

CITY OF ASHLAND

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2019

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, 2019, 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, 2019, 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.

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 4 through 16 and on pages 69 through 78, 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 79 through 85 and the Financial Data Schedule on pages 86 and 87 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 79 through 85, the Financial Data Schedule contained on pages 86 and 87 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 January 6, 2020, 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.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
January 6, 2020

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, 2019. 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 \$48,437,852 (net position). Governmental activities’ unrestricted net position was (\$33,573,966). Business-type activities’ unrestricted net position was (\$15,428,391). 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 (\$4,108,950). Net position of governmental activities decreased by (\$4,794,941) and net position of business-type activities increased by \$685,991.
- At June 30, 2019, the governmental activities had \$72,540,447 in assets and \$65,262,675 in liabilities. Business-type activities had \$67,169,286 in assets and \$36,878,425 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, 2019, the Government as a whole had a net position greater than its liabilities by \$48,437,852. Net position of governmental activities was \$16,277,691 and decreased by (\$4,794,941) over the prior year. Property and vehicle taxes collected were \$184,050 more than projected. Occupational license fee receipts excelled again this fiscal year due to focused collection efforts for \$242,372 in additional revenue. In light of the successful year for revenues, expenses were higher which led to the decrease in net position. Hiring costs were elevated to exceed appropriations by \$35,502. Unbudgeted items included a 2011 legal claim finally settled this fiscal year and Office 365 renewals totaling \$82,177. Solid Waste and Central Garage divisions overspent their budgets by \$137,402. Health insurance claims also exceeded budget projections as multiple employees hit the stop / loss threshold. Land was donated to the City to provide additional parking for the downtown area. A packer truck was purchased for our Solid Waste division, two police vehicles and one fire vehicle were also purchased increasing our automotive assets. Streetscape projects and a down payment for a custom fire truck are restricted for capital projects in the amount of \$1,725,000. Of ending Governmental Activities Net Position, \$48,057,346 is invested in capital assets net of related debt; \$1,794,311 is restricted for capital projects and grant programs; and unrestricted net position is (\$33,573,966). 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 repay 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 \$32,160,161 and increased by \$685,991 over the prior year. Industrial meter sales exceeded projections by \$214,247 due to the continuation of meter replacements that were outdated and faulty. An increase in the volume of hauled waste and its treatment brought in \$254,984 of excess funds. Miscellaneous revenues from insurance claims and the surplus auction produced unanticipated revenue totaling \$48,822. Utility Fund rates in all classes increased by the CPI this year effective January 1st. A net reduction of \$2,340,589 in construction-in-progress was a result of the continuation of the construction of the Water Distribution building and the completion of the CSO project on 29th Street. Of the business-type net position, \$39,952,083 is net investment in capital assets and (\$15,428,391) 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, \$7,636,469, represents resources that are subject to limitations on their use through legislation adopted by the City or through external restrictions. The largest restricted portion, \$6,288,114, is for sewer improvements.

ANALYSIS OF THE CITY'S NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 13,318,134	\$ 14,654,479	\$ 14,278,900	\$ 13,470,766	\$ 27,597,034	\$ 28,125,245
Capital assets	59,222,313	58,769,768	52,890,386	51,936,384	112,112,699	110,706,152
Total assets	<u>72,540,447</u>	<u>73,424,247</u>	<u>67,169,286</u>	<u>65,407,150</u>	<u>139,709,733</u>	<u>138,831,397</u>
Deferred outflows of resources	<u>11,924,890</u>	<u>16,592,872</u>	<u>3,323,612</u>	<u>4,598,454</u>	<u>15,248,502</u>	<u>21,191,326</u>
Liabilities	6,052,739	4,849,582	4,725,976	2,298,247	10,778,715	7,147,829
Long-term liabilities	<u>59,209,936</u>	<u>60,327,014</u>	<u>32,152,449</u>	<u>34,854,922</u>	<u>91,362,385</u>	<u>95,181,936</u>
Total Liabilities	<u>65,262,675</u>	<u>65,176,596</u>	<u>36,878,425</u>	<u>37,153,169</u>	<u>102,141,100</u>	<u>102,329,765</u>
Deferred inflows of resources	<u>2,924,971</u>	<u>3,767,891</u>	<u>1,454,312</u>	<u>1,378,265</u>	<u>4,379,283</u>	<u>5,146,156</u>
Net position						
Net investment in capital assets	48,057,346	47,056,359	39,952,083	38,815,146	88,009,429	85,871,505
Restricted	1,794,311	1,272,291	7,636,469	6,586,421	9,430,780	7,858,712
Unrestricted	<u>(33,573,966)</u>	<u>(27,256,018)</u>	<u>(15,428,391)</u>	<u>(13,927,397)</u>	<u>(49,002,357)</u>	<u>(41,183,415)</u>
Total Net Position	<u>\$ 16,277,691</u>	<u>\$ 21,072,632</u>	<u>\$ 32,160,161</u>	<u>\$ 31,474,170</u>	<u>\$ 48,437,852</u>	<u>\$ 52,546,802</u>

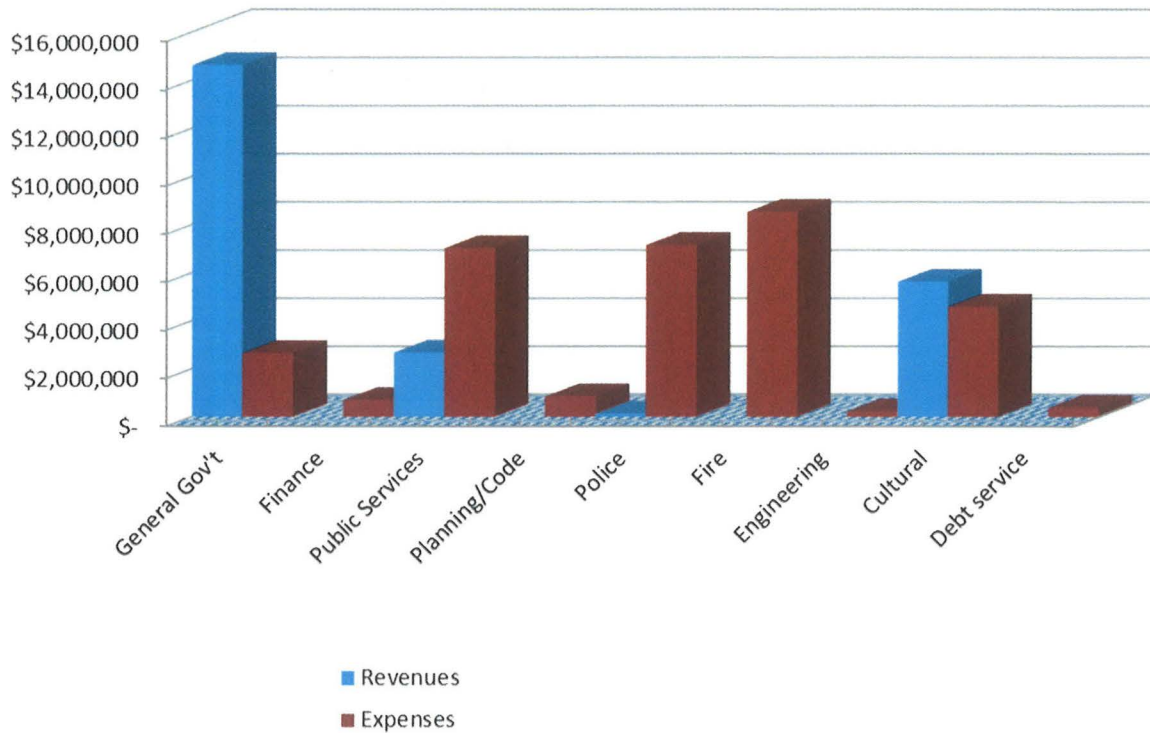
ANALYSIS OF THE CITY'S OPERATIONS

Revenues	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Taxes	\$ 8,042,133	\$ 7,837,931	\$ -	\$ -	\$ 8,042,133	\$ 7,837,931
Charges for Services	16,383,748	16,761,361	16,881,896	16,995,726	33,265,644	33,757,087
Operating Grants / Contr.	3,707,280	3,619,265	319,526	277,595	4,026,806	3,896,860
Capital Grants / Contr.	621,500	-	322,381	211,869	943,881	211,869
Other Income	196,199	137,887	780,448	887,967	976,647	1,025,854
Total Revenue	<u>28,950,860</u>	<u>28,356,444</u>	<u>18,304,251</u>	<u>18,373,157</u>	<u>47,255,111</u>	<u>46,729,601</u>

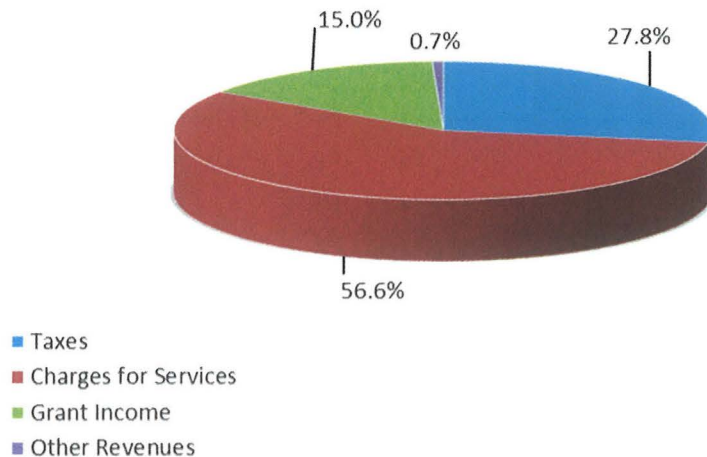
Expenses	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
General Government	2,638,860	2,222,981	-	-	2,638,860	2,222,981
Finance	688,925	760,728	-	-	688,925	760,728
Public Services	7,007,676	6,456,885	-	-	7,007,676	6,456,885
Planning / Code	838,185	912,064	-	-	838,185	912,064
Police	7,142,676	6,759,240	-	-	7,142,676	6,759,240
Fire	8,518,282	8,103,647	-	-	8,518,282	8,103,647
Engineering	216,630	146,723	-	-	216,630	146,723
Community / Cultural	4,576,745	6,828,989	-	-	4,576,745	6,828,989
Debt Service	373,683	346,466	-	-	373,683	346,466
Utility Fund	-	-	16,719,013	15,775,239	16,719,013	15,775,239
Ashland Bus System	-	-	1,274,145	1,355,883	1,274,145	1,355,883
Recreation Operating Fund	-	-	1,099,626	1,046,238	1,099,626	1,046,238
Cemetery	-	-	269,615	309,053	269,615	309,053
Total Expense	<u>32,001,662</u>	<u>32,537,723</u>	<u>19,362,399</u>	<u>18,486,413</u>	<u>51,364,061</u>	<u>51,024,136</u>
Changes before transfers	(3,050,802)	(4,181,279)	(1,058,148)	(113,256)	(4,108,950)	(4,294,535)
Transfers	(1,744,139)	(1,567,153)	1,744,139	1,567,153	-	-
Change in Net Position	(4,794,941)	(5,748,432)	685,991	1,453,897	(4,108,950)	(4,294,535)
Net Position Beg of Year	21,072,632	26,821,064	31,474,170	30,020,273	52,546,802	56,841,337
Net Position End of Year	<u>\$ 16,277,691</u>	<u>\$ 21,072,632</u>	<u>\$ 32,160,161</u>	<u>\$ 31,474,170</u>	<u>\$ 48,437,852</u>	<u>\$ 52,546,802</u>

GOVERNMENTAL ACTIVITIES

EXPENSES AND PROGRAM REVENUES- GOVERNMENTAL ACTIVITIES

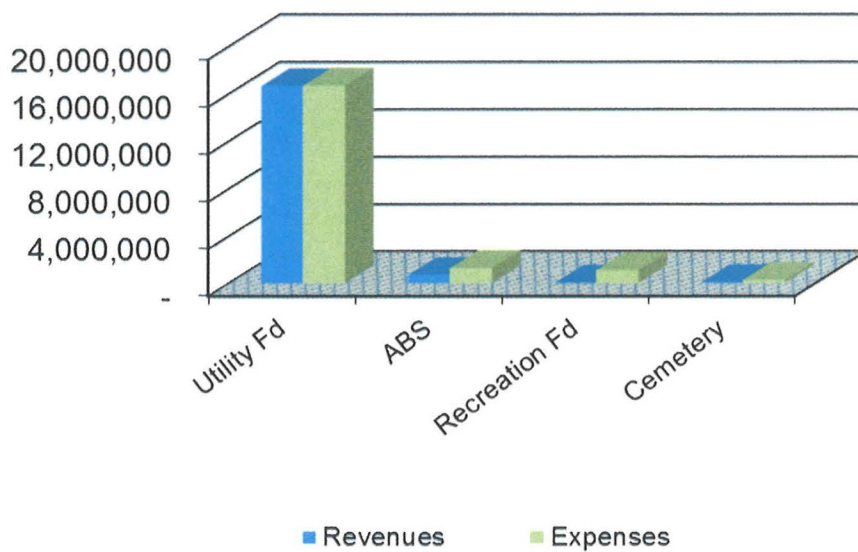


REVENUE BY SOURCE - GOVERNMENT ACTIVITIES

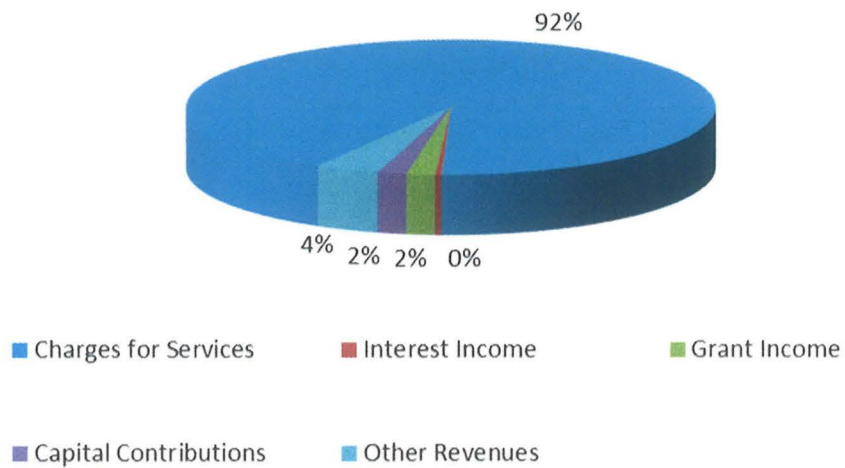


BUSINESS-TYPE ACTIVITIES

EXPENSES AND REVENUES - BUSINESS-TYPE ACTIVITIES



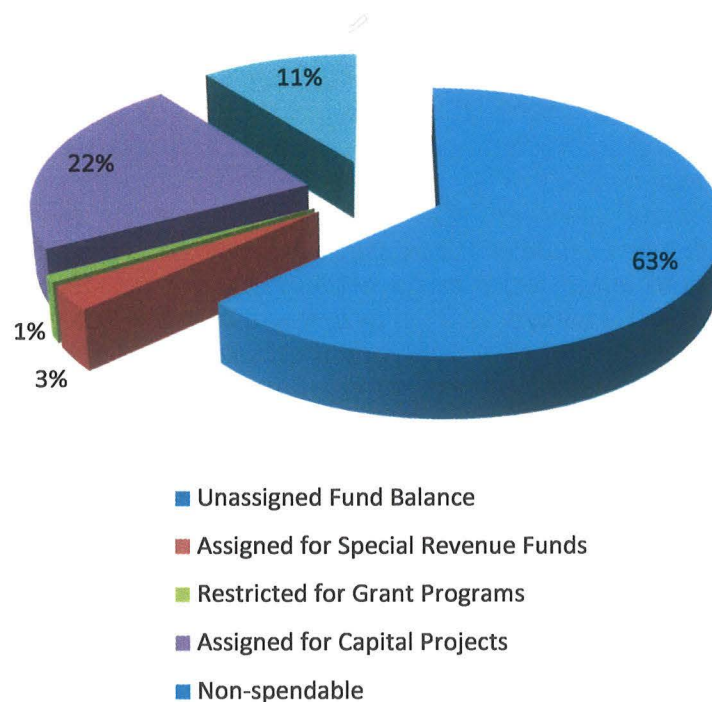
REVENUE BY SOURCE - BUSINESS -TYPE ACTIVITIES



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 \$7,737,822. Of this total, \$4,901,745, or 63%, 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 2019 reports assigned for special revenue funds at \$227,828, restricted for grant programs at \$69,311, non-spendable at \$813,938 and assigned for capital projects at \$1,725,000. The governmental funds assigned for capital projects is for the partial purchase of a custom fire vehicle, a new dump truck for our Public Services department and the continuation of our Streetscape Improvements. Assigned for special revenue funds decreased this year as the City created a Tax Increment Financing (TIF) district in FY 2018 for infrastructure improvements to transform the existing Ashland Plaza Hotel into a Marriott Delta. The property tax revenue and occupational license fee revenue received from businesses in the TIF district was not enough to support the debt service payment. Non-spendable fund balance is a combination of our prepaid property and equipment insurance, general liability insurance, workers compensation insurance and the balances of the inventory accounts at the close of the fiscal year.

**Ending Fund Balances Governmental
Activities**



MAJOR GOVERNMENTAL FUNDS

For the year ending June 30, 2019, the major governmental funds reported as follows:

The General Fund had revenues of \$24,307,546, expenditures of \$21,647,325 and net other financing uses of \$(3,356,057). The total fund balance was \$6,012,384. Fund balance decreased this fiscal year as a result of a legal settlement, overspending in the Solid Waste and Central Garage divisions and unexpected health insurance claims. These items are extraordinary in nature and are anticipated to be non-recurring.

The Tax Increment Finance Fund had revenues of \$32,703 and expenditures of \$1,621,838. The total fund balance was \$(292,482). The TIF fund expenditures are the final redevelopment assistance payments for the Marriott Delta Hotel and the debt service payment. It should be noted that the deficit is a result of revenues not meeting the needs for the debt service payment. A conservative fiscal approach should be applied to the TIF district for future fiscal years.

The Municipal Aid Road Fund had revenues of \$442,651 and expenditures of \$632,526. The total fund balance was \$0. The focus on paving allowed the City to utilize this fund to its full potential by improving the roads and infrastructure for our citizens.

The Floodwall Operating Fund had revenues of \$266,641 and expenditures of \$292,144. The total fund balance was \$162,391. Preventative maintenance items caused our expenditures to slightly exceed our revenues this year. Floodwall is a financially stable fund and the repairs do not cause concern for the new fiscal year.

The Community Development Fund had revenues of \$333,749 and expenditures of \$333,749. The total fund balance was \$65,437.

The Housing Assistance Fund had revenues of \$2,946,070 and expenditures of \$2,946,641. The total fund balance was \$65,092. Even though the net change in fund balance was minimal, the administrative expenditures should be monitored to ensure that they are staying on course with the administrative revenue received throughout the fiscal year.

The Capital Purchase Improvement Fund had revenues of \$621,500, other financing sources of \$1,611,918 and expenditures of \$1,712,470. The total fund balance was \$1,725,000. Land was donated to the City recognizing an appraisal value of \$621,500. Fund balance is restricted for the partial purchase of a fire rescue vehicle, a dump truck and Streetscape Improvements.

PROPRIETARY FUNDS

The City's proprietary funds, or business-type activities, had a total net position of \$32,160,161 for the four funds. Total increase in net position was \$685,991. Net position changes are a result of operations, operating grants and capital contributions.

The Utility Fund, which accounts for water and wastewater services for the City of Ashland and surrounding communities, had a positive net position change. Operating expenses increased over prior year by 5.98%. Revenues included a slight 0.87% increase than projected. Utility rate modifications were effective beginning January 1, 2019. Meter replacements to adequately read consumption and an increase in hauled waste also contributed to this excess.

The Ashland Bus System accounts for the City's transportation system which is partially subsidized by the Federal Government (Federal Transit Administration). The City acquired the Ashland Cemetery in September 2009. Both funds experienced a decrease in net position associated with other post-employment benefit liabilities. Although it does not require the use of City resources for funding, it has contributed to the reduction of net position.

Recreation Operating Fund is the City's park system, swimming pool, concession activities and other recreational activities. The playgrounds at Central Park are being revitalized. New equipment has

been ordered, installed and now includes ADA accessibility. A pickleball court is now open and awaiting a new lighting system so citizens can enjoy utilizing it until the Park closes.

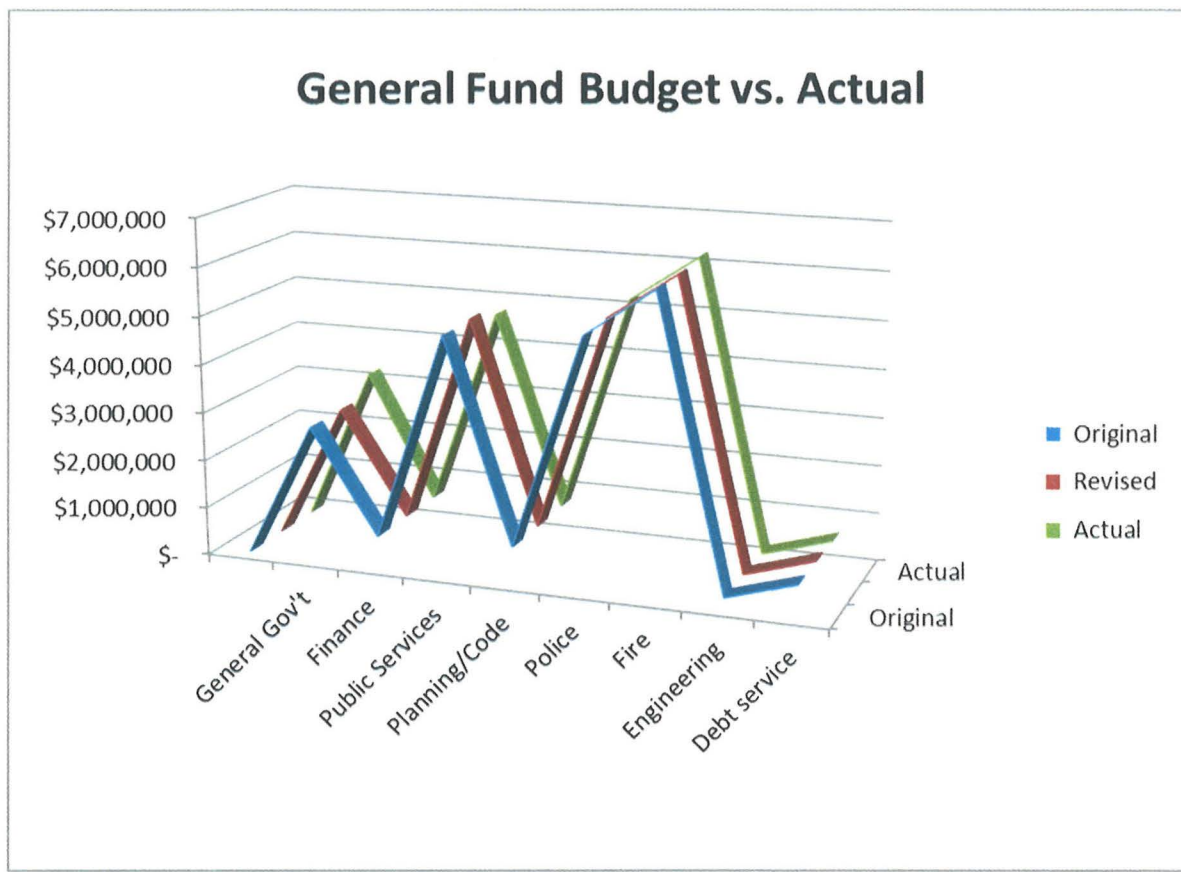
BUDGETARY HIGHLIGHTS

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

- ⇒ \$174,185 increase in budgeted revenues for the General Fund. This increase includes \$8,213 for repairs of Kentucky State Police vehicles, \$2,576 for the collection of recycling permits fees, \$100,160 insurance claim and FEMA reimbursements, \$60,036 for forfeitures funds collected for the Police, and \$3,200 Fire grant for the purchase of thermal imaging cameras.
- ⇒ \$5,000 increase for a new software program for Human Resources to streamline the hiring process and to interface employee data with Payroll.
- ⇒ \$43,982 increase in police expenditures for travel / training, overtime for festival security and vehicle damage repairs.
- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$123,692 for Public Services to purchase a dump truck, brush chipper and roof replacement; \$157,115 transfer for road slip repairs on Hogsten, Skyline and Vanbibber Roads; \$435,106 for Police vehicles and equipment.

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 \$24,307,546 versus budgeted revenues of \$23,787,425. Licenses / Permits was \$11,677,826 budgeted and actual revenues were \$11,965,618 for a variance of \$287,792. Finance staff's focus on collection efforts and new business in the City is to be credited for this positive variance. Grants / Entitlements exceeded projections by \$83,424. Part of this surplus was for the award of a Household Hazardous Waste Management Grant and the balance of a Safe Routes to School grant.
- ⇒ General Fund had a negative variance concerning expenditures this fiscal year. The negative variance can be attributed to the hiring costs associated with three department heads and the health insurance claims increasing for a select few that are to be considered non-recurring for future years. Two divisions that passed their operating parameters were Solid Waste and Central Garage. Both divisions overspent by utilizing temporary workers that were not budgeted and purchasing supplies and tools above the board approved amounts.



CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for governmental and business-type activities as of June 30, 2019 is \$112,112,699 (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, 2019 include:

Project	Approved Contract	Paid / Accrued to Date	Outstanding Commitment
CIPP Lining	\$ 40,000	\$ 24,960	\$ 15,040
Water Treatment Plan	30,000	29,854	146
Pollard Mills	421,800	104,440	317,360
SCADA	218,640	86,375	132,265
5th Street Lift Station	12,800	10,376	2,424
Waterline Replacement	206,000	89,729	116,271
Comprehensive Plan	32,980	-	32,980
S.H. ADA Renovation	58,059	18,571	39,488
	<u>\$ 1,020,279</u>	<u>\$ 364,305</u>	<u>\$ 655,974</u>

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

Asset	Governmental Activities	Business-type Activities	Total 2019
Land	\$ 4,457,328	\$ 449,401	\$ 4,906,729
Buildings and improvements	12,340,029	4,616,483	16,956,512
Automotive equipment	4,604,874	2,290,649	6,895,523
Operating equipment	4,699,819	4,475,395	9,175,214
Office equipment	582,041	360,300	942,341
Capital improvements	1,098,864	901,135	1,999,999
Right-of-way	15,038,909	-	15,038,909
Infrastructure	81,509,938	-	81,509,938
Utility plant	-	100,227,701	100,227,701
Construction (CIP)	653,311	2,376,989	3,030,300
	124,985,113	115,698,053	240,683,166
Less depreciation	(65,762,800)	(62,807,667)	(128,570,467)
Total	<u>\$ 59,222,313</u>	<u>\$ 52,890,386</u>	<u>\$ 112,112,699</u>

DEBT

At the end of fiscal year 2019, the City had governmental activities debt of \$11,782,256 compared to \$12,438,138 at June 30, 2018, which represents a decrease of \$655,882. Business-type activities had debt of \$12,996,054 compared to \$14,258,082 at June 30, 2018, which represents a decrease of \$1,262,028. See Note (9) for additional discussion of the City's long term debt. The following chart summarizes governmental and business-type activities debt.

Governmental Activities Debt	Amount
General obligation bond series 2015	\$ 2,000,000
General obligation bond series 2017	4,325,000
Capital lease - police station	3,429,608
Capital lease - Melody Mtn Phase II	1,345,834
Premium on bonds	135,002
Compensated absences obligation	546,812
Total	<u>\$ 11,782,256</u>
Business-Type Activities Debt	Amount
Revenue & Improvement Bonds 2013	\$ 2,390,000
Water & Sewer Revenue Bonds 2015	2,875,000
Capital lease - Radio Meters	1,126,250
Kentucky Infrastructure Authority loans	6,523,568
Discount on bonds	(11,867)
Premium on bonds	93,103
Total	<u>\$ 12,996,054</u>

DESCRIPTION OF MUNICIPAL DEBT

- ⇒ General Obligation Refunding Bonds 2015 - \$2,000,000.
- ⇒ General Obligation Bonds 2017 Ashland Plaza Redevelopment Project - \$4,325,000.
- ⇒ General Obligation Bonds 2013 Melody Mountain Phase II - \$1,345,834.
- ⇒ Premium on bonds - \$135,002.
- ⇒ Capital Lease - Police station - \$3,429,608.
- ⇒ Employee compensated absences payable after 60 days at \$546,812.
- ⇒ Utility Revenue bond issue 2013 for phase II upgrade of the water plant - \$2,390,000.
- ⇒ K.I.A. Loans used to upgrade the utility system and correct CSO - \$6,523,568.
- ⇒ KLC lease payable for the purchase of radio read meters - \$1,126,250.
- ⇒ Water & Sewer Revenue Bonds 2015 – water system improvements - \$2,875,000.
- ⇒ Discount on bonds - (\$11,867).
- ⇒ Premium on bonds - \$93,103.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Unemployment rate for the City of Ashland as of June 2019 is 6.1%. This rate is higher than the State of Kentucky rate at 4.9% and the national rate of 3.8%.

The following summarizes the 2020 fiscal year budgeted expenses.

- ⇒ General Fund - \$24,534,920
- ⇒ Tax Increment Finance Fund - \$304,200
- ⇒ Municipal Aid Program - \$442,215
- ⇒ Community Development Block Grant Fund - \$1,560,286
- ⇒ Section 8 Voucher - \$2,963,530
- ⇒ Floodwall Operating Fund - \$261,909
- ⇒ Utility Fund - \$20,100,345
- ⇒ Ashland Bus System - \$1,486,823
- ⇒ Recreation Operating Fund - \$1,060,877
- ⇒ Ashland Cemetery Fund - \$164,666
- ⇒ Capital Purchase Improvement Fund - \$2,709,425

Fiscal year 2020 contains three significant budget items. The Utility Fund will upgrade the Water Plant with SCADA and field instrumentation. Also in the Utility Fund is the continuance of replacing the aging water lines. 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@ashlandky.gov

CITY OF ASHLAND
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,095,559	\$ 5,349,605	\$ 9,445,164
Accounts receivable	165,941	2,810,943	2,976,884
Allowance for uncollectible accounts	-	(145,693)	(145,693)
Taxes receivable	3,269,118	-	3,269,118
Allowance for uncollectible taxes	(514,227)	-	(514,227)
Grants receivable	170,362	567,406	737,768
Internal balances, net	4,739,767	(4,739,767)	-
Program receivables	38,176	-	38,176
Allowance for uncollectible accounts	(36,137)	-	(36,137)
Other receivables	489,455	-	489,455
Allowance for uncollectible accounts	(63,818)	-	(63,818)
Prepaid expenses	631,099	81,418	712,517
Inventories	182,839	2,718,519	2,901,358
Restricted assets -			
Cash and cash equivalents	-	4,502,800	4,502,800
Certificates of deposit	-	3,133,669	3,133,669
Note receivable	150,000	-	150,000
Nondepreciable capital assets	19,589,609	2,826,390	22,415,999
Depreciable capital assets	105,395,504	112,871,663	218,267,167
Accumulated depreciation	(65,762,800)	(62,807,667)	(128,570,467)
 Total assets	 <u>72,540,447</u>	 <u>67,169,286</u>	 <u>139,709,733</u>
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred savings from refunding bonds	70,477	107,751	178,228
Deferred outflows - OPEB related	3,826,866	794,294	4,621,160
Deferred outflows - pension related	8,027,547	2,421,567	10,449,114
 Total deferred outflows of resources	 <u>11,924,890</u>	 <u>3,323,612</u>	 <u>15,248,502</u>

CITY OF ASHLAND
STATEMENT OF NET POSITION (CONCLUDED)
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	2,711,841	1,804,101	4,515,942
Due to Board of Education	24,353	-	24,353
Payable to fiduciary fund	439,997	228,187	668,184
Other accrued expenses and liabilities	2,206,623	522,083	2,728,706
Deposits	-	608,871	608,871
Matured revenue bonds and notes	-	50,000	50,000
Accrued compensated absences, current	107,569	222,352	329,921
Current portion of long-term debt	562,356	1,290,382	1,852,738
Net OPEB liabilities, due in more than one year	10,283,482	3,287,173	13,570,655
Net pension liabilities, due in more than one year	37,706,554	17,159,604	54,866,158
Accrued compensated absences, non-current	546,812	-	546,812
Capital lease obligations, non-current	4,523,086	1,019,167	5,542,253
Revenue and Improvement bonds, net of discounts	-	4,696,236	4,696,236
Kentucky Infrastructure Authority loans, non-current	-	5,990,269	5,990,269
General obligation bonds, non-current, plus premiums	6,150,002	-	6,150,002
 Total liabilities	 65,262,675	 36,878,425	 102,141,100
 DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - OPEB related	2,235,608	584,678	2,820,286
Deferred inflows - pension related	689,363	869,634	1,558,997
 Total deferred inflows of resources	 2,924,971	 1,454,312	 4,379,283
 NET POSITION			
Net investment in capital assets	48,057,346	39,952,083	88,009,429
Restricted			
Capital projects	1,725,000	-	1,725,000
Debt service	-	1,119,163	1,119,163
Grant programs	69,311	-	69,311
Sewer improvements	-	6,288,114	6,288,114
Other	-	229,192	229,192
Unrestricted	(33,573,966)	(15,428,391)	(49,002,357)
 Total net position	 \$ 16,277,691	 \$ 32,160,161	 \$ 48,437,852

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, 2019**

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
Governmental Activities							
General government	\$ 2,638,860	\$ 13,886,513	\$ 117,963	\$ 621,500	\$ 11,987,116	\$ -	\$ 11,987,116
Finance	688,925	-	-	-	(688,925)	-	(688,925)
Public services	7,007,676	2,235,508	442,627	-	(4,329,541)	-	(4,329,541)
Planning and code enforcement	838,185	-	-	-	(838,185)	-	(838,185)
Police	7,142,676	-	129,162	-	(7,013,514)	-	(7,013,514)
Fire	8,518,282	-	-	-	(8,518,282)	-	(8,518,282)
Engineering	216,630	-	-	-	(216,630)	-	(216,630)
Community and cultural	4,576,745	261,727	3,017,528	-	(1,297,490)	-	(1,297,490)
Debt service - interest	373,683	-	-	-	(373,683)	-	(373,683)
Total governmental activities	<u>32,001,662</u>	<u>16,383,748</u>	<u>3,707,280</u>	<u>621,500</u>	<u>(11,289,134)</u>	<u>-</u>	<u>(11,289,134)</u>
Business-Type Activities							
Utilities	16,719,013	16,690,257	-	-	-	(28,756)	(28,756)
Recreation	1,099,626	44,212	-	-	-	(1,055,414)	(1,055,414)
Cemetery	269,615	93,500	-	-	-	(176,115)	(176,115)
Bus	1,274,145	53,927	319,526	322,381	-	(578,311)	(578,311)
Total business-type activities	<u>19,362,399</u>	<u>16,881,896</u>	<u>319,526</u>	<u>322,381</u>	<u>-</u>	<u>(1,838,596)</u>	<u>(1,838,596)</u>
Total primary government	<u>\$ 51,364,061</u>	<u>\$ 33,265,644</u>	<u>\$ 4,026,806</u>	<u>\$ 943,881</u>	<u>\$ (11,289,134)</u>	<u>\$ (1,838,596)</u>	<u>\$ (13,127,730)</u>
General Revenues:							
Property and other local taxes					\$ 8,042,133	\$ -	\$ 8,042,133
Interest income					12,406	66,910	79,316
Other revenues					<u>183,793</u>	<u>713,538</u>	<u>897,331</u>
Total general revenues					8,238,332	780,448	9,018,780
Transfers					<u>(1,744,139)</u>	<u>1,744,139</u>	<u>-</u>
Total general revenues and transfers					<u>6,494,193</u>	<u>2,524,587</u>	<u>9,018,780</u>
Change in net position					(4,794,941)	685,991	(4,108,950)
Net position, June 30, 2018					<u>21,072,632</u>	<u>31,474,170</u>	<u>52,546,802</u>
Net position, June 30, 2019					<u>\$ 16,277,691</u>	<u>\$ 32,160,161</u>	<u>\$ 48,437,852</u>

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

**CITY OF ASHLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019**

	Special Revenue Funds							Total Governmental Funds
	General	Tax Increment Finance	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	
Assets								
Cash	\$ 3,569,464	\$ -	\$ 38,008	\$ 2,993	\$ 65,541	\$ 103,627	\$ -	\$ 3,779,633
Taxes receivable	3,053,700	-	-	215,418	-	-	-	3,269,118
Allowance for uncollectible taxes	(489,186)	-	-	(25,041)	-	-	-	(514,227)
Grants receivable	4,219	-	41,067	-	125,076	-	-	170,362
Due from other funds	5,163,283	-	235,352	-	-	-	2,117,240	7,515,875
Program receivables	38,176	-	-	-	-	-	-	38,176
Allowance for uncollectible accounts	(36,137)	-	-	-	-	-	-	(36,137)
Other receivables	412,358	-	-	698	938	67,563	7,898	489,455
Allowance for uncollectible accounts	-	-	-	-	-	(63,818)	-	(63,818)
Prepaid items	631,099	-	-	-	-	-	-	631,099
Inventories - supplies	182,839	-	-	-	-	-	-	182,839
Total assets	\$ 12,529,815	\$ -	\$ 314,427	\$ 194,068	\$ 191,555	\$ 107,372	\$ 2,125,138	\$ 15,462,375
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 977,597	\$ 7,000	\$ 314,427	\$ 6,450	\$ 37,258	\$ 7,933	\$ 400,138	\$ 1,750,803
Due to other funds	4,631,436	285,482	-	20,481	86,112	25,802	-	5,049,313
Due to Board of Education	24,353	-	-	-	-	-	-	24,353
Accrued compensated absences	103,327	-	-	1,113	1,037	2,092	-	107,569
Accrued wages and related expenditures	780,718	-	-	3,633	1,711	6,453	-	792,515
Total liabilities	6,517,431	292,482	314,427	31,677	126,118	42,280	400,138	7,724,553
Fund Balances:								
Non-spendable	813,938	-	-	-	-	-	-	813,938
Restricted for grant programs	4,219	-	-	-	-	65,092	-	69,311
Assigned for capital projects	-	-	-	-	-	-	1,725,000	1,725,000
Assigned for special revenue funds	-	-	-	162,391	65,437	-	-	227,828
Unassigned	5,194,227	(292,482)	-	-	-	-	-	4,901,745
Total fund balances	6,012,384	(292,482)	-	162,391	65,437	65,092	1,725,000	7,737,822
Total liabilities and fund balances	\$ 12,529,815	\$ -	\$ 314,427	\$ 194,068	\$ 191,555	\$ 107,372	\$ 2,125,138	\$ 15,462,375

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, 2019

Total fund balance - total governmental funds \$ 7,737,822

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

Capital assets of \$124,985,113 net of accumulated depreciation of \$65,762,800
used in governmental activities are not financial resources and therefore
are not reported in the governmental funds. 59,222,313

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	70,477	220,477

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. 8,929,442

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	(10,283,482)	
Net pension liabilities	(37,706,554)	
Bonds payable	(6,460,002)	
Accrued interest payable	(60,071)	
Accrued compensated absences	(546,812)	
Capital lease obligations	(4,775,442)	(59,832,363)

Net position, end of year - Governmental Activities \$ 16,277,691

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, 2019

	Special Revenue Funds							Total
	General	Tax Increment Finance	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	Governmental Funds
Revenues								
Property and other local taxes	\$ 7,745,138	\$ 30,577	\$ -	\$ 266,418	\$ -	\$ -	\$ -	\$ 8,042,133
Licenses and permits	11,965,618	864	-	-	-	-	-	11,966,482
Charges for services	2,235,508	-	-	-	-	-	-	2,235,508
Fees, fines and reimbursements	1,920,031	-	-	-	-	-	-	1,920,031
Grant income	247,125	-	442,627	-	333,749	2,683,779	-	3,707,280
Administration fee income	-	-	-	-	-	261,727	-	261,727
Interest income	10,338	1,262	24	223	-	559	-	12,406
Other income	183,788	-	-	-	-	5	621,500	805,293
Total revenues	24,307,546	32,703	442,651	266,641	333,749	2,946,070	621,500	28,950,860
Expenditures								
General government	3,219,412	-	-	-	-	-	937	3,220,349
Finance	641,635	-	-	-	-	-	-	641,635
Public services	4,732,649	-	632,526	292,144	-	-	-	5,657,319
Planning and code enforcement	749,686	-	-	-	-	-	-	749,686
Police	5,261,663	-	-	-	-	-	-	5,261,663
Fire	6,219,113	-	-	-	-	-	-	6,219,113
Engineering	195,441	-	-	-	-	-	-	195,441
Community and cultural	-	1,324,613	-	-	333,749	2,946,641	-	4,605,003
Capital outlay	-	-	-	-	-	-	1,711,533	1,711,533
Debt service:								
Principal retirement	380,804	165,000	-	-	-	-	-	545,804
Interest charges	246,922	132,225	-	-	-	-	-	379,147
Total expenditures	21,647,325	1,621,838	632,526	292,144	333,749	2,946,641	1,712,470	29,186,693
Excess (deficiency) of Revenues Over (Under) Expenditures	2,660,221	(1,589,135)	(189,875)	(25,503)	-	(571)	(1,090,970)	(235,833)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	-	1,611,918	1,611,918
Transfers out	(3,356,057)	-	-	-	-	-	-	(3,356,057)
Total other financing sources (uses)	(3,356,057)	-	-	-	-	-	1,611,918	(1,744,139)
Net change in fund balances	(695,836)	(1,589,135)	(189,875)	(25,503)	-	(571)	520,948	(1,979,972)
Fund balances beginning of year	6,708,220	1,296,653	189,875	187,894	65,437	65,663	1,204,052	9,717,794
Fund balances end of year	\$ 6,012,384	\$ (292,482)	\$ -	\$ 162,391	\$ 65,437	\$ 65,092	\$ 1,725,000	\$ 7,737,822

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, 2019

Net change in fund balances - total governmental funds	\$	(1,979,972)
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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	3,078,679	
Depreciation expense	<u>(2,548,211)</u>	530,468

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	100,565	
Amortization of deferred savings from refunding bonds	(6,875)	
Amortization of bond discounts and premiums	9,513	
Accrued interest payable	2,826	

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	507,620	
CERS pension expense	(3,669,212)	
CERS OPEB expense	<u>(756,755)</u>	(3,918,347)

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.		545,804
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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>(78,923)</u>
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Change in net position of governmental activities	\$	<u><u>(4,794,941)</u></u>
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The accompanying notes to financial statements
are an integral part of this statement.

CITY OF ASHLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019

	Business-Type Activities					Governmental Activity - Internal Service
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	Fund
ASSETS						
Unrestricted Assets:						
Cash and cash equivalents	\$ 5,103,171	\$ 157,437	\$ 25,825	\$ 63,172	\$ 5,349,605	\$ 315,926
Accounts receivable	2,810,771	-	172	-	2,810,943	165,941
Allowance for doubtful accounts	(145,693)	-	-	-	(145,693)	-
Due from other funds	-	-	-	5,639	5,639	1,833,208
Grants receivable - capital	-	247,880	-	-	247,880	-
Grants receivable - operating	-	319,526	-	-	319,526	-
Prepaid expenses	81,418	-	-	-	81,418	-
Inventories -						
Repair parts and supplies	1,160,663	74,904	7,472	-	1,243,039	-
Lots and vaults	-	-	-	1,475,480	1,475,480	-
Total unrestricted assets	9,010,330	799,747	33,469	1,544,291	11,387,837	2,315,075
Restricted Assets:						
Cash and cash equivalents	4,463,608	-	-	39,192	4,502,800	-
Investments -						
Certificates of deposit	2,943,669	-	190,000	-	3,133,669	-
Total restricted assets	7,407,277	-	190,000	39,192	7,636,469	-
Total current assets	16,417,607	799,747	223,469	1,583,483	19,024,306	2,315,075
Capital Assets:						
Land and easements	372,725	-	58,223	18,453	449,401	-
Utility plant	100,227,701	-	-	-	100,227,701	-
Buildings and improvements	698,107	1,498,076	100,529	2,319,771	4,616,483	-
Operating equipment	5,258,093	1,067,894	1,275,042	66,150	7,667,179	-
Office and computer equipment	316,810	38,170	5,320	-	360,300	-
Construction in progress	2,376,989	-	-	-	2,376,989	-
	109,250,425	2,604,140	1,439,114	2,404,374	115,698,053	-
Less: Accumulated depreciation	(59,947,413)	(1,603,339)	(754,387)	(502,528)	(62,807,667)	-
Total capital assets - net	49,303,012	1,000,801	684,727	1,901,846	52,890,386	-
Total noncurrent assets	49,303,012	1,000,801	684,727	1,901,846	52,890,386	-
Total assets	65,720,619	1,800,548	908,196	3,485,329	71,914,692	2,315,075
DEFERRED OUTFLOWS OF RESOURCES						
Deferred savings from refunding bonds	107,751	-	-	-	107,751	-
Deferred outflows - OPEB related	615,272	97,118	67,736	14,168	794,294	-
Deferred outflows - pension related	1,875,783	296,084	206,506	43,194	2,421,567	-
Total deferred outflows of resources	2,598,806	393,202	274,242	57,362	3,323,612	-

CITY OF ASHLAND
STATEMENT OF NET POSITION (CONCLUDED)
PROPRIETARY FUNDS
JUNE 30, 2019

	Business-Type Activities					Governmental Activity - Internal Service
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	Fund
LIABILITIES						
Current liabilities (payable from current assets):						
Accounts payable	\$ 1,686,568	\$ 46,167	\$ 67,416	\$ 3,950	\$ 1,804,101	\$ 961,038
Due to other funds	4,006,171	747,602	219,820	-	4,973,593	-
Accrued compensated absences	171,276	22,795	20,651	7,630	222,352	-
Other accrued liabilities	368,665	85,960	21,705	45,753	522,083	1,354,037
Total current liabilities (payable from current assets)	6,232,680	902,524	329,592	57,333	7,522,129	2,315,075
Current liabilities (payable from restricted assets):						
Matured revenue bonds and notes	50,000	-	-	-	50,000	-
Customer deposits	608,871	-	-	-	608,871	-
Current portion of capital lease obligations	107,083	-	-	-	107,083	-
Current portion of Revenue and Improvement bonds	650,000	-	-	-	650,000	-
Current portion of Kentucky Infrastructure Authority loans	533,299	-	-	-	533,299	-
Total current liabilities (payable from restricted assets)	1,949,253	-	-	-	1,949,253	-
Total current liabilities	8,181,933	902,524	329,592	57,333	9,471,382	2,315,075
Long-term liabilities:						
Capital lease obligations	1,019,167	-	-	-	1,019,167	-
Revenue and Improvement bonds, net of discount and premium	4,696,236	-	-	-	4,696,236	-
Kentucky Infrastructure Authority loans	5,990,269	-	-	-	5,990,269	-
Net OPEB liabilities	2,611,844	365,440	239,939	69,950	3,287,173	-
Net pension liabilities	14,837,698	1,186,389	929,566	205,951	17,159,604	-
Total long-term liabilities	29,155,214	1,551,829	1,169,505	275,901	32,152,449	-
Total liabilities	37,337,147	2,454,353	1,499,097	333,234	41,623,831	2,315,075
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows - OPEB related	452,901	71,488	49,860	10,429	584,678	-
Deferred inflows - pension related	673,631	106,330	74,161	15,512	869,634	-
Total deferred inflows of resources	1,126,532	177,818	124,021	25,941	1,454,312	-
NET POSITION						
Net investment in capital assets	36,364,709	1,000,801	684,727	1,901,846	39,952,083	-
Restricted for debt service	1,119,163	-	-	-	1,119,163	-
Restricted for sewer improvements	6,288,114	-	-	-	6,288,114	-
Other	-	-	190,000	39,192	229,192	-
Unrestricted	(13,916,240)	(1,439,222)	(1,315,407)	1,242,478	(15,428,391)	-
Total net position	\$ 29,855,746	\$ (438,421)	\$ (440,680)	\$ 3,183,516	\$ 32,160,161	\$ -

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, 2019

	Business-Type Activities					Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	
OPERATING REVENUES						
Residential and commercial meter sales	\$ 3,989,018	\$ -	\$ -	\$ -	\$ 3,989,018	\$ -
Sewer service	7,193,312	-	-	-	7,193,312	-
Industrial meter sales	3,771,322	-	-	-	3,771,322	-
Other municipalities	1,474,518	-	-	-	1,474,518	-
Industrial pretreatment	192,937	-	-	-	192,937	-
Water and sewer taps	69,150	-	-	-	69,150	-
Concession sales	-	-	16,294	-	16,294	-
Lot and vault sales	-	-	-	22,300	22,300	-
Opening and closing fees	-	-	-	71,200	71,200	-
Passenger fares	-	53,927	-	-	53,927	-
Admission fees	-	-	27,918	-	27,918	-
Premium charges	-	-	-	-	-	7,016,451
Miscellaneous	716,690	5	5,681	11,536	733,912	-
Total operating revenues	17,406,947	53,932	49,893	105,036	17,615,808	7,016,451
OPERATING EXPENSES						
Administration - Director	80,327	-	-	-	80,327	-
Administration - Cashier	988,293	-	-	-	988,293	-
Water - Production	2,628,038	-	-	-	2,628,038	-
Water - Distribution	3,502,669	-	-	-	3,502,669	-
Sewer - Pretreatment	2,054,983	-	-	-	2,054,983	-
Sewer - Collection	1,576,222	-	-	-	1,576,222	-
Depreciation	2,524,567	150,826	60,940	51,782	2,788,115	-
Insurance	180,931	24,933	17,129	5,574	228,567	-
Other operating expenses	2,811,847	543,010	458,002	97,597	3,910,456	9,726
Salaries	-	466,437	361,934	69,429	897,800	-
Utilities	-	30,191	119,324	11,468	160,983	-
Operating supplies	-	58,748	82,297	33,765	174,810	-
Premiums and claims	-	-	-	-	-	7,010,277
Total operating expenses	16,347,877	1,274,145	1,099,626	269,615	18,991,263	7,020,003
OPERATING INCOME (LOSS)	1,059,070	(1,220,213)	(1,049,733)	(164,579)	(1,375,455)	(3,552)
NON-OPERATING REVENUES						
(EXPENSES)						
Gain (loss) on disposal of assets	-	(20,374)	-	-	(20,374)	-
Interest income	64,608	195	1,969	138	66,910	3,552
Grant income	-	319,526	-	-	319,526	-
Interest on revenue bonds and notes	(371,136)	-	-	-	(371,136)	-
Total non-operating revenues (expenses)	(306,528)	299,347	1,969	138	(5,074)	3,552
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	752,542	(920,866)	(1,047,764)	(164,441)	(1,380,529)	-
TRANSFERS						
From General Fund	-	501,388	1,187,498	55,253	1,744,139	-
Total transfers in	-	501,388	1,187,498	55,253	1,744,139	-
CAPITAL CONTRIBUTIONS						
Federal/state grants	-	322,381	-	-	322,381	-
Total capital contributions	-	322,381	-	-	322,381	-
INCREASE (DECREASE) IN NET POSITION	752,542	(97,097)	139,734	(109,188)	685,991	-
NET POSITION, JUNE 30, 2018	29,103,204	(341,324)	(580,414)	3,292,704	31,474,170	-
NET POSITION, JUNE 30, 2019	\$ 29,855,746	\$ (438,421)	\$ (440,680)	\$ 3,183,516	\$ 32,160,161	\$ -

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, 2019**

	Business-Type Activities					Governmental Activity - Internal Service
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 16,846,851	\$ 53,927	\$ 44,212	\$ 94,774	\$ 17,039,764	\$ -
Cash payments to suppliers for goods and services	(4,940,469)	(317,378)	(702,579)	(20,908)	(5,981,334)	(9,726)
Cash payments to employees	(3,495,788)	(335,319)	(283,924)	(36,901)	(4,151,932)	-
Other operating revenues	716,690	5	5,681	11,536	733,912	-
Payments for internal services	(1,663,989)	(183,932)	(211,957)	(63,995)	(2,123,873)	-
Cash received for internal services	-	-	-	-	-	5,848,013
Payments for premiums and claims	-	-	-	-	-	(6,671,621)
Net cash provided by (used for) operating activities	<u>7,463,295</u>	<u>(782,697)</u>	<u>(1,148,567)</u>	<u>(15,494)</u>	<u>5,516,537</u>	<u>(833,334)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grant income	-	277,595	-	-	277,595	-
Transfers from other funds	-	501,388	1,187,498	55,253	1,744,139	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>778,983</u>	<u>1,187,498</u>	<u>55,253</u>	<u>2,021,734</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(3,708,811)	(22,966)	(25,855)	(6,962)	(3,764,594)	-
Proceeds from sale of assets	-	2,099	-	-	2,099	-
Principal paid on bonds, notes, and lease obligations	(1,257,237)	-	-	-	(1,257,237)	-
Interest paid on bonds, notes, and lease obligations	(371,136)	-	-	-	(371,136)	-
Capital grants received	-	172,413	-	-	172,413	-
Net cash provided by (used for) capital and related financing activities	<u>(5,337,184)</u>	<u>151,546</u>	<u>(25,855)</u>	<u>(6,962)</u>	<u>(5,218,455)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Withdrawal of investment securities	(16,616)	-	-	-	(16,616)	-
Investment income	64,608	195	2,162	138	67,103	3,552
Net cash provided by investing activities	<u>47,992</u>	<u>195</u>	<u>2,162</u>	<u>138</u>	<u>50,487</u>	<u>3,552</u>
Net increase (decrease) in cash and cash equivalents	2,174,103	148,027	15,238	32,935	2,370,303	(829,782)
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>
Cash and cash equivalents, June 30, 2019	<u>\$ 9,566,779</u>	<u>\$ 157,437</u>	<u>\$ 25,825</u>	<u>\$ 102,364</u>	<u>\$ 9,852,405</u>	<u>\$ 315,926</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Operating income (loss)	\$ 1,059,070	\$ (1,220,213)	\$ (1,049,733)	\$ (164,579)	\$ (1,375,455)	\$ (3,552)
Adjustments:						
Depreciation	2,524,567	150,826	60,940	51,782	2,788,115	-
Amortization	22,147	-	-	-	22,147	-
Net OPEB adjustment	159,238	14,965	7,193	5,796	187,192	-
Net pension adjustment	780,098	111,507	68,532	26,559	986,696	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	138,344	-	-	1,274	139,618	(125,109)
(Increase) decrease in inventories	(495,768)	(32,467)	4,443	24,900	(498,892)	-
(Increase) decrease in prepaid expenses	5,142	-	-	-	5,142	-
(Increase) decrease in due from other funds	-	-	-	36,691	36,691	(1,043,329)
Increase (decrease) in accounts payable	871,283	36,965	18,049	1,910	928,207	391,662
Increase (decrease) in due to other funds	2,370,371	151,074	(260,276)	-	2,261,169	-
Increase (decrease) in compensated absences	(10,056)	(2,923)	(353)	(409)	(13,741)	-
Increase (decrease) in other accrued liabilities	20,609	7,569	2,638	582	31,398	(53,006)
Increase (decrease) in customer deposits	18,250	-	-	-	18,250	-
Net cash provided by (used for) operating activities	<u>\$ 7,463,295</u>	<u>\$ (782,697)</u>	<u>\$ (1,148,567)</u>	<u>\$ (15,494)</u>	<u>\$ 5,516,537</u>	<u>\$ (833,334)</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, 2019**

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ -
Accrued interest receivable	4,751
Due from other funds	668,184
Investments, at fair value	
Certificates of deposit	<u>3,504,121</u>
Total assets	<u>4,177,056</u>
LIABILITIES	
Due to other funds	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u><u>\$ 4,177,056</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, 2019

	<u>Pension Trust Funds</u>
ADDITIONS:	
CONTRIBUTIONS	
Employer	<u>\$ 1,367,100</u>
Total contributions	<u>1,367,100</u>
INVESTMENT INCOME	
Interest income	<u>60,011</u>
Total investment income	<u>60,011</u>
Total additions	<u>1,427,111</u>
DEDUCTIONS:	
Benefits	1,007,942
Administrative expenses	<u>8,248</u>
Total deductions	<u>1,016,190</u>
NET INCREASE	410,921
NET POSITION - RESTRICTED FOR PENSION BENEFITS:	
Beginning of year	<u>3,766,135</u>
End of year	<u><u>\$ 4,177,056</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, 2019

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 7,700,050	\$ -	\$ 7,700,050	\$ 7,745,138	\$ 45,088
Licenses and permits	11,675,250	2,576	11,677,826	11,965,618	287,792
Charges for services	2,209,750	8,213	2,217,963	2,235,508	17,545
Fees, fines and reimbursements	1,895,520	-	1,895,520	1,920,031	24,511
Interest income	2,250	-	2,250	10,338	8,088
Grant income	5,000	158,701	163,701	247,125	83,424
Other income	125,420	4,695	130,115	183,788	53,673
Total revenues	23,613,240	174,185	23,787,425	24,307,546	520,121
Expenditures					
General government	2,789,648	5,000	2,794,648	3,219,412	(424,764)
Finance	648,118	-	648,118	641,635	6,483
Public services	4,912,125	31,853	4,943,978	4,732,649	211,329
Planning and code enforcement	743,522	-	743,522	749,686	(6,164)
Police	5,137,811	43,982	5,181,793	5,261,663	(79,870)
Fire	6,135,515	5,700	6,141,215	6,219,113	(77,898)
Engineering	214,990	-	214,990	195,441	19,549
Debt service:					
Principal retirement	437,821	-	437,821	380,804	57,017
Interest and fiscal charges	220,194	-	220,194	246,922	(26,728)
Total expenditures	21,239,744	86,535	21,326,279	21,647,325	(321,046)
Excess of Revenues Over (Under) Expenditures	2,373,496	87,650	2,461,146	2,660,221	199,075
Other Financing Sources (Uses)					
Transfers out	(2,373,496)	(963,267)	(3,336,763)	(3,356,057)	(19,294)
Total other financing sources (uses)	(2,373,496)	(963,267)	(3,336,763)	(3,356,057)	(19,294)
Net change in fund balance	-	(875,617)	(875,617)	(695,836)	179,781
Fund balance beginning of year	6,708,220	-	6,708,220	6,708,220	-
Fund balance end of year	\$ 6,708,220	\$ (875,617)	\$ 5,832,603	\$ 6,012,384	\$ 179,781

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, 2019

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ 30,577	\$ 30,577
Licenses and permits	-	-	-	864	864
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	-	-	-	1,262	1,262
Other income	-	-	-	-	-
Total revenues	-	-	-	32,703	32,703
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	1,373,465	1,373,465	1,324,613	48,852
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	165,000	(165,000)
Interest and fiscal charges	297,225	-	297,225	132,225	165,000
Total expenditures	297,225	1,373,465	1,670,690	1,621,838	48,852
Excess of Revenues Over (Under) Expenditures	(297,225)	(1,373,465)	(1,670,690)	(1,589,135)	81,555
Other Financing Sources (Uses)					
Proceeds from the issuance of debt	-	-	-	-	-
Transfers in	297,225	-	297,225	-	(297,225)
Total other financing sources (uses)	297,225	-	297,225	-	(297,225)
Net change in fund balance	-	(1,373,465)	(1,373,465)	(1,589,135)	(215,670)
Fund balance beginning of year	1,296,653	-	1,296,653	1,296,653	-
Fund balance end of year	\$ 1,296,653	\$ (1,373,465)	\$ (76,812)	\$ (292,482)	\$ (215,670)

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, 2019

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	434,850	-	434,850	442,627	7,777
Administration fee income	-	-	-	-	-
Interest income	15	-	15	24	9
Other income	-	-	-	-	-
Total revenues	<u>434,865</u>	<u>-</u>	<u>434,865</u>	<u>442,651</u>	<u>7,786</u>
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	634,865	-	634,865	632,526	2,339
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>634,865</u>	<u>-</u>	<u>634,865</u>	<u>632,526</u>	<u>2,339</u>
Excess of Revenues Over (Under) Expenditures	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>	<u>(189,875)</u>	<u>10,125</u>
Other Financing Sources (Uses)					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(200,000)	-	(200,000)	(189,875)	10,125
Fund balance beginning of year	<u>189,875</u>	<u>-</u>	<u>189,875</u>	<u>189,875</u>	<u>-</u>
Fund balance end of year	<u>\$ (10,125)</u>	<u>\$ -</u>	<u>\$ (10,125)</u>	<u>\$ -</u>	<u>\$ 10,125</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, 2019

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	1,239,669	76,373	1,316,042	333,749	(982,293)
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	<u>1,239,669</u>	<u>76,373</u>	<u>1,316,042</u>	<u>333,749</u>	<u>(982,293)</u>
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	1,239,669	76,373	1,316,042	333,749	982,293
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>1,239,669</u>	<u>76,373</u>	<u>1,316,042</u>	<u>333,749</u>	<u>982,293</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	<u>65,437</u>	<u>-</u>	<u>65,437</u>	<u>65,437</u>	<u>-</u>
Fund balance end of year	<u>\$ 65,437</u>	<u>\$ -</u>	<u>\$ 65,437</u>	<u>\$ 65,437</u>	<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
HOUSING ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	2,688,110	-	2,688,110	2,683,779	(4,331)
Administration fee income	255,495	-	255,495	261,727	6,232
Interest income	150	-	150	559	409
Other income	-	-	-	5	5
Total revenues	<u>2,943,755</u>	<u>-</u>	<u>2,943,755</u>	<u>2,946,070</u>	<u>2,315</u>
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	2,943,755	-	2,943,755	2,946,641	(2,886)
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>2,943,755</u>	<u>-</u>	<u>2,943,755</u>	<u>2,946,641</u>	<u>(2,886)</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(571)</u>	<u>(571)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
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>(571)</u>	<u>(571)</u>
Fund balance beginning of year	<u>65,663</u>	<u>-</u>	<u>65,663</u>	<u>65,663</u>	<u>-</u>
Fund balance end of year	<u>\$ 65,663</u>	<u>\$ -</u>	<u>\$ 65,663</u>	<u>\$ 65,092</u>	<u>\$ (571)</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, 2019

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 235,100	\$ -	\$ 235,100	\$ 266,418	\$ 31,318
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	90	-	90	223	133
Other income	-	-	-	-	-
Total revenues	<u>235,190</u>	<u>-</u>	<u>235,190</u>	<u>266,641</u>	<u>31,451</u>
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	186,429	57,921	244,350	292,144	(47,794)
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>186,429</u>	<u>57,921</u>	<u>244,350</u>	<u>292,144</u>	<u>(47,794)</u>
Excess of Revenues Over (Under) Expenditures	<u>48,761</u>	<u>(57,921)</u>	<u>(9,160)</u>	<u>(25,503)</u>	<u>(16,343)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	48,761	(57,921)	(9,160)	(25,503)	(16,343)
Fund balance beginning of year	<u>187,894</u>	<u>-</u>	<u>187,894</u>	<u>187,894</u>	<u>-</u>
Fund balance end of year	<u>\$ 236,655</u>	<u>\$ (57,921)</u>	<u>\$ 178,734</u>	<u>\$ 162,391</u>	<u>\$ (16,343)</u>

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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(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, 2019 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, 2019, 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, 2019, 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 and OPEB 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, 2018 information to conform to the 2019 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 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 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 is effective for the City beginning with its year ending June 30, 2019. The adoption of this Statement did not have a material effect on the 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.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* ("GASB 91"), which aims to provide a single method of reporting conduit debt obligations by issuers and to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. GASB 91 achieves those objectives by (1) clarifying the existing definition of a conduit debt obligation; (2) establishing that a conduit debt obligation is not a liability of the issuer; (3) establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and (4) improving required note disclosures. This Statement addresses arrangements (i.e., often characterized as leases) that are associated with conduit debt obligations. In such arrangements, (1) capital assets are constructed or acquired from the proceeds of a conduit debt obligation and are used by third-party obligors in the course of their activities; (2) payments from third-party obligors are intended to cover and coincide with debt service payments; (3) issuers retain the titles to the capital assets, which may or may not pass to the obligors at the end of the arrangements, depending upon the circumstances; and (4) issuers should neither report those arrangements as leases, nor recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. Additionally, this Statement requires issuers to disclose general information concerning their conduit debt obligations, organized by type of commitment(s). Issuers that recognize liabilities related to conduit debt obligations also should disclose information concerning the amount recognized and the manner in which the liabilities changed during the reporting period. GASB 91 is effective for reporting periods beginning after

December 15, 2020, with earlier application encouraged. 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, 2019, the carrying amounts of the City's deposits held in banks were \$20,585,754 and the bank balances were \$21,026,653. 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, 2019, 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
Utility Fund					
Certificates of Deposit	\$ 2,943,669	\$ 2,943,669	\$ -	\$ -	\$ -
Recreation Fund					
Certificates of Deposit	190,000	190,000	-	-	-
Fiduciary Funds					
Certificates of Deposit	3,504,121	3,504,121	-	-	-

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 2019 assessed value for real property and tangible property was \$931,133,087 and \$106,505,938, respectively. The tax rate adopted was \$.2714 per \$100 valuation.

(5) GRANTS RECEIVABLE

Grants receivable from other governmental units as of June 30, 2019, are as follows:

General Fund -	
Kentucky Transportation Cabinet	\$ 4,219
Special Revenue Funds -	
Municipal Aid Road Fund	41,067
Community Development Fund, program allocation	<u>125,076</u>
	<u>166,143</u>
Enterprise Funds -	
Ashland Bus System – FTA operating	319,526
Ashland Bus System – FTA capital	241,847
Ashland Bus System – Capital	<u>6,033</u>
	<u>567,406</u>
	<u>\$ 737,768</u>

(6) CAPITAL ASSETS

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

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
<u>Governmental Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 18,936,298	\$ -	\$ -	\$ 18,936,298
Construction in progress	124,053	529,258	-	653,311
Capital Assets, Depreciated:				
Buildings	9,095,054	621,500	(47,440)	9,669,114
Building improvements	3,187,080	54,633	(10,859)	3,230,854
Automotive equipment	4,526,787	78,087	-	4,604,874
Office furniture and equipment	574,705	24,875	(17,539)	582,041
Operating equipment	4,783,254	275,247	(358,682)	4,699,819
Capital improvements	899,464	199,400	-	1,098,864
Infrastructure	80,214,259	1,295,679	-	81,509,938
Totals	<u>122,340,954</u>	<u>3,078,679</u>	<u>(434,520)</u>	<u>124,985,113</u>
Less: accumulated depreciation				
Buildings	2,601,264	174,792	-	2,776,056
Building improvements	2,146,074	90,311	(10,768)	2,225,617
Automotive equipment	2,927,230	255,025	-	3,182,255
Office furniture and equipment	468,661	26,943	(17,539)	478,065
Operating equipment	3,027,119	222,498	(328,290)	2,921,327
Capital improvements	331,985	36,907	-	368,892
Infrastructure	52,068,853	1,741,735	-	53,810,588
Total accumulated depreciation	<u>63,571,186</u>	<u>2,548,211</u>	<u>(356,597)</u>	<u>65,762,800</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 58,769,768</u>	<u>\$ 530,468</u>	<u>\$ (77,923)</u>	<u>\$ 59,222,313</u>
<u>Business-type Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 449,401	\$ -	\$ -	\$ 449,401
Construction in progress	4,821,927	1,212,233	(3,657,171)	2,376,989
Capital Assets, Depreciated:				
Buildings	3,846,513	-	-	3,846,513
Building improvements	735,568	56,862	(22,460)	769,970
Utility and sewage plants	94,575,619	5,652,082	-	100,227,701
Automotive equipment	2,321,464	133,558	(164,373)	2,290,649
Office furniture and equipment	335,060	25,240	-	360,300
Operating equipment	3,926,959	238,092	-	4,165,051
Recreation equipment	310,344	-	-	310,344
Capital improvement	797,437	103,698	-	901,135
Totals	<u>112,120,292</u>	<u>7,421,765</u>	<u>(3,844,004)</u>	<u>115,698,053</u>
Less: accumulated depreciation				
Buildings	1,290,155	89,647	-	1,379,802
Building improvements	534,314	33,532	(22,459)	545,387
Utility and sewage plants	53,647,261	2,194,954	-	55,842,215
Automotive equipment	1,448,988	190,830	(141,897)	1,497,921
Office furniture and equipment	145,942	39,857	-	185,799
Operating equipment	2,625,429	186,316	-	2,811,745
Recreation equipment	231,835	7,457	-	239,292
Capital improvements	259,984	45,522	-	305,506
Total accumulated depreciation	<u>60,183,908</u>	<u>2,788,115</u>	<u>(164,356)</u>	<u>62,807,667</u>
Business-type Activities				
Capital Assets - Net	<u>\$ 51,936,384</u>	<u>\$ 4,633,650</u>	<u>\$ (3,679,648)</u>	<u>\$ 52,890,386</u>

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

Governmental activities:	
General government	\$ 476,732
Finance	782
Public services	1,576,146
Planning and code enforcement	8,640
Police	272,258
Fire	186,782
Engineering	6,319
Community and cultural	20,552
	<u>\$ 2,548,211</u>
Business-type activities:	
Utilities	\$ 2,524,567
Bus	150,826
Recreation	60,940
Cemetery	51,782
	<u>\$ 2,788,115</u>

(7) RETIREMENT PLANS

Net pension liabilities of the City as of June 30, 2019 are as follows:

Governmental activities:	
Policemen and Firefighters Pension Fund	\$ 2,336,193
County Employees Retirement System	
Nonhazardous	8,314,962
Hazardous	27,055,399
	<u>\$ 37,706,554</u>
Business-type activities:	
Utility Employees Pension Fund	\$ 6,292,847
County Employees Retirement System	
Nonhazardous	10,866,757
	<u>\$ 17,159,604</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, 2019, 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, 2018, with an update to roll forward information to June 30, 2019.

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, 2019, 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, 2019.

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:

	PENSION TRUST FUNDS		
	Utility Pension Fund	Policemen & Firefighters Pension Fund	Total
STATEMENT OF NET POSITION			
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accrued interest receivable	3,184	1,567	4,751
Due from other funds	228,187	439,997	668,184
Investments, at fair value -			
Certificates of deposit	2,724,428	779,693	3,504,121
Total assets	<u>2,955,799</u>	<u>1,221,257</u>	<u>4,177,056</u>
LIABILITIES			
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 2,955,799</u>	<u>\$ 1,221,257</u>	<u>\$ 4,177,056</u>
STATEMENT OF CHANGES IN NET POSITION			
ADDITIONS			
Contributions -			
Employer	\$ 845,798	\$ 521,302	\$ 1,367,100
Plan members	-	-	-
Total contributions	<u>845,798</u>	<u>521,302</u>	<u>1,367,100</u>
Investment income -			
Interest income	47,448	12,563	60,011
Total investment income	<u>47,448</u>	<u>12,563</u>	<u>60,011</u>
Total additions	<u>893,246</u>	<u>533,865</u>	<u>1,427,111</u>
DEDUCTIONS			
Benefits	672,298	335,644	1,007,942
Administrative expenses	2,279	5,969	8,248
Total deductions	<u>674,577</u>	<u>341,613</u>	<u>1,016,190</u>
NET INCREASE	218,669	192,552	410,921
NET POSITION - RESTRICTED FOR PENSION BENEFITS:			
Beginning of year	<u>2,737,130</u>	<u>1,029,005</u>	<u>3,766,135</u>
End of year	<u>\$ 2,955,799</u>	<u>\$ 1,221,257</u>	<u>\$ 4,177,056</u>

Pension Expense

For the year ended June 30, 2019, the City recognized pension expense of \$735,960 and \$13,682 for the Utility Pension Fund and Policemen and Firefighters Pension Fund, respectively. At June 30, 2019, 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:

	Utility Pension Fund	Policemen and Firefighters Pension Fund
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	23	17
Active plan participants:		
Vested	-	-
Non-Vested	-	-
	<u>23</u>	<u>17</u>
		<u>40</u>

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

	Utility Pension Fund	Policemen And Firefighters Pension Fund
Valuation date	06-30-19	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	Mortality rates	Discount rate reduced from 4.0% to 3.0%

Net Pension Liability

The following represents the components of the net pension liability:

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)
<u>Utility Pension Fund</u>						
06/30/18	\$ 2,737,130	\$ 9,139,815	\$ 6,402,685	29.9%	** N/A	** N/A
06/30/19	2,955,799	9,248,646	6,292,847	32.0%	\$ ** N/A	** N/A
<u>Policemen and Firefighters Pension Fund</u>						
06/30/18	\$ 1,029,005	\$ 3,872,818	\$ 2,843,813	26.6%	** N/A	** N/A
06/30/19	1,221,257	3,557,450	2,336,193	34.3%	\$ ** 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, 2019:

<u>Utility Pension Fund</u>			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2018	\$ 9,139,815	\$ 2,737,130	\$ 6,402,685
Changes for the year:			
Interest on total pension liability	263,270	-	263,270

Difference in expected and actual experience	4,302	-	4,302
Effect of changes in assumptions	55,714	-	55,714
Effect of changes in benefit terms	457,843	-	457,843
Benefit payments	(672,298)	-	(672,298)
Employer contributions	-	845,798	(845,798)
Investment income, net of expenses	-	47,448	(47,448)
Benefit payments	-	(672,298)	672,298
Administrative expenses	-	(2,279)	2,279
Net changes	<u>108,831</u>	<u>218,669</u>	<u>(109,838)</u>
Balance, June 30, 2019	<u>\$ 9,248,646</u>	<u>\$ 2,955,799</u>	<u>\$ 6,292,847</u>

Policemen and Firefighters Pension Fund

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance, June 30, 2018	\$ 3,872,818	\$ 1,029,005	\$ 2,843,813
Changes for the year:			
Interest on total pension liability	110,730	-	110,730
Difference in expected and actual experience	(314,821)	-	(314,821)
Effect of changes in assumptions	-	-	-
Effect of changes in benefit terms	224,367	-	224,367
Benefit payments	(335,644)	-	(335,644)
Employer contributions	-	521,302	(521,302)
Investment income, net of expenses	-	12,563	(12,563)
Benefit payments	-	(335,644)	335,644
Administrative expenses	-	(5,969)	5,969
Net changes	<u>(315,368)</u>	<u>192,252</u>	<u>(507,620)</u>
Balance, June 30, 2019	<u>\$ 3,557,450</u>	<u>\$ 1,221,257</u>	<u>\$ 2,336,193</u>

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, 2019 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	\$ 7,215,919	\$ 6,292,847	\$ 5,503,671
Policemen and Firefighters Pension Fund	2,668,783	2,336,193	2,052,981

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, 2019:

Governmental activities:	
Policemen and Firefighters Pension Fund	\$ 439,997
Business-type activities:	
Utility Pension Fund	\$ 228,187

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 5.00% nonhazardous and 8.00% 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 21.48% nonhazardous (16.22% - pension, 5.26% insurance) and 35.34% hazardous (24.87% - pension, 10.47% insurance) of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2019, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2018 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, 2018. At June 30, 2018, the City's proportion for nonhazardous and hazardous was 0.315% and 1.119%, respectively.

For the year ended June 30, 2019, the City recognized pension expense of approximately \$3,855,000 and \$4,684,000 for nonhazardous and hazardous, respectively. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Nonhazardous</u>		
Differences between expected and actual experience	\$ 625,654	\$ 280,780
Changes of assumptions	1,874,612	-
Net difference between projected and actual earnings on investments	-	230,000
Changes in proportion and differences between City contributions and proportionate share of contributions	-	229,938
City contributions subsequent to the measurement date	1,154,112	-
	<u>\$ 3,654,378</u>	<u>\$ 740,718</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 2,153,153	\$ -
Changes of assumptions	2,879,955	-
Net difference between projected and actual earnings on investments	-	305,174
Changes in proportion and differences between City contributions and proportionate share of contributions	144,220	513,105
City contributions subsequent to the measurement date	1,617,408	-
	<u>\$ 6,794,736</u>	<u>\$ 818,279</u>

At June 30, 2019, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$1,154,112 and \$1,617,408 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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:

Year	Nonhazardous	Hazardous
2020	\$ 1,399,588	\$ 3,181,719
2021	692,012	1,425,053
2022	(229,100)	(125,546)
2023	(102,952)	(122,177)
	<u>\$ 1,759,548</u>	<u>\$ 4,359,049</u>

Actuarial Methods and Assumptions

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2016. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	25 years, closed

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

There have been no changes in actuarial assumptions since June 30, 2017. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

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	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100.00%	6.09%

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:

	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
City's proportionate share of the net pension liability			
Nonhazardous	\$ 24,147,798	\$ 19,181,719	\$ 15,021,015
Hazardous	33,898,644	27,055,399	21,398,176

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, 2019, there was a total payable to CERS of \$393,349 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 \$17,536 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, 2019, CERS allocated 5.26% of the 21.48% nonhazardous and 10.47% of the 35.34% 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, 2019, the City contributed \$374,311 and \$681,680 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, 2019, the City reported a liability its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. 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, 2018 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, 2018. At June 30, 2018, the City's proportion for nonhazardous and hazardous was 0.315% and 1.119%, respectively.

For the year ended June 30, 2019, 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, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Nonhazardous</u>		
Differences between expected and actual experience	\$ -	\$ 651,744
Changes of assumptions	1,116,925	12,921
Net difference between projected and actual earnings on investments	-	385,221
Changes in proportion and differences between City contributions and proportionate share of contributions	-	47,811
City contributions subsequent to the measurement date	374,311	-
	<u>\$ 1,491,236</u>	<u>\$ 1,097,697</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ -	\$ 891,572
Changes of assumptions	2,448,244	21,823
Net difference between projected and actual earnings on investments	-	758,456
Changes in proportion and differences between City contributions and proportionate share of contributions	-	50,738
City contributions subsequent to the measurement date	681,680	-
	<u>\$ 3,129,924</u>	<u>\$ 1,722,589</u>

At June 30, 2019, the City reported deferred outflows of resources related to OPEB for City contributions subsequent to the measurement date of \$374,311 and \$681,680 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

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:

Year	Nonhazardous	Hazardous
2020	\$ 10,347	\$ 464,519
2021	10,347	464,519
2022	10,347	24,179
2023	85,164	(227,562)
2024	(58,129)	-
Thereafter	(38,848)	-
	<u>\$ 19,228</u>	<u>\$ 725,655</u>

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2018

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.

There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

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	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%

EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	<u>2.00%</u>	1.50%
Total	<u>100.00%</u>	6.09%

Discount rate

The discount rate used to measure the total OPEB liability for nonhazardous and hazardous was 5.85% and 5.97%, 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 3.62%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2018. 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 5.85%, 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 (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

	<u>1% Decrease (4.85%)</u>	<u>Current discount rate (5.85%)</u>	<u>1% Increase (6.85%)</u>
City's proportionate share of the net OPEB liability Nonhazardous	\$ 7,263,894	\$ 5,592,603	\$ 4,168,968

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 5.97%, 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 (4.97%) or 1-percentage-point higher (6.97%) than the current rate:

	<u>1% Decrease (4.97%)</u>	<u>Current discount rate (5.97%)</u>	<u>1% Increase (6.97%)</u>
City's proportionate share of the net OPEB liability Hazardous	\$ 11,089,885	\$ 7,978,052	\$ 5,486,948

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:

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability			
Nonhazardous	\$ 4,163,748	\$ 5,592,603	\$ 7,276,811
Hazardous	5,433,438	7,978,052	11,129,661

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, 2019, there was a total payable to CERS of \$393,349 for nonhazardous and hazardous, which includes pension and OPEB contributions.

(9) LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2019:

<u><i>Governmental Activities</i></u>	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
General Obligation Bond Series 2015	\$ 2,135,000	\$ -	\$ 135,000	\$ 2,000,000	\$ 140,000
General Obligation Bond Series 2017	4,490,000	-	165,000	4,325,000	170,000
Capital lease - Police Station	3,605,412	-	175,804	3,429,608	182,356
Capital lease – Melody Mtn. Phase II	1,415,834	-	70,000	1,345,834	70,000
Premium on bonds	144,515	-	9,513	135,002	-
Compensated absences obligation	<u>647,377</u>	<u>4,058</u>	<u>104,623</u>	<u>546,812</u>	<u>-</u>
Total Governmental Activities	<u>\$ 12,438,138</u>	<u>\$ 4,058</u>	<u>\$ 659,940</u>	<u>\$ 11,782,256</u>	<u>\$ 562,356</u>

<u>Business-type Activities</u>	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Revenue & Improvement Bond Series 2013	\$ 2,825,000	\$ -	\$ 435,000	\$ 2,390,000	\$ 445,000
Water & Sewer Revenue Bond Series 2015	3,070,000	-	195,000	2,875,000	205,000
Capital lease - Radio Meters	1,231,249	-	104,999	1,126,250	107,083
KIA Loan	1,674,249	-	223,427	1,450,822	228,483
KIA Loan	5,371,556	-	298,810	5,072,746	304,816
Premium on bonds	100,862	-	7,759	93,103	-
Discount on bonds	(14,834)	-	(2,967)	(11,867)	-
Total Business-type Activities	\$ 14,258,082	\$ -	\$ 1,262,028	\$ 12,996,054	\$ 1,290,382

At June 30, 2019, 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 \$314,000 set aside for the costs of extensions, improvements, renewals and replacements to the sewer system. As of June 30, 2019, 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, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	160,000	39,300	199,300
2025-2029	855,000	121,575	976,575
2030-2031	375,000	11,325	386,325
	<u>\$ 2,000,000</u>	<u>\$ 376,500</u>	<u>\$ 2,376,500</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, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	195,000	105,375	300,375
2025-2029	1,060,000	434,700	1,494,700
2030-2034	1,230,000	263,250	1,493,250
2035-2038	1,125,000	68,775	1,193,775
	<u>\$ 4,325,000</u>	<u>\$ 1,349,175</u>	<u>\$ 5,674,175</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 & Fees</u>	<u>Total</u>
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	211,262	99,083	310,345
2025-2029	1,181,188	366,979	1,548,167
2030-2034	1,265,648	121,930	1,387,578
	<u>\$ 3,429,608</u>	<u>\$ 1,059,962</u>	<u>\$ 4,489,570</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 & Fees</u>	<u>Total</u>
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	80,000	37,710	117,710
2025-2029	441,250	147,682	588,932
2030-2034	504,165	63,352	567,517
2035	26,251	1,247	27,498
	<u>\$ 1,345,834</u>	<u>\$ 424,718</u>	<u>\$ 1,770,552</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, 2019, are as follows:

	<u>Accrued Long-Term Obligation</u>	<u>Current Obligation</u>	<u>Total Compensated Absences</u>
General Fund	\$ 525,248	\$ 103,327	\$ 628,575
Community Development Fund	5,273	1,037	6,310
Housing Assistance Fund	10,636	2,092	12,728
Floodwall Fund	5,655	1,113	6,768
Ashland Bus System	-	22,795	22,795
Recreation Fund	-	20,651	20,651
Cemetery Fund	-	7,630	7,630
Utility Fund	-	171,276	171,276
	<u>\$ 546,812</u>	<u>\$ 329,921</u>	<u>\$ 876,733</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, 2019, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$264 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, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 2,390,000</u>	<u>\$ 156,795</u>	<u>\$ 2,546,795</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, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	230,000	62,125	292,125
2025-2029	1,245,000	203,675	1,448,675
2030-2031	550,000	26,975	576,975
	<u>\$ 2,875,000</u>	<u>\$ 605,775</u>	<u>\$ 3,480,775</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 & Fees</u>	<u>Total</u>
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	122,083	29,219	151,302
2025-2028	552,918	64,396	617,314
	<u>\$ 1,126,250</u>	<u>\$ 250,720</u>	<u>\$ 1,376,970</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, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
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	249,874	9,974	886	260,734
2025	255,528	4,320	384	260,232
	<u>\$ 1,450,822</u>	<u>\$ 108,268</u>	<u>\$ 9,623</u>	<u>\$ 1,568,713</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, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
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	330,072	74,682	7,468	412,222
2025-2029	1,752,585	271,188	27,119	2,050,892
2030-2034	1,733,569	87,828	8,783	1,830,180
	<u>\$ 5,072,746</u>	<u>\$ 796,196</u>	<u>\$ 79,620</u>	<u>\$ 5,948,562</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, 2019 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ashland Bus System	\$ 747,602
General Fund	Recreation Fund	219,820
General Fund	Utility Fund	3,777,984
General Fund	Housing Assistance	25,802
General Fund	Floodwall Operating Fund	20,481
General Fund	Community Development	86,112
General Fund	Tax Increment Fund	285,482
Municipal Aid Road Fund	General Fund	235,352
Capital Project	General Fund	2,117,240
Internal Service Fund	General Fund	1,833,208
Police and Fire Fighters Pension	General Fund	439,997
Cemetery Fund	General Fund	5,639
Utility Pension Fund	Utility Fund	228,187
Total		<u>\$ 10,022,906</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	\$ 501,388
Operating	General	Recreation	Operations	1,187,498
Operating	General	Capital Projects	Capital Purchases	1,611,918
Operating	General	Cemetery	Operations	55,253

(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, 2019, the City paid \$501,388 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 \$319,526 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, 2019, the City has \$5,599,700 restricted for the sewer improvements.

Construction Projects

The City is obligated on commitments for various contracts in progress at June 30, 2019. A summary of these commitments is as follows:

Fund	Project Description	Total Approved Contract	Paid or Accrued to Date	Outstanding Commitment
Utility Fund	CIPP Lining	\$ 40,000	\$ 24,960	\$ 15,040
Utility Fund	Water Treatment Plan	30,000	29,854	146
Utility Fund	Pollard Mills	421,800	104,440	317,360
Utility Fund	SCADA	218,640	86,375	132,265
Utility Fund	5th Street Lift Station	12,800	10,376	2,424
Utility Fund	Waterline Replacement	206,000	89,729	116,271
Comm. Dev.	Comprehensive Plan	32,980	-	32,980
Comm. Dev.	S. H. ADA Renovation	58,059	18,571	39,488
		<u>\$ 1,020,279</u>	<u>\$ 364,305</u>	<u>\$ 655,974</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 or utilized for debt service payments associated with the district. 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, 2019, additional general property taxes of \$30,577 and

occupational license fees of \$864 were collected and not available to the City. Additionally, approximately \$1.3 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, 2019, 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 2018 and 2019 were:

	Beginning of Fiscal Year Liability	Current Year Claims	Claim Payments	Balance At Fiscal Year End
2018	\$ 728,877	\$ 4,570,357	\$ 4,729,858	\$ 569,376
2019	569,376	6,472,162	6,080,500	961,038

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, 2019 totaled \$347,663.

(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, 2019, the Ashland Bus Fund and Recreation Fund had a negative net position of \$438,421 and \$440,680, respectively. These deficits resulted from the funds' 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.

As of June 30, 2019, the Tax Increment Financing Fund had a negative fund balance of \$292,482. This deficit resulted from incremental tax revenue received by the fund during the year being less than the debt service of the related bond. Sufficient revenue is expected to be received in future years to recover these excess costs.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ASHLAND
DEFINED BENEFIT PENSION TRUSTS
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS
JUNE 30, 2019**

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							Payroll ARC	Amount Contributed	
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%
2019	845,798	484,950	(360,848)	**N/A	**N/A	**N/A	1.76%	521,302	323,671	(197,631)	**N/A	**N/A	**N/A	1.62%

* 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, 2019**

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)
06/30/10	\$ 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
06/30/19 *	2,955,799	9,248,646	6,292,847	32.0%	**N/A	**N/A

POLICEMEN AND FIREFIGHTERS PENSION FUND

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
06/30/19	1,221,257	3,557,450	2,336,193	34.3%	**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, 2019**

	UTILITY EMPLOYEES PENSION FUND					
	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	263,270	283,228	400,459	417,961	482,003	353,293
Effect of changes in benefit terms	457,843	(274,194)	(265,792)	(312,246)	-	848,025
Difference in expected and actual experience	4,302	(2,629)	(950,704)	205,645	66,792	(108,429)
Effect of changes in assumptions	55,714	-	944,652	-	3,246,184	-
Benefit payments	(672,298)	(670,968)	(732,480)	(768,315)	(753,040)	(731,999)
Net change in total pension liability	108,831	(664,563)	(603,865)	(456,955)	3,041,939	360,890
Total pension liability, beginning of year	9,139,815	9,804,378	10,408,243	10,865,198	7,823,259	7,462,369
Total pension liability, end of year (a)	9,248,646	9,139,815	9,804,378	10,408,243	10,865,198	7,823,259
FIDUCIARY NET POSITION						
Employer contributions	\$ 845,798	\$ 1,010,604	\$ 737,240	\$ 782,736	\$ 728,300	\$ 650,912
Member contributions	-	-	-	-	-	-
Investment income, net of investment expenses	47,448	29,588	10,513	10,395	4,570	879
Benefit payments and refund of contributions	(672,298)	(670,968)	(732,480)	(768,315)	(753,040)	(731,999)
Administrative expenses	(2,279)	(5,193)	(2,310)	(5,102)	(2,212)	(6,360)
Net change in plan fiduciary net position	218,669	364,031	12,963	19,714	(22,382)	(86,568)
Fiduciary net position, beginning of year	2,737,130	2,373,099	2,360,136	2,340,422	2,362,804	2,449,372
Fiduciary net position, end of year (b)	2,955,799	2,737,130	2,373,099	2,360,136	2,340,422	2,362,804
Net pension liability, ending = (a)-(b)	<u>\$ 6,292,847</u>	<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, 2019**

	POLICEMEN AND FIREFIGHTERS PENSION FUND					
	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	110,730	157,057	186,525	237,867	249,990	199,178
Effect of changes in benefit terms	224,367	(106,452)	(124,206)	(136,189)	-	436,571
Difference in expected and actual experience	(314,821)	(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	(335,644)	(394,671)	(473,998)	(478,260)	(562,644)	(582,431)
Net change in total pension liability	(315,368)	(267,385)	(779,680)	(96,524)	678,046	39,320
Total pension liability, beginning of year	3,872,818	4,140,203	4,919,883	5,016,407	4,338,361	4,299,041
Total pension liability, end of year (a)	3,557,450	3,872,818	4,140,203	4,919,883	5,016,407	4,338,361
FIDUCIARY NET POSITION						
Employer contributions	\$ 521,302	\$ 949,776	\$ 419,610	\$ 419,610	\$ 411,220	\$ 316,277
Member contributions	-	-	-	-	-	-
Investment income, net of investment expenses	12,563	7,327	5,107	3,994	3,787	857
Benefit payments and refund of contributions	(335,644)	(394,671)	(473,998)	(478,260)	(562,644)	(582,431)
Administrative expenses	(5,969)	(2,001)	(4,672)	(2,027)	(4,554)	(3,195)
Net change in plan fiduciary net position	192,252	560,431	(53,953)	(56,683)	(152,191)	(268,492)
Fiduciary net position, beginning of year	1,029,005	468,574	522,527	579,210	731,401	999,893
Fiduciary net position, end of year (b)	1,221,257	1,029,005	468,574	522,527	579,210	731,401
Net pension liability, ending = (a)-(b)	<u>\$ 2,336,193</u>	<u>\$ 2,843,813</u>	<u>\$ 3,671,629</u>	<u>\$ 4,397,356</u>	<u>\$ 4,437,197</u>	<u>\$ 3,606,960</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
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019**

	Reporting Fiscal Year (Measurement Date)									
	2019 (2018)		2018 (2017)		2017 (2016)		2016 (2015)		2015 (2014)	
	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous
PENSION										
City's proportion of the net pension liability	0.31496%	1.11871%	0.31601%	1.12239%	0.32717%	1.19593%	0.32806%	1.19771%	0.32000%	1.15000%
City's proportionate share of the net pension liability	\$ 19,181,719	\$ 27,055,399	\$ 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	\$ 7,781,684	\$ 6,198,395	\$ 7,627,360	\$ 6,041,405	\$ 7,271,891	\$ 5,782,361
City's proportionate share of the net pension liability as a percentage of its covered payroll	273.276%	415.389%	261.020%	378.694%	207.004%	331.076%	184.926%	304.334%	142.026%	238.968%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	49.26%	53.30%	49.80%	55.50%	53.95%	59.97%	57.52%	66.80%	63.46%
INSURANCE FUND										
City's proportion of the net OPEB liability	0.31499%	1.11901%	0.31601%	1.12239%						
City's proportionate share of the net OPEB liability	\$ 5,592,603	\$ 7,978,052	\$ 6,352,862	\$ 9,278,454						
City's covered payroll	\$ 7,019,185	\$ 6,513,275	\$ 7,086,423	\$ 6,630,921						
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	79.676%	122.489%	89.648%	139.927%						
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	64.24%	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, 2019**

	2019		2018		2017		2016		2015		2014	
	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous
PENSION												
Contractually required contribution	\$ 1,154,112	\$ 1,617,408	\$ 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>1,154,112</u>	<u>1,617,408</u>	<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	\$ 7,115,364	\$ 6,506,066	\$ 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 payroll	16.22%	24.86%	14.48%	22.20%	13.95%	21.71%	12.42%	20.26%	12.75%	20.73%	13.74%	21.77%
INSURANCE FUND												
Contractually required contribution	\$ 374,311	\$ 681,680	\$ 329,818	\$ 609,123	\$ 334,812	\$ 619,902						
Contributions in relation to the contractually required contribution	<u>374,311</u>	<u>681,680</u>	<u>329,818</u>	<u>609,123</u>	<u>334,812</u>	<u>619,902</u>						
Contribution deficiency (excess)	-	-	-	-	-	-						
City's covered payroll	\$ 7,115,364	\$ 6,506,066	\$ 7,019,185	\$ 6,513,275	\$ 7,086,423	\$ 6,630,921						
City's contributions as a percentage of its covered payroll	5.26%	10.47%	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, 2019

(1) CHANGES OF ASSUMPTIONS

UTILITY EMPLOYEES PENSION FUND

In the 2019 valuation, a mortality assumption for disabled lives was no longer considered necessary since there are no retirees remaining who retired due to disability.

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 2016 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, 2019

(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 year ended 2016, 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:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	27 years, closed
Payroll Growth	4.00%
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	7.5%, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

CITY OF ASHLAND
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION – PENSION PLANS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2019

(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

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member’s final rate of pay to 75% of the member’s average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member’s final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

CITY OF ASHLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS

FOR THE YEAR ENDED JUNE 30, 2019

(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, 2018:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	27 Years, Closed
Payroll Growth Rate	4.00%
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

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

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, 2019

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	621,500	621,500
Total revenues	-	-	-	621,500	621,500
Expenditures					
General government	715	-	715	937	(222)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	1,524,427	840,882	2,365,309	1,711,533	653,776
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	1,525,142	840,882	2,366,024	1,712,470	653,554
Excess of Revenues Over (Under) Expenditures	(1,525,142)	(840,882)	(2,366,024)	(1,090,970)	1,275,054
Other Financing Sources (Uses)					
Transfers in	725,142	715,913	1,441,055	1,611,918	170,863
Total other financing sources (uses)	725,142	715,913	1,441,055	1,611,918	170,863
Net change in fund balance	(800,000)	(124,969)	(924,969)	520,948	1,445,917
Fund balance beginning of year	1,204,052	-	1,204,052	1,204,052	-
Fund balance end of year	\$ 404,052	\$ (124,969)	\$ 279,083	\$ 1,725,000	\$ 1,445,917

CITY OF ASHLAND

GENERAL FUND

BALANCE SHEET

JUNE 30, 2019

ASSETS

Cash	\$ 3,569,464
Taxes receivable	3,053,700
Allowance for uncollectible taxes	(489,186)
Grants receivable	4,219
Due from other funds	5,163,283
Other receivables	450,534
Allowance for uncollectible accounts	(36,137)
Prepaid items	631,099
Inventories - supplies	<u>182,839</u>
Total assets	<u><u>\$ 12,529,815</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 977,597
Due to other funds	4,631,436
Due to Board of Education	24,353
Accrued compensated absences	103,327
Accrued expenses	<u>780,718</u>
Total liabilities	<u>6,517,431</u>

Fund Balance:

Non-spendable	813,938
Restricted for grant programs	4,219
Committed	-
Unassigned	<u>5,194,227</u>
Total fund balance	<u>6,012,384</u>
Total liabilities and fund balance	<u><u>\$ 12,529,815</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Taxes -			
General property taxes	\$ 2,699,425	\$ 2,793,097	\$ 93,672
Penalties and interest	24,800	25,815	1,015
Delinquent taxes	159,250	110,849	(48,401)
Vehicle property taxes	436,350	411,932	(24,418)
Bank franchise taxes	98,500	111,190	12,690
Other franchise taxes	131,000	207,673	76,673
Insurance premiums taxes	4,150,725	4,084,582	(66,143)
Total taxes	<u>7,700,050</u>	<u>7,745,138</u>	<u>45,088</u>
Licenses and permits -			
Occupational license fees	9,544,055	9,786,427	242,372
Business privilege licenses	1,545,750	1,543,470	(2,280)
Alcoholic beverage licenses	550,000	577,371	27,371
Construction permit fees	35,000	52,217	17,217
Other licenses and permits	3,021	6,133	3,112
Total licenses and permits	<u>11,677,826</u>	<u>11,965,618</u>	<u>287,792</u>
Charge for services -			
Garbage collection fee	2,105,000	2,127,372	22,372
Central garage revenue	8,213	8,213	-
Greyhound ticket sales	10,000	6,299	(3,701)
Rental revenue	94,750	93,624	(1,126)
Total charges for services	<u>2,217,963</u>	<u>2,235,508</u>	<u>17,545</u>
Fees, fines and reimbursements -			
Parking meter fees and fines	7,750	4,055	(3,695)
Taxes collection fees	149,000	153,429	4,429
State rebate - District Court	22,850	23,710	860
Street lighting franchise	1,053,000	1,033,387	(19,613)
Telecommunication franchise	262,500	277,945	15,445
Other	400,420	427,505	27,085
Total fees, fines and reimbursements	<u>1,895,520</u>	<u>1,920,031</u>	<u>24,511</u>
Other revenues -			
Police grants and revenue	80,501	129,162	48,661
Miscellaneous grants	83,200	117,963	34,763
Coal severance - LGEA	7,750	24,477	16,727
Interest earned	2,250	10,338	8,088
Other	122,365	159,311	36,946
Total other revenues	<u>296,066</u>	<u>441,251</u>	<u>145,185</u>
Total revenues	<u>23,787,425</u>	<u>24,307,546</u>	<u>520,121</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, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
General Government -			
Mayor and Commissioners	98,126	94,268	3,858
City Manager	179,036	139,883	39,153
City Clerk/Legal	199,573	153,039	46,534
Human Resources	241,887	285,271	(43,384)
Unclassified	2,076,026	2,546,951	(470,925)
	<u>2,794,648</u>	<u>3,219,412</u>	<u>(424,764)</u>
Department of Finance -			
Director of Finance	610,836	604,410	6,426
Data Processing	37,282	37,225	57
	<u>648,118</u>	<u>641,635</u>	<u>6,483</u>
Department of Public Services -			
Director of Public Services	70,967	52,604	18,363
Street maintenance	3,006,594	2,692,254	314,340
Sanitation services	1,449,447	1,493,031	(43,584)
Central garage	340,597	415,362	(74,765)
Animal control	76,373	79,398	(3,025)
	<u>4,943,978</u>	<u>4,732,649</u>	<u>211,329</u>
Department of Planning and Economic Development -			
Planning and Code Enforcement	562,103	562,533	(430)
Economic Development	181,419	187,153	(5,734)
	<u>743,522</u>	<u>749,686</u>	<u>(6,164)</u>
Department of Police -			
Technical services	1,544,702	1,501,243	43,459
Field operations	3,637,091	3,760,420	(123,329)
	<u>5,181,793</u>	<u>5,261,663</u>	<u>(79,870)</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, 2019

	Budget	Actual	Variance
Department of Fire	6,141,215	6,219,113	(77,898)
Department of Engineering	214,990	195,441	19,549
Debt Service	658,015	627,726	30,289
Total expenditures	21,326,279	21,647,325	(321,046)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,461,146	2,660,221	199,075
OTHER FINANCING SOURCES (USES):			
Transfer to Capital Projects Fund	(1,448,055)	(1,611,918)	(163,863)
Transfer to Tax Increment Finance Fund	(297,225)	-	297,225
Transfer to Recreation Fund	(1,127,973)	(1,187,498)	(59,525)
Transfer to Ashland Bus Fund	(436,442)	(501,388)	(64,946)
Transfer to Ashland Cemetery Fund	(27,068)	(55,253)	(28,185)
Total other financing sources (uses)	(3,336,763)	(3,356,057)	(19,294)
NET CHANGE IN FUND BALANCE	(875,617)	(695,836)	179,781
FUND BALANCE, June 30, 2018	6,708,220	6,708,220	-
FUND BALANCE, June 30, 2019	\$ 5,832,603	\$ 6,012,384	\$ 179,781

CITY OF ASHLAND

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

JUNE 30, 2019

	Land & Buildings	Building Improvements	Automotive Equipment	Operating Equipment	Office Furniture & Equipment	Capital Improvements	Infrastructure	CIP	Total
Dept of General Gov't	\$ 3,443,524	\$ 1,890,775	\$ 61,331	\$ 86,742	\$ 172,014	\$ 164,928	\$ 11,834,515	\$ -	\$ 17,653,829
Dept of Finance	-	-	28,384	56,243	39,712	-	-	-	124,339
Dept of Public Services	15,940,184	763,433	354,677	3,259,290	70,580	840,128	69,295,338	561,713	91,085,343
Dept of Planning & Community Development	-	-	93,220	6,799	15,740	-	-	-	115,759
Department of Police	4,949,556	246,711	1,352,741	620,182	129,051	19,350	-	-	7,317,591
Department of Fire	3,869,126	208,777	2,538,154	511,750	53,245	-	-	-	7,181,052
Department of Engineering	-	-	89,856	11,595	63,430	74,458	-	-	239,339
Floodwall Operations	15,121	5,150	86,511	147,218	-	-	-	-	254,000
Community Development	237,868	103,058	-	-	18,623	-	380,085	91,598	831,232
Housing Assistance Programs	150,033	12,950	-	-	19,646	-	-	-	182,629
	<u>\$ 28,605,412</u>	<u>\$ 3,230,854</u>	<u>\$ 4,604,874</u>	<u>\$ 4,699,819</u>	<u>\$ 582,041</u>	<u>\$ 1,098,864</u>	<u>\$ 81,509,938</u>	<u>\$ 653,311</u>	<u>\$ 124,985,113</u>

CITY OF ASHLAND

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

JUNE 30, 2019

Land and buildings	\$ 28,605,412
Building improvements	3,230,854
Automotive equipment	4,604,874
Operating equipment	4,699,819
Office furniture and equipment	582,041
Capital improvements	1,098,864
Infrastructure	81,509,938
Construction in progress	<u>653,311</u>
Total	<u>\$ 124,985,113</u>
Investment in capital assets by source	
General Fund	\$ 93,590,351
Special Revenue Funds	8,178,181
Capital Projects Fund	<u>23,216,581</u>
Total	<u>\$ 124,985,113</u>

CITY OF ASHLAND HOUSING AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Rental Vouchers</u>
ASSETS	
Cash – unrestricted	\$ 52,582
Cash – restricted	51,045
Accounts receivable	3,745
Building and equipment, net	<u>80,058</u>
Total assets	<u>\$ 187,430</u>
LIABILITIES AND NET POSITION	
LIABILITIES:	
Accounts payable	\$ 7,933
Accounts payable - other governmental	25,802
Accrued expenses	6,453
Accrued compensated absences - current	2,092
Accrued compensated absences - noncurrent	<u>10,636</u>
Total liabilities	<u>52,916</u>
NET POSITION:	
Invested in capital assets	80,058
Unrestricted	3,411
Restricted	<u>51,045</u>
	<u>134,514</u>
Total liabilities and net position	<u>\$ 187,430</u>

CITY OF ASHLAND HOUSING AUTHORITY
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Rental Vouchers</u>
REVENUES	
Housing assistance payments	\$ 2,683,779
Administrative fee revenue	261,727
Interest income	559
Other income	<u>5</u>
Total revenues	<u>2,946,070</u>
EXPENSES	
Administrative salaries	154,902
Audit	4,237
Employee benefit contributions	28,861
Travel	1,938
Other administrative	13,013
Utilities	2,488
Maintenance	16,197
Property insurance	137
General liability insurance	3,207
Workers compensation	296
Other insurance	38,715
Other general	24,736
Compensated absences	4,058
Housing assistance payments	2,586,589
Housing assistance payments – VASH	71,327
Depreciation	<u>4,431</u>
Total expenses	<u>2,955,132</u>
EXCESS OF EXPENSES OVER REVENUES	<u>\$ (9,062)</u>

CITY OF ASHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>U.S. Department of HUD</u>				
Direct Programs:				
CDBG Entitlement	14.218	-	\$ 89,173	\$ 333,749
Housing Choice Voucher Program	14.871	-	-	2,946,641 *
Total U.S. Department of HUD				<u>3,280,390</u>
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Federal Transit Cluster				
FTA - Operating Assistance Grant	20.507	-	-	319,526
FTA - Capital Assistance Grant	20.507	-	-	280,526
				<u>600,052</u>
Passed through Kentucky Transportation Cabinet:				
Highway Planning and Construction	20.205	PO2-628-1500002940	-	4,908
Dept of State Police Highway Safety Program	20.600	PT-2019-08	-	4,979
Dept of State Police Highway Safety Program	20.600	PT-2018-06	-	2,540
				<u>12,427</u>
Total U.S. Department of Transportation				<u>612,479</u>
<u>U.S. Department of Homeland Security</u>				
Passed through Kentucky Department of Homeland Security:				
Public Assistance Program	97.036	DR-4361	-	63,069
Homeland Security Grant Program	97.067	17-016	-	6,412
Total U.S. Department of Homeland Security				<u>69,481</u>
Total expenditures of Federal awards				<u>\$ 3,962,350</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, 2019. 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.



Kelley **G**alloway
Smith **G**oolsby, PSC

Certified Public Accountants and Advisors

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 6, 2020.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002 and 2019-003.

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.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
January 6, 2020



Kelley **G**alloway
Smith **G**oolsby, PSC

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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, 2019. 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, 2019.

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 Galloway Smith Goolsby, PSC

Ashland, Kentucky
January 6, 2020

CITY OF ASHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

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?

X Yes ____ No

CITY OF ASHLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2019

B. FINANCIAL STATEMENT FINDINGS

2019-001 COMPETITIVE BIDDING

Condition: We noted that proper procurement procedures were not followed for the purchase of diving services to remove debris from the water intake at the treatment plant. Diving services are not considered to be a professional service in Kentucky due to a certification not being required to perform them. According to management, quotes were obtained, but the services were not procured through competitive bidding.

Criteria: KRS 424.260 and City policy requires that procurement of all non-professional services during the fiscal year exceeding \$20,000 be awarded 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 are in compliance with City policy and KRS 424.260.

Management's Response: City has policies and procedures in place for compliance with City policy and KRS 424.260, city staff needs to follow established procurement code policies.

2019-002 INVENTORY ISSUES

Condition: While performing our observation of the Utility Fund parts inventory as of June 30, 2019, we noted that 9 of the 110 items we observed were counted incorrectly.

Additionally, we noted that the parts inventory for the General Fund and the Ashland Bus System at the City garage had to be adjusted approximately \$70,000 to increase the value of inventory at year-end.

Criteria: The parts inventory should be properly maintained throughout the year to ensure inventory is properly valued in the City financial statements and to prevent the misappropriation of assets.

Cause: For the Utility Fund inventory issues noted, the primary cause appears to be the lack of attention on the part of the employees completing the annual physical inventory count. The issues related to the General Fund and Ashland Bus System inventory were due to purchases not being added to the inventory system throughout the year.

Effect: Increased risk of inventory not being properly valued and misappropriation of assets.

Recommendation: We recommend that all purchases and usage of inventory be tracked through the inventory system and that employees responsible for the inventory counts be reminded of the importance of being sure an accurate count is performed at year end.

Management's Response: 100% Inventory counts are being completed quarterly by Central Garage and reconciled by Finance. Utility Director is looking at inventory software systems to adequately track inventory. Management will reinforce with employees the importance of inventory count accuracy and safeguarding city's assets by following procurement policies and conducting accurate counts.

CITY OF ASHLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2019

2019-003 PAY RATES

Condition: We noted that several employees who were not compensated in accordance with the policy adopted by the City Commissioners. Specifically, we noted five employees whose pay rate was in excess of the adopted pay scale, one employee whose pay rate was less than the adopted pay scale, and one new employee who received a pay increase prior to completing the new hire probationary period.

Criteria: Employees should be compensated in accordance with the policy adopted by the City Commissioners.

Cause: Oversight

Effect: Employees not being compensated in accordance with City policy.

Recommendation: We recommend that the compensation and pay grade for these employees be reviewed and appropriate adjustments be made to ensure they are compensated based the policy adopted by the City Commissioners.

Management's Response: These employees have been reviewed and appropriate action will be taken to rectify. An ordinance was already approved by the City Commission to approve the 5 employees that exceeded the pay scale. Employees given raise in probationary period won't occur in future without having the Board of Commissioners formal approval. Any employee whose regular rate of pay is below the minimum rate of pay established by the pay and compensation plan for the applicable class will be adjusted accordingly.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted in current year.

January 6, 2020

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 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

CITY OF ASHLAND

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2019

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	City has policies and procedures in place for compliance with City policy and KRS 424.260, city staff needs to follow established procurement code policies.	June 30, 2020	Michael Graese, City Manager
2019-002	100% Inventory counts are being completed quarterly by Central Garage and reconciled by Finance. Utility Director is looking at inventory software systems to adequately track inventory. Management will reinforce with employees the importance of inventory count accuracy and safeguarding city's assets by following procurement policies and conducting accurate counts.	June 30, 2020	Michael Graese, City Manager
2019-003	These employees have been reviewed and appropriate action will be taken to rectify. An ordinance was already approved by the City Commission to approve the 5 employees that exceeded the pay scale. Employees given raise in probationary period won't occur in future without having the Board of Commissioners formal approval. Any employee whose regular rate of pay is below the minimum rate of pay established by the pay and compensation plan for the applicable class will be adjusted accordingly.	June 30, 2020	Michael Graese, City Manager



Website: www.ashlandky.gov

Department of Finance

January 6, 2020

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,

A handwritten signature in blue ink, appearing to read "Michael Graese", is written over a horizontal line.

Michael Graese
City Manager

The City of Ashland, Kentucky

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For Hearing Impaired TDD: (606) 327-2097

CITY OF ASHLAND

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

Finding Number	Finding/Noncompliance	Status	Responsible Contact Person
2018-001	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 2019-001)	Michael Graese, City Manager