

CITY OF ASHLAND

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2011

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS



Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ashland, Kentucky as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the City of Ashland's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Ashland, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Special Revenue Funds for the year then ended, in conformity with accounting principles generally accepted the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2011 on our consideration of the City of Ashland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information and schedule of employer contributions on pages 5 through 15 and page 51 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 the appropriate operational, economic, and 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 in 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 any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ashland's financial statements as a whole. The supplemental statements and schedules contained on pages 52 through 58 and the HUD schedules on pages 59 and 60, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards contained on pages 61 and 62 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The supplemental statements and schedules 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Kelly, Hollenbeck & Company, PSC

November 3, 2011

0MANAGEMENT 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, 2011. This information should be read in conjunction with the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS

- ⇒ The assets of the Government exceeded its liabilities at the end of the fiscal year by \$102,035,390 (net assets). Governmental activities' unrestricted net assets were \$4,019,779. Business type activities' unrestricted net assets were \$1,507,342.
- ⇒ The Government's total net assets increased by \$286,316. Net assets of governmental activities decreased by \$(674,186), and net assets of business-type activities increased by \$960,502.
- ⇒ At June 30, 2011, the governmental activities had \$78,015,526 in assets and \$16,008,140 in liabilities. Business type activities had \$58,692,375 in assets and \$18,664,371 in liabilities.

OVERVIEW OF FINANCIAL STATEMENTS

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

REPORTING THE GOVERNMENT AS A WHOLE

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

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

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

The Statement of Net Assets presents information on all the Government's assets and liabilities as of June 30, 2011. The net assets are the differences between assets and liabilities. Over time an increase or decrease in net assets is one indicator of whether financial health is improving or deteriorating. Information on other factors such as changes in the revenue structure and the condition of the Government's assets is also needed to assess the overall financial position of the Government.

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

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

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

Business-type activities - Activities primarily paid for from charges and fees to cover the cost of services are reported here. This includes water production, sanitary sewer services, Ashland bus system, recreation operating fund and cemetery fund.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements report the Government's operations in more detail than the government-wide statements by providing information about the Government's most significant funds. Some funds are required to be established by local law or by bond covenants. However, many other funds are established to help control and manage money for a particular purpose. These types of funds are presented in the fund financial statements: governmental funds, proprietary funds and fiduciary funds.

Governmental funds - Most of the Government's basic services are reported in the governmental funds. These statements provide a short-term view of general government operations and how these services are financed as well as the balances left at year end that are available for future spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash.

Proprietary funds - The Government charges fees for business-type services which are intended to cover the cost of providing those services. The governing body decides that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The subcategories of the funds include enterprise funds, which are business-type activities, and internal service funds, which report services provided to internal units of government. The proprietary funds are reported in the same way that all activities are reported in the government-wide statements but the fund statements provide more detail. The City considers the Utility Fund, Ashland Bus System, Recreation Operating Fund and Ashland Cemetery Fund to be its major proprietary funds.

Internal service funds - These funds are used to accumulate and allocate costs internally among the various functions or cost centers. The City uses an internal service fund to account for the employee health insurance, dental and life insurance benefits.

Notes to the financial statements - The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplemental Information* concerning the City's contributions to certain employees' pension plans. Additionally, *Supplemental Information* includes more detail on the City's General Fund and Capital Projects Fund, and details of the City's capital assets, as well as statements of net assets and revenue and expenditures for Ashland's Housing Authority.

THE GOVERNMENT AS A TRUSTEE

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

ANALYSIS OF THE GOVERNMENT AS A WHOLE

NET ASSETS

As of June 30, 2011, the Government as a whole had net assets greater than its liabilities by \$102,035,390. Net assets of governmental activities were \$62,007,386 and decreased by \$(674,186) over the prior year. This decrease was due to the completion of the Riverfront Project, capital lease payoffs and the court decision in favor of the Labor Cabinet regarding firefighter overtime. Of ending Governmental Activities Net Assets, \$57,272,690, or 92%, is invested in capital assets net of related debt, \$714,917, or 1%, is restricted net assets and unrestricted net assets are \$4,019,779 or 7%.

The net assets of the Government's business-type activities are \$40,028,004 and increased by \$960,502 over the prior year. Of these net assets, \$35,983,988 is invested in capital assets net of related debt, \$2,536,674 is restricted and \$1,507,342 is unrestricted. The largest portion of the City's combined net assets (91%) reflects its investment in capital assets (i.e., land, buildings, machinery and equipment) less outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens and as a result, these assets are not available for future spending. The City's capital asset investment is reported net of related debt, but the resources to pay this debt must be provided from other sources, since the capital assets cannot be used to liquidate the liabilities.

An additional portion of City net assets, \$3,251,591 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$5,527,121 may be used to meet the City's ongoing obligation to citizens and creditors.

At the end of this fiscal year, June 30, 2011, the City has positive unrestricted net assets in its business-type activities. The City raised the utility rates in all rate classes again this fiscal year. This brought the business-type activities to a positive unrestricted net asset position.

ANALYSIS OF THE CITY'S NET ASSETS

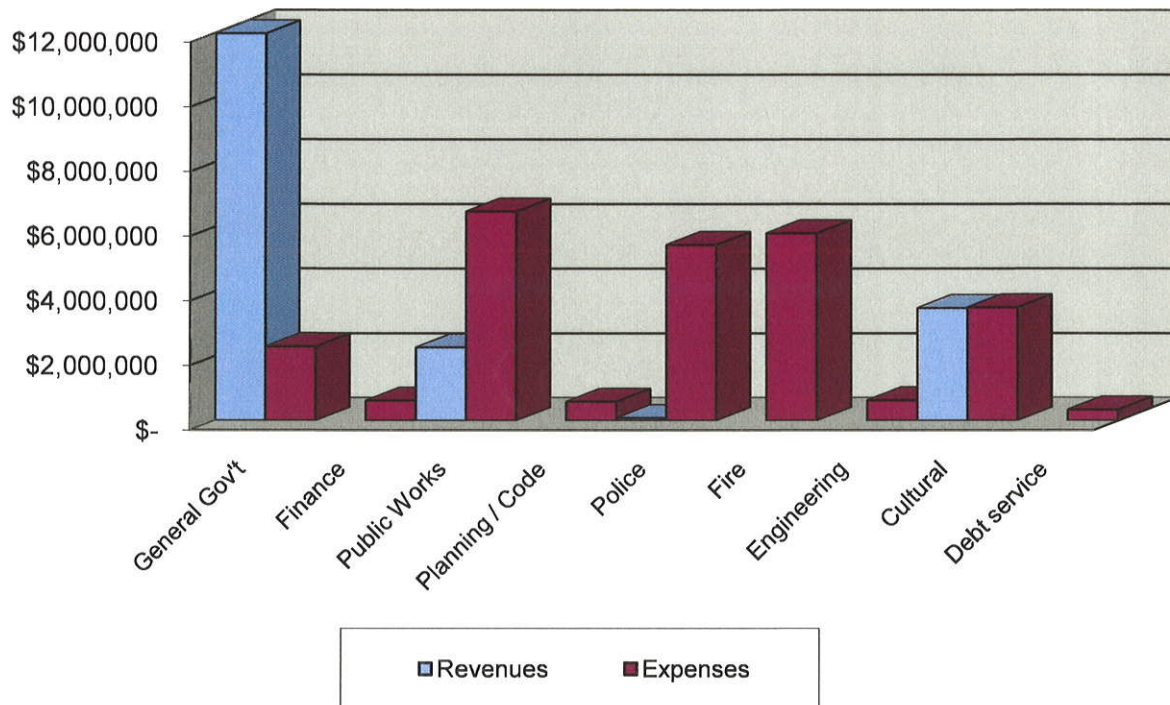
	Governmental Activities		Business- Type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 12,053,194	\$ 12,390,284	\$ 9,122,030	\$ 7,308,522	\$ 21,175,224	\$ 19,698,806
Capital assets	<u>65,962,332</u>	<u>65,297,273</u>	<u>49,570,345</u>	<u>47,388,244</u>	<u>115,532,677</u>	<u>112,685,517</u>
Total assets	<u>78,015,526</u>	<u>77,687,557</u>	<u>58,692,375</u>	<u>54,696,766</u>	<u>136,707,901</u>	<u>132,384,323</u>
Current liabilities	6,993,754	5,129,332	6,048,181	5,323,969	13,041,935	10,453,301
Long-term liabilities	<u>9,014,386</u>	<u>9,876,653</u>	<u>12,616,190</u>	<u>10,305,295</u>	<u>21,630,576</u>	<u>20,181,948</u>
Total liabilities	<u>16,008,140</u>	<u>15,005,985</u>	<u>18,664,371</u>	<u>15,629,264</u>	<u>34,672,511</u>	<u>30,635,249</u>
Net assets						
Invested in capital assets net of related debt	57,272,690	56,102,556	35,983,988	36,235,091	93,256,678	92,337,647
Restricted	714,917	1,279,940	2,536,674	1,155,361	3,251,591	2,435,301
Unrestricted	<u>4,019,779</u>	<u>5,299,076</u>	<u>1,507,342</u>	<u>1,677,050</u>	<u>5,527,121</u>	<u>6,976,126</u>
Total net assets	<u>\$ 62,007,386</u>	<u>\$ 62,681,572</u>	<u>\$ 40,028,004</u>	<u>\$ 39,067,502</u>	<u>\$102,035,390</u>	<u>\$ 101,749,074</u>

ANALYSIS OF THE CITY'S OPERATIONS

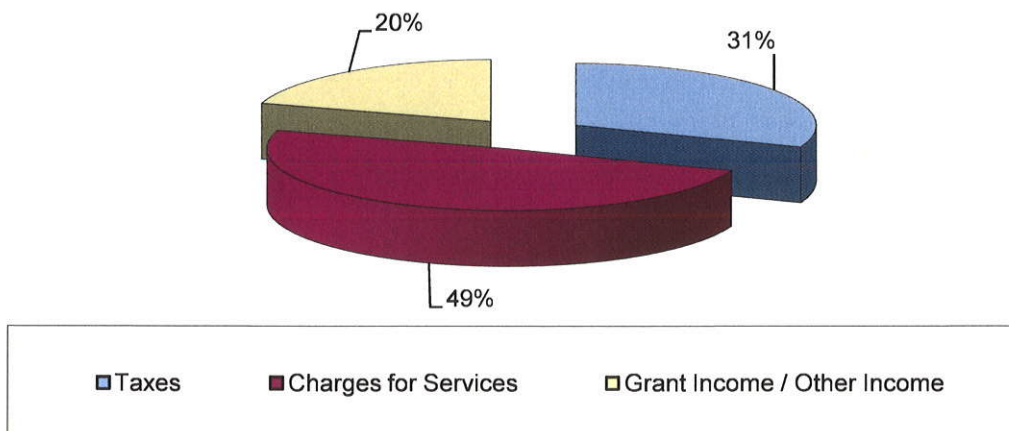
Revenues	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Taxes	\$ 8,150,028	\$ 7,477,238	\$ -	\$ -	\$ 8,150,028	\$ 7,477,238
Charges for services	12,963,624	12,800,729	14,680,041	12,481,908	27,643,665	25,282,637
Operating grants	4,084,103	3,948,811	386,357	511,674	4,470,460	4,460,485
Capital grants	749,903	6,246,734	446,519	5,685,682	1,196,422	11,932,416
Other income	530,572	522,703	696,878	588,649	1,227,450	1,111,352
Total revenue	<u>\$ 26,478,230</u>	<u>\$ 30,996,215</u>	<u>\$ 16,209,795</u>	<u>\$ 19,267,913</u>	<u>\$ 42,688,025</u>	<u>\$ 50,264,128</u>
Expenses	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
General government	\$ 2,288,370	\$ 3,151,310	\$ -	\$ -	\$ 2,288,370	\$ 3,151,310
Finance	616,850	597,665	-	-	616,850	597,665
Public services	6,472,277	5,254,674	-	-	6,472,277	5,254,674
Planning/CE	586,302	528,934	-	-	586,302	528,934
Police	5,435,091	4,819,508	-	-	5,435,091	4,819,508
Fire	5,797,256	5,549,443	-	-	5,797,256	5,549,443
Engineering	627,371	729,305	-	-	627,371	729,305
Community/cultural	3,501,176	3,472,659	-	-	3,501,176	3,472,659
Debt service	339,571	360,075	-	-	339,571	360,075
Utility fund	-	-	13,882,611	13,320,805	13,882,611	13,320,805
Ashland bus system	-	-	1,344,854	1,387,173	1,344,854	1,387,173
Recreation operating fund	-	-	1,131,949	960,621	1,131,949	960,621
Cemetery	-	-	378,031	294,083	378,031	294,083
Total expense	<u>\$ 25,664,264</u>	<u>\$ 24,463,573</u>	<u>\$ 16,737,445</u>	<u>\$ 15,962,682</u>	<u>\$ 42,401,709</u>	<u>\$ 40,426,255</u>
Changes before transfers	813,966	6,532,642	(527,650)	3,305,231	286,316	9,837,873
Transfers	(1,488,152)	(1,439,187)	1,488,152	1,439,187	-	-
Change in net assets	(674,186)	5,093,455	960,502	4,744,418	286,316	9,837,873
Net asset beginning of year	<u>62,681,572</u>	<u>57,588,117</u>	<u>39,067,502</u>	<u>34,323,084</u>	<u>101,749,074</u>	<u>91,911,201</u>
Net asset end of year	<u>\$ 62,007,386</u>	<u>\$ 62,681,572</u>	<u>\$ 40,028,004</u>	<u>\$ 39,067,502</u>	<u>\$ 102,035,390</u>	<u>\$ 101,749,074</u>

GOVERNMENTAL ACTIVITIES

EXPENSES AND PROGRAM REVENUES-GOVERNMENTAL ACTIVITIES

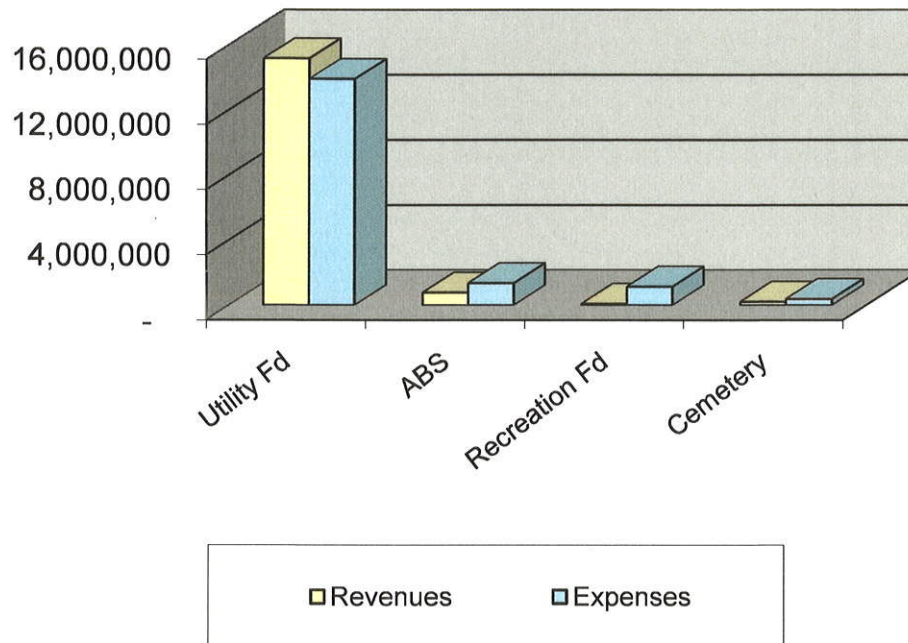


REVENUE BY SOURCE - GOVERNMENT ACTIVITIES

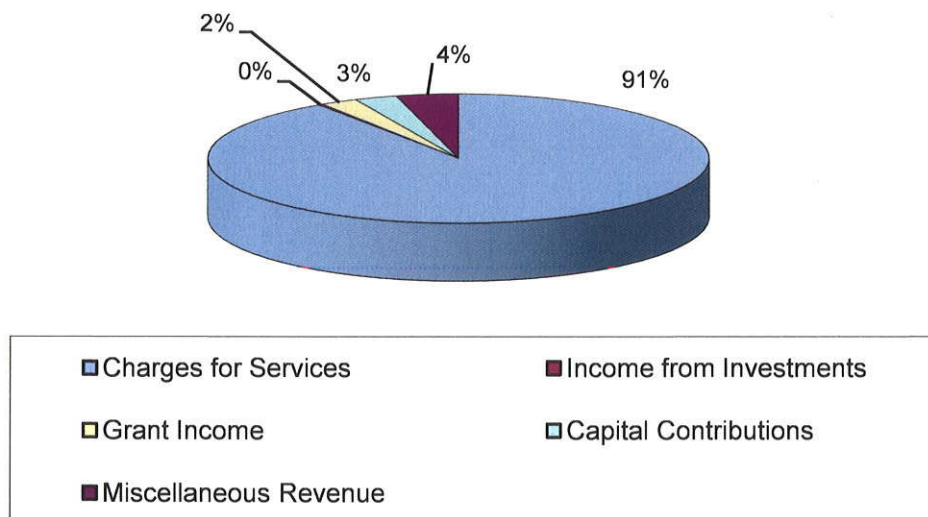


BUSINESS-TYPE ACTIVITIES

EXPENSES AND REVENUES - BUSINESS-TYPE ACTIVITIES

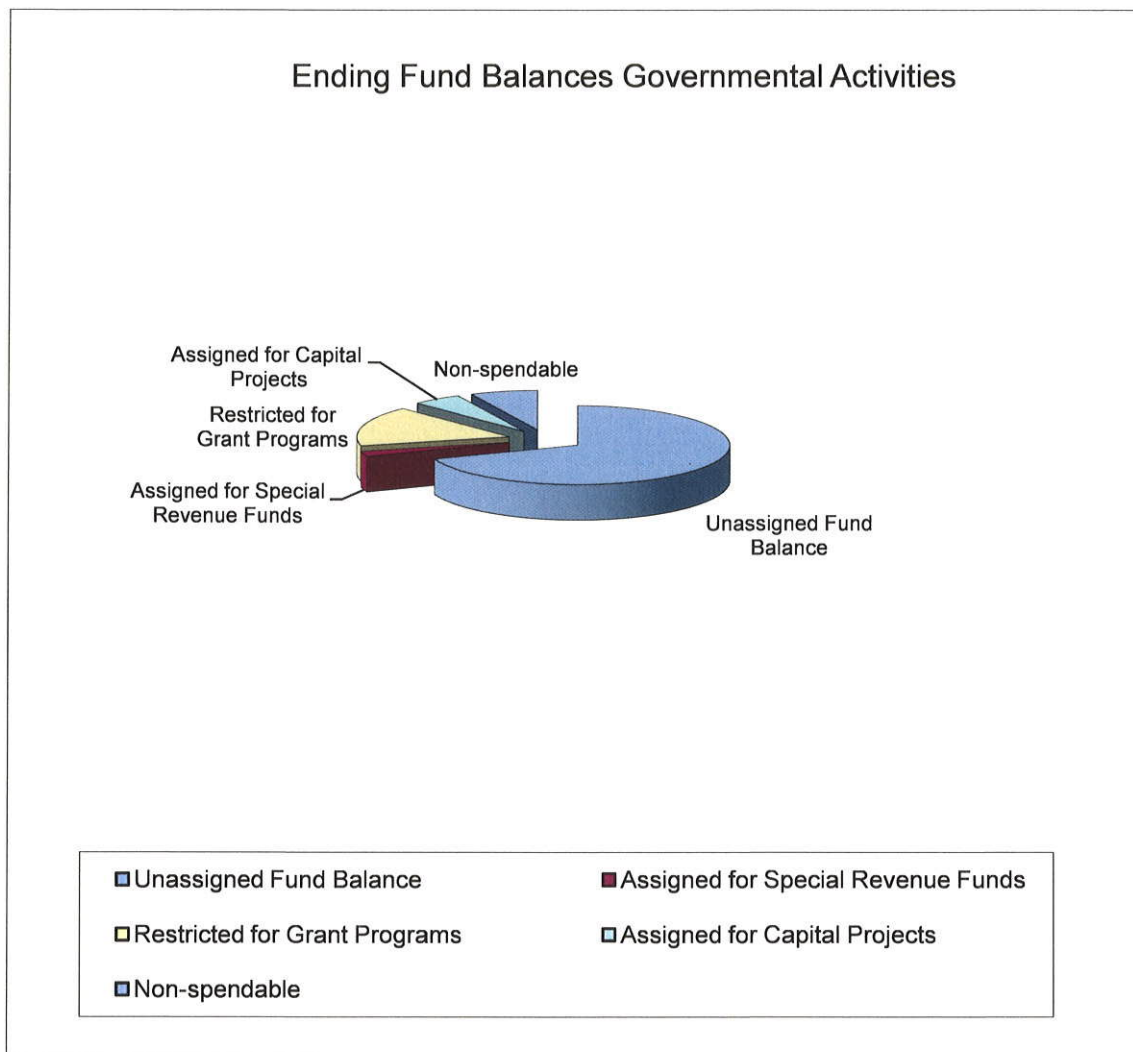


REVENUE BY SOURCE - BUSINESS -TYPE ACTIVITIES



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 \$3,309,978. Of this total, \$2,289,059, or 69%, is unassigned fund balance. The remainder of fund balance is assigned, restricted or non-spendable to indicate it is not available for new spending because it has already been assigned for special revenue funds at \$69,865, restricted for grant programs at \$542,205, non-spendable at \$236,137 and assigned for capital projects at \$172,712. The significant decrease in the governmental funds restricted for grant programs is the completion of the Riverfront and the Transportation Center that was funded in Fiscal Year 2010.



MAJOR GOVERNMENTAL FUNDS

For the year ending June 30, 2011, the major governmental funds reported as follows:

The General Fund had revenues of \$22,197,090 and expenditures of \$24,058,738. The total fund balance was \$2,946,766.

The Municipal Aid Road Fund had revenues of \$479,626 and expenditures of \$509,607. The total fund balance was \$4,412.

The Floodwall Operating Fund had revenues of \$172,401 and expenditures of \$237,722. The total fund balance was \$410.

The Community Development Fund had revenues of \$662,702 and expenditures of \$662,702. The total fund balance was \$65,043.

The Housing Assistance Fund had revenues of \$2,816,411 and expenditures of \$2,838,731. The total fund balance was \$293,347.

The Capital Purchase Improvement Fund had other financing sources of \$533,657, and expenditures of \$533,657. The total fund balance was \$0.

PROPRIETARY FUNDS

The City's proprietary funds, or business-type activities, had total assets of \$63,613,803 and total liabilities of \$23,585,799, leaving net assets of \$40,028,004. Of the total proprietary fund's net assets, the Utility Fund had \$(795,428) in unrestricted net assets, the Ashland Bus Fund had \$(218,187) in unrestricted net assets, the Recreation Fund had \$(153,871) in unrestricted net assets and the Ashland Cemetery Fund had \$2,674,828 in unrestricted net assets. All proprietary funds are considered major funds. Total growth in unrestricted net assets for the four proprietary funds was \$169,708. The Ashland Cemetery Fund was the only proprietary fund to show positive growth at \$57,741.

BUDGETARY HIGHLIGHTS

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

- ⇒ \$646,467 decrease in net expenditures of the General Fund. This decrease was for the reduction in the transfer to the Capital Purchase Improvement Fund for the elimination of the elevator refurbishment, computer system upgrades, Melody Mountain sidewalks and new street sweeper.

The net decrease in appropriations and transfers was given mainly to the health insurance line items.

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 \$22,197,090 versus budgeted revenues of \$22,756,338. This was due to the ESG and Home grants not fully utilized this fiscal year and the completion of the Riverfront. Projected grant revenues were \$1,626,129 and actual revenues were \$1,191,749 for a variance of \$434,380. Net Profit Revenue had a positive budget variance of \$58,331 which was accomplished by continued focus on enforcing compliance and growth. Insurance premium taxes had a negative budget variance of \$322,826. Budget projections exceeded actual insurance policies sold in the City. Real, delinquent and vehicle property taxes had a positive budget variance of \$241,424 due to a concentrated effort of collection of delinquent taxes.
- ⇒ General Fund significant expenditure variances include the overtime payment to the Fire department ordered by the Labor Cabinet and higher health insurance costs than projected. Also in the general government division is the capital lease payoffs that were not budgeted. The Public Works and Police budget were \$9,342,052, and actual expenditures were \$9,722,803, for a negative budget variance of \$(380,751). This was also attributed to higher health insurance costs that exceeded projected budget estimates.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for governmental and business-type activities as of June 30, 2011 is \$115,532,677 (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, 2011 include:

<u>Project</u>	<u>Approved Contract</u>	<u>Paid / Accrued to Date</u>	<u>Outstanding Commitment</u>
CSO – Roberts & 6 th	\$ 6,298,634	\$ 2,898,514	\$ 3,400,120
Williams Creek Pump Site	233,498	185,048	48,450
	<u>\$ 6,532,132</u>	<u>\$ 3,083,562</u>	<u>\$ 3,448,570</u>

CITY OF ASHLAND - CAPITAL ASSETS (NET OF DEPRECIATION)

<u>Asset</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total 2011</u>
Land	\$ 3,883,268	\$ 378,087	\$ 4,261,355
Buildings and improvements	8,823,512	3,531,056	12,354,568
Automotive equipment	1,218,105	725,983	1,944,088
Operating equipment	1,556,922	1,291,127	2,848,049
Office equipment	145,406	86,096	231,502
Capital improvements	360,012	346,546	706,558
Right-of-way	15,038,909	-	15,038,909
Infrastructure	34,925,710	-	34,925,710
Utility plant	-	39,152,447	39,152,447
Construction (CIP)	10,488	4,059,003	4,069,491
Total	<u>\$ 65,962,332</u>	<u>\$ 49,570,345</u>	<u>\$115,532,677</u>

DEBT

At the end of fiscal year 2011, the City had governmental activities debt of \$9,652,131 compared to \$10,459,225 at June 30, 2010, which represents a decrease of \$807,094. Business-type activities had debt of \$13,536,357 compared to \$11,068,153 at June 30, 2011, which represents an increase of \$2,468,204. See Note (8) for additional discussion of the City's long term debt. The following chart summarizes governmental and business-type activities debt.

<u>Governmental Activities Debt</u>	<u>Amount</u>
General obligation bond series 2005	\$ 2,870,000
Capital leases - equipment	62,051
Capital leases - police station	4,659,258
Capital lease	1,098,333
Compensated absences obligation	962,489
Total	<u>\$ 9,652,131</u>

<u>Business-Type Activities Debt</u>	<u>Amount</u>
Utility bonds 04	\$ 5,515,000
Kentucky infrastructure authority loans	7,814,181
Note payable	184,264
Capital leases - equipment	<u>22,912</u>
Total	<u>\$ 13,536,357</u>

DESCRIPTION OF MUNICIPAL DEBT

- ⇒ General Obligation Bonds 2005 Melody Mountain \$2,870,000.
- ⇒ Capital Lease - phone system \$62,051.
- ⇒ Capital Lease - Police station \$4,659,258.
- ⇒ Capital Lease - debt consolidation \$1,098,333.
- ⇒ Employee compensated absences payable after 60 days at \$962,489
- ⇒ Utility Revenue bond issue 2004 for phase II upgrade of the water plant \$5,515,000.
- ⇒ K.I.A. Loans used to upgrade the utility system and correct CSO \$7,814,181.
- ⇒ Capital Lease - phone system \$22,912.
- ⇒ Ashland Cemetery note payable for mausoleum construction \$184,264.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Unemployment rate for the City of Ashland as of June 2011 is 8.9%. This rate is lower than the State of Kentucky rate at 9.6% and the national rate of 9.2%.

The following table summarizes the 2012 fiscal year budgeted expenses.

- ⇒ General Fund - \$21,147,245
- ⇒ Municipal Aid Program - \$460,480
- ⇒ Community Development Block Grant Fund - \$1,275,500
- ⇒ Section 8 Voucher - \$2,836,487
- ⇒ Floodwall Operating Fund - \$323,368
- ⇒ Utility Fund - \$20,790,256
- ⇒ Ashland Bus System - \$1,266,051
- ⇒ Recreation Operating Fund - \$936,176
- ⇒ Ashland Cemetery Fund - \$373,540
- ⇒ Capital Purchase Improvement Fund - \$21,290

Fiscal year 2012 contains one significant budget item. The Utility Fund will continue work on the first phase of construction pertaining to the Combined Sewer Overflow decree from the EPA and begin the second phase of implementation.

REQUEST FOR INFORMATION

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

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

CITY OF ASHLAND
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 468,847	\$ 286,385	\$ 755,232
Accounts receivable	126,702	3,882,993	4,009,695
Allowance for uncollectible accounts	-	(66,418)	(66,418)
Taxes receivable	3,422,153	-	3,422,153
Allowance for uncollectible taxes	(441,832)	-	(441,832)
Grants receivable	313,694	981,730	1,295,424
Internal balances, net	4,921,428	(4,921,428)	-
Receivable from fiduciary fund	180,699	-	180,699
Program receivables	44,124	-	44,124
Allowance for uncollectible accounts	(44,124)	-	(44,124)
Other receivables	329,265	-	329,265
Allowance for uncollectible accounts	(63,818)	-	(63,818)
Prepaid expenses	145,810	-	145,810
Inventories	90,327	3,182,093	3,272,420
Restricted assets -			
Cash and cash equivalents	172,712	3,389,062	3,561,774
Note receivable	150,000	-	150,000
Net pension asset	2,237,207	2,284,263	4,521,470
Nondepreciable capital assets	18,946,786	4,437,090	23,383,876
Depreciable capital assets	94,956,026	90,149,171	185,105,197
Accumulated depreciation	(47,940,480)	(45,015,916)	(92,956,396)
Deferred bond issuance costs	-	103,350	103,350
Total assets	<u>78,015,526</u>	<u>58,692,375</u>	<u>136,707,901</u>
LIABILITIES			
Cash overdraft	740,628	143,872	884,500
Accounts payable	3,397,980	306,495	3,704,475
Due to Board of Education	23,287	-	23,287
Payable to Fiduciary Fund	611,799	2,640,060	3,251,859
Other accrued expenses and liabilities	1,392,973	580,139	1,973,112
Deposits	-	1,086,197	1,086,197
Matured revenue bonds and notes	-	50,000	50,000
Accrued compensated absences, current	189,342	321,251	510,593
Current portion of long-term debt	637,745	920,167	1,557,912
Accrued compensated absences, non-current	962,489	-	962,489
Capital lease obligations, non-current	5,276,897	17,773	5,294,670
Notes payable, non-current	-	-	-
Revenue & Improvement bond	-	5,065,000	5,065,000
Kentucky Infrastructure Authority loans, non-current	-	7,533,417	7,533,417
General obligation bonds, non-current	2,775,000	-	2,775,000
Total liabilities	<u>16,008,140</u>	<u>18,664,371</u>	<u>34,672,511</u>
NET ASSETS			
Invested in capital assets, net of related debt	57,272,690	35,983,988	93,256,678
Restricted			
Capital projects	172,712	-	172,712
Debt service	-	662,246	662,246
Grant programs	542,205	-	542,205
Other	-	1,874,428	1,874,428
Unrestricted	<u>4,019,779</u>	<u>1,507,342</u>	<u>5,527,121</u>
Total net assets	<u>\$ 62,007,386</u>	<u>\$ 40,028,004</u>	<u>\$ 102,035,390</u>

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

CITY OF ASHLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental Activities						Total
General government	\$ 2,288,370	\$ 10,863,132	\$ 362,042	\$ 749,903	\$ 9,686,707	\$ -
Finance	616,850	-	-	-	(616,850)	-
Public services	6,472,277	1,787,289	476,559	-	(4,208,429)	-
Planning and code enforcement	586,302	-	-	-	(586,302)	-
Police	5,435,091	-	79,804	-	(5,355,287)	-
Fire	5,797,256	-	-	-	(5,797,256)	-
Engineering	627,371	-	-	-	(627,371)	-
Community and cultural	3,501,176	313,203	3,165,698	-	(22,275)	-
Debt service - interest	339,571	-	-	-	(339,571)	-
Total governmental activities	25,664,264	12,963,624	4,084,103	749,903	(7,866,634)	(7,866,634)
Business-Type Activities						
Utilities	13,882,611	14,408,152	-	128,503	-	654,044
Recreation	1,131,949	72,130	-	-	-	(1,059,819)
Cemetery	378,031	133,733	-	-	-	(244,298)
Bus	1,344,854	66,026	386,357	318,016	-	(574,455)
Total business-type activities	16,737,445	14,680,041	386,357	446,519	(1,224,528)	(1,224,528)
Total primary government	\$ 42,401,709	\$ 27,643,665	\$ 4,470,460	\$ 1,196,422	\$ (7,866,634)	\$ (9,091,162)
General Revenues:						
Property and other local taxes					\$ 8,150,028	\$ 8,150,028
Interest income					4,469	46,715
Other revenues					526,103	650,163
Total general revenues					8,680,600	696,878
Transfers					(1,488,152)	1,488,152
Total general revenues and transfers					7,192,448	2,185,030
Change in net assets					(674,186)	960,502
Net assets, June 30, 2010					62,681,572	39,067,502
Net assets, June 30, 2011					\$ 62,007,386	\$ 40,028,004
						\$ 102,035,390

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

CITY OF ASHLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	Special Revenue Funds						Total Governmental Funds
	General	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	
Assets							
Cash	\$ 365,628	\$ 351	\$ 3,009	\$ 440	\$ 256,287	\$ -	\$ 625,715
Taxes receivable	3,270,632	-	151,521	-	-	-	3,422,153
Allowance for uncollectible taxes	(420,391)	-	(21,441)	-	-	-	(441,832)
Grants receivable	228,077	-	-	44,948	-	-	313,694
Due from other funds	5,266,530	40,669	-	32,731	2,705	-	5,663,651
Program receivables	44,124	-	-	-	-	361,685	44,124
Allowance for uncollectible accounts	(44,124)	-	-	-	-	-	(44,124)
Other receivables	218,832	-	-	-	110,433	-	329,265
Allowance for uncollectible accounts	-	-	-	-	(63,818)	-	(63,818)
Prepaid items	145,810	-	-	-	-	-	145,810
Inventories - supplies	90,327	-	-	-	-	-	90,327
Total assets	\$ 9,165,445	\$ 41,020	\$ 133,089	\$ 78,119	\$ 305,607	\$ 361,685	\$ 10,084,965
Liabilities and Fund Balances							
Liabilities:							
Cash Overdraft	\$ 740,628	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 740,628
Accounts payable	2,571,213	-	202	5,874	3,232	361,685	2,942,206
Due to other funds	2,244,833	36,608	127,795	-	-	-	2,409,236
Due to Board of Education	23,287	-	-	-	-	-	23,287
Accrued compensated absences	185,587	-	1,201	1,860	694	-	189,342
Accrued expenses	432,350	-	3,481	5,342	8,334	-	449,507
Deferred revenue	20,781	-	-	-	-	-	20,781
Total liabilities	6,218,679	36,608	132,679	13,076	12,260	361,685	6,774,987
Fund Balances:							
Assigned for capital projects	172,712	-	-	-	-	-	172,712
Assigned for special revenue funds	-	4,412	410	65,043	-	-	69,865
Restricted for grant programs	248,858	-	-	-	293,347	-	542,205
Non-spendable	236,137	-	-	-	-	-	236,137
Unassigned	2,289,059	-	-	-	-	-	2,289,059
Total fund balances	2,946,766	4,412	410	65,043	293,347	-	3,309,978
Total liabilities and fund balances	\$ 9,165,445	\$ 41,020	\$ 133,089	\$ 78,119	\$ 305,607	\$ 361,685	\$ 10,084,965

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

CITY OF ASHLAND
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balance - total governmental funds	\$ 3,309,978
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$113,902,812 net of accumulated depreciation of \$47,940,480 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	65,962,332
Net pension asset of \$2,237,207 reported in the statement of net assets is not a financial resource and therefore is not reported in the governmental funds.	2,237,207
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
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(9,652,131)</u>
Net assets, end of year - Governmental Activities	<u>\$ 62,007,386</u>

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds						Total Governmental Funds
	General	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	
Revenues							
Property and other local taxes	\$ 7,977,675	\$ -	\$ 172,353	\$ -	\$ -	\$ -	\$ 8,150,028
Licenses and permits	9,977,092	-	-	-	-	-	9,977,092
Charges for services	1,787,289	-	-	-	-	-	1,787,289
Fees, fines and reimbursements	886,040	-	-	-	-	-	886,040
Grant income	1,191,749	476,559	-	662,702	2,502,996	-	4,834,006
Administration fee income	-	-	-	-	313,203	-	313,203
Interest income	4,181	28	48	-	212	-	4,469
Other income	373,064	3,039	-	-	-	-	376,103
Total revenues	22,197,090	479,626	172,401	662,702	2,816,411	-	26,328,230
Expenditures							
General government	4,070,059	-	-	-	-	4,795	4,074,854
Finance	624,865	-	-	-	-	-	624,865
Public services	4,534,101	509,607	237,722	-	-	-	5,281,430
Planning and code enforcement	577,943	-	-	-	-	-	577,943
Police	5,188,702	-	-	-	-	-	5,188,702
Fire	5,951,147	-	-	-	-	-	5,951,147
Engineering	592,275	-	-	-	-	-	592,275
Community and cultural	-	-	-	662,702	2,838,731	-	3,501,433
Capital outlay	-	-	-	-	-	528,862	528,862
Debt service:							
Principal retirement	2,180,075	-	-	-	-	-	2,180,075
Interest charges	339,571	-	-	-	-	-	339,571
Total expenditures	24,058,738	509,607	237,722	662,702	2,838,731	533,657	28,841,157
Excess of Revenues Over (Under) Expenditures	(1,861,648)	(29,981)	(65,321)	-	(22,320)	(533,657)	(2,512,927)
Other Financing Sources (Uses)							
Issuance of debt	1,675,000	-	-	-	-	-	1,675,000
Transfers in	-	-	30,526	-	31,577	533,657	595,760
Transfers out	(2,083,912)	-	-	-	-	-	(2,083,912)
Total other financing sources (uses)	(408,912)	-	30,526	-	31,577	533,657	186,848
Net change in fund balances	(2,270,560)	(29,981)	(34,795)	-	9,257	-	(2,326,079)
Fund balances beginning of year	5,217,326	34,393	35,205	65,043	284,090	-	5,636,057
Fund balances end of year	\$ 2,946,766	\$ 4,412	\$ 410	\$ 65,043	\$ 293,347	\$ -	\$ 3,309,978

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, 2011

Net change in fund balances - total governmental funds	\$	(2,326,079)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	3,007,990	
Depreciation expense	<u>(2,314,964)</u>	693,026

Bond and capital lease proceeds are recognized as revenues in the fund financial statements, but are increases in liabilities in the statement of net assets.		(1,675,000)
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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	(36,595)	
Long-term accrued expenses	<u>338,614</u>	302,019

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net assets.		2,180,075
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Expenditures relating to the net pension asset in the statement of activities are not provided by current financial resources and therefore are not reported in the fund financial statements.		29,740
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Note receivable		150,000
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Losses on disposal of capital assets are not recognized in the fund financial statements. However, in the statement of activities, these losses are recognized		<u>(27,967)</u>
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Change in net assets of governmental activities	\$	<u>(674,186)</u>
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The accompanying notes to financial statements
are an integral part of this statement.

CITY OF ASHLAND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-Type Activities					Governmental Activity - Internal Service
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	Fund
ASSETS						
Unrestricted Assets:						
Cash and cash equivalents	\$ 14,064	\$ 2,558	\$ 8,254	\$ 261,509	\$ 286,385	\$ 15,844
Accounts receivable	3,878,919	-	311	3,763	3,882,993	126,702
Allowance for doubtful accounts	(66,418)	-	-	-	(66,418)	-
Due from other funds	-	-	-	-	-	1,235,913
Grants receivable - capital	-	436,179	-	-	436,179	-
Grants receivable - operating	-	545,551	-	-	545,551	-
Inventories -						
Repair parts and supplies	424,183	31,099	13,531	-	468,813	-
Lots and vaults	-	-	-	2,713,280	2,713,280	-
Total unrestricted assets	4,250,748	1,015,387	22,096	2,978,552	8,266,783	1,378,459
Restricted Assets:						
Cash and cash equivalents	3,172,418	-	190,000	26,644	3,389,062	-
Total restricted assets	3,172,418	-	190,000	26,644	3,389,062	-
Total current assets	7,423,166	1,015,387	212,096	3,005,196	11,655,845	1,378,459
Capital Assets:						
Land and easements	353,911	-	5,723	18,453	378,087	-
Utility plant	79,362,229	-	-	-	79,362,229	-
Buildings and improvements	662,733	1,465,986	100,529	2,293,809	4,523,057	-
Operating equipment	3,932,614	1,022,476	786,732	58,530	5,800,352	-
Office and computer equipment	418,398	39,815	5,320	-	463,533	-
Construction in progress	4,059,003	-	-	-	4,059,003	-
	88,788,888	2,528,277	898,304	2,370,792	94,586,261	-
Less: Accumulated depreciation	(43,526,839)	(942,284)	(456,805)	(89,988)	(45,015,916)	-
Total capital assets - net	45,262,049	1,585,993	441,499	2,280,804	49,570,345	-
Other Assets:						
Net pension asset	2,284,263	-	-	-	2,284,263	-
Deferred bond issuance costs	103,350	-	-	-	103,350	-
Total other assets	2,387,613	-	-	-	2,387,613	-
Total noncurrent assets	47,649,662	1,585,993	441,499	2,280,804	51,957,958	-
Total assets	\$ 55,072,828	\$ 2,601,380	\$ 653,595	\$ 5,286,000	\$ 63,613,803	\$ 1,378,459

	Business-Type Activities				Governmental Activity - Internal Service
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Fund
LIABILITIES					
Current liabilities (payable from current assets):					
Cash overdraft	\$ 143,872	\$ -	\$ -	\$ -	\$ 143,872
Accounts payable	249,803	6,953	48,853	886	306,495
Due to other funds	5,943,616	1,096,724	250,228	270,920	7,561,488
Accrued compensated absences	249,794	27,719	41,370	2,368	321,251
Other accrued liabilities	422,895	102,178	25,516	29,550	580,139
Customer deposits	130,770	-	-	-	130,770
Total current liabilities					
(payable from current assets)	7,140,750	1,233,574	365,967	303,724	9,044,015
Current liabilities (payable from restricted assets):					
Matured revenue bonds and notes	50,000	-	-	-	50,000
Customer deposits	955,427	-	-	-	955,427
Current portion of capital lease obligations	3,539	800	800	-	5,139
Current portion of notes payable	-	-	-	184,264	184,264
Current portion of Revenue and Improvement bond	450,000	-	-	-	450,000
Current portion of Kentucky Infrastructure Authority loan	280,764	-	-	-	280,764
Total current liabilities					
(payable from restricted assets)	1,739,730	800	800	184,264	1,925,594
Total current liabilities	8,880,480	1,234,374	366,767	487,988	10,969,609
Long-term liabilities:					
Capital lease obligations	10,990	3,368	3,415	-	17,773
Notes Payable	-	-	-	-	-
Revenue & Improvement bond	5,065,000	-	-	-	5,065,000
Kentucky Infrastructure Authority loan	7,533,417	-	-	-	7,533,417
Total long-term liabilities	12,609,407	3,368	3,415	-	12,616,190
Total liabilities	21,489,887	1,237,742	370,182	487,988	23,585,799
NET ASSETS					
Invested in capital assets, net of related debt	31,868,339	1,581,825	437,284	2,096,540	35,983,988
Restricted for debt payment	662,246	-	-	-	662,246
Other	1,847,784	-	-	26,644	1,874,428
Unrestricted	(795,428)	(218,187)	(153,871)	2,674,828	1,507,342
Total net assets	\$ 33,582,941	\$ 1,363,638	\$ 283,413	\$ 4,798,012	\$ 40,028,004

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-Type Activities					Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	Fund
OPERATING REVENUES						
Residential and commercial meter sales	\$ 3,313,996	\$ -	\$ -	\$ -	\$ 3,313,996	\$ -
Sewer service	5,888,365	-	-	-	5,888,365	-
Industrial meter sales	3,580,748	-	-	-	3,580,748	-
Other municipalities	1,428,649	-	-	-	1,428,649	-
Industrial pretreatment	104,238	-	-	-	104,238	-
Water and sewer taps	92,156	-	-	-	92,156	-
Concession sales	-	-	41,340	-	41,340	-
Lot and vault sales	-	-	-	60,003	60,003	-
Opening and closing fees	-	-	-	73,730	73,730	-
Passenger fares	-	66,026	-	-	66,026	-
Admission fees	-	-	30,790	-	30,790	-
Premium charges	-	-	-	-	-	6,681,692
Miscellaneous	625,967	-	11,224	12,972	650,163	-
Total operating revenues	15,034,119	66,026	83,354	146,705	15,330,204	6,681,692
OPERATING EXPENSES						
Administration - Director	172,397	-	-	-	172,397	-
Administration - Cashier	671,663	-	-	-	671,663	-
Administration - Customer Service	647,943	-	-	-	647,943	-
Water - Production	2,246,771	-	-	-	2,246,771	-
Water - Distribution	2,854,753	-	-	-	2,854,753	-
Sewer - Pretreatment	1,390,495	-	-	-	1,390,495	-
Sewer - Collection	1,764,544	-	-	-	1,764,544	-
Depreciation	1,993,575	137,390	35,330	51,657	2,217,952	-
Insurance	223,658	11,544	20,189	3,894	259,285	-
Other operating expenses	1,541,033	515,819	448,041	118,143	2,623,036	4,933
Salaries	-	522,803	430,556	88,329	1,041,688	-
Utilities	-	21,224	107,953	-	129,177	-
Operating supplies	-	136,074	89,880	99,149	325,103	-
Premiums and claims	-	-	-	-	-	6,677,008
Total operating expenses	13,506,832	1,344,854	1,131,949	361,172	16,344,807	6,681,941
OPERATING INCOME (LOSS)	1,527,287	(1,278,828)	(1,048,595)	(214,467)	(1,014,603)	(249)
NON-OPERATING REVENUES						
(EXPENSES)						
Gain(loss) on disposal of assets	-	-	-	-	-	-
Interest income	44,473	24	1,250	968	46,715	249
Grant income	-	386,357	-	-	386,357	-
Interest on revenue bonds and notes	(375,779)	-	-	(16,859)	(392,638)	-
Total non-operating revenues (expenses)	(331,306)	386,381	1,250	(15,891)	40,434	249
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,195,981	(892,447)	(1,047,345)	(230,358)	(974,169)	-
TRANSFERS						
From General Fund	-	445,853	1,007,890	-	1,453,743	-
Total transfers in	-	445,853	1,007,890	-	1,453,743	-
CAPITAL CONTRIBUTIONS						
Federal/state grants	128,503	318,016	-	-	446,519	-
City of Ashland	-	34,409	-	-	34,409	-
Total capital contributions	128,503	352,425	-	-	480,928	-
INCREASE (DECREASE) IN NET ASSETS	1,324,484	(94,169)	(39,455)	(230,358)	960,502	-
NET ASSETS, JUNE 30, 2010	32,258,457	1,457,807	322,868	5,028,370	39,067,502	-
NET ASSETS, JUNE 30, 2011	\$ 33,582,941	\$ 1,363,638	\$ 283,413	\$ 4,798,012	\$ 40,028,004	\$ -

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, 2011

	Business-Type Activities					Governmental Activity - Internal Service
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Total	Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 14,351,649	\$ 66,026	\$ 74,282	\$ 129,970	\$ 14,621,927	\$ -
Cash payments to suppliers for goods and services	(4,809,458)	(66,033)	(415,594)	(5,812)	(5,296,897)	(4,933)
Cash payments to employees	(4,009,394)	(461,159)	(453,521)	(92,776)	(5,016,850)	-
Other operating revenues	625,967	-	11,224	12,972	650,163	-
Payments for internal services	(1,742,966)	(246,252)	(185,343)	(54,656)	(2,229,217)	-
Cash received for internal services	-	-	-	-	-	6,809,196
Payments for premiums and claims	-	-	-	-	-	(6,829,092)
Net cash provided by (used for) operating activities	<u>4,415,798</u>	<u>(707,418)</u>	<u>(968,952)</u>	<u>(10,302)</u>	<u>2,729,126</u>	<u>(24,829)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grant Income	-	85,518	-	-	85,518	-
Transfers from other funds	-	445,853	1,007,890	-	1,453,743	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>531,371</u>	<u>1,007,890</u>	<u>-</u>	<u>1,539,261</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from sale of assets	1,696,921	-	-	-	1,696,921	-
Acquisition and construction of capital assets	(4,317,377)	(43,220)	(39,456)	-	(4,400,053)	-
Principal paid on bonds, notes, and lease obligations	(871,363)	(796)	(805)	(12,071)	(885,035)	-
Interest paid on bonds, notes, and lease obligations	(375,779)	-	-	(16,859)	(392,638)	-
Capital contributions	-	34,409	-	-	34,409	-
Capital grants received	128,503	148,966	-	-	277,469	-
Net cash provided by (used for) capital and related financing activities	<u>(3,739,095)</u>	<u>139,359</u>	<u>(40,261)</u>	<u>(28,930)</u>	<u>(3,668,927)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from maturity of investment	-	-	-	-	-	-
Investment income	44,473	24	1,250	968	46,715	249
Net cash provided by investing activities	<u>44,473</u>	<u>24</u>	<u>1,250</u>	<u>968</u>	<u>46,715</u>	<u>249</u>
Net increase (decrease) in cash and cash equivalents	721,176	(36,664)	(73)	(38,264)	646,175	(24,580)
Cash and cash equivalents, June 30, 2010	2,321,434	39,222	198,327	326,417	2,885,400	40,424
Cash and cash equivalents, June 30, 2011	<u>\$ 3,042,610</u>	<u>\$ 2,558</u>	<u>\$ 198,254</u>	<u>\$ 288,153</u>	<u>\$ 3,531,575</u>	<u>\$ 15,844</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Operating income (loss)	\$ 1,527,287	\$ (1,278,828)	\$ (1,048,595)	\$ (214,467)	\$ (1,014,603)	\$ (249)
Adjustments:						
Depreciation	1,993,575	137,390	35,330	51,657	2,217,952	-
Amortization	8,158	-	-	-	8,158	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(94,332)	-	2,152	(3,763)	(95,943)	133,131
(Increase) decrease in inventories	(5,441)	(256)	1,103	90,500	85,906	-
(Increase) decrease in due from other funds	-	-	-	-	-	(5,627)
(Increase) decrease in pension asset	(259,710)	-	-	-	(259,710)	-
Increase (decrease) in accounts payable	(176,144)	(19,277)	17,077	(3,554)	(181,898)	108,873
Increase (decrease) in due to other funds	1,370,465	391,909	46,946	73,772	1,883,092	-
Increase (decrease) in compensated absences	(6,132)	65	(18,404)	2,368	(22,103)	-
Increase (decrease) in other accrued liabilities	20,243	61,579	(4,561)	(6,815)	70,446	(260,957)
Increase (decrease) in customer deposits	37,829	-	-	-	37,829	-
Net cash provided by (used for) operating activities	<u>\$ 4,415,798</u>	<u>\$ (707,418)</u>	<u>\$ (968,952)</u>	<u>\$ (10,302)</u>	<u>\$ 2,729,126</u>	<u>\$ (24,829)</u>

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

**CITY OF ASHLAND
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 138,682
Accrued interest receivable	4,256
Due from other funds	3,251,859
Investments, at fair value	
U.S. Government obligations	<u>1,039,493</u>
 Total assets	 <u>4,434,290</u>
 LIABILITIES	
Due to other funds	<u>180,699</u>
 Total liabilities	 <u>180,699</u>
 NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	 <u><u>\$ 4,253,591</u></u>

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

**CITY OF ASHLAND
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Pension Trust Funds</u>
ADDITIONS:	
CONTRIBUTIONS	
Employer	\$ 937,183
Plan members	<u>3,556</u>
Total contributions	<u>940,739</u>
INVESTMENT INCOME	
Net depreciation in fair value of investments	(18,219)
Interest income	<u>43,201</u>
Total investment income	<u>24,982</u>
Total additions	<u>965,721</u>
DEDUCTIONS:	
Benefits	1,334,798
Administrative expenses	<u>20,084</u>
Total deductions	<u>1,354,882</u>
NET DECREASE	(389,161)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	<u>4,642,752</u>
End of year	<u><u>\$ 4,253,591</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, 2011

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 8,108,616	\$ -	\$ 8,108,616	\$ 7,977,675	\$ (130,941)
Licenses and permits	9,908,265	37,763	9,946,028	9,977,092	31,064
Charges for services	1,792,605	-	1,792,605	1,787,289	(5,316)
Fees, fines and reimbursements	942,204	-	942,204	886,040	(56,164)
Interest income	29,750	-	29,750	4,181	(25,569)
Grant income	178,877	1,447,252	1,626,129	1,191,749	(434,380)
Other income	205,485	105,521	311,006	373,064	62,058
Total revenues	21,165,802	1,590,536	22,756,338	22,197,090	(559,248)
Expenditures					
General government	5,562,462	(1,456,719)	4,105,743	4,070,059	35,684
Finance	612,698	13,338	626,036	624,865	1,171
Public services	4,107,587	237,560	4,345,147	4,534,101	(188,954)
Planning and code enforcement	473,197	29,162	502,359	577,943	(75,584)
Police	4,726,535	270,370	4,996,905	5,188,702	(191,797)
Fire	5,158,637	107,344	5,265,981	5,951,147	(685,166)
Engineering	917,029	(188,335)	728,694	592,275	136,419
Debt service:					
Principal retirement	413,555	-	413,555	2,180,075	(1,766,520)
Interest and fiscal charges	352,058	-	352,058	339,571	12,487
Total expenditures	22,323,758	(987,280)	21,336,478	24,058,738	(2,722,260)
Excess of Revenues Over (Under) Expenditures	(1,157,956)	2,577,816	1,419,860	(1,861,648)	(3,281,508)
Other Financing Sources (Uses)					
Proceeds from issuance of debt	-	-	-	1,675,000	1,675,000
Transfers in	-	-	-	-	-
Transfers out	(1,338,973)	(340,813)	(1,679,786)	(2,083,912)	(404,126)
Total other financing sources (uses)	(1,338,973)	(340,813)	(1,679,786)	(408,912)	1,270,874
Net change in fund balance	(2,496,929)	2,237,003	(259,926)	(2,270,560)	(2,010,634)
Fund balance beginning of year	5,217,326	-	5,217,326	5,217,326	-
Fund balance end of year	\$ 2,720,397	\$ 2,237,003	\$ 4,957,400	\$ 2,946,766	\$ (2,010,634)

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, 2011

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	405,600	-	405,600	476,559	70,959
Administration fee income	-	-	-	-	-
Interest income	175	-	175	28	(147)
Other income	5,000	-	5,000	3,039	(1,961)
Total revenues	410,775	-	410,775	479,626	68,851
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	410,275	-	410,275	509,607	(99,332)
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	500	-	500	-	500
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	410,775	-	410,775	509,607	(98,832)
Excess of Revenues Over (Under) Expenditures	-	-	-	(29,981)	(29,981)
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	(29,981)	(29,981)
Fund balance beginning of year	34,393	-	34,393	34,393	-
Fund balance end of year	\$ 34,393	\$ -	\$ 34,393	\$ 4,412	\$ (29,981)

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, 2011

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	1,189,368	-	1,189,368	662,702	(526,666)
Administration fee income	-	-	-	-	-
Interest income	1,000	-	1,000	-	(1,000)
Other income	-	-	-	-	-
Total revenues	1,190,368	-	1,190,368	662,702	(527,666)
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	1,190,368	-	1,190,368	662,702	527,666
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	1,190,368	-	1,190,368	662,702	527,666
Excess of Revenues Over (Under) Expenditures	-	-	-	-	-
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	65,043	-	65,043	65,043	-
Fund balance end of year	<u>\$ 65,043</u>	<u>\$ -</u>	<u>\$ 65,043</u>	<u>\$ 65,043</u>	<u>\$ -</u>

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
HOUSING ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	2,569,257	-	2,569,257	2,502,996	(66,261)
Administration fee income	329,972	-	329,972	313,203	(16,769)
Interest income	395	-	395	212	(183)
Other income	-	-	-	-	-
Total revenues	<u>2,899,624</u>	<u>-</u>	<u>2,899,624</u>	<u>2,816,411</u>	<u>(83,213)</u>
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	2,899,624	26,555	2,926,179	2,838,731	87,448
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>2,899,624</u>	<u>26,555</u>	<u>2,926,179</u>	<u>2,838,731</u>	<u>87,448</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>(26,555)</u>	<u>(26,555)</u>	<u>(22,320)</u>	<u>4,235</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	31,577	31,577
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,577</u>	<u>31,577</u>
Net change in fund balance	-	(26,555)	(26,555)	9,257	35,812
Fund balance beginning of year	<u>284,090</u>	<u>-</u>	<u>284,090</u>	<u>284,090</u>	<u>-</u>
Fund balance end of year	<u>\$ 284,090</u>	<u>\$ (26,555)</u>	<u>\$ 257,535</u>	<u>\$ 293,347</u>	<u>\$ 35,812</u>

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FLOODWALL OPERATING FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 159,966	\$ -	\$ 159,966	\$ 172,353	\$ 12,387
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	10	-	10	48	38
Other income	-	-	-	-	-
Total revenues	<u>159,976</u>	<u>-</u>	<u>159,976</u>	<u>172,401</u>	<u>12,425</u>
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	168,963	-	168,963	237,722	(68,759)
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>168,963</u>	<u>-</u>	<u>168,963</u>	<u>237,722</u>	<u>(68,759)</u>
Excess of Revenues Over (Under) Expenditures	<u>(8,987)</u>	<u>-</u>	<u>(8,987)</u>	<u>(65,321)</u>	<u>(56,334)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	30,526	30,526
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,526</u>	<u>30,526</u>
Net change in fund balance	<u>(8,987)</u>	<u>-</u>	<u>(8,987)</u>	<u>(34,795)</u>	<u>(25,808)</u>
Fund balance beginning of year	<u>35,205</u>	<u>-</u>	<u>35,205</u>	<u>35,205</u>	<u>-</u>
Fund balance end of year	<u>\$ 26,218</u>	<u>\$ -</u>	<u>\$ 26,218</u>	<u>\$ 410</u>	<u>\$ (25,808)</u>

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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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, 2011 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 assets 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.

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 (DOT).

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

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, Commonwealth of Kentucky investment pool and the Kentucky League of Cities investment pool.

Short term investments are carried at cost which approximates fair value. Investments traded on a national exchange are valued at the last reported sales price at current exchange rates. Trust fund investments are carried at market value. Unrealized gains or losses are reflected in the Statement Of Changes In Fiduciary Net Assets.

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 assets 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 assets 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 are recorded at their fair market values 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 or retained earnings 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, 2011, there were no 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

Beginning with fiscal year 2011, the City implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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 itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the City takes 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.

When committed, assigned and unassigned resources are available for use, it is the City's policy to use committed and assigned resources first, then unassigned resources as they are needed.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets 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 assets are 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 12 and 13.

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. Actual results could differ from estimated amounts.

P. Reclassifications

Certain reclassifications have been made to June 30, 2010 information to conform with the 2011 presentation.

Q. Recent Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in March 2009. The objective is to incorporate the hierarchy of Generally Accepted Accounting Principles (GAAP) within GASB authoritative literature. The current hierarchy resides within the American Institute of Certified Public Accountants' Statement of Auditing Standards (AICPA) No. 69. The adoption of this Statement did not have a material impact on the City's financial statements.

Also in March 2009, GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This Statement does not establish new standards but incorporates existing guidance issued by the AICPA into the GASB standards. In particular, it addresses related party transactions, going concern considerations and subsequent events that are not already included in the authoritative literature. The adoption of this Statement did not have a material impact on the City's 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, 2011, the carrying amounts of the City's deposits were \$3,566,140 and the bank balances were \$7,641,434. 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, 2011, the City had the following investments and maturities included in Fiduciary Funds:

Investment Type -	Investment Maturities (in years)				
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Government Securities	\$ 1,039,493	\$ 512,283	\$ 527,210	-	-

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 the monies in interest-bearing bonds of any county, urban-county government or city of the first, second or third class 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.

(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 ½ % 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 2011 assessed value for real property and tangible property was \$815,809,764 and \$97,283,558, respectively. The tax rate adopted was \$.356 per \$100 valuation.

(5) GRANTS RECEIVABLE

Grants receivable from other governmental units as of June 30, 2011, are as follows:

General Fund -	
KLC Safety Grant	\$ 4,125
Kentucky Transportation Cabinet	187,507
HEARTH Grant	3,660
Land and Water Grant	32,785
	<u>228,077</u>
Special Revenue Funds -	
Municipal Aid Road Fund	40,669
Community Development Fund, program allocation	44,948
	<u>85,617</u>
Enterprise Funds -	
Ashland Bus System - FTA operations	545,551
Ashland Bus System - FTA capital	401,772
Ashland Bus System - FTA DOT capital	34,407
	<u>981,730</u>
	<u>\$ 1,295,424</u>

(6) CAPITAL ASSETS

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

	June 30, 2010	Increases	Decreases	June 30, 2011
<u>Governmental Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 18,943,290	\$ 15,510	\$ (22,502)	\$ 18,936,298
Construction in progress	10,604,836	514	(10,594,862)	10,488
Capital Assets, Depreciated:				
Buildings	8,872,607	-	-	8,872,607
Building improvements	2,299,932	622,089	-	2,922,021
Automotive equipment	4,042,956	399,371	(176,896)	4,265,431
Office furniture and equipment	714,529	9,186	-	723,715
Operating equipment	3,600,426	103,324	-	3,703,750
Capital improvements	477,935	-	-	477,935
Infrastructure	61,537,709	12,452,858	-	73,990,567
Totals	111,094,220	13,602,852	(10,794,260)	113,902,812
Accumulated Depreciation:				
Buildings	1,170,457	178,469	-	1,348,926
Building improvements	1,591,416	44,897	-	1,636,313
Automotive equipment	2,995,983	222,772	(171,431)	3,047,324
Office furniture and equipment	545,793	32,516	-	578,309
Operating equipment	1,951,387	195,441	-	2,146,828
Capital improvements	91,300	26,624	-	117,924
Infrastructure	37,450,611	1,614,245	-	39,064,856
Totals	45,796,947	2,314,964	(171,431)	47,940,480
Governmental Activities Capital Assets, Net	\$ 65,297,273	\$ 11,287,888	\$ (10,622,829)	\$ 65,962,332
<u>Business-type Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 378,087	\$ -	\$ -	\$ 378,087
Construction in progress	202,313	3,856,690	-	4,059,003
Capital Assets, Depreciated:				
Buildings	3,846,513	-	-	3,846,513
Building improvements	641,669	34,875	-	676,544
Utility and sewage plants	79,307,291	54,938	-	79,362,229
Automotive equipment	1,834,581	146,937	-	1,981,518
Office furniture and equipment	463,532	-	-	463,532
Operating equipment	2,812,749	306,613	(23,250)	3,096,112
Capital improvement	418,280	-	-	418,280
Recreation equipment	304,443	-	-	304,443
Totals	90,209,458	4,400,053	(23,250)	94,586,261
Accumulated Depreciation:				
Buildings	572,257	90,373	-	662,630
Building improvements	298,379	30,992	-	329,371
Utility and sewage plants	38,404,528	1,805,254	-	40,209,782
Automotive equipment	1,135,212	120,325	-	1,255,537
Office furniture and equipment	353,770	23,665	-	377,435
Operating equipment	1,745,771	119,534	(23,250)	1,842,055
Capital improvements	46,496	25,239	-	71,735
Recreation equipment	264,801	2,570	-	267,371
Totals	42,821,214	2,217,952	(23,250)	45,015,916
Business-type Activities Capital Assets, Net	\$ 47,388,244	\$ 2,182,101	\$ -	\$ 49,570,345

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

Governmental activities:	
General government	\$ 54,100
Finance	153
Public services	1,798,398

Planning and code enforcement	7,803
Police	236,922
Fire	169,415
Engineering	33,412
Community and cultural	14,761
	<u>\$ 2,314,964</u>
Business-type activities:	
Utilities	\$ 1,993,575
Recreation	35,330
Bus	137,390
Cemetery	51,657
	<u>\$ 2,217,952</u>

(7) RETIREMENT PLANS

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. Unless otherwise indicated, UPF information in this Note is provided as of the latest actuarial valuation, July 1, 2009.

Police and Firefighters Pension Fund (PFPF):

The City of Ashland Police 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, 2011, there were no active employees participating in PFPF. Unless otherwise indicated, PFPF information in this note is provided as of the latest actuarial valuation, July 1, 2010.

The following is the statement of net assets and the statement of changes in net assets for the UPF and PFPF:

	<u>PENSION TRUST FUNDS</u>		
	<u>Utility Pension Fund</u>	<u>Policemen & Firefighters Pension Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 36,104	\$ 102,578	\$ 138,682
Accrued interest receivable	2,078	2,178	4,256
Due from other funds	2,640,060	611,799	3,251,859
Investments, at fair value -			
U.S. Government obligations	<u>263,605</u>	<u>775,888</u>	<u>1,039,493</u>
Total assets	<u>2,941,847</u>	<u>1,492,443</u>	<u>4,434,290</u>
LIABILITIES			
Due to other funds	<u>180,699</u>	<u>-</u>	<u>180,699</u>
Total liabilities	<u>180,699</u>	<u>-</u>	<u>180,699</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 2,761,148</u>	<u>\$ 1,492,443</u>	<u>\$ 4,253,591</u>

ADDITIONS			
Contributions -			
Employer	\$ 570,018	\$ 367,165	\$ 937,183
Plan members	3,556	-	3,556
Total contributions	<u>573,574</u>	<u>367,165</u>	<u>940,739</u>
Investment income -			
Net (depreciation) appreciation in fair value of investments	1,554	(19,773)	(18,219)
Interest income	8,135	35,066	43,201
Total investment income	<u>9,689</u>	<u>15,293</u>	<u>24,982</u>
Total additions	<u>583,263</u>	<u>382,458</u>	<u>965,721</u>
DEDUCTIONS			
Benefits	681,250	653,278	1,334,798
Administrative expenses	8,330	11,754	20,084
Total deductions	<u>689,850</u>	<u>665,032</u>	<u>1,354,882</u>
NET DECREASE	(106,587)	(282,574)	(389,161)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:			
Beginning of year	2,867,735	1,775,017	4,642,752
End of year	<u>\$ 2,761,148</u>	<u>\$ 1,492,443</u>	<u>\$ 4,253,591</u>

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:

Governing Authority	Utility Pension Fund City Ordinance and KRS	Police and Firefighters Pension Fund City Ordinance and KRS	
Determination of contribution requirements	Actuarially	Actuarially	
Contribution rates as a percentage of covered payroll:			
Employer	553.35 %	N/A	
Plan Members	8.00 %	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	29	37	Totals 66
Active plan participants:			
Vested	-	-	-
Non-Vested	<u>1</u>	<u>-</u>	<u>1</u>
	<u>30</u>	<u>37</u>	<u>67</u>

Annual Required Contributions

Actuarial assumptions and other information used to determine the annual required contributions (ARC) are as follows:

	Utility Employees Pension Plan	Policemen And Firefighters Pension Plan
Valuation date	7-1-09	7-1-10
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level % of payroll Closed	Level % of payroll Closed
Amortization	30 years	20 years
Actuarial asset valuation method	Fair market value, quoted market prices	Fair market value, quoted market prices
Actuarial assumptions		
Investment rate of return	5.00 %	5.00 %
Projected salary increases	5.00 %	None
Post retirement benefit increases	0.00 %	0.00 %

Annual Pension Cost, Net Pension Obligation, and Reserves

Current annual pension cost for the UPF and PFPF retirement plans are shown in the trend information below, as well as the percentage contributed and the net pension obligation, if any, for each plan. The City follows GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employees" in accounting for pension costs and other required disclosure information.

The City's annual pension cost and net pension obligation for the current year were as follows:

	Utility Pension Fund	Police and Firefighters Pension Fund
Employer contributions made for fiscal year	\$ 570,018	\$ 367,165
Employer required annual contribution	309,647	270,665
Interest on net pension asset	(101,228)	(110,373)
Adjustment to annual contribution requirement	101,889	177,133
Annual pension cost	<u>310,308</u>	<u>337,425</u>
Increase in net pension asset	259,710	29,740
Net pension asset, June 30, 2010	2,024,553	2,207,467
Net pension asset, June 30, 2011	<u>\$ 2,284,263</u>	<u>\$ 2,237,207</u>

Reserves

There are no assets legally reserved for purposes other than the payment of plan member benefits for either plan. The plans held no individual investments (other than U.S. Government and U.S. Government guaranteed obligations) whose market value exceeds five percent of net assets available for benefits. There are no long-term contracts for contributions.

Trend Information

Utility Pension Fund				Police and Firefighters Pension Fund			
Year	Annual Pension Cost	Percent Contributed	Net Pension Obligation (NPO)	Year	Annual Pension Cost	Percent Contributed	Net Pension Obligation (NPO)
2009	\$ 339,515	202%	\$ (1,739,532)	2009	\$ 352,472	178%	\$ (2,089,409)
2010	323,956	188%	(2,024,553)	2010	330,192	136%	(2,207,467)
2011	310,308	184%	(2,284,263)	2011	337,425	109%	(2,237,207)

The schedule of funding progress, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liability.

UTILITY EMPLOYEES PENSION PLAN

* Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As A Percentage Of Covered Payroll (b-a)/c)
7/1/05	\$ 3,094,984	\$ 8,027,969	\$ 4,932,985	38.6%	\$ 72,829	6,773.4%
7/1/07	2,832,267	7,978,693	5,146,426	35.5%	40,408	12,736.2%
7/1/09	2,882,283	7,776,949	4,894,666	37.1%	43,264	11,313.5%

POLICEMEN AND FIREFIGHTERS PENSION PLAN

7/1/06	2,412,459	6,253,647	3,841,188	38.6%	** N/A	** N/A
7/1/08	2,005,460	5,499,260	3,493,800	36.5%	** N/A	** N/A
7/1/10	1,775,017	5,316,734	3,541,717	33.4%	** N/A	** N/A

*Actuarial valuations performed bi-annually

**No active employees or covered payroll.

Cost - Sharing, Multiple Employer Plan

Plan Description, Contribution Information and Funding Policies

The City contributes to the County Employee's Retirement System ("CERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. It covers substantially all regular full-time members employed in hazardous and non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the CERS. CERS provides for retirement, disability, and death benefits to plan members. Cost of living adjustments are provided at the discretion of the State legislature.

The CERS issues a publicly available financial report included in the Kentucky Retirement System's 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.

Plan members in non-hazardous positions are required to contribute 5% of their annual creditable compensation, and the City is required to contribute 16.93% of the employee's total compensation. Plan members in hazardous positions are required to contribute 8% of their annual creditable compensation, and the City is required to contribute 33.25% of the employees' compensation. Additionally, plan members hired on or after September 1, 2008 contribute an additional 1% non-refundable health insurance contribution. The contribution requirements of CERS members and the City are established and may be amended by the CERS Board of Trustees. The City's contributions to CERS for the years ending June 30, 2011, 2010, and 2009 were \$3,188,070, \$2,908,402, and \$2,426,729, respectively, equal to the required contributions for the year.

(8) DEBT

The following is a summary of changes in long-term debt (including current portions) of the City for the year ended June 30, 2011:

<u>Governmental Activities</u>	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
General Obligation Bond Series 2005	\$ 2,965,000	\$ -	\$ 95,000	\$ 2,870,000
Capital lease - Fire station	875,000	-	875,000	-
Capital leases - Equipment	553,272	-	491,221	62,051
Capital lease - Police Station	4,801,445	-	142,187	4,659,258
Capital lease	-	1,675,000	576,667	1,098,333
Accrued Expenses	338,614	-	338,614	-
Compensated absences obligation	925,894	36,595	-	962,489
Total Governmental Activities	<u>\$ 10,459,225</u>	<u>\$ 1,711,595</u>	<u>\$ 2,518,689</u>	<u>\$ 9,652,131</u>
<u>Business-type Activities</u>	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Revenue & Improvement Bond Series 2004	\$ 5,950,000	\$ -	\$ 435,000	\$ 5,515,000
Capital leases - Equipment	154,134	-	131,222	22,912
Note payable	196,335	-	12,071	184,264
Kentucky Infrastructure Authority Loan	1,556,564	-	99,375	1,457,189
Kentucky Infrastructure Authority Loan	3,211,120	-	172,367	3,038,753
Kentucky Infrastructure Authority Loan	-	3,318,239	-	3,318,239
Total Business-type Activities	<u>\$ 11,068,153</u>	<u>\$ 3,318,239</u>	<u>\$ 850,035</u>	<u>\$ 13,536,357</u>

At June 30, 2011, the City was required to have \$662,246 for the Revenue and Improvement Bonds of 2004, in sinking fund reserve accounts. As of June 30, 2011, the City had bond reserve funds of \$1,107,770.

Governmental Activities

Capital Lease

On August 25, 2010, the City entered into an agreement with the Kentucky League of Cities Funding Trust Program to consolidate capital leases for equipment and the central fire station. Proceeds of the fixed rate (2.00%) lease agreement totaled \$1,675,000.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest and fees</u>	<u>Total</u>
2012	\$ 404,166	\$ 25,550	\$ 429,716
2013	301,667	16,456	318,123
2014	150,000	9,669	159,669
2015	152,083	6,294	158,377
2016	90,417	2,523	92,940
	<u>\$ 1,098,333</u>	<u>\$ 60,492</u>	<u>\$ 1,158,825</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 and fees</u>	<u>Total</u>
2012	\$ 124,683	\$ 161,764	\$ 286,447
2013	140,978	171,371	312,349
2014	146,259	165,939	312,198
2015	151,760	160,283	312,043
2016	157,404	154,476	311,880
2017-2021	880,123	676,629	1,556,752
2022-2026	1,057,800	493,887	1,551,687
2027-2031	1,271,350	274,250	1,545,600
2032-2034	728,901	41,241	770,142
	<u>\$ 4,659,258</u>	<u>\$ 2,299,840</u>	<u>\$ 6,959,098</u>

Capital Leases - Equipment

The City entered into a capital lease agreement with a financing company to purchase a phone system. The interest rate on the lease is approximately 16%.

Capital assets include the following under capital leases:

Operating equipment	\$ 78,291
Less accumulated depreciation	(7,829)
	<u>\$ 70,462</u>

Future minimum annual lease payments under the agreements are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 13,895	\$ 9,013	\$ 22,908
2013	16,312	6,596	22,908
2014	19,147	3,760	22,907
2015	12,697	691	13,388
	<u>\$ 62,051</u>	<u>\$ 20,060</u>	<u>\$ 82,111</u>

General Obligation Bond Series 2005

On October 1, 2005, the City issued \$3,315,000 in general obligation bonds with interest rates ranging from 3.0% to 4.5%, to finance additional infrastructure improvements.

The annual requirements to amortize the indebtedness at June 30, 2011, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 95,000	\$ 117,803	\$ 212,803
2013	100,000	114,438	214,438
2014	105,000	110,588	215,588
2015	110,000	106,288	216,288
2016	110,000	101,888	211,888
2017-2021	625,000	437,870	1,062,870
2022-2026	790,000	291,024	1,081,024
2027-2031	935,000	108,303	1,043,303
	<u>\$ 2,870,000</u>	<u>\$ 1,388,202</u>	<u>\$ 4,258,202</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, 2011, are as follows:

	Accrued Long-Term Obligation	Current Obligation	Total Compensated Absences
General Fund	\$ 943,402	\$ 185,587	\$ 1,128,989
Community Development Fund	9,455	1,860	11,315
Housing Assistance Fund	3,526	694	4,220
Utility Fund	-	249,794	249,794
Ashland Bus System	-	27,719	27,719
Recreation Fund	-	41,370	41,370
Cemetery Fund	-	2,368	2,368
Floodwall Fund	6,106	1,201	7,307
	<u>\$ 962,489</u>	<u>\$ 510,593</u>	<u>\$ 1,473,082</u>

Refer to Note 2 for additional information regarding compensated absences.

Other Accrued Expenses

On October 19, 2010, the Kentucky Labor Cabinet notified the City of additional amounts due to the City fire department employees for overtime on firefighters incentive pay. This was a result of a ruling by the Jefferson Circuit Court that overruled the Secretary of Labor's position of calculating overtime. This amount was accrued in the June 30, 2010 government-wide financial statements and is included in accounts payable at June 30, 2011.

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, 2011, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$28 million.

Business-Type Activities

Kentucky Infrastructure Authority Loan

During 2001, the City secured a construction loan of \$7,709,331 from the Kentucky Infrastructure Authority 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 11). Full principal and interest payments will commence within one year of project completion. At June 30, 2011, the city had draws under the loan totaling \$3,318,239 included in long-term liabilities.

Kentucky Infrastructure Authority Loan

On October 1, 2001, the City entered into an Assistance Agreement with the Kentucky Infrastructure Authority ("KIA") for a water system renovation project. The loan bears interest at a rate of 3.8% with a maturity date of December 1, 2022. 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. 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, 2011 are as follows:

Year ending June 30,	Principal	Interest	Fees	Total
2012	\$ 103,188	\$ 54,402	\$ 3,579	\$ 161,169
2013	107,146	50,444	3,319	160,909
2014	111,257	46,333	3,048	160,638
2015	115,522	42,066	2,767	160,355
2016	119,956	37,634	2,476	160,066
2017-2021	672,438	115,512	7,599	795,549
2022-2023	227,682	8,706	573	236,961
	<u>\$ 1,457,189</u>	<u>\$ 355,097</u>	<u>\$ 23,361</u>	<u>\$ 1,835,647</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. The loan bears interest at a rate of 3.0%. 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. In accordance with the Agreement, the City received the proceeds from the loan as eligible expenses were incurred.

The annual requirements to amortize the indebtedness at June 30, 2011, are as follows:

Year ending June 30,	Principal	Interest	Fees	Total
2012	\$ 177,576	\$ 89,841	\$ 7,485	\$ 274,902
2013	182,943	84,473	7,039	274,455
2014	188,473	78,944	6,579	273,996
2015	194,169	73,247	6,104	273,520
2016	200,038	67,379	5,615	273,032
2017-2021	1,094,622	242,462	20,205	1,357,289
2022-2025	1,000,932	68,736	5,728	1,075,396
	<u>\$ 3,038,753</u>	<u>\$ 705,082</u>	<u>\$ 58,755</u>	<u>\$ 3,802,590</u>

Capital Leases - Equipment

The City entered into a capital lease agreement with a financing company to purchase a phone system. The interest rate on the lease is 16%.

Capital assets include the following under the capital lease:

Operating equipment	\$ 28,915
Less accumulated depreciation	(2,891)
	<u>\$ 26,024</u>

Future minimum annual lease payments under the remaining agreement is as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$ 5,139	\$ 3,333	\$ 8,472
2013	6,033	2,440	8,473
2014	7,082	1,391	8,473
2015	4,658	255	4,913
	<u>\$ 22,912</u>	<u>\$ 7,419</u>	<u>\$ 30,331</u>

Revenue Refunding and Improvement Bonds Series 2004

On February 1, 2004, the City issued \$8,220,000 in revenue bonds with interest rates ranging from 2.0% to 4.125%, to pay off the capital lease agreement with the Kentucky Municipal Finance Corporation, and to finance improvements for the waterworks, water distribution, wastewater treatment and collection facilities.

The annual requirements to amortize the indebtedness at June 30, 2011, are as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$ 450,000	\$ 212,246	\$ 662,246
2013	320,000	198,071	518,071
2014	335,000	187,351	522,351
2015	350,000	175,794	525,794
2016	365,000	163,194	528,194
2017-2021	2,130,000	589,524	2,719,524
2022-2024	1,565,000	131,381	1,696,381
	<u>\$ 5,515,000</u>	<u>\$ 1,657,561</u>	<u>\$ 7,172,561</u>

Note Payable

As part of the transfer of assets and liabilities from the Ashland Cemetery Company, the City assumed the outstanding mortgage held by PNC Bank against the mausoleum. The interest rate on the note is 8.75%.

The annual requirements to amortize the loan as of June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	<u>\$ 184,264</u>	<u>\$ 4,012</u>	<u>\$ 188,276</u>

(9) INTERFUND TRANSACTIONS

Interfund Receivable and Payables

The composition of interfund balances as of June 30, 2011 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Ashland Bus System	\$ 1,096,724
General Fund	Municipal Aid Fund	36,608
General Fund	Utility Fund	3,303,556
General Fund	Recreation Fund	250,228
General Fund	Floodwall Operating Fund	127,795
General Fund	Utility Pension Fund	180,699
General Fund	Cemetery Fund	270,920
Community Development	General Fund	32,731
Housing Assistance	General Fund	2,705
Capital Project	General Fund	361,685
Internal Service Fund	General Fund	1,235,913
Utility Pension Fund	Utility Fund	2,640,060
Police and Fire Fighters Pension	General Fund	611,799
Total		<u>\$ 10,151,423</u>

Interfund Transfers

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Ashland Bus System	Matching	\$ 480,262
Operating	General	Recreation	Operations	1,007,890
Operating	General	Capital Projects	Capital Purchases	533,657
Operating	General	Housing Assistance	Operations	31,577
Operating	General	Floodwall	Operations	30,526

(10) 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 effect the City's financial position or results of operations.

(11) COMMITMENTS

Ashland Bus System

The City is committed to provide financial assistance to the Ashland Bus System (ABS). During the year ended June 30, 2011, the City paid \$445,853 to the ABS under this agreement. Remaining operating costs are to be funded through grants from the U.S. Department of Transportation (DOT). The City has estimated it is due \$545,551 from DOT for the current year's operating grant. It is management's opinion that all operating grants due from DOT will be received in full. 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 by December 26, 2017. The improvements are expected to cost approximately \$60 million. At June 30, 2011, the City has incurred costs of \$3,689,480 in relation to the required sewer improvements.

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 will increase to \$3.50 per 1,000 gallons in 2015 and 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, 2011, the City has \$1,847,784 restricted for the sewer improvements.

Construction Projects

The City is obligated on commitments for various contracts in progress at June 30, 2011. A summary of these commitments is as follows:

<u>Fund</u>	<u>Project Description</u>	<u>Total Approved Contract</u>	<u>Paid or Accrued to Date</u>	<u>Out- standing Commitment</u>
Utility Fund	CSO-Roberts and 6th	\$ 6,298,634	\$ 2,898,514	\$ 3,400,120
Utility Fund	Williams Creek Pump Site	233,498	185,048	48,450
		<u>\$ 6,532,132</u>	<u>\$ 3,083,562</u>	<u>\$ 3,448,570</u>

(12) 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 \$85,000 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 \$455,774 reported in the Internal Service fund at June 30, 2011, 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 2010 and 2011 were:

	Beginning of Fiscal Year Liability	Current Year Claims	Claim Payments	Balance At Fiscal Year End
2010	\$ 274,567	\$ 4,936,418	\$ 4,864,084	\$ 346,901
2011	346,901	6,593,261	6,484,388	455,774

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, 2011 totaled \$83,748.

(13) OTHER POST EMPLOYMENT BENEFITS

In addition to UPF and PFPF pension benefits described in Note 7, the City provides pursuant to City ordinance, post retirement health care benefits to all employees who retire from the City and are receiving benefits from a retirement plan which the City sponsors. The City has determined the post employment health care benefits provided to retirees are immaterial. Therefore, the City has elected not to adopt the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Currently four retirees and eligible survivors meet the eligibility requirements. The City pays claims up to \$85,000 per individual. Funding is provided by billings to retirees. Expenditures for post retirement health care benefits are recognized as retirees report claims. Management has no knowledge of unreported claims incurred for which a liability has not been recognized. During the year, expenditures of \$131,779 were recognized for post retirement health care.

In addition to the CERS pension benefits described in Note 7, recipients of CERS retirement benefits may elect to participate in a voluntary hospital/medical group insurance plan for themselves and their dependents. The cost of participation for their dependents is borne by the retiree. The retirement system will pay a portion of the cost of participation for the retiree based on years of service as follows: Less than 4 years - 0%, 4-9 years - 25%, 10-14 years - 50%, 15-19 years - 75% and 20 or more years - 100%.

If a hazardous member is disabled in the line of duty, the retirement system will pay 100% of the insurance cost of the member, spouse and eligible dependents. If a hazardous member dies in the line of duty, the retirement system will pay 100% of the insurance cost of the beneficiary and eligible dependents as long as they remain eligible for a monthly benefit payment.

As of June 30, 2010, the date of the latest actuarial valuation, the plan had 94,243 active plan participants.

Contribution requirements for medical benefits are a portion of the actuarially determined rates of covered payroll for non-hazardous and hazardous employees, respectively, as disclosed in Note 7.

The unfunded medical benefit obligation of the CERS, based upon the entry age normal cost method, as of June 30, 2010 was as follows:

Total medical benefit obligation	000's omitted
Net assets available for benefits	\$ 4,833,043
at actuarial value unfunded medical	
benefit obligation	(1,985,808)
	<u>\$ 2,847,235</u>

(14) 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.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF ASHLAND
DEFINED BENEFIT PENSION TRUSTS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2011**

UTILITY EMPLOYEES PENSION PLAN				POLICE AND FIREFIGHTERS PENSION PLAN			
	<u>Amount Contributed</u>	<u>ARC</u>	<u>Percent of ARC Contributed</u>		<u>Amount Contributed</u>	<u>ARC</u>	<u>Percent of ARC Contributed</u>
2004	\$ 608,668	\$ 329,604	185%	\$ 402,291	\$ 270,976	148%	
2005	369,028	329,604	112%	288,463	282,302	102%	
2006	410,483	316,858	130%	288,463	282,302	102%	
2007	410,483	316,858	130%	288,463	293,551	98%	
2008	504,621	325,015	155%	355,128	293,551	121%	
2009	684,266	325,025	211%	481,553	267,003	180%	
2010	608,977	309,647	197%	448,250	267,003	168%	
2011	570,018	309,647	184%	367,165	270,665	136%	

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, 2011

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
General government	1,750	-	1,750	4,795	(3,045)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	695,000	(339,936)	355,064	528,862	(173,798)
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	696,750	(339,936)	356,814	533,657	(176,843)
Excess of Revenues Over (Under) Expenditures	(696,750)	339,936	(356,814)	(533,657)	(176,843)
Other Financing Sources (Uses)					
Transfers in	696,750	(339,936)	356,814	533,657	176,843
Total other financing sources (uses)	696,750	(339,936)	356,814	533,657	176,843
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	-	-	-	-	-
Fund balance end of year	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF ASHLAND

GENERAL FUND

BALANCE SHEET

JUNE 30, 2011

ASSETS

Cash	\$ 365,628
Taxes receivable	3,270,632
Allowance for uncollectible taxes	(420,391)
Grants receivable	228,077
Due from other funds	5,266,530
Other receivables	262,956
Allowance for uncollectible accounts	(44,124)
Inventories - supplies	90,327
Prepaid items	<u>145,810</u>
Total assets	<u>\$ 9,165,445</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Cash overdraft	\$ 740,628
Accounts payable	2,571,213
Due to other funds	2,244,833
Due to Board of Education	23,287
Accrued compensated absences	185,587
Accrued expenses	432,350
Deferred revenue	<u>20,781</u>
Total liabilities	<u>6,218,679</u>
Fund Balance:	
Assigned for capital projects	172,712
Restricted for grant programs	248,858
Non-spendable	236,137
Unassigned	<u>2,289,059</u>
Total fund balance	<u>2,946,766</u>
Total liabilities and fund balance	<u>\$ 9,165,445</u>

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Taxes -			
General property taxes	\$ 3,148,011	\$ 3,283,122	\$ 135,111
Penalties and interest	26,200	31,173	4,973
Bank franchise taxes	105,430	101,456	(3,974)
Other franchise taxes	165,500	119,935	(45,565)
Delinquent taxes	203,040	222,595	19,555
Vehicle property taxes	430,660	512,445	81,785
Insurance premiums taxes	4,029,775	3,706,949	(322,826)
Total taxes	<u>8,108,616</u>	<u>7,977,675</u>	<u>(130,941)</u>
Licenses and permits -			
Occupational license fees	8,132,763	8,117,249	(15,514)
Business privilege licenses	1,165,020	1,223,351	58,331
Alcoholic beverage licenses	566,795	554,475	(12,320)
Construction permit fees	80,000	80,892	892
Other licenses and permits	1,450	1,125	(325)
Total licenses and permits	<u>9,946,028</u>	<u>9,977,092</u>	<u>31,064</u>
Charge for services -			
Garbage collection fee	1,734,680	1,733,716	(964)
Greyhound ticket sales	22,200	18,801	(3,399)
Rental revenue	35,725	34,772	(953)
Total charges for services	<u>1,792,605</u>	<u>1,787,289</u>	<u>(5,316)</u>
Fees, fines and reimbursements -			
Parking meter fees and fines	46,065	40,639	(5,426)
Taxes collection fees	98,225	98,303	78
State rebate - District Court	45,670	41,407	(4,263)
Street lighting franchise	77,630	75,509	(2,121)
Telecommunication franchise	220,445	230,188	9,743
Other	454,169	399,994	(54,175)
Total fees, fines and reimbursements	<u>942,204</u>	<u>886,040</u>	<u>(56,164)</u>
Other revenues -			
Police grants	106,250	79,804	(26,446)
Homeless shelter grant	100,000	44,000	(56,000)
Miscellaneous grants	511,497	318,042	(193,455)
Riverfront appropriation	908,382	749,903	(158,479)
Coal severance - LGEA	44,610	31,798	(12,812)
Interest earned	29,750	4,181	(25,569)
Other	266,396	341,266	74,870
Total other revenues	<u>1,966,885</u>	<u>1,568,994</u>	<u>(397,891)</u>
Total revenues	<u>22,756,338</u>	<u>22,197,090</u>	<u>(559,248)</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, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
General Government -			
Mayor and Commissioners	118,402	118,957	(555)
City Manager	132,846	130,229	2,617
Legal	149,987	159,029	(9,042)
Economic Development	131,117	137,926	(6,809)
City Clerk/ABC Administrator	189,949	194,456	(4,507)
Grants and projects	1,781,096	1,516,698	264,398
Unclassified	<u>1,602,346</u>	<u>1,812,764</u>	<u>(210,418)</u>
	<u>4,105,743</u>	<u>4,070,059</u>	<u>35,684</u>
Department of Finance -			
Director of Finance	593,861	595,386	(1,525)
Data Processing	<u>32,175</u>	<u>29,479</u>	<u>2,696</u>
	<u>626,036</u>	<u>624,865</u>	<u>1,171</u>
Department of Public Services -			
Director of Public Services	249,885	233,923	15,962
Street maintenance	2,112,853	2,202,109	(89,256)
Sanitation services	1,499,304	1,568,177	(68,873)
Central garage	354,242	395,431	(41,189)
Animal control	128,863	134,461	(5,598)
Equipment lease purchase	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,345,147</u>	<u>4,534,101</u>	<u>(188,954)</u>
Department of Planning and Code Enforcement	<u>502,359</u>	<u>577,943</u>	<u>(75,584)</u>
Department of Police -			
Technical services	1,461,969	1,582,941	(120,972)
Field operations	<u>3,534,936</u>	<u>3,605,761</u>	<u>(70,825)</u>
	<u>4,996,905</u>	<u>5,188,702</u>	<u>(191,797)</u>

CITY OF ASHLAND

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Fire	<u>5,265,981</u>	<u>5,951,147</u>	<u>(685,166)</u>
Department of Engineering	<u>728,694</u>	<u>592,275</u>	<u>136,419</u>
Debt Service	<u>765,613</u>	<u>2,519,646</u>	<u>(1,754,033)</u>
Total expenditures	<u>21,336,478</u>	<u>24,058,738</u>	<u>(2,722,260)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,419,860</u>	<u>(1,861,648)</u>	<u>(3,281,508)</u>
OTHER FINANCING SOURCES (USES):			
Transfer to Capital Projects Fund	(356,814)	(533,657)	(176,843)
Transfer to Recreation Fund	(853,546)	(1,007,890)	(154,344)
Transfer to Ashland Bus Fund	(459,426)	(480,262)	(20,836)
Transfer to Floodwall Fund	-	(30,526)	(30,526)
Transfer to Housing Assistance Fund	-	(31,577)	(31,577)
Transfer to Ashland Cemetery Fund	(10,000)	-	10,000
Proceeds from long-term debt	<u>-</u>	<u>1,675,000</u>	<u>1,675,000</u>
Total other financing sources (uses)	<u>(1,679,786)</u>	<u>(408,912)</u>	<u>1,270,874</u>
NET CHANGE IN FUND BALANCE	<u>(259,926)</u>	<u>(2,270,560)</u>	<u>(2,010,634)</u>
FUND BALANCE, June 30, 2010	<u>5,217,326</u>	<u>5,217,326</u>	<u>-</u>
FUND BALANCE, June 30, 2011	<u>\$ 4,957,400</u>	<u>\$ 2,946,766</u>	<u>\$ (2,010,634)</u>

CITY OF ASHLAND

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

JUNE 30, 2011

	Land & Buildings	Building Improvements	Automotive Equipment	Operating Equipment	Office Furniture & Equip	Capital Improvements	Infrastructure	CIP	Total
Dept of General Gov't	\$ 2,822,024	\$ 1,697,910	\$ 48,000	\$ 144,317	\$ 296,993	\$ 39,275	\$ 11,530,306	\$ 10,488	\$ 16,609,313
Dept of Finance	-	-	-	64,920	22,706	-	-	-	87,626
Dept of Public Services	15,978,343	682,840	764,196	2,595,294	6,299	374,853	61,340,650	-	81,742,475
Dept of Planning & Community Development	-	13,033	87,637	6,799	-	-	-	-	107,469
Department of Police	4,949,556	246,711	986,852	560,240	190,538	19,350	-	-	6,953,247
Department of Fire	3,655,959	160,369	2,275,811	206,488	53,246	-	-	-	6,351,873
Department of Engineering	-	-	48,104	-	86,230	44,457	988,758	-	1,167,549
Floodwall Operations	15,121	5,150	42,241	125,692	-	-	-	-	188,204
Community Development	237,869	103,058	-	-	18,623	-	110,853	-	470,403
Housing Assistance Programs	150,033	12,950	12,590	-	49,080	-	-	-	224,653
	<u>\$ 27,808,905</u>	<u>\$ 2,922,021</u>	<u>\$ 4,265,431</u>	<u>\$ 3,703,750</u>	<u>\$ 723,715</u>	<u>\$ 477,935</u>	<u>\$ 73,990,567</u>	<u>\$ 10,488</u>	<u>\$ 113,902,812</u>

CITY OF ASHLAND

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

JUNE 30, 2011

Land and buildings	\$ 27,808,905
Building improvements	2,922,021
Automotive equipment	4,265,431
Operating equipment	3,703,750
Office furniture and equipment	723,715
Capital improvements	477,935
Infrastructure	73,990,567
Construction in progress	<u>10,488</u>
Total	<u>\$ 113,902,812</u>
Investment in capital assets by source	
General Fund	\$ 89,777,610
Special Revenue Funds	4,479,772
Capital Projects Fund	<u>19,645,430</u>
Total	<u>\$ 113,902,812</u>

CITY OF ASHLAND HOUSING AUTHORITY

STATEMENT OF NET ASSETS

JUNE 30, 2011

	<u>Rental Vouchers</u>
ASSETS	
Cash - unrestricted	\$ 1,656
Cash - restricted	254,631
Accounts receivable - HUD	46,747
Accounts receivable - other governmental	2,573
Building and equipment, net	<u>110,044</u>
Total assets	<u>\$ 415,651</u>
LIABILITIES AND NET ASSETS	
LIABILITIES:	
Accounts payable	\$ 3,232
Accrued expenses	8,334
Accrued compensated absences - current	694
Accrued compensated absences - noncurrent	<u>3,526</u>
Total liabilities	<u>15,786</u>
NET ASSETS:	
Invested in capital assets	110,044
Unrestricted	35,190
Restricted	<u>254,631</u>
	<u>399,865</u>
Total liabilities and net assets	<u>\$ 415,651</u>

CITY OF ASHLAND HOUSING AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Rental Vouchers</u>
REVENUES	
Housing assistance payments	\$ 2,502,996
Administrative fee revenue	313,203
Interest income	212
Other income	<u>31,577</u>
Total revenues	<u>2,847,988</u>
EXPENDITURES	
Administrative salaries	168,440
Audit	5,958
Employee benefit contributions	25,957
Travel	8,237
Other administrative	8,652
Utilities	1,727
Maintenance	10,755
Property insurance	379
General liability insurance	1,198
Workers compensation	580
Other insurance	98,342
Other general	18,725
Compensated absences	(524)
Housing assistance payments	2,493,739
Depreciation	<u>8,869</u>
Total expenditures	<u>2,851,034</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (3,046)</u>

CITY OF ASHLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2011

	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures
<u>U.S. Department of HUD</u>			
Direct Programs -			
CDBG Entitlement	14.218	B10MC2-10003	\$ 505,471
CDBG Entitlement	14.218	B09MC2-10003	153,996
ARRA, CDBG Entitlement	14.218	B09MC2-10003	3,235
Housing Choice Voucher Program	14.871	KY142VO	2,807,154
Pass through Kentucky Housing Corporation -			
Kentucky Emergency Shelter Grants Program	14.231	ES10-0001-01	44,000
ARRA, Homeless Prevention and Rapid			
Rehousing Program	14.257	KH09-0001-01	153,832
Home Investment Partnership Program	14.239	HM281	5,180
Total U.S. Department of HUD			<u>3,672,868</u>
<u>U.S. Department of Transportation</u>			
Direct Programs -			
Federal Transit Cluster			
FTA - Operating Assistance Grant	20.507	KY-90-X199	386,357
FTA - Capital Assistance Grant	20.507	KY-90-X199	275,263
ARRA, FTA - Capital Assistance Grant	20.500	KY-96-X006	8,346
			<u>669,966</u>
Passed through Kentucky Transportation Cabinet -			
SAFETEA-LU	20.205	79495 01 C	749,903
TEA-21 - Transportation Enhancement	20.205	C-04672426	69,632
Department of State Police Highway Safety			
Program	20.600	AL-09-09	4,022
			<u>823,557</u>
Total U.S. Department of Transportation			<u>1,493,523</u>
<u>U.S. Department of Homeland Security</u>			
Pass through Kentucky Homeland Security			
Hazard Mitigation Grant	97.039	FEMA-1912-DR-KY	35,788
Total U.S. Department of Homeland Security			<u>35,788</u>
<u>U.S. Department of The Interior</u>			
Pass through Kentucky Department of Local Government			
Federal Land and Water Conservation Fund Grant	15.916	LWCF21-1419	32,785
Total U.S. Department of the Interior			<u>32,785</u>
<u>Environmental Protection Agency</u>			
Pass through Kentucky Infrastructure Authority			
Capitalization Grants for Clean Water State			
Revolving Funds	66.458	A10-01	3,318,239
ARRA, Capitalization Grants for Clean			
Water State Revolving Funds	66.458	A2 09-17	246,646
Total Environmental Protection Agency			<u>3,564,885</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 8,799,849</u>

CITY OF ASHLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2011

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's programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of operations of the City, it is not intended to, and does not present the financial position, changes in net assets 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 the cost principles contained in OMB Circular A-87, Cost Principles for State and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity indentifying numbers are presented where available.



Kelley,
Galloway &
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ashland (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 3, 2011. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City in a separate letter dated November 3, 2011.

This report is intended solely for the information and use of management, others within the organization, City Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified users.

Kelly, Galloway & Company, P.C.

November 3, 2011



Kelley,
Galloway &
Company, PSC

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**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the City of Ashland's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2011. The results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-01 through 2011-03.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over

compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questions costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, others within the entity, City Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kelley, Gallenney & Company, PSC

November 3, 2011

CITY OF ASHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

☐ Material weakness(es) identified? _____ Yes X No

☐ Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to the financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

☐ Material weakness(es) identified? _____ Yes X No

☐ Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 501(a) of OMB Circular A-133? X Yes _____ No

Identification of Major Programs	CFDA No.
SAFETEA	20.205
Housing Choice Voucher Program	14.871
CDBG Entitlement	14.218
Federal Transit Cluster	20.500 and 20.507
Capitalization Grants for Clean Water Revolving Funds	66.458

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk auditee? _____ Yes X No

CITY OF ASHLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

None noted in the current year.

C. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

2011-01 FEDERAL COMPLIANCE - PROPERTY ACQUISITIONS

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

Condition: During our testing of compliance with the Community Development Block Grant requirements of property acquisitions, we noted one property acquisition in which a property was purchased for greater than the appraised value. A written offer for the appraised value could not be located and the reasoning for purchase price was not documented. According to the grant coordinator, all negotiations were verbal and the sales price was the lowest amount acceptable to the owner.

Criteria: According to the 49 CFR section 24, written offers are required for property acquisitions with federal funds and written justification must be prepared for purchases that exceed appraisal value.

Effect: Noncompliance with 49 CFR section 24

Recommendation: We recommend for future property acquisitions that written offers to the owner be prepared and maintained. Additionally, if the purchase price is in excess of the appraisal value, written justification should be prepared to support the purchase as being reasonable, prudent and in the public interest.

Management's Response and Corrective Action Plan: If we purchase property above its appraised value, a written justification will be prepared to support the purchase as being reasonable, prudent and in the public interest. Also, all property acquisitions will have written offers to the owner and be maintained in the file.

2011-02 FEDERAL COMPLIANCE - TENANT FILES

Federal Program Information: Section 8 Housing Choice Vouchers, Federal Catalog No. 14.871, U.S. Department of Housing and Urban Development

Condition: During our testing of compliance with Section 8 requirements, we noted several errors while reviewing tenant files. These include the following:

- Incorrect utility allowance
- Missing lease and HAP contract
- Unsigned Certification of Relationship
- Missing social security card for a family member

Criteria: HUD requires Public Housing Authorities (PHA) to properly document the eligibility of tenants and properly calculate utility allowances based on tenant income.

Effect: Noncompliance with HUD requirements

CITY OF ASHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2011

Recommendation: We recommend that the missing documentation be obtained and utility allowance calculations be reviewed for accuracy prior to final approval.

Management's Response and Corrective Action Plan: A checklist has been created to go through every file at recertification to make sure that all original documentation from past years and current mandated documentation is included.

2011-03 FEDERAL COMPLIANCE - UTILITY ALLOWANCE SCHEDULE

Federal Program Information: Section 8 Housing Choice Vouchers, Federal Catalog No. 14.871, U.S. Department of Housing and Urban Development.

Condition: During our review of the utility allowance schedule, we noted that the utility rate data has not been reviewed within the last 12 months.

Criteria: According to 24 CFR section 982.517, Public Housing Authorities (PHA) are required to review utility rate data annually and adjust the utility allowance schedule if there has been a rate change of 10% or more for a utility category or fuel type.

Effect: Noncompliance with 24 CFR section 982.517.

Recommendation: We recommend that the utility rate data be reviewed and, if rates have changed 10% or more, the utility allowance schedule be adjusted.

Management's Response and Corrective Action Plan: A quarterly review process has been established to verify utility rates. If there has been a rate change of 10% or more, the schedule will be adjusted. This quarterly review will be conducted by the Assistant Administrator and reviewed by the Administrator for accuracy and execution.

CITY OF ASHLAND

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2011

<u>Findings</u>	<u>Findings/Noncompliance</u>
2011-01	We recommend that management develop procedures to periodically reconcile the property tax subsidiary ledger to the general ledger. This will ensure that differences are identified, researched, and resolved on a timely basis.
<u>Status</u>	Corrected.
2011-02	We recommend that management implement procedures to ensure exonerations are obtained from the Boyd County PVA prior to adjusting the property owner's tax bill.
<u>Status</u>	Corrected.
2011-03	We recommend management develop procedures to periodically reconcile the adjustments posted to the utility billing subsidiary ledger to adjustments posted to the general ledger. This will ensure differences are identified, researched, and resolved in a timely manner.
<u>Status</u>	Corrected.
2011-04	We recommend that all cash receipts be deposited no later than the next business day.
<u>Status</u>	Corrected.
2011-05	We recommend that supporting documentation for all petty cash disbursements be maintained and stamped "Paid" to prevent misuse and duplicate payments.
<u>Status</u>	Corrected.
2011-06	We recommend proper documentation of the exemption from environmental reviews be maintained in the project folder.
<u>Status</u>	Corrected.
2011-07	We recommend a depository agreement that meets HUD requirements be executed with the financial institution selected for deposit of Section 8 funds.
<u>Status</u>	Corrected.