

CITY OF ASHLAND

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2021

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-16
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements -	
Statement of Net Position.....	17-18
Statement of Activities	19
Fund Financial Statements -	
Balance Sheet - Governmental Funds.....	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Net Position - Proprietary Funds	24-25
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Statement of Net Position - Fiduciary Funds.....	28
Statement of Changes in Net Position - Fiduciary Funds	29
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	30
Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Funds.....	31-36
Notes to Financial Statements	37-70
REQUIRED SUPPLEMENTARY INFORMATION:	
Defined Benefit Pension Trusts:	
Schedule of Employer Contributions and Investment Returns	71
Schedule of Funding Progress.....	72
Schedule of Changes in Net Pension Liabilities.....	73-74
County Employees Retirement System:	
Schedule of City's Proportionate Share of the Net Pension and OPEB Liability	75-76
Schedule of Pension and OPEB Contributions.....	77-78
Notes to Required Supplementary Information - Pension Plans.....	79-82
Notes to Required Supplementary Information - OPEB Plans	83-84
SUPPLEMENTAL INFORMATION - COMBINING, INDIVIDUAL AND OTHER STATEMENTS AND SCHEDULES:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Capital Projects Fund.....	85
General Fund:	
Balance Sheet	86
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	87-89

Capital Assets Used in the Operations of Governmental Funds:	
Schedule of Capital Assets Used in the Operation of Governmental Funds by Function and Activity	90
Schedule of Capital Assets Used in the Operation of Governmental Funds by Source	91
City of Ashland Housing Authority	
Entity Wide Balance Sheet Summary.....	92
Entity Wide Revenue and Expense Summary.....	93
Schedule of Expenditures of Federal Awards	94-95

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 <i>GOVERNMENT AUDITING STANDARDS</i>	96-97
--	--------------

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	98-99
---	--------------

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	100-102
--	----------------

CORRECTIVE ACTION PLAN	103-104
-------------------------------------	----------------

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	105-106
---	----------------

INDEPENDENT AUDITOR'S REPORT

Matt Perkins, 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, 2021, 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, 2021, 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 3 through 16 and on pages 71 through 84, 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 85 through 91 and the Financial Data Schedule on pages 92 and 93 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 85 through 91, the Financial Data Schedule contained on pages 92 and 93 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 11, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Ashland, Kentucky
January 11, 2022

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, 2021. This information should be read in conjunction with the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Government exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by \$49.1 million (net position). This amount includes \$10.1 million restricted to specific projects by laws, regulations or contractual agreements. A deficit total of (\$58.2) million was unrestricted due to GASB No. 68, Accounting and Financial Reporting for Pensions, which was implemented in the fiscal year ended 06/30/2015 and GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB), which was implemented in the fiscal year ended 06/30/2018.
- The Government’s total net position increased by \$3.0 million, primarily due to changes in the net pension and OPEB liabilities and the related deferred outflows and inflows. Net position of governmental activities increased by \$3.2 million and net position of business-type activities decreased by (\$119) thousand.
- At fiscal year end, the governmental funds reported a combined ending fund balance of \$21.0 million. Approximately 3% of this total amount, \$716,000, is restricted or committed for grant programs. Assigned fund balance comprises 48% of total fund balance; the majority of which is set aside for capital improvements.
- At June 30, 2021, unassigned General Fund fund balance of \$10 million is available and may be used to meet the government’s ongoing obligations to citizens and creditors.

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, 2021, the Government as a whole had a net position greater than its liabilities by \$49,170,257. Net position of governmental activities was \$13,469,346 and increased by \$3,204,019 over the prior year. Total collected for taxes were 108.7% of budget, which included two years of taxes due to the Governor Beshear declaring a State of Emergency on March 6, 2020. This changed many things for the City including the postponement by the PVA of our tax valuations. Occupational license fee receipts excelled again this fiscal year for \$3.0 million in additional revenue. The majority of this growth is attributable to the closing of Bellefonte Hospital and Kings Daughters hiring a vast majority of their employees. The City issued a bond issue to pay off the lease on the Police Station, paving, concrete, demolition of GB Johnson building, City Park improvements, Streetscape improvements and various other capital improvements in the amount of \$12 million. The City continued to receive Cares Relief funds to offset the police and fire payroll costs for \$605 thousand. Community Center and Playground construction was originally a CDBG project but had eligibility issues, so these costs had to be funded by General Fund. This was not a budgeted or anticipated cost of the General Fund. This and additional construction costs with Broadway Square came in overbudget at \$858 thousand. Of ending Governmental Activities Net Position, \$51,251,608 is invested in capital assets net of related debt; \$716,497 is restricted for grant programs; and unrestricted net position is (\$38,498,759). 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.

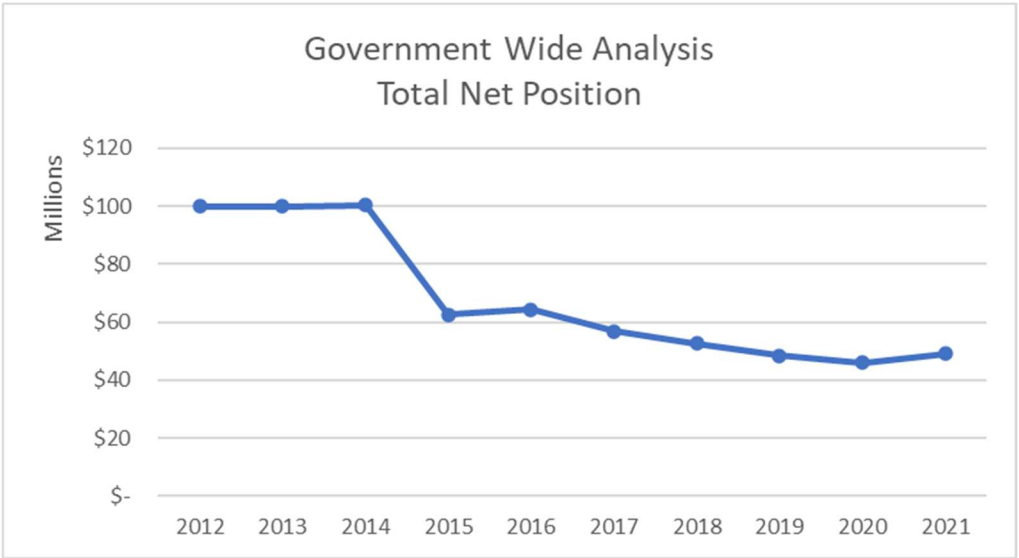
The net position of the Government's business-type activities is \$35,700,911 and decreased by (\$119,093) over the prior year. Residential and commercial meter sales exceeded projections by \$361,604 due to the continuation of commercial meter replacements that exceeded useful life and were registering reads at lower accuracy. An increase in the volume of hauled waste and its treatment brought in \$407,410 of excess funds. Late payment charges budgeted revenue did not meet projections due to \$281,389 due to Governor Executive Order on not allowing late fee charges. Also, turn fee revenues were down due to the prohibition of service disconnection due to Governor Executive order. A net reduction of \$644,223 in construction-in-progress was a result of the completion of the Water Distribution building, beginning the Water Plant Underdrain project and the CSO engineering for Wastewater Plant. Of the business-type net position, \$46,040,038 is net investment in capital assets and (\$19,790,647) 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, \$9,451,520, represents resources that are subject to limitations on their use through legislation adopted by the City or through external restrictions. The largest restricted portion, \$7,374,506, is for sewer improvements.

ANALYSIS OF THE CITY'S NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 31,322,841	\$ 8,312,630	\$ 23,635,520	\$ 13,067,478	\$ 54,958,361	\$ 21,380,108
Capital assets	61,745,365	62,259,475	59,415,333	55,644,516	121,160,698	117,903,991
Total assets	93,068,206	70,572,105	83,050,853	68,711,994	176,119,059	139,284,099
Deferred outflows of resources	12,159,392	12,186,249	3,994,002	3,436,263	16,153,394	15,622,512
Liabilities	11,052,118	5,094,763	6,762,211	3,337,620	17,814,329	8,432,383
Long-term liabilities	78,817,607	63,261,423	43,686,946	31,467,780	122,504,553	94,729,203
Total Liabilities	89,869,725	68,356,186	50,449,157	34,805,400	140,318,882	103,161,586
Deferred inflows of resources	1,888,527	4,136,841	894,787	1,522,853	2,783,314	5,659,694
Net position						
Net investment in capital assets	51,251,608	51,659,502	46,040,038	43,974,450	97,291,646	95,633,952
Restricted	716,497	1,725,320	9,451,520	8,874,293	10,168,017	10,599,613
Unrestricted	(38,498,759)	(43,119,495)	(19,790,647)	(17,028,739)	(58,289,406)	(60,148,234)
Total Net Position	\$ 13,469,346	\$ 10,265,327	\$ 35,700,911	\$ 35,820,004	\$ 49,170,257	\$ 46,085,331

The exhibit below charts the City’s total net position for the past ten years (prior years have not been restated for implementation of GASB 68 and 75).



The City’s net position decreased significantly in FY 2015 due to the implementation of GASB 68. The City’s participation in County Employee Retirement System (CERS) led to the inclusion of an initial noncurrent liability. Net position took another hit in FY 2018 due to the implementation of GASB 75. The City’s participation in the Kentucky Retirement Systems Insurance Fund generated a noncurrent liability for other post-employment benefits. Annual adjustments to these liabilities continued to drive net position down in FY 2020. FY 2021 net position is marginally up due to the bond issues.

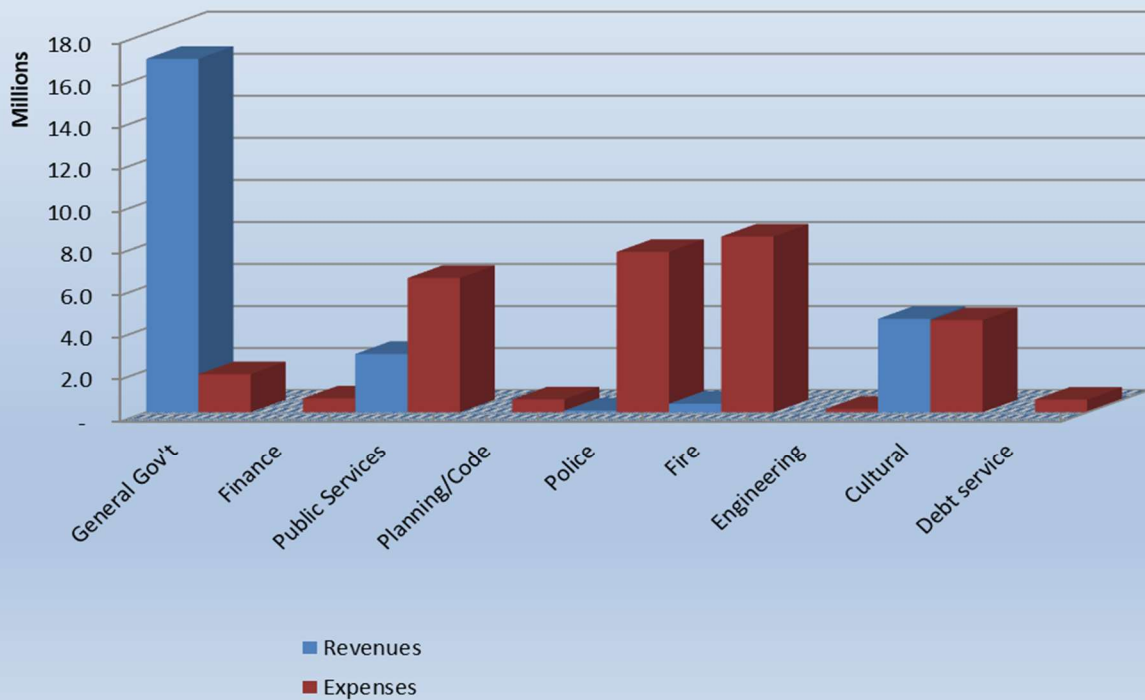
ANALYSIS OF THE CITY'S OPERATIONS

	Governmental Activities		Business-type Activities		Total Primary Government	
Revenues	2021	2020	2021	2020	2021	2020
Taxes	\$ 10,678,005	\$ 5,267,843	\$ -	\$ -	\$ 10,678,005	\$ 5,267,843
Charges for Services	18,635,386	17,064,839	17,672,704	17,488,662	36,308,090	34,553,501
Operating Grants / Contr.	5,888,412	6,216,866	1,038,491	323,851	6,926,903	6,540,717
Capital Grants / Contr.	-	20,000	150,135	2,488,069	150,135	2,508,069
Other Income	262,019	214,248	398,519	653,719	660,538	867,967
Total Revenue	<u>35,463,822</u>	<u>28,783,796</u>	<u>19,259,849</u>	<u>20,954,301</u>	<u>54,723,671</u>	<u>49,738,097</u>

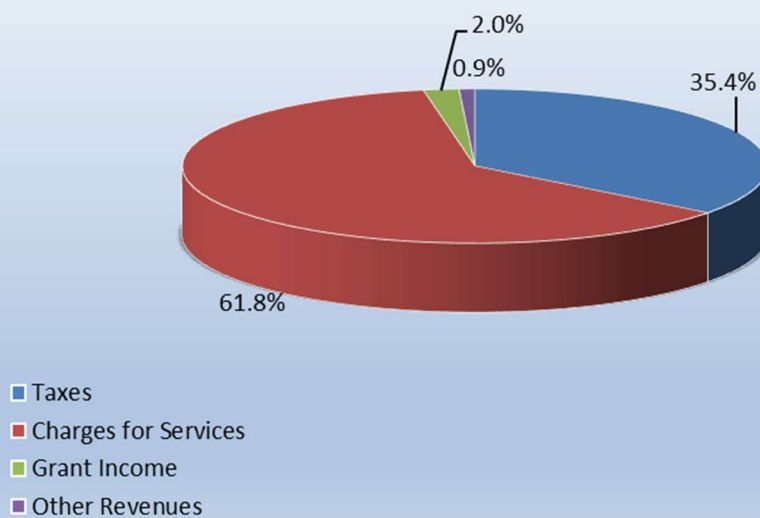
	Governmental Activities		Business-type Activities		Total Primary Government	
Expenses	2021	2020	2021	2020	2021	2020
General Government	1,809,404	2,791,896	-	-	1,809,404	2,791,896
Finance	660,112	803,819	-	-	660,112	803,819
Public Services	6,388,485	6,541,436	-	-	6,388,485	6,541,436
Planning / Code	613,747	905,463	-	-	613,747	905,463
Police	7,629,854	7,946,663	-	-	7,629,854	7,946,663
Fire	8,360,031	9,447,894	-	-	8,360,031	9,447,894
Engineering	158,704	256,770	-	-	158,704	256,770
Community / Cultural	4,378,766	4,098,731	-	-	4,378,766	4,098,731
Debt Service	600,061	355,228	-	-	600,061	355,228
Utility Fund	-	-	18,318,747	16,151,545	18,318,747	16,151,545
Ashland Bus System	-	-	1,557,996	1,435,441	1,557,996	1,435,441
Recreation Operating Fund	-	-	925,347	1,076,103	925,347	1,076,103
Cemetery	-	-	237,491	279,629	237,491	279,629
Total Expense	<u>30,599,164</u>	<u>33,147,900</u>	<u>21,039,581</u>	<u>18,942,718</u>	<u>51,638,745</u>	<u>52,090,618</u>
Changes before transfers	4,864,658	(4,364,104)	(1,779,732)	2,011,583	3,084,926	(2,352,521)
Transfers	(1,660,639)	(1,648,260)	1,660,639	1,648,260	-	-
Change in Net Position	3,204,019	(6,012,364)	(119,093)	3,659,843	3,084,926	(2,352,521)
Net Position Beg of Year	<u>10,265,327</u>	<u>16,277,691</u>	<u>35,820,004</u>	<u>32,160,161</u>	<u>46,085,331</u>	<u>48,437,852</u>
Net Position End of Year	<u>\$ 13,469,346</u>	<u>\$ 10,265,327</u>	<u>\$ 35,700,911</u>	<u>\$ 35,820,004</u>	<u>\$ 49,170,257</u>	<u>\$ 46,085,331</u>

GOVERNMENTAL ACTIVITIES

EXPENSES AND PROGRAM REVENUES- GOVERNMENTAL ACTIVITIES

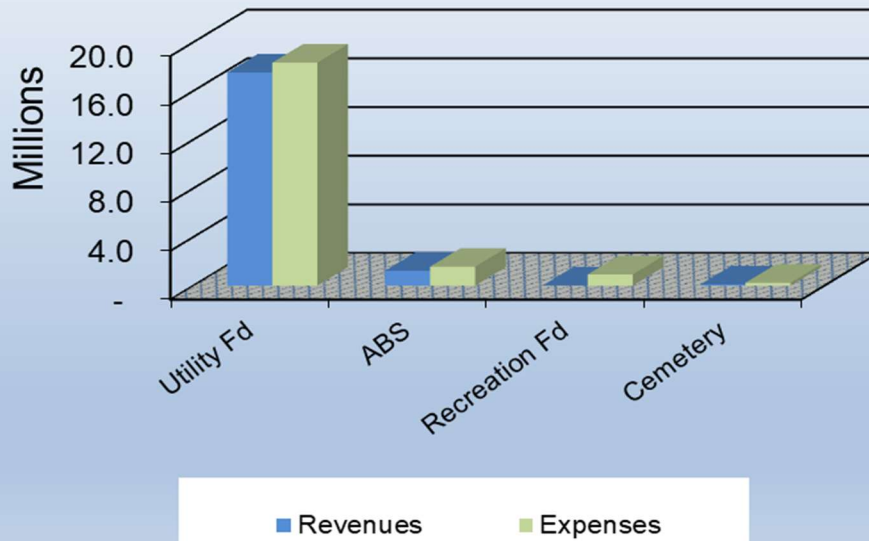


REVENUE BY SOURCE - GOVERNMENT ACTIVITIES

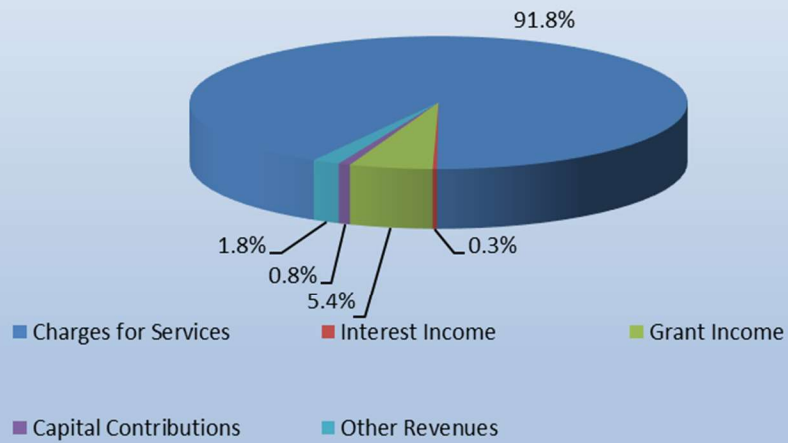


BUSINESS-TYPE ACTIVITIES

EXPENSES AND REVENUES - BUSINESS-TYPE ACTIVITIES

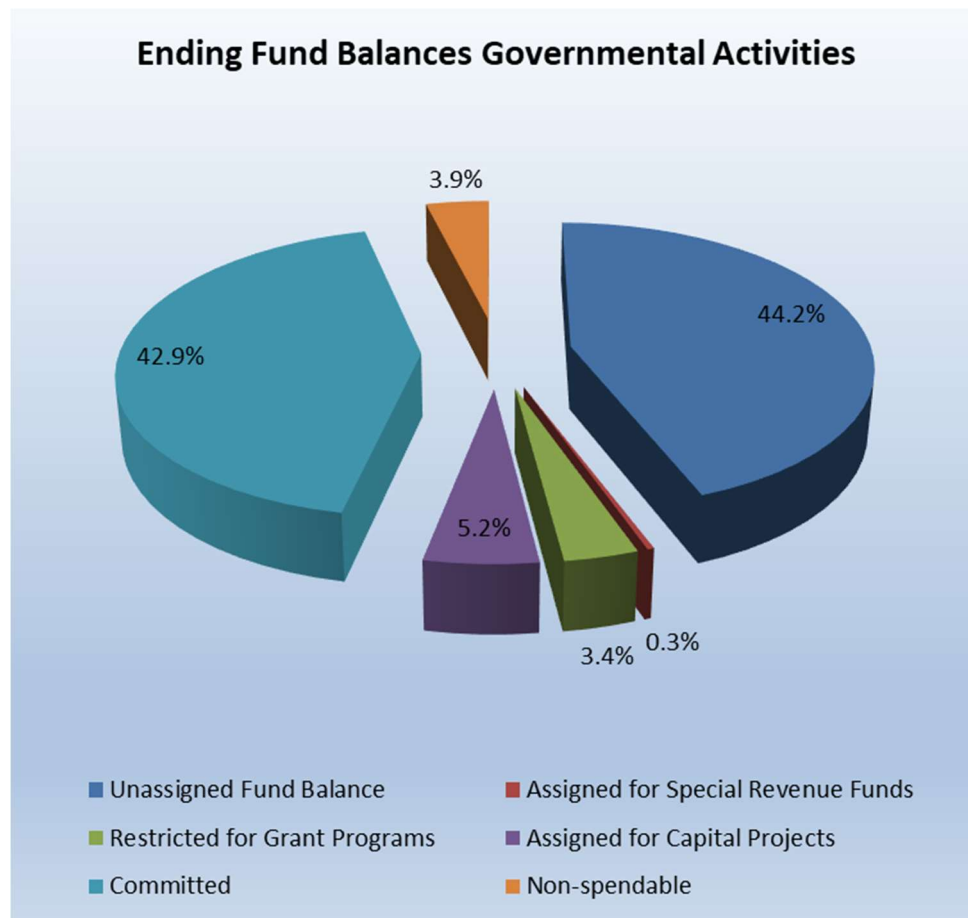


REVENUE BY SOURCE - BUSINESS -TYPE ACTIVITIES



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 \$21,038,863. Of this total, \$9,304,523, or 44%, 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 2021 reports assigned for special revenue funds at \$65,928, restricted for grant programs at \$716,497, non-spendable at \$817,551, assigned for capital projects at \$1,099,693 and committed \$9,034,671. The governmental funds assigned for capital projects is for the continuation of our Streetscape Improvements and various downtown and park improvements. Unassigned fund balance increased this year due to Occupational Tax revenue increases due to major health care employer hiring several employees due to nearby hospital closing and Bond issue for Capital improvements throughout the City. 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.



MAJOR GOVERNMENTAL FUNDS

For the year ending June 30, 2021, the major governmental funds reported as follows:

The General Fund had revenues of \$30,082,111, expenditures of \$23,290,857 and net other financing uses of \$10,161,059. The total fund balance is \$20,462,394. Fund balance increased this fiscal year as a result of a double billing for property taxes due to COVID and a bond issue. These items are extraordinary in nature and are anticipated to be non-recurring.

The Tax Increment Finance Fund had revenues of \$99,155 and expenditures of \$298,773. The total fund balance is \$(895,031). The TIF fund expenditures are 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 \$428,152 and expenditures of \$428,132. The total fund balance is \$20. 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 \$409,787 and expenditures of \$196,584. The total fund balance is \$177,674. Fund balance increased this fiscal year as a result of delayed billing for property taxes due to COVID from FY 2020.

The Community Development Fund had revenues of \$1,042,465 and expenditures of \$1,042,465. The total fund balance is \$65,437.

The Housing Assistance Fund had revenues of \$3,401,681 and expenditures of \$3,285,209. The total fund balance is \$128,205. The net change in fund balance is due to the unspent COVID admin fees being classified as unearned revenue.

The Other Special Revenue Fund had revenues of \$471 and \$0 expenditures. The total fund balance is \$471. This fund will feature the ARPA funds for FY 2022.

The Capital Purchase Improvement Fund had revenues of \$0, other financing sources of \$1,163,789 and expenditures of \$914,096. The total fund balance is \$1,099,693. Fund balance is restricted for Streetscape Improvements.

PROPRIETARY FUNDS

The City's proprietary funds, or business-type activities, had a total net position of \$35,700,911 for the four funds. Total decrease in net position was (\$119,093). 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 negative net position change. Operating expenses increased over prior year by 2.4% despite employee staff reduction and operating revenues included a 2.0% decrease related to various business closures and reductions due to Covid. Sales to Big Sandy have been reduced as they are purchasing water from another Utility. Turn fees and late payment charges were down due to COVID and the Governor's order to not complete turn offs or charge late fees. Utility rate modifications were effective beginning January 1, 2020.

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.

Recreation Operating Fund is the City's park system, swimming pool, concession activities and other recreational activities. The pickleball court has a new lighting system so citizens can enjoy utilizing it until the Park closes. "Tot lot" equipment and a sensory garden were included to our playground upgrades. Riverfront statues rounded out the additions to the Recreation assets this fiscal year.

BUDGETARY HIGHLIGHTS

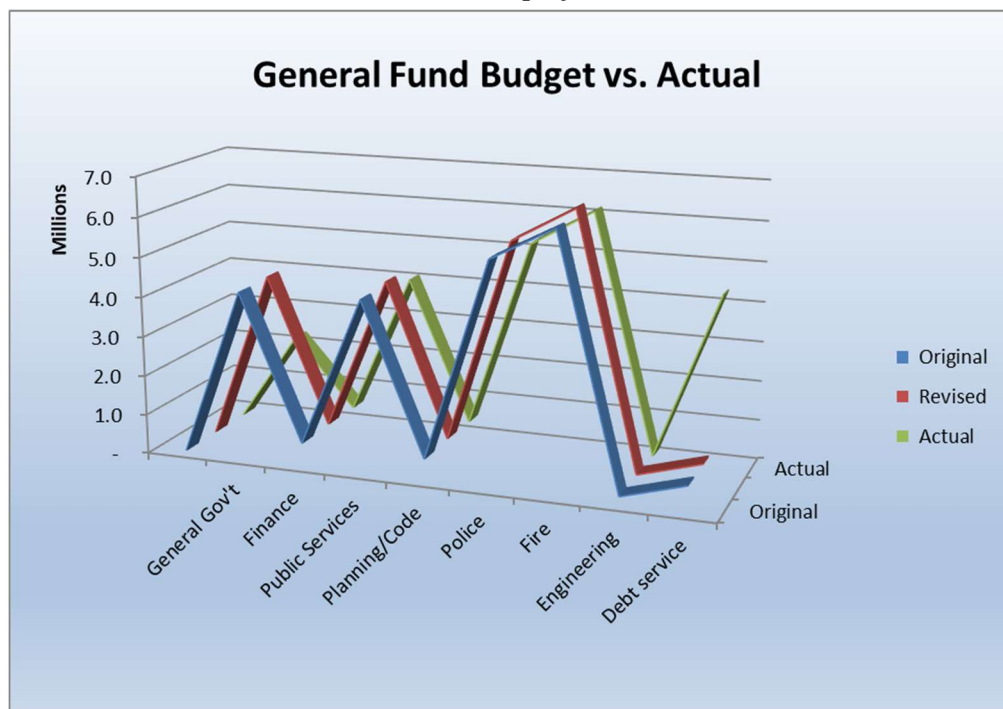
The General Fund budget was amended during the year to reflect the following:

- ⇒ \$334,622 increase in pay and benefits for 2.9% COLA.
- ⇒ \$26,727 increase in Mayor and Commissioners and City Manager computers and iPads; (\$7,500), personnel adjustment (\$19,227).
- ⇒ \$7,000 increase in Community and Economic Development for iPad data (\$2,000) and Community Center supplies (\$5,000).
- ⇒ \$26,500 increase in Public Services, (\$10,500) consulting services for disaster management and (\$16,000) salt purchases.
- ⇒ \$21,000 increase in Fire expenditures for plumbing (\$10,000) and overages in supplies (\$11,000).
- ⇒ \$500,820 increase in the transfer to the Recreation Fund for AK Steel Improvements (\$35,000), John Deere mowers (\$19,767) and Central Park Improvements (\$446,053).

- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$35,500 for General Government (\$7,100) HVAC, (\$18,900) Community Center Improvements and (\$9,500) dumpster enclosure.
- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$7,408 for Finance asset software.
- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$256,519 for Public Services (\$11,789) engine replacement, (\$229,000) Streetscape Improvements and Hickory Ridge, (\$10,080) catch basins and (\$5,650) copier.
- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$37,070 for Police video surveillance equipment.
- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$44,276 for Fire (\$32,000) HVAC and flooring and (\$12,276) pumper truck change orders.
- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$11,020 in Engineering for a plotter.

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 \$43,067,598 versus budgeted revenues of \$24,497,021. There was a 2021 bond issue that accounts for \$12,985,487. Taxes were \$9,394,006 budgeted and actual revenues were \$10,212,883 for a variance of \$818,877. The delayed billing from FY 2020 was a significant factor in the positive variance. Licenses & Permits were \$9,516,782 budgeted and actual revenues were \$13,915,926 for a variance of \$4,399,144. Finance staff's focus on collection efforts and new business in the City is to be credited for this positive variance
- ⇒ The General Fund had a negative variance concerning expenditures this fiscal year. The variance can be attributed to the 2021 bond issue. The bond issue paid off the remaining debt for the Police Station and will be used towards construction projects in the future.



CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for governmental and business-type activities as of June 30, 2021 is \$121,160,698 (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, 2021 include:

Project	Approved Contract	Paid / Accrued to Date	Outstanding Commitment
Summit Tank engineering	\$ 67,523	\$ 33,757	\$ 33,766
Water & Sewer rate study	72,000	55,440	16,560
CIPP Lining Rehabilitation	64,500	37,815	26,685
Debord Terrace design services	80,000	67,700	12,300
Pollard Mills Storm Water	421,800	256,976	164,824
1401 Winchester Demo	47,000	-	47,000
Water pipe	43,300	-	43,300
Waterline replacement engineering	218,290	195,600	22,690
Water pump station generators	53,100	16,395	36,705
SCADA	3,278,212	2,202,089	1,076,123
WWTP expansion	582,790	451,314	131,476
Consent / CSO annual reports	30,000	9,696	20,304
26th Street pump station	153,300	22,390	130,910
Police Sub-Station	183,400	165,061	18,339
	<u>\$ 5,295,215</u>	<u>\$ 3,514,233</u>	<u>\$ 1,780,982</u>

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

Asset	Governmental Activities	Business-type Activities	Total
Land	\$ 3,897,389	\$ 449,401	\$ 4,346,790
Buildings and improvements	13,230,632	6,560,665	19,791,297
Automotive equipment	6,942,312	2,673,838	9,616,150
Operating equipment	5,108,974	4,907,694	10,016,668
Office equipment	669,694	592,853	1,262,547
Capital improvements	2,967,980	3,262,098	6,230,078
Right-of-way	15,038,909	-	15,038,909
Infrastructure	66,800,239	-	66,800,239
Utility plant	-	105,835,687	105,835,687
Construction (CIP)	70,853	3,793,652	3,864,505
	<u>114,726,982</u>	<u>128,075,888</u>	<u>242,802,870</u>
Less depreciation	<u>(52,981,617)</u>	<u>(68,660,555)</u>	<u>(121,642,172)</u>
Total	<u>\$ 61,745,365</u>	<u>\$ 59,415,333</u>	<u>\$ 121,160,698</u>

DEBT

At the end of fiscal year 2021, the City had governmental activities debt of \$20,914,696 compared to \$11,544,861 at June 30, 2020, which represents an increase of \$9,369,835. Business-type activities had debt of \$21,502,755 compared to \$11,700,880 at June 30, 2020, which represents an increase of \$9,801,875. See Note (9) for additional discussion of the City's long term debt. The following chart summarizes governmental and business-type activities debt.

<u>Governmental Activities Debt</u>	<u>Amount</u>
General obligation bond series 2015	\$ 1,715,000
General obligation bond series 2017	3,980,000
General obligation bond series 2021	11,170,000
Capital lease - Melody Mtn Phase II	1,203,749
Premium on bonds	1,931,463
Compensated absences obligation	914,484
Total	\$ 20,914,696
<u>Business-Type Activities Debt</u>	<u>Amount</u>
Revenue & Improvement Bonds 2013	\$ 1,480,000
Water & Sewer Revenue Bonds 2015	2,460,000
Water & Sewer Revenue Bonds 2020	11,160,000
Capital lease - Radio Meters	907,083
Kentucky Infrastructure Authority loans	5,445,673
Discount on bonds	(27,587)
Premium on bonds	77,586
Total	\$ 21,502,755

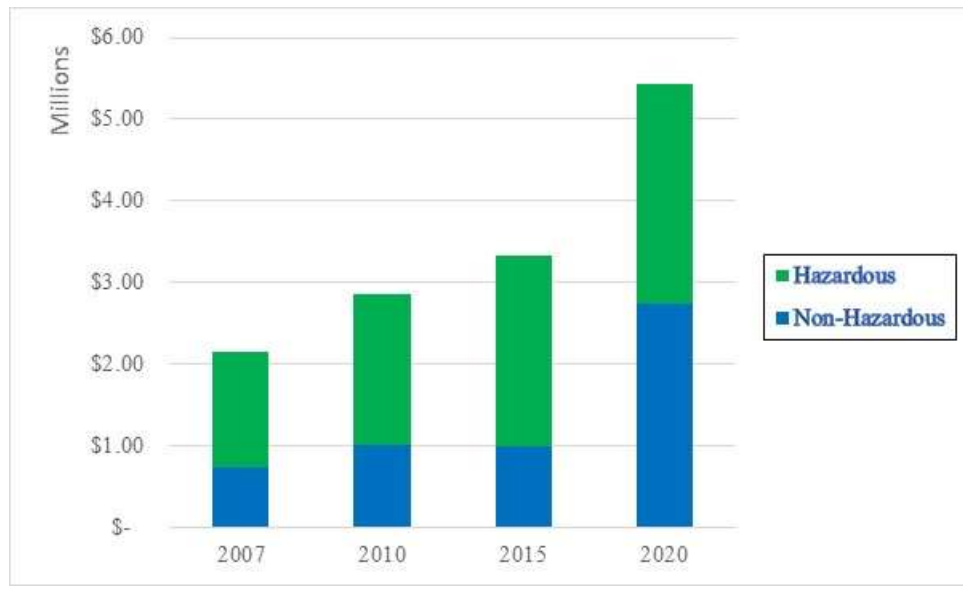
DESCRIPTION OF MUNICIPAL DEBT

- ⇒ General Obligation Refunding Bonds 2015 - \$1,715,000.
- ⇒ General Obligation Bonds 2017 Ashland Plaza Redevelopment Project - \$3,980,000.
- ⇒ General Obligation Bonds 2013 Melody Mountain Phase II - \$1,203,749.
- ⇒ Premium on bonds - \$1,931,463.
- ⇒ General Obligation Bonds 2021 for various capital projects - \$11,170,000.
- ⇒ Employee compensated absences payable after 60 days at \$914,484.
- ⇒ Utility Revenue bond issue 2013 for phase II upgrade of the water plant - \$1,480,000.
- ⇒ K.I.A. Loans used to upgrade the utility system and correct CSO - \$5,445,673.
- ⇒ KLC lease payable for the purchase of radio read meters - \$907,083.
- ⇒ Water & Sewer Revenue Bonds 2015 – water system improvements - \$2,460,000.
- ⇒ Water & Sewer Revenue Bonds 2020 – water & wastewater improvements - \$11,160,000.
- ⇒ Discount and premium on bonds - (\$27,587) and \$77,586, respectively.

OTHER POTENTIALLY SIGNIFICANT MATTERS

Over the years, the City's contribution to the Kentucky Retirement System (CERS) has seen a substantial rise in costs that has significantly impacted the City's operating budget. The table and graph below show the actual cost of the City's contributions to CERS for both Non-Hazardous and Hazardous employees for selected fiscal years, 2007, 2010, 2015, 2020 and 2021.

CERS Employer Contributions						
	Non-Hazardous			Hazardous		
FY	Rate	Amount	% Change	Rate	Amount	% Change
2007	13.19%	\$ 726,183		28.21%	\$1,416,348	
2010	16.16%	1,007,386	38.72%	32.97%	1,842,136	30.06%
2015	17.67%	997,574	-0.97%	34.31%	2,331,987	26.59%
2020	24.06%	1,740,547	174.72%	39.58%	2,685,813	15.17%
2021	24.06%	1,799,249	11.28%	39.58%	2,777,356	3.17%



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Unemployment rate for the City of Ashland as of June 2021 is 6.5%. This rate is higher than the State of Kentucky rate at 5.5% and the national rate of 6.1%.

The following summarizes the 2022 fiscal year budgeted expenses.

- ⇒ General Fund - \$42,345,218
- ⇒ Tax Increment Finance Fund - \$297,100
- ⇒ Municipal Aid Program - \$412,720
- ⇒ Community Development Block Grant Fund - \$1,334,208
- ⇒ Section 8 Voucher - \$3,598,047
- ⇒ Floodwall Operating Fund - \$253,197
- ⇒ Utility Fund - \$28,579,079
- ⇒ Ashland Bus System - \$2,864,309
- ⇒ Recreation Operating Fund - \$2,286,389
- ⇒ Ashland Cemetery Fund - \$210,356
- ⇒ Capital Purchase Improvement Fund - \$6,493,410

Fiscal year 2022 contains several 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 and engineering for new Sewer Treatment plant. Infrastructure improvements including significant paving, sidewalk replacement, Park Improvements and Winchester Avenue roundabouts and Streetscape in our downtown area.

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, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 14,519,122	\$ 3,204,505	\$ 17,723,627
Accounts receivable	-	3,135,834	3,135,834
Allowance for uncollectible accounts	-	(406,098)	(406,098)
Taxes receivable	3,188,928	-	3,188,928
Allowance for uncollectible taxes	(520,412)	-	(520,412)
Grants receivable	1,055,684	300,784	1,356,468
Internal balances, net	2,717,258	(2,717,258)	-
Due from fiduciary fund	-	-	-
Bond proceeds receivable	9,034,671	-	9,034,671
Allowance for uncollectible accounts	-	-	-
Other receivables	428,123	-	428,123
Allowance for uncollectible accounts	(68,084)	-	(68,084)
Prepaid expenses	621,090	102,667	723,757
Inventories	196,461	2,439,982	2,636,443
Restricted assets -			
Cash and cash equivalents	-	11,146,071	11,146,071
Certificates of deposit	-	6,429,033	6,429,033
Note receivable	150,000	-	150,000
Nondepreciable capital assets	19,007,151	4,243,053	23,250,204
Depreciable capital assets	95,719,831	123,832,835	219,552,666
Accumulated depreciation	(52,981,617)	(68,660,555)	(121,642,172)
 Total assets	 93,068,206	 83,050,853	 176,119,059
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount from refunding bonds	471,784	53,876	525,660
Deferred outflows - OPEB related	4,573,675	1,822,674	6,396,349
Deferred outflows - pension related	7,113,933	2,117,452	9,231,385
 Total deferred outflows of resources	 12,159,392	 3,994,002	 16,153,394

CITY OF ASHLAND
STATEMENT OF NET POSITION (CONCLUDED)
JUNE 30, 2021

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	752,839	1,689,274	2,442,113
Due to Board of Education	52,812	-	52,812
Payable to fiduciary fund	258,698	2,151,595	2,410,293
Unearned revenue	7,108,350	-	7,108,350
Other accrued expenses and liabilities	1,844,522	411,071	2,255,593
Deposits	-	364,003	364,003
Matured revenue bonds and notes	-	50,000	50,000
Accrued compensated absences, current	179,897	270,136	450,033
Current portion of long-term debt	855,000	1,826,132	2,681,132
Net OPEB liabilities, due in more than one year	13,445,937	4,377,160	17,823,097
Net pension liabilities, due in more than one year	45,311,974	19,633,163	64,945,137
Accrued compensated absences, non-current	914,484	-	914,484
Capital lease obligations, non-current	1,128,749	792,083	1,920,832
Revenue and Improvement bonds, net of discounts	-	13,994,999	13,994,999
Kentucky Infrastructure Authority loans, non-current	-	4,889,541	4,889,541
General obligation bonds, non-current, plus premiums	18,016,463	-	18,016,463
	<hr/>	<hr/>	<hr/>
Total liabilities	89,869,725	50,449,157	140,318,882
	<hr/>	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - OPEB related	1,715,854	803,741	2,519,595
Deferred inflows - pension related	172,673	91,046	263,719
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	1,888,527	894,787	2,783,314
	<hr/>	<hr/>	<hr/>
NET POSITION			
Net investment in capital assets	51,251,608	46,040,038	97,291,646
Restricted			
Debt service	-	1,848,225	1,848,225
Grant programs	716,497	-	716,497
Sewer improvements	-	7,374,506	7,374,506
Other	-	228,789	228,789
Unrestricted	(38,498,759)	(19,790,647)	(58,289,406)
	<hr/>	<hr/>	<hr/>
Total net position	\$ 13,469,346	\$ 35,700,911	\$ 49,170,257
	<hr/>	<hr/>	<hr/>

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, 2021**

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	\$ 1,809,404	\$ 15,914,551	\$ 442,267	\$ -	\$ 14,547,414	\$ -	\$ 14,547,414
Finance	660,112	-	-	-	(660,112)	-	(660,112)
Public services	6,388,485	2,347,651	428,101	-	(3,612,733)	-	(3,612,733)
Planning and code enforcement	613,747	-	-	-	(613,747)	-	(613,747)
Police	7,629,854	-	538,227	-	(7,091,627)	-	(7,091,627)
Fire	8,360,031	-	-	409,091	(7,950,940)	-	(7,950,940)
Engineering	158,704	-	-	-	(158,704)	-	(158,704)
Community and cultural	4,378,766	373,184	4,070,726	-	65,144	-	65,144
Debt service - interest	600,061	-	-	-	(600,061)	-	(600,061)
Total governmental activities	<u>30,599,164</u>	<u>18,635,386</u>	<u>5,479,321</u>	<u>409,091</u>	<u>(6,075,366)</u>	<u>-</u>	<u>(6,075,366)</u>
Business-Type Activities							
Utilities	18,318,747	17,511,511	-	-	-	(807,236)	(807,236)
Recreation	925,347	18,040	-	-	-	(907,307)	(907,307)
Cemetery	237,491	110,780	-	-	-	(126,711)	(126,711)
Bus	1,557,996	32,373	1,038,491	150,135	-	(336,997)	(336,997)
Total business-type activities	<u>21,039,581</u>	<u>17,672,704</u>	<u>1,038,491</u>	<u>150,135</u>	<u>-</u>	<u>(2,178,251)</u>	<u>(2,178,251)</u>
Total primary government	<u>\$ 51,638,745</u>	<u>\$ 36,308,090</u>	<u>\$ 6,517,812</u>	<u>\$ 559,226</u>	<u>\$ (6,075,366)</u>	<u>\$ (2,178,251)</u>	<u>\$ (8,253,617)</u>
General Revenues:							
Property and other local taxes							
General property taxes					\$ 5,755,430	\$ -	\$ 5,755,430
Vehicle property taxes					430,457	-	430,457
Insurance premium taxes					4,257,533	-	4,257,533
Bank franchise and other taxes					234,585	-	234,585
Interest income					6,420	55,133	61,553
Other revenues					<u>255,599</u>	<u>343,386</u>	<u>598,985</u>
Total general revenues					10,940,024	398,519	11,338,543
Transfers					<u>(1,660,639)</u>	<u>1,660,639</u>	<u>-</u>
Total general revenues and transfers					<u>9,279,385</u>	<u>2,059,158</u>	<u>11,338,543</u>
Change in net position					3,204,019	(119,093)	3,084,926
Net position, June 30, 2020					<u>10,265,327</u>	<u>35,820,004</u>	<u>46,085,331</u>
Net position, June 30, 2021					<u>\$ 13,469,346</u>	<u>\$ 35,700,911</u>	<u>\$ 49,170,257</u>

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

**CITY OF ASHLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	Special Revenue Funds								
	General	Tax Increment Finance	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Other Special Revenue	Capital Projects	Total Governmental Funds
Assets									
Cash	\$ 4,198,379	\$ -	\$ 105,183	\$ 95,859	\$ 270,758	\$ 551,418	\$ 6,737,665	\$ -	\$ 11,959,262
Taxes receivable	2,943,817	30,407	-	214,704	-	-	-	-	3,188,928
Allowance for uncollectible taxes	(487,229)	-	-	(33,183)	-	-	-	-	(520,412)
Grants receivable	588,292	-	40,527	-	426,865	-	-	-	1,055,684
Due from other funds	6,156,030	-	-	-	-	-	-	1,188,020	7,344,050
Bond proceeds receivable	9,034,671	-	-	-	-	-	-	-	9,034,671
Other receivables	352,782	-	-	-	-	75,341	-	-	428,123
Allowance for uncollectible accounts	-	-	-	-	-	(68,084)	-	-	(68,084)
Prepaid items	621,090	-	-	-	-	-	-	-	621,090
Inventories - supplies	196,461	-	-	-	-	-	-	-	196,461
Total assets	\$ 23,604,293	\$ 30,407	\$ 145,710	\$ 277,380	\$ 697,623	\$ 558,675	\$ 6,737,665	\$ 1,188,020	\$ 33,239,773
Liabilities and Fund Balances									
Liabilities:									
Accounts payable	\$ 433,800	\$ -	\$ 46,997	\$ 7,496	\$ 57,012	\$ 6,692	\$ -	\$ 88,327	\$ 640,324
Due to other funds	1,895,043	925,438	98,693	90,780	573,875	48,346	-	-	3,632,175
Unearned revenue	-	-	-	-	-	371,156	6,737,194	-	7,108,350
Due to Board of Education	52,812	-	-	-	-	-	-	-	52,812
Accrued compensated absences	176,192	-	-	555	822	2,328	-	-	179,897
Accrued wages and related	584,052	-	-	875	476	1,948	-	-	587,351
Total liabilities	3,141,899	925,438	145,690	99,706	632,185	430,470	6,737,194	88,327	12,200,909
Fund Balances:									
Non-spendable	817,551	-	-	-	-	-	-	-	817,551
Restricted for grant programs	588,292	-	-	-	-	128,205	-	-	716,497
Committed	9,034,671	-	-	-	-	-	-	-	9,034,671
Assigned for capital projects	-	-	-	-	-	-	-	1,099,693	1,099,693
Assigned for special revenue funds	-	-	20	-	65,437	-	471	-	65,928
Unassigned	10,021,880	(895,031)	-	177,674	-	-	-	-	9,304,523
Total fund balances	20,462,394	(895,031)	20	177,674	65,437	128,205	471	1,099,693	21,038,863
Total liabilities and fund balances	\$ 23,604,293	\$ 30,407	\$ 145,710	\$ 277,380	\$ 697,622	\$ 558,675	\$ 6,737,665	\$ 1,188,020	\$ 33,239,772

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, 2021

Total fund balance - total governmental funds	\$ 21,038,863
---	---------------

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

Capital assets of \$114,726,982 net of accumulated depreciation of \$52,981,617 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	61,745,365
---	------------

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 amount from refunding bonds	471,784	621,784

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.	9,799,081
--	-----------

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	(13,445,937)	
Net pension liabilities	(45,311,974)	
Bonds payable	(18,796,463)	
Accrued interest payable	(63,140)	
Accrued compensated absences	(914,484)	
Capital lease obligations	(1,203,749)	(79,735,747)

Net position, end of year - governmental activities	\$ 13,469,346
---	---------------

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, 2021

	Special Revenue Funds							Total Governmental Funds
	General	Tax Increment Finance	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Other Special Revenue	Capital Projects
Revenues								
Property and other local taxes	\$ 10,212,883	\$ 55,383	\$ -	\$ 409,739	\$ -	\$ -	\$ -	\$ -
Licenses and permits	13,915,926	43,772	-	-	-	-	-	-
Charges for services	2,347,651	-	-	-	-	-	-	-
Fees, fines and reimbursements	1,954,853	-	-	-	-	-	-	-
Grant income	1,389,585	-	428,101	-	1,042,465	3,028,261	-	-
Administration fee income	-	-	-	-	-	373,184	-	-
Interest income	5,614	-	51	48	-	236	471	-
Other income	255,599	-	-	-	-	-	-	-
Total revenues	30,082,111	99,155	428,152	409,787	1,042,465	3,401,681	471	-
Expenditures								
General government	2,282,297	-	-	-	-	-	-	3,409
Finance	538,597	-	-	-	-	-	-	-
Public services	4,078,895	-	428,132	196,584	-	-	-	-
Planning and code enforcement	499,228	-	-	-	-	-	-	-
Police	5,246,363	-	-	-	-	-	-	-
Fire	6,161,341	-	-	-	-	-	-	-
Engineering	130,054	-	-	-	-	-	-	-
Community and cultural	-	1,748	-	-	1,042,465	3,285,209	-	-
Capital outlay	-	-	-	-	-	-	-	910,687
Debt service:								
Principal retirement	3,464,336	175,000	-	-	-	-	-	-
Interest and other charges	889,746	122,025	-	-	-	-	-	-
Total expenditures	23,290,857	298,773	428,132	196,584	1,042,465	3,285,209	-	914,096
Excess (deficiency) of revenues over (under) expenditures	6,791,254	(199,618)	20	213,203	-	116,472	471	(914,096)
Other Financing Sources (Uses)								
Proceeds from the issuance of debt	11,170,000	-	-	-	-	-	-	-
Premium received on debt issued	1,815,487	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	1,163,789
Transfers out	(2,824,428)	-	-	-	-	-	-	-
Total other financing sources (uses)	10,161,059	-	-	-	-	-	-	1,163,789
Net change in fund balances	16,952,313	(199,618)	20	213,203	-	116,472	471	249,693
Fund balances beginning of year	3,510,081	(695,413)	-	(35,529)	65,437	11,733	-	850,000
Fund balances end of year	<u>\$ 20,462,394</u>	<u>\$ (895,031)</u>	<u>\$ 20</u>	<u>\$ 177,674</u>	<u>\$ 65,437</u>	<u>\$ 128,205</u>	<u>\$ 471</u>	<u>\$ 1,099,693</u>
								<u>\$ 21,038,863</u>

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, 2021

Net change in fund balances - total governmental funds	\$ 17,332,554
--	---------------

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

Capital outlay	2,325,880	
Depreciation expense	<u>(2,839,990)</u>	(514,110)

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		(33,197)
Amortization of deferred savings from refunding bonds		(6,876)
Amortization of bond discounts and premiums		9,513
Accrued interest payable		(5,986)

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	855,811	
CERS pension expense	(4,264,493)	
CERS OPEB expense	<u>(1,238,105)</u>	(4,646,787)

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.	3,639,336
---	-----------

Governmental funds do not report the effect of gain or losses on refunding of debt, whereas these amounts are deferred and amortized in the statement of activities.	415,059
--	---------

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

Bonds issued	(11,170,000)	
Premiums and discounts on bonds	<u>(1,815,487)</u>	<u>(12,985,487)</u>

Change in net position of governmental activities	<u>\$ 3,204,019</u>
---	---------------------

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

CITY OF ASHLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-Type Activities					Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	Fund
ASSETS						
Unrestricted Assets:						
Cash and cash equivalents	\$ 2,994,967	\$ 121,717	\$ 31,685	\$ 56,136	\$ 3,204,505	\$ 2,559,860
Accounts receivable	3,134,015	-	569	1,250	3,135,834	-
Allowance for doubtful accounts	(406,098)	-	-	-	(406,098)	-
Due from other funds	-	-	149,577	298,748	448,325	-
Grants receivable - capital	-	41,706	-	-	41,706	-
Grants receivable - operating	-	259,078	-	-	259,078	-
Prepaid expenses	102,667	-	-	-	102,667	-
Inventories -						
Repair parts and supplies	973,811	70,115	8,626	-	1,052,552	-
Lots and vaults	-	-	-	1,387,430	1,387,430	-
Total unrestricted assets	6,799,362	492,616	190,457	1,743,564	9,225,999	2,559,860
Restricted Assets:						
Cash and cash equivalents	11,107,282	-	-	38,789	11,146,071	-
Investments -						
Certificates of deposit	6,239,033	-	190,000	-	6,429,033	-
Total restricted assets	17,346,315	-	190,000	38,789	17,575,104	-
Total current assets	24,145,677	492,616	380,457	1,782,353	26,801,103	2,559,860
Capital Assets:						
Land and easements	372,725	-	58,223	18,453	449,401	-
Utility plant	105,835,687	-	-	-	105,835,687	-
Buildings and improvements	2,600,210	1,551,862	88,822	2,319,771	6,560,665	-
Operating equipment	5,661,709	1,459,999	3,655,773	66,150	10,843,631	-
Office and computer equipment	554,682	38,170	-	-	592,852	-
Construction in progress	3,791,836	-	1,816	-	3,793,652	-
	118,816,849	3,050,031	3,804,634	2,404,374	128,075,888	-
Less: Accumulated depreciation	(65,322,448)	(1,837,969)	(895,390)	(604,748)	(68,660,555)	-
Total capital assets - net	53,494,401	1,212,062	2,909,244	1,799,626	59,415,333	-
Total noncurrent assets	53,494,401	1,212,062	2,909,244	1,799,626	59,415,333	-
Total assets	77,640,078	1,704,678	3,289,701	3,581,979	86,216,436	2,559,860
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount from refunding bonds	53,876	-	-	-	53,876	-
Deferred outflows - OPEB related	1,455,306	222,955	119,493	24,920	1,822,674	-
Deferred outflows - pension related	1,690,670	259,013	138,818	28,951	2,117,452	-
Total deferred outflows of resources	3,199,852	481,968	258,311	53,871	3,994,002	-

CITY OF ASHLAND
STATEMENT OF NET POSITION (CONCLUDED)
PROPRIETARY FUNDS
JUNE 30, 2021

	Business-Type Activities					Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	Fund
LIABILITIES						
Current liabilities (payable from current assets):						
Accounts payable	\$ 1,589,040	\$ 41,236	\$ 56,623	\$ 2,375	\$ 1,689,274	\$ 112,515
Due to other funds	4,643,467	673,711	-	-	5,317,178	1,253,314
Accrued compensated absences	223,747	23,307	15,218	7,864	270,136	-
Other accrued liabilities	298,222	62,393	6,712	43,744	411,071	1,194,031
Total current liabilities						
(payable from current assets)	6,754,476	800,647	78,553	53,983	7,687,659	2,559,860
Current liabilities (payable from restricted assets):						
Matured revenue bonds and notes	50,000	-	-	-	50,000	-
Customer deposits	364,003	-	-	-	364,003	-
Current portion of capital lease obligations	115,000	-	-	-	115,000	-
Current portion of Revenue and Improvement bonds	1,155,000	-	-	-	1,155,000	-
Current portion of Kentucky Infrastructure Authority loans	556,132	-	-	-	556,132	-
Total current liabilities						
(payable from restricted assets)	2,240,135	-	-	-	2,240,135	-
Total current liabilities	8,994,611	800,647	78,553	53,983	9,927,794	2,559,860
Long-term liabilities:						
Capital lease obligations	792,083	-	-	-	792,083	-
Revenue and Improvement bonds, net of discount and premium	13,994,999	-	-	-	13,994,999	-
Kentucky Infrastructure Authority loans	4,889,541	-	-	-	4,889,541	-
Net OPEB liabilities	3,491,815	491,829	308,683	84,833	4,377,160	-
Net pension liabilities	16,741,546	1,538,326	1,112,376	240,915	19,633,163	-
Total long-term liabilities	39,909,984	2,030,155	1,421,059	325,748	43,686,946	-
Total liabilities	48,904,595	2,830,802	1,499,612	379,731	53,614,740	2,559,860
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows - OPEB related	641,743	98,316	52,693	10,989	803,741	-
Deferred inflows - pension related	72,695	11,137	5,969	1,245	91,046	-
Total deferred inflows of resources	714,438	109,453	58,662	12,234	894,787	-
NET POSITION						
Net investment in capital assets	40,119,106	1,212,062	2,909,244	1,799,626	46,040,038	-
Restricted for debt service	1,848,225	-	-	-	1,848,225	-
Restricted for sewer improvements	7,374,506	-	-	-	7,374,506	-
Other	-	-	190,000	38,789	228,789	-
Unrestricted	(18,120,940)	(1,965,671)	(1,109,506)	1,405,470	(19,790,647)	-
Total net position	\$ 31,220,897	\$ (753,609)	\$ 1,989,738	\$ 3,243,885	\$ 35,700,911	\$ -

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, 2021

	Business-Type Activities					Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	Fund
OPERATING REVENUES						
Residential and commercial meter sales	\$ 4,659,806	\$ -	\$ -	\$ -	\$ 4,659,806	\$ -
Sewer service	7,768,490	-	-	-	7,768,490	-
Industrial meter sales	3,671,009	-	-	-	3,671,009	-
Other municipalities	1,253,744	-	-	-	1,253,744	-
Industrial pretreatment	109,976	-	-	-	109,976	-
Water and sewer taps	48,486	-	-	-	48,486	-
Concession sales	-	-	4,803	-	4,803	-
Lot and vault sales	-	-	-	31,200	31,200	-
Opening and closing fees	-	-	-	79,580	79,580	-
Passenger fares	-	32,373	-	-	32,373	-
Admission fees	-	-	13,237	-	13,237	-
Premium charges	-	-	-	-	-	3,723,067
Miscellaneous	338,178	-	8,665	12,741	359,584	-
Total operating revenues	17,849,689	32,373	26,705	123,521	18,032,288	3,723,067
OPERATING EXPENSES						
Administration - Director	188,524	-	-	-	188,524	-
Administration - Cashier	1,036,116	-	-	-	1,036,116	-
Water - Production	2,640,091	-	-	-	2,640,091	-
Water - Distribution	4,165,967	-	-	-	4,165,967	-
Sewer - Pretreatment	1,855,843	-	-	-	1,855,843	-
Sewer - Collection	1,569,632	-	-	-	1,569,632	-
Depreciation	2,749,328	172,233	84,918	51,010	3,057,489	-
Insurance	201,230	28,995	19,609	4,293	254,127	-
Other operating expenses	3,372,099	629,428	350,951	64,332	4,416,810	11,791
Salaries	-	540,093	310,074	58,007	908,174	-
Utilities	-	30,119	107,799	10,655	148,573	-
Operating supplies	-	157,128	51,996	49,194	258,318	-
Premiums and claims	-	-	-	-	-	3,712,520
Total operating expenses	17,778,830	1,557,996	925,347	237,491	20,499,664	3,724,311
OPERATING INCOME (LOSS)	70,859	(1,525,623)	(898,642)	(113,970)	(2,467,376)	(1,244)
NON-OPERATING REVENUES						
(EXPENSES)						
Gain (loss) on disposal of assets	-	(16,198)	-	-	(16,198)	-
Interest income	53,707	107	1,037	282	55,133	1,244
Grant income	-	1,038,491	-	-	1,038,491	-
Interest on revenue bonds and notes	(539,917)	-	-	-	(539,917)	-
Total non-operating revenues (expenses)	(486,210)	1,022,400	1,037	282	537,509	1,244
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(415,351)	(503,223)	(897,605)	(113,688)	(1,929,867)	-
TRANSFERS						
From General Fund	-	16,679	1,448,349	195,611	1,660,639	-
Total transfers in	-	16,679	1,448,349	195,611	1,660,639	-
CAPITAL CONTRIBUTIONS						
Local contributions	-	-	-	-	-	-
Federal/state grants	-	150,135	-	-	150,135	-
Total capital contributions	-	150,135	-	-	150,135	-
INCREASE (DECREASE) IN NET POSITION	(415,351)	(336,409)	550,744	81,923	(119,093)	-
NET POSITION, JUNE 30, 2020	31,636,248	(417,200)	1,438,994	3,161,962	35,820,004	-
NET POSITION, JUNE 30, 2021	\$ 31,220,897	\$ (753,609)	\$ 1,989,738	\$ 3,243,885	\$ 35,700,911	\$ -

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, 2021**

	Business-Type Activities					Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 17,517,395	\$ 32,373	\$ 18,040	\$ 111,686	\$ 17,679,494	\$ -
Cash payments to suppliers for goods and services	(4,048,694)	(389,566)	(1,061,105)	(320,266)	(5,819,631)	(11,791)
Cash payments to employees	(3,204,375)	(361,386)	(201,971)	(42,464)	(3,810,196)	-
Other operating revenues	338,178	-	8,665	12,741	359,584	-
Payments for internal services	(1,764,889)	(153,256)	(165,258)	(34,160)	(2,117,563)	-
Cash received for internal services	-	-	-	-	-	6,036,432
Payments for premiums and claims	-	-	-	-	-	(4,302,115)
Net cash provided by (used for) operating activities	<u>8,837,615</u>	<u>(871,835)</u>	<u>(1,401,629)</u>	<u>(272,463)</u>	<u>6,291,688</u>	<u>1,722,526</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grant income	7,815	779,413	-	-	787,228	-
Transfers from other funds	-	16,679	1,448,349	195,611	1,660,639	-
Net cash provided by noncapital financing activities	<u>7,815</u>	<u>796,092</u>	<u>1,448,349</u>	<u>195,611</u>	<u>2,447,867</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from issuance of debt	11,475,940	-	-	-	11,475,940	-
Acquisition and construction of capital assets	(6,736,794)	(90,506)	(21,583)	-	(6,848,883)	-
Proceeds from sale of assets	-	4,379	-	-	4,379	-
Principal paid on bonds, notes, and lease obligations	(1,671,680)	-	-	-	(1,671,680)	-
Interest paid on bonds, notes, and lease obligations	(539,917)	-	-	-	(539,917)	-
Capital grants received	-	259,326	-	-	259,326	-
Net cash provided by (used for) capital and related financing activities	<u>2,527,549</u>	<u>173,199</u>	<u>(21,583)</u>	<u>-</u>	<u>2,679,165</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Withdrawal of investment securities	(737,095)	-	-	-	(737,095)	-
Investment income	53,707	107	1,416	282	55,512	1,244
Net cash provided by (used for) investing activities	<u>(683,388)</u>	<u>107</u>	<u>1,416</u>	<u>282</u>	<u>(681,583)</u>	<u>1,244</u>
Net increase (decrease) in cash and cash equivalents	10,689,591	97,563	26,553	(76,570)	10,737,137	1,723,770
Cash and cash equivalents, June 30, 2020	<u>3,412,658</u>	<u>24,154</u>	<u>5,132</u>	<u>171,495</u>	<u>3,613,439</u>	<u>836,090</u>
Cash and cash equivalents, June 30, 2021	<u>\$ 14,102,249</u>	<u>\$ 121,717</u>	<u>\$ 31,685</u>	<u>\$ 94,925</u>	<u>\$ 14,350,576</u>	<u>\$ 2,559,860</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Operating income (loss)	\$ 70,859	\$ (1,525,623)	\$ (898,642)	\$ (113,970)	\$ (2,467,376)	\$ (1,244)
Adjustments:						
Depreciation	2,749,328	172,233	84,918	51,010	3,057,489	-
Amortization	24,553	-	-	-	24,553	-
Net OPEB adjustment	208,113	30,219	16,395	3,527	258,254	-
Net pension adjustment	1,150,628	184,683	90,886	14,550	1,440,747	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(38,545)	-	-	906	(37,639)	259,923
(Increase) decrease in inventories	(39,948)	553	(5,333)	42,050	(2,678)	-
(Increase) decrease in prepaid expenses	(14,290)	-	-	-	(14,290)	-
(Increase) decrease in due from other funds	-	-	(149,577)	(267,685)	(417,262)	800,128
Increase (decrease) in accounts payable	983,463	(33,389)	38,118	(317)	987,875	(293,361)
Increase (decrease) in due to other funds	3,760,717	335,684	(579,216)	-	3,517,185	1,253,314
Increase (decrease) in compensated absences	12,247	(1,142)	5,929	259	17,293	-
Increase (decrease) in other accrued liabilities	(73,939)	(35,053)	(5,107)	(2,793)	(116,892)	(296,234)
Increase (decrease) in customer deposits	44,429	-	-	-	44,429	-
Net cash provided by (used for) operating activities	<u>\$ 8,837,615</u>	<u>\$ (871,835)</u>	<u>\$ (1,401,629)</u>	<u>\$ (272,463)</u>	<u>\$ 6,291,688</u>	<u>\$ 1,722,526</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, 2021

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	\$ -
Accrued interest receivable	207
Due from other funds	2,410,293
Investments, at fair value	
Certificates of deposit	<u>2,104,030</u>
Total assets	<u>4,514,530</u>
LIABILITIES	
Due to other funds	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION - RESTRICTED	
FOR PENSION BENEFITS	<u><u>\$ 4,514,530</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, 2021

	<u>Pension Trust Funds</u>
ADDITIONS:	
CONTRIBUTIONS	
Employer	<u>\$ 1,319,101</u>
Total contributions	<u>1,319,101</u>
INVESTMENT INCOME	
Interest income	<u>12,335</u>
Total investment income	<u>12,335</u>
Total additions	<u>1,331,436</u>
DEDUCTIONS:	
Benefits	980,574
Administrative expenses	<u>7,095</u>
Total deductions	<u>987,669</u>
NET INCREASE	343,767
NET POSITION - RESTRICTED FOR PENSION BENEFITS:	
Beginning of year	<u>4,170,763</u>
End of year	<u><u>\$ 4,514,530</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, 2021

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 9,394,006	\$ -	\$ 9,394,006	\$ 10,212,883	\$ 818,877
Licenses and permits	9,516,782	-	9,516,782	13,915,926	4,399,144
Charges for services	2,281,220	-	2,281,220	2,347,651	66,431
Fees, fines and reimbursements	1,840,462	-	1,840,462	1,954,853	114,391
Interest income	2,750	-	2,750	5,614	2,864
Grant income	1,331,801	-	1,331,801	1,389,585	57,784
Other income	130,000	-	130,000	255,599	125,599
Total revenues	24,497,021	-	24,497,021	30,082,111	5,585,090
Expenditures					
General government	4,216,583	39,646	4,256,229	2,282,297	1,973,932
Finance	553,912	11,439	565,351	538,597	26,754
Public services	4,310,129	78,753	4,388,882	4,078,895	309,987
Planning and code enforcement	518,210	16,577	534,787	499,228	35,559
Police	5,528,184	106,440	5,634,624	5,246,363	388,261
Fire	6,364,238	159,767	6,524,005	6,161,341	362,664
Engineering	165,152	3,227	168,379	130,054	38,325
Debt service:					
Principal retirement	437,821	-	437,821	3,464,336	(3,026,515)
Interest and fiscal charges	188,858	-	188,858	889,746	(700,888)
Total expenditures	22,283,087	415,849	22,698,936	23,290,857	(591,921)
Excess (deficiency) of revenues over (under) expenditures	2,213,934	(415,849)	1,798,085	6,791,254	4,993,169
Other Financing Sources (Uses)					
Proceeds from the issuance of debt	-	-	-	12,985,487	12,985,487
Transfers out	(2,213,934)	(903,574)	(3,117,508)	(2,824,428)	293,080
Total other financing sources (uses)	(2,213,934)	(903,574)	(3,117,508)	10,161,059	13,278,567
Net change in fund balance	-	(1,319,423)	(1,319,423)	16,952,313	18,271,736
Fund balance beginning of year	3,510,081	-	3,510,081	3,510,081	-
Fund balance end of year	\$ 3,510,081	\$ (1,319,423)	\$ 2,190,658	\$ 20,462,394	\$ 18,271,736

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, 2021

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 32,486	\$ -	\$ 32,486	\$ 55,383	\$ 22,897
Licenses and permits	30,668	-	30,668	43,772	13,104
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	63,154	-	63,154	99,155	36,001
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	1,425	-	1,425	1,748	(323)
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	175,000	-	175,000	175,000	-
Interest and fiscal charges	122,025	-	122,025	122,025	-
Total expenditures	298,450	-	298,450	298,773	(323)
Excess (deficiency) of revenues over (under) expenditures	(235,296)	-	(235,296)	(199,618)	35,678
Other Financing Sources (Uses)					
Proceeds from the issuance of debt	-	-	-	-	-
Transfers in	235,296	-	235,296	-	(235,296)
Total other financing sources (uses)	235,296	-	235,296	-	(235,296)
Net change in fund balance	-	-	-	(199,618)	(199,618)
Fund balance beginning of year	(695,413)	-	(695,413)	(695,413)	-
Fund balance end of year	<u>\$ (695,413)</u>	<u>\$ -</u>	<u>\$ (695,413)</u>	<u>\$ (895,031)</u>	<u>\$ (199,618)</u>

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL AID ROAD FUND
FOR THE YEAR ENDED JUNE 30, 2021

	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	383,265	-	383,265	428,101	44,836
Administration fee income	-	-	-	-	-
Interest income	25	-	25	51	26
Other income	-	-	-	-	-
Total revenues	383,290	-	383,290	428,152	44,862
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	383,290	-	383,290	428,132	(44,842)
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	383,290	-	383,290	428,132	(44,842)
Excess (deficiency) of revenues over (under) expenditures	-	-	-	20	20
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	20	20
Fund balance beginning of year	-	-	-	-	-
Fund balance end of year	\$ -	\$ -	\$ -	\$ 20	\$ 20

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, 2021

	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	1,624,753	-	1,624,753	1,042,465	(582,288)
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	1,624,753	-	1,624,753	1,042,465	(582,288)
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	1,624,753	(16,722)	1,608,031	1,042,465	565,566
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	1,624,753	(16,722)	1,608,031	1,042,465	565,566
Excess (deficiency) of revenues over (under) expenditures	-	16,722	16,722	-	(16,722)
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	16,722	16,722	-	(16,722)
Fund balance beginning of year	65,437	-	65,437	65,437	-
Fund balance end of year	\$ 65,437	\$ 16,722	\$ 82,159	\$ 65,437	\$ (16,722)

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, 2021

	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	3,142,438	-	3,142,438	3,028,261	(114,177)
Administration fee income	274,560	-	274,560	373,184	98,624
Interest income	50	-	50	236	186
Other income	-	-	-	-	-
Total revenues	3,417,048	-	3,417,048	3,401,681	(15,367)
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	3,418,331	5,745	3,424,076	3,285,209	138,867
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	3,418,331	5,745	3,424,076	3,285,209	138,867
Excess (deficiency) of revenues over (under) expenditures	(1,283)	(5,745)	(7,028)	116,472	123,500
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(1,283)	(5,745)	(7,028)	116,472	123,500
Fund balance beginning of year	11,733	-	11,733	11,733	-
Fund balance end of year	\$ 10,450	\$ (5,745)	\$ 4,705	\$ 128,205	\$ 123,500

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, 2021

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 339,559	\$ -	\$ 339,559	\$ 409,739	\$ 70,180
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	150	-	150	48	(102)
Other income	-	-	-	-	-
Total revenues	<u>339,709</u>	<u>-</u>	<u>339,709</u>	<u>409,787</u>	<u>70,078</u>
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	436,903	2,994	439,897	196,584	243,313
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>436,903</u>	<u>2,994</u>	<u>439,897</u>	<u>196,584</u>	<u>243,313</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(97,194)</u>	<u>(2,994)</u>	<u>(100,188)</u>	<u>213,203</u>	<u>313,391</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	(97,194)	(2,994)	(100,188)	213,203	313,391
Fund balance beginning of year	<u>(35,529)</u>	<u>-</u>	<u>(35,529)</u>	<u>(35,529)</u>	<u>-</u>
Fund balance end of year	<u>\$ (132,723)</u>	<u>\$ (2,994)</u>	<u>\$ (135,717)</u>	<u>\$ 177,674</u>	<u>\$ 313,391</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
OTHER SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	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	-	-	-	471	471
Other income	-	-	-	-	-
Total revenues	-	-	-	471	471
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	471	471
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	471	471
Fund balance beginning of year	-	-	-	-	-
Fund balance end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 471</u>	<u>\$ 471</u>

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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(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, 2021 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.
- **Other Special Revenue Fund** - The Other Special Revenue Fund is used to account for the revenue and expenditures related to grants received under the American Rescue Plan Act.

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, 2021, 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, 2021, 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. Debt Issuance Costs

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

Q. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

R. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 was effective for the City beginning with its year ending June 30, 2021. Adoption of this statement did not have a material effect on the City's financial statements

In June 2017, the GASB issued Statement No. 87, *Leases* ("GASB 87"), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the City beginning with its year ending June 30, 2022 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* ("GASB 89"), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the City beginning with its year ending June 30, 2022. 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). GASB 91 is effective for reporting periods beginning after December 15, 2021, with earlier application encouraged. Management is currently evaluating the impact of this Statement on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* ("GASB 92"). GASB 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. Provisions related to insurance-related activities of public entity risk pools and derivative instruments were effective upon issuance. All other provisions will be effective for the City beginning with its year ending June 30, 2022. Adoption of the provisions required upon issuance did not have a material effect on the City's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be effective for the City beginning with its year ending June 30, 2023. 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, 2021, the carrying amounts of the City's deposits held in banks were \$37,402,761 and the bank balances were \$38,330,184. 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, 2021, 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	\$ 6,239,033	\$ 6,239,033	\$ -	\$ -	\$ -
Recreation Fund					
Certificates of Deposit	190,000	190,000	-	-	-
Fiduciary Funds					
Certificates of Deposit	2,104,030	2,104,030	-	-	-

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 2021 assessed value for real property and tangible property was approximately \$987,000,000 and \$105,000,000 respectively. The tax rate adopted was \$.2576 per \$100 valuation with an additional \$.0925 per \$100 valuation for property within the floodwall.

(5) GRANTS RECEIVABLE

Grants receivable from other governmental units as of June 30, 2021, are as follows:

General Fund -	
Kentucky Transportation Cabinet	\$ 945
COVID Relief Funds	151,814
FEMA grant	26,442
Firefighter grant	409,091
	<u>588,292</u>
Special Revenue Funds -	
Municipal Aid Road Fund	40,527
Community Development Fund, program allocation	426,865
	<u>467,392</u>
Enterprise Funds -	
Ashland Bus System - FTA capital	41,706
Ashland Bus System - FTA COVID	259,078
	<u>300,784</u>
	<u>\$ 1,356,468</u>

(6) CAPITAL ASSETS

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

	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021
<u>Governmental Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 18,936,298	\$ -	\$ -	\$ 18,936,298
Construction in progress	2,314,726	7,057	(2,250,930)	70,853
Capital Assets, Depreciated:				
Buildings	9,675,114	345,747	-	10,020,861
Building improvements	3,294,099	52,783	(137,111)	3,209,771
Automotive equipment	6,467,399	531,159	(56,246)	6,942,312
Office furniture and equipment	728,396	34,148	(92,850)	669,694
Operating equipment	5,122,964	-	(13,990)	5,108,974
Capital improvements	1,166,553	1,801,427	-	2,967,980
Infrastructure	82,874,945	1,804,489	(17,879,195)	66,800,239
Totals	<u>130,580,494</u>	<u>4,576,810</u>	<u>(20,430,322)</u>	<u>114,726,982</u>
Less: accumulated depreciation				
Buildings	2,950,848	177,593	-	3,128,441
Building improvements	2,317,722	91,732	(137,111)	2,272,343
Automotive equipment	3,440,700	520,854	(56,246)	3,905,308
Office furniture and equipment	514,914	38,192	(92,850)	460,256
Operating equipment	3,158,254	239,835	(13,990)	3,384,099
Capital improvements	411,419	73,913	-	485,332
Infrastructure	55,527,162	1,697,871	(17,879,195)	39,345,838
Total accumulated depreciation	<u>68,321,019</u>	<u>2,839,990</u>	<u>(18,179,392)</u>	<u>52,981,617</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 62,259,475</u>	<u>\$ 1,736,820</u>	<u>\$ (2,250,930)</u>	<u>\$ 61,745,365</u>
<u>Business-type Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 449,401	\$ -	\$ -	\$ 449,401
Construction in progress	1,732,766	3,177,007	(1,116,121)	3,793,652
Capital Assets, Depreciated:				
Buildings	5,586,366	-	(11,707)	5,574,659
Building improvements	989,620	22,826	(26,440)	986,006
Utility and sewage plants	101,322,475	4,513,212	-	105,835,687
Automotive equipment	2,738,509	94,959	(159,630)	2,673,838
Office furniture and equipment	553,509	44,663	(5,319)	592,853
Operating equipment	4,485,013	92,570	-	4,577,583
Recreation equipment	310,344	19,767	-	330,111
Capital improvement	3,262,098	-	-	3,262,098
Totals	<u>121,430,101</u>	<u>7,965,004</u>	<u>(1,319,217)</u>	<u>128,075,888</u>
Less: accumulated depreciation				
Buildings	1,498,446	124,443	(11,707)	1,611,182
Building improvements	582,627	42,529	(14,432)	610,724
Utility and sewage plants	58,133,700	2,295,275	-	60,428,975
Automotive equipment	1,717,836	257,806	(151,061)	1,824,581
Office furniture and equipment	239,831	65,379	(5,319)	299,891
Operating equipment	3,001,041	192,412	-	3,193,453
Recreation equipment	246,749	7,677	-	254,426
Capital improvements	365,355	71,968	-	437,323
Total accumulated depreciation	<u>65,785,585</u>	<u>3,057,489</u>	<u>(182,519)</u>	<u>68,660,555</u>
Business-type Activities				
Capital Assets - Net	<u>\$ 55,644,516</u>	<u>\$ 4,907,515</u>	<u>\$ (1,136,698)</u>	<u>\$ 59,415,333</u>

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

Governmental activities:	
General government	\$ 485,921
Finance	6,454
Public services	1,606,559
Planning and code enforcement	10,090
Police	447,542
Fire	252,657
Engineering	6,562
Community and cultural	24,205
	<u>\$ 2,839,990</u>
Business-type activities:	
Utilities	\$ 2,749,328
Bus	172,233
Recreation	84,918
Cemetery	51,010
	<u>\$ 3,057,489</u>

(7) RETIREMENT PLANS

Net pension liabilities of the City as of June 30, 2021 are as follows:

Governmental activities:	
Policemen and Firefighters Pension Fund	\$ 1,209,606
County Employees Retirement System	
Nonhazardous	10,274,202
Hazardous	33,828,166
	<u>\$ 45,311,974</u>
Business-type activities:	
Utility Employees Pension Fund	\$ 6,217,292
County Employees Retirement System	
Nonhazardous	13,415,871
	<u>\$ 19,633,163</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, 2021, 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, 2021.

Policemen and Firefighters Pension Fund (PFPP)

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, 2021, 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, 2020, with an update to roll forward information to June 30, 2021.

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	50	157	207
Due from other funds	2,151,595	258,698	2,410,293
Investments, at fair value -			
Certificates of deposit	793,333	1,310,697	2,104,030
Total assets	<u>2,944,978</u>	<u>1,569,552</u>	<u>4,514,530</u>
LIABILITIES			
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 2,944,978</u>	<u>\$ 1,569,552</u>	<u>\$ 4,514,530</u>
STATEMENT OF CHANGES IN NET POSITION			
ADDITIONS			
Contributions -			
Employer	\$ 716,227	\$ 602,874	\$ 1,319,101
Plan members	-	-	-
Total contributions	<u>716,227</u>	<u>602,874</u>	<u>1,319,101</u>
Investment income -			
Interest income	5,971	6,364	12,335
Total investment income	<u>5,971</u>	<u>6,364</u>	<u>12,335</u>
Total additions	<u>722,198</u>	<u>609,238</u>	<u>1,331,436</u>
DEDUCTIONS			
Benefits	692,653	287,921	980,574
Administrative expenses	2,277	4,818	7,095
Total deductions	<u>694,930</u>	<u>292,739</u>	<u>987,669</u>
NET INCREASE (DECREASE)	27,268	316,499	343,767
NET POSITION - RESTRICTED FOR PENSION BENEFITS			
Beginning of year	2,917,710	1,253,053	4,170,763
End of year	<u>\$ 2,944,978</u>	<u>\$ 1,569,552</u>	<u>\$ 4,514,530</u>

Pension Expense

For the year ended June 30, 2021, the City recognized pension expense of \$1,104,121 and (\$252,937) for the Utility Pension Fund and Policemen and Firefighters Pension Fund, respectively. At June 30, 2021, the effect of all changes in assumptions and differences between 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	22	13	<u>Totals</u> 36
Active plan participants:			
Vested	-	-	-
Non-Vested	-	-	-
	<u>22</u>	<u>13</u>	<u>36</u>

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

	<u>Utility Pension Fund</u>	<u>Policemen And Firefighters Pension Fund</u>
Valuation date	06-30-21	06-30-20
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	2.25%	2.50%
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	2.25 %	2.50 %
Mortality	RP-2000 Mortality Table	RP-2000 Mortality Table
Changes of assumptions since prior valuation	Discount rate reduced from 3.00% to 2.25%	Discount rate reduced from 3.00% to 2.50%

Net Pension Liability

The following represents the components of the net pension liability:

<u>Date</u>	<u>Fiduciary Net Position (a)</u>	<u>Total Pension Liability (TPL) Entry Age (b)</u>	<u>Net Pension Liability (NPL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>NPL As A Percentage Of Covered Payroll (b-a)/c)</u>
<u>Utility Pension Fund</u>						
06/30/20	\$ 2,917,710	\$ 8,747,108	\$ 5,829,398	33.4%	\$ ** N/A	** N/A
06/30/21	2,944,978	9,162,270	6,217,292	32.1%	** N/A	** N/A
<u>Policemen and Firefighters Pension Fund</u>						
06/30/20	\$ 1,253,053	\$ 3,318,470	\$ 2,065,417	37.8%	\$ ** N/A	** N/A
06/30/21	1,569,552	2,779,158	1,209,606	56.5%	** 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, 2021:

Utility Pension Fund

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2020	\$ 8,747,108	\$ 2,917,710	\$ 5,829,398
Changes for the year:			
Interest on total pension liability	251,158	-	251,158
Difference in expected and actual experience	220,253	-	220,253
Effect of changes in assumptions	636,404	-	636,404
Effect of changes in benefit terms	-	-	(262,413)
Benefit payments	(692,653)	-	(692,653)
Employer contributions	-	716,227	(716,227)
Investment income, net of expenses	-	5,971	(5,971)
Benefit payments	-	(692,653)	692,653
Administrative expenses	-	(2,277)	2,277
Net changes	<u>415,162</u>	<u>27,268</u>	<u>387,894</u>
Balance, June 30, 2021	<u>\$ 9,162,270</u>	<u>\$ 2,944,978</u>	<u>\$ 6,217,292</u>

Policemen and Firefighters Pension Fund

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2020	\$ 3,318,470	\$ 1,253,053	\$ 2,065,417
Changes for the year:			
Interest on total pension liability	79,063	-	79,063
Difference in expected and actual experience	(330,454)	-	(330,454)
Effect of changes in assumptions	-	-	-
Effect of changes in benefit terms	-	-	-
Benefit payments	(287,921)	-	(287,921)
Employer contributions	-	602,874	(602,874)
Investment income, net of expenses	-	6,364	(6,364)
Benefit payments	-	(287,921)	287,921
Administrative expenses	-	(4,818)	4,818
Net changes	<u>(539,312)</u>	<u>316,499</u>	<u>(855,811)</u>
Balance, June 30, 2021	<u>\$ 2,779,158</u>	<u>\$ 1,569,552</u>	<u>\$ 1,209,606</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, 2021 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 (1.25%)	Current discount rate (2.25%)	1% Increase (3.25%)
Utility Pension Fund	\$ 7,109,896	\$ 6,217,292	\$ 5,451,509
Policemen and Firefighters Pension Fund	\$ 1,436,675	\$ 1,209,606	\$ 1,012,581

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, 2021:

Governmental activities:	
Policemen and Firefighters Pension Fund	\$ 258,698
Business-type activities:	
Utility Pension Fund	\$ 2,151,595

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 24.06% nonhazardous (19.30% - pension, 4.76% insurance) and 39.58% hazardous (30.06% - pension, 9.52% 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, 2021, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 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, 2020. At June 30, 2020, the City's proportion for nonhazardous and hazardous was 0.308870% and 1.21985%, respectively.

For the year ended June 30, 2021, the City recognized pension expense of approximately \$3,410,000 and \$5,460,000 for nonhazardous and hazardous, respectively. At June 30, 2021, 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	\$ 590,755	\$ -
Changes of assumptions	925,057	-
Net difference between projected and actual earnings on investments	592,814	-
Changes in proportion and differences between City contributions and proportionate share of contributions	104,440	157,214
City contributions subsequent to the measurement date	1,443,287	-
	<u>\$ 3,656,353</u>	<u>\$ 157,214</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 1,049,143	\$ -
Changes of assumptions	1,282,954	-
Net difference between projected and actual earnings on investments	762,069	-
Changes in proportion and differences between City contributions and proportionate share of contributions	371,536	106,505
City contributions subsequent to the measurement date	2,109,330	-
	<u>\$ 5,575,032</u>	<u>\$ 106,505</u>

At June 30, 2021, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$1,443,287 and \$2,109,330 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2022	\$ 889,873	\$ 1,433,022
2023	634,255	885,477
2024	293,637	625,191
2025	238,087	415,507
	<u>\$ 2,055,852</u>	<u>\$ 3,359,197</u>

Actuarial Methods and Assumptions

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2019. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	24 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected market value of assets is recognized
Payroll growth	2.00%
Inflation	2.30%
Salary Increase - Nonhazardous	3.30% to 10.30%, varies by service
Salary Increase - Hazardous	3.55% to 19.05%, varies by service
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

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

The long-term expected 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>
Growth		
US Equity	18.75%	4.50%
Non US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity		
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies		
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	<u>15.00%</u>	3.95%
Total	<u>100.00%</u>	3.96%

Discount rate

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

Sensitivity of net pension liability to changes in the discount rate

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

	<u>1% Decrease (5.25%)</u>	<u>Current discount rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
City's proportionate share of the net pension liability			
Nonhazardous	\$ 29,215,015	\$ 23,690,073	\$ 19,115,211
Hazardous	41,806,796	33,828,166	27,315,496

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 publicly available at <https://kyret.ky.gov>.

Payables to the pension plan

At June 30, 2021, there was a total payable to CERS of \$451,392 for nonhazardous and hazardous, which includes pension and OPEB contributions.

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

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, 2021, CERS allocated 4.76% of the 24.06% nonhazardous and 9.52% of the 39.58% 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, 2021, the City contributed \$355,962 and \$668,026 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, 2021, the City reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 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, 2020. At June 30, 2020, the City's proportion for nonhazardous and hazardous was 0.308789% and 1.121818%, respectively.

For the year ended June 30, 2021, the City recognized OPEB expense of approximately \$981,000 and \$1,771,000 for nonhazardous and hazardous, respectively, including an implicit subsidy of \$182,994 and \$48,715, respectively. At June 30, 2021, 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	\$ 1,245,794	\$ 1,246,767
Changes of assumptions	1,296,958	7,887
Net difference between projected and actual earnings on investments	247,831	-
Changes in proportion and differences between City contributions and proportionate share of contributions	796	133,222
City contributions subsequent to the measurement date	355,962	-
	<u>\$ 3,147,341</u>	<u>\$ 1,387,876</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 355,747	\$ 1,035,237
Changes of assumptions	1,691,217	9,552
Net difference between projected and actual earnings on investments	460,180	-
Changes in proportion and differences between City contributions and proportionate share of contributions	73,838	86,930
City contributions subsequent to the measurement date	668,026	-
	<u>\$ 3,249,008</u>	<u>\$ 1,131,719</u>

At June 30, 2021, the City reported deferred outflows of resources related to OPEB for City contributions subsequent to the measurement date of \$355,962 and \$668,026 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

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

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2022	\$ 374,935	\$ 403,206
2023	448,278	150,817
2024	307,846	375,599
2025	297,064	357,508
2026	(24,620)	162,133
Thereafter	-	-
	<u>\$ 1,403,503</u>	<u>\$ 1,449,263</u>

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	24 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	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Post-65	Initial trend starting at 2.90% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

The assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation..

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

weighting the expected future real rate of return by the target asset allocation percentage. 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>
Growth		
US Equity	18.75%	4.50%
Non US Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity		
Core Bonds	13.50%	-0.25%
Cash	1.00%	-0.75%
Diversifying Strategies		
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	<u>15.00%</u>	3.95%
Total	<u>100.00%</u>	3.96%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.34%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' 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 System, calculated using the discount rate of 5.34%, 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 (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

	<u>1% Decrease (4.34%)</u>	<u>Current discount rate (5.34%)</u>	<u>1% Increase (6.34%)</u>
City's proportionate share of the net OPEB liability			
Nonhazardous	\$ 9,579,176	\$ 7,456,315	\$ 5,712,739

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 5.30%, 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 (4.30%) or 1-percentage-point higher (6.30%) than the current rate:

	<u>1% Decrease (4.30%)</u>	<u>Current discount rate (5.30%)</u>	<u>1% Increase (6.30%)</u>
City's proportionate share of the net OPEB liability			
Hazardous	\$ 14,072,637	\$ 10,366,782	\$ 7,380,616

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	\$ 5,773,052	\$ 7,456,315	\$ 9,498,995
Hazardous	7,408,407	10,366,782	14,003,851

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 publicly available at <https://kyret.ky.gov>.

Payables to the OPEB plan

At June 30, 2021, there was a total payable to CERS of \$451,392 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, 2021:

<u>Governmental Activities</u>	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2021</u>	<u>Due Within One Year</u>
General Obligation Bond Series 2015	\$ 1,860,000	\$ -	\$ 145,000	\$ 1,715,000	\$ 175,000
General Obligation Bond Series 2017	4,155,000	-	175,000	3,980,000	180,000
General Obligation Bond Series 2021	-	11,170,000	-	11,170,000	425,000
Capital lease - Police Station	3,247,252	-	3,247,252	-	-
Capital lease - Melody Mtn. Phase II	1,275,834	-	72,085	1,203,749	75,000
Premium on bonds	125,488	1,815,487	9,512	1,931,463	-
Compensated absences obligation	881,287	38,910	5,713	914,484	-
Total Governmental Activities	<u>\$ 11,544,861</u>	<u>\$ 13,024,397</u>	<u>\$ 3,654,562</u>	<u>\$ 20,914,696</u>	<u>\$ 855,000</u>

<u>Business-type Activities</u>	Balance <u>June 30, 2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2021</u>	Due Within <u>One Year</u>
Revenue & Improvement Bond Series 2013	\$ 1,945,000	\$ -	\$ 465,000	\$ 1,480,000	\$ 480,000
Water & Sewer Revenue Bond Series 2015	2,670,000	-	210,000	2,460,000	215,000
Water & Sewer Revenue Bond Series 2020	-	11,500,000	340,000	11,160,000	460,000
Capital lease - Radio Meters	1,019,167	-	112,084	907,083	115,000
KIA Loan	1,222,339	-	233,652	988,687	238,939
KIA Loan	4,767,930	-	310,944	4,456,986	317,193
Premium on bonds	85,344	-	7,758	77,586	-
Discount on bonds	<u>(8,900)</u>	<u>(24,060)</u>	<u>(5,373)</u>	<u>(27,587)</u>	<u>-</u>
Total Business-type Activities	<u>\$ 11,700,880</u>	<u>\$11,475,940</u>	<u>\$ 1,674,065</u>	<u>\$ 21,502,755</u>	<u>\$ 1,826,132</u>

At June 30, 2021, the City was required to have \$1,496,225 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 \$352,000 set aside for the costs of extensions, improvements, renewals and replacements to the sewer system. As of June 30, 2021, the City had reserve funds of \$1,848,225.

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 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, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 175,000	\$ 48,825	\$ 223,825
2023	150,000	43,950	193,950
2024	160,000	39,300	199,300
2025	165,000	34,425	199,425
2026	165,000	29,475	194,475
2027-2031	900,000	69,000	969,000
	<u>\$ 1,715,000</u>	<u>\$ 264,975</u>	<u>\$ 1,979,975</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, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 180,000	\$ 116,700	\$ 296,700
2023	190,000	111,150	301,150
2024	195,000	105,375	300,375
2025	200,000	99,450	299,450
2026	205,000	93,375	298,375
2027-2031	1,125,000	369,225	1,494,225
2032-2036	1,305,000	187,125	1,492,125
2037-2038	580,000	17,550	597,550
	<u>\$ 3,980,000</u>	<u>\$ 1,099,950</u>	<u>\$ 5,079,950</u>

General Obligation Bond Series 2021

On June 22, 2021, the City issued \$11,170,000 in general obligation bonds with an average rate of 5.0% to terminate the lease agreement with the Kentucky League of Cities Funding Trust for the police station constructed in 2008 and to finance various capital improvements. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$415,059. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2031 using the straight-line method

The 2021 Series bonds were sold at a premium of \$1,815,487, which is being amortized over the life of the bonds.

The annual requirements to amortize the indebtedness at June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 425,000	\$ 242,972	\$ 667,972
2023	975,000	481,450	1,456,450
2024	1,025,000	432,700	1,457,700
2025	1,080,000	381,450	1,461,450
2026	1,130,000	327,450	1,457,450
2027-2031	6,535,000	757,750	7,292,750
	<u>\$ 11,170,000</u>	<u>\$ 2,623,772</u>	<u>\$ 13,793,772</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>
2022	\$ 75,000	\$ 42,653	\$ 117,653
2023	77,084	40,216	117,300
2024	80,000	37,710	117,710
2025	82,084	35,110	117,194
2026	85,000	32,443	117,443
2027-2031	473,332	117,100	590,432
2032-2035	331,249	27,628	358,877
	<u>\$ 1,203,749</u>	<u>\$ 332,860</u>	<u>\$ 1,536,609</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, 2021, are as follows:

	<u>Accrued Long-Term Obligation</u>	<u>Current Obligation</u>	<u>Total Compensated Absences</u>
General Fund	\$ 895,645	\$ 176,192	\$ 1,071,837
Community Development Fund	4,181	822	5,003
Housing Assistance Fund	11,835	2,328	14,163
Floodwall Fund	2,823	555	3,378
Ashland Bus System	-	23,307	24,449
Recreation Fund	-	15,218	9,289
Cemetery Fund	-	7,864	7,605
Utility Fund	-	223,747	211,500
	<u>\$ 914,484</u>	<u>\$ 450,033</u>	<u>\$ 1,364,517</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, 2021, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$201 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 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, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 480,000	\$ 31,855	\$ 511,855
2023	490,000	22,255	512,255
2024	510,000	11,475	521,475
	<u>\$ 1,480,000</u>	<u>\$ 65,585</u>	<u>\$ 1,545,585</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, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 215,000	\$ 75,175	\$ 290,175
2023	220,000	68,725	288,725
2024	230,000	62,125	292,125
2025	235,000	55,225	290,225
2026	240,000	48,175	288,175
2027-2030	1,320,000	127,250	1,447,250
	<u>\$ 2,460,000</u>	<u>\$ 436,675</u>	<u>\$ 2,896,675</u>

Water & Sewer Revenue Bonds Series 2020

On July 7, 2020, the City issued \$11,500,000 in revenue bonds with interest rates ranging from 2.0% to 2.5%, to finance improvements for the waterworks, water distribution, wastewater treatment and collection facilities.

The 2020 Series bonds were sold at a discount of \$24,060, which is being amortized over the life of the bonds.

The annual requirements to amortize the indebtedness at June 30, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 460,000	\$ 239,313	\$ 699,313
2023	465,000	230,113	695,113
2024	475,000	220,813	695,813
2025	485,000	211,313	696,313
2026	495,000	201,613	696,613
2027-2031	2,625,000	855,565	3,480,565
2032-2036	2,905,000	580,590	3,485,590
2037-2041	3,250,000	243,050	3,493,050
	<u>\$ 11,160,000</u>	<u>\$ 2,782,370</u>	<u>\$ 13,942,370</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>
2022	\$ 115,000	\$ 37,549	\$ 152,549
2023	117,083	33,692	150,775
2024	122,083	29,219	151,302
2025	127,083	24,030	151,113
2026	134,167	18,629	152,796
2027-2029	291,667	21,737	313,404
	<u>\$ 907,083</u>	<u>\$ 164,856</u>	<u>\$ 1,071,939</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, 2019, 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, 2021, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
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	255,529	4,320	384	260,233
	<u>\$ 988,687</u>	<u>\$ 50,706</u>	<u>\$ 4,507</u>	<u>\$ 1,043,900</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, 2021 are as follows:

Year Ending June 30,	Principal	Interest	Fees	Total
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	336,707	68,048	6,805	411,560
2026	343,474	61,280	6,128	410,882
2027-2031	1,823,748	200,026	20,003	2,043,777
2032-2034	982,224	29,662	2,966	1,014,852
	<u>\$ 4,456,986</u>	<u>\$ 602,446</u>	<u>\$ 60,245</u>	<u>\$ 5,119,677</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, 2021 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ashland Bus System	\$ 673,711
General Fund	Internal Service Fund	1,253,314
General Fund	Utility Fund	2,491,873
General Fund	Municipal Aid Road Fund	98,693
General Fund	Floodwall Operating Fund	90,780
General Fund	Community Development	573,875
General Fund	Tax Increment Fund	925,438
General Fund	Housing Assistance	48,346
Capital Project	General Fund	1,188,020
Recreation Fund	General Fund	149,577
Cemetery Fund	General Fund	298,748
Police & Firefighters Pension Fund	General Fund	258,698
Utility Pension Fund	Utility Fund	2,151,595
Total		<u>\$ 10,202,668</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	\$ 16,679
Operating	General	Recreation	Operations	1,448,349
Operating	General	Capital Projects	Capital Purchases	1,163,789
Operating	General	Cemetery	Operations	195,611

(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.

The City receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the City.

(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, 2021, the City paid \$574,833 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 that there is no amount due 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, 2021, the City has \$7,665,578 restricted for the sewer improvements.

Construction Projects

The City is obligated on commitments for various contracts in progress at June 30, 2021. A summary of these commitments is as follows:

Total Approved Contracts	\$ 5,295,215
Paid or Accrued to Date	<u>3,514,233</u>
Outstanding Commitments	<u>\$ 1,780,982</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 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, 2021, additional general property taxes of \$55,383 and occupational license fees of \$43,772 were collected and not available to the City.

(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 \$112,515 reported in the Internal Service Fund at June 30, 2021, 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 2020 and 2021 were:

	Beginning of Fiscal Year Liability	Current Year Claims	Claim Payments	Balance At Fiscal Year End
2020	\$ 961,038	\$ 5,178,132	\$ 5,733,294	\$ 405,876
2021	405,876	2,863,348	3,156,709	112,515

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. Effective January 1, 2021, only members of the City’s fire department are eligible to participate in the HRA. However, employees previously eligible to participate may continue to utilize any unused account balance. Amounts charged to Internal Service Fund operating expenses under the provisions of the HRA for the year ended June 30, 2021 totaled (\$132,317), due to forfeiture of unused account balances by terminated employees.

(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, 2021, the Ashland Bus Fund had a negative net position of \$753,609. This deficit resulted from the fund's proportionate share of the net pension and OPEB liabilities recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

As of June 30, 2021, the Tax Increment Financing Fund had a negative fund balance of \$895,031. 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, 2021

UTILITY EMPLOYEES PENSION FUND								POLICEMEN AND FIREFIGHTERS PENSION FUND						
Amount Contributed	ADC	Contribution Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll		Annual* M-W Rate of Return, net		Amount Contributed	ADC	Contribution Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll		Annual* M-W Rate of Return, net
				ARC	Amount Contributed							ARC	Amount Contributed	
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%
2020	604,364	410,659	(193,705)	**N/A	**N/A	**N/A	1.31%	323,671	323,671	-	**N/A	**N/A	**N/A	2.23%
2021	716,227	410,659	(305,568)	**N/A	**N/A	**N/A	0.34%	602,874	230,236	(372,638)	**N/A	**N/A	**N/A	0.49%

* 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, 2021**

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)
UTILITY EMPLOYEES PENSION FUND						
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
06/30/20	2,917,710	8,747,108	5,829,398	33.4%	**N/A	**N/A
06/30/21 *	2,944,978	9,162,270	6,217,292	32.1%	**N/A	**N/A
POLICEMEN AND FIREFIGHTERS PENSION FUND						
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
06/30/20 *	1,253,053	3,318,470	2,065,417	37.8%	**N/A	**N/A
06/30/21	1,569,552	2,779,158	1,209,606	56.5%	**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, 2021

	UTILITY EMPLOYEES PENSION FUND							
	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY								
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	251,158	266,520	263,270	283,228	400,459	417,961	482,003	353,293
Effect of changes in benefit terms	-	(262,413)	457,843	(274,194)	(265,792)	(312,246)	-	848,025
Difference in expected and actual experience	220,253	167,553	4,302	(2,629)	(950,704)	205,645	66,792	(108,429)
Effect of changes in assumptions	636,404	-	55,714	-	944,652	-	3,246,184	-
Benefit payments	(692,653)	(673,198)	(672,298)	(670,968)	(732,480)	(768,315)	(753,040)	(731,999)
Net change in total pension liability	415,162	(501,538)	108,831	(664,563)	(603,865)	(456,955)	3,041,939	360,890
Total pension liability, beginning of year	8,747,108	9,248,646	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)	9,162,270	8,747,108	9,248,646	9,139,815	9,804,378	10,408,243	10,865,198	7,823,259
FIDUCIARY NET POSITION								
Employer contributions	\$ 716,227	\$ 604,364	\$ 845,798	\$ 1,010,604	\$ 737,240	\$ 782,736	\$ 728,300	\$ 650,912
Member contributions	-	-	-	-	-	-	-	-
Investment income, net of investment expenses	5,971	35,937	47,448	29,588	10,513	10,395	4,570	879
Benefit payments and refund of contributions	(692,653)	(673,198)	(672,298)	(670,968)	(732,480)	(768,315)	(753,040)	(731,999)
Administrative expenses	(2,277)	(5,192)	(2,279)	(5,193)	(2,310)	(5,102)	(2,212)	(6,360)
Net change in plan fiduciary net position	27,268	(38,089)	218,669	364,031	12,963	19,714	(22,382)	(86,568)
Fiduciary net position, beginning of year	2,917,710	2,955,799	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)	2,944,978	2,917,710	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>\$ 6,217,292</u>	<u>\$ 5,829,398</u>	<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, 2021

	POLICEMEN AND FIREFIGHTERS PENSION FUND							
	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY								
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	79,063	101,634	110,730	157,057	186,525	237,867	249,990	199,178
Effect of changes in benefit terms	-	(94,919)	224,367	(106,452)	(124,206)	(136,189)	-	436,571
Difference in expected and actual experience	(330,454)	(86,978)	(314,821)	(247,741)	(368,001)	(100,203)	24,498	(28,280)
Effect of changes in assumptions	-	154,488	-	324,422	-	380,261	966,202	14,282
Benefit payments	(287,921)	(313,205)	(335,644)	(394,671)	(473,998)	(478,260)	(562,644)	(582,431)
Net change in total pension liability	(539,312)	(238,980)	(315,368)	(267,385)	(779,680)	(96,524)	678,046	39,320
Total pension liability, beginning of year	3,318,470	3,557,450	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)	2,779,158	3,318,470	3,557,450	3,872,818	4,140,203	4,919,883	5,016,407	4,338,361
FIDUCIARY NET POSITION								
Employer contributions	\$ 602,874	\$ 323,671	\$ 521,302	\$ 949,776	\$ 419,610	\$ 419,610	\$ 411,220	\$ 316,277
Member contributions	-	-	-	-	-	-	-	-
Investment income, net of investment expenses	6,364	23,230	12,563	7,327	5,107	3,994	3,787	857
Benefit payments and refund of contributions	(287,921)	(313,205)	(335,644)	(394,671)	(473,998)	(478,260)	(562,644)	(582,431)
Administrative expenses	(4,818)	(1,900)	(5,969)	(2,001)	(4,672)	(2,027)	(4,554)	(3,195)
Net change in plan fiduciary net position	316,499	31,796	192,252	560,431	(53,953)	(56,683)	(152,191)	(268,492)
Fiduciary net position, beginning of year	1,253,053	1,221,257	1,029,005	468,574	522,527	579,210	731,401	999,893
Fiduciary net position, end of year (b)	1,569,552	1,253,053	1,221,257	1,029,005	468,574	522,527	579,210	731,401
Net pension liability, ending = (a)-(b)	<u>\$ 1,209,606</u>	<u>\$ 2,065,417</u>	<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, 2021**

	Reporting Fiscal Year (Measurement Date)					
	2021 (2020)		2020 (2019)		2019 (2018)	
	<u>Nonhaz.</u>	<u>Hazardous</u>	<u>Nonhaz.</u>	<u>Hazardous</u>	<u>Nonhaz.</u>	<u>Hazardous</u>
PENSION						
City's proportion of the net pension liability	0.30887%	1.12199%	0.30736%	1.10540%	0.31496%	1.11871%
City's proportionate share of the net pension liability	\$ 23,690,073	\$ 33,828,166	\$ 21,616,977	\$ 30,534,523	\$ 19,181,719	\$ 27,055,399
City's covered payroll	\$ 7,436,891	\$ 6,785,778	\$ 7,115,364	\$ 6,506,066	\$ 7,019,185	\$ 6,513,275
City's proportionate share of the net pension liability as a percentage of its covered payroll	318.548%	498.516%	303.807%	469.324%	273.276%	415.389%
Plan fiduciary net position as a percentage of the total pension liability	47.81%	44.11%	50.45%	46.63%	53.54%	49.26%
INSURANCE FUND						
City's proportion of the net OPEB liability	0.30879%	1.12182%	0.30746%	1.10545%	0.31499%	1.11901%
City's proportionate share of the net OPEB liability	\$ 7,456,315	\$ 10,366,782	\$ 5,171,305	\$ 8,178,810	\$ 5,592,603	\$ 7,978,052
City's covered payroll	\$ 7,436,891	\$ 6,785,778	\$ 7,115,364	\$ 6,506,066	\$ 7,019,185	\$ 6,513,275
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	100.261%	152.772%	72.678%	125.711%	79.676%	122.489%
Plan fiduciary net position as a percentage of the total OPEB liability	51.67%	58.84%	60.44%	64.44%	57.62%	64.24%

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 (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021**

	Reporting Fiscal Year (Measurement Date)							
	2018 (2017)		2017 (2016)		2016 (2015)		2015 (2014)	
	<u>Nonhaz.</u>	<u>Hazardous</u>	<u>Nonhaz.</u>	<u>Hazardous</u>	<u>Nonhaz.</u>	<u>Hazardous</u>	<u>Nonhaz.</u>	<u>Hazardous</u>
PENSION								
City's proportion of the net pension liability	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	\$ 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	\$ 7,086,423	\$ 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	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	53.30%	49.80%	55.50%	53.95%	59.97%	57.52%	66.80%	63.46%
INSURANCE FUND								
City's proportion of the net OPEB liability	0.31601%	1.12239%						
City's proportionate share of the net OPEB liability	\$ 6,352,862	\$ 9,278,454						
City's covered payroll	\$ 7,086,423	\$ 6,630,921						
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	89.648%	139.927%						
Plan fiduciary net position as a percentage of the total OPEB liability	52.40%	59.00%						

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

**CITY OF ASHLAND
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>2021</u>		<u>2020</u>		<u>2019</u>		<u>2018</u>	
	<u>Nonhaz.</u>	<u>Hazardous</u>	<u>Nonhaz.</u>	<u>Hazardous</u>	<u>Nonhaz.</u>	<u>Hazardous</u>	<u>Nonhaz.</u>	<u>Hazardous</u>
PENSION								
Contractually required contribution	\$1,443,287	\$2,109,330	\$1,435,320	\$2,039,805	\$1,154,112	\$1,617,408	\$1,016,378	\$1,445,947
Contributions in relation to the contractually required contribution	<u>1,443,287</u>	<u>2,109,330</u>	<u>1,435,320</u>	<u>2,039,805</u>	<u>1,154,112</u>	<u>1,617,408</u>	<u>1,016,378</u>	<u>1,445,947</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
City's covered payroll	\$7,478,171	\$7,017,066	\$7,436,891	\$6,785,778	\$7,115,364	\$6,506,066	\$7,019,185	\$6,513,275
City's contributions as a percentage of its covered payroll	19.30%	30.06%	19.30%	30.06%	16.22%	24.86%	14.48%	22.20%
INSURANCE FUND								
Contractually required contribution	\$ 355,962	\$ 668,026	\$ 353,996	\$ 646,008	\$ 374,311	\$ 681,680	\$ 329,818	\$ 609,123
Contributions in relation to the contractually required contribution	<u>355,962</u>	<u>668,026</u>	<u>353,996</u>	<u>646,008</u>	<u>374,311</u>	<u>681,680</u>	<u>329,818</u>	<u>609,123</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
City's covered payroll	\$7,478,171	\$7,017,066	\$7,436,891	\$6,785,778	\$7,115,364	\$6,506,066	\$7,019,185	\$6,513,275
City's contributions as a percentage of its covered payroll	4.76%	9.52%	4.76%	9.52%	5.26%	10.47%	4.70%	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
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021**

	2017		2016		2015		2014	
	<u>Nonhaz.</u>	<u>Hazardous</u>	<u>Nonhaz.</u>	<u>Hazardous</u>	<u>Nonhaz.</u>	<u>Hazardous</u>	<u>Nonhaz.</u>	<u>Hazardous</u>
PENSION								
Contractually required contribution	\$ 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>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	\$7,086,423	\$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	13.95%	21.71%	12.42%	20.26%	12.75%	20.73%	13.74%	21.77%
INSURANCE FUND								
Contractually required contribution	\$ 334,812	\$ 619,902						
Contributions in relation to the contractually required contribution	<u>334,812</u>	<u>619,902</u>						
Contribution deficiency (excess)	-	-						
City's covered payroll	\$7,086,423	\$6,630,921						
City's contributions as a percentage of its covered payroll	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, 2021

(1) CHANGES OF ASSUMPTIONS

UTILITY EMPLOYEES PENSION FUND

In the 2021 valuation, the expected investment rate of return was reduced from 3.0% to 2.25%, 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 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 2020 valuation, the expected investment rate of return was reduced from 3.0% to 2.5%, 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 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.

CITY OF ASHLAND
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - PENSION PLANS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

- 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%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.05%-10.30% for nonhazardous and 3.55% - 19.05% for hazardous (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

(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	2.5%, net of pension plan investment expense, including inflation

CITY OF ASHLAND
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - PENSION PLANS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

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	2.25%, 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 2018, determined as of July 1, 2017. 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 for the year ending June 30, 2019:

Experience Study	July 1, 2013 – June 30, 2018
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	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase - Nonhazardous	3.30% to 11.55%, varies by service
Salary Increase - Hazardous	3.05% to 18.55%, varies by service
Investment Rate of Return	6.25%, 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)

(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 2019.

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 2019.

CITY OF ASHLAND
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - PENSION PLANS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021

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, 2019 is determined using these updated benefit provisions.

CITY OF ASHLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLANS

FOR THE YEAR ENDED JUNE 30, 2021

(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%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% for nonhazardous and 3.55% - 19.05% for hazardous (varies by service.)
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

(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, 2020:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	25 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 - Nonhazardous	3.30% to 11.55%, varies by service
Salary Increase - Hazardous	3.05% to 18.55%, varies by service

CITY OF ASHLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLANS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2021

Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)
Phase-in Provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous and hazardous.

(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, 2019, 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, 2021

	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	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
General government	1,525	-	1,525	3,409	(1,884)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	1,028,217	391,793	1,420,010	910,687	509,323
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	1,029,742	391,793	1,421,535	914,096	507,439
Excess (deficiency) of revenues over (under) expenditures	(1,029,742)	(391,793)	(1,421,535)	(914,096)	507,439
Other Financing Sources (Uses)					
Transfers in	1,029,742	391,793	1,421,535	1,163,789	(257,746)
Total other financing sources (uses)	1,029,742	391,793	1,421,535	1,163,789	(257,746)
Net change in fund balance	-	-	-	249,693	249,693
Fund balance beginning of year	850,000	-	850,000	850,000	-
Fund balance end of year	\$ 850,000	\$ -	\$ 850,000	\$ 1,099,693	\$ 249,693

CITY OF ASHLAND

GENERAL FUND

BALANCE SHEET

JUNE 30, 2021

ASSETS

Cash	\$ 4,198,379
Taxes receivable	2,943,817
Allowance for uncollectible taxes	(487,229)
Grants receivable	588,292
Due from other funds	6,156,030
Bond proceeds receivable	9,034,671
Other receivables	352,782
Prepaid items	621,090
Inventories - supplies	196,461
	<hr/>
Total assets	<u><u>\$ 23,604,293</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 433,800
Due to other funds	1,895,043
Due to Board of Education	52,812
Accrued compensated absences	176,192
Accrued expenses	584,052
	<hr/>
Total liabilities	<u>3,141,899</u>

Fund Balance:

Non-spendable	817,551
Restricted for grant programs	588,292
Committed	9,034,671
Unassigned	10,021,880
	<hr/>
Total fund balance	<u>20,462,394</u>
	<hr/>
Total liabilities and fund balance	<u><u>\$ 23,604,293</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Taxes -			
General property taxes	\$ 4,456,541	\$ 5,060,873	\$ 604,332
Penalties and interest	33,500	5,380	(28,120)
Delinquent taxes	175,000	224,055	49,055
Vehicle property taxes	411,925	430,457	18,532
Bank franchise taxes	165,600	194,623	29,023
Other franchise taxes	149,140	39,962	(109,178)
Insurance premium taxes	4,002,300	4,257,533	255,233
Total taxes	<u>9,394,006</u>	<u>10,212,883</u>	<u>818,877</u>
Licenses and permits -			
Occupational license fees	8,045,460	11,096,214	3,050,754
Business privilege licenses	887,097	2,027,749	1,140,652
Alcoholic beverage licenses	558,500	723,848	165,348
Construction permit fees	25,000	67,575	42,575
Other licenses and permits	725	540	(185)
Total licenses and permits	<u>9,516,782</u>	<u>13,915,926</u>	<u>4,399,144</u>
Charge for services -			
Garbage collection fee	2,215,435	2,288,752	73,317
Greyhound ticket sales	5,785	1,965	(3,820)
Rental revenue	60,000	56,934	(3,066)
Total charges for services	<u>2,281,220</u>	<u>2,347,651</u>	<u>66,431</u>
Fees, fines and reimbursements -			
Parking meter fees and fines	2,500	5,087	2,587
Taxes collection fees	122,750	164,667	41,917
State rebate - District Court	23,100	13,322	(9,778)
Street lighting franchise	1,031,500	1,043,991	12,491
Telecommunication franchise	278,650	282,056	3,406
Other	381,962	445,730	63,768
Total fees, fines and reimbursements	<u>1,840,462</u>	<u>1,954,853</u>	<u>114,391</u>
Other revenues -			
Police grants and revenue	74,250	84,652	10,402
Miscellaneous grants	1,257,551	1,304,933	47,382
Coal severance - LGEA	-	200	200
Interest earned	2,750	5,614	2,864
Other	130,000	255,399	125,399
Total other revenues	<u>1,464,551</u>	<u>1,650,798</u>	<u>186,247</u>
Total revenues	<u>24,497,021</u>	<u>30,082,111</u>	<u>5,585,090</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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
General Government -			
Mayor and Commissioners	83,918	78,266	5,652
City Manager	153,754	154,560	(806)
City Clerk/Legal	208,116	215,114	(6,998)
Human Resources	226,577	212,017	14,560
Unclassified	3,583,864	1,622,340	1,961,524
	<u>4,256,229</u>	<u>2,282,297</u>	<u>1,973,932</u>
Department of Finance -			
Director of Finance	539,213	512,535	26,678
Data Processing	26,138	26,062	76
	<u>565,351</u>	<u>538,597</u>	<u>26,754</u>
Department of Public Services -			
Director of Public Services	18,390	16,845	1,545
Street maintenance	2,489,339	2,312,804	176,535
Sanitation services	1,477,483	1,359,715	117,768
Central garage	321,619	316,980	4,639
Animal control	82,051	72,551	9,500
	<u>4,388,882</u>	<u>4,078,895</u>	<u>309,987</u>
Department of Planning and Economic Development -			
Planning and Code Enforcement	385,946	363,604	22,342
Economic Development	148,841	135,624	13,217
	<u>534,787</u>	<u>499,228</u>	<u>35,559</u>
Department of Police -			
Technical services	1,825,826	1,802,468	23,358
Field operations	3,808,798	3,443,895	364,903
	<u>5,634,624</u>	<u>5,246,363</u>	<u>388,261</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, 2021

	Budget	Actual	Variance
Department of Fire	6,524,005	6,161,341	362,664
Department of Engineering	168,379	130,054	38,325
Debt Service	626,679	4,354,082	(3,727,403)
Total expenditures	22,698,936	23,290,857	(591,921)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,798,085	6,791,254	4,993,169
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of debt	-	11,170,000	11,170,000
Proceeds from issuance of debt - premium	-	1,815,487	1,815,487
Transfer to Capital Projects Fund	(1,421,535)	(1,163,789)	257,746
Transfer to Tax Increment Finance Fund	(235,296)	-	235,296
Transfer to Recreation Fund	(1,443,652)	(1,448,349)	(4,697)
Transfer to Ashland Bus Fund	-	(16,679)	(16,679)
Transfer to Ashland Cemetery Fund	(17,025)	(195,611)	(178,586)
Total other financing sources (uses)	(3,117,508)	10,161,059	13,278,567
NET CHANGE IN FUND BALANCE	(1,319,423)	16,952,313	18,271,736
FUND BALANCE, June 30, 2020	3,510,081	3,510,081	-
FUND BALANCE, June 30, 2021	\$ 2,190,658	\$ 20,462,394	\$ 18,271,736

CITY OF ASHLAND

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

JUNE 30, 2021

	Land & Buildings	Building Improvements	Automotive Equipment	Operating Equipment	Office Furniture & Equipment	Capital Improvements	Infrastructure	CIP	Total
Dept of General Gov't	\$ 3,789,270	\$ 1,833,433	\$ 61,332	\$ 86,741	\$ 274,077	\$ 106,963	\$ 11,915,776	\$ -	\$ 18,067,592
Dept of Finance	-	-	28,384	56,243	47,120	-	-	-	131,747
Dept of Public Services	15,940,185	747,366	434,733	3,644,387	64,281	2,767,209	53,559,783	70,853	77,228,797
Dept of Planning & Community Development	-	-	93,220	6,799	15,740	-	-	-	115,759
Department of Police	4,949,556	246,711	2,430,217	620,182	129,187	19,350	-	-	8,395,203
Department of Fire	3,869,126	235,843	3,718,059	529,550	33,830	-	-	-	8,386,408
Department of Engineering	-	-	89,856	11,595	67,190	74,458	-	-	243,099
Floodwall Operations	15,121	16,048	86,511	153,477	-	-	-	-	271,157
Community Development	243,868	117,420	-	-	18,623	-	1,324,680	-	1,704,591
Housing Assistance Programs	150,033	12,950	-	-	19,646	-	-	-	182,629
	<u>\$ 28,957,159</u>	<u>\$ 3,209,771</u>	<u>\$ 6,942,312</u>	<u>\$ 5,108,974</u>	<u>\$ 669,694</u>	<u>\$ 2,967,980</u>	<u>\$ 66,800,239</u>	<u>\$ 70,853</u>	<u>\$ 114,726,982</u>

CITY OF ASHLAND

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

JUNE 30, 2021

Land and buildings	\$ 28,957,159
Building improvements	3,209,771
Automotive equipment	6,942,312
Operating equipment	5,108,974
Office furniture and equipment	669,694
Capital improvements	2,967,980
Infrastructure	66,800,239
Construction in progress	<u>70,853</u>
Total	<u>\$ 114,726,982</u>
Investment in capital assets by source	
General Fund	\$ 76,882,544
Special Revenue Funds	9,402,403
Capital Projects Fund	<u>28,442,035</u>
Total	<u>\$ 114,726,982</u>

CITY OF ASHLAND
ASHLAND PLANNING AND CDA (KY142)
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2021

	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Total
111 Cash - Unrestricted	\$ 126,894	\$ -	\$ 126,894
113 Cash - Other Restricted	331,666	92,858	424,524
100 Total Cash	458,560	92,858	551,418
124 Accounts Receivable - Other Government	-	-	-
128 Fraud Recovery	75,341	-	75,341
128.1 Allowance for Doubtful Accounts - Fraud	(68,084)	-	(68,084)
120 Total Receivables, Net of Allowances for Doubtful Accounts	7,257	-	7,257
150 Total Current Assets	465,817	92,858	558,675
162 Buildings	162,983	-	162,983
164 Furniture, Equipment & Machinery - Administration	19,646	-	19,646
166 Accumulated Depreciation	(110,480)	-	(110,480)
160 Total Capital Assets, Net of Accumulated Depreciation	72,149	-	72,149
180 Total Non-Current Assets	72,149	-	72,149
200 Deferred Outflow of Resources	-	-	-
290 Total Assets and Deferred Outflow of Resources	\$ 537,966	\$ 92,858	\$ 630,824
312 Accounts Payable <= 90 Days	\$ 6,693	\$ -	\$ 6,693
321 Accrued Wage/Payroll Taxes Payable	1,948	-	1,948
322 Accrued Compensated Absences - Current Portion	2,328	-	2,328
333 Accounts Payable - Other Government	48,346	-	48,346
342 Unearned Revenue	278,297	92,858	371,155
310 Total Current Liabilities	337,612	92,858	430,470
354 Accrued Compensated Absences - Non-Current	11,835	-	11,835
350 Total Non-Current Liabilities	11,835	-	11,835
300 Total Liabilities	349,447	92,858	442,305
400 Deferred Inflow of Resources	-	-	-
508.4 Net Investment in Capital Assets	72,149	-	72,149
511.4 Restricted Net Position	53,369	-	53,369
512.4 Unrestricted Net Position	63,001	-	63,001
513 Total Equity - Net Assets / Position	188,519	-	188,519
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 537,966	\$ 92,858	\$ 630,824

CITY OF ASHLAND
ASHLAND PLANNING AND CDA (KY142)
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2021

	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Total
70600 HUD PHA Operating Grants	\$ 3,369,823	\$ 31,622	\$ 3,401,445
71100 Investment Income - Unrestricted	236	-	236
70000 Total Revenue	3,370,059	31,622	3,401,681
91100 Administrative Salaries	130,373	-	130,373
91200 Auditing Fees	4,303	-	4,303
91500 Employee Benefit Contributions - Administrative	35,442	-	35,442
91800 Travel	-	-	-
91900 Other	14,020	31,622	45,642
91000 Total Operating - Administrative	184,138	31,622	215,760
93800 Other Utilities Expense	4,174	-	4,174
93000 Total Utilities	4,174	-	4,174
94200 Ordinary Maintenance and Operations - Materials and Other	17,651	-	17,651
94000 Total Maintenance	17,651	-	17,651
96110 Property Insurance	134	-	134
96120 Liability Insurance	4,164	-	4,164
96130 Workmen's Compensation	214	-	214
96140 All Other Insurance	29,404	-	29,404
96100 Total Insurance Premiums	33,916	-	33,916
96200 Other General Expenses	38,580	-	38,580
96210 Compensated Absences	84	-	84
96000 Total Other General Expenses	38,664	-	38,664
96900 Total Operating Expenses	278,543	31,622	310,165
97000 Excess of Operating Revenue Over Operating Expenses	3,091,516	-	3,091,516
97300 Housing Assistance Payments	2,975,128	-	2,975,128
97400 Depreciation Expense	3,477	-	3,477
90000 Total Expenses	3,257,148	31,622	3,288,770
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 112,911	\$ -	\$ 112,911
11020 Required Annual Debt Principal Payments	-	-	-
11030 Beginning Equity	\$ 75,608	\$ -	\$ 75,608
11170 Administrative Fee Equity	\$ 135,150	\$ -	\$ 135,150
11180 Housing Assistance Payments Equity	\$ 53,369	\$ -	\$ 53,369
11190 Unit Months Available	7,572		7,572
11210 Number of Unit Months Leased	5,856		5,856

CITY OF ASHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

<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	-	\$ 517,453	\$ 849,550
CDBG Entitlement - COVID-19	14.218	-	-	192,915
				<u>1,042,465</u> *
Housing Choice Voucher Program	14.871	-	-	3,253,587
HCV CARES Act Funding	14.HCC	-	-	31,622
				<u>3,285,209</u>
Total U.S. Department of HUD				<u>4,327,674</u>
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Federal Transit Cluster				
FTA - Operating Assistance Grant - COVID-19	20.507	-	-	1,038,491
FTA - Capital Assistance Grant	20.507	-	-	133,453
				<u>1,171,944</u> *
Passed through Kentucky Transportation Cabinet:				
Highway Planning and Construction	20.205	-	-	198,886
National Priority Safety Programs	20.616	M5HVE-2020-01	-	945
Total U.S. Department of Transportation				<u>1,371,775</u>
<u>U.S. Department of Homeland Security</u>				
Passed through Kentucky Department of Homeland Security:				
Assistance to Firefighters Grant	97.044	EMW-2019-FG-05550	-	409,091
Public Assistance Program	97.036	DR-4592	-	26,442
COVID-19 Public Assistance Program	97.036	DR-4497	-	53,640
				<u>80,082</u>
Total U.S. Department of Homeland Security				<u>489,173</u>
<u>U.S. Department of the Treasury</u>				
Passed through Department of Local Government				
COVID-19 Coronavirus Relief Fund	21.019	C3-004	-	151,814
COVID-19 Coronavirus Relief Fund	21.019	C2-043	-	453,575
Total U.S. Department of the Treasury				<u>605,389</u>
<u>Executive Office of the President</u>				
Passed through Laurel County Fiscal Court				
High Intensity Drug Trafficking Areas Program	95.001	G20AP0001A	-	42,860
Total Executive Office of the President				<u>42,860</u>
Total expenditures of Federal awards			<u>\$ 517,453</u>	<u>\$ 6,836,871</u>

* Denotes major program.

CITY OF ASHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021. 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.



**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**

Matt Perkins, 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, 2021, 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 11, 2022.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in blue ink that reads "Kelley Gallaway Smith Goodley, PSC".

Ashland, Kentucky
January 11, 2022

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

Matt Perkins, 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, 2021. 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, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance finding 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 compliance and, accordingly, we express no opinion on the response.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

The City's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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.



Ashland, Kentucky
January 11, 2022

CITY OF ASHLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

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?

____ Yes X No

Federal Awards

Internal control over major federal programs:

☐ Material weakness(es) identified?

____ Yes X No

☐ Significant deficiency(ies) identified?

X Yes ____ 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)?

X Yes ____ No

Identification of Major Programs:

CDBG Entitlement

CFDA No.

14.218

Federal Transit Cluster

20.507

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, 2021

B. FINANCIAL STATEMENT FINDINGS

None noted in the current year.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2021-001 FEDERAL COMPLIANCE - PROGRAM COMPLIANCE

Federal Program Name: Community Development Block Grant (CDBG),

Catalog of Federal Domestic Assistance Number: 14.218

Federal Agency: U.S. Department of Housing and Urban Development

Compliance Requirement: Special Tests and Provisions and Reporting

Criteria: 24 CFR 570.501(b) states that a recipient is responsible for ensuring that CDBG funds are used in accordance with all program requirements.

Condition: During the 2021 fiscal year, a remote regulatory review was performed by the U.S. Department of Housing and Urban Development (HUD) that identified compliance issues. The following is a summary of noncompliance noted during the review and while performing our procedures:

1. A construction contract was executed prior to HUD approving the Request for Release of Funds (RROF). The contract was executed on December 13, 2019 and stated that payment thereunder was "to be paid for by Community Development Block Grant (CDBG) Funds." However, the RROF was not approved by HUD until January 31, 2020.
2. The environmental assessment for the Pollard Mills Infrastructure Project had several deficiencies that required correction.
3. Eligible individuals that received utility payments from CDBG-CV funds were not informed that if they received duplicated assistance, reimbursement of the benefits received would be required.
4. The addresses of two individuals who received boxed food purchased with CDBG-CV funds were not verified to ensure they resided in an area eligible to receive benefits.
5. Reporting under the Transparency Act for subawards that exceeded the \$30,000 threshold was not completed.

Cause: Procedures were not in place to ensure compliance with program requirements.

Effect and Questioned Costs: Due to the non-compliance noted during the remote monitoring, the City was required to reimburse HUD for ineligible activities totaling \$25,844.57.

Repeat Finding: Repeat of 2020-001

CITY OF ASHLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2021

Recommendation: We recommend that the program administrator, all program staff and a representative from the Finance department obtain extensive training on CDBG program requirements. Additionally, the City should implement adequate procedures to document compliance with CDBG national objectives.

Management's Response: In response to the noted issues, the City will implement the following changes:

- The new Program and Grant Administrator will receive extensive training on environmental review procedures and will work closely with the Department of Housing and Urban Development's regional environmental review officer, as well as Ashland's certifying officer, to ensure compliance with all regulations. Additionally, the Program and Grant Administrator will review and update the project checklist containing the required steps of the environmental review, Request for Release of Funds, and the Authorization to Use Grant Funds.
- Guidance regarding duplication of services was established by HUD after the City had distributed applications for the utility assistance program, which has been discontinued. If the utility assistance program resumes, or if a similar program begins, the Program and Grant Administrator will ensure eligible individuals are informed of the requirement to reimburse duplicate assistance both verbally and in writing.
- The City of Ashland food box program has been discontinued. The City has established a contract with Ashland Community Kitchen to reimburse a food box program in the East Central CDBG target area.
- The new Program and Grant Administrator will receive extensive training regarding the Transparency Act for subawards exceeding the \$30,000 threshold to ensure compliance with future programs.



1700 Greenup Ave
PO BOX 1839
Ashland, KY 41101
www.ashlandky.gov

Mayor

Matt Perkins

Commissioners

Josh Blanton
Amanda Clark
Marty Gute
Cheryl Spriggs

**Mayor &
Commissioner's Office**

606-385-3300

City Manager

Michael S. Graese

City Manager's Office

606-385-3303

City Building Main

606-385-3400

Ashland BusSystem

606-385-3287

Assisted Housing

606-385-3327

**Community & Economic
Development**

606-385-3317

Engineering & Utilities

606-385-3332

Finance

606-385-3346

Human Resources

606-385-3312

Legal/City Clerk

606-385-3287

Parks and Recreation

606-385-3295

Public Services

606-385-3332

January 11, 2022

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,

A handwritten signature in black ink, appearing to read "Michael Graese".

Michael Graese
City Manager

CITY OF ASHLAND

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2021

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	<p>In response to the noted issues, the City will implement the following changes:</p> <ul style="list-style-type: none"> • The new Program and Grant Administrator will receive extensive training on environmental review procedures and will work closely with the Department of Housing and Urban Development's regional environmental review officer, as well as Ashland's certifying officer, to ensure compliance with all regulations. Additionally, the Program and Grant Administrator will review and update the project checklist containing the required steps of the environmental review, Request for Release of Funds, and the Authorization to Use Grant Funds. • Guidance regarding duplication of services was established by HUD after the City had distributed applications for the utility assistance program, which has been discontinued. If the utility assistance program resumes, or if a similar program begins, the Program and Grant Administrator will ensure eligible individuals are informed of the requirement to reimburse duplicate assistance both verbally and in writing. • The City of Ashland food box program has been discontinued. The City has established a contract with Ashland Community Kitchen to reimburse a food box program in the East Central CDBG target area. • The new Program and Grant Administrator will receive extensive training regarding the Transparency Act for subawards exceeding the \$30,000 threshold to ensure compliance with future programs. 	June 30, 2022	Chris Pullem, Community & Economic Development Director



1700 Greenup Ave
PO BOX 1839
Ashland, KY 41101
www.ashlandky.gov

Mayor

Matt Perkins

Commissioners

Josh Blanton
Amanda Clark
Marty Gute
Cheryl Spriggs

**Mayor &
Commissioner's Office**

606-385-3300

City Manager

Michael S. Graese

City Manager's Office

606-385-3303

City Building Main

606-385-3400

Ashland BusSystem

606-385-3287

Assisted Housing

606-385-3327

**Community & Economic
Development**

606-385-3317

Engineering & Utilities

606-385-3332

Finance

606-385-3346

Human Resources

606-385-3312

Legal/City Clerk

606-385-3287

Parks and Recreation

606-385-3295

Public Services

606-385-3332

January 11, 2022

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

Dear Sir or Madam:

We have prepared the accompanying summary schedule of prior audit findings as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Specifically, we are reporting the status of audit findings included in the prior audit's schedule of findings and questioned costs. This schedule also includes the status of audit findings reported in the prior audit's summary schedule of prior audit findings that were not corrected.

Sincerely,



Michael Graese
City Manager

CITY OF ASHLAND

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2021

Finding Number	Finding/Noncompliance	Status	Responsible Contact Person
2020-001	During our review of CDBG program disbursements, we noted one instance where a construction contract was executed prior to HUD approving the Request for Release of Funds (RROF). The contract was executed on December 13, 2019 and stated that payment thereunder was “to be paid for by Community Development Block Grant (CDBG) Funds.” However, the RROF was not approved by HUD until January 31, 2020.	Repeated as 2021-001	Michael Graese, City Manager