increase (6.84%)
City's proportionate share of the net OPEB liability			
Nonhazardous	\$ 8,083,664	\$ 6,352,862	\$ 4,912,562

The following table presents the City's proportionate share of the collective net OPEB liability of the Hazardous CERS Insurance Fund, calculated using the discount rate of 5.96%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.96%) or 1-percentage-point higher (6.96%) than the current rate:

	1% Decrease (4.96%)	Current discount rate (5.96%)	1% Increase (6.96%)
City's proportionate share of the net OPEB liability			
Hazardous	\$ 12,434,400	\$ 9,278,454	\$ 6,696,372

Sensitivity of net OPEB liability to changes in the healthcare cost trend rates

The following presents the City's proportionate share of the collective net OPEB liability, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current trend rate	1% Increase
City's proportionate share of the net OPEB liability			
Nonhazardous	\$ 4,872,972	\$ 6,352,862	\$ 8,276,632
Hazardous	6,568,075	9,278,454	12,632,960

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Payables to the OPEB plan

At June 30, 2018, there was a total payable to CERS of \$374,070 for nonhazardous and hazardous, which includes pension and OPEB contributions.

**(9) DEBT**

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2018:

<u>Governmental Activities</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
General Obligation Bond Series 2015	\$ 2,265,000	\$ -	\$ 130,000	\$ 2,135,000	\$ 135,000
General Obligation Bond Series 2017	-	4,490,000	-	4,490,000	165,000
Capital lease - Police Station	3,774,851	-	169,439	3,605,412	175,804
Capital lease -- Melody Mtn. Phase II	1,482,917	-	67,083	1,415,834	70,000
Premium on bonds	73,710	79,002	8,197	144,515	-
Compensated absences obligation	<u>667,330</u>	<u>5,732</u>	<u>25,685</u>	<u>647,377</u>	<u>-</u>
<b>Total Governmental Activities</b>	<b>\$ 8,263,808</b>	<b>\$ 4,574,734</b>	<b>\$ 400,404</b>	<b>\$ 12,438,138</b>	<b>\$ 545,804</b>
<u>Business-type Activities</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Revenue & Improvement Bond Series 2013	\$ 3,255,000	\$ -	\$ 430,000	\$ 2,825,000	\$ 435,000
Water & Sewer Revenue Bond Series 2015	3,260,000	-	190,000	3,070,000	195,000
Capital lease - Radio Meters	1,333,333	-	102,084	1,231,249	105,000
KIA Loan	1,889,469	-	215,220	1,674,249	223,427
KIA Loan	5,664,478	-	292,922	5,371,556	298,810
Premium on bonds	108,620	-	7,758	100,862	-
Discount on bonds	<u>(17,800)</u>	<u>-</u>	<u>(2,966)</u>	<u>(14,834)</u>	<u>-</u>
<b>Total Business-type Activities</b>	<b>\$ 15,493,100</b>	<b>\$ -</b>	<b>\$ 1,235,018</b>	<b>\$ 14,258,082</b>	<b>\$ 1,257,237</b>

At June 30, 2018, the City was required to have \$805,163 for the Revenue and Improvement Bonds of 2013 and 2015, in sinking fund reserve accounts. Additionally, under the KIA loan agreements, the City was required to have \$295,000 set aside for the costs of extensions, improvements, renewals and replacements to the sewer system. As of June 30, 2018, the City had reserve funds of \$1,124,163.

**Governmental Activities**

**General Obligation Refunding Bond Series 2015**

On March 17, 2015, the City issued \$2,520,000 in refunding bonds with an average rate of 3.0% to advance refund \$2,460,000 of the series 2005 bonds with an average rate of 4.0%. The proceeds of the refunding bonds were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds in the amount of \$2,460,000 are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$103,137. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2030 using the straight-line method. Additionally, the City reduced its total debt service payments over the following 25 years by \$269,000 and obtained an economic gain (difference between the present values of the debt service payments of the old and new bonds) of \$224,000.

The 2015 Series bonds were sold at a premium of \$89,008, which is being amortized over the life of the bonds.

The annual requirements to amortize the indebtedness at June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 135,000	\$ 62,025	\$ 197,025
2020	140,000	57,900	197,900
2021	145,000	53,625	198,625
2022	175,000	48,825	223,825
2023	150,000	43,950	193,950
2024-2028	835,000	146,925	981,925
2029-2031	555,000	25,275	580,275
	<u>\$ 2,135,000</u>	<u>\$ 438,525</u>	<u>\$ 2,573,525</u>

#### **General Obligation Bond Series 2017**

On October 25, 2017, the City issued \$4,490,000 in general obligation bonds with an average rate of 3.0% to fund the Ashland Plaza Redevelopment Project, which is a tax increment finance project. See Note 13 for additional information regarding the tax increment finance district.

The 2017 Series bonds were sold at a premium of \$79,002, which is being amortized over the life of the bonds.

The annual requirements to amortize the indebtedness at June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 165,000	\$ 132,225	\$ 297,225
2020	170,000	127,200	297,200
2021	175,000	122,025	297,025
2022	180,000	116,700	296,700
2023	190,000	111,150	301,150
2024-2028	1,030,000	466,050	1,496,050
2029-2033	1,195,000	299,625	1,494,625
2034-2038	1,385,000	106,425	1,491,425
	<u>\$ 4,490,000</u>	<u>\$ 1,481,400</u>	<u>\$ 5,971,400</u>

#### **Capital Lease - Police Station**

On December 23, 2008, the City entered into an agreement with the Kentucky League of Cities Funding Trust Program to finance the construction of a police station. Proceeds of the fixed rate (3.035%) lease agreement totaled \$5,000,000.

Future minimum annual lease payments under this agreement are as follows:



<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2019	\$ 175,804	\$ 135,553	\$ 311,357
2020	182,356	128,813	311,169
2021	189,204	121,771	310,975
2022	196,291	114,481	310,772
2023	203,659	106,905	310,564
2024-2028	1,138,526	410,856	1,549,382
2029-2033	1,368,383	174,452	1,542,835
2034	151,189	2,684	153,873
	<u>\$ 3,605,412</u>	<u>\$ 1,195,515</u>	<u>\$ 4,800,927</u>

### Capital Lease - Melody Mountain Phase II

On May 2, 2014, the City entered into an agreement with the Kentucky Bond Corporation to finance the development of the Melody Mountain Project Phase II. Proceeds of the variable rate (2.0% to 3.5%) lease agreement totaled \$1,710,000.

Future minimum annual lease payments under this agreement are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2019	\$ 70,000	\$ 48,438	\$ 118,438
2020	70,000	46,862	116,862
2021	72,084	44,996	117,080
2022	75,000	42,653	117,653
2023	77,084	40,216	117,300
2024-2028	426,250	161,746	587,996
2029-2033	513,332	82,345	595,677
2034-2035	112,084	5,900	117,984
	<u>\$ 1,415,834</u>	<u>\$ 473,156</u>	<u>\$ 1,888,990</u>

### Compensated Absences Obligation

Compensated absences of Governmental Fund Types payable within 60 days from the balance sheet date are deemed to be payable from expendable available financial resources. Compensated absences earned by employees which are payable after 60 days are reflected as general long-term obligations of the City.

The estimated liabilities for accrued compensated absences as of June 30, 2018, are as follows:

	<u>Accrued Long-Term Obligation</u>	<u>Current Obligation</u>	<u>Total Compensated Absences</u>
General Fund	\$ 629,610	\$ 123,857	\$ 753,467
Community Development Fund	5,368	1,056	6,424
Housing Assistance Fund	6,579	1,294	7,873
Floodwall Fund	5,820	1,145	6,965
Ashland Bus System	-	25,718	25,718
Recreation Fund	-	21,004	21,004
Cemetery Fund	-	8,039	8,039
Utility Fund	-	181,332	181,332
	<u>\$ 647,377</u>	<u>\$ 363,445</u>	<u>\$ 1,010,822</u>

Refer to Note 2 for additional information regarding compensated absences.

## Conduit Debt Obligations

From time to time, 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 loan agreements. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the 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, 2018, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$269 million.

### Business-Type Activities

#### Revenue Refunding and Improvement Bonds Series 2013

On April 1, 2013, the City issued \$4,890,000 in refunding bonds with an average rate of 5.3% to advance refund \$4,410,000 of the series 1999 bonds with an average rate of 6.8%. The proceeds of the refunding bonds were used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds in the amount of \$4,410,000 are considered to be defeased and the liability for those bonds has been removed from Utility Fund liabilities.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$269,378. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2024 using the straight-line method. Additionally, the City reduced its total debt service payments over the following 25 years by \$416,000 and obtained an economic gain (difference between the present values of the debt service payments of the old and new bonds) of \$354,000.

The 2013 Series bonds were sold at a discount of \$29,668, which is being amortized over the life of the bonds.

The annual requirements to amortize the indebtedness at June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 435,000	\$ 58,755	\$ 493,755
2020	445,000	50,055	495,055
2021	465,000	41,155	506,155
2022	480,000	31,855	511,855
2023	490,000	22,255	512,255
2024	510,000	11,475	521,475
	<u>\$ 2,825,000</u>	<u>\$ 215,550</u>	<u>\$ 3,040,550</u>

#### Water & Sewer Revenue Bonds Series 2015

On March 11, 2015, the City issued \$3,620,000 in revenue bonds with interest rates ranging from 3.0% to 3.25%, to finance improvements for the waterworks, water distribution, wastewater treatment and collection facilities.

The annual requirements to amortize the indebtedness at June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 195,000	\$ 93,475	\$ 288,475
2020	205,000	87,625	292,625
2021	210,000	81,475	291,475
2022	215,000	75,175	290,175
2023	220,000	68,725	288,725
2024-2028	1,210,000	239,975	1,449,975
2029-2031	815,000	52,800	867,800
	<u>\$ 3,070,000</u>	<u>\$ 699,250</u>	<u>\$ 3,769,250</u>

### Capital Lease – Radio Meters

On July 30, 2013, the City entered into an agreement with the Kentucky Bond Corporation to finance the acquisition and installation of radio read meters. Proceeds of the variable rate (4.125% to 4.625%) lease agreement totaled \$1,710,000.

Future minimum annual lease payments under this agreement are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2019	\$ 105,000	\$ 48,084	\$ 153,084
2020	107,083	44,672	151,755
2021	112,083	41,192	153,275
2022	115,000	37,549	152,549
2023	117,083	33,692	150,775
2024-2028	637,083	694	637,777
2029	37,917	1,921	39,838
	<u>\$ 1,231,249</u>	<u>\$ 207,804</u>	<u>\$ 1,439,053</u>

### Kentucky Infrastructure Authority Loan

On November 1, 2004, the City entered into an Assistance Agreement with the Kentucky Infrastructure Authority (“KIA”) for a water system renovation project. In accordance with the Agreement, the City received the proceeds from the loan as eligible expenses were incurred. On January 12, 2018, the KIA allowed the City to refinance the agreement to reduce the interest rate from 3.0% to 2.25%. A loan serving fee of 0.025% of the annual outstanding loan balance shall be payable to KIA as a part of each interest payment.

The annual requirements to amortize the indebtedness at June 30, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
2019	\$ 223,427	\$ 36,421	\$ 3,237	\$ 263,085
2020	228,483	31,366	2,788	262,637
2021	233,653	26,196	2,328	262,177
2022	238,939	20,909	1,859	261,707
2023	244,345	15,503	1,378	261,226
2024-2025	505,402	14,294	1,270	520,966
	<u>\$ 1,674,249</u>	<u>\$ 144,689</u>	<u>\$ 12,860</u>	<u>\$ 1,831,798</u>

## Kentucky Infrastructure Authority Loan

On May 1, 2010, the City entered into an Assistance Agreement with the Kentucky Infrastructure Authority (“KIA”) to finance capacity upgrades at the Roberts Drive Pump Station and the Sixth Street Pump Station as part of the CSO abatement projects in the Long-Term Control Plan (See Note 12). The loan bears interest at a rate of 2.0% with a maturity date of December 1, 2033. A loan serving fee of 0.001% of the annual outstanding loan balance shall be payable to KIA as a part of each interest payment. In accordance with the Agreement, the City received the proceeds from the loan as eligible expenses were incurred.

The annual requirements to amortize the loan as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Fees	Total
2019	\$ 298,810	\$ 105,945	\$ 10,594	\$ 415,349
2020	304,816	99,938	9,994	414,748
2021	310,943	93,812	9,381	414,136
2022	317,193	87,562	8,756	413,511
2023	323,568	81,186	8,119	412,873
2024-2028	1,718,052	305,720	30,572	2,054,344
2029-2033	1,897,800	125,975	12,598	2,036,373
2034	200,374	2,003	200	202,577
	<u>\$ 5,371,556</u>	<u>\$ 902,141</u>	<u>\$ 90,214</u>	<u>\$ 6,363,911</u>

### (10) INTERFUND TRANSACTIONS

#### Interfund Receivable and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds are eliminated in the Statement of Net Position. The composition of interfund balances as of June 30, 2018 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ashland Bus System	\$ 596,528
General Fund	Recreation Fund	480,096
General Fund	Utility Fund	1,580,847
General Fund	Housing Assistance	13,847
General Fund	Floodwall Operating Fund	2,165
General Fund	Community Development	5,925
Tax Increment Fund	General Fund	2,733
Municipal Aid Road Fund	General Fund	20,963
Capital Project	General Fund	1,324,168
Internal Service Fund	General Fund	789,879
Police and Fire Fighters Pension	General Fund	258,295
Cemetery Fund	General Fund	42,330
Utility Pension Fund	Utility Fund	54,953
Total		<u>\$ 5,172,729</u>

#### Interfund Transfers

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Ashland Bus System	Matching	\$ 555,473
Operating	General	Recreation	Operations	922,905
Operating	General	Tax Increment Finance	Operations	116,870
Operating	General	Capital Projects	Capital Purchases	1,195,456
Operating	General	Cemetery	Operations	88,775

**(11) LEGAL CONTINGENCIES**

The City is a defendant in various legal actions arising from normal business operations. The City's legal counsel believes these actions are without merit, adequately covered by insurance, or that the ultimate liability, if any, will not materially affect the City's financial position or results of operations.

**(12) COMMITMENTS AND CONTINGENCIES**

**Ashland Bus System**

The City is committed to provide financial assistance to the Ashland Bus System (ABS). During the year ended June 30, 2018, the City paid \$531,931 to the ABS under this agreement. Remaining operating costs are to be funded through grants from the U.S. Department of Transportation (DOT). The City has estimated it is due \$277,595 from the DOT for the current year's operating grant. City management does not expect its cost of operating the ABS to decrease in the near future.

**Combined Sewer Overflow Improvements**

In 2007, the City entered into an agreement with the Kentucky Energy and Environment Cabinet to comply with federal Clean Water Act standards that are applicable to the City's sewer system. The City's system is considered a combined sewer system due to the sewers collecting rainwater, runoff, domestic sewage and industrial wastewater. During heavy rains or melting snow, the system can create Combined Sewer Overflow (CSO), when waste and storm water overflow from the sewer system into local bodies of water and the Ohio River. Under the agreement, the City is required to create a Long Term Control Plan to reduce the number of overflows and complete improvements to the sewer system. The improvements are expected to cost approximately \$60 million.

On February 18, 2010, the Board of Commissioners approved an additional surcharge for sewer customers of the City to pay for the improvements. Beginning April 1, 2010, sewer customers are charged a \$2.50 fee per 1,000 gallons of water used. The charge increased to \$3.50 per 1,000 gallons during 2015 and will end in 2035. All monies collected for this surcharge are placed in a separate account and only used for CSO improvements as outlined in the City's Long Term Control Plan. At June 30, 2018, the City has \$5,257,086 restricted for the sewer improvements.

**Construction Projects**

The City is obligated on commitments for various contracts in progress at June 30, 2018. A summary of these commitments is as follows:

Fund	Project Description	Total Approved Contract	Paid or Accrued to Date	Outstanding Commitment
Utility Fund	Mill Street Facility	\$ 765,394	\$ 381,881	\$ 383,513
Utility Fund	Louisa Street Water Main	99,709	76,650	23,059
Utility Fund	29th Street Storm Water	3,058,769	2,552,140	506,629
Utility Fund	29th Street Storm Water	179,780	173,070	6,710
Utility Fund	Hydrants	139,620	50,263	89,357
Utility Fund	Catlettsburg Tank	46,760	4,800	41,960
Comm. Dev.	Concrete & Handrails	233,822	77,188	156,634
General Fund	Safe Route To School	215,180	210,869	4,311
		<u>\$ 4,739,034</u>	<u>\$ 3,526,861</u>	<u>\$ 1,212,173</u>

**(13) TAX ABATEMENTS**

GASB Statement No. 77, *Tax Abatement Disclosures*, defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual

or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

During the year ended June 30 2018, the City created a tax increment financing (“TIF”) district (“Ashland Plaza Redevelopment Project”) under the authority granted by Kentucky Revised Statutes (KRS) Chapter 65 and 154.30. The tax increment district was created to redevelop the existing Ashland Plaza Hotel into a 149 room, 3-star hotel with full service accommodations, including restaurant space, lobby bar, and meeting spaces. Under the agreement with the project developer, the City is to provide \$4,500,000 to help fund initial construction.

The taxes levied on all taxable property within the TIF district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the district, including reimbursing the City’s initial investment. The tax increments are allocated until all costs of the TIF district project has been repaid; however, it cannot exceed 20 years. The project developer bears the risk that the increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall. The City has one active TIF district in which taxes are passed directly to developers. Because the general property taxes on tax increment districts are allocated to the district, these taxes are not available to the City during the life of the tax increment district. For the year ended June 30, 2018, no additional general property taxes were levied and not available to the City. However, approximately \$3.3 million was paid to the developer as part of the City’s initial investment.

**(14) 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; injuries to employees; and natural disasters. The City has established an employee’s health insurance fund (an internal service fund) to account for and finance its uninsured risk of loss. Under this program, the employees’ health insurance fund provides coverage up to a maximum of \$100,000 per covered full-time employee and his or her dependents and eligible retirees. The City purchases commercial insurance for the health and accident claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All full-time employees are eligible to participate in the City’s Health Benefit Plan. The claims liability of \$569,376 reported in the Internal Service Fund at June 30, 2018, is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated.

Changes in the funds claims liability amount in fiscal years 2017 and 2018 were:

	Beginning of Fiscal Year Liability	Current Year Claims	Claim Payments	Balance At Fiscal Year End
2017	\$ 688,246	\$ 5,925,510	\$ 5,884,879	\$ 728,877
2018	728,877	4,570,357	4,729,858	569,376

Effective July 1, 2006, the City established a Health Reimbursement Arrangement (HRA) on behalf of employees enrolled in the Health Benefit Plan. Employees are eligible to participate in the HRA on the thirty-first day of employment. Participants enrolled in the Health Benefit Plan with single coverage are credited with \$900 per year into their HRA account, while participants enrolled in the Health Benefit Plan with family coverage are credited with \$1,800 per year. Participants in the HRA can use their account balances to reimburse the Health Benefit Plan deductibles and co-insurance expenses. Amounts charged to Internal Service Fund operating expenses under the provisions of the HRA for the year ended June 30, 2018 totaled \$354,099.

**(15) NOTE RECEIVABLE**

On September 23, 2008, the City entered into an agreement with Harbor Hill, LLLP to loan \$150,000 from its Community Development Block Grant Funds for the rehabilitation of a building to increase the number of affordable rental housing units available for the benefit of low and very low income persons. The note bears no interest and is due and payable on September 30, 2038.

**(16) FUND DEFICIT**

As of June 30, 2018, the Ashland Bus Fund and Recreation Fund had a negative net position of \$341,324

and \$580,414, respectively. These deficits resulted from the fund's proportionate share of the net pension and OPEB liabilities recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**(17) CHANGE IN ACCOUNTING PRINCIPLE**

Net position as of June 30, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, as amended by GASB Statement No. 85, *Omnibus 2017*.

	Net position as previously reported at June 30, 2017	CERS net OPEB liability (measurement date as of June 30, 2016)	Deferred outflows - City CERS OPEB contributions made during during fiscal year 2017	Total prior period adjustment	Net position as restated, June 30, 2017
<b>Governmental Activities</b>	\$ 33,696,492	\$ (7,631,223)	\$ 755,795	\$ (6,875,428)	\$ 26,821,064
<b>Business-Type Activities</b>					
Utility Fund	29,344,019	(2,294,691)	158,432	(2,136,259)	27,207,760
Ashland Bus Fund	211,128	(325,476)	22,283	(303,193)	(92,065)
Recreation Fund	(301,683)	(215,287)	13,849	(201,438)	(503,121)
Cemetery Fund	3,463,877	(60,532)	4,354	(56,178)	3,407,699
Total	<u>32,717,341</u>	<u>(2,895,986)</u>	<u>198,918</u>	<u>(2,697,068)</u>	<u>30,020,273</u>
<b>Total</b>	<u>\$ 66,413,833</u>	<u>\$ (10,527,209)</u>	<u>\$ 954,713</u>	<u>\$ (9,572,496)</u>	<u>\$ 56,841,337</u>

**REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF ASHLAND  
DEFINED BENEFIT PENSION TRUSTS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS  
JUNE 30, 2018**

	UTILITY EMPLOYEES PENSION FUND							POLICEMEN AND FIREFIGHTERS PENSION FUND						
	Amount Contributed	ADC	Contribution Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll		Annual* M-W Rate of Return, net	Amount Contributed	ADC	Contribution Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll		Annual* M-W Rate of Return, net
					ARC	Amount Contributed						ARC	Amount Contributed	
2009	\$ 684,266	\$325,025	\$ (359,241)	\$43,264	751%	1582%	*N/A	\$ 481,553	\$267,003	\$ (214,550)	**N/A	**N/A	**N/A	*N/A
2010	608,977	309,647	(299,330)	44,414	697%	1371%	*N/A	448,250	267,003	(181,247)	**N/A	**N/A	**N/A	*N/A
2011	570,018	309,647	(260,371)	44,541	695%	1280%	*N/A	367,165	270,665	(96,500)	**N/A	**N/A	**N/A	*N/A
2012	567,529	316,165	(251,364)	**N/A	**N/A	**N/A	*N/A	367,165	270,665	(96,500)	**N/A	**N/A	**N/A	*N/A
2013	567,529	567,529	-	**N/A	**N/A	**N/A	*N/A	367,165	342,502	(24,663)	**N/A	**N/A	**N/A	*N/A
2014	650,912	383,103	(267,809)	**N/A	**N/A	**N/A	0.17%	316,277	425,142	108,865	**N/A	**N/A	**N/A	0.18%
2015	728,300	383,103	(345,197)	**N/A	**N/A	**N/A	0.61%	411,220	564,043	152,823	**N/A	**N/A	**N/A	0.50%
2016	782,736	603,145	(179,591)	**N/A	**N/A	**N/A	0.81%	419,610	564,043	144,433	**N/A	**N/A	**N/A	0.53%
2017	737,240	603,145	(134,095)	**N/A	**N/A	**N/A	0.80%	419,610	521,302	101,692	**N/A	**N/A	**N/A	0.67%
2018	1,010,604	484,950	(525,654)	**N/A	**N/A	**N/A	1.02%	949,776	521,302	(428,474)	**N/A	**N/A	**N/A	0.96%

\* The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Information is only shown for years available.

\*\* No active employees or covered payroll.

**CITY OF ASHLAND  
DEFINED BENEFIT PENSION TRUSTS  
SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 2018**

UTILITY EMPLOYEES PENSION FUND

Actuarial Valuation Date	Fiduciary Net Position (a)	Total Pension Liability (TPL) Entry Age (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	NPL As A Percentage Of Covered Payroll ((b-a)/c)
06/30/09 *	\$ 2,882,283	\$ 7,776,949	\$ 4,894,666	37.1%	\$ 43,264	11313.5%
06/30/10	2,867,735	7,863,170	4,995,435	36.5%	44,414	11247.4%
06/30/11 *	2,761,148	7,744,771	4,983,623	35.7%	44,541	11188.8%
06/30/12	2,618,017	7,696,263	5,078,246	34.0%	**N/A	**N/A
06/30/13 *	2,449,372	7,462,369	5,012,997	32.8%	**N/A	**N/A
06/30/14	2,362,804	7,823,259	5,460,455	30.2%	**N/A	**N/A
06/30/15 *	2,340,422	10,865,198	8,524,776	21.5%	**N/A	**N/A
06/30/16	2,360,136	10,408,243	8,048,107	22.7%	**N/A	**N/A
06/30/17 *	2,373,099	9,804,378	7,431,279	24.2%	**N/A	**N/A
06/30/18	2,737,130	9,139,815	6,402,685	29.9%	**N/A	**N/A

POLICEMEN AND FIREFIGHTERS PENSION FUND

06/30/09	\$ 1,914,668	\$ 5,302,131	\$ 3,387,463	36.1%	**N/A	**N/A
06/30/10 *	1,775,017	5,316,734	3,541,717	33.4%	**N/A	**N/A
06/30/11	1,492,443	5,201,210	3,708,767	28.7%	**N/A	**N/A
06/30/12 *	1,246,072	4,693,041	3,446,969	26.6%	**N/A	**N/A
06/30/13	999,893	4,299,041	3,299,148	23.3%	**N/A	**N/A
06/30/14 *	731,401	4,338,361	3,606,960	16.9%	**N/A	**N/A
06/30/15	579,210	5,016,407	4,437,197	11.5%	**N/A	**N/A
06/30/16 *	522,527	4,919,883	4,397,356	10.6%	**N/A	**N/A
06/30/17	468,574	4,140,203	3,671,629	11.3%	**N/A	**N/A
06/30/18 *	1,029,005	3,872,818	2,843,813	26.6%	**N/A	**N/A

\*Biannual actuarial valuation performed.

\*\*No active employees or covered payroll.

**CITY OF ASHLAND  
DEFINED BENEFIT PENSION TRUSTS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	UTILITY EMPLOYEES PENSION FUND				
	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	283,228	400,459	417,961	482,003	353,293
Effect of changes in benefit terms	(274,194)	(265,792)	(312,246)	-	848,025
Difference in expected and actual experience	(2,629)	(950,704)	205,645	66,792	(108,429)
Effect of changes in assumptions	-	944,652	-	3,246,184	-
Benefit payments	<u>(670,968)</u>	<u>(732,480)</u>	<u>(768,315)</u>	<u>(753,040)</u>	<u>(731,999)</u>
Net change in total pension liability	(664,563)	(603,865)	(456,955)	3,041,939	360,890
Total pension liability, beginning of year	<u>9,804,378</u>	<u>10,408,243</u>	<u>10,865,198</u>	<u>7,823,259</u>	<u>7,462,369</u>
Total pension liability, end of year (a)	<u>9,139,815</u>	<u>9,804,378</u>	<u>10,408,243</u>	<u>10,865,198</u>	<u>7,823,259</u>
<b>FIDUCIARY NET POSITION</b>					
Employer contributions	\$ 1,010,604	\$ 737,240	\$ 782,736	\$ 728,300	\$ 650,912
Member contributions	-	-	-	-	-
Investment income, net of investment expenses	29,588	10,513	10,395	4,570	879
Benefit payments and refund of contributions	(670,968)	(732,480)	(768,315)	(753,040)	(731,999)
Administrative expenses	<u>(5,193)</u>	<u>(2,310)</u>	<u>(5,102)</u>	<u>(2,212)</u>	<u>(6,360)</u>
Net change in plan fiduciary net position	364,031	12,963	19,714	(22,382)	(86,568)
Fiduciary net position, beginning of year	<u>2,373,099</u>	<u>2,360,136</u>	<u>2,340,422</u>	<u>2,362,804</u>	<u>2,449,372</u>
Fiduciary net position, end of year (b)	<u>2,737,130</u>	<u>2,373,099</u>	<u>2,360,136</u>	<u>2,340,422</u>	<u>2,362,804</u>
<b>Net pension liability, ending = (a)-(b)</b>	<u>\$ 6,402,685</u>	<u>\$ 7,431,279</u>	<u>\$ 8,048,107</u>	<u>\$ 8,524,776</u>	<u>\$ 5,460,455</u>

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**CITY OF ASHLAND  
DEFINED BENEFIT PENSION TRUSTS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITIES (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2018**

	POLICEMEN AND FIREFIGHTERS PENSION FUND				
	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	157,057	186,525	237,867	249,990	199,178
Effect of changes in benefit terms	(106,452)	(124,206)	(136,189)	-	436,571
Difference in expected and actual experience	(247,741)	(368,001)	(100,203)	24,498	(28,280)
Effect of changes in assumptions	324,422	-	380,261	966,202	14,282
Benefit payments	(394,671)	(473,998)	(478,260)	(562,644)	(582,431)
Net change in total pension liability	(267,385)	(779,680)	(96,524)	678,046	39,320
Total pension liability, beginning of year	4,140,203	4,919,883	5,016,407	4,338,361	4,299,041
Total pension liability, end of year (a)	3,872,818	4,140,203	4,919,883	5,016,407	4,338,361
<b>FIDUCIARY NET POSITION</b>					
Employer contributions	\$ 949,776	\$ 419,610	\$ 419,610	\$ 411,220	\$ 316,277
Member contributions	-	-	-	-	-
Investment income, net of investment expenses	7,327	5,107	3,994	3,787	857
Benefit payments and refund of contributions	(394,671)	(473,998)	(478,260)	(562,644)	(582,431)
Administrative expenses	(2,001)	(4,672)	(2,027)	(4,554)	(3,195)
Net change in plan fiduciary net position	560,431	(53,953)	(56,683)	(152,191)	(268,492)
Fiduciary net position, beginning of year	468,574	522,527	579,210	731,401	999,893
Fiduciary net position, end of year (b)	1,029,005	468,574	522,527	579,210	731,401
<b>Net pension liability, ending = (a)-(b)</b>	<b>\$ 2,843,813</b>	<b>\$ 3,671,629</b>	<b>\$ 4,397,356</b>	<b>\$ 4,437,197</b>	<b>\$ 3,606,960</b>

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**CITY OF ASHLAND  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2018**

	Reporting Fiscal Year (Measurement Date)							
	2018 (2017)		2017 (2016)		2016 (2015)		2015 (2014)	
	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
<b>PENSION</b>								
City's proportion of the net pension liability	0.32%	1.12%	0.33%	1.20%	0.33%	1.20%	0.32%	1.15%
City's proportionate share of the net pension liability	\$ 18,496,978	\$ 25,110,923	\$ 16,108,362	\$ 20,521,406	\$ 14,104,958	\$ 18,386,060	\$ 10,328,000	\$ 13,818,000
City's covered payroll	\$ 7,019,185	\$ 6,513,275	\$ 7,086,423	\$ 6,630,921	\$ 7,271,891	\$ 5,782,361	\$ 7,271,891	\$ 5,782,361
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	263.520%	385.535%	227.313%	309.480%	193.965%	317.968%	142.026%	238.968%
Plan fiduciary net position as a percentage of the total pension liability	53.30%	49.80%	55.50%	53.95%	59.97%	57.52%	66.80%	63.46%
<b>INSURANCE FUND</b>								
City's proportion of the net OPEB liability	0.32%	1.12%						
City's proportionate share of the net OPEB liability	\$ 6,352,862	\$ 9,278,454						
City's covered payroll	\$ 7,019,185	\$ 6,513,275						
City's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	90.507%	142.455%						
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	59.00%						

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**CITY OF ASHLAND  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

	2018		2017		2016		2015		2014	
	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
<b>PENSION</b>										
Contractually required contribution	\$ 1,016,378	\$ 1,445,947	\$ 988,556	\$ 1,439,573	\$ 966,485	\$ 1,255,795	\$ 972,488	\$ 1,252,383	\$ 999,158	\$ 1,258,820
Contributions in relation to the contractually required contribution	<u>1,016,378</u>	<u>1,445,947</u>	<u>988,556</u>	<u>1,439,573</u>	<u>966,485</u>	<u>1,255,795</u>	<u>972,488</u>	<u>1,252,383</u>	<u>999,158</u>	<u>1,258,820</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 7,019,185	\$ 6,513,275	\$ 7,086,423	\$ 6,630,921	\$ 7,781,684	\$ 6,198,395	\$ 7,627,360	\$ 6,041,405	\$ 7,271,891	\$ 5,782,361
City's contributions as a percentage of its covered-employee payroll	14.48%	22.20%	13.95%	21.71%	12.42%	20.26%	12.75%	20.73%	13.74%	21.77%
<b>INSURANCE FUND</b>										
Contractually required contribution	\$ 329,818	\$ 609,123	\$ 334,812	\$ 619,902						
Contributions in relation to the contractually required contribution	<u>329,818</u>	<u>609,123</u>	<u>334,812</u>	<u>619,902</u>						
Contribution deficiency (excess)	-	-	-	-						
City's covered payroll	\$ 7,019,185	\$ 6,513,275	\$ 7,086,423	\$ 6,630,921						
City's contributions as a percentage of its covered-employee payroll	4.70%	9.35%	4.73%	9.35%						

**Note:** Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

## CITY OF ASHLAND

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

#### FOR THE YEAR ENDED JUNE 30, 2018

##### (1) CHANGES OF ASSUMPTIONS

###### UTILITY EMPLOYEES PENSION FUND

In the 2017 valuation, the expected investment rate of return was reduced from 4.0% to 3.0%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

In the 2015 valuation, the expected investment rate of return was reduced from 5.0% to 4.0%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. Additionally, an estimated ad-hoc cost of living adjustment of 3% was included in the calculation of the total pension liability due to the adjustments being considered “substantively automatic” under the guidelines of GASB No. 67.

###### POLICEMEN AND FIREFIGHTERS PENSION FUND

In the 2018 valuation, the expected investment rate of return was reduced from 4.0% to 3.0%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

In the 2015 valuation, the expected investment rate of return was reduced from 5.0% to 4.0%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

In the 2014 valuation update, an estimated ad-hoc cost of living adjustment of 3% was included in the calculation of the total pension liability due to the adjustments being considered “substantively automatic” under the guidelines of GASB No. 67.

###### CERS

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

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- 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).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%
- Decreased the assumed rate of return to 6.25%
- Decreased the payroll growth assumption to 2.00%.

CITY OF ASHLAND

NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION – PENSION PLANS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY  
DETERMINED CONTRIBUTIONS

UTILITY EMPLOYEES PENSION FUND

The actuarially determined contribution amounts in the schedule of employer contributions are calculated biennially. The following actuarial methods and assumptions were used to determine contribution amounts reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20 years
Asset Valuation Method	Fair market value, quoted prices
Cost of Living Adjustments	3.0%
Salary Increase	None
Investment Rate of Return	3.0%, net of pension plan investment expense, including inflation

POLICEMEN AND FIREFIGHTERS PENSION FUND

The actuarially determined contribution amounts in the schedule of employer contributions are calculated biennially. The following actuarial methods and assumptions were used to determine contribution amounts reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	10 years
Asset Valuation Method	Fair market value, quoted prices
Cost of Living Adjustments	3.0%
Salary Increase	None
Investment Rate of Return	3.0%, net of pension plan investment expense, including inflation

CERS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation



**CITY OF ASHLAND**  
**NOTES TO REQUIRED SUPPLEMENTARY**  
**INFORMATION – PENSION PLANS (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**(3) CHANGES OF BENEFIT TERMS**

UTILITY EMPLOYEES PENSION FUND

The most recent valuation was prepared with the assumption of a “substantively automatic” 3% cost of living adjustment. However, the Commissioners elected not to provide a cost of living adjustment for fiscal year 2017 and 2% cost of living adjustment for fiscal year 2018.

POLICEMEN AND FIREFIGHTERS PENSION FUND

The most recent valuation was prepared with the assumption of a “substantively automatic” 3% cost of living adjustment. However, the Commissioners elected not to provide a cost of living adjustment for fiscal year 2017 and 2% cost of living adjustment for fiscal year 2018.

CERS

There were no changes in benefit terms for CERS.

**CITY OF ASHLAND**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**(1) CHANGES OF ASSUMPTIONS**

CERS INSURANCE FUND

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%
- Decreased the assumed rate of return to 6.25%
- Decreased the payroll growth assumption to 2.00%.

**(2) METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

CERS INSURANCE FUND

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2017:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	28 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.50%
Healthcare Trend Rates	
Pre – 65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Post – 65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

**(3) CHANGES OF BENEFITS**

CERS INSURANCE FUND

There were no changes in benefit terms for CERS.

## **SUPPLEMENTAL INFORMATION**

**CITY OF ASHLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>					
General government	715	-	715	1,203	(488)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	1,318,497	768,617	2,087,114	1,005,434	1,081,680
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>1,319,212</b>	<b>768,617</b>	<b>2,087,829</b>	<b>1,006,637</b>	<b>1,081,192</b>
Excess of Revenues Over (Under) Expenditures	(1,319,212)	(768,617)	(2,087,829)	(1,006,637)	1,081,192
<b>Other Financing Sources (Uses)</b>					
Transfers in	744,215	313,647	1,057,862	1,195,456	137,594
<b>Total other financing sources (uses)</b>	<b>744,215</b>	<b>313,647</b>	<b>1,057,862</b>	<b>1,195,456</b>	<b>137,594</b>
Net change in fund balance	(574,997)	(454,970)	(1,029,967)	188,819	1,218,786
Fund balance beginning of year	1,015,233	-	1,015,233	1,015,233	-
Fund balance end of year	\$ 440,236	\$ (454,970)	\$ (14,734)	\$ 1,204,052	\$ 1,218,786

**CITY OF ASHLAND**

**GENERAL FUND**

**BALANCE SHEET**

**JUNE 30, 2018**

**ASSETS**

Cash	\$	4,652,300
Taxes receivable		2,977,505
Allowance for uncollectible taxes		(466,243)
Grants receivable		2,576
Due from other funds		2,679,408
Other receivables		392,467
Allowance for uncollectible accounts		(36,137)
Inventories - supplies		134,276
Prepaid items		694,861
		<hr/>
Total assets	\$	<u><u>11,031,013</u></u>

**LIABILITIES AND FUND BALANCE**

Liabilities:

Accounts payable	\$	983,826
Due to other funds		2,438,368
Due to Board of Education		41,645
Accrued compensated absences		123,857
Accrued expenses		735,097
		<hr/>
Total liabilities		<u>4,322,793</u>

Fund Balance:

Non-spendable		829,137
Restricted for grant programs		2,576
Committed		-
Unassigned		5,876,507
		<hr/>
Total fund balance		<u>6,708,220</u>
		<hr/>
Total liabilities and fund balance	\$	<u><u>11,031,013</u></u>

CITY OF ASHLAND

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance
<b>REVENUES:</b>			
Taxes -			
General property taxes	\$ 2,697,900	\$ 2,633,213	\$ (64,687)
Penalties and interest	28,630	22,599	(6,031)
Delinquent taxes	200,000	188,895	(11,105)
Vehicle property taxes	441,000	428,790	(12,210)
Bank franchise taxes	98,695	98,822	127
Other franchise taxes	179,500	185,726	6,226
Insurance premiums taxes	4,017,705	4,038,894	21,189
Total taxes	<u>7,663,430</u>	<u>7,596,939</u>	<u>(66,491)</u>
Licenses and permits -			
Occupational license fees	9,700,000	10,142,559	442,559
Business privilege licenses	1,645,540	1,573,260	(72,280)
Alcoholic beverage licenses	560,000	569,639	9,639
Construction permit fees	103,550	59,736	(43,814)
Other licenses and permits	625	350	(275)
Total licenses and permits	<u>12,009,715</u>	<u>12,345,544</u>	<u>335,829</u>
Charge for services -			
Garbage collection fee	2,151,500	2,105,946	(45,554)
Greyhound ticket sales	11,500	6,556	(4,944)
Rental revenue	72,000	101,553	29,553
Total charges for services	<u>2,235,000</u>	<u>2,214,055</u>	<u>(20,945)</u>
Fees, fines and reimbursements -			
Parking meter fees and fines	9,225	7,440	(1,785)
Taxes collection fees	140,000	150,102	10,102
State rebate - District Court	29,000	23,430	(5,570)
Street lighting franchise	975,500	1,075,223	99,723
Telecommunication franchise	276,975	272,269	(4,706)
Other	352,650	412,471	59,821
Total fees, fines and reimbursements	<u>1,783,350</u>	<u>1,940,935</u>	<u>157,585</u>
Other revenues -			
Police grants	10,821	67,031	56,210
Miscellaneous grants	-	10,950	10,950
Coal severance - LGEA	21,500	10,074	(11,426)
Interest earned	1,925	3,549	1,624
Other	178,332	122,404	(55,928)
Total other revenues	<u>212,578</u>	<u>214,008</u>	<u>1,430</u>
Total revenues	<u>23,904,073</u>	<u>24,311,481</u>	<u>407,408</u>

CITY OF ASHLAND

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2018

	Budget	Actual	Variance
EXPENDITURES:			
General Government -			
Mayor and Commissioners	86,592	86,545	47
City Manager	156,225	157,267	(1,042)
City Clerk/Legal	194,443	183,847	10,596
Human Resources	236,778	251,321	(14,543)
Unclassified	3,090,507	1,818,842	1,271,665
	<u>3,764,545</u>	<u>2,497,822</u>	<u>1,266,723</u>
Department of Finance -			
Director of Finance	615,582	612,456	3,126
Data Processing	37,456	36,105	1,351
	<u>653,038</u>	<u>648,561</u>	<u>4,477</u>
Department of Public Services -			
Director of Public Services	152,377	155,283	(2,906)
Street maintenance	2,919,081	2,783,969	135,112
Sanitation services	1,437,660	1,384,565	53,095
Central garage	362,281	411,402	(49,121)
Animal control	75,691	80,115	(4,424)
	<u>4,947,090</u>	<u>4,815,334</u>	<u>131,756</u>
Department of Planning and Economic Development -			
Planning and Code Enforcement	569,912	595,984	(26,072)
Economic Development	174,188	184,068	(9,880)
	<u>744,100</u>	<u>780,052</u>	<u>(35,952)</u>
Department of Police -			
Technical services	1,554,782	1,512,309	42,473
Field operations	3,579,357	3,592,628	(13,271)
	<u>5,134,139</u>	<u>5,104,937</u>	<u>29,202</u>

CITY OF ASHLAND

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Fire	5,952,446	5,950,500	1,946
Department of Engineering	147,773	143,576	4,197
Debt Service	648,779	623,668	25,111
Total expenditures	<u>21,991,910</u>	<u>20,564,450</u>	<u>1,427,460</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,912,163</u>	<u>3,747,031</u>	<u>1,834,868</u>
OTHER FINANCING SOURCES (USES):			
Transfer to Capital Projects Fund	(1,057,862)	(1,195,456)	(137,594)
Transfer to Tax Increment Finance Fund	-	(116,870)	(116,870)
Transfer to Recreation Fund	(985,744)	(922,905)	62,839
Transfer to Ashland Bus Fund	(526,619)	(555,473)	(28,854)
Transfer to Ashland Cemetery Fund	(49,264)	(88,775)	(39,511)
Total other financing sources (uses)	<u>(2,619,489)</u>	<u>(2,879,479)</u>	<u>(259,990)</u>
NET CHANGE IN FUND BALANCE	(707,326)	867,552	1,574,878
FUND BALANCE, June 30, 2017	<u>5,840,668</u>	<u>5,840,668</u>	<u>-</u>
FUND BALANCE, June 30, 2018	<u>\$ 5,133,342</u>	<u>\$ 6,708,220</u>	<u>\$ 1,574,878</u>



CITY OF ASHLAND

SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY

JUNE 30, 2018

	Land & Buildings	Building Improvements	Automotive Equipment	Operating Equipment	Office Furniture & Equipment	Capital Improvements	Infrastructure	CIP	Total
Dept of General Gov't	\$ 2,822,024	\$ 1,901,633	\$ 13,332	\$ 86,741	\$ 189,552	\$ 164,929	\$ 11,778,556	\$ -	\$ 16,956,767
Dept of Finance	-	-	-	56,244	14,836	-	-	-	71,080
Dept of Public Services	15,987,624	716,955	354,679	3,403,438	70,581	640,728	66,797,954	124,053	88,096,012
Dept of Planning & Community Development	-	-	93,220	6,799	-	-	-	-	100,019
Department of Police	4,949,556	246,711	1,334,626	620,182	129,051	19,350	-	-	7,299,476
Department of Fire	3,869,126	200,623	2,545,637	504,552	53,246	-	-	-	7,173,184
Department of Engineering	-	-	98,782	-	79,170	74,457	1,257,664	-	1,510,073
Floodwall Operations	15,121	5,150	86,511	105,298	-	-	-	-	212,080
Community Development	237,868	103,058	-	-	18,623	-	380,085	-	739,634
Housing Assistance Programs	150,033	12,950	-	-	19,646	-	-	-	182,629
	<u>\$ 28,031,352</u>	<u>\$ 3,187,080</u>	<u>\$ 4,526,787</u>	<u>\$ 4,783,254</u>	<u>\$ 574,705</u>	<u>\$ 899,464</u>	<u>\$ 80,214,259</u>	<u>\$ 124,053</u>	<u>\$ 122,340,954</u>

**CITY OF ASHLAND**

**SCHEDULE OF CAPITAL ASSETS USED IN THE OPERATION OF  
GOVERNMENTAL FUNDS BY SOURCE**

**JUNE 30, 2018**

Land and buildings	\$ 28,031,352
Building improvements	3,187,080
Automotive equipment	4,526,787
Operating equipment	4,783,254
Office furniture and equipment	574,705
Capital improvements	899,464
Infrastructure	80,214,259
Construction in progress	<u>124,053</u>
Total	<u>\$ 122,340,954</u>
Investment in capital assets by source	
General Fund	\$ 92,947,868
Special Revenue Funds	7,047,082
Capital Projects Fund	<u>22,346,004</u>
Total	<u>\$ 122,340,954</u>

CITY OF ASHLAND HOUSING AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Rental Vouchers</u>
<b>ASSETS</b>	
Cash – unrestricted	\$ 58,897
Cash – restricted	25,182
Accounts receivable	2,723
Building and equipment, net	<u>84,490</u>
Total assets	<u>\$ 171,292</u>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES:</b>	
Accounts payable	\$ 3,132
Accounts payable - other governmental	13,847
Accrued expenses	2,865
Accrued compensated absences - current	1,294
Accrued compensated absences - noncurrent	<u>6,578</u>
Total liabilities	<u>27,716</u>
<b>NET POSITION:</b>	
Invested in capital assets	84,490
Unrestricted	33,904
Restricted	<u>25,182</u>
	<u>143,576</u>
Total liabilities and net position	<u>\$ 171,292</u>

**CITY OF ASHLAND HOUSING AUTHORITY**  
**STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Rental Vouchers</u>
<b>REVENUES</b>	
Housing assistance payments	\$ 2,658,825
Administrative fee revenue	260,827
Interest income	171
Total revenues	<u>2,919,823</u>
<b>EXPENSES</b>	
Administrative salaries	151,496
Audit	4,199
Employee benefit contributions	25,588
Travel	3,068
Other administrative	11,005
Utilities	2,564
Maintenance	14,631
Property insurance	162
General liability insurance	2,234
Workers compensation	343
Other insurance	47,638
Other general	11,018
Compensated absences	(1,343)
Housing assistance payments	2,631,577
Housing assistance payments – VASH	35,328
Depreciation	4,431
Total expenses	<u>2,943,939</u>
<b>EXCESS OF EXPENSES OVER REVENUES</b>	<u>\$ (24,116)</u>

**CITY OF ASHLAND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of HUD</u>				
Direct Programs:				
CDBG Entitlement	14.218	-	\$ 70,500	\$ 444,022
Housing Choice Voucher Program	14.871	-	-	2,940,852 *
Total U.S. Department of HUD				<u>3,384,874</u>
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Federal Transit Cluster				
FTA - Operating Assistance Grant	20.507	-	-	277,595
FTA - Capital Assistance Grant	20.507	-	-	188,328
				<u>465,923</u>
Passed through Kentucky Transportation Cabinet:				
Highway Planning and Construction	20.205	PO2-628-1500002940	-	10,258
Dept of State Police Highway Safety Program	20.600	OP-17-05	-	6,287
				<u>16,545</u>
Total U.S. Department of Transportation				<u>482,468</u>
Total expenditures of Federal awards				<u>\$ 3,867,342</u>

\* Denotes major program.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ashland under the programs of the federal government for the year ended June 30, 2018. 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 (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Ashland, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State and Local Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C - INDIRECT COST RATE**

The City of Ashland has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**K**elley **G**alloway  
**S**mith **G**oolsby, PSC

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**INDEPENDENT AUDITOR'S 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**

Steve Gilmore, Mayor  
City Commissioners and City Manager  
City of Ashland  
Ashland, 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 Ashland, Kentucky (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 6, 2018.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

### **The City's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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.

*Kalley Gallaway Smith Bookley, PSC*

Ashland, Kentucky  
December 6, 2018



**Kelley Galloway**  
**Smith Goolsby, PSC**  
Certified Public Accountants and Advisors

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

Steve Gilmore, Mayor  
City Commissioners and City Manager  
City of Ashland  
Ashland, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited the City of Ashland, Kentucky's (the "City") 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's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the City 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, 2018.



## Report on Internal Control Over Compliance

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

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

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

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.

*Kelley Gallaway Smith, CPA, PSC*

Ashland, Kentucky  
December 6, 2018

CITY OF ASHLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_ Yes \_\_\_ X No

Significant deficiency(ies) identified?

\_\_\_ Yes \_\_\_ X None reported

Noncompliance material to the financial statements noted?

X Yes \_\_\_ No

*Federal Awards*

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_ Yes \_\_\_ X No

Significant deficiency(ies) identified?

\_\_\_ Yes \_\_\_ X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

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

\_\_\_ Yes \_\_\_ X No

Identification of Major Programs:  
Housing Choice Voucher Program

CFDA No.  
14.871

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

\$750,000

Auditee qualified as low risk auditee?

\_\_\_ Yes \_\_\_ X No

**CITY OF ASHLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**FOR THE YEAR ENDED JUNE 30, 2018**

**B. FINANCIAL STATEMENT FINDINGS**

**2018-001 COMPETITIVE BIDDING**

*Condition:* We noted that proper procurement procedures were not followed for the purchase of 2 mast arm poles that totaled \$52,025 (previously reported) and the purchase of streetscape lighting for the 1200 block of Winchester Avenue that totaled \$59,248. According to management, quotes were obtained, but the items were not procured through competitive bidding.

*Criteria:* KRS 424.260 and City policy requires that all like items purchased during the fiscal year exceeding \$20,000 be purchased through a bid approved by the Board of Commissioners or at state/federal contract pricing.

*Effect:* Noncompliance with KRS 424.260 and City policy.

*Recommendation:* We recommend that the City implement procedures to ensure that all purchases with aggregate amounts over \$20,000 are awarded through the competitive bidding process.

*Management's Response:* City has procedures in place for competitive bidding. Finance has stressed to departments that aggregate purchases exceeding \$20,000 will need to be bid and they need to monitor this especially on larger jobs. Finance and Legal Department will continue to aid with additional oversight to Departments in bidding procurement regulations.

**C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None noted in current year.



A Proud Past. A Bright Future.

Website: [www.ashlandky.gov](http://www.ashlandky.gov)

Department of Finance

Email: [tdgrubb@windstream.net](mailto:tdgrubb@windstream.net)

December 6, 2018

Kelley Galloway Smith Goolsby, PSC  
1200 Corporate Court  
PO Box 990  
Ashland, KY 41102

Dear Sir or Madam:

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in Government Auditing Standards and by 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). Specifically, for each finding we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Michael Graese  
City Manager

The City of Ashland, Kentucky

Post Office Box 1839  
Ashland, Kentucky 41105-1839  
Phone: (606) 327-2009  
Fax: (606) 327-2010

**CITY OF ASHLAND**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED JUNE 30, 2018**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2018-001	Finance has stressed to departments that aggregate purchases exceeding \$20,000 will need to be bid and they need to monitor this especially, on larger jobs. Finance and Legal Department will continue to aid with additional oversight to Departments in bidding procurement regulations.	June 30, 2019	Michael Graese, City Manager



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Department of Finance

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December 6, 2018

Kelley Galloway Smith Goolsby, PSC  
1200 Corporate Court  
PO Box 990  
Ashland, KY 41102

Dear Sir or Madam:

We have prepared the accompanying summary schedule of prior audit findings as required by 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. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,

Michael Graese  
City Manager

---

The City of Ashland, Kentucky

Post Office Box 1839  
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**CITY OF ASHLAND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2018**

<b>Finding Number</b>	<b>Finding/Noncompliance</b>	<b>Status</b>	<b>Responsible Contact Person</b>
2017-001	We noted that proper procurement procedures were not followed for the purchase of 2 mast arm poles that totaled \$52,025 and the purchase of over 4,000 tons of mulch to absorb sludge at the water reservoir that totaled \$32,978. According to management, quotes were obtained but the items were not procured through competitive bidding.	Repeat finding. (See 2018-001)	Michael Graese, City Manager
2017-002	On November 11, 2016, the Board of Commissioners adopted Ordinance No. 129, which allowed employees who have more than 120 days of sick leave accrued at the end of the fiscal year to be compensated for the days in excess of 120 days at 50% of their hourly rate. Additionally, on June 9, 2017, the Board of Commissioners adopted Ordinance No. 51, which repealed all previous policies and procedures related to compensation to adopt the new policies that were provided to the Board of Commissioners at that time. However, this newly adopted policy excluded the paragraph related to the payout of sick leave in excess of 120 days. Therefore, the approximately \$92,000 paid out to employees who had accrued sick leave in excess of 120 days on June 30, 2017 was not in accordance with City policy.	Corrected	Michael Graese, City Manager