

CITY OF ASHLAND

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2008

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS



**Kelley,
Galloway &
Company, PSC**

CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Kevin Gunderson, Presiding Commissioner
City Commissioners and City Manager
City of Ashland
Ashland, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ashland, Kentucky as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the City of Ashland's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Ashland, Kentucky, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Special Revenue Funds for the year then ended, in conformity with accounting principles generally accepted the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2008 on our consideration of the City of Ashland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis information and Schedules of Funding Progress on pages 5 through 15 and page 49, is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of

inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ashland's basic financial statements. The supplemental information contained on pages 50 through 59, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the accompanying schedule of expenditures of federal awards contained on pages 60 and 61 is presented for purposes of additional analysis as required by *U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Kelley, Gallenzy & Company, PSC

November 18, 2008

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, 2008. This information should be read in conjunction with the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS

- ⇒ The assets of the Government exceeded its liabilities at the end of the fiscal year by \$92,324,547 (net assets). Governmental activities' unrestricted net assets were \$7,129,760. Business type activities' unrestricted net assets were \$(74,930).
- ⇒ The Government's total net assets increased by \$1,004,046. Net assets of governmental activities increased by \$1,208,318, and net assets of business-type activities decreased by \$(204,272).
- ⇒ At June 30, 2008, the governmental activities had \$67,341,650 in assets and \$9,952,938 in liabilities. Business type activities had \$49,924,100 in assets and \$14,988,265 in liabilities.

OVERVIEW OF FINANCIAL STATEMENTS

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

REPORTING THE GOVERNMENT AS A WHOLE

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

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

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

The Statement of Net Assets presents information on all the Government's assets and liabilities as of June 30, 2008. The net assets are the differences between assets and liabilities. Over time an increase or decrease in net assets is one indicator of whether financial health is improving or deteriorating. Information on other factors such as changes in the revenue structure and the condition of the Government's assets is also needed to assess the overall financial position of the Government.

The Statement of Activities presents the Government's annual revenues and expenses, as well as any other transactions that increase or reduce net assets. Program revenues are offset by program expenses to provide better information as to program costs financed by general government revenues.

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

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

Business-type activities - Activities primarily paid for from charges and fees to cover the cost of services are reported here. This includes water production, sanitary sewer services, Ashland bus system and recreation operating 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 and Recreation Operating 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 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 progress in funding its obligation to provide pension benefits to certain employees. Additionally, *Supplemental Information* includes more detail on the City's General Fund, combining statements of the City's Fiduciary Funds and details of the City's capital assets, and statement of net assets and revenue and expenditures for Ashland's Housing Authority.

THE GOVERNMENT AS A TRUSTEE

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

ANALYSIS OF THE GOVERNMENT AS A WHOLE

NET ASSETS

As of June 30, 2008, the Government as a whole had net assets greater than its liabilities by \$92,324,547. Net assets of governmental activities were \$57,388,712 and increased by \$1,208,318 over the prior year. This increase was due to the delay in the Riverfront project and the positive budget variance of \$893,236 in the occupational tax and net profit revenue. Fiscal year 2007 ending governmental net assets decreased by \$621,814 due to prior period adjustments on accrued sick leave. See note 14. Of ending governmental net assets, \$45,860,177, or 80%, is invested in capital assets net of related debt, \$4,398,775 or 8% is restricted assets and unrestricted net assets are \$7,129,760 or 12%.

The net assets of the Government's business-type activities are \$34,935,835 and decreased by \$(204,272) over the prior year. Fiscal year ending 2007 business-type activities net assets increased by \$365,507 due to prior period adjustments on accrued sick leave and elimination of the accrued pension liability due to the City having a negative net pension obligation related to the Utility pension funds. See note 14. Of these net assets \$34,348,519 is invested in capital assets net of related debt, \$662,246 is restricted for debt service and \$(74,930) is unrestricted. The largest portion of the City's combined net assets (87%) reflects its investment in capital assets (i.e., land, buildings, machinery and equipment) less outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens and as a result, these assets are not available for future spending. The City's capital asset investment is reported net of related debt, but the resources to pay this debt must be provided from other sources, since the capital assets cannot be used to liquidate the liabilities.

An additional portion of City net assets, \$5,061,021, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$7,054,830, may be used to meet the City's ongoing obligation to citizens and creditors.

At the end of this fiscal year, June 30, 2008, the City has negative unrestricted net assets in its business-type activities. In Fiscal year 2009, the City raised the utility rates significantly in all rate classes. This should be a factor in bringing the business-type activities toward a positive unrestricted net asset in the future. All remaining net asset categories had positive balances.

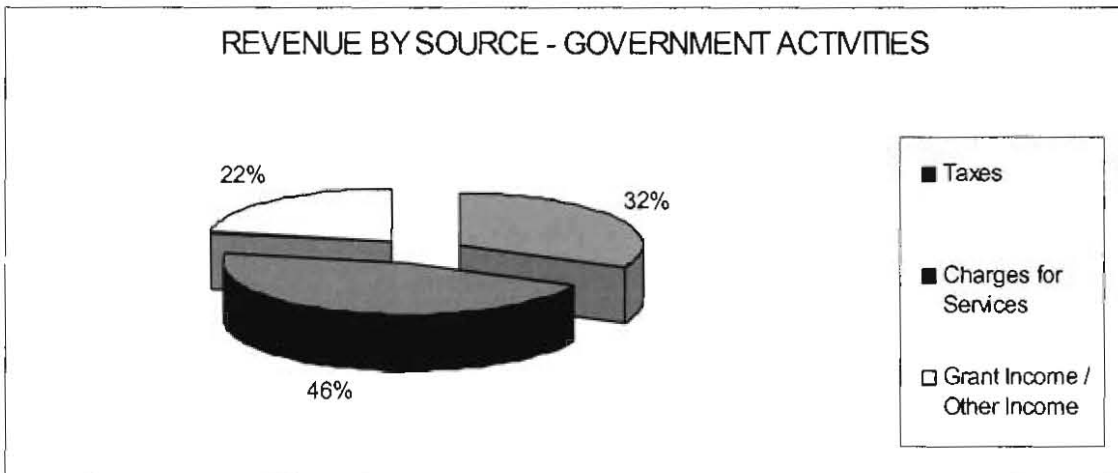
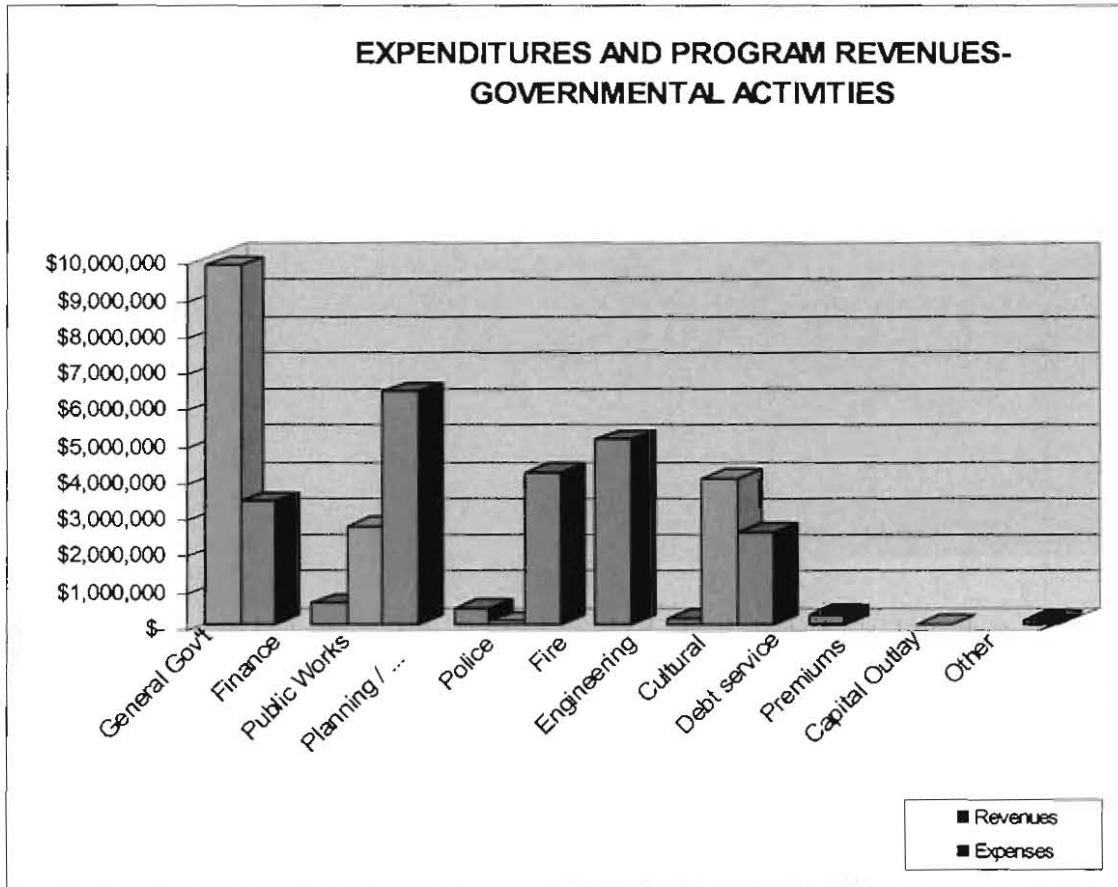
ANALYSIS OF THE CITY'S NET ASSETS

	Governmental Activities <u>2008</u>	<u>2007</u> (as restated)	Business- Type Activities <u>2008</u>	<u>2007</u> (as restated)	Total Primary Government <u>2008</u>	<u>2007</u> (as restated)
Current and other assets	\$ 16,442,904	\$ 14,803,648	\$ 3,440,314	\$ 2,331,344	\$ 19,883,218	\$ 17,134,992
Capital assets	<u>50,898,746</u>	<u>51,044,108</u>	<u>46,483,786</u>	<u>47,567,181</u>	<u>97,382,532</u>	<u>98,611,289</u>
Total assets	<u>67,341,650</u>	<u>65,847,756</u>	<u>49,924,100</u>	<u>49,898,525</u>	<u>117,265,750</u>	<u>115,746,281</u>
Liabilities	4,413,513	3,833,424	3,592,567	2,533,940	8,006,080	6,367,364
Long-term Liabilities	<u>5,539,425</u>	<u>5,833,938</u>	<u>11,395,698</u>	<u>12,224,478</u>	<u>16,935,123</u>	<u>18,058,416</u>
Total liabilities	<u>9,952,938</u>	<u>9,667,362</u>	<u>14,988,265</u>	<u>14,758,418</u>	<u>24,941,203</u>	<u>24,425,780</u>
Net assets						
Invested in capital assets net of related debt	45,860,177	49,741,383	34,348,519	34,704,680	80,208,696	84,446,063
Restricted	4,398,775	4,115,665	662,246	662,246	5,061,021	4,777,911
Unrestricted	<u>7,129,760</u>	<u>2,323,346</u>	<u>(74,930)</u>	<u>(226,819)</u>	<u>7,054,830</u>	<u>2,096,527</u>
Total net assets	<u>\$ 57,388,712</u>	<u>\$ 56,180,394</u>	<u>\$ 34,935,835</u>	<u>\$ 35,140,107</u>	<u>\$ 92,324,547</u>	<u>\$ 91,320,501</u>

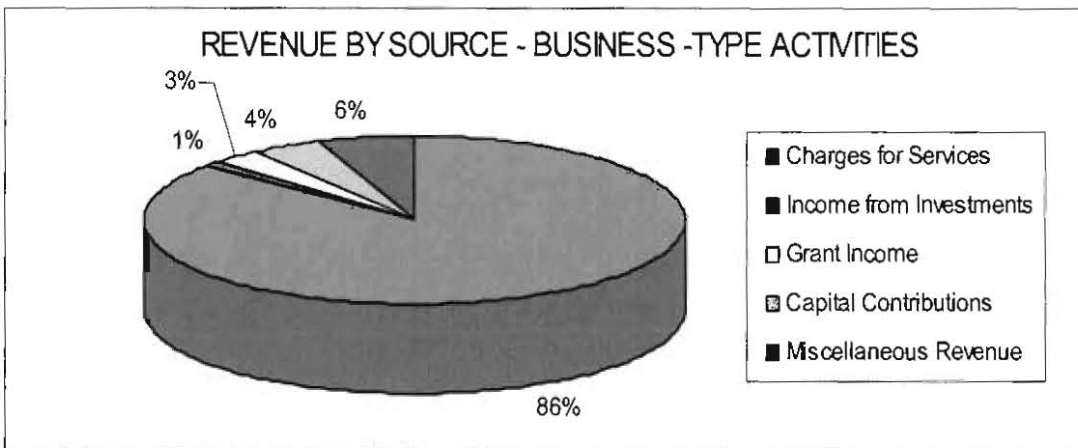
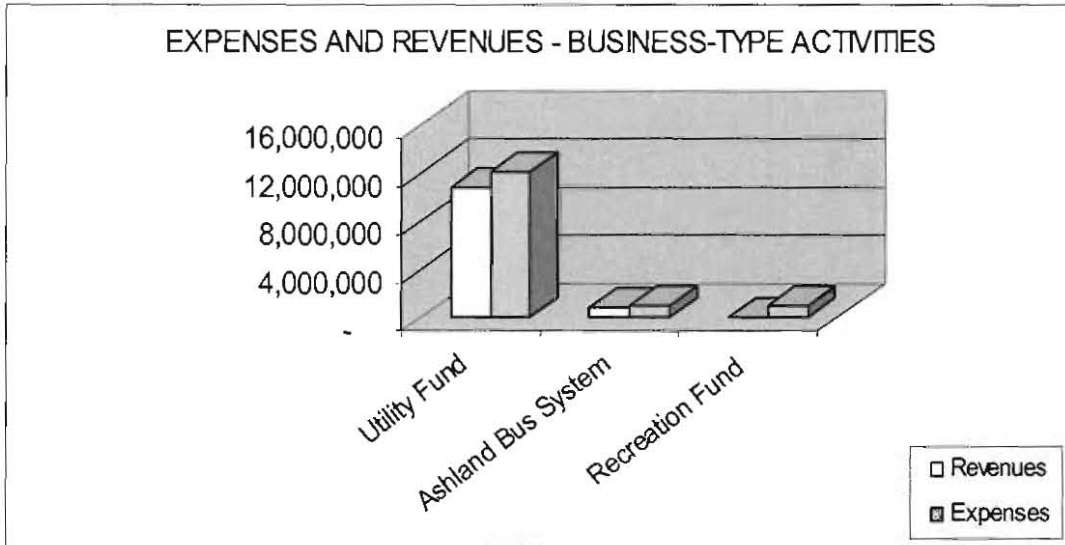
ANALYSIS OF THE CITY'S OPERATIONS

Revenues	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007 (as restated)	2008	2007 (as restated)	2008	2007 (as restated)
Taxes	\$ 8,127,228	\$ 8,109,826	\$ -	\$ -	\$ 8,127,228	\$ 8,109,826
Charges for services	11,661,049	11,007,844	10,773,449	10,461,627	22,434,498	21,469,471
Grant/other income	5,641,879	5,133,413	1,730,871	1,157,378	7,372,750	6,290,791
Total revenue	\$ 25,430,156	\$ 24,251,083	\$ 12,504,320	\$ 11,619,005	\$ 37,934,476	\$ 35,870,088
Expenses	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
General government	\$ 3,348,848	\$ 3,113,316	\$ -	\$ -	\$ 3,348,848	\$ 3,113,316
Finance	568,660	531,656	-	-	568,660	531,656
Public services	6,381,288	6,104,848	-	-	6,381,288	6,104,848
Planning/CD	438,445	635,512	-	-	438,445	635,512
Police	4,150,927	4,518,328	-	-	4,150,927	4,518,328
Fire	5,059,304	4,927,766	-	-	5,059,304	4,927,766
Engineering	152,156	152,325	-	-	152,156	152,325
Community/cultural	2,495,250	2,802,714	-	-	2,495,250	2,802,714
Debt service	229,095	220,224	-	-	259,095	220,224
Premiums/claims	-	(169,904)	-	-	-	(169,904)
Capital outlay	-	280,505	-	-	-	280,505
Other	108,539	15,938	-	-	108,539	15,938
Utility fund	-	-	12,042,313	11,820,723	12,042,313	11,820,723
Ashland bus system	-	-	931,995	887,907	931,995	887,907
Recreation operating fund	-	-	993,610	844,372	993,610	844,372
Total expense	\$ 22,962,512	\$ 23,133,228	\$ 13,967,918	\$ 13,553,002	\$ 36,930,430	\$ 36,686,230
Transfers	(1,259,326)	(1,061,162)	1,259,326	1,061,162	-	-
Change in net assets	1,208,318	56,693	(204,272)	(872,835)	1,0014,046	(816,142)
Net asset beginning of year (as restated)	56,180,394	56,123,701	35,140,107	36,012,942	91,320,501	92,136,643
Net asset end of year	\$ 57,388,712	\$ 56,180,394	\$ 34,935,835	\$ 35,140,107	\$ 92,324,547	\$ 91,320,501

GOVERNMENTAL ACTIVITIES

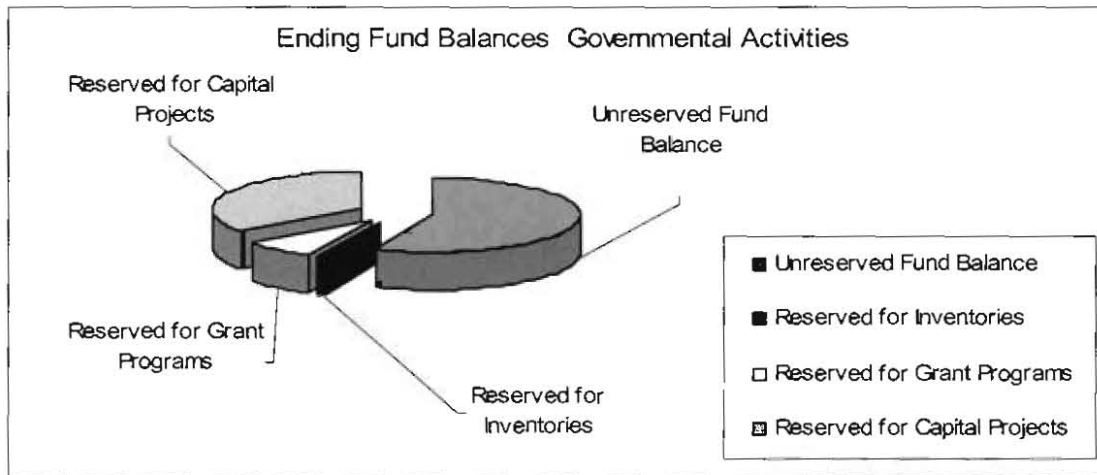


BUSINESS-TYPE ACTIVITIES



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. Unreserved fund balance serves as a useful measure of the City's net resources available for spending at the end of the fiscal year. At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$10,223,744. Of this total, \$5,732,729 or 56% is unreserved fund balance. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed for inventories @ \$92,240, grant programs @ \$786,694 and capital projects @ \$3,612,081.



MAJOR GOVERNMENTAL FUNDS

For the year ending June 30, 2008, the major governmental funds reported as follows:

The General Fund had revenues of \$21,057,629 and expenditures of \$18,251,144. The total fund balance was \$9,544,571.

The Municipal Aid Road Fund had revenues of \$670,653 and expenditures of \$575,598. The total fund balance was \$148,575.

The Floodwall Operating Fund had revenues of \$133,516 and expenditures of \$172,216. The total fund balance was \$23,218.

The Community Development Fund had revenues of \$847,822 and expenditures of \$859,841. The total fund balance was \$66,581.

The Housing Assistance Fund had revenues of \$2,720,189 and expenditures of \$2,557,390. The total fund balance was \$444,999.

The Capital Projects Fund at June 30, 2008 had revenues of \$0, other financing sources of \$1,141,435 and expenditures of \$1,224,487. The total fund balance was \$(4,200).

PROPRIETARY FUNDS

The City's proprietary funds, or business-type activities, had total assets of \$53,340,255 and total liabilities of \$18,404,420, leaving net assets of \$34,935,835. Of the total proprietary fund's net assets, the Utility fund had \$(123,465) in unrestricted net assets. The Ashland Bus System had \$ (43,534) in unrestricted net assets and the Recreation Fund had \$92,069 in unrestricted net assets. All proprietary funds are considered major funds. Total growth in net assets for the three proprietary funds was \$(204,272).

BUDGETARY HIGHLIGHTS

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

- ⇒ \$728,925 increase in net expenditures of the General Fund. This increase was for salary reallocations, salary for an additional police lieutenant, police shift rotation salary increases, transfers to the Capital Projects Fund for the Homeland Security Grants for police & fire, Construction loans, transfer to the Ashland Bus System for the City's portion of the Planning / Community development department salary reallocation and health insurance for the new database administrator.
- ⇒ \$271,057 increase in net expenditures of the Municipal Aid Fund. This increase was to account for the balance of a grant from the transportation department for upgrades to the Hilton Avenue area.
- ⇒ \$29,112 increase in the Community Development Block Grant. The increase was the difference of the reallocation of salaries and action plan projects.
- ⇒ \$23,145 increase in the Housing Assistance Voucher Program. The increase was the reallocation of salaries.
- ⇒ \$169,725 increase in the Ashland Bus System. This increase was due to the reallocation of salaries and the re-budgeting of a capital purchase.
- ⇒ \$29,966 increase in the Recreation Operating Fund. This increase was due to the first annual senior games.
- ⇒ \$311,821 increase in the Capital Projects Fund. This increase was due to the award of homeland security grants for the fire department and police department to purchase mobile data terminals and the lease purchase of a street sweeper for the street department.

The net increase in appropriations and transfers were taken from available fund balance.

Significant budget versus actual variances include the following:

- ⇒ The General Fund is the primary operating governmental fund of the City. General Fund actual revenues were \$21,057,629 versus budgeted revenues of \$27,663,520. This was due to the delay in the permitting process for the Riverfront project. Projected Riverfront revenues were \$7,085,403 and actual revenues were \$483,494 for a variance of \$6,601,909. Net Profit Revenue & Occupational Tax revenue had a positive budget variance of \$893,236, which was accomplished by continued focus on enforcing compliance and growth. Insurance premium taxes had a negative budget variance of \$252,264. Budget projections exceeded actual insurance policies sold in the city. Real, delinquent and vehicle property taxes had a positive budget variance of \$206,623 due to growth in a recently annexed area of Providence Hill and increased property tax delinquent collection efforts.
- ⇒ General Fund significant expenditure variances include the Riverfront grant budgeted expenditures of \$7,935,403 and actual expenditures of \$613,803 which is a budget variance of \$7,231,600 in the Grants and projects division in the General Government department. Also,

the Fire department Fiscal Year 2008 budget was \$4,633,712 and actual expenditures of \$4,941,826 with a negative budget variance of \$308,114 or 6.64%. This was mostly attributed to overages in personnel costs partially due to employees on extended worker's compensation and family medical leave. Also, early in Fiscal Year 2008 the Fire department had several new employees still in training and did not work normally scheduled turns.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for governmental and business-type activities as of June 30, 2008 is \$97,382,532 (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, 2008 include:

<u>Project</u>	<u>Cost</u>	<u>Outstanding Balance</u>	<u>Amount Expended</u>
Riverfront KZF	\$ 300,000	\$ 39,300	\$ 260,700
AK Sanitary Sewer Line	519,348	125,796	393,552
	<u>\$ 819,348</u>	<u>\$ 165,096</u>	<u>\$ 654,252</u>

CITY OF ASHLAND - CAPITAL ASSETS (NET OF DEPRECIATION)

<u>Asset</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total 2007</u>
Land	\$ 3,768,752	\$ 436,634	\$ 4,205,386
Buildings and improvements	3,400,044	1,357,940	4,757,984
Automotive equipment	1,137,238	519,128	1,656,366
Operating equipment	1,331,491	578,226	1,909,717
Office equipment	48,716	126,366	175,082
Capital improvements	297,317	-	297,317
Right-of-way	15,038,909	-	15,038,909
Infrastructure	25,561,967	-	25,561,967
Utility plant	-	42,879,319	42,879,319
Construction (CIP)	314,312	551,217	865,529
Recreation	-	34,956	34,956
Total	<u>\$ 50,898,746</u>	<u>\$ 46,483,786</u>	<u>\$ 97,382,532</u>

DEBT

At the end of fiscal year 2008 the City had governmental activities debt of \$6,194,661 compared to \$6,254,713 at June 30, 2007, which represents an increase of \$60,052. Business-type activities had debt of \$12,050,267 compared to \$12,691,668 at June 30, 2007, which represents a decrease of \$641,401. See note 8 for additional discussion of the City's long term debt. The following chart summarizes governmental and business-type activities debt.

<u>Governmental Activities Debt</u>	<u>Amount</u>
General obligation bond series 2005	\$ 3,145,000
Capital lease - fire station	1,115,000
Capital leases - equipment	448,569
General obligation bond series 1999	330,000
Compensated absences obligation	1,156,092
Total	<u>\$ 6,194,661</u>

<u>Business-Type Activities Debt</u>	<u>Amount</u>
Utility bonds 04	\$ 6,765,000
Kentucky infrastructure authority loans	<u>5,285,267</u>
Total	<u>\$12,050,267</u>

DESCRIPTION OF MUNICIPAL DEBT

- ⇒ General Obligation Bonds 2005 Melody Mountain \$3,145,000.
- ⇒ Capital Lease to construct Central Fire station at \$1,115,000.
- ⇒ Capital Leases for a packer truck @ \$59,734, a street sweeper @ \$122,205 and a rescue fire pumper @ \$266,630.
- ⇒ General Obligation bonds to advance refund Ashland Capital Project Corporation bonds at \$330,000.
- ⇒ Employee compensated absences payable after 60 days at \$1,156,092.
- ⇒ Utility Revenue bond issue 2004 for phase II upgrade of the water plant \$6,765,000.
- ⇒ Kentucky Infrastructure Authority Loans used to upgrade the utility system at \$5,285,267.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Unemployment rate for the City of Ashland as of June 2008 is 5.2%. This rate is lower than the State of Kentucky rate at 6.3% and the national rate of 5.5%. Inflationary trends in the City compares favorably to the state and national trend of 1.1%.

The following table summarizes the 2009 fiscal year budgeted expenses.

- ⇒ General Fund - \$29,655,761
- ⇒ Municipal Aid Program - \$362,323
- ⇒ Community Development Block Grant Fund - \$678,444
- ⇒ Section 8 Voucher - \$2,643,631
- ⇒ Floodwall Operating Fund - \$172,736
- ⇒ Utility Fund - \$12,943,096
- ⇒ Ashland Bus System - \$1,021,268
- ⇒ Recreation Operating Fund - \$962,259
- ⇒ Capital Projects Fund - \$5,165,213

Fiscal year 2009 introduces the City to two significant budget items. The engineering phase of the Ashland Riverfront project should be completed and actual construction is scheduled to begin. This project is funded by the Kentucky Transportation Cabinet regarding the Federal Highway Administration SAFETEA-LU funds and is budgeted for \$ 8,314,736 for the fiscal year. The engineering for the new police station will be started and final completion is estimated for fiscal year 2010 pending economic conditions. Preliminary estimates range between \$ 4.5 to \$ 5 million.

REQUEST FOR INFORMATION

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

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

**CITY OF ASHLAND
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 2,719,881	\$ 710,303	\$ 3,430,184
Accounts receivable	611,275	2,055,993	2,667,268
Allowance for uncollectible accounts	-	(299,301)	(299,301)
Taxes receivable	3,474,772	-	3,474,772
Allowance for uncollectible taxes	(298,198)	-	(298,198)
Grants receivable	644,548	352,201	996,749
Internal balances, net	3,416,155	(3,416,155)	-
Program receivables	77,518	-	77,518
Allowance for uncollectible accounts	(33,955)	-	(33,955)
Other receivables	258,090	-	258,090
Allowance for uncollectible accounts	(64,831)	-	(64,831)
Inventories	92,240	450,189	542,429
Restricted assets -			
Cash and cash equivalents	3,612,081	2,064,476	5,676,557
Net pension asset	1,933,328	1,394,781	3,328,109
Nondepreciable capital assets	22,530,783	987,851	23,518,634
Depreciable capital assets	70,197,458	84,440,106	154,637,564
Accumulated depreciation	(41,829,495)	(38,944,171)	(80,773,666)
Deferred bond issuance costs	-	127,827	127,827
Total assets	<u>67,341,650</u>	<u>49,924,100</u>	<u>117,265,750</u>
Liabilities:			
Cash overdraft	850,592	-	850,592
Accounts payable	1,368,315	342,600	1,710,915
Due to Board of Education	23,957	-	23,957
Payable to fiduciary fund	32,150	823,880	856,030
Accrued compensated absences, current	227,428	324,387	551,815
Other accrued expenses and liabilities	1,255,835	405,931	1,661,766
Deposits	-	956,200	956,200
Matured revenue bonds and notes	-	85,000	85,000
Current portion of long-term debt	655,236	654,569	1,309,805
Accrued compensated absences, non-current	1,156,092	-	1,156,092
Capital lease obligations, non-current	1,328,333	-	1,328,333
Revenue and improvement bonds	-	6,365,000	6,365,000
Kentucky Infrastructure Authority loan, non-current	-	5,030,698	5,030,698
General obligation bonds, non-current	3,055,000	-	3,055,000
Total liabilities	<u>9,952,938</u>	<u>14,988,265</u>	<u>24,941,203</u>
Net Assets:			
Invested in capital assets, net of related debt	45,860,177	34,348,519	80,208,696
Restricted			
Capital projects	3,612,081	-	3,612,081
Debt service	-	662,246	662,246
Other purposes	786,694	-	786,694
Unrestricted	7,129,760	(74,930)	7,054,830
Total net assets	<u>\$ 57,388,712</u>	<u>\$ 34,935,835</u>	<u>\$ 92,324,547</u>

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

**CITY OF ASHLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 3,348,848	\$ 9,826,921	\$ -	\$ -	\$ 6,478,073	\$ -	\$ 6,478,073
Finance	568,660	-	-	-	(568,660)	-	(568,660)
Public services	6,381,288	1,542,664	1,143,679	-	(3,694,945)	-	(3,694,945)
Planning and code enforcement	438,445	-	-	-	(438,445)	-	(438,445)
Police	4,150,927	-	77,485	-	(4,073,442)	-	(4,073,442)
Fire	5,059,304	-	-	-	(5,059,304)	-	(5,059,304)
Engineering	152,156	-	-	-	(152,156)	-	(152,156)
Community and cultural	2,495,250	291,464	3,708,417	-	1,504,631	-	1,504,631
Debt service-interest	259,095	-	-	-	(259,095)	-	(259,095)
Loss on sale of assets	108,539	-	-	-	(108,539)	-	(108,539)
Total governmental activities	<u>22,962,512</u>	<u>11,661,049</u>	<u>4,929,581</u>	<u>-</u>	<u>(6,371,882)</u>	<u>-</u>	<u>(6,371,882)</u>
Business-Type Activities:							
Utilities	12,042,313	10,638,285	-	200,000	-	(1,204,028)	(1,204,028)
Recreation	931,995	74,494	-	-	-	(857,501)	(857,501)
Bus	993,610	60,670	362,017	334,369	-	(236,554)	(236,554)
Total business-type activities	<u>13,967,918</u>	<u>10,773,449</u>	<u>362,017</u>	<u>534,369</u>	<u>-</u>	<u>(2,298,083)</u>	<u>(2,298,083)</u>
Total primary government	<u>\$ 36,930,430</u>	<u>\$ 22,434,498</u>	<u>\$ 5,291,598</u>	<u>\$ 534,369</u>	<u>\$ (6,371,882)</u>	<u>\$ (2,298,083)</u>	<u>\$ (8,669,965)</u>
General Revenues:							
Property and other local taxes					\$ 8,127,228	\$ -	\$ 8,127,228
Interest income					176,492	116,337	292,829
Other revenues					535,806	718,148	1,253,954
Total general revenues					<u>8,839,526</u>	<u>834,485</u>	<u>9,674,011</u>
Transfers, within primary government					<u>(1,259,326)</u>	<u>1,259,326</u>	<u>-</u>
Total general revenues and transfers					<u>7,580,200</u>	<u>2,093,811</u>	<u>9,674,011</u>
Change in net assets					1,208,318	(204,272)	1,004,046
Net assets, June 30, 2007, as restated (Note 14)					<u>56,180,394</u>	<u>35,140,107</u>	<u>91,320,501</u>
Net assets, June 30, 2008					<u>\$ 57,388,712</u>	<u>\$ 34,935,835</u>	<u>\$ 92,324,547</u>

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

**CITY OF ASHLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

Special Revenue Funds

Assets	<u>General</u>	<u>Municipal Aid Road</u>	<u>Floodwall Operating</u>	<u>Community Development</u>	<u>Housing Assistance</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Cash	\$ 5,818,961	\$ 138,179	\$ 22,789	\$ 537	\$ 232,385	\$ -	\$ 6,212,851
Taxes receivable	3,329,685	-	145,087	-	-	-	3,474,772
Allowance for uncollectible taxes	(283,904)	-	(14,294)	-	-	-	(298,198)
Grants receivable	341,695	62,476	-	240,377	-	-	644,548
Due from other funds	3,712,422	-	-	-	219,676	51,008	3,983,106
Program receivables	69,823	-	-	7,695	-	-	77,518
Allowance for uncollectible accounts	(27,797)	-	-	(6,158)	-	-	(33,955)
Other receivables	193,259	-	-	-	64,831	-	258,090
Allowance for uncollectible accounts	-	-	-	-	(64,831)	-	(64,831)
Inventories - supplies	92,240	-	-	-	-	-	92,240
Total assets	\$ 13,246,384	\$ 200,655	\$ 153,582	\$ 242,451	\$ 452,061	\$ 51,008	\$ 14,346,141
Liabilities and Fund Balances							
Liabilities:							
Cash overdraft	\$ 850,592	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 850,592
Accounts payable	926,573	40,057	259	9,440	361	55,208	1,031,898
Due to other funds	1,324,199	12,023	124,409	159,835	-	-	1,620,466
Due to Board of Education	23,957	-	-	-	-	-	23,957
Accrued compensated absences	222,382	-	3,099	1,421	526	-	227,428
Accrued expenses	333,329	-	2,597	5,174	6,175	-	347,275
Deferred revenue	20,781	-	-	-	-	-	20,781
Total liabilities	3,701,813	52,080	130,364	175,870	7,062	55,208	4,122,397
Fund Balances:							
Reserved for capital projects	3,612,081	-	-	-	-	-	3,612,081
Reserved for inventories	92,240	-	-	-	-	-	92,240
Reserved for grant programs	341,695	-	-	-	444,999	-	786,694
Unreserved/undersigned, reported in:							
General fund	5,498,555	-	-	-	-	-	5,498,555
Special revenue funds	-	148,575	23,218	66,581	-	-	238,374
Capital projects fund	-	-	-	-	-	(4,200)	(4,200)
Total fund balances	9,544,571	148,575	23,218	66,581	444,999	(4,200)	10,223,744
Total liabilities and fund balances	\$ 13,246,384	\$ 200,655	\$ 153,582	\$ 242,451	\$ 452,061	\$ 51,008	\$ 14,346,141

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

**CITY OF ASHLAND
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total fund balance - governmental funds	\$ 10,223,744
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$92,728,241, net of accumulated depreciation of \$41,829,495 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	50,898,746
Net pension asset of \$1,933,328 reported in the statement of net assets is not a financial resource and therefore is not reported in the governmental funds.	1,933,328
Internal service fund is used by management to charge the costs of certain activities to individual funds. Assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	527,555
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(6,194,661)</u>
Net assets, end of year - Governmental Activities	<u>\$ 57,388,712</u>

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

Revenues	Special Revenue Funds						Total Governmental Funds
	General	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	
Property and other local taxes	\$ 7,994,026	\$ -	\$ 133,202	\$ -	\$ -	\$ -	\$ 8,127,228
Licenses and permits	8,836,831	-	-	-	-	-	8,836,831
Charges for services	1,542,664	-	-	-	-	-	1,542,664
Fees, fines and reimbursements	990,090	-	-	-	-	-	990,090
Grant income	995,180	660,185	-	752,185	2,426,932	-	4,834,482
Administration fee income	-	-	-	-	291,464	-	291,464
Program income	-	-	-	95,100	-	-	95,100
Interest income	173,834	396	314	537	1,063	-	176,144
Other income	525,004	10,072	-	-	730	-	535,806
Total revenues	21,057,629	670,653	133,516	847,822	2,720,189	-	25,429,809
Expenditures							
General government	3,658,157	-	-	-	-	606	3,658,763
Finance	566,952	-	-	-	-	-	566,952
Public services	3,469,172	575,598	172,216	-	-	-	4,216,986
Planning and code enforcement	477,918	-	-	-	-	-	477,918
Police	4,444,074	-	-	-	-	-	4,444,074
Fire	4,941,826	-	-	-	-	-	5,208,456
Engineering	147,027	-	-	-	-	266,630	147,027
Community and cultural	-	-	-	159,111	2,557,390	-	2,716,501
Capital outlay	-	-	-	700,730	-	699,424	1,400,154
Debt service:							
Principal retirement	395,000	-	-	-	-	149,750	544,750
Interest charges	151,018	-	-	-	-	108,077	259,095
Total expenditures	18,251,144	575,598	172,216	859,841	2,557,390	1,224,487	23,640,676
Excess of Revenues Over (Under) Expenditures	2,806,485	95,055	(38,700)	(12,019)	162,799	(1,224,487)	1,789,133
Other Financing Sources (Uses)							
Proceeds from the issuance of debt	-	-	-	-	-	410,594	410,594
Transfers in	-	-	-	-	-	730,841	730,841
Transfers out	(1,990,167)	-	-	-	-	-	(1,990,167)
Total other financing sources (uses)	(1,990,167)	-	-	-	-	1,141,435	(848,732)
Net change in fund balances	816,318	95,055	(38,700)	(12,019)	162,799	(83,052)	940,401
Fund balances beginning of year, as restated (Note 14)	8,728,253	53,520	61,918	78,600	282,200	78,852	9,283,343
Fund balances end of year	\$ 9,544,571	\$ 148,575	\$ 23,218	\$ 66,581	\$ 444,999	\$ (4,200)	\$ 10,223,744

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, 2008

Net change in fund balances - total governmental funds	\$	940,401
<p>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.</p>		
Capital outlay	2,147,090	
Depreciation expense	<u>(2,183,912)</u>	(36,822)
<p>Bond and capital lease proceeds are recognized as revenues in the fund financial statement, but are increases in liabilities in the statement of net assets.</p>		
		(410,594)
<p>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:</p>		
Long-term portion of accrued sick leave		(74,104)
<p>Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net assets.</p>		
		544,750
<p>Expenditures relating to the net pension asset in the statement of activities are not provided by current financial resources and therefore are not reported in the fund financial statements.</p>		
		3,205
<p>Internal service fund is used by management to charge the costs of certain activities to individual funds. Net revenue of the internal service fund is included in governmental activities in the statement of activities.</p>		
		350,022
<p>Losses on disposal of capital assets are not recognized in the fund financial statements. However, in the statement of activities, these losses are recognized.</p>		
		<u>(108,540)</u>
Change in net assets of governmental activities	\$	<u>1,208,318</u>

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

	Business-Type Activities			Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund		
LIABILITIES					
Current liabilities (payable from current assets):					
Accounts payable	\$ 294,048	\$ 6,247	\$ 42,305	\$ 342,600	\$ 336,417
Due to other funds	4,070,049	149,739	20,247	4,240,035	-
Accrued compensated absences	226,259	43,724	54,404	324,387	-
Other accrued liabilities	348,820	36,817	20,294	405,931	887,779
Customer deposits	135,303	-	-	135,303	-
Total current liabilities (payable from current assets)	5,074,479	236,527	137,250	5,448,256	1,224,196
Current liabilities (payable from restricted assets):					
Matured revenue bonds and notes	85,000	-	-	85,000	-
Customer deposits	820,897	-	-	820,897	-
Current portion of Revenue and Improvement bond	400,000	-	-	400,000	-
Current portion of Kentucky Infrastructure Authority loan	254,569	-	-	254,569	-
Total current liabilities (payable from restricted assets)	1,560,466	-	-	1,560,466	-
Total current liabilities	6,634,945	236,527	137,250	7,008,722	1,224,196
Long-term liabilities:					
Revenue and Improvement bonds Kentucky Infrastructure Authority loan	6,365,000	-	-	6,365,000	-
	5,030,698	-	-	5,030,698	-
Total long-term liabilities	11,395,698	-	-	11,395,698	-
Total liabilities	18,030,643	236,527	137,250	18,404,420	1,224,196
NET ASSETS					
Invested in capital assets, net of related debt	32,638,602	1,393,572	316,345	34,348,519	-
Restricted for debt payment	662,246	-	-	662,246	-
Unrestricted	(123,465)	(43,534)	92,069	(74,930)	527,555
Total net assets	\$ 33,177,383	\$ 1,350,038	\$ 408,414	\$ 34,935,835	\$ 527,555

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

**CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Business-Type Activities			Total	Governmental Activity - Internal Service
	Utility Fund	Ashland Bus Fund	Recreation Fund		Fund
OPERATING REVENUES					
Residential and commercial meter sales	\$ 2,807,682	\$ -	\$ -	\$ 2,807,682	\$ -
Sewer service	3,567,170	-	-	3,567,170	-
Industrial meter sales	3,211,987	-	-	3,211,987	-
Other municipalities	818,005	-	-	818,005	-
Industrial pretreatment	60,614	-	-	60,614	-
Water and sewer taps	172,827	-	-	172,827	-
Concession sales	-	-	26,865	26,865	-
Passenger fares	-	60,670	-	60,670	-
Admission fees	-	-	47,629	47,629	-
Premium charges	-	-	-	-	4,038,844
Miscellaneous	584,293	4,600	129,255	718,148	3
Total operating revenues	<u>11,222,578</u>	<u>65,270</u>	<u>203,749</u>	<u>11,491,597</u>	<u>4,038,847</u>
OPERATING EXPENSES					
Administration - Director	84,512	-	-	84,512	-
Administration - Cashier	531,198	-	-	531,198	-
Administration - Customer Service	551,380	-	-	551,380	-
Water - Production	1,777,281	-	-	1,777,281	-
Water - Distribution	2,200,987	-	-	2,200,987	-
Sewer - Pretreatment	1,577,331	-	-	1,577,331	-
Sewer - Collection	1,141,815	-	-	1,141,815	-
Depreciation	2,121,065	98,661	19,144	2,238,870	-
Insurance	274,830	14,091	33,328	322,249	-
Other operating expenses	1,350,608	373,899	327,822	2,052,329	3,991
Salaries	-	417,184	365,580	782,764	-
Utilities	-	18,497	95,926	114,423	-
Operating supplies	-	71,278	90,195	161,473	-
Premiums and claims	-	-	-	-	3,685,182
Total operating expenses	<u>11,611,007</u>	<u>993,610</u>	<u>931,995</u>	<u>13,536,612</u>	<u>3,689,173</u>
OPERATING INCOME (LOSS)	<u>(388,429)</u>	<u>(928,340)</u>	<u>(728,246)</u>	<u>(2,045,015)</u>	<u>349,674</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	104,786	1,064	10,487	116,337	348
Grant income	-	362,017	-	362,017	-
Interest on revenue bonds and notes	(431,306)	-	-	(431,306)	-
Total non-operating revenues (expenses)	<u>(326,520)</u>	<u>363,081</u>	<u>10,487</u>	<u>47,048</u>	<u>348</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>(714,949)</u>	<u>(565,259)</u>	<u>(717,759)</u>	<u>(1,997,967)</u>	<u>350,022</u>
OPERATING TRANSFERS					
From General Fund	-	362,017	875,259	1,237,276	-
Total operating transfers in	<u>-</u>	<u>362,017</u>	<u>875,259</u>	<u>1,237,276</u>	<u>-</u>
CAPITAL CONTRIBUTIONS					
Federal/state grants	200,000	334,369	-	534,369	-
City of Ashland	-	22,050	-	22,050	-
Total capital contributions	<u>200,000</u>	<u>356,419</u>	<u>-</u>	<u>556,419</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(514,949)</u>	<u>153,177</u>	<u>157,500</u>	<u>(204,272)</u>	<u>350,022</u>
NET ASSETS, JUNE 30, 2007, as restated (Note 14)	<u>33,692,332</u>	<u>1,196,861</u>	<u>250,914</u>	<u>35,140,107</u>	<u>177,533</u>
NET ASSETS, JUNE 30, 2008	<u>\$ 33,177,383</u>	<u>\$ 1,350,038</u>	<u>\$ 408,414</u>	<u>\$ 34,935,835</u>	<u>\$ 527,555</u>

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

**CITY OF ASHLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Business-Type Activities			Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund		
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 10,571,191	\$ 59,770	\$ 73,885	\$ 10,704,846	\$ -
Cash payments to suppliers for goods and services	(6,030,617)	(401,809)	(434,284)	(6,866,710)	(3,991)
Cash payments to employees	(2,583,249)	(389,851)	(354,003)	(3,327,103)	-
Other operating revenues	584,293	4,600	129,255	718,148	3
Payments for internal services	(911,904)	(134,012)	(112,416)	(1,158,332)	-
Cash received for internal services	-	-	-	-	3,494,934
Payments for premiums and claims	-	-	-	-	(3,384,092)
Net cash provided by (used for) operating activities	<u>1,629,714</u>	<u>(861,302)</u>	<u>(697,563)</u>	<u>70,849</u>	<u>106,854</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Grant income	-	322,200	-	322,200	-
Transfers from other funds	-	362,017	875,259	1,237,276	-
Net cash provided by noncapital financial activities	<u>-</u>	<u>684,217</u>	<u>875,259</u>	<u>1,559,476</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(749,680)	(231,569)	(174,225)	(1,155,474)	-
Principal paid on bonds, notes and lease obligations	(641,401)	-	-	(641,401)	-
Interest paid on bonds, notes and lease obligations	(431,306)	-	-	(431,306)	-
Capital contributions	-	22,050	-	22,050	-
Capital grants received	-	391,873	-	391,873	-
Net cash provided by (used for) capital and related financing activities	<u>(1,822,387)</u>	<u>182,354</u>	<u>(174,225)</u>	<u>(1,814,258)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	104,786	1,064	10,487	116,337	348
Net cash provided by investing activities	<u>104,786</u>	<u>1,064</u>	<u>10,487</u>	<u>116,337</u>	<u>348</u>
Net increase (decrease) in cash and cash equivalents	(87,887)	6,333	13,958	(67,596)	107,202
Cash and cash equivalents, June 30, 2007	2,646,103	3,574	192,698	2,842,375	11,909
Cash and cash equivalents, June 30, 2008	<u>\$ 2,558,216</u>	<u>\$ 9,907</u>	<u>\$ 206,656</u>	<u>\$ 2,774,779</u>	<u>\$ 119,111</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES					
Operating income (loss)	\$ (388,429)	\$ (928,340)	\$ (728,246)	\$ (2,045,015)	\$ 349,674
Adjustments:					
Depreciation	2,121,065	98,661	19,144	2,238,870	-
Amortization	8,159	-	-	8,159	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(115,681)	(900)	(609)	(117,190)	(290,246)
(Increase) decrease in inventories	(34,976)	1,676	(6,601)	(39,901)	-
(Increase) decrease in due from other funds	-	-	21,087	21,087	(253,664)
(Increase) decrease in pension asset	(161,036)	-	-	(161,036)	-
Increase (decrease) in accounts payable	28,280	(36,695)	(34,162)	(42,577)	96,789
Increase (decrease) in due to other funds	121,297	(23,037)	20,247	118,507	-
Increase (decrease) in compensated absences	(16,670)	5,399	6,269	(5,002)	-
Increase in other accrued liabilities	104,951	21,934	5,308	132,193	204,301
Increase in customer deposits	(37,246)	-	-	(37,246)	-
Net cash provided by (used for) operating activities	<u>\$ 1,629,714</u>	<u>\$ (861,302)</u>	<u>\$ (697,563)</u>	<u>\$ 70,849</u>	<u>\$ 106,854</u>

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

**CITY OF ASHLAND
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 832,063
Accrued interest receivable	20,496
Due from other funds	856,030
Investments, at fair value - U.S. Government obligations	<u>3,108,912</u>
Total assets	<u>4,817,501</u>
LIABILITIES	
Deferred revenue	<u>-</u>
Total liabilities	<u>-</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 4,817,501</u>

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

**CITY OF ASHLAND
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Pension Trust Funds</u>
ADDITIONS:	
Contributions -	
Employer	\$ 862,988
Plan members	<u>3,240</u>
Total contributions	<u>866,228</u>
Investment income -	
Net appreciation in fair value of investments	143,582
Interest income	<u>165,481</u>
Total investment income	<u>309,063</u>
Total additions	<u>1,175,291</u>
DEDUCTIONS:	
Benefits	1,292,738
Administrative expenses	<u>31,021</u>
Total deductions	<u>1,323,759</u>
NET DECREASE	(148,468)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	<u>4,965,969</u>
End of year	<u>\$ 4,817,501</u>

The accompanying notes to financial statements
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CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

Revenues	Original Budget	Revisions	Revised Budget	Actual	Variance
Property and other local taxes	\$ 8,165,275	\$ -	\$ 8,165,275	\$ 7,994,026	\$ (171,249)
Licenses and permits	7,936,575	-	7,936,575	8,836,831	900,256
Charges for services	1,529,495	-	1,529,495	1,542,664	13,169
Fees, fines and reimbursements	923,120	-	923,120	990,090	66,970
Interest income	242,000	-	242,000	173,834	(68,166)
Grant income	7,978,053	45,360	8,023,413	995,180	(7,028,233)
Other income	253,700	589,942	843,642	525,004	(318,638)
Total revenues	27,028,218	635,302	27,663,520	21,057,629	(6,605,891)
Expenditures					
General government	11,283,696	549,227	11,832,923	3,658,157	8,174,766
Finance	568,284	2,663	570,947	566,952	3,995
Public services	3,773,069	-	3,773,069	3,469,172	303,897
Planning and code enforcement	449,762	18,980	468,742	477,918	(9,176)
Police	4,206,096	110,158	4,316,254	4,444,074	(127,820)
Fire	4,633,712	-	4,633,712	4,941,826	(308,114)
Engineering	138,923	-	138,923	147,027	(8,104)
Debt service:					
Principal retirement	395,000	-	395,000	395,000	-
Interest and fiscal charges	158,443	-	158,443	151,018	7,425
Total expenditures	25,606,985	681,028	26,288,013	18,251,144	8,036,869
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,421,233	(45,726)	1,375,507	2,806,485	1,430,978
Other Financing Sources (Uses)					
Transfer in	-	-	-	-	-
Transfers out	(1,688,360)	47,897	(1,736,257)	(1,990,167)	(253,910)
Total other financing sources (uses)	(1,688,360)	47,897	(1,736,257)	(1,990,167)	(253,910)
Net change in fund balance	(267,127)	(93,623)	(360,750)	816,318	1,177,068
Fund balance beginning of year, As restated (Note 14)	8,728,253	-	8,728,253	8,728,253	-
Fund balance end of year	\$ 8,461,126	\$ (93,623)	\$ 8,367,503	\$ 9,544,571	\$ 1,177,068

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, 2008

	Original Budget	Revisions	Revised Budget	Actual	Variance
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	350,595	271,057	621,652	660,185	38,533
Administration fee income	-	-	-	-	-
Program income	-	-	-	-	-
Interest income	125	-	125	396	271
Other income	14,000	-	14,000	10,072	(3,928)
Total revenues	<u>364,720</u>	<u>271,057</u>	<u>635,777</u>	<u>670,653</u>	<u>34,876</u>
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	364,220	271,057	635,277	575,598	59,679
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	500	-	500	-	500
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>364,720</u>	<u>271,057</u>	<u>635,777</u>	<u>575,598</u>	<u>60,179</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,055</u>	<u>95,055</u>
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	95,055	95,055
Fund balance beginning of year	53,520	-	53,520	53,520	-
Fund balance end of year	<u>\$ 53,520</u>	<u>\$ -</u>	<u>\$ 53,520</u>	<u>\$ 148,575</u>	<u>\$ 95,055</u>

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Revisions	Revised Budget	Actual	Variance
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	896,227	19,708	915,935	752,185	(163,750)
Administration fee income	-	-	-	-	-
Program income	-	44,707	44,707	95,100	50,393
Interest income	650	-	650	537	(113)
Other income	-	-	-	-	-
Total revenues	<u>896,877</u>	<u>64,415</u>	<u>961,292</u>	<u>847,822</u>	<u>(113,470)</u>
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	191,227	(43,938)	147,289	159,111	(11,822)
Other	-	-	-	-	-
Capital outlay	704,000	73,050	777,050	700,730	76,320
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>895,227</u>	<u>29,112</u>	<u>924,339</u>	<u>859,841</u>	<u>64,498</u>
Excess of Revenues Over (Under) Expenditures	<u>1,650</u>	<u>35,303</u>	<u>36,953</u>	<u>(12,019)</u>	<u>(48,972)</u>
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	1,650	35,303	36,953	(12,019)	(48,972)
Fund balance beginning of year	<u>78,600</u>	<u>-</u>	<u>78,600</u>	<u>78,600</u>	<u>-</u>
Fund balance end of year	<u>\$ 80,250</u>	<u>\$ 35,303</u>	<u>\$ 115,553</u>	<u>\$ 66,581</u>	<u>\$ (48,972)</u>

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
HOUSING ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2008

Revenues	Original Budget	Revisions	Revised Budget	Actual	Variance
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	2,345,868	10,950	2,356,818	2,426,932	70,114
Administration fee income	273,168	12,195	285,363	291,464	6,101
Program income	-	-	-	-	-
Interest income	2,000	-	2,000	1,063	(937)
Other income	-	-	-	730	730
Total revenues	<u>2,621,036</u>	<u>23,145</u>	<u>2,644,181</u>	<u>2,720,189</u>	<u>76,008</u>
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	2,621,036	23,145	2,644,181	2,557,390	86,791
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>2,621,036</u>	<u>23,145</u>	<u>2,644,181</u>	<u>2,557,390</u>	<u>86,791</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,799</u>	<u>162,799</u>
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	162,799	162,799
Fund balance beginning of year	282,200	-	282,200	282,200	-
Fund balance end of year	<u>\$ 282,200</u>	<u>\$ -</u>	<u>\$ 282,200</u>	<u>\$ 444,999</u>	<u>\$ 162,799</u>

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FLOODWALL OPERATING FUND
FOR THE YEAR ENDED JUNE 30, 2008

Revenues	Original Budget	Revisions	Revised Budget	Actual	Variance
Property and other local taxes	\$ 151,725	\$ -	\$ 151,725	\$ 133,202	\$ (18,523)
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Program income	-	-	-	-	-
Interest income	225	-	225	314	89
Other income	-	-	-	-	-
Total revenues	151,950	-	151,950	133,516	(18,434)
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	161,828	-	161,828	172,216	(10,388)
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	161,828	-	161,828	172,216	(10,388)
Excess (Deficiency) of Revenues (Under) Expenditures	(9,878)	-	(9,878)	(38,700)	(28,822)
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(9,878)	-	(9,878)	(38,700)	(28,822)
Fund balance beginning of year	61,918	-	61,918	61,918	-
Fund balance end of year	\$ 52,040	\$ -	\$ 52,040	\$ 23,218	\$ (28,822)

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