

**CITY OF ASHLAND**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2010**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**



**Kelley,  
Galloway &  
Company, PSC**

**CERTIFIED PUBLIC ACCOUNTANTS**

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Kelley,  
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CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

Thomas E. Kelley, Mayor  
City Commissioners and City Manager  
City of Ashland  
Ashland, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ashland, Kentucky as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the City of Ashland's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, and each major fund of the City of Ashland, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Special Revenue Funds for the year then ended, in conformity with accounting principles generally accepted the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010 on our consideration of the City of Ashland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis information and Schedules of Employer Contributions on pages 5 through 15 and page 52, is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ashland's basic financial statements. The supplemental information contained on pages 53 through 60, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Additionally, the accompanying schedule of expenditures of federal awards contained on pages 61 and 62 is presented for purposes of additional analysis as required by *U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

*Kelling, Hollenberry + Company, PSC*  
December 30, 2010

## 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, 2010. 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 \$101,749,074 (net assets). Governmental activities' unrestricted net assets were \$5,299,076. Business type activities' unrestricted net assets were \$1,677,050.
- ⇒ The Government's total net assets increased by \$9,837,873. Net assets of governmental activities increased by \$5,093,455, and net assets of business-type activities increased by \$4,744,418.
- ⇒ At June 30, 2010, the governmental activities had \$77,687,557 in assets and \$15,005,985 in liabilities. Business type activities had \$54,696,766 in assets and \$15,629,264 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 fixed assets of governmental type operations is presented. 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 Assets 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 Assets presents information on all the Government's assets and liabilities as of June 30, 2010. The net assets are the differences between assets and liabilities. Over time an increase or decrease in net assets 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 the Government's annual revenues and expenses, as well as any other transactions that increase or reduce net assets. 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, police, fire, public works and engineering. Property taxes, insurance tax and occupational license fees finance most of these activities.

**Business-type activities** - Activities primarily paid for from charges and fees to cover the cost of services 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. Additionally, *Supplemental Information* includes more detail on the City's General Fund, and details of the City's capital assets, and statement of net assets 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.

## **ANALYSIS OF THE GOVERNMENT AS A WHOLE**

### **NET ASSETS**

As of June 30, 2010, the Government as a whole had net assets greater than its liabilities by \$101,749,074. Net assets of governmental activities were \$62,681,572 and increased by \$5,093,455 over the prior year. This increase was due to the continuance of the Riverfront Project and the completion of the new Police Station. Of ending Governmental Activities Net Assets, \$56,102,556, or 90%, is invested in capital assets net of related debt, \$1,279,940, or 2%, is restricted assets and unrestricted net assets are \$5,299,076 or 8%.

The net assets of the Government's business-type activities are \$39,067,502 and increased by \$4,744,418 over the prior year. Of these net assets, \$36,235,091 is invested in capital assets net of related debt, \$1,155,361 is restricted and \$1,677,050 is unrestricted. The largest portion of the City's combined net assets (93%) reflects its investment in capital assets (i.e., 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 City net assets, \$2,435,301 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$6,976,126 may be used to meet the City's ongoing obligation to citizens and creditors.

At the end of this fiscal year, June 30, 2010, the City has positive unrestricted net assets in its business-type activities. The City raised the utility rates in all rate classes again this fiscal year and acquired the Ashland Cemetery. These factors brought the business-type activities to a positive unrestricted net asset position.



# ANALYSIS OF THE CITY'S NET ASSETS

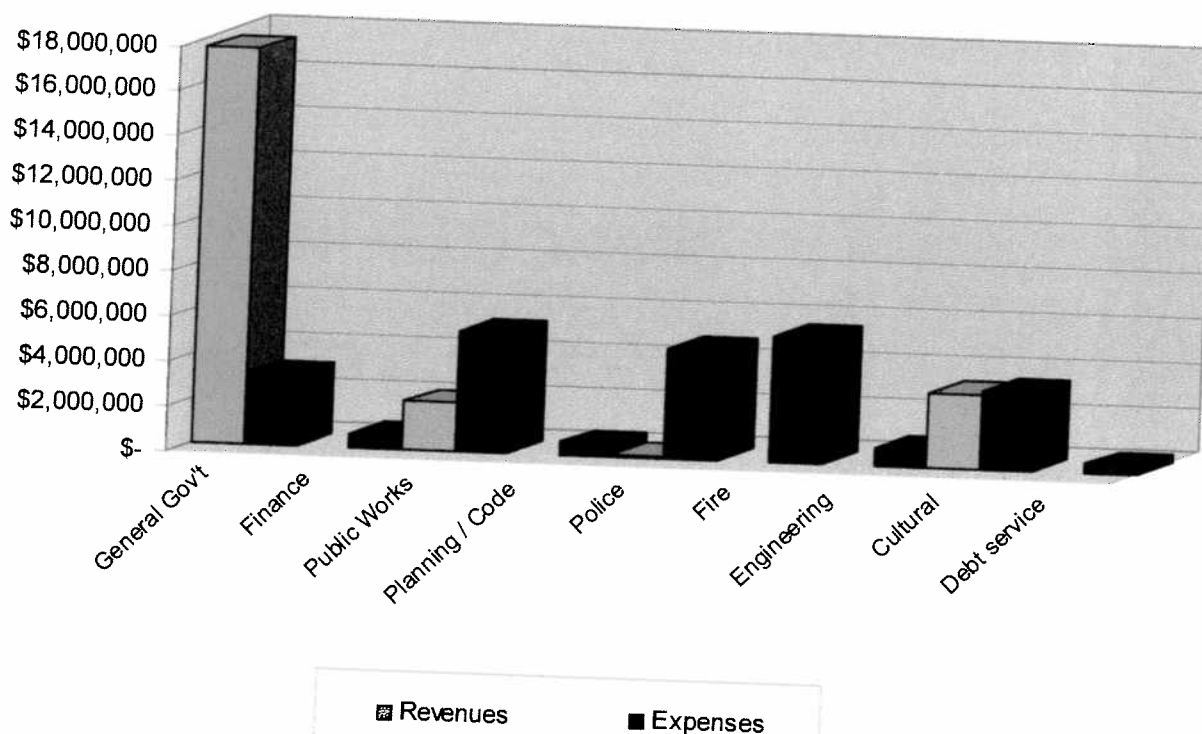
	Governmental Activities		Business- Type Activities		Total Primary Government	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 12,390,284	\$ 18,782,993	\$ 7,308,522	\$ 4,587,000	\$ 19,698,806	\$ 23,369,993
Capital assets	<u>65,297,273</u>	<u>53,700,510</u>	<u>47,388,244</u>	<u>45,121,856</u>	<u>112,685,517</u>	<u>98,822,366</u>
Total assets	<u>77,687,557</u>	<u>72,483,503</u>	<u>54,696,766</u>	<u>49,708,856</u>	<u>132,384,323</u>	<u>122,192,359</u>
Current liabilities	5,129,332	4,762,844	5,323,969	4,589,150	10,453,301	9,351,994
Long-term liabilities	<u>9,876,653</u>	<u>10,132,542</u>	<u>10,305,295</u>	<u>10,796,622</u>	<u>20,181,948</u>	<u>20,929,164</u>
Total liabilities	<u>15,005,985</u>	<u>14,895,386</u>	<u>15,629,264</u>	<u>15,385,772</u>	<u>30,635,249</u>	<u>30,281,158</u>
Net assets						
Invested in capital assets net of related debt	56,102,556	44,135,871	36,235,091	33,535,573	92,337,647	77,671,444
Restricted	1,279,940	6,444,960	1,155,361	662,246	2,435,301	7,107,206
Unrestricted	<u>5,299,076</u>	<u>7,007,286</u>	<u>1,677,050</u>	<u>125,265</u>	<u>6,976,126</u>	<u>7,132,551</u>
Total net assets	<u>\$ 62,681,572</u>	<u>\$ 57,588,117</u>	<u>\$ 39,067,502</u>	<u>\$ 34,323,084</u>	<u>\$101,749,074</u>	<u>\$ 91,911,201</u>

# ANALYSIS OF THE CITY'S OPERATIONS

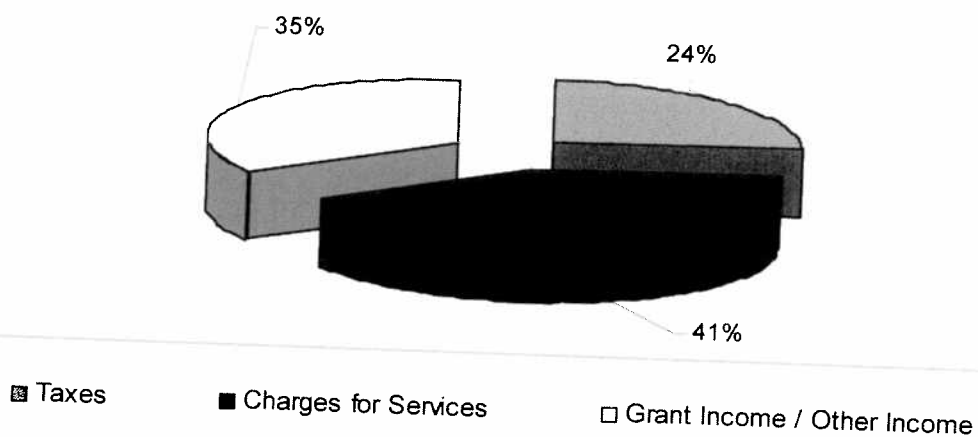
Revenues	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Taxes	\$ 7,477,238	\$ 8,006,100	\$ -	\$ -	\$ 7,477,238	\$ 8,006,100
Charges for services	12,800,729	12,230,447	12,481,908	11,334,963	25,282,637	23,565,410
Operating grants	3,948,811	4,858,020	511,674	238,528	4,460,485	5,096,548
Capital grants	6,246,734	-	5,685,682	425,071	11,932,416	425,071
Other income	522,703	702,153	588,649	989,251	1,111,352	1,691,404
Total revenue	<u>\$ 30,996,215</u>	<u>\$ 25,796,720</u>	<u>\$ 19,267,913</u>	<u>\$ 12,987,813</u>	<u>\$ 50,264,128</u>	<u>\$ 38,784,533</u>
Expenses	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
General government	\$ 3,151,310	\$ 6,668,670	\$ -	\$ -	\$ 3,151,310	\$ 6,668,670
Finance	597,665	572,342	-	-	597,665	572,342
Public services	5,254,674	5,252,264	-	-	5,254,674	5,252,264
Planning/CE	528,934	438,336	-	-	528,934	438,336
Police	4,819,508	4,272,709	-	-	4,819,508	4,272,709
Fire	5,549,443	4,803,590	-	-	5,549,443	4,803,590
Engineering	729,305	140,193	-	-	729,305	140,193
Community/cultural	3,472,659	3,036,757	-	-	3,472,659	3,036,757
Debt service	360,075	269,507	-	-	360,075	269,507
Other	-	-	-	-	-	-
Utility fund	-	-	13,320,805	12,562,956	13,320,805	12,562,956
Ashland bus system	-	-	1,387,173	1,084,078	1,387,173	1,084,078
Recreation operating fund	-	-	960,621	1,002,994	960,621	1,002,994
Cemetery	-	-	294,083	-	294,083	-
Total expense	<u>\$ 24,463,573</u>	<u>\$ 25,454,368</u>	<u>\$ 15,962,682</u>	<u>\$ 14,650,028</u>	<u>\$ 40,426,255</u>	<u>\$ 40,104,396</u>
Changes before transfers	6,532,642	342,352	3,305,231	(1,662,215)	9,837,873	(1,319,863)
Transfers	(1,439,187)	(1,049,464)	1,439,187	1,049,464	-	-
Change in net assets	5,093,455	(707,112)	4,744,418	(612,751)	9,837,873	(1,319,863)
Net asset beginning of year (as restated)	<u>57,588,117</u>	<u>58,295,229</u>	<u>34,323,084</u>	<u>34,935,835</u>	<u>91,911,201</u>	<u>93,231,064</u>
Net asset end of year	<u>\$ 62,681,572</u>	<u>\$ 57,588,117</u>	<u>\$ 39,067,502</u>	<u>\$ 34,323,084</u>	<u>\$ 101,749,074</u>	<u>\$ 91,911,201</u>

## GOVERNMENTAL ACTIVITIES

### EXPENDITURES AND PROGRAM REVENUES-GOVERNMENTAL ACTIVITIES

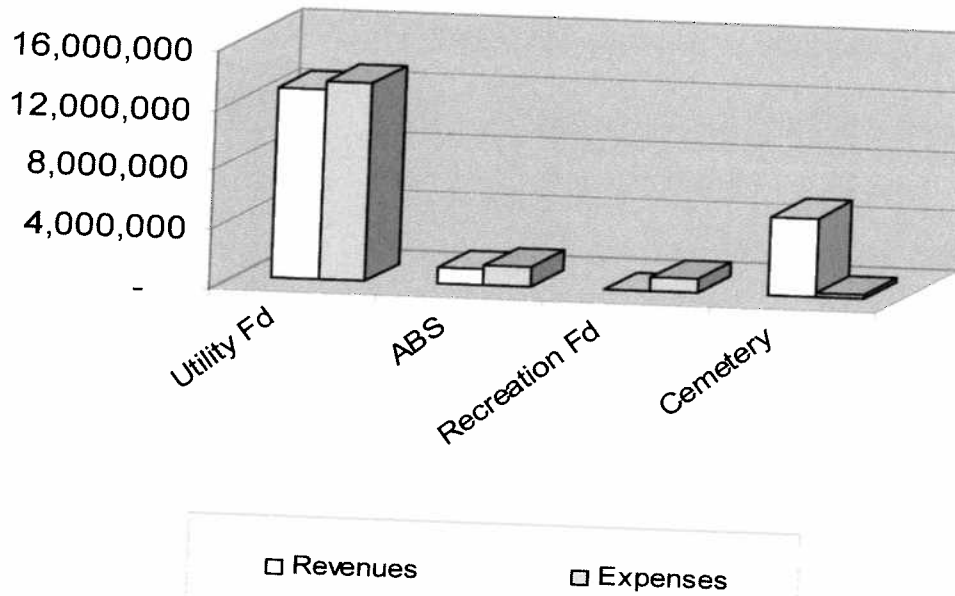


### REVENUE BY SOURCE - GOVERNMENT ACTIVITIES

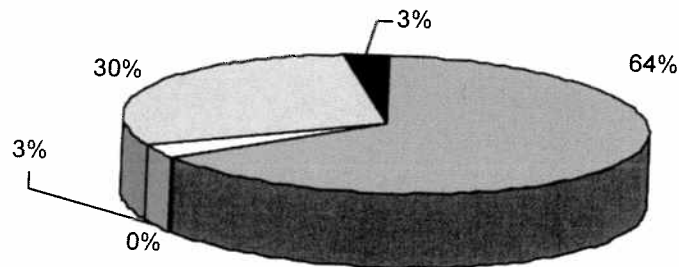


## BUSINESS-TYPE ACTIVITIES

### EXPENSES AND REVENUES - BUSINESS-TYPE ACTIVITIES



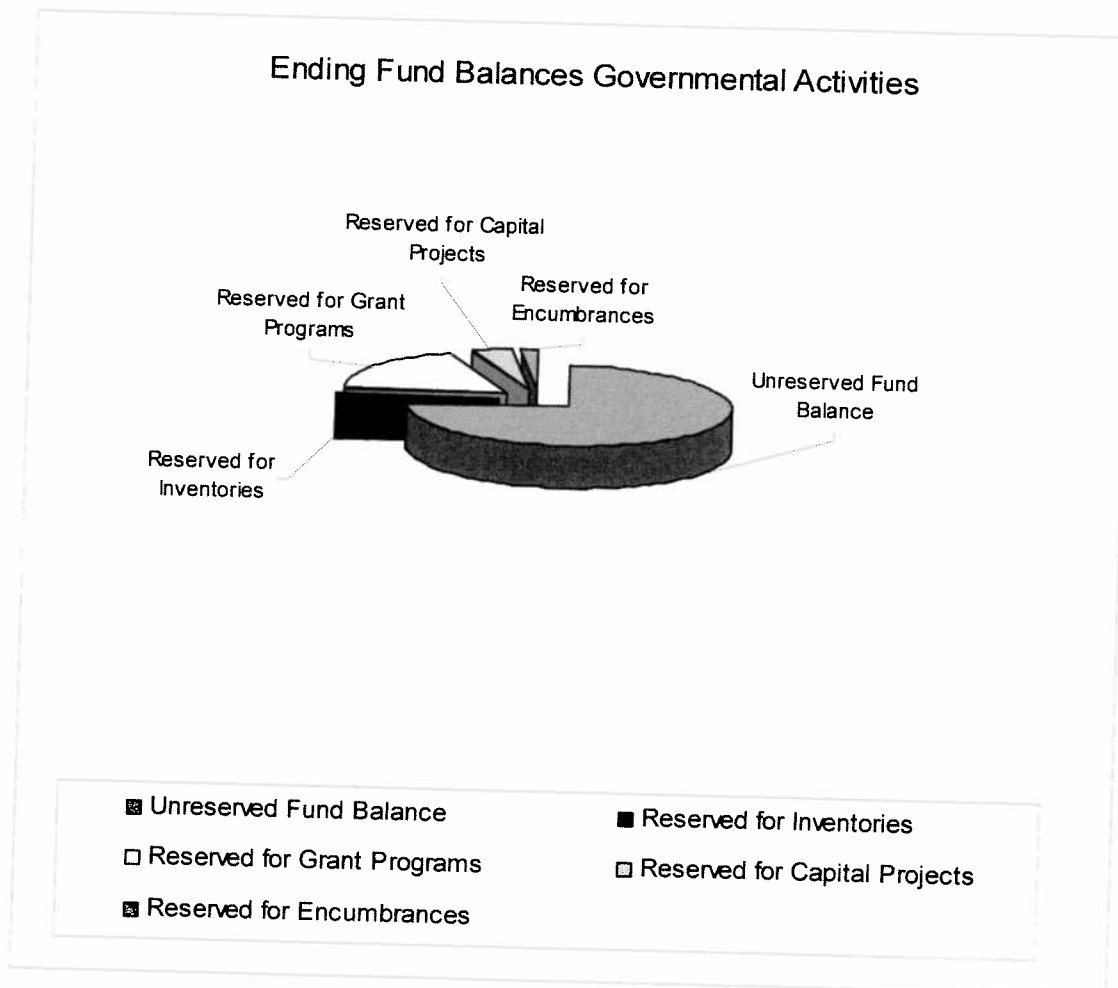
### REVENUE BY SOURCE - BUSINESS -TYPE ACTIVITIES



■ Charges for Services      ■ Income from Investments      □ Grant Income  
 □ Capital Contributions      ■ Miscellaneous Revenue

## **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. Unreserved 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 \$5,636,057. Of this total, \$4,186,533, or 74%, is unreserved fund balance. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed for inventories at \$77,236, grant programs at \$1,043,585, encumbrances at \$92,348 and capital projects at \$236,355. The significant decrease in the governmental funds reserve for capital projects is the completion of the police station that was funded in Fiscal Year 2009.



## **MAJOR GOVERNMENTAL FUNDS**

For the year ending June 30, 2010, the major governmental funds reported as follows:

The General Fund had revenues of \$27,326,383 and expenditures of \$22,217,358. The total fund balance was \$5,217,326.

The Municipal Aid Road Fund had revenues of \$430,049 and expenditures of \$575,234. The total fund balance was \$34,393.

The Floodwall Operating Fund had revenues of \$181,235 and expenditures of \$148,667. The total fund balance was \$35,205.

The Community Development Fund had revenues of \$618,673 and expenditures of \$618,673. The total fund balance was \$65,043.

The Housing Assistance Fund had revenues of \$2,664,504 and expenditures of \$2,840,704. The total fund balance was \$284,090.

The Capital Purchase Improvement Fund had revenues of \$74,368, other financing sources of \$5,078,915, and expenditures of \$5,153,283. The total fund balance was \$0.

### **PROPRIETARY FUNDS**

The City's proprietary funds, or business-type activities, had total assets of \$58,288,859 and total liabilities of \$19,221,357, leaving net assets of \$39,067,502. Of the total proprietary fund's net assets, the Utility Fund had \$(613,160) in unrestricted net assets, the Ashland Bus Fund had \$(217,392) in unrestricted net assets, the Recreation Fund had \$(109,485) in unrestricted net assets and the Ashland Cemetery Fund had \$2,617,087 in unrestricted net assets. All proprietary funds are considered major funds. Total growth in unrestricted net assets for the four proprietary funds was \$1,551,785.

### **BUDGETARY HIGHLIGHTS**

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

- ⇒ \$1,025,725 increase in net expenditures of the General Fund. This increase was for various grants awarded after the beginning of the fiscal year, a transfer to the Recreation fund for a new dump truck, transfers to the Capital Purchase Improvement Fund for the FEMA Grant for fire and the JAG Byrne Grant for police, new fire vehicle, city building equipment, and multiple police vehicles.

The net increase in appropriations and transfers were taken from various line item reductions, grant awards and available fund balance.

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 \$27,326,383 versus budgeted revenues of \$29,436,516. This was due to the Riverfront Project not being completed. Projected Riverfront revenues were \$8,290,918 and actual revenues were \$6,246,734 for a variance of \$2,044,184. Net Profit Revenue & Occupational Tax Revenue had a positive budget variance of \$1,025,245 which was accomplished by continued focus on enforcing compliance and growth. Insurance premium taxes had a negative budget variance of \$410,949. Budget projections exceeded actual insurance policies sold in the City. Real, delinquent and vehicle property taxes had a positive budget variance of \$82,577 due to a concentrated effort of collection of delinquent taxes.
- ⇒ General Fund significant expenditure variances include the Riverfront grant budgeted expenditures of \$9,983,647, and actual expenditures of \$7,809,706, which is a budget variance of \$2,090,441 in the General Government department due to the timing of construction completion. Also in this division, the Hearth Grant was budgeted at \$436,000 and actual expenditures of \$195,369 for a variance of \$240,630 and the Home Program grant with a variance of \$265,032. A lack of participation in the Home Program contributed to the variance. The Public Works budget was \$3,528,873, and actual expenditures were \$3,798,313, for a negative budget variance of \$(269,440), or 7.64%. This was attributed to the recognition of the lease proceeds and expense for a new packer truck and higher health insurance costs than projected.

## CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for governmental and business-type activities as of June 30, 2010 is \$112,685,517 (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, 2010 include:

<u>Project</u>	<u>Cost</u>	<u>Outstanding Balance</u>	<u>Amount Expended</u>
Transportation Center	\$ 228,375	\$ 91,133	\$ 137,242
Riverfront Development	8,528,857	145,814	8,383,043
	<u>\$ 8,757,232</u>	<u>\$ 236,947</u>	<u>\$ 8,520,285</u>

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

<u>Asset</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total 2010</u>
Land	\$ 3,904,381	\$ 378,087	\$ 4,282,468
Buildings and improvements	8,410,666	3,617,546	12,028,212
Automotive equipment	1,046,973	699,369	1,746,342
Operating equipment	1,649,039	1,066,978	2,716,017
Office equipment	168,736	109,762	278,498
Capital improvements	386,635	371,784	758,419
Right-of-way	15,038,909	-	15,038,909
Infrastructure	24,087,098	-	24,087,098
Utility plant	-	40,902,763	40,902,763
Construction (CIP)	10,604,836	202,313	10,807,149
Recreation	-	39,642	39,642
Total	<u>\$ 65,297,273</u>	<u>\$ 47,388,244</u>	<u>\$ 112,685,517</u>

## DEBT

At the end of fiscal year 2010, the City had governmental activities debt of \$10,439,225 compared to \$10,644,779 at June 30, 2009, which represents a decrease of \$205,554. Business-type activities had debt of \$11,068,153 compared to \$11,501,283 at June 30, 2009, which represents a decrease of \$433,130. 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 2005	\$ 2,965,000
Capital lease - fire station	875,000
Capital leases - equipment	553,272
Capital leases - police station	4,801,445
Accrued expenses	318,614
Compensated absences obligation	925,894
Total	<u>\$ 10,439,225</u>

<u>Business-Type Activities Debt</u>	<u>Amount</u>
Utility bonds 04	\$ 5,950,000
Kentucky infrastructure authority loans	4,767,684
Note payable	196,335
Capital leases - equipment	154,134
Total	<u>\$ 11,068,153</u>

### **DESCRIPTION OF MUNICIPAL DEBT**

- ⇒ General Obligation Bonds 2005 Melody Mountain \$2,965,000.
- ⇒ Capital Lease to construct Central Fire station at \$875,000.
- ⇒ Capital Leases for 3 packer trucks @ \$156,248, a street sweeper @ \$66,458, a rescue fire pumper @ \$134,564, a backhoe @ \$35,923, an aerial truck @ \$44,867, a dump truck @ \$41,321 and a phone system @ \$73,891, totaling \$553,272.
- ⇒ Capital Lease to construct Police station at \$4,801,445.
- ⇒ Employee compensated absences payable after 60 days at \$925,894
- ⇒ Accrued expenses for overtime for firefighters incentive pay at \$338,614.
- ⇒ Utility Revenue bond issue 2004 for phase II upgrade of the water plant \$5,950,000.
- ⇒ K.I.A. Loans used to upgrade the utility system at \$4,767,684
- ⇒ Capital Leases for a backhoe @ \$42,757, 2 heavy duty utility trucks @ \$84,087, and a phone system @ \$27,290, totaling \$154,134.
- ⇒ Ashland Cemetery note payable for mausoleum construction \$196,335.

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

Unemployment rate for the City of Ashland as of June 2010 is 7.7%. This rate is lower than the State of Kentucky rate at 10.0% and the national rate of 9.5%. However, see Note 15 to the financial statements.

The following table summarizes the 2011 fiscal year budgeted expenses.

- ⇒ General Fund - \$24,344,357
- ⇒ Municipal Aid Program - \$410,775
- ⇒ Community Development Block Grant Fund - \$1,190,368
- ⇒ Section 8 Voucher - \$2,899,624
- ⇒ Floodwall Operating Fund - \$159,976
- ⇒ Utility Fund - \$20,274,328
- ⇒ Ashland Bus System - \$1,151,851
- ⇒ Recreation Operating Fund - \$938,066
- ⇒ Ashland Cemetery Fund - \$218,510
- ⇒ Capital Purchase Improvement Fund - \$696,750

Fiscal year 2011 contains one significant budget item. The Utility Fund has begun work on the first phase of construction pertaining to the Combined Sewer Overflow decree from the EPA.

### **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 ASSETS**  
**JUNE 30, 2010**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,359,271	\$ 292,969	\$ 1,652,240
Accounts receivable	259,833	2,185,415	2,445,248
Allowance for uncollectible accounts	-	(86,101)	(86,101)
Taxes receivable	3,058,173	-	3,058,173
Allowance for uncollectible taxes	(382,571)	-	(382,571)
Grants receivable	935,149	511,841	1,446,990
Internal balances, net	3,592,093	(3,592,093)	-
Receivable from fiduciary fund	58,462	-	58,462
Program receivables	48,386	-	48,386
Allowance for uncollectible accounts	(42,086)	-	(42,086)
Other receivables	360,981	-	360,981
Allowance for uncollectible accounts	(63,818)	-	(63,818)
Prepaid expenses	685,353	-	685,353
Inventories	77,236	3,267,999	3,345,235
Restricted assets -			
Cash and cash equivalents	236,355	2,592,431	2,828,786
Net pension asset	2,207,467	2,024,553	4,232,020
Nondepreciable capital assets	29,548,126	580,400	30,128,526
Depreciable capital assets	81,546,094	89,629,058	171,175,152
Accumulated depreciation	(45,796,947)	(42,821,214)	(88,618,161)
Deferred bond issuance costs	-	111,508	111,508
Total assets	<u>77,687,557</u>	<u>54,696,766</u>	<u>132,384,323</u>
<b>LIABILITIES</b>			
Cash Overdraft	630,512	-	630,512
Accounts payable	2,019,064	488,393	2,507,457
Due to Board of Education	21,993	-	21,993
Payable to Fiduciary Fund	74,710	2,086,303	2,161,013
Other accrued expenses and liabilities	1,618,338	509,693	2,128,031
Deposits	-	1,048,368	1,048,368
Matured revenue bonds and notes	-	85,000	85,000
Accrued compensated absences, current	182,143	343,354	525,497
Current portion of long-term debt	582,572	762,858	1,345,430
Accrued expenses, non-current	338,614	-	338,614
Accrued compensated absences, non-current	925,894	-	925,894
Capital lease obligations, non-current	5,742,145	107,622	5,849,767
Notes payable, non-current	-	186,731	186,731
Revenue & Improvement bond	-	5,515,000	5,515,000
Kentucky Infrastructure Authority loan, non-current	-	4,495,942	4,495,942
General obligation bonds, non-current	2,870,000	-	2,870,000
Total liabilities	<u>15,005,985</u>	<u>15,629,264</u>	<u>30,635,249</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	56,102,556	36,235,091	92,337,647
Restricted			
Capital projects	236,355	-	236,355
Debt service	-	662,246	662,246
Grant programs	1,043,585	-	1,043,585
Other	-	493,115	493,115
Unrestricted	5,299,076	1,677,050	6,976,126
Total net assets	<u>\$ 62,681,572</u>	<u>\$ 39,067,502</u>	<u>\$ 101,749,074</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, 2010**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
<b>Governmental Activities</b>						
General government						
Finance	\$ 3,151,310	\$ 10,785,309	\$ 526,760	\$ 6,246,734	\$ 14,407,493	\$ -
Public services	597,665	-	-	-	(597,665)	-
Planning and code enforcement	5,254,674	1,684,139	421,945	-	(3,148,590)	-
Police	528,934	-	-	-	(528,934)	-
Fire	4,819,508	-	49,518	-	(4,769,990)	-
Engineering	5,549,443	-	-	-	(5,549,443)	-
Community and cultural	729,305	-	-	-	(729,305)	-
Debt service - interest	3,472,659	331,281	2,950,588	-	(190,790)	-
Total governmental activities	360,075	12,800,729	3,948,811	6,246,734	(360,075)	-
	24,463,573				(1,467,299)	
<b>Business-Type Activities</b>						
Utilities						
Recreation	13,320,805	12,250,268	-	-	-	(1,070,537)
Cemetery	960,621	54,682	-	-	-	(905,939)
Bus	294,083	118,483	-	5,171,752	-	4,996,152
Total business-type activities	1,387,173	58,475	511,674	513,930	-	(303,094)
	15,962,682	12,481,908	511,674	5,685,682	-	2,716,582
Total primary government	\$ 40,426,255	\$ 25,282,637	\$ 4,460,485	\$ 11,932,416	\$ (1,467,299)	\$ 1,249,283
<b>General Revenues:</b>						
Property and other local taxes					\$ 7,477,238	\$ -
Interest income					22,438	63,915
Other revenues					500,265	524,734
Total general revenues					7,999,941	588,649
Transfers					(1,439,187)	1,439,187
Total general revenues and transfers					6,560,754	2,027,836
Change in net assets					5,093,455	4,744,418
Net assets, June 30, 2009					57,588,117	34,323,084
Net assets, June 30, 2010					\$ 62,681,572	\$ 39,067,502
						\$ 101,749,074

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

**CITY OF ASHLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	Special Revenue Funds					
	General	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Total Governmental Funds
<b>Assets</b>						
Cash	\$ 657,619	\$ 10,485	\$ 7,265	\$ 157,110	\$ 283,118	\$ 1,115,597
Taxes receivable	2,922,464	-	135,709	-	-	3,058,173
Allowance for uncollectible taxes	(362,049)	-	(20,522)	-	-	(382,571)
Grants receivable	738,714	-	-	-	-	935,149
Due from other funds	3,991,709	39,408	-	157,027	-	4,138,425
Program receivables	48,386	-	-	-	-	48,386
Allowance for uncollectible accounts	(42,086)	-	-	-	-	(42,086)
Other receivables	272,611	-	-	-	-	360,981
Allowance for uncollectible accounts	-	-	-	-	88,370	(63,818)
Prepaid expenses	685,353	-	-	-	-	685,353
Inventories - supplies	77,236	-	-	-	-	77,236
Total assets	\$ 8,989,957	\$ 49,893	\$ 122,452	\$ 314,137	\$ 307,670	\$ 9,930,825
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Cash Overdraft	\$ 190,907	\$ -	\$ -	\$ -	\$ -	\$ 190,907
Accounts payable	1,509,098	10,451	835	2,202	2,861	1,672,163
Due to other funds	1,451,712	5,049	82,450	240,676	12,979	1,792,866
Due to Board of Education	21,993	-	-	-	-	21,993
Accrued compensated absences	179,089	-	840	1,417	797	182,143
Accrued expenses	399,051	-	3,122	4,799	6,943	413,915
Deferred revenue	20,781	-	-	-	-	20,781
Total liabilities	3,772,631	15,500	87,247	249,094	23,580	4,294,768
<b>Fund Balances:</b>						
Reserved for capital projects	236,355	-	-	-	-	236,355
Reserved for inventories	77,236	-	-	-	-	77,236
Reserved for encumbrances	92,348	-	-	-	-	92,348
Reserved for grant programs	759,495	-	-	-	-	759,495
Unreserved/undesignated, reported in:					284,090	1,043,585
General fund	4,051,892	-	-	-	-	4,051,892
Special revenue funds	-	34,393	35,205	65,043	-	134,641
Capital projects fund	-	-	-	-	-	-
Total fund balances	5,217,326	34,393	35,205	65,043	284,090	5,636,057
Total liabilities and fund balances	\$ 8,989,957	\$ 49,893	\$ 122,452	\$ 314,137	\$ 307,670	\$ 9,930,825

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 ASSETS**  
**JUNE 30, 2010**

Total fund balance - total governmental funds	\$ 5,636,057
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$111,094,220 net of accumulated depreciation of \$45,796,947 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	65,297,273
Net pension asset of \$2,207,467 reported in the statement of net assets is not a financial resource and therefore is not reported in the governmental funds.	2,207,467
Internal service fund is used by management to charge the costs of certain activities to individual funds. Assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	-
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(10,459,225)</u>
Net assets, end of year - Governmental Activities	<u>\$ 62,681,572</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 BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds					
	General	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Total Governmental Funds
<b>Revenues</b>						
Property and other local taxes	\$ 7,595,006	-	\$ 181,229	\$ -	-	\$ 7,776,235
Licenses and permits	10,007,066	-	-	-	-	10,007,066
Charges for services	1,684,139	-	-	-	-	1,684,139
Fees, fines and reimbursements	778,243	-	-	-	-	778,243
Grant income	6,823,012	421,945	-	618,673	2,331,915	10,195,545
Administration fee income	-	-	-	-	331,281	331,281
Interest income	21,933	126	6	-	373	22,438
Other income	416,984	7,978	-	-	935	500,265
Total revenues	27,326,383	430,049	181,235	618,673	2,664,504	31,295,212
<b>Expenditures</b>						
General government						
Finance	11,106,834	-	-	-	-	11,106,834
Public services	602,790	-	-	-	-	602,790
Planning and code enforcement	3,798,313	575,234	148,667	-	-	4,522,214
Police	520,260	-	-	-	-	520,260
Fire	4,734,396	-	-	-	-	4,734,396
Engineering	5,226,734	-	-	-	-	5,226,734
Community and cultural	727,338	-	-	618,673	2,840,704	727,338
Capital outlay	-	-	-	-	-	3,459,377
Debt service:	-	-	-	-	-	4,732,709
Principal retirement	205,864	-	-	-	-	559,893
Interest charges	294,829	-	-	-	-	360,075
Total expenditures	27,217,358	575,234	148,667	618,673	2,840,704	36,553,919
Excess of Revenues Over (Under) Expenditures	109,025	(145,185)	32,568	-	(176,200)	(5,258,707)
<b>Other Financing Sources (Uses)</b>						
Proceeds from the issuance of debt	189,971	-	-	-	-	189,971
Transfers in	(6,518,102)	-	-	-	-	5,078,915
Transfers out	(6,328,131)	-	-	-	-	(6,518,102)
Total other financing sources (uses)	(6,219,106)	(145,185)	32,568	-	(176,200)	(1,249,216)
Net change in fund balances	11,436,432	179,578	2,637	65,043	460,290	(6,507,923)
Fund balances beginning of year	\$ 5,217,326	\$ 34,393	\$ 35,205	\$ 65,043	\$ 284,090	\$ 12,143,980
Fund balances end of year						\$ 5,636,057

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, 2010**

Net change in fund balances - total governmental funds		\$ (6,507,923)
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	13,856,649	
Depreciation expense	<u>(2,191,847)</u>	11,664,802
Bond and capital lease proceeds are recognized as revenues in the fund financial statement, but are increases in liabilities in the statement of net assets.		(189,971)
Generally, expenditures recognized in this fund financial statement 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	154,246	
Long-term accrued expenses	<u>(338,614)</u>	(184,368)
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 assets.		559,893
Expenditures relating to the net pension asset in the statement of activities are not provided by current financial resources and therefore are not reported in the fund financial statements.		118,058
Internal service fund is used by management to charge the costs of certain activities to individual funds. Net revenue of the internal service fund is included in governmental activities in the statement of activities.		-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Property Taxes		(298,997)
Losses on disposal of capital assets are not recognized in the fund financial statements. However, in the statement of activities, these losses are recognized		<u>(68,039)</u>
Change in net assets of governmental activities		<u><u>\$ 5,093,455</u></u>

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

	Business-Type Activities				Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total
<b>LIABILITIES</b>					
Current liabilities (payable from current assets):					
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	425,947	26,230	31,776	4,440	488,393
Due to other funds	4,573,151	704,815	203,282	197,148	5,678,396
Accrued compensated absences	255,926	27,654	59,774	-	343,354
Other accrued liabilities	402,652	40,599	30,077	36,365	509,693
Customer deposits	132,481	-	-	-	132,481
Total current liabilities	5,790,157	799,298	324,909	237,953	7,152,317
(payable from current assets)					
Current liabilities (payable from restricted assets):					
Matured revenue bonds and notes	85,000	-	-	-	85,000
Customer deposits	915,887	-	-	-	915,887
Current portion of capital lease obligations	44,012	1,250	1,250	-	46,512
Current portion of notes payable	-	-	-	9,604	9,604
Current portion of Revenue and Improvement bond	435,000	-	-	-	435,000
Current portion of Kentucky Infrastructure Authority loan	271,742	-	-	-	271,742
Total current liabilities	1,751,641	1,250	1,250	9,604	1,763,745
(payable from restricted assets)					
Total current liabilities	7,541,798	800,548	326,159	247,557	8,916,062
Long-term liabilities:					
Capital lease obligations	100,138	3,714	3,770	-	107,622
Notes Payable	-	-	-	186,731	186,731
Revenue & Improvement bond	5,515,000	-	-	-	5,515,000
Kentucky Infrastructure Authority loan	4,495,942	-	-	-	4,495,942
Total long-term liabilities	10,111,080	3,714	3,770	186,731	10,305,295
Total liabilities	17,652,878	804,262	329,929	434,288	19,221,357
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	31,991,413	1,675,199	432,353	2,136,126	36,235,091
Restricted for debt payment	662,246	-	-	-	662,246
Other	217,958	-	-	275,157	493,115
Unrestricted	(613,160)	(217,392)	(109,485)	2,617,087	1,677,050
Total net assets	\$ 32,258,457	\$ 1,457,807	\$ 322,868	\$ 5,028,370	\$ 39,067,502

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

**CITY OF ASHLAND**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Business-Type Activities					Governmental
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	Activity - Internal Service Fund
<b>OPERATING REVENUES</b>						
Residential and commercial meter sales	\$ 3,381,998	\$ -	\$ -	\$ -	\$ 3,381,998	\$ -
Sewer service	4,222,500	-	-	-	4,222,500	-
Industrial meter sales	3,346,372	-	-	-	3,346,372	-
Other municipalities	1,130,822	-	-	-	1,130,822	-
Industrial pretreatment	95,698	-	-	-	95,698	-
Water and sewer taps	72,878	-	-	-	72,878	-
Concession sales	-	-	-	-	-	-
Lot and vault sales	-	-	34,888	-	34,888	-
Opening and closing fees	-	-	-	49,710	49,710	-
Passenger fares	-	-	-	68,773	68,773	-
Admission fees	-	58,475	-	-	58,475	-
Premium charges	-	-	19,794	-	19,794	-
Miscellaneous	-	-	-	-	-	-
Total operating revenues	503,598	327	15,521	24,909	544,355	5,261,912
	12,753,866	58,802	70,203	143,392	13,026,263	100
<b>OPERATING EXPENSES</b>						
Administration - Director	224,565	-	-	-	224,565	-
Administration - Cashier	581,314	-	-	-	581,314	-
Administration - Customer Service	455,853	-	-	-	455,853	-
Water - Production	2,171,875	-	-	-	2,171,875	-
Water - Distribution	2,720,940	-	-	-	2,720,940	-
Sewer - Pretreatment	1,550,627	-	-	-	1,550,627	-
Sewer - Collection	1,467,815	-	-	-	1,467,815	-
Depreciation	2,021,480	134,290	33,364	38,331	2,227,465	-
Insurance	258,980	11,388	28,281	35,683	334,332	-
Other operating expenses	1,465,677	435,301	350,228	93,980	2,345,186	3,544
Salaries	-	542,365	393,812	91,395	1,027,572	-
Utilities	-	17,545	81,028	-	98,573	-
Operating supplies	-	246,284	73,908	16,868	337,060	-
Premiums and claims	-	-	-	-	-	-
Total operating expenses	12,919,126	1,387,173	960,621	276,257	15,543,177	5,259,961
	(165,260)	(1,328,371)	(890,418)	(132,865)	(2,516,914)	(1,493)
<b>OPERATING INCOME (LOSS)</b>						
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Gain(loss) on disposal of assets	-	(19,621)	-	-	(19,621)	-
Interest income	54,113	22	2,471	7,309	63,915	1,493
Grant income	-	511,674	-	-	511,674	-
Interest on revenue bonds and notes	(401,679)	-	-	(17,826)	(419,505)	-
Total non-operating revenues (expenses)	(347,566)	492,075	2,471	(10,517)	136,463	1,493
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	(512,826)	(836,296)	(887,947)	(143,382)	(2,380,451)	-
<b>OPERATING TRANSFERS</b>						
From General Fund	-	517,552	907,401	-	1,424,953	-
Total operating transfers in	-	517,552	907,401	-	1,424,953	-
<b>CAPITAL CONTRIBUTIONS</b>						
Federal/state grants	-	513,930	-	-	513,930	-
City of Ashland	-	14,234	-	-	14,234	-
Other, (Note 14)	-	-	-	-	-	-
Total capital contributions	-	528,164	-	5,171,752	5,171,752	-
	-	528,164	-	5,171,752	5,699,916	-
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(512,826)	209,420	19,454	5,028,370	4,744,418	-
<b>NET ASSETS, JUNE 30, 2009</b>	32,771,283	1,248,387	303,414	-	34,323,084	-
<b>NET ASSETS, JUNE 30, 2010</b>	\$ 32,258,457	\$ 1,457,807	\$ 322,868	\$ 5,028,370	\$ 39,067,502	\$ -

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, 2010**

	Business-Type Activities				Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 11,941,029	\$ 58,475	\$ 58,388	\$ 118,483	\$ 12,176,375	\$ -
Cash payments to suppliers for goods and services	(5,819,837)	(325,118)	(452,944)	85,702	(6,512,197)	(3,544)
Cash payments to employees	(2,565,451)	(558,688)	(387,737)	(84,041)	(3,595,917)	-
Other operating revenues	503,598	327	15,521	24,909	544,355	100
Payments for internal services	(1,145,839)	(133,002)	(126,738)	(31,729)	(1,437,308)	-
Cash received for internal services	-	-	-	-	-	4,338,918
Payments for premiums and claims	-	-	-	-	-	(5,111,088)
Net cash provided by (used for) operating activities	<u>2,913,500</u>	<u>(958,006)</u>	<u>(893,510)</u>	<u>113,324</u>	<u>1,175,308</u>	<u>(775,614)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Grant Income	-	275,772	-	-	275,772	-
Transfers from other funds	-	517,552	907,401	-	1,424,953	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>793,324</u>	<u>907,401</u>	<u>-</u>	<u>1,700,725</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from sale of assets	-	8,315	-	-	8,315	-
Acquisition and construction of capital assets	(1,728,157)	(371,578)	(41,278)	-	(2,155,868)	-
Principal paid on bonds, notes, and lease obligations	(639,449)	-	-	(14,855)	(669,760)	-
Interest paid on bonds, notes, and lease obligations	(401,679)	-	-	(30,311)	(432,000)	-
Capital contributions	-	-	-	(17,826)	(17,826)	-
Capital grants received	-	14,234	-	268,776	283,010	-
Net cash provided by (used for) capital and related financing activities	<u>(2,769,285)</u>	<u>180,187</u>	<u>(41,278)</u>	<u>205,784</u>	<u>(2,424,592)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from maturity of investment	-	-	-	-	-	-
Investment income	54,113	22	2,471	7,309	63,915	1,493
Net cash provided by investing activities	<u>54,113</u>	<u>22</u>	<u>2,471</u>	<u>7,309</u>	<u>63,915</u>	<u>1,493</u>
Net increase (decrease) in cash and cash equivalents	198,328	15,527	(24,916)	326,417	515,356	(774,121)
Cash and cash equivalents, June 30, 2009	<u>2,123,106</u>	<u>23,695</u>	<u>223,243</u>	<u>-</u>	<u>2,370,044</u>	<u>814,545</u>
Cash and cash equivalents, June 30, 2010	<u>\$ 2,321,434</u>	<u>\$ 39,222</u>	<u>\$ 198,327</u>	<u>\$ 326,417</u>	<u>\$ 2,885,400</u>	<u>\$ 40,424</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ (165,260)	\$ (1,328,371)	\$ (890,418)	\$ (132,865)	\$ (2,516,914)	\$ (1,493)
Adjustments:						
Depreciation	2,021,480	134,290	33,364	38,331	2,227,465	-
Amortization	8,160	-	-	-	8,160	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(356,347)	-	3,706	-	(352,641)	(164,217)
(Increase) decrease in inventories	(42,970)	(7,403)	(4,878)	-	(55,251)	-
(Increase) decrease in pension asset	(285,021)	-	-	-	-	(758,777)
Increase (decrease) in accounts payable	31,666	(46,569)	(14,997)	3,356	(285,021)	-
Increase (decrease) in due to other funds	1,619,144	306,370	(26,362)	197,148	2,096,300	72,334
Increase (decrease) in compensated absences	5,823	(19,733)	131	-	(13,779)	-
Increase (decrease) in other accrued liabilities	29,717	3,410	5,944	7,354	46,425	76,539
Increase (decrease) in customer deposits	47,108	-	-	-	47,108	-
Net cash provided by (used for) operating activities	<u>\$ 2,913,500</u>	<u>\$ (958,006)</u>	<u>\$ (893,510)</u>	<u>\$ 113,324</u>	<u>\$ 1,175,308</u>	<u>\$ (775,614)</u>
Noncash capital and related financing activities						
Net capital assets contributed	\$ -	\$ -	\$ -	\$ 4,902,976	\$ 4,902,976	\$ -
Capital leases	86,203	4,964	5,020	-	96,187	-
Net noncash capital and related financing activities	<u>\$ 86,203</u>	<u>\$ 4,964</u>	<u>\$ 5,020</u>	<u>\$ 4,902,976</u>	<u>\$ 4,999,163</u>	<u>\$ -</u>

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

**CITY OF ASHLAND  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010**

	Pension Trust Funds
<b>ASSETS</b>	
Cash and cash equivalents	
Accrued interest receivable	\$ 1,165,712
Due from other funds	7,093
Investments, at fair value	2,161,013
U.S. Government obligations	
	<u>1,367,396</u>
Total assets	
	<u>4,701,214</u>
<b>LIABILITIES</b>	
Due to other funds	
	<u>58,462</u>
Total liabilities	
	<u>58,462</u>
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	
	<u><u>\$ 4,642,752</u></u>

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

CITY OF ASHLAND  
STATEMENT OF CHANGES IN NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	Pension Trust Funds
ADDITIONS:	
CONTRIBUTIONS	
Employer	
Plan members	\$ 1,057,227
	<u>3,432</u>
Total contributions	<u>1,060,659</u>
INVESTMENT INCOME	
Net appreciation in fair value of investments	
Interest income	2,403
	<u>95,928</u>
Total investment income	<u>98,331</u>
Total additions	<u>1,158,990</u>
DEDUCTIONS:	
Benefits	
Administrative expenses	1,297,150
	<u>16,039</u>
Total deductions	<u>1,313,189</u>
NET DECREASE	(154,199)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	<u>4,796,951</u>
End of year	<u><u>\$ 4,642,752</u></u>

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

**CITY OF ASHLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ 7,915,092	\$ -	\$ 7,915,092	\$ 7,595,006	\$ (320,086)
Licenses and permits	9,028,365	-	9,028,365	10,007,066	978,701
Charges for services	1,625,340	-	1,625,340	1,684,139	58,799
Fees, fines and reimbursements	940,370	-	940,370	778,243	(162,127)
Interest income	67,500	-	67,500	21,933	(45,567)
Grant income	9,184,843	390,866	9,575,709	6,823,012	(2,752,697)
Other income	199,460	84,680	284,140	416,984	132,844
<b>Total revenues</b>	<b>28,960,970</b>	<b>475,546</b>	<b>29,436,516</b>	<b>27,326,383</b>	<b>(2,110,133)</b>
<b>Expenditures</b>					
General government	13,567,011	486,000	14,053,011	11,106,834	2,946,177
Finance	576,305	-	576,305	602,790	(26,485)
Public services	3,518,873	10,000	3,528,873	3,798,313	(269,440)
Planning and code enforcement	491,440	-	491,440	520,260	(28,820)
Police	4,605,940	(75,980)	4,529,960	4,734,396	(204,436)
Fire	5,009,746	(8,500)	5,001,246	5,226,734	(225,488)
Engineering	799,807	15,092	814,899	727,338	87,561
Debt service:					
Principal retirement	205,864	-	205,864	205,864	-
Interest and fiscal charges	321,005	-	321,005	294,829	26,176
<b>Total expenditures</b>	<b>29,095,991</b>	<b>426,612</b>	<b>29,522,603</b>	<b>27,217,358</b>	<b>2,305,245</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(135,021)</b>	<b>48,934</b>	<b>(86,087)</b>	<b>109,025</b>	<b>195,112</b>
<b>Other Financing Sources (Uses)</b>					
Proceeds from issuance of debt	3,450,290	-	3,450,290	189,971	(3,260,319)
Transfers in	-	-	-	-	-
Transfers out	(5,646,998)	(600,113)	(6,247,111)	(6,518,102)	(270,991)
<b>Total other financing sources (uses)</b>	<b>(2,196,708)</b>	<b>(600,113)</b>	<b>(2,796,821)</b>	<b>(6,328,131)</b>	<b>(3,531,310)</b>
<b>Net change in fund balance</b>	<b>(2,331,729)</b>	<b>(551,179)</b>	<b>(2,882,908)</b>	<b>(6,219,106)</b>	<b>(3,336,198)</b>
<b>Fund balance beginning of year</b>	<b>11,436,432</b>	<b>-</b>	<b>11,436,432</b>	<b>11,436,432</b>	<b>-</b>
<b>Fund balance end of year</b>	<b>\$ 9,104,703</b>	<b>\$ (551,179)</b>	<b>\$ 8,553,524</b>	<b>\$ 5,217,326</b>	<b>\$ (3,336,198)</b>

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

**CITY OF ASHLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**MUNICIPAL AID ROAD FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	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	378,093	-	378,093	421,945	43,852
Administration fee income	-	-	-	-	-
Interest income	175	-	175	126	(49)
Other income	14,000	-	14,000	7,978	(6,022)
Total revenues	392,268	-	392,268	430,049	37,781
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	540,270	-	540,270	575,234	(34,964)
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	500	-	500	-	500
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	540,770	-	540,770	575,234	(34,464)
Excess of Revenues Over (Under) Expenditures	(148,502)	-	(148,502)	(145,185)	3,317
<b>Other Financing Sources (Uses)</b>					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(148,502)	-	(148,502)	(145,185)	3,317
Fund balance beginning of year	179,578	-	179,578	179,578	-
Fund balance end of year	\$ 31,076	\$ -	\$ 31,076	\$ 34,393	\$ 3,317

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

**CITY OF ASHLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**COMMUNITY DEVELOPMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	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	688,137	283,556	971,693	618,673	(353,020)
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	<u>688,137</u>	<u>283,556</u>	<u>971,693</u>	<u>618,673</u>	<u>(353,020)</u>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	688,137	283,556	971,693	618,673	353,020
Capital outlay	-	-	-	-	-
Debt service:	-	-	-	-	-
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>688,137</u>	<u>283,556</u>	<u>971,693</u>	<u>618,673</u>	<u>353,020</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance beginning of year	<u>65,043</u>	<u>-</u>	<u>65,043</u>	<u>65,043</u>	<u>-</u>
Fund balance end of year	<u>\$ 65,043</u>	<u>\$ -</u>	<u>\$ 65,043</u>	<u>\$ 65,043</u>	<u>\$ -</u>

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are an integral part of this statement.

**CITY OF ASHLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**HOUSING ASSISTANCE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	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	2,025,018	257,217	2,282,235	2,331,915	49,680
Administration fee income	319,881	5,500	325,381	331,281	5,900
Interest income	750	-	750	373	(377)
Other income	-	-	-	935	935
<b>Total revenues</b>	<u>2,345,649</u>	<u>262,717</u>	<u>2,608,366</u>	<u>2,664,504</u>	<u>56,138</u>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	2,901,766	262,717	3,164,483	2,840,704	323,779
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<u>2,901,766</u>	<u>262,717</u>	<u>3,164,483</u>	<u>2,840,704</u>	<u>323,779</u>
Excess of Revenues Over (Under) Expenditures	<u>(556,117)</u>	<u>-</u>	<u>(556,117)</u>	<u>(176,200)</u>	<u>379,917</u>
<b>Other Financing Sources (Uses)</b>					
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(556,117)	-	(556,117)	(176,200)	379,917
Fund balance beginning of year	<u>460,290</u>	<u>-</u>	<u>460,290</u>	<u>460,290</u>	<u>-</u>
Fund balance end of year	<u>\$ (95,827)</u>	<u>\$ -</u>	<u>\$ (95,827)</u>	<u>\$ 284,090</u>	<u>\$ 379,917</u>

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

**CITY OF ASHLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FLOODWALL OPERATING FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ 144,245	\$ -	\$ 144,245	\$ 181,229	\$ 36,984
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	125	-	125	-	-
Other income	-	-	-	6	(119)
Total revenues	144,370	-	144,370	181,235	36,865
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	250,785	-	250,785	148,667	102,118
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:	-	-	-	-	-
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	250,785	-	250,785	148,667	102,118
Excess of Revenues Over (Under) Expenditures	(106,415)	-	(106,415)	32,568	138,983
<b>Other Financing Sources (Uses)</b>					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(106,415)	-	(106,415)	32,568	138,983
Fund balance beginning of year	2,637	-	2,637	2,637	-
Fund balance end of year	\$ (103,778)	\$ -	\$ (103,778)	\$ 35,205	\$ 138,983

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



**CITY OF ASHLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	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	-	-	-	-	-
	<u>-</u>	<u>55,840</u>	<u>55,840</u>	<u>74,368</u>	<u>18,528</u>
Total revenues	<u>-</u>	<u>55,840</u>	<u>55,840</u>	<u>74,368</u>	<u>18,528</u>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	1,299	(1,299)
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Capital Outlay	3,807,328	576,834	4,384,162	-	-
Debt service:					
Principal retirement	362,216	-	362,216	354,029	8,187
Interest and fiscal charges	52,902	-	52,902	65,246	(12,344)
	<u>4,222,446</u>	<u>576,834</u>	<u>4,799,280</u>	<u>5,153,283</u>	<u>(354,003)</u>
Total expenditures	<u>4,222,446</u>	<u>576,834</u>	<u>4,799,280</u>	<u>5,153,283</u>	<u>(354,003)</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,222,446)</u>	<u>(520,994)</u>	<u>(4,743,440)</u>	<u>(5,078,915)</u>	<u>(335,475)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	4,222,446	520,994	4,743,440	5,078,915	335,475
Total other financing sources (uses)	<u>4,222,446</u>	<u>520,994</u>	<u>4,743,440</u>	<u>5,078,915</u>	<u>335,475</u>
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	-	-	-	-	-
Fund balance end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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are an integral part of this statement.