

**CITY OF ASHLAND**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2020**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

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## 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, 2020, 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, 2020, 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 69 through 79, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statements and schedules contained on pages 80 through 86 and the Financial Data Schedule on pages 87 and 88 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental statements and schedules contained on pages 80 through 86, the Financial Data Schedule contained on pages 87 and 88 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2021, 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  
April 9, 2021

## **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, 2020. 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 \$46.0 million (net position). This amount includes \$10.6 million restricted to specific projects by laws, regulations or contractual agreements. A deficit total of (\$60.1) 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 decreased by (\$2.3) million, primarily due to changes in the net pension and OPEB liabilities and the related deferred outflows and inflows. Net position of governmental activities decreased by (\$6.0) million and net position of business-type activities increased by \$3.6 million.
- At fiscal year end, the governmental activities reported a combined ending fund balance of \$3.7 million. Approximately 47% of this total amount, \$1.7 million, is restricted or committed for grant programs. Assigned fund balance comprises 25% of total fund balance; the majority of which is set aside for capital improvements.
- At June 30, 2020, unassigned General Fund fund balance of \$994 thousand 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, 2020, the Government as a whole had a net position greater than its liabilities by \$46,085,331. Net position of governmental activities was \$10,265,327 and decreased by (\$6,012,364) over the prior year. Total collected for taxes were 99.9% of budget, however, the budget amount was revised due to COVID. On March 6, 2020, Governor Beshear declared a State of Emergency. This changed many things for the City including the postponement by the PVA of our tax valuations. The valuations were received after the end of the fiscal year so property tax billings were delayed. Occupational license fee receipts excelled again this fiscal year despite the pandemic, for \$470,272 in additional revenue. The City also received Cares Relief funds to offset the police and fire payroll costs during the pandemic for \$1.4 million. Other revenues such as rental revenue, coal severance, recycling permit fees only brought in approximately 50% of projections. Unbudgeted items included a Community Center and its playground and the Broadway Square construction came in overbudget by \$858 thousand. Professional Services in the Community and Economic Development Department exceeded budget parameters for a comprehensive plan, demolitions and Roger Brooks Fast Track by \$52 thousand. Of ending Governmental Activities Net Position, \$51,659,502 is invested in capital assets net of related debt; \$1,725,320 is restricted for capital projects and grant programs; and unrestricted net position is (\$43,119,495). 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 \$35,820,004 and increased by \$3,659,843 over the prior year. Residential and commercial meter sales exceeded projections by \$266,983 due to the continuation of commercial meter replacements that exceeded useful life and were registering reads at lower accuracy and AK Steel stayed operating longer than anticipated. An increase in the volume of hauled waste and its treatment brought in \$122,904 of excess funds. Interest rates were up this fiscal year and produced unanticipated revenue totaling \$57,999. Utility Fund rates in all classes increased by the CPI this year effective January 1<sup>st</sup>. A net reduction of \$644,223 in construction-in-progress was a result of the completion of the construction of the Water Distribution building, beginning the Underdrain project at the Water Treatment Plant and the CSO engineering for Wastewater Treatment Plant. Of the business-type net position, \$43,974,450 is net investment in capital assets and (\$17,028,739) 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.

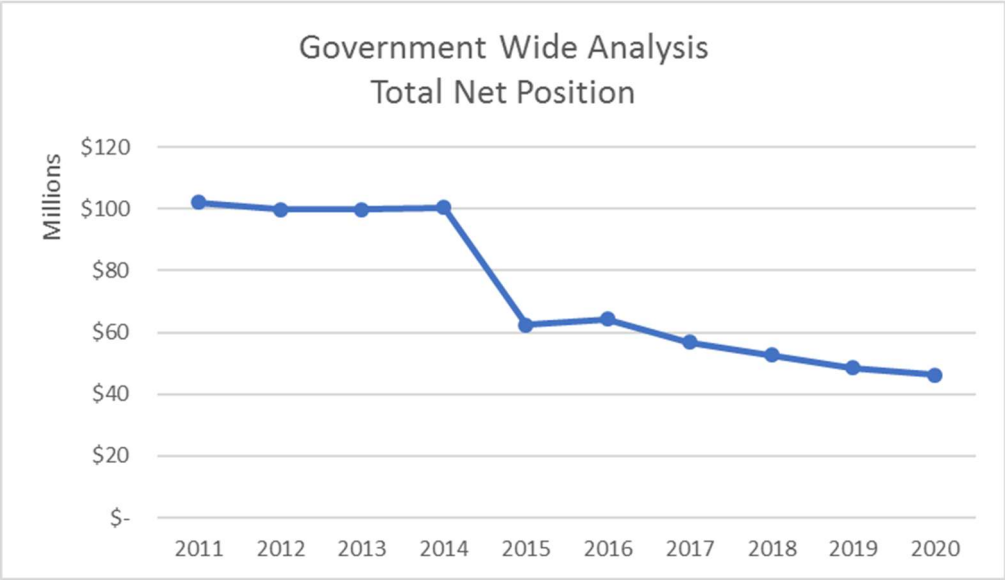
An additional portion of the City's business-type net position, \$8,874,293, represents resources that are subject to limitations on their use through legislation adopted by the City or through external restrictions. The largest restricted portion, \$7,506,050, is for sewer improvements.



## ANALYSIS OF THE CITY'S NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 8,312,630	\$ 13,318,134	\$ 13,067,478	\$ 14,278,900	\$ 21,380,108	\$ 27,597,034
Capital assets	62,259,475	59,222,313	55,644,516	52,890,386	117,903,991	112,112,699
Total assets	70,572,105	72,540,447	68,711,994	67,169,286	139,284,099	139,709,733
Deferred outflows of resources	12,186,249	11,924,890	3,436,263	3,323,612	15,622,512	15,248,502
Liabilities	5,094,763	6,052,739	3,337,620	4,725,976	8,432,383	10,778,715
Long-term liabilities	63,261,423	59,209,936	31,467,780	32,152,449	94,729,203	91,362,385
Total Liabilities	68,356,186	65,262,675	34,805,400	36,878,425	103,161,586	102,141,100
Deferred inflows of resources	4,136,841	2,924,971	1,522,853	1,454,312	5,659,694	4,379,283
Net position						
Net investment in capital assets	51,659,502	48,057,346	43,974,450	39,952,083	95,633,952	88,009,429
Restricted	1,725,320	1,794,311	8,874,293	7,636,469	10,599,613	9,430,780
Unrestricted	(43,119,495)	(33,573,966)	(17,028,739)	(15,428,391)	(60,148,234)	(49,002,357)
Total Net Position	\$ 10,265,327	\$ 16,277,691	\$ 35,820,004	\$ 32,160,161	\$ 46,085,331	\$ 48,437,852

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 continue to drive net position down in FY 2019 and FY 2020.

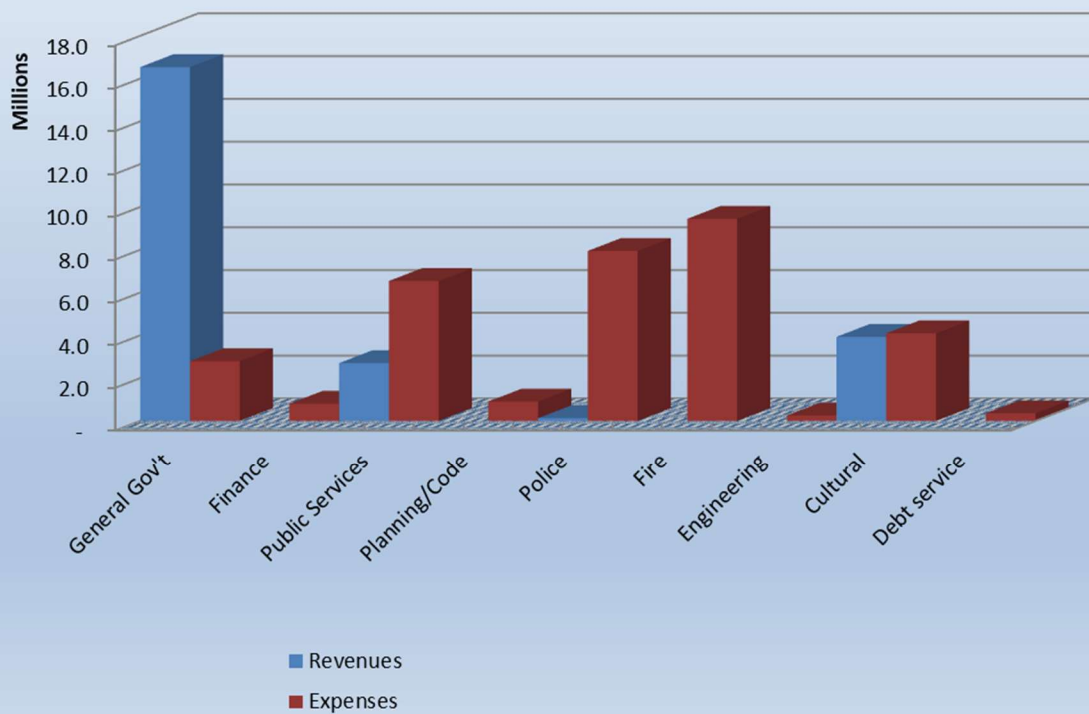
## ANALYSIS OF THE CITY'S OPERATIONS

	Governmental Activities		Business-type Activities		Total Primary Government	
Revenues	2020	2019	2020	2019	2020	2019
Taxes	\$ 5,267,843	\$ 8,042,133	\$ -	\$ -	\$ 5,267,843	\$ 8,042,133
Charges for Services	17,064,839	16,383,748	17,488,662	16,881,896	34,553,501	33,265,644
Operating Grants / Contr.	6,216,866	3,707,280	323,851	319,526	6,540,717	4,026,806
Capital Grants / Contr.	20,000	621,500	2,488,069	322,381	2,508,069	943,881
Other Income	214,248	196,199	653,719	780,448	867,967	976,647
Total Revenue	<u>28,783,796</u>	<u>28,950,860</u>	<u>20,954,301</u>	<u>18,304,251</u>	<u>49,738,097</u>	<u>47,255,111</u>

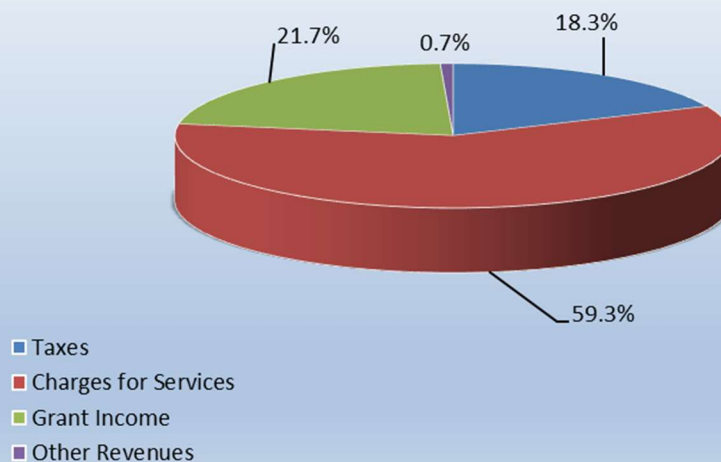
	Governmental Activities		Business-type Activities		Total Primary Government	
Expenses	2020	2019	2020	2019	2020	2019
General Government	2,791,896	2,638,860	-	-	2,791,896	2,638,860
Finance	803,819	688,925	-	-	803,819	688,925
Public Services	6,541,436	7,007,676	-	-	6,541,436	7,007,676
Planning / Code	905,463	838,185	-	-	905,463	838,185
Police	7,946,663	7,142,676	-	-	7,946,663	7,142,676
Fire	9,447,894	8,518,282	-	-	9,447,894	8,518,282
Engineering	256,770	216,630	-	-	256,770	216,630
Community / Cultural	4,098,731	4,576,745	-	-	4,098,731	4,576,745
Debt Service	355,228	373,683	-	-	355,228	373,683
Utility Fund	-	-	16,151,545	16,719,013	16,151,545	16,719,013
Ashland Bus System	-	-	1,435,441	1,274,145	1,435,441	1,274,145
Recreation Operating Fund	-	-	1,076,103	1,099,626	1,076,103	1,099,626
Cemetery	-	-	279,629	269,615	279,629	269,615
Total Expense	<u>33,147,900</u>	<u>32,001,662</u>	<u>18,942,718</u>	<u>19,362,399</u>	<u>52,090,618</u>	<u>51,364,061</u>
Changes before transfers	(4,364,104)	(3,050,802)	2,011,583	(1,058,148)	(2,352,521)	(4,108,950)
Transfers	(1,648,260)	(1,744,139)	1,648,260	1,744,139	-	-
Change in Net Position	(6,012,364)	(4,794,941)	3,659,843	685,991	(2,352,521)	(4,108,950)
Net Position Beg of Year	<u>16,277,691</u>	<u>21,072,632</u>	<u>32,160,161</u>	<u>31,474,170</u>	<u>48,437,852</u>	<u>52,546,802</u>
Net Position End 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>

## GOVERNMENTAL ACTIVITIES

### EXPENSES AND PROGRAM REVENUES- GOVERNMENTAL ACTIVITIES

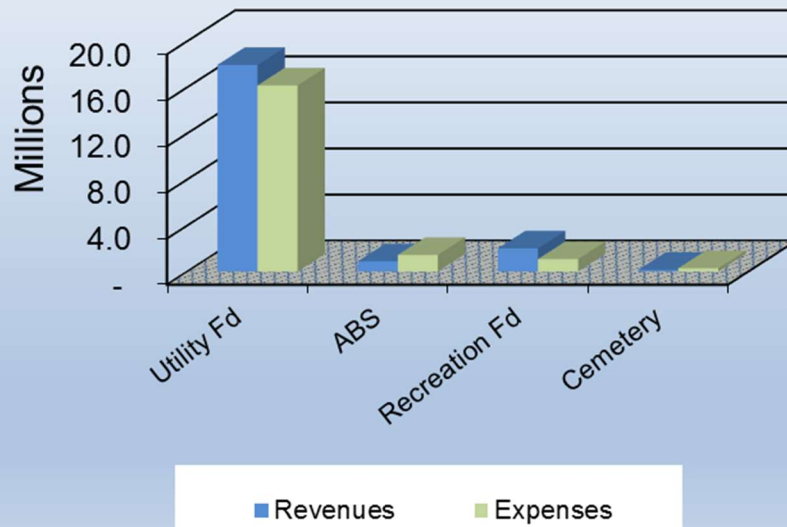


### REVENUE BY SOURCE - GOVERNMENT ACTIVITIES

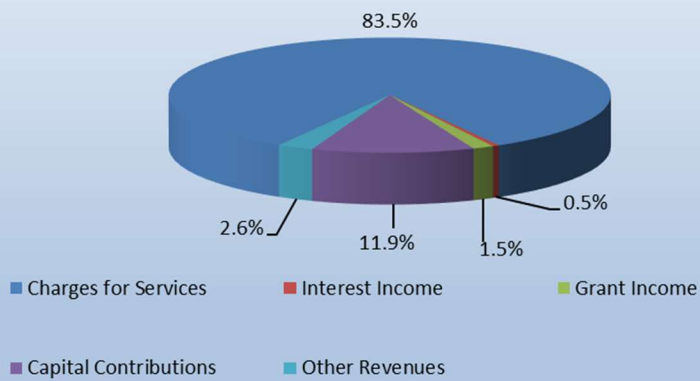


## **BUSINESS-TYPE ACTIVITIES**

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

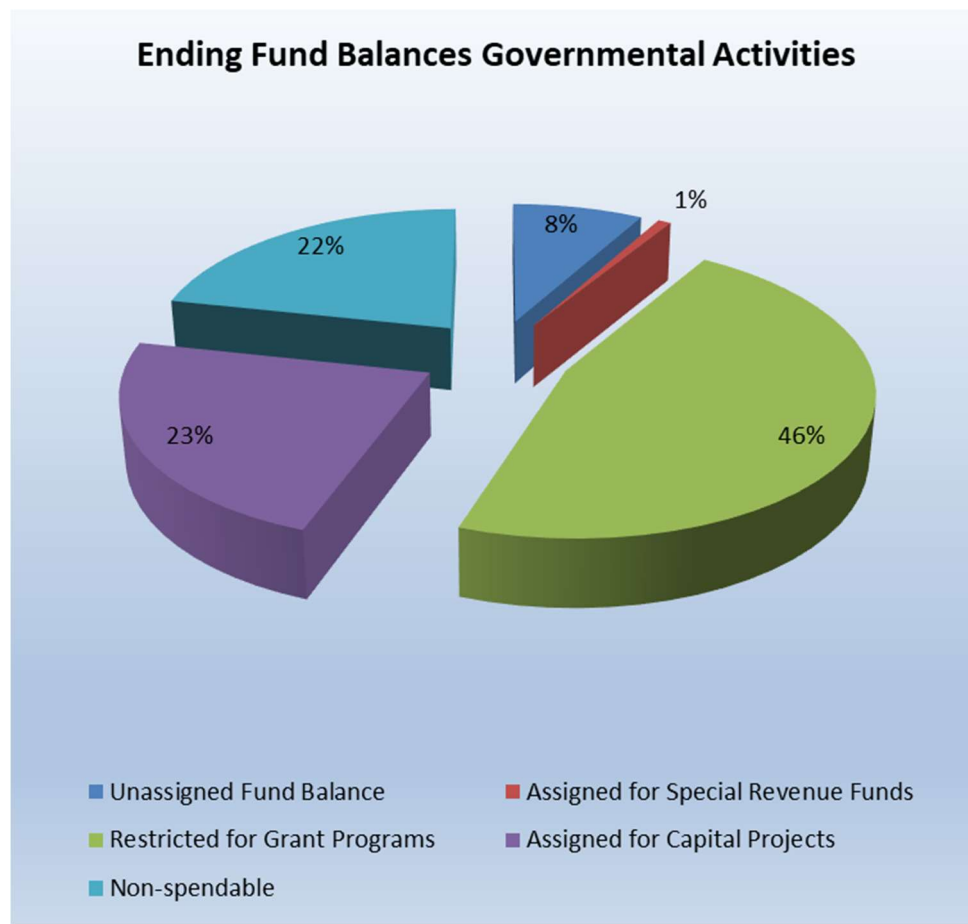


**REVENUE BY SOURCE - BUSINESS -TYPE ACTIVITIES**



## **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 \$3,706,309. Of this total, \$263,534, or 7%, 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 2020 reports assigned for special revenue funds at \$65,437, restricted for grant programs at \$1,725,320, non-spendable at \$802,018 and assigned for capital projects at \$850,000. The governmental funds assigned for capital projects is for the continuation of our Streetscape Improvements. Unassigned fund balance decreased this year as the City created a Tax Increment Financing (TIF) district in FY 2018 for infrastructure improvements to transform the existing Ashland Plaza Hotel into a Marriott Delta. The property tax revenue and occupational license fee revenue received from businesses in the TIF district was not enough to support the debt service payment. Non-spendable fund balance is a combination of our prepaid property and equipment insurance, general liability insurance, workers compensation insurance and the balances of the inventory accounts at the close of the fiscal year.



## **MAJOR GOVERNMENTAL FUNDS**

For the year ending June 30, 2020, the major governmental funds reported as follows:

The General Fund had revenues of \$24,290,386, expenditures of \$22,033,230 and net other financing uses of \$(4,759,459). The total fund balance was \$3,510,081. Fund balance decreased this fiscal year as a result of a delayed billing for property taxes due to COVID, unbudgeted items in the Community and Economic Development Department and Broadway Square construction change orders. These items are extraordinary in nature and are anticipated to be non-recurring.

The Tax Increment Finance Fund had revenues of \$67,778 and expenditures of \$470,709. The total fund balance was \$(695,413). The TIF fund expenditures are the final redevelopment assistance payment for the Marriott Delta Hotel and the debt service payment. It should be noted that the deficit is a result of revenues not meeting the needs for the debt service payment. A conservative fiscal approach should be applied to the TIF district for future fiscal years.

The Municipal Aid Road Fund had revenues of \$424,703 and expenditures of \$424,703. The total fund balance was \$0. The focus on paving allowed the City to utilize this fund to its full potential by improving the roads and infrastructure for our citizens.

The Floodwall Operating Fund had revenues of \$49,870 and expenditures of \$247,790. The total fund balance was \$(35,529). Fund balance has a deficit balance this fiscal year as a result of delayed billing for property taxes due to COVID.

The Community Development Fund had revenues of \$689,379 and expenditures of \$689,379. The total fund balance was \$65,437.

The Housing Assistance Fund had revenues of \$3,241,680 and expenditures of \$3,295,039. The total fund balance was \$11,733. The net change in fund balance was due to the unspent COVID admin fees being classified as unearned revenue.

The Capital Purchase Improvement Fund had revenues of \$20,000, other financing sources of \$3,111,199 and expenditures of \$4,006,199. The total fund balance was \$850,000. Fund balance is restricted for Streetscape Improvements.

## **PROPRIETARY FUNDS**

The City's proprietary funds, or business-type activities, had a total net position of \$35,820,004 for the four funds. Total increase in net position was \$3,659,843. Net position changes are a result of operations, operating grants and capital contributions.

The Utility Fund, which accounts for water and wastewater services for the City of Ashland and surrounding communities, had a positive net position change. Operating expenses increased over prior year by 2.4% and operating revenues included a 2.0% decrease. 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**

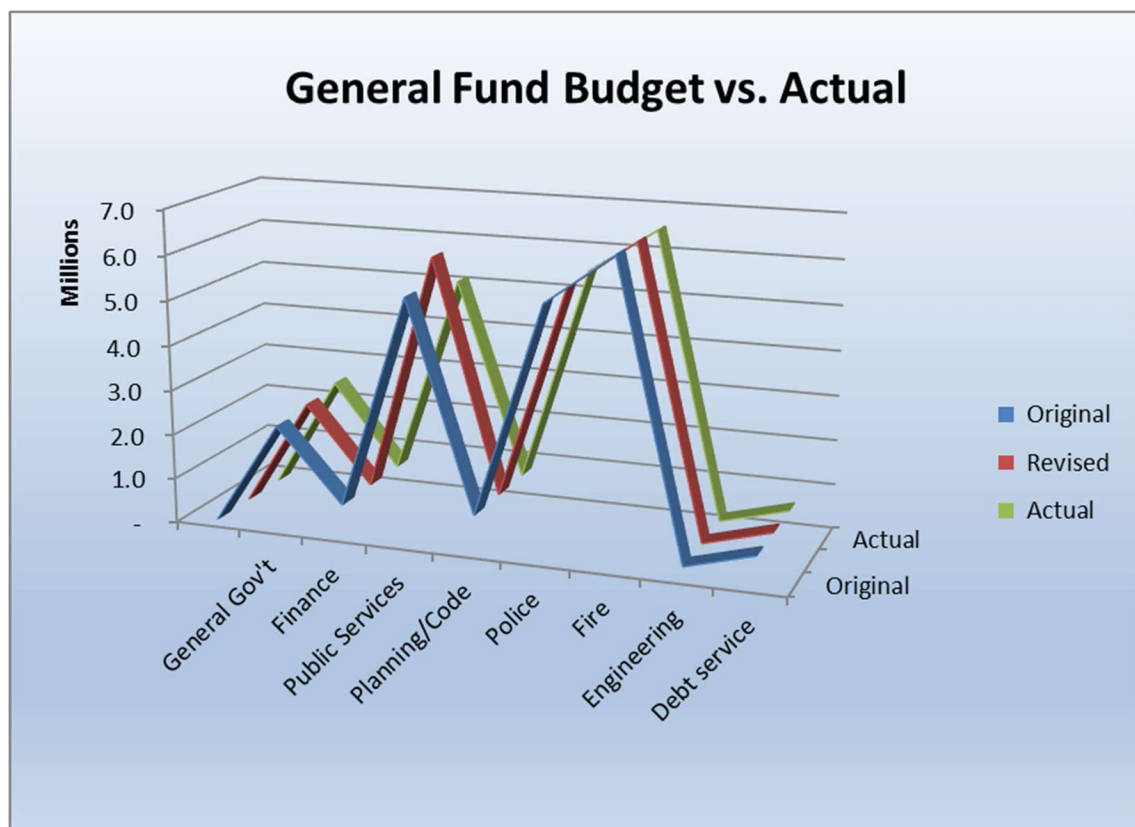
The General Fund budget was amended during the year to reflect the following:

- ⇒ \$2,156,262 decrease in budgeted revenues for the General Fund. This decrease includes \$2,680,055 for delayed billing of property taxes, \$520,000 for the discretionary paving grant and \$3,793 for insurance claims.

- ⇒ \$95,689 increase in Unclassified for Debord Assessment, broadcast commission meetings and payback to HUD for ineligible activities.
- ⇒ \$562,022 increase in Public Services for Street Repairs (\$15,530 for check valves and \$520,000 for discretionary paving grant), general supplies (\$29,801 for traffic paint) and a reduction in repairs and general supplies for the overage in a truck purchase (\$3,309).
- ⇒ \$12,243 increase in police expenditures for task force related overtime, equipment purchases and vehicle damage repairs.
- ⇒ \$25,674 increase in the transfer to the Recreation Fund to purchase flag poles to place at the Riverfront.
- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$23,927 for Public Services vehicles; \$560,294 for Police vehicles and equipment; \$82,671 for a replacement boat motor for Fire (reduced from operating Fire budget) and rescue truck that exceeded the original budget estimate.

Significant budget versus actual variances include the following:

- ⇒ The General Fund is the primary operating governmental fund of the City. General Fund actual revenues were \$24,290,386 versus budgeted revenues of \$22,378,658. Licenses / Permits was \$12,144,175 budgeted and actual revenues were \$12,605,940 for a variance of \$461,765. Finance staff's focus on collection efforts and new business in the City is to be credited for this positive variance. Grants / Entitlements exceeded projections by \$1,555,470. Part of this surplus was for the award of the Cares Relief grant.
- ⇒ The General Fund had a positive variance concerning expenditures this fiscal year. The variance can be attributed to the temporary reduction in staffing associated with COVID in preparation for the offset of revenue. Two divisions that passed their operating parameters were General Government and Police. General Government is where the PPE supplies were expensed which was paid for by FEMA funds. The Police payroll was above the budget and it was paid for by the Cares Relief grant.





## **CAPITAL ASSET AND DEBT ADMINISTRATION**

The City's investment in capital assets for governmental and business-type activities as of June 30, 2020 is \$117,903,991 (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, 2020 include:

<u>Project</u>	<u>Approved Contract</u>	<u>Paid / Accrued to Date</u>	<u>Outstanding Commitment</u>
CIPP Lining	\$ 64,500	\$ 24,960	\$ 39,540
Pollard Mills	421,800	169,022	252,778
SCADA	251,110	198,255	52,855
WWTP Expansion	535,990	123,209	412,781
Waterline Replacement	218,290	180,820	37,470
Pollard Mills Storm Water	447,877	304,305	143,572
CIPP Lining Rehabilitation	550,785	88,688	462,097
	<u>\$ 2,490,352</u>	<u>\$ 1,089,259</u>	<u>\$ 1,401,093</u>

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

<u>Asset</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 4,463,328	\$ 449,401	\$ 4,912,729
Buildings and improvements	12,403,274	6,575,987	18,979,261
Automotive equipment	6,467,399	2,738,507	9,205,906
Operating equipment	5,122,964	4,795,358	9,918,322
Office equipment	728,396	553,509	1,281,905
Capital improvements	1,166,553	3,262,098	4,428,651
Right-of-way	15,038,909	-	15,038,909
Infrastructure	82,874,945	-	82,874,945
Utility plant	-	101,322,475	101,322,475
Construction (CIP)	2,314,726	1,732,766	4,047,492
	<u>130,580,494</u>	<u>121,430,101</u>	<u>252,010,595</u>
Less depreciation	<u>(68,321,019)</u>	<u>(65,785,585)</u>	<u>(134,106,604)</u>
Total	<u>\$ 62,259,475</u>	<u>\$ 55,644,516</u>	<u>\$ 117,903,991</u>

## **DEBT**

At the end of fiscal year 2020, the City had governmental activities debt of \$11,544,861 compared to \$11,782,256 at June 30, 2019, which represents a decrease of \$237,395. Business-type activities had debt of \$11,700,880 compared to \$12,996,054 at June 30, 2019, which represents a decrease of

\$1,295,174. 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	\$ 1,860,000
General obligation bond series 2017	4,155,000
Capital lease - police station	3,247,252
Capital lease - Melody Mtn Phase II	1,275,834
Premium on bonds	125,488
Compensated absences obligation	881,287
<b>Total</b>	<b>\$ 11,544,861</b>
<u>Business-Type Activities Debt</u>	<u>Amount</u>
Revenue & Improvement Bonds 2013	\$ 1,945,000
Water & Sewer Revenue Bonds 2015	2,670,000
Capital lease - Radio Meters	1,019,167
Kentucky Infrastructure Authority loans	5,990,269
Discount on bonds	(8,900)
Premium on bonds	85,344
<b>Total</b>	<b>\$ 11,700,880</b>

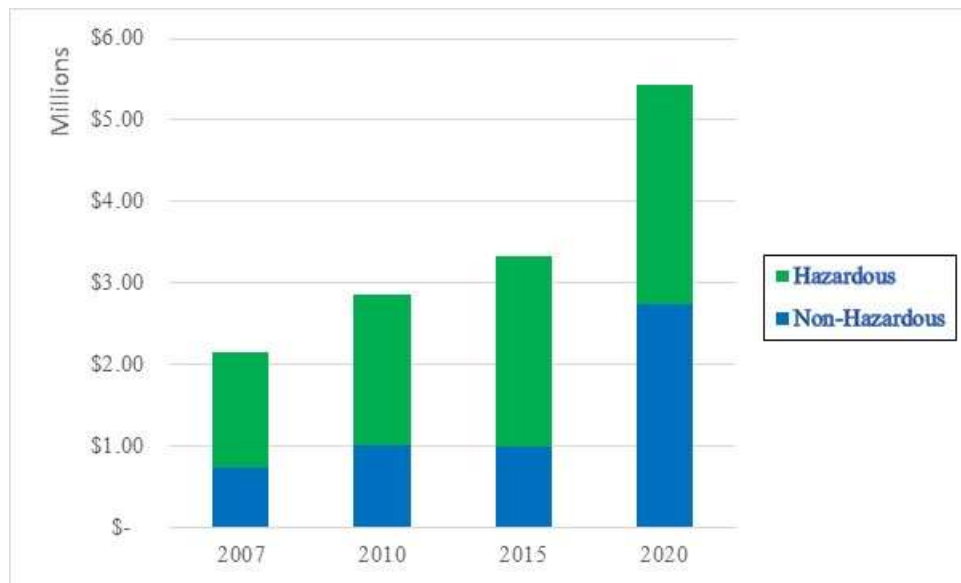
#### **DESCRIPTION OF MUNICIPAL DEBT**

- ⇒ General Obligation Refunding Bonds 2015 - \$1,860,000.
- ⇒ General Obligation Bonds 2017 Ashland Plaza Redevelopment Project - \$4,155,000.
- ⇒ General Obligation Bonds 2013 Melody Mountain Phase II - \$1,275,834.
- ⇒ Premium on bonds - \$125,488.
- ⇒ Capital Lease - Police station - \$3,247,252.
- ⇒ Employee compensated absences payable after 60 days at \$881,287.
- ⇒ Utility Revenue bond issue 2013 for phase II upgrade of the water plant - \$1,945,000.
- ⇒ K.I.A. Loans used to upgrade the utility system and correct CSO - \$5,990,269.
- ⇒ KLC lease payable for the purchase of radio read meters - \$1,019,167.
- ⇒ Water & Sewer Revenue Bonds 2015 – water system improvements - \$2,670,000.
- ⇒ Discount on bonds - (\$8,900).
- ⇒ Premium on bonds - \$85,344.

#### **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 and 2020.

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%



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

Unemployment rate for the City of Ashland as of June 2020 is 5.9%. This rate is higher than the State of Kentucky rate at 5.0% and lower than the national rate of 11.2%.

The following summarizes the 2021 fiscal year budgeted expenses.

- ⇒ General Fund - \$24,497,021
- ⇒ Tax Increment Finance Fund - \$298,450
- ⇒ Municipal Aid Program - \$383,290
- ⇒ Community Development Block Grant Fund - \$1,624,753
- ⇒ Section 8 Voucher - \$3,417,048
- ⇒ Floodwall Operating Fund - \$436,903
- ⇒ Utility Fund - \$28,415,442
- ⇒ Ashland Bus System - \$2,634,475
- ⇒ Recreation Operating Fund - \$955,106
- ⇒ Ashland Cemetery Fund - \$136,740
- ⇒ Capital Purchase Improvement Fund - \$1,029,742

Fiscal year 2021 contains three significant budget items. The Utility Fund will upgrade the Water Plant with SCADA and field instrumentation. Also in the Utility Fund is the continuance of replacing the aging water lines. The third item is to continue the Streetscape project that began several years ago.

### **REQUEST FOR INFORMATION**

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

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

**CITY OF ASHLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,044,664	\$ 431,084	\$ 3,475,748
Accounts receivable	259,923	2,838,169	3,098,092
Allowance for uncollectible accounts	-	(145,693)	(145,693)
Taxes receivable	562,344	-	562,344
Allowance for uncollectible taxes	(562,344)	-	(562,344)
Grants receivable	1,881,324	158,712	2,040,036
Internal balances, net	1,614,768	(1,614,768)	-
Due from fiduciary fund	51,437	-	51,437
Program receivables	-	-	-
Allowance for uncollectible accounts	-	-	-
Other receivables	572,314	-	572,314
Allowance for uncollectible accounts	(63,818)	-	(63,818)
Prepaid expenses	615,948	88,377	704,325
Inventories	186,070	2,437,304	2,623,374
Restricted assets -			
Cash and cash equivalents	-	3,182,355	3,182,355
Certificates of deposit	-	5,691,938	5,691,938
Note receivable	150,000	-	150,000
Nondepreciable capital assets	21,251,024	2,182,167	23,433,191
Depreciable capital assets	109,329,470	119,247,934	228,577,404
Accumulated depreciation	(68,321,019)	(65,785,585)	(134,106,604)
 Total assets	 70,572,105	 68,711,994	 139,284,099
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred savings from refunding bonds	63,601	80,814	144,415
Deferred outflows - OPEB related	3,958,426	1,043,415	5,001,841
Deferred outflows - pension related	8,164,222	2,312,034	10,476,256
 Total deferred outflows of resources	 12,186,249	 3,436,263	 15,622,512

**CITY OF ASHLAND**  
**STATEMENT OF NET POSITION (CONCLUDED)**  
**JUNE 30, 2020**

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Accounts payable	1,551,237	701,399	2,252,636
Due to Board of Education	40,632	-	40,632
Payable to fiduciary fund	-	154,162	154,162
Other accrued expenses and liabilities	2,748,237	527,963	3,276,200
Deposits	-	319,574	319,574
Matured revenue bonds and notes	-	50,000	50,000
Accrued compensated absences, current	173,369	252,843	426,212
Current portion of long-term debt	581,288	1,331,679	1,912,967
Net OPEB liabilities, due in more than one year	10,296,240	3,053,874	13,350,114
Net pension liabilities, due in more than one year	42,001,610	18,044,705	60,046,315
Accrued compensated absences, non-current	881,287	-	881,287
Capital lease obligations, non-current	4,261,797	907,084	5,168,881
Revenue and Improvement bonds, net of discounts	-	4,016,444	4,016,444
Kentucky Infrastructure Authority loans, non-current	-	5,445,673	5,445,673
General obligation bonds, non-current, plus premiums	5,820,489	-	5,820,489
	<hr/>	<hr/>	<hr/>
Total liabilities	68,356,186	34,805,400	103,161,586
	<hr/>	<hr/>	<hr/>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - OPEB related	3,012,196	1,089,514	4,101,710
Deferred inflows - pension related	1,124,645	433,339	1,557,984
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	4,136,841	1,522,853	5,659,694
	<hr/>	<hr/>	<hr/>
<b>NET POSITION</b>			
Net investment in capital assets	51,659,502	43,974,450	95,633,952
Restricted			
Debt service	-	1,138,163	1,138,163
Grant programs	1,725,320	-	1,725,320
Sewer improvements	-	7,506,050	7,506,050
Other	-	230,080	230,080
Unrestricted	(43,119,495)	(17,028,739)	(60,148,234)
	<hr/>	<hr/>	<hr/>
Total net position	\$ 10,265,327	\$ 35,820,004	\$ 46,085,331
	<hr/> <hr/>	<hr/> <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, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 2,791,896	\$ 14,505,416	\$ 2,013,308	\$ 20,000	\$ 13,746,828	\$ -	\$ 13,746,828
Finance	803,819	-	-	-	(803,819)	-	(803,819)
Public services	6,541,436	2,278,644	424,445	-	(3,838,347)	-	(3,838,347)
Planning and code enforcement	905,463	-	-	-	(905,463)	-	(905,463)
Police	7,946,663	-	129,162	-	(7,817,501)	-	(7,817,501)
Fire	9,447,894	-	-	-	(9,447,894)	-	(9,447,894)
Engineering	256,770	-	-	-	(256,770)	-	(256,770)
Community and cultural	4,098,731	280,779	3,649,951	-	(168,001)	-	(168,001)
Debt service - interest	355,228	-	-	-	(355,228)	-	(355,228)
Total governmental activities	<u>33,147,900</u>	<u>17,064,839</u>	<u>6,216,866</u>	<u>20,000</u>	<u>(9,846,195)</u>	<u>-</u>	<u>(9,846,195)</u>
<b>Business-Type Activities</b>							
Utilities	16,151,545	17,303,919	7,815	-	-	1,160,189	1,160,189
Recreation	1,076,103	20,681	-	1,974,521	-	919,099	919,099
Cemetery	279,629	122,831	-	-	-	(156,798)	(156,798)
Bus	1,435,441	41,231	316,036	513,548	-	(564,626)	(564,626)
Total business-type activities	<u>18,942,718</u>	<u>17,488,662</u>	<u>323,851</u>	<u>2,488,069</u>	<u>-</u>	<u>1,357,864</u>	<u>1,357,864</u>
Total primary government	<u>\$ 52,090,618</u>	<u>\$ 34,553,501</u>	<u>\$ 6,540,717</u>	<u>\$ 2,508,069</u>	<u>\$ (9,846,195)</u>	<u>\$ 1,357,864</u>	<u>\$ (8,488,331)</u>
<b>General Revenues:</b>							
Property and other local taxes							
General property taxes					\$ 381,004	\$ -	\$ 381,004
Vehicle property taxes					386,501	-	386,501
Insurance premium taxes					4,188,278	-	4,188,278
Bank franchise and other taxes					312,060	-	312,060
Interest income					7,531	101,737	109,268
Other revenues					<u>206,717</u>	<u>551,982</u>	<u>758,699</u>
Total general revenues					5,482,091	653,719	6,135,810
Transfers					<u>(1,648,260)</u>	<u>1,648,260</u>	<u>-</u>
Total general revenues and transfers					<u>3,833,831</u>	<u>2,301,979</u>	<u>6,135,810</u>
Change in net position					(6,012,364)	3,659,843	(2,352,521)
Net position, June 30, 2019					<u>16,277,691</u>	<u>32,160,161</u>	<u>48,437,852</u>
Net position, June 30, 2020					<u>\$ 10,265,327</u>	<u>\$ 35,820,004</u>	<u>\$ 46,085,331</u>

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

**CITY OF ASHLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	Special Revenue Funds							Total Governmental Funds
	General	Tax Increment Finance	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	
<b>Assets</b>								
Cash	\$ 1,721,784	\$ -	\$ 130,817	\$ 19,478	\$ 3,866	\$ 332,629	\$ -	\$ 2,208,574
Taxes receivable	531,902	-	-	30,442	-	-	-	562,344
Allowance for uncollectible taxes	(531,902)	-	-	(30,442)	-	-	-	(562,344)
Grants receivable	1,713,587	-	33,886	-	133,851	-	-	1,881,324
Due from other funds	2,638,401	-	-	-	-	21,192	1,639,231	4,298,824
Other receivables	504,230	-	-	-	-	68,084	-	572,314
Allowance for uncollectible accounts	-	-	-	-	-	(63,818)	-	(63,818)
Prepaid items	615,948	-	-	-	-	-	-	615,948
Inventories - supplies	186,070	-	-	-	-	-	-	186,070
Total assets	<u>\$ 7,380,020</u>	<u>\$ -</u>	<u>\$ 164,703</u>	<u>\$ 19,478</u>	<u>\$ 137,717</u>	<u>\$ 358,087</u>	<u>\$ 1,639,231</u>	<u>\$ 9,699,236</u>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ 311,275	\$ -	\$ -	\$ 2,323	\$ 34,168	\$ 8,364	\$ 789,231	\$ 1,145,361
Due to other funds	2,491,614	695,413	164,703	48,603	32,414	-	-	3,432,747
Unearned revenue	-	-	-	-	-	330,503	-	330,503
Due to Board of Education	40,632	-	-	-	-	-	-	40,632
Accrued compensated absences	168,538	-	-	1,385	1,134	2,312	-	173,369
Accrued wages and related expenditures	857,880	-	-	2,696	4,564	5,175	-	870,315
Total liabilities	<u>3,869,939</u>	<u>695,413</u>	<u>164,703</u>	<u>55,007</u>	<u>72,280</u>	<u>346,354</u>	<u>789,231</u>	<u>5,992,927</u>
Fund Balances:								
Non-spendable	802,018	-	-	-	-	-	-	802,018
Restricted for grant programs	1,713,587	-	-	-	-	11,733	-	1,725,320
Assigned for capital projects	-	-	-	-	-	-	850,000	850,000
Assigned for special revenue funds	-	-	-	-	65,437	-	-	65,437
Unassigned	994,476	(695,413)	-	(35,529)	-	-	-	263,534
Total fund balances	<u>3,510,081</u>	<u>(695,413)</u>	<u>-</u>	<u>(35,529)</u>	<u>65,437</u>	<u>11,733</u>	<u>850,000</u>	<u>3,706,309</u>
Total liabilities and fund balances	<u>\$ 7,380,020</u>	<u>\$ -</u>	<u>\$ 164,703</u>	<u>\$ 19,478</u>	<u>\$ 137,717</u>	<u>\$ 358,087</u>	<u>\$ 1,639,231</u>	<u>\$ 9,699,236</u>

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, 2020**

Total fund balance - total governmental funds \$ 3,706,309

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

Capital assets of \$130,580,494 net of accumulated depreciation of \$68,321,019  
used in governmental activities are not financial resources and therefore  
are not reported in the governmental funds. 62,259,475

Other long-term assets are not available to pay for current-period  
expenditures and therefore are not reported in the governmental funds:

Note receivable	150,000	
Deferred savings from refunding bonds	<u>63,601</u>	213,601

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. 7,985,807

Long-term liabilities, including bonds payable, are not due and payable in the  
current period and therefore are not reported in the governmental funds:

Net OPEB liabilities	(10,296,240)	
Net pension liabilities	(42,001,610)	
Bonds payable	(6,140,489)	
Accrued interest payable	(57,154)	
Accrued compensated absences	(881,287)	
Capital lease obligations	<u>(4,523,085)</u>	<u>(63,899,865)</u>

Net position, end of year - Governmental Activities \$ 10,265,327

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, 2020**

	Special Revenue Funds							Total
		Tax Increment	Municipal	Floodwall	Community	Housing	Capital	Total
	General	Finance	Aid Road	Operating	Development	Assistance	Projects	Governmental
								Funds
Revenues								
Property and other local taxes	\$ 5,185,735	\$ 32,486	\$ -	\$ 49,622	\$ -	\$ -	\$ -	\$ 5,267,843
Licenses and permits	12,605,940	35,292	-	-	-	-	-	12,641,232
Charges for services	2,278,644	-	-	-	-	-	-	2,278,644
Fees, fines and reimbursements	1,864,184	-	-	-	-	-	-	1,864,184
Grant income	2,142,470	-	424,445	-	689,379	2,960,572	-	6,216,866
Administration fee income	-	-	-	-	-	280,779	-	280,779
Interest income	6,696	-	258	248	-	329	-	7,531
Other income	206,717	-	-	-	-	-	20,000	226,717
Total revenues	24,290,386	67,778	424,703	49,870	689,379	3,241,680	20,000	28,783,796
Expenditures								
General government	2,499,914	-	-	-	-	-	1,503	2,501,417
Finance	668,606	-	-	-	-	-	-	668,606
Public services	5,115,011	-	424,703	247,790	-	-	-	5,787,504
Planning and code enforcement	785,556	-	-	-	-	-	-	785,556
Police	5,569,454	-	-	-	-	-	-	5,569,454
Fire	6,554,339	-	-	-	-	-	-	6,554,339
Engineering	214,411	-	-	-	-	-	-	214,411
Community and cultural	-	173,509	-	-	689,379	3,295,039	-	4,157,927
Capital outlay	-	-	-	-	-	-	4,004,696	4,004,696
Debt service:								
Principal retirement	392,356	170,000	-	-	-	-	-	562,356
Interest charges	233,583	127,200	-	-	-	-	-	360,783
Total expenditures	22,033,230	470,709	424,703	247,790	689,379	3,295,039	4,006,199	31,167,049
Excess (deficiency) of Revenues Over (Under) Expenditures	2,257,156	(402,931)	-	(197,920)	-	(53,359)	(3,986,199)	(2,383,253)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	-	3,111,199	3,111,199
Transfers out	(4,759,459)	-	-	-	-	-	-	(4,759,459)
Total other financing sources (uses)	(4,759,459)	-	-	-	-	-	3,111,199	(1,648,260)
Net change in fund balances	(2,502,303)	(402,931)	-	(197,920)	-	(53,359)	(875,000)	(4,031,513)
Fund balances beginning of year	6,012,384	(292,482)	-	162,391	65,437	65,092	1,725,000	7,737,822
Fund balances end of year	\$ 3,510,081	\$ (695,413)	\$ -	\$ (35,529)	\$ 65,437	\$ 11,733	\$ 850,000	\$ 3,706,309

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, 2020**

Net change in fund balances - total governmental funds		\$ (4,031,513)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	5,633,677		
Depreciation expense	<u>(2,596,515)</u>		3,037,162

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		(334,475)
Amortization of deferred savings from refunding bonds		(6,876)
Amortization of bond discounts and premiums		9,514
Accrued interest payable		2,917

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	270,776		
CERS pension expense	(4,864,438)		
CERS OPEB expense	<u>(657,787)</u>		(5,251,449)

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.

		<u>562,356</u>
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Change in net position of governmental activities		<u><u>\$ (6,012,364)</u></u>
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The accompanying notes to financial statements  
are an integral part of this statement.

**CITY OF ASHLAND**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	Business-Type Activities					Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	Fund
<b>ASSETS</b>						
Unrestricted Assets:						
Cash and cash equivalents	\$ 270,383	\$ 24,154	\$ 5,132	\$ 131,415	\$ 431,084	\$ 836,090
Accounts receivable	2,835,065	-	948	2,156	2,838,169	259,923
Allowance for doubtful accounts	(145,693)	-	-	-	(145,693)	-
Due from other funds	-	-	-	31,063	31,063	800,128
Grants receivable - capital	-	150,897	-	-	150,897	-
Grants receivable - operating	7,815	-	-	-	7,815	-
Prepaid expenses	88,377	-	-	-	88,377	-
Inventories -						
Repair parts and supplies	933,863	70,668	3,293	-	1,007,824	-
Lots and vaults	-	-	-	1,429,480	1,429,480	-
Total unrestricted assets	3,989,810	245,719	9,373	1,594,114	5,839,016	1,896,141
Restricted Assets:						
Cash and cash equivalents	3,142,275	-	-	40,080	3,182,355	-
Investments -						
Certificates of deposit	5,501,938	-	190,000	-	5,691,938	-
Total restricted assets	8,644,213	-	190,000	40,080	8,874,293	-
Total current assets	12,634,023	245,719	199,373	1,634,194	14,713,309	1,896,141
Capital Assets:						
Land and easements	372,725	-	58,223	18,453	449,401	-
Utility plant	101,322,475	-	-	-	101,322,475	-
Buildings and improvements	2,587,960	1,567,726	100,529	2,319,771	6,575,986	-
Operating equipment	5,625,598	1,468,211	3,636,005	66,150	10,795,964	-
Office and computer equipment	510,019	38,170	5,320	-	553,509	-
Construction in progress	1,732,766	-	-	-	1,732,766	-
	112,151,543	3,074,107	3,800,077	2,404,374	121,430,101	-
Less: Accumulated depreciation	(62,644,608)	(1,759,741)	(827,498)	(553,738)	(65,785,585)	-
Total capital assets - net	49,506,935	1,314,366	2,972,579	1,850,636	55,644,516	-
Total noncurrent assets	49,506,935	1,314,366	2,972,579	1,850,636	55,644,516	-
Total assets	62,140,958	1,560,085	3,171,952	3,484,830	70,357,825	1,896,141
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred savings from refunding bonds	80,814	-	-	-	80,814	-
Deferred outflows - OPEB related	789,839	158,677	80,547	14,352	1,043,415	-
Deferred outflows - pension related	1,750,151	351,602	178,479	31,802	2,312,034	-
Total deferred outflows of resources	2,620,804	510,279	259,026	46,154	3,436,263	-

**CITY OF ASHLAND**  
**STATEMENT OF NET POSITION (CONCLUDED)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2020**

	Business-Type Activities					Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	Fund
<b>LIABILITIES</b>						
Current liabilities (payable from current assets):						
Accounts payable	\$ 605,577	\$ 74,625	\$ 18,505	\$ 2,692	\$ 701,399	\$ 405,876
Due to other funds	882,750	338,027	579,216	-	1,799,993	-
Accrued compensated absences	211,500	24,449	9,289	7,605	252,843	-
Other accrued liabilities	372,161	97,446	11,819	46,537	527,963	1,490,265
Total current liabilities						
(payable from current assets)	2,071,988	534,547	618,829	56,834	3,282,198	1,896,141
Current liabilities (payable from restricted assets):						
Matured revenue bonds and notes	50,000	-	-	-	50,000	-
Customer deposits	319,574	-	-	-	319,574	-
Current portion of capital lease obligations	112,083	-	-	-	112,083	-
Current portion of Revenue and Improvement bonds	675,000	-	-	-	675,000	-
Current portion of Kentucky Infrastructure Authority loans	544,596	-	-	-	544,596	-
Total current liabilities						
(payable from restricted assets)	1,701,253	-	-	-	1,701,253	-
Total current liabilities	3,773,241	534,547	618,829	56,834	4,983,451	1,896,141
Long-term liabilities:						
Capital lease obligations	907,084	-	-	-	907,084	-
Revenue and Improvement bonds, net of discount and premium	4,016,444	-	-	-	4,016,444	-
Kentucky Infrastructure Authority loans	5,445,673	-	-	-	5,445,673	-
Net OPEB liabilities	2,435,243	329,961	221,929	66,741	3,053,874	-
Net pension liabilities	15,395,068	1,391,469	1,033,668	224,500	18,044,705	-
Total long-term liabilities	28,199,512	1,721,430	1,255,597	291,241	31,467,780	-
Total liabilities	31,972,753	2,255,977	1,874,426	348,075	36,451,231	1,896,141
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows - OPEB related	824,735	165,687	84,106	14,986	1,089,514	-
Deferred inflows - pension related	328,026	65,900	33,452	5,961	433,339	-
Total deferred inflows of resources	1,152,761	231,587	117,558	20,947	1,522,853	-
<b>NET POSITION</b>						
Net investment in capital assets	37,836,869	1,314,366	2,972,579	1,850,636	43,974,450	-
Restricted for debt service	1,138,163	-	-	-	1,138,163	-
Restricted for sewer improvements	7,506,050	-	-	-	7,506,050	-
Other	-	-	190,000	40,080	230,080	-
Unrestricted	(14,844,834)	(1,731,566)	(1,723,585)	1,271,246	(17,028,739)	-
Total net position	\$ 31,636,248	\$ (417,200)	\$ 1,438,994	\$ 3,161,962	\$ 35,820,004	\$ -

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, 2020**

	Business-Type Activities					Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	Fund
<b>OPERATING REVENUES</b>						
Residential and commercial meter sales	\$ 4,621,553	\$ -	\$ -	\$ -	\$ 4,621,553	\$ -
Sewer service	7,582,146	-	-	-	7,582,146	-
Industrial meter sales	3,363,371	-	-	-	3,363,371	-
Other municipalities	1,512,144	-	-	-	1,512,144	-
Industrial pretreatment	128,737	-	-	-	128,737	-
Water and sewer taps	95,968	-	-	-	95,968	-
Concession sales	-	-	7,184	-	7,184	-
Lot and vault sales	-	-	-	50,470	50,470	-
Opening and closing fees	-	-	-	72,361	72,361	-
Passenger fares	-	41,231	-	-	41,231	-
Admission fees	-	-	13,497	-	13,497	-
Premium charges	-	-	-	-	-	5,952,709
Miscellaneous	522,314	10,745	4,552	14,371	551,982	-
Total operating revenues	17,826,233	51,976	25,233	137,202	18,040,644	5,952,709
<b>OPERATING EXPENSES</b>						
Administration - Director	174,367	-	-	-	174,367	-
Administration - Cashier	1,014,911	-	-	-	1,014,911	-
Water - Production	2,364,525	-	-	-	2,364,525	-
Water - Distribution	3,787,376	-	-	-	3,787,376	-
Sewer - Pretreatment	1,928,219	-	-	-	1,928,219	-
Sewer - Collection	1,545,106	-	-	-	1,545,106	-
Depreciation	2,697,195	156,401	73,111	51,211	2,977,918	-
Insurance	192,569	29,186	19,651	6,111	247,517	-
Other operating expenses	2,106,359	553,469	449,080	90,813	3,199,721	6,160
Salaries	-	535,899	334,764	59,414	930,077	-
Utilities	-	27,313	111,593	13,654	152,560	-
Operating supplies	-	133,173	87,904	58,426	279,503	-
Premiums and claims	-	-	-	-	-	5,947,804
Total operating expenses	15,810,627	1,435,441	1,076,103	279,629	18,601,800	5,953,964
<b>OPERATING INCOME (LOSS)</b>	2,015,606	(1,383,465)	(1,050,870)	(142,427)	(561,156)	(1,255)
<b>NON-OPERATING REVENUES</b>						
<b>(EXPENSES)</b>						
Interest income	97,999	269	3,242	227	101,737	1,255
Grant income	7,815	316,036	-	-	323,851	-
Interest on revenue bonds and notes	(340,918)	-	-	-	(340,918)	-
Total non-operating revenues (expenses)	(235,104)	316,305	3,242	227	84,670	1,255
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	1,780,502	(1,067,160)	(1,047,628)	(142,200)	(476,486)	-
<b>TRANSFERS</b>						
From General Fund	-	574,833	952,781	120,646	1,648,260	-
Total transfers in	-	574,833	952,781	120,646	1,648,260	-
<b>CAPITAL CONTRIBUTIONS</b>						
Local contributions	-	-	1,974,521	-	1,974,521	-
Federal/state grants	-	513,548	-	-	513,548	-
Total capital contributions	-	513,548	1,974,521	-	2,488,069	-
<b>INCREASE (DECREASE) IN NET POSITION</b>	1,780,502	21,221	1,879,674	(21,554)	3,659,843	-
<b>NET POSITION, JUNE 30, 2019</b>	29,855,746	(438,421)	(440,680)	3,183,516	32,160,161	-
<b>NET POSITION, JUNE 30, 2020</b>	\$ 31,636,248	\$ (417,200)	\$ 1,438,994	\$ 3,161,962	\$ 35,820,004	\$ -

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, 2020**

	Business-Type Activities					Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 16,990,328	\$ 41,231	\$ 20,681	\$ 120,675	\$ 17,172,915	\$ -
Cash payments to suppliers for goods and services	(10,882,405)	(966,766)	(188,306)	(115,527)	(12,153,004)	(6,160)
Cash payments to employees	(4,026,781)	(416,466)	(261,167)	(37,101)	(4,741,515)	-
Other operating revenues	522,314	10,745	4,552	14,371	551,982	-
Payments for internal services	(1,764,889)	(153,256)	(165,258)	(34,160)	(2,117,563)	-
Cash received for internal services	-	-	-	-	-	6,891,807
Payments for premiums and claims	-	-	-	-	-	(6,366,738)
Net cash provided by (used for) operating activities	<u>838,567</u>	<u>(1,484,512)</u>	<u>(589,498)</u>	<u>(51,742)</u>	<u>(1,287,185)</u>	<u>518,909</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Grant income	-	635,562	-	-	635,562	-
Transfers from other funds	-	574,833	952,781	120,646	1,648,260	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>1,210,395</u>	<u>952,781</u>	<u>120,646</u>	<u>2,283,822</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	(2,901,118)	(469,966)	(386,442)	-	(3,757,526)	-
Proceeds from sale of assets	-	-	-	-	-	-
Principal paid on bonds, notes, and lease obligations	(1,290,382)	-	-	-	(1,290,382)	-
Interest paid on bonds, notes, and lease obligations	(340,918)	-	-	-	(340,918)	-
Capital grants received	-	610,531	-	-	610,531	-
Net cash provided by (used for) capital and related financing activities	<u>(4,532,418)</u>	<u>140,565</u>	<u>(386,442)</u>	<u>-</u>	<u>(4,778,295)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Withdrawal of investment securities	(2,558,269)	-	-	-	(2,558,269)	-
Investment income	97,999	269	2,466	227	100,961	1,255
Net cash provided by investing activities	<u>(2,460,270)</u>	<u>269</u>	<u>2,466</u>	<u>227</u>	<u>(2,457,308)</u>	<u>1,255</u>
Net increase (decrease) in cash and cash equivalents	(6,154,121)	(133,283)	(20,693)	69,131	(6,238,966)	520,164
Cash and cash equivalents, June 30, 2019	<u>9,566,779</u>	<u>157,437</u>	<u>25,825</u>	<u>102,364</u>	<u>9,852,405</u>	<u>315,926</u>
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>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 2,015,606	\$ (1,383,465)	\$ (1,050,870)	\$ (142,427)	\$ (561,156)	\$ (1,255)
Adjustments:						
Depreciation	2,697,195	156,401	73,111	51,211	2,977,918	-
Amortization	22,145	-	-	-	22,145	-
Net OPEB adjustment	20,666	(2,839)	3,425	1,164	22,416	-
Net pension adjustment	337,397	109,132	91,420	20,390	558,339	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(24,294)	-	-	(2,156)	(26,450)	(93,982)
(Increase) decrease in inventories	226,800	4,236	4,179	45,999	281,214	-
(Increase) decrease in prepaid expenses	(6,959)	-	-	-	(6,959)	-
(Increase) decrease in due from other funds	-	-	-	(25,424)	(25,424)	1,033,080
Increase (decrease) in accounts payable	(1,080,991)	28,458	(48,911)	(1,258)	(1,102,702)	(555,162)
Increase (decrease) in due to other funds	(3,123,421)	(409,575)	359,396	-	(3,173,600)	-
Increase (decrease) in compensated absences	40,224	1,654	(11,362)	(25)	30,491	-
Increase (decrease) in other accrued liabilities	3,496	11,486	(9,886)	784	5,880	136,228
Increase (decrease) in customer deposits	(289,297)	-	-	-	(289,297)	-
Net cash provided by (used for) operating activities	<u>\$ 838,567</u>	<u>\$ (1,484,512)</u>	<u>\$ (589,498)</u>	<u>\$ (51,742)</u>	<u>\$ (1,287,185)</u>	<u>\$ 518,909</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, 2020**

	Pension Trust Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ -
Accrued interest receivable	4,454
Due from other funds	154,162
Investments, at fair value	
Certificates of deposit	<u>4,063,584</u>
 Total assets	 <u>4,222,200</u>
 <b>LIABILITIES</b>	
Due to other funds	<u>51,437</u>
 Total liabilities	 <u>51,437</u>
 <b>NET POSITION - RESTRICTED</b>	
<b>FOR PENSION BENEFITS</b>	<u><u>\$ 4,170,763</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, 2020**

	<u>Pension Trust Funds</u>
ADDITIONS:	
CONTRIBUTIONS	
Employer	<u>\$ 928,035</u>
Total contributions	<u>928,035</u>
INVESTMENT INCOME	
Interest income	<u>59,167</u>
Total investment income	<u>59,167</u>
Total additions	<u>987,202</u>
DEDUCTIONS:	
Benefits	986,403
Administrative expenses	<u>7,092</u>
Total deductions	<u>993,495</u>
NET DECREASE	(6,293)
NET POSITION - RESTRICTED FOR PENSION BENEFITS:	
Beginning of year	<u>4,177,056</u>
End of year	<u><u>\$ 4,170,763</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, 2020**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ 7,870,345	\$ (2,680,055)	\$ 5,190,290	\$ 5,185,735	\$ (4,555)
Licenses and permits	12,144,175	-	12,144,175	12,605,940	461,765
Charges for services	2,313,000	-	2,313,000	2,278,644	(34,356)
Fees, fines and reimbursements	1,989,535	-	1,989,535	1,864,184	(125,351)
Interest income	5,500	-	5,500	6,696	1,196
Grant income	67,000	520,000	587,000	2,142,470	1,555,470
Other income	145,365	3,793	149,158	206,717	57,559
Total revenues	24,534,920	(2,156,262)	22,378,658	24,290,386	1,911,728
<b>Expenditures</b>					
General government	2,291,677	95,689	2,387,366	2,499,914	(112,548)
Finance	679,744	-	679,744	668,606	11,138
Public services	5,390,548	562,022	5,952,570	5,115,011	837,559
Planning and code enforcement	786,815	-	786,815	785,556	1,259
Police	5,489,334	12,243	5,501,577	5,569,454	(67,877)
Fire	6,597,103	(9,600)	6,587,503	6,554,339	33,164
Engineering	204,544	-	204,544	214,411	(9,867)
Debt service:					
Principal retirement	437,821	-	437,821	392,356	45,465
Interest and fiscal charges	188,110	-	188,110	233,583	(45,473)
Total expenditures	22,065,696	660,354	22,726,050	22,033,230	692,820
Excess of Revenues Over (Under) Expenditures	2,469,224	(2,816,616)	(347,392)	2,257,156	2,604,548
<b>Other Financing Sources (Uses)</b>					
Transfers out	(2,469,224)	(875,139)	(3,344,363)	(4,759,459)	(1,415,096)
Total other financing sources (uses)	(2,469,224)	(875,139)	(3,344,363)	(4,759,459)	(1,415,096)
Net change in fund balance	-	(3,691,755)	(3,691,755)	(2,502,303)	1,189,452
Fund balance beginning of year	6,012,384	-	6,012,384	6,012,384	-
Fund balance end of year	\$ 6,012,384	\$ (3,691,755)	\$ 2,320,629	\$ 3,510,081	\$ 1,189,452

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, 2020**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ 66,796	\$ -	\$ 66,796	\$ 32,486	\$ (34,310)
Licenses and permits	63,703	-	63,703	35,292	(28,411)
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	25	-	25	-	(25)
Other income	-	-	-	-	-
Total revenues	<u>130,524</u>	<u>-</u>	<u>130,524</u>	<u>67,778</u>	<u>(62,746)</u>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	7,000	69,002	76,002	173,509	(97,507)
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	170,000	-	170,000	170,000	-
Interest and fiscal charges	127,200	-	127,200	127,200	-
Total expenditures	<u>304,200</u>	<u>69,002</u>	<u>373,202</u>	<u>470,709</u>	<u>(97,507)</u>
Excess of Revenues Over (Under) Expenditures	<u>(173,676)</u>	<u>(69,002)</u>	<u>(242,678)</u>	<u>(402,931)</u>	<u>(160,253)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from the issuance of debt	-	-	-	-	-
Transfers in	-	69,002	69,002	-	(69,002)
Total other financing sources (uses)	<u>-</u>	<u>69,002</u>	<u>69,002</u>	<u>-</u>	<u>(69,002)</u>
Net change in fund balance	(173,676)	-	(173,676)	(402,931)	(229,255)
Fund balance beginning of year	<u>(292,482)</u>	<u>-</u>	<u>(292,482)</u>	<u>(292,482)</u>	<u>-</u>
Fund balance end of year	<u>\$ (466,158)</u>	<u>\$ -</u>	<u>\$ (466,158)</u>	<u>\$ (695,413)</u>	<u>\$ (229,255)</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, 2020**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	442,200	-	442,200	424,445	(17,755)
Administration fee income	-	-	-	-	-
Interest income	15	-	15	258	243
Other income	-	-	-	-	-
Total revenues	442,215	-	442,215	424,703	(17,512)
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	442,215	-	442,215	424,703	17,512
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	442,215	-	442,215	424,703	17,512
Excess of Revenues Over (Under) Expenditures	-	-	-	-	-
<b>Other Financing Sources (Uses)</b>					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	-	-	-	-	-
Fund balance end of year	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2020**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	1,560,286	-	1,560,286	689,379	(870,907)
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	<u>1,560,286</u>	<u>-</u>	<u>1,560,286</u>	<u>689,379</u>	<u>(870,907)</u>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	1,560,286	(16,513)	1,543,773	689,379	854,394
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>1,560,286</u>	<u>(16,513)</u>	<u>1,543,773</u>	<u>689,379</u>	<u>854,394</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>16,513</u>	<u>16,513</u>	<u>-</u>	<u>(16,513)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	16,513	16,513	-	(16,513)
Fund balance beginning of year	<u>65,437</u>	<u>-</u>	<u>65,437</u>	<u>65,437</u>	<u>-</u>
Fund balance end of year	<u>\$ 65,437</u>	<u>\$ 16,513</u>	<u>\$ 81,950</u>	<u>\$ 65,437</u>	<u>\$ (16,513)</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, 2020**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	2,703,370	-	2,703,370	2,960,572	257,202
Administration fee income	259,900	-	259,900	280,779	20,879
Interest income	260	-	260	329	69
Other income	-	-	-	-	-
Total revenues	2,963,530	-	2,963,530	3,241,680	278,150
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	2,963,530	-	2,963,530	3,295,039	(331,509)
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	2,963,530	-	2,963,530	3,295,039	(331,509)
Excess of Revenues Over (Under) Expenditures	-	-	-	(53,359)	(53,359)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	(53,359)	(53,359)
Fund balance beginning of year	65,092	-	65,092	65,092	-
Fund balance end of year	\$ 65,092	\$ -	\$ 65,092	\$ 11,733	\$ (53,359)

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, 2020**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ 237,125	\$ (145,174)	\$ 91,951	\$ 49,622	\$ (42,329)
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	150	-	150	248	98
Other income	-	-	-	-	-
Total revenues	<u>237,275</u>	<u>(145,174)</u>	<u>92,101</u>	<u>49,870</u>	<u>(42,231)</u>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	261,909	-	261,909	247,790	14,119
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>261,909</u>	<u>-</u>	<u>261,909</u>	<u>247,790</u>	<u>14,119</u>
Excess of Revenues Over (Under) Expenditures	<u>(24,634)</u>	<u>(145,174)</u>	<u>(169,808)</u>	<u>(197,920)</u>	<u>(28,112)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(24,634)	(145,174)	(169,808)	(197,920)	(28,112)
Fund balance beginning of year	<u>162,391</u>	<u>-</u>	<u>162,391</u>	<u>162,391</u>	<u>-</u>
Fund balance end of year	<u>\$ 137,757</u>	<u>\$ (145,174)</u>	<u>\$ (7,417)</u>	<u>\$ (35,529)</u>	<u>\$ (28,112)</u>

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

**CITY OF ASHLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**(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, 2020 there are no organizations meeting the criteria.

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

**A. Basis of Presentation**

The basic financial statements of the City include both government-wide statements and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

## **B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major Governmental Funds:

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

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

- **Tax Increment Finance Fund** - The Tax Increment Finance Fund is used to account for the revenue and expenditures related to the Ashland Plaza Redevelopment Project.
- **Municipal Aid Road Fund** - The Municipal Aid Road Fund is used to account for state grants restricted for road improvements.
- **Floodwall Operating Fund** - The Floodwall Operating Fund is used to account for taxes levied on real estate located within the floodwall. Resources may only be used for the repair and maintenance of the City's floodwall.
- **Community Development Fund** - The Community Development Fund is used to account for entitlements to the City under the provisions of Title 1 of the Housing and Development Act of 1974. Resources may only be used for activities which are directed toward developing urban communities and economic opportunities for individuals of low and moderate income.
- **Housing Assistance Fund** - The Housing Assistance Fund is used to account for grant revenue provided to the City by the U.S. Department of Housing and Urban Development Section 8 rent subsidy program. Resources are used for the payment of rent subsidies to landlords on behalf of qualified tenants.

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

The City reports the following major Proprietary Funds:

- **Utility Fund** - The Utility Fund is used to account for water and wastewater (sewer) services for the City and surrounding communities.



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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

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

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

At June 30, 2020, 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, 2020, there were no significant encumbrances.

#### **H. Interfund Transactions**

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

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

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

#### **J. Compensated Absences**

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

financial resources. Liabilities for compensated absences are recorded in full in the Government-wide and Proprietary Fund financial statements.

#### **K. Fund Balances**

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

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

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

#### **L. Net Position**

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

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

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

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

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

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

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the

reported revenues and expenditures during the reporting period. Material estimates that are particularly susceptible to significant changes relate to the determination of the allowance for uncollectible accounts and the useful lives used to depreciate capital assets, and actuarial assumptions used in determining pension and OPEB costs. Actual results could differ from estimated amounts.

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

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

#### **Q. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2020, 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 will be effective for the City beginning with its year ending June 30, 2021. Management is currently evaluating the impact of this Statement on its financial statements.

In 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, 2020, the carrying amounts of the City's deposits held in banks were \$16,409,075 and the bank balances were \$17,503,507. 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, 2020, the City had the following investments and maturities:

Investment Type -	Investment Maturities (in years)				
	Balance	Less than 1	1 - 5	6 - 10	More than 10
<b>Utility Fund</b>					
Certificates of Deposit	\$ 5,501,938	\$ 5,501,938	\$ -	\$ -	\$ -
<b>Recreation Fund</b>					
Certificates of Deposit	190,000	190,000	-	-	-
<b>Fiduciary Funds</b>					
Certificates of Deposit	4,063,584	4,063,584	-	-	-

**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 2020 assessed value for real property and tangible property was \$946,000,926 and \$105,834,944 respectively. The tax rate adopted was \$.2671 per \$100 valuation.

#### **(5) GRANTS RECEIVABLE**

Grants receivable from other governmental units as of June 30, 2020, are as follows:

General Fund -	
Kentucky Transportation Cabinet	\$ 1,561
COVID Relief Funds	1,465,597
FEMA grant	244,526
Police grant	1,903
	<u>1,713,587</u>
Special Revenue Funds -	
Municipal Aid Road Fund	33,886
Community Development Fund, program allocation	133,851
	<u>167,737</u>
Enterprise Funds -	
Utility Fund - FEMA grant	7,815
Ashland Bus System - FTA capital	102,036
Ashland Bus System - Capital	48,861
	<u>158,712</u>
	<u>\$ 2,040,036</u>

#### **(6) CAPITAL ASSETS**

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



<b><u>Governmental Activities</u></b>	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
<b>Capital Assets, Not Depreciated:</b>				
Land	\$ 18,936,298	\$ -	\$ -	\$ 18,936,298
Construction in progress	653,311	1,751,383	(89,968)	2,314,726
<b>Capital Assets, Depreciated:</b>				
Buildings	9,669,114	6,000	-	9,675,114
Building improvements	3,230,854	63,245	-	3,294,099
Automotive equipment	4,604,874	1,900,821	(38,296)	6,467,399
Office furniture and equipment	582,041	146,355	-	728,396
Operating equipment	4,699,819	423,145	-	5,122,964
Capital improvements	1,098,864	67,689	-	1,166,553
Infrastructure	81,509,938	1,365,007	-	82,874,945
Totals	<u>124,985,113</u>	<u>5,723,645</u>	<u>(128,264)</u>	<u>130,580,494</u>
Less: accumulated depreciation				
Buildings	2,776,056	174,792	-	2,950,848
Building improvements	2,225,617	92,105	-	2,317,722
Automotive equipment	3,182,255	296,741	(38,296)	3,440,700
Office furniture and equipment	478,065	36,849	-	514,914
Operating equipment	2,921,327	236,927	-	3,158,254
Capital improvements	368,892	42,527	-	411,419
Infrastructure	53,810,588	1,716,574	-	55,527,162
Total accumulated depreciation	<u>65,762,800</u>	<u>2,596,515</u>	<u>(38,296)</u>	<u>68,321,019</u>
<b>Governmental Activities</b>				
<b>Capital Assets - Net</b>	<u>\$ 59,222,313</u>	<u>\$ 3,127,130</u>	<u>\$ (89,968)</u>	<u>\$ 62,259,475</u>
<b><u>Business-type Activities</u></b>				
<b>Capital Assets, Not Depreciated:</b>				
Land	\$ 449,401	\$ -	\$ -	\$ 449,401
Construction in progress	2,376,989	1,110,197	(1,754,420)	1,732,766
<b>Capital Assets, Depreciated:</b>				
Buildings	3,846,513	1,739,853	-	5,586,366
Building improvements	769,970	219,650	-	989,620
Utility and sewage plants	100,227,701	1,094,774	-	101,322,475
Automotive equipment	2,290,649	447,860	-	2,738,509
Office furniture and equipment	360,300	193,209	-	553,509
Operating equipment	4,165,051	319,962	-	4,485,013
Recreation equipment	310,344	-	-	310,344
Capital improvement	901,135	2,360,963	-	3,262,098
Totals	<u>115,698,053</u>	<u>7,486,468</u>	<u>(1,754,420)</u>	<u>121,430,101</u>
Less: accumulated depreciation				
Buildings	1,379,802	118,644	-	1,498,446
Building improvements	545,387	37,240	-	582,627
Utility and sewage plants	55,842,215	2,291,485	-	58,133,700
Automotive equipment	1,497,921	219,915	-	1,717,836
Office furniture and equipment	185,799	54,032	-	239,831
Operating equipment	2,811,745	189,296	-	3,001,041
Recreation equipment	239,292	7,457	-	246,749
Capital improvements	305,506	59,849	-	365,355
Total accumulated depreciation	<u>62,807,667</u>	<u>2,977,918</u>	<u>-</u>	<u>65,785,585</u>
<b>Business-type Activities</b>				
<b>Capital Assets - Net</b>	<u>\$ 52,890,386</u>	<u>\$ 4,508,550</u>	<u>\$ (1,754,420)</u>	<u>\$ 55,644,516</u>

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

Governmental activities:	
General government	\$ 483,045
Finance	5,343
Public services	1,577,949
Planning and code enforcement	10,316
Police	275,947
Fire	216,800
Engineering	6,562
Community and cultural	20,553
	<u>\$ 2,596,515</u>
Business-type activities:	
Utilities	\$ 2,697,195
Bus	156,401
Recreation	73,111
Cemetery	51,211
	<u>\$ 2,977,918</u>

## (7) RETIREMENT PLANS

Net pension liabilities of the City as of June 30, 2020 are as follows:

Governmental activities:	
Policemen and Firefighters Pension Fund	\$ 2,065,417
County Employees Retirement System	
Nonhazardous	9,401,670
Hazardous	30,534,523
	<u>\$ 42,001,610</u>
Business-type activities:	
Utility Employees Pension Fund	\$ 5,829,398
County Employees Retirement System	
Nonhazardous	12,215,307
	<u>\$ 18,044,705</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, 2020, 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, 2019, with an update to roll forward information to June 30, 2020.

#### Policemen and Firefighters Pension Fund (PFPF)

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

The plan was frozen effective August 1, 1988. Policemen and firefighters hired after that date are required to participate in CERS. The plan is closed to new participants and at June 30, 2020, 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.

## 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:

STATEMENT OF NET POSITION	PENSION TRUST FUNDS		
	Utility Pension Fund	Policemen & Firefighters Pension Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accrued interest receivable	2,605	1,849	4,454
Due from other funds	154,162	-	154,162
Investments, at fair value -			
Certificates of deposit	2,760,943	1,302,641	4,063,584
Total assets	<u>2,917,710</u>	<u>1,304,490</u>	<u>4,222,200</u>
<b>LIABILITIES</b>			
Due to other funds	-	51,437	51,437
Total liabilities	<u>-</u>	<u>51,437</u>	<u>51,437</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 2,917,710</u>	<u>\$ 1,253,053</u>	<u>\$ 4,170,763</u>
<b>STATEMENT OF CHANGES IN NET POSITION</b>			
<b>ADDITIONS</b>			
Contributions -			
Employer	\$ 604,364	\$ 323,671	\$ 928,035
Plan members	-	-	-
Total contributions	<u>604,364</u>	<u>323,671</u>	<u>928,035</u>
Investment income -			
Interest income	35,937	23,230	59,167
Total investment income	<u>35,937</u>	<u>23,230</u>	<u>59,167</u>
Total additions	<u>640,301</u>	<u>346,901</u>	<u>987,202</u>
<b>DEDUCTIONS</b>			
Benefits	673,198	313,205	986,403
Administrative expenses	5,192	1,900	7,092
Total deductions	<u>678,390</u>	<u>315,105</u>	<u>993,495</u>
NET INCREASE (DECREASE)	(38,089)	31,796	(6,293)
NET POSITION - RESTRICTED FOR PENSION BENEFITS:			
Beginning of year	<u>2,955,799</u>	<u>1,221,257</u>	<u>4,177,056</u>
End of year	<u>\$ 2,917,710</u>	<u>\$ 1,253,053</u>	<u>\$ 4,170,763</u>

## Pension Expense

For the year ended June 30, 2020, the City recognized pension expense of \$140,915 and \$52,895 for the Utility Pension Fund and Policemen and Firefighters Pension Fund, respectively. At June 30, 2020, 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	23	13	<u>Totals</u> <u>36</u>
Active plan participants:			
Vested	-	-	-
Non-Vested	-	-	-
	<u>23</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	06-30-19	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	3.00%	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	3.00 %	3.00 %
Mortality	RP-2000 Mortality Table	RP-2000 Mortality Table
Changes of assumptions since prior valuation	Mortality rates	Discount rate reduced from 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>						
06/30/19	\$ 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
<u>Policemen and Firefighters Pension Fund</u>						
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

\*\*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, 2020:

### Utility Pension Fund

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2019	\$ 9,248,646	\$ 2,955,799	\$ 6,292,847
Changes for the year:			
Interest on total pension liability	266,520	-	266,520
Difference in expected and actual experience	167,553	-	167,553
Effect of changes in assumptions	-	-	-
Effect of changes in benefit terms	(262,413)	-	(262,413)
Benefit payments	(673,198)	-	(673,198)
Employer contributions	-	604,364	(604,364)
Investment income, net of expenses	-	35,937	(35,937)
Benefit payments	-	(673,198)	673,198
Administrative expenses	-	(5,192)	5,192
Net changes	<u>(501,538)</u>	<u>(38,089)</u>	<u>(463,449)</u>
Balance, June 30, 2020	<u>\$ 8,747,108</u>	<u>\$ 2,917,710</u>	<u>\$ 5,829,398</u>

### Policemen and Firefighters Pension Fund

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2019	\$ 3,557,450	\$ 1,221,257	\$ 2,336,193
Changes for the year:			
Interest on total pension liability	101,634	-	101,634
Difference in expected and actual experience	(86,978)	-	(86,978)
Effect of changes in assumptions	154,488	-	154,488
Effect of changes in benefit terms	(94,919)	-	(94,919)
Benefit payments	(313,205)	-	(313,205)
Employer contributions	-	323,671	(323,671)
Investment income, net of expenses	-	23,230	(23,230)
Benefit payments	-	(313,205)	313,205
Administrative expenses	-	(1,900)	1,900
Net changes	<u>(238,980)</u>	<u>31,796</u>	<u>(270,776)</u>
Balance, June 30, 2020	<u>\$ 3,318,470</u>	<u>\$ 1,253,053</u>	<u>\$ 2,065,417</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, 2020 due to all participants of the Plans being retired.

### Discount Rate

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

	1% Decrease (2.00%)	Current discount rate (3.00%)	1% Increase (4.00%)
Utility Pension Fund	\$ 6,672,261	\$ 5,829,398	\$ 5,105,719
Policemen and Firefighters Pension Fund	\$ 2,388,443	\$ 2,065,417	\$ 2,391,319

### 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, 2020:

Governmental activities: Policemen and Firefighters Pension Fund	\$ -
Business-type activities: Utility Pension Fund	\$ 154,162

### **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, 2020, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 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, 2019. At June 30, 2019, the City's proportion for nonhazardous and hazardous was 0.307363% and 1.105404%, respectively.

For the year ended June 30, 2020, the City recognized pension expense of approximately \$3,391,626 and \$5,969,727 for nonhazardous and hazardous, respectively. At June 30, 2020, 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	\$ 551,946	\$ 91,337
Changes of assumptions	2,187,883	-
Net difference between projected and actual earnings on investments	-	348,475
Changes in proportion and differences between City contributions and proportionate share of contributions	-	342,725
City contributions subsequent to the measurement date	1,435,320	-
	<u>\$ 4,175,149</u>	<u>\$ 782,537</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 1,297,341	\$ -
Changes of assumptions	2,963,961	-
Net difference between projected and actual earnings on investments	-	432,143
Changes in proportion and differences between City contributions and proportionate share of contributions	-	343,304
City contributions subsequent to the measurement date	2,039,805	-
	<u>\$ 6,301,107</u>	<u>\$ 775,447</u>

At June 30, 2020, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$1,435,320 and \$2,039,805 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net pension 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 pension expense as follows:



<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2021	\$ 1,326,991	\$ 2,352,532
2022	429,802	822,241
2023	175,777	283,560
2024	24,722	27,522
	<u>\$ 1,957,292</u>	<u>\$ 3,485,855</u>

#### Actuarial Methods and Assumptions

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	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	24 years, closed
Payroll growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected market value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service, for nonhazardous 3.55% to 19.05%, varies by service, for hazardous
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2019 actuarial valuation. These assumptions are fully documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018.”

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%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%

Specialty Credit/High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	<u>4.10%</u>
Total	<u>100.00%</u>	<u>3.89%</u>

#### 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	\$ 27,036,707	\$ 21,616,977	\$ 17,099,684
Hazardous	30,534,524	30,534,523	24,270,430

#### 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, 2020, there was a total payable to CERS of \$423,910 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, 2020, 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, 2020, the City contributed \$353,996 and \$646,008 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, 2020, the City reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 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, 2019. At June 30, 2019, the City's proportion for nonhazardous and hazardous was 0.307458% and 1.105454%, respectively.

For the year ended June 30, 2020, the City recognized OPEB expense of \$533,145 and \$1,228,131 for nonhazardous and hazardous, respectively, including an implicit subsidy of \$89,931 and (\$20,203),

respectively. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Nonhazardous</u>		
Differences between expected and actual experience	\$ -	\$ 1,560,302
Changes of assumptions	1,530,237	10,233
Net difference between projected and actual earnings on investments	-	229,686
Changes in proportion and differences between City contributions and proportionate share of contributions	-	167,260
City contributions subsequent to the measurement date	353,996	-
	<u>\$ 1,884,233</u>	<u>\$ 1,967,481</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ -	\$ 1,521,526
Changes of assumptions	2,471,600	15,486
Net difference between projected and actual earnings on investments	-	470,228
Changes in proportion and differences between City contributions and proportionate share of contributions	-	126,989
City contributions subsequent to the measurement date	646,008	-
	<u>\$ 3,117,608</u>	<u>\$ 2,134,229</u>

At June 30, 2020, the City reported deferred outflows of resources related to OPEB for City contributions subsequent to the measurement date of \$353,996 and \$646,008 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>
2021	\$ (72,517)	\$ 479,457
2022	(72,517)	44,450
2023	510	(204,162)
2024	(139,308)	17,626
2025	(128,869)	-
Thereafter	(24,543)	-
	<u>\$ (437,244)</u>	<u>\$ 337,371</u>

#### Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019

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 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 January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 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

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2019 actuarial valuation. These assumptions are fully documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018.”

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%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%

Cash	1.00%	0.20%
Diversifying Strategies		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	4.10%
Total	<u><u>100.00%</u></u>	3.89%

#### Discount rate

The discount rate used to measure the total OPEB liability was 5.68% for nonhazardous and 5.69% for hazardous. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. 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 5.68%, 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 (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

	<u>1% Decrease (4.68%)</u>	<u>Current discount rate (5.68%)</u>	<u>1% Increase (6.68%)</u>
City's proportionate share of the net OPEB liability			
Nonhazardous	\$ 6,927,421	\$ 5,171,305	\$ 3,724,382

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 5.69%, 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 (4.69%) or 1-percentage-point higher (6.69%) than the current rate:

	<u>1% Decrease (4.69%)</u>	<u>Current discount rate (5.69%)</u>	<u>1% Increase (6.69%)</u>
City's proportionate share of the net OPEB liability			
Hazardous	\$ 11,411,087	\$ 8,178,810	\$ 5,555,139

#### 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	\$ 3,724,382	\$ 5,171,305	\$ 6,778,484
Hazardous	5,690,939	8,178,810	11,213,876

### 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, 2020, there was a total payable to CERS of \$423,910 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, 2020:

<b><u>Governmental Activities</u></b>	<b><u>Balance June 30, 2019</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance June 30, 2020</u></b>	<b><u>Due Within One Year</u></b>
General Obligation Bond Series 2015	\$ 2,000,000	\$ -	\$ 140,000	\$ 1,860,000	\$ 145,000
General Obligation Bond Series 2017	4,325,000	-	170,000	4,155,000	175,000
Capital lease - Police Station	3,429,608	-	182,356	3,247,252	189,204
Capital lease – Melody Mtn. Phase II	1,345,834	-	70,000	1,275,834	72,084
Premium on bonds	135,002	-	9,514	125,488	-
Compensated absences obligation	546,812	334,475	-	881,287	-
<b>Total Governmental Activities</b>	<b>\$ 11,782,256</b>	<b>\$ 334,475</b>	<b>\$ 571,870</b>	<b>\$ 11,544,861</b>	<b>\$ 581,288</b>
<b><u>Business-type Activities</u></b>	<b><u>Balance June 30, 2019</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Balance June 30, 2020</u></b>	<b><u>Due Within One Year</u></b>
Revenue & Improvement Bond Series 2013	\$ 2,390,000	\$ -	\$ 445,000	\$ 1,945,000	\$ 465,000
Water & Sewer Revenue Bond Series 2015	2,875,000	-	205,000	2,670,000	210,000
Capital lease - Radio Meters	1,126,250	-	107,083	1,019,167	112,083
KIA Loan	1,450,822	-	228,483	1,222,339	233,653
KIA Loan	5,072,746	-	304,816	4,767,930	310,943
Premium on bonds	93,103	-	7,759	85,344	-
Discount on bonds	(11,867)	-	(2,967)	(8,900)	-
<b>Total Business-type Activities</b>	<b>\$ 12,996,054</b>	<b>\$ -</b>	<b>\$ 1,295,174</b>	<b>\$ 11,700,880</b>	<b>\$ 1,331,679</b>

At June 30, 2020, the City was required to have \$805,163 for the Revenue and Improvement Bonds of 2013 and 2015, in sinking fund reserve accounts. Additionally, under the KIA loan agreements, the City was required to have \$333,000 set aside for the costs of extensions, improvements, renewals and replacements to the sewer system. As of June 30, 2020, the City had reserve funds of \$1,124,163.

## **Governmental Activities**

### **General Obligation Refunding Bond Series 2015**

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

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

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

The annual requirements to amortize the indebtedness at June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 145,000	\$ 53,625	\$ 198,625
2022	175,000	48,825	223,825
2023	150,000	43,950	193,950
2024	160,000	39,300	199,300
2025	165,000	34,425	199,425
2026-2030	875,000	95,625	970,625
2031	190,000	2,850	192,850
	<u>\$ 1,860,000</u>	<u>\$ 318,600</u>	<u>\$ 2,178,600</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, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 175,000	\$ 122,025	\$ 297,025
2022	180,000	116,700	296,700
2023	190,000	111,150	301,150
2024	195,000	105,375	300,375
2025	200,000	99,450	299,450
2026-2030	1,090,000	402,450	1,492,450
2031-2035	1,270,000	225,750	1,495,750
2036-2038	855,000	39,075	894,075
	<u>\$ 4,155,000</u>	<u>\$ 1,221,975</u>	<u>\$ 5,376,975</u>



### Capital Lease - Police Station

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2021	\$ 189,204	\$ 121,771	\$ 310,975
2022	196,291	114,481	310,772
2023	203,659	106,905	310,564
2024	211,262	99,083	310,345
2025	219,188	90,931	310,119
2026-2030	1,225,437	321,469	1,546,906
2031-2034	1,002,211	76,509	1,078,720
	<u>\$ 3,247,252</u>	<u>\$ 931,149</u>	<u>\$ 4,178,401</u>

### Capital Lease - Melody Mountain Phase II

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2021	\$ 72,084	\$ 44,996	\$ 117,080
2022	75,000	42,653	117,653
2023	77,084	40,216	117,300
2024	80,000	37,710	117,710
2025	82,084	35,110	117,194
2026-2030	456,249	132,843	589,092
2031-2035	433,333	44,328	477,661
	<u>\$ 1,275,834</u>	<u>\$ 377,856</u>	<u>\$ 1,653,690</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, 2020, are as follows:

	<u>Accrued Long-Term Obligation</u>	<u>Current Obligation</u>	<u>Total Compensated Absences</u>
General Fund	\$ 856,735	\$ 168,538	\$ 1,025,273
Community Development Fund	5,763	1,134	6,897
Housing Assistance Fund	11,751	2,312	14,063
Floodwall Fund	7,038	1,385	8,423

Ashland Bus System	-	24,449	24,449
Recreation Fund	-	9,289	9,289
Cemetery Fund	-	7,605	7,605
Utility Fund	-	211,500	211,500
	<u>\$ 881,287</u>	<u>\$ 426,212</u>	<u>\$ 1,307,499</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, 2020, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$214 million.

### **Business-Type Activities**

#### **Revenue Refunding and Improvement Bonds Series 2013**

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

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

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

The annual requirements to amortize the indebtedness at June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 465,000	\$ 41,155	\$ 506,155
2022	480,000	31,855	511,855
2023	490,000	22,255	512,255
2024	510,000	11,475	521,475
	<u>\$ 1,945,000</u>	<u>\$ 106,740</u>	<u>\$ 2,051,740</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, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 210,000	\$ 81,475	\$ 291,475
2022	215,000	75,175	290,175
2023	220,000	68,725	288,725
2024	230,000	62,125	292,125
2025	235,000	55,225	290,225
2026-2030	1,280,000	166,325	1,446,325
2031	280,000	9,100	289,100
	<u>\$ 2,670,000</u>	<u>\$ 518,150</u>	<u>\$ 3,188,150</u>

### **Capital Lease - Radio Meters**

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2021	\$ 112,083	\$ 41,192	\$ 153,275
2022	115,000	37,549	152,549
2023	117,083	33,692	150,775
2024	122,083	29,219	151,302
2025	127,083	24,030	151,113
2026-2028	425,835	40,366	466,201
	<u>\$ 1,019,167</u>	<u>\$ 206,048</u>	<u>\$ 1,225,215</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, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
2021	\$ 233,653	\$ 26,196	\$ 2,328	\$ 262,177
2022	238,939	20,909	1,859	261,707
2023	244,345	15,503	1,378	261,226
2024	249,874	9,974	886	260,734
2025	255,528	4,320	384	260,232
	<u>\$ 1,222,339</u>	<u>\$ 76,902</u>	<u>\$ 6,835</u>	<u>\$ 1,306,076</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, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Fees	Total
2021	\$ 310,943	\$ 93,812	\$ 9,381	\$ 414,136
2022	317,193	87,562	8,756	413,511
2023	323,568	81,186	8,119	412,873
2024	330,072	74,682	7,468	412,222
2025	336,707	68,048	6,805	411,560
2026-2030	1,787,812	235,961	23,596	2,047,369
2031-2034	1,361,635	55,007	5,501	1,422,143
	<u>\$ 4,767,930</u>	<u>\$ 696,258</u>	<u>\$ 69,626</u>	<u>\$ 5,533,814</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, 2020 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ashland Bus System	\$ 338,027
General Fund	Recreation Fund	579,216
General Fund	Utility Fund	728,588
General Fund	Municipal Aid Road Fun	164,703
General Fund	Floodwall Operating Fund	48,603
General Fund	Community Development	32,414
General Fund	Tax Increment Fund	695,413
General Fund	Police and Fire Fighters Pension	51,437
Housing Assistance	General Fund	21,192
Capital Project	General Fund	1,639,231
Internal Service Fund	General Fund	800,128
Cemetery Fund	General Fund	31,063
Utility Pension Fund	Utility Fund	154,162
Total		<u>\$ 5,284,177</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	\$ 574,833
Operating	General	Recreation	Operations	952,781
Operating	General	Capital Projects	Capital Purchases	3,111,199
Operating	General	Cemetery	Operations	120,646

## (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, 2020, 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, 2020, the City has \$7,143,998 restricted for the sewer improvements.

### Construction Projects

The City is obligated on commitments for various contracts in progress at June 30, 2020. A summary of these commitments is as follows:

Fund	Project Description	Total Approved Contract	Paid or Accrued to Date	Outstanding Commitment
Utility Fund	CIPP Lining	\$ 64,500	\$ 24,960	\$ 39,540
Utility Fund	Pollard Mills	421,800	169,022	252,778
Utility Fund	SCADA	251,110	198,255	52,855
Utility Fund	WWTP Expansion	535,990	123,209	412,781
Utility Fund	Waterline Replacement	218,290	180,820	37,470
Utility Fund	Pollard Mills Storm Water	447,877	304,305	143,572
Utility Fund	CIPP Lining Rehabilitation	550,785	88,688	462,097
		<u>\$ 2,490,352</u>	<u>\$ 1,089,259</u>	<u>\$ 1,401,093</u>

### (13) TAX ABATEMENTS

GASB Statement No. 77, *Tax Abatement Disclosures*, defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

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

The taxes levied on all taxable property within the TIF district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the district, including reimbursing the City’s initial investment. The tax increments are allocated until all costs of the TIF district project has been repaid; however, it cannot exceed 20 years. The project developer bears the risk that the increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall. The City has one active TIF district in which taxes are passed directly to developers or utilized for debt service payments associated with the district. Because the general property taxes on tax increment districts are allocated to the district, these taxes are not available to the City during the life of the tax increment district. For the year ended June 30, 2020, additional general property taxes of \$35,486 and occupational license fees of \$35,292 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 \$405,876 reported in the Internal Service Fund at June 30, 2020, 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 2019 and 2020 were:

	Beginning of Fiscal Year Liability	Current Year Claims	Claim Payments	Balance At Fiscal Year End
2019	\$ 569,376	\$ 6,472,162	\$ 6,080,500	\$ 961,038
2020	961,038	5,178,132	5,733,294	405,876

Effective July 1, 2006, the City established a Health Reimbursement Arrangement (HRA) on behalf of employees enrolled in the Health Benefit Plan. Employees are eligible to participate in the HRA on the thirty-first day of employment. Participants enrolled in the Health Benefit Plan with single coverage are credited with \$900 per year into their HRA account, while participants enrolled in the Health Benefit Plan with family coverage are credited with \$1,800 per year. Participants in the HRA can use their account balances to reimburse the Health Benefit Plan deductibles and co-insurance expenses. Amounts charged to Internal Service Fund operating expenses under the provisions of the HRA for the year ended June 30, 2020 totaled \$488,043.

**(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, 2020, the Ashland Bus Fund had a negative net position of \$417,200. 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, 2020, the Tax Increment Financing Fund had a negative fund balance of \$695,413. 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, 2020**

UTILITY EMPLOYEES  
PENSION FUND

POLICEMEN AND  
FIREFIGHTERS  
PENSION FUND

	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	
2011	\$ 570,018	\$ 309,647	\$ (260,371)	\$ 44,541	695%	1280%	*N/A	\$ 367,165	\$ 270,665	\$ (96,500)	**N/A	**N/A	**N/A	*N/A
2012	567,529	316,165	(251,364)	**N/A	**N/A	**N/A	*N/A	367,165	270,665	(96,500)	**N/A	**N/A	**N/A	*N/A
2013	567,529	567,529	-	**N/A	**N/A	**N/A	*N/A	367,165	342,502	(24,663)	**N/A	**N/A	**N/A	*N/A
2014	650,912	383,103	(267,809)	**N/A	**N/A	**N/A	0.17%	316,277	425,142	108,865	**N/A	**N/A	**N/A	0.18%
2015	728,300	383,103	(345,197)	**N/A	**N/A	**N/A	0.61%	411,220	564,043	152,823	**N/A	**N/A	**N/A	0.50%
2016	782,736	603,145	(179,591)	**N/A	**N/A	**N/A	0.81%	419,610	564,043	144,433	**N/A	**N/A	**N/A	0.53%
2017	737,240	603,145	(134,095)	**N/A	**N/A	**N/A	0.80%	419,610	521,302	101,692	**N/A	**N/A	**N/A	0.67%
2018	1,010,604	484,950	(525,654)	**N/A	**N/A	**N/A	1.02%	949,776	521,302	(428,474)	**N/A	**N/A	**N/A	0.96%
2019	845,798	484,950	(360,848)	**N/A	**N/A	**N/A	1.76%	521,302	323,671	(197,631)	**N/A	**N/A	**N/A	1.62%
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%

\* 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, 2020**

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						
06/30/11	* \$ 2,761,148	\$ 7,744,771	\$ 4,983,623	35.7%	\$ 44,541	11188.8%
06/30/12	2,618,017	7,696,263	5,078,246	34.0%	**N/A	**N/A
06/30/13	* 2,449,372	7,462,369	5,012,997	32.8%	**N/A	**N/A
06/30/14	2,362,804	7,823,259	5,460,455	30.2%	**N/A	**N/A
06/30/15	* 2,340,422	10,865,198	8,524,776	21.5%	**N/A	**N/A
06/30/16	2,360,136	10,408,243	8,048,107	22.7%	**N/A	**N/A
06/30/17	* 2,373,099	9,804,378	7,431,279	24.2%	**N/A	**N/A
06/30/18	2,737,130	9,139,815	6,402,685	29.9%	**N/A	**N/A
06/30/19	* 2,955,799	9,248,646	6,292,847	32.0%	**N/A	**N/A
06/30/20	2,917,710	8,747,108	5,829,398	33.4%	**N/A	**N/A
POLICEMEN AND FIREFIGHTERS PENSION FUND						
06/30/11	\$ 1,492,443	\$ 5,201,210	\$ 3,708,767	28.7%	**N/A	**N/A
06/30/12	* 1,246,072	4,693,041	3,446,969	26.6%	**N/A	**N/A
06/30/13	999,893	4,299,041	3,299,148	23.3%	**N/A	**N/A
06/30/14	* 731,401	4,338,361	3,606,960	16.9%	**N/A	**N/A
06/30/15	579,210	5,016,407	4,437,197	11.5%	**N/A	**N/A
06/30/16	* 522,527	4,919,883	4,397,356	10.6%	**N/A	**N/A
06/30/17	468,574	4,140,203	3,671,629	11.3%	**N/A	**N/A
06/30/18	* 1,029,005	3,872,818	2,843,813	26.6%	**N/A	**N/A
06/30/19	1,221,257	3,557,450	2,336,193	34.3%	**N/A	**N/A
06/30/20	* 1,253,053	3,318,470	2,065,417	37.8%	**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, 2020**

	UTILITY EMPLOYEES PENSION FUND						
	2020	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>							
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	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	167,553	4,302	(2,629)	(950,704)	205,645	66,792	(108,429)
Effect of changes in assumptions	-	55,714	-	944,652	-	3,246,184	-
Benefit payments	<u>(673,198)</u>	<u>(672,298)</u>	<u>(670,968)</u>	<u>(732,480)</u>	<u>(768,315)</u>	<u>(753,040)</u>	<u>(731,999)</u>
Net change in total pension liability	(501,538)	108,831	(664,563)	(603,865)	(456,955)	3,041,939	360,890
Total pension liability, beginning of year	<u>9,248,646</u>	<u>9,139,815</u>	<u>9,804,378</u>	<u>10,408,243</u>	<u>10,865,198</u>	<u>7,823,259</u>	<u>7,462,369</u>
Total pension liability, end of year (a)	<u>8,747,108</u>	<u>9,248,646</u>	<u>9,139,815</u>	<u>9,804,378</u>	<u>10,408,243</u>	<u>10,865,198</u>	<u>7,823,259</u>
<b>FIDUCIARY NET POSITION</b>							
Employer contributions	\$ 604,364	\$ 845,798	\$ 1,010,604	\$ 737,240	\$ 782,736	\$ 728,300	\$ 650,912
Member contributions	-	-	-	-	-	-	-
Investment income, net of investment expenses	35,937	47,448	29,588	10,513	10,395	4,570	879
Benefit payments and refund of contributions	(673,198)	(672,298)	(670,968)	(732,480)	(768,315)	(753,040)	(731,999)
Administrative expenses	<u>(5,192)</u>	<u>(2,279)</u>	<u>(5,193)</u>	<u>(2,310)</u>	<u>(5,102)</u>	<u>(2,212)</u>	<u>(6,360)</u>
Net change in plan fiduciary net position	(38,089)	218,669	364,031	12,963	19,714	(22,382)	(86,568)
Fiduciary net position, beginning of year	<u>2,955,799</u>	<u>2,737,130</u>	<u>2,373,099</u>	<u>2,360,136</u>	<u>2,340,422</u>	<u>2,362,804</u>	<u>2,449,372</u>
Fiduciary net position, end of year (b)	<u>2,917,710</u>	<u>2,955,799</u>	<u>2,737,130</u>	<u>2,373,099</u>	<u>2,360,136</u>	<u>2,340,422</u>	<u>2,362,804</u>
<b>Net pension liability, ending = (a)-(b)</b>	<u>\$ 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, 2020**

	POLICEMEN AND FIREFIGHTERS PENSION FUND						
	2020	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>							
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	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	(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	(313,205)	(335,644)	(394,671)	(473,998)	(478,260)	(562,644)	(582,431)
Net change in total pension liability	(238,980)	(315,368)	(267,385)	(779,680)	(96,524)	678,046	39,320
Total pension liability, beginning of year	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)	3,318,470	3,557,450	3,872,818	4,140,203	4,919,883	5,016,407	4,338,361
<b>FIDUCIARY NET POSITION</b>							
Employer contributions	\$ 323,671	\$ 521,302	\$ 949,776	\$ 419,610	\$ 419,610	\$ 411,220	\$ 316,277
Member contributions	-	-	-	-	-	-	-
Investment income, net of investment expenses	23,230	12,563	7,327	5,107	3,994	3,787	857
Benefit payments and refund of contributions	(313,205)	(335,644)	(394,671)	(473,998)	(478,260)	(562,644)	(582,431)
Administrative expenses	(1,900)	(5,969)	(2,001)	(4,672)	(2,027)	(4,554)	(3,195)
Net change in plan fiduciary net position	31,796	192,252	560,431	(53,953)	(56,683)	(152,191)	(268,492)
Fiduciary net position, beginning of year	1,221,257	1,029,005	468,574	522,527	579,210	731,401	999,893
Fiduciary net position, end of year (b)	1,253,053	1,221,257	1,029,005	468,574	522,527	579,210	731,401
<b>Net pension liability, ending = (a)-(b)</b>	<b>\$ 2,065,417</b>	<b>\$ 2,336,193</b>	<b>\$ 2,843,813</b>	<b>\$ 3,671,629</b>	<b>\$ 4,397,356</b>	<b>\$ 4,437,197</b>	<b>\$ 3,606,960</b>

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

**CITY OF ASHLAND  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2020**

	Reporting Fiscal Year (Measurement Date)											
	2020 (2019)		2019 (2018)		2018 (2017)		2017 (2016)		2016 (2015)		2015 (2014)	
	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous
<b>PENSION</b>												
City's proportion of the net pension liability	0.30736%	1.10540%	0.31496%	1.11871%	0.31601%	1.12239%	0.32717%	1.19593%	0.32806%	1.19771%	0.32000%	1.15000%
City's proportionate share of the net pension liability	\$ 21,616,977	\$ 30,534,523	\$ 19,181,719	\$ 27,055,399	\$ 18,496,978	\$ 25,110,923	\$ 16,108,362	\$ 20,521,406	\$ 14,104,958	\$ 18,386,060	\$ 10,328,000	\$ 13,818,000
City's covered payroll	\$ 7,115,364	\$ 6,506,066	\$ 7,019,185	\$ 6,513,275	\$ 7,086,423	\$ 6,630,921	\$ 7,781,684	\$ 6,198,395	\$ 7,627,360	\$ 6,041,405	\$ 7,271,891	\$ 5,782,361
City's proportionate share of the net pension liability as a percentage of its covered payroll	303.807%	469.324%	273.276%	415.389%	261.020%	378.694%	207.004%	331.076%	184.926%	304.334%	142.026%	238.968%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	46.63%	53.54%	49.26%	53.30%	49.80%	55.50%	53.95%	59.97%	57.52%	66.80%	63.46%
<b>INSURANCE FUND</b>												
City's proportion of the net OPEB liability	0.30746%	1.10545%	0.31499%	1.11901%	0.31601%	1.12239%						
City's proportionate share of the net OPEB liability	\$ 5,171,305	\$ 8,178,810	\$ 5,592,603	\$ 7,978,052	\$ 6,352,862	\$ 9,278,454						
City's covered payroll	\$ 7,115,364	\$ 6,506,066	\$ 7,019,185	\$ 6,513,275	\$ 7,086,423	\$ 6,630,921						
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	72.678%	125.711%	79.676%	122.489%	89.648%	139.927%						
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	64.44%	57.62%	64.24%	52.40%	59.00%						

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

**CITY OF ASHLAND  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2020**

	2020		2019		2018		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>	<u>Nonhaz.</u>	<u>Hazardous</u>	<u>Nonhaz.</u>	<u>Hazardous</u>	<u>Nonhaz.</u>	<u>Hazardous</u>
<b>PENSION</b>														
Contractually required contribution	\$1,435,320	\$2,039,805	\$1,154,112	\$1,617,408	\$1,016,378	\$1,445,947	\$ 988,556	\$1,439,573	\$ 966,485	\$1,255,795	\$ 972,488	\$1,252,383	\$ 999,158	\$1,258,820
Contributions in relation to the contractually required contribution	<u>1,435,320</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>	<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	\$7,436,891	\$6,785,778	\$7,115,364	\$6,506,066	\$7,019,185	\$6,513,275	\$7,086,423	\$6,630,921	\$7,781,684	\$6,198,395	\$7,627,360	\$6,041,405	\$7,271,891	\$5,782,361
City's contributions as a percentage of its covered payroll	19.30%	30.06%	16.22%	24.86%	14.48%	22.20%	13.95%	21.71%	12.42%	20.26%	12.75%	20.73%	13.74%	21.77%
<b>INSURANCE FUND</b>														
Contractually required contribution	\$ 353,996	\$ 646,008	\$ 374,311	\$ 681,680	\$ 329,818	\$ 609,123	\$ 334,812	\$ 619,902						
Contributions in relation to the contractually required contribution	<u>353,996</u>	<u>646,008</u>	<u>374,311</u>	<u>681,680</u>	<u>329,818</u>	<u>609,123</u>	<u>334,812</u>	<u>619,902</u>						
Contribution deficiency (excess)	-	-	-	-	-	-	-	-						
City's covered payroll	\$7,436,891	\$6,785,778	\$7,115,364	\$6,506,066	\$7,019,185	\$6,513,275	\$7,086,423	\$6,630,921						
City's contributions as a percentage of its covered payroll	4.76%	9.52%	5.26%	10.47%	4.70%	9.35%	4.73%	9.35%						

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

## CITY OF ASHLAND

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

#### FOR THE YEAR ENDED JUNE 30, 2020

##### (1) CHANGES OF ASSUMPTIONS

###### UTILITY EMPLOYEES PENSION FUND

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

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

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

###### POLICEMEN AND FIREFIGHTERS PENSION FUND

In the 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.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

**CITY OF ASHLAND**  
**NOTES TO REQUIRED SUPPLEMENTARY**  
**INFORMATION - PENSION PLANS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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).

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

**UTILITY EMPLOYEES PENSION FUND**

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

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

**POLICEMEN AND FIREFIGHTERS PENSION FUND**

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	10 years
Asset Valuation Method	Fair market value, quoted prices
Cost of Living Adjustments	3.0%
Salary Increase	None
Investment Rate of Return	2.5%, net of pension plan investment expense, including inflation



**CITY OF ASHLAND**  
**NOTES TO REQUIRED SUPPLEMENTARY**  
**INFORMATION - PENSION PLANS (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**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, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	26 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	3.30% to 11.55%, varies by service, for nonhazardous 3.05% to 18.55%, varies by service, for hazardous
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.

**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, 2020

##### (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.

##### (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, 2019:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	26 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 11.55%, varies by service, for nonhazardous 3.05% to 18.55%, varies by service, for hazardous
Investment Rate of Return	6.25%

**CITY OF ASHLAND**

**NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION - OPEB PLANS (CONCLUDED)**

**FOR THE YEAR ENDED JUNE 30, 2020**

Healthcare Trend Rates

Pre-65

Initial trend starting at 7.25% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

Post-65

Initial trend starting at 5.10% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

**(3) CHANGES OF BENEFITS**

CERS INSURANCE FUND

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 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, 2020**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	20,000	20,000
Total revenues	-	-	-	20,000	20,000
<b>Expenditures</b>					
General government	1,000	-	1,000	1,503	(503)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	2,708,425	980,463	3,688,888	4,004,696	(315,808)
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	2,709,425	980,463	3,689,888	4,006,199	(316,311)
Excess of Revenues Over (Under) Expenditures	(2,709,425)	(980,463)	(3,689,888)	(3,986,199)	(296,311)
<b>Other Financing Sources (Uses)</b>					
Transfers in	984,425	780,463	1,764,888	3,111,199	1,346,311
Total other financing sources (uses)	984,425	780,463	1,764,888	3,111,199	1,346,311
Net change in fund balance	(1,725,000)	(200,000)	(1,925,000)	(875,000)	1,050,000
Fund balance beginning of year	1,725,000	-	1,725,000	1,725,000	-
Fund balance end of year	\$ -	\$ (200,000)	\$ (200,000)	\$ 850,000	\$ 1,050,000

**CITY OF ASHLAND**

**GENERAL FUND**

**BALANCE SHEET**

**JUNE 30, 2020**

**ASSETS**

Cash	\$ 1,721,784
Taxes receivable	531,902
Allowance for uncollectible taxes	(531,902)
Grants receivable	1,713,587
Due from other funds	2,638,401
Other receivables	504,230
Prepaid items	615,948
Inventories - supplies	<u>186,070</u>
Total assets	<u><u>\$ 7,380,020</u></u>

**LIABILITIES AND FUND BALANCE**

Liabilities:

Accounts payable	\$ 311,275
Due to other funds	2,491,614
Due to Board of Education	40,632
Accrued compensated absences	168,538
Accrued expenses	<u>857,880</u>
Total liabilities	<u>3,869,939</u>

Fund Balance:

Non-spendable	802,018
Restricted for grant programs	1,713,587
Unassigned	<u>994,476</u>
Total fund balance	<u>3,510,081</u>

Total liabilities and fund balance	<u><u>\$ 7,380,020</u></u>
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**CITY OF ASHLAND**

**GENERAL FUND**

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

**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Taxes -			
General property taxes	\$ 116,150	\$ 116,315	\$ 165
Penalties and interest	25,250	30,808	5,558
Delinquent taxes	190,000	151,773	(38,227)
Vehicle property taxes	436,350	386,501	(49,849)
Bank franchise taxes	111,190	165,608	54,418
Other franchise taxes	185,725	146,452	(39,273)
Insurance premium taxes	4,125,625	4,188,278	62,653
Total taxes	<u>5,190,290</u>	<u>5,185,735</u>	<u>(4,555)</u>
Licenses and permits -			
Occupational license fees	9,965,000	10,435,272	470,272
Business privilege licenses	1,546,500	1,402,621	(143,879)
Alcoholic beverage licenses	569,650	592,303	22,653
Construction permit fees	59,175	174,092	114,917
Other licenses and permits	3,850	1,652	(2,198)
Total licenses and permits	<u>12,144,175</u>	<u>12,605,940</u>	<u>461,765</u>
Charge for services -			
Garbage collection fee	2,204,765	2,222,616	17,851
Greyhound ticket sales	6,685	3,777	(2,908)
Rental revenue	101,550	52,251	(49,299)
Total charges for services	<u>2,313,000</u>	<u>2,278,644</u>	<u>(34,356)</u>
Fees, fines and reimbursements -			
Parking meter fees and fines	4,500	2,995	(1,505)
Taxes collection fees	162,350	161,048	(1,302)
State rebate - District Court	22,850	9,581	(13,269)
Street lighting franchise	1,080,250	982,808	(97,442)
Telecommunication franchise	278,650	280,267	1,617
Other	440,935	427,485	(13,450)
Total fees, fines and reimbursements	<u>1,989,535</u>	<u>1,864,184</u>	<u>(125,351)</u>
Other revenues -			
Police grants and revenue	67,000	86,587	19,587
Miscellaneous grants	520,000	2,055,883	1,535,883
Coal severance - LGEA	10,000	6,778	(3,222)
Interest earned	5,500	6,696	1,196
Other	139,158	199,939	60,781
Total other revenues	<u>741,658</u>	<u>2,355,883</u>	<u>1,614,225</u>
Total revenues	<u>22,378,658</u>	<u>24,290,386</u>	<u>1,911,728</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
General Government -			
Mayor and Commissioners	85,010	82,043	2,967
City Manager	175,493	165,131	10,362
City Clerk/Legal	207,711	194,932	12,779
Human Resources	279,318	261,836	17,482
Unclassified	1,639,834	1,795,972	(156,138)
	<u>2,387,366</u>	<u>2,499,914</u>	<u>(112,548)</u>
Department of Finance -			
Director of Finance	641,938	622,563	19,375
Data Processing	37,806	46,043	(8,237)
	<u>679,744</u>	<u>668,606</u>	<u>11,138</u>
Department of Public Services -			
Director of Public Services	21,953	19,452	2,501
Street maintenance	3,991,269	3,123,821	867,448
Sanitation services	1,504,988	1,508,374	(3,386)
Central garage	354,711	384,726	(30,015)
Animal control	79,649	78,638	1,011
	<u>5,952,570</u>	<u>5,115,011</u>	<u>837,559</u>
Department of Planning and Economic Development -			
Planning and Code Enforcement	594,462	573,552	20,910
Economic Development	192,353	212,004	(19,651)
	<u>786,815</u>	<u>785,556</u>	<u>1,259</u>
Department of Police -			
Technical services	1,542,726	1,706,234	(163,508)
Field operations	3,958,851	3,863,220	95,631
	<u>5,501,577</u>	<u>5,569,454</u>	<u>(67,877)</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Fire	6,587,503	6,554,339	33,164
Department of Engineering	204,544	214,411	(9,867)
Debt Service	625,931	625,939	(8)
Total expenditures	22,726,050	22,033,230	692,820
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(347,392)	2,257,156	2,604,548
OTHER FINANCING SOURCES (USES):			
Transfer to Capital Projects Fund	(1,764,888)	(3,111,199)	(1,346,311)
Transfer to Tax Increment Finance Fund	(69,002)	-	69,002
Transfer to Recreation Fund	(978,201)	(952,781)	25,420
Transfer to Ashland Bus Fund	(471,231)	(574,833)	(103,602)
Transfer to Ashland Cemetery Fund	(61,041)	(120,646)	(59,605)
Total other financing sources (uses)	(3,344,363)	(4,759,459)	(1,415,096)
NET CHANGE IN FUND BALANCE	(3,691,755)	(2,502,303)	1,189,452
FUND BALANCE, June 30, 2019	6,012,384	6,012,384	-
FUND BALANCE, June 30, 2020	<u>\$ 2,320,629</u>	<u>\$ 3,510,081</u>	<u>\$ 1,189,452</u>

**CITY OF ASHLAND**

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

**JUNE 30, 2020**

	Land & Buildings	Building Improvements	Automotive Equipment	Operating Equipment	Office Furniture & Equipment	Capital Improvements	Infrastructure	CIP	Total
Dept of General Gov't	\$ 3,443,524	\$ 1,909,042	\$ 61,331	\$ 86,742	\$ 310,369	\$ 232,617	\$ 11,834,515	\$ -	\$ 17,878,140
Dept of Finance	-	-	28,384	56,243	39,712	-	-	-	124,339
Dept of Public Services	15,940,184	802,531	470,437	3,389,787	339,171	840,128	70,660,345	2,018,632	94,461,215
Dept of Planning & Community Development	-	-	93,220	6,799	15,740	-	-	-	115,759
Department of Police	4,949,556	246,711	2,467,405	620,182	137,050	19,350	-	-	8,440,254
Department of Fire	3,869,126	208,777	3,170,255	521,350	61,445	-	-	-	7,830,953
Department of Engineering	-	-	89,856	11,595	63,430	74,458	-	-	239,339
Floodwall Operations	15,121	11,030	86,511	153,476	-	-	-	-	266,138
Community Development	243,868	103,058	-	-	18,623	-	380,085	296,094	1,041,728
Housing Assistance Programs	150,033	12,950	-	-	19,646	-	-	-	182,629
	<u>\$ 28,611,412</u>	<u>\$ 3,294,099</u>	<u>\$ 6,467,399</u>	<u>\$ 4,846,174</u>	<u>\$ 1,005,186</u>	<u>\$ 1,166,553</u>	<u>\$ 82,874,945</u>	<u>\$ 2,314,726</u>	<u>\$ 130,580,494</u>

**CITY OF ASHLAND**

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

**JUNE 30, 2020**

Land and buildings	\$ 28,611,412
Building improvements	3,294,099
Automotive equipment	6,467,399
Operating equipment	4,846,174
Office furniture and equipment	1,005,186
Capital improvements	1,166,553
Infrastructure	82,874,945
Construction in progress	<u>2,314,726</u>
Total	<u>\$ 130,580,494</u>
Investment in capital assets by source	
General Fund	\$ 94,531,210
Special Revenue Funds	8,388,526
Capital Projects Fund	<u>27,660,758</u>
Total	<u>\$ 130,580,494</u>

**CITY OF ASHLAND**  
**ASHLAND PLANNING AND CDA (KY142)**  
**ENTITY WIDE BALANCE SHEET SUMMARY**  
**JUNE 30, 2020**

	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Total
111 Cash - Unrestricted	\$ 12,129	\$ -	\$ 12,129
113 Cash - Other Restricted	270,941	49,559	320,500
100 Total Cash	<u>283,070</u>	<u>49,559</u>	<u>332,629</u>
124 Accounts Receivable - Other Government	21,192	-	21,192
128 Fraud Recovery	68,084	-	68,084
128.1 Allowance for Doubtful Accounts - Fraud	<u>(63,818)</u>	<u>-</u>	<u>(63,818)</u>
120 Total Receivables, Net of Allowances for Doubtful Accounts	<u>25,458</u>	<u>-</u>	<u>25,458</u>
150 Total Current Assets	<u>308,528</u>	<u>49,559</u>	<u>358,087</u>
162 Buildings	162,983	-	162,983
164 Furniture, Equipment & Machinery - Administration	19,646	-	19,646
166 Accumulated Depreciation	<u>(107,003)</u>	<u>-</u>	<u>(107,003)</u>
160 Total Capital Assets, Net of Accumulated Depreciation	<u>75,626</u>	<u>-</u>	<u>75,626</u>
180 Total Non-Current Assets	<u>75,626</u>	<u>-</u>	<u>75,626</u>
200 Deferred Outflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>
290 Total Assets and Deferred Outflow of Resources	<u>384,154</u>	<u>49,559</u>	<u>433,713</u>
312 Accounts Payable <= 90 Days	8,364	-	8,364
321 Accrued Wage/Payroll Taxes Payable	5,175	-	5,175
322 Accrued Compensated Absences - Current Portion	2,312	-	2,312
342 Unearned Revenue	280,944	49,559	330,503
310 Total Current Liabilities	<u>296,795</u>	<u>49,559</u>	<u>346,354</u>
354 Accrued Compensated Absences - Non Current	11,751	-	11,751
350 Total Non-Current Liabilities	<u>11,751</u>	<u>-</u>	<u>11,751</u>
300 Total Liabilities	<u>308,546</u>	<u>49,559</u>	<u>358,105</u>
400 Deferred Inflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>
508.4 Net Investment in Capital Assets	75,626		75,626
511.4 Restricted Net Position	-	-	-
512.4 Unrestricted Net Position	<u>(18)</u>	<u>-</u>	<u>(18)</u>
513 Total Equity - Net Assets / Position	<u>75,608</u>	<u>-</u>	<u>75,608</u>
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	<u>\$ 384,154</u>	<u>\$ 49,559</u>	<u>\$ 433,713</u>

**CITY OF ASHLAND**  
**ASHLAND PLANNING AND CDA (KY142)**  
**ENTITY WIDE REVENUE AND EXPENSE SUMMARY**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Total
70600 HUD PHA Operating Grants	\$ 3,235,600	\$ 5,751	\$ 3,241,351
71100 Investment Income - Unrestricted	329	-	329
70000 Total Revenue	<u>3,235,929</u>	<u>5,751</u>	<u>3,241,680</u>
91100 Administrative Salaries	150,047	-	150,047
91200 Auditing Fees	4,086	-	4,086
91500 Employee Benefit contributions - Administrative	30,986	-	30,986
91800 Travel	2,770	-	2,770
91900 Other	14,171	5,751	19,922
91000 Total Operating - Administrative	<u>202,060</u>	<u>5,751</u>	<u>207,811</u>
93800 Other Utilities Expense	2,738	-	2,738
93000 Total Utilities	<u>2,738</u>	<u>-</u>	<u>2,738</u>
94200 Ordinary Maintenance and Operations - Materials and Other	17,473	-	17,473
94000 Total Maintenance	<u>17,473</u>	<u>-</u>	<u>17,473</u>
96110 Property Insurance	131	-	131
96120 Liability Insurance	3,887	-	3,887
96130 Workmen's Compensation	266	-	266
96140 All Other Insurance	35,595	-	35,595
96100 Total Insurance Premiums	<u>39,879</u>	<u>-</u>	<u>39,879</u>
96200 Other General Expenses	25,124	-	25,124
96210 Compensated Absences	1,115	-	1,115
96000 Total Other General Expenses	<u>26,239</u>	<u>-</u>	<u>26,239</u>
96900 Total Operating Expenses	<u>288,389</u>	<u>5,751</u>	<u>294,140</u>
97000 Excess of Operating Revenue over Operating Expenses	2,947,540	-	2,947,540
97300 Housing Assistance Payments	3,002,014	-	3,002,014
97400 Depreciation Expense	4,432	-	4,432
90000 Total Expenses	<u>3,294,835</u>	<u>5,751</u>	<u>3,300,586</u>
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (58,906)	\$ -	\$ (58,906)
11020 Required Annual Debt Principal Payments	-	-	-
11030 Beginning Equity	\$ 134,514	\$ -	\$ 134,514
11170 Administrative Fee Equity	\$ 75,608	\$ -	\$ 75,608
11180 Housing Assistance Payments Equity	\$ -		\$ -
11190 Unit Months Available	7,572		7,572
11210 Number of Unit Months Leased	6,001		6,001

**CITY OF ASHLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<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	-	\$ 102,602	\$ 689,379
Housing Choice Voucher Program	14.871	-	-	3,289,288
HCV CARES Act Funding	14.HCC	-	-	5,751
Total U.S. Department of HUD				<u>3,984,418</u>
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Federal Transit Cluster				
FTA - Operating Assistance Grant	20.507	-	-	316,036
FTA - Capital Assistance Grant	20.507	-	-	303,653
				<u>619,689</u> *
Highway Planning and Construction	20.205	-	-	<u>152,833</u>
Passed through Kentucky Transportation Cabinet:				
State and Community Highway Safety	20.600	PT-2019-08	-	2,993
National Priority Safety Programs	20.616	M5HVE-2020-01	-	5,930
				<u>8,923</u>
Total U.S. Department of Transportation				<u>781,445</u>
<u>U.S. Department of Homeland Security</u>				
Passed through Kentucky Department of Homeland Security:				
Public Assistance Program	97.036	DR-4428	-	202,289
COVID-19 Public Assistance Program	97.036	DR-4497	-	75,470
Total U.S. Department of Homeland Security				<u>277,759</u>
<u>U.S. Department of the Treasury</u>				
Passed through Department of Local Government				
COVID-19 Coronavirus Relief Fund	21.019	C216-01	-	1,465,597
Total U.S. Department of the Treasury				<u>1,465,597</u>
<u>Executive Office of the President</u>				
Passed through Laurel County Fiscal Court				
High Intensity Drug Trafficking Areas Program	95.001	G20AP0001A	-	16,189
Total Executive Office of the President				<u>16,189</u>
Total expenditures of Federal awards				<u>\$ 6,525,408</u>

\* Denotes major program.

**CITY OF ASHLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**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, 2020. 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 9, 2021.

**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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

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

The City's response to the 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 the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Ashland, Kentucky  
April 9, 2021



**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, 2020. 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, 2020.

## 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 2020-002. 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Ashland, Kentucky  
April 9, 2021

**CITY OF ASHLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2020**

**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?

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

Noncompliance material to the

☐ financial statements noted?

X  Yes \_\_\_\_ No

***Federal Awards***

Internal control over major federal programs:

☐ Material weakness(es) identified?

\_\_\_\_ Yes  X  No

☐ Significant deficiency(ies) identified?

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

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

Unmodified

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

X  Yes \_\_\_\_ No

Identification of Major Programs:  
COVID-19 Coronavirus Relief Fund  
Federal Transit Cluster

CFDA No.  
21.019  
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, 2020

#### B. FINANCIAL STATEMENT FINDINGS

##### 2020-001 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) COMPLIANCE

*Condition:* 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.

*Criteria:* In accordance with HUD’s environmental regulations in 24 CFR 58.22, a recipient may not commit HUD assistance under any program (such as the CDBG Program) listed in 24 CFR 58.1(b) on an activity or project until HUD has approved the recipient’s RROF. This prohibition extends to any non-HUD funds that may potentially be committed to the activity. Moreover, under the statute authorizing the CDBG Program, HUD may release funds for a project only if the RROF is submitted to HUD prior to any commitment of CDBG funds for the project (42 U.S.C. 5304(g)(2)).

*Cause:* Procedures were not in place to ensure the RROF was approved by HUD prior to committing CDBG funds.

*Effect:* Noncompliance with HUD environmental regulations.

*Recommendation:* We recommend that the City implement procedures to ensure an environmental review and approved RROF have been obtained, when required, prior to committing HUD funds.

*Management’s Response:* The City believes that it did not commit funds prior to contract adoption due to provisions outlined in our bidding documentation which allows the City to suspend or cancel any project without compensation to the contractor. However, the City understands that it did not use best practices in this instance.

Because the City of Ashland’s programs vary in terms of applicant type, the scope of program activities and geography, a standard set of review documents and procedures have been designed to produce a consistent programmatic environmental review that provides for the greatest protection and accountability across all HUD related activities.

It is the City’s goal to ensure compliance with all federal regulations as outlined in Title 24 Part 58, Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities. To ensure the City’s compliance with HUD regulations going forward, we have developed and implemented the following policies, procedures, and best practices as they relate to the Environmental Review process.

1. All City staff associated with the execution of the CDBG Action Plan will participate in continued training on environmental review procedures, WISER (Web-Based Instructional System for Environmental Reviews) system, and lead-based paint hazards.

## **CITY OF ASHLAND**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)**

**FOR THE YEAR ENDED JUNE 30, 2020**

2. CDBG administrative staff and Certifying Officer will work closely with the Department of Housing & Urban Development Regional Environmental Review Officer and the City of Ashland Certifying Officer ensuring compliance with all regulations in relation to environmental review procedures.
3. The City of Ashland's CDBG Grants Coordinator created a "Project Checklist" which contains the required steps for Environmental Review, Request for Release of Funds, and Authorization to Use Grant Funds.
4. A completed checklist, along with the AUGF, will be submitted to the City's CDBG Certifying Officer for review and approval prior to submission for approval of any associated contracts to the Ashland Board of City Commissioners. CDBG administrative staff will have the final responsibility to ensure no funds are expended on any project until appropriate HUD approval and release of funds approval are received.
5. The City of Ashland will implement the model HUD Environmental Review Handbook provided by Ramona. This will include policies and procedures, forms, resource materials, and model letters for our City.

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

##### **2020-002 REQUEST FOR RELEASE OF FUNDS**

*Federal Program Information:* Community Development Block Grant (CDBG), Federal Catalog No. 14.218, U.S. Department of Housing and Urban Development (HUD).

*Condition:* The noncompliance identified at Finding 2020-001 applies to this grant.

*Context:* The amount identified as questioned costs represents the amount expended under the construction contract during the year.

*Questioned Costs:* \$128,647



1700 Greenup Ave  
PO BOX 1839  
Ashland, KY 41101  
[www.ashlandky.gov](http://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

April 9, 2021

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 blue ink, appearing to read "Michael Graese".

Michael Graese  
City Manager

**CITY OF ASHLAND**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2020-001 and 2020-002	<p>It is the City's goal to ensure compliance with all federal regulations as outlined in Title 24 Part 58, Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities. To ensure the City's compliance with HUD regulations going forward, we have developed and implemented the following policies, procedures, and best practices as they relate to the Environmental Review process.</p> <ol style="list-style-type: none"> <li>1. All City staff associated with the execution of the CDBG Action Plan will participate in continued training on environmental review procedures, WISER (Web-Based Instructional System for Environmental Reviews) system, and lead-based paint hazards.</li> <li>2. CDBG administrative staff and Certifying Officer will work closely with the Department of Housing &amp; Urban Development Regional Environmental Review Officer and the City of Ashland Certifying Officer ensuring compliance with all regulations in relation to environmental review procedures.</li> <li>3. The City of Ashland's CDBG Grants Coordinator created a "Project Checklist" which contains the required steps for Environmental Review, Request for Release of Funds, and Authorization to Use Grant Funds.</li> <li>4. A completed checklist, along with the AUGF, will be submitted to the City's CDBG Certifying Officer for review and approval prior to submission for approval of any associated contracts to the Ashland Board of City Commissioners. CDBG administrative staff will have the final responsibility to ensure no funds are expended on any project until appropriate HUD approval and release of funds approval are received.</li> <li>5. The City of Ashland will implement the model HUD Environmental Review Handbook provided by Ramona. This will include policies and procedures, forms, resource materials, and model letters for our City.</li> </ol>	June 30, 2021	Chris Pullem, Community & Economic Development Director





1700 Greenup Ave  
PO BOX 1839  
Ashland, KY 41101  
[www.ashlandky.gov](http://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

April 9, 2021

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

Dear Sir or Madam:

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

Sincerely,

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

Michael Graese  
City Manager

**CITY OF ASHLAND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2020**

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