

CITY OF ASHLAND

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2013

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS



**Kelley,
Galloway &
Company, PSC**

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Chuck D. Charles, Mayor
City Commissioners and City Manager
City of Ashland
Ashland, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Kentucky (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Kentucky as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information, schedule of employer contributions and schedule of funding progress on pages 6 through 16 and pages 53 and 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statements and schedules contained on pages 55 through 61 and the Financial Data Schedule on pages 62 and 63 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is also presented for purpose of additional analysis and is not a required part of the basic financial statements.

The supplemental statements and schedules contained on pages 55 through 61, the Financial Data Schedule on pages 62 and 63 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kelley, Atkinson & Company, P.C.

December 18, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

The management discussion and analysis (MD&A) gives readers an overview and analysis of the financial position and activities of the City of Ashland ("Government") for the fiscal year ended June 30, 2013. 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 \$99,836,360 (net position). Governmental activities' unrestricted net position was \$3,415,661. Business type activities' unrestricted net position was \$1,271,712.

⇒ The Government's total net position decreased by \$38,907. Net position of governmental activities decreased by \$788,077, and net position of business-type activities increased by \$749,170.

⇒ At June 30, 2013, the governmental activities had \$71,427,542 in assets and \$12,830,529 in liabilities. Business type activities had \$62,145,694 in assets and \$20,906,347 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 Position and the Statement of Activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All the revenues earned and expenses incurred in the fiscal year are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the Government's assets and liabilities as of June 30, 2013. Net position is the difference between assets and liabilities. Over time an increase or decrease in net position is one indicator of whether financial health is improving or deteriorating. Information on other factors such as changes in the revenue structure and the condition of the Government's assets is also needed to assess the overall financial position of the Government.

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

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

Governmental activities - Most of the Government's basic services are reported here, including general government, 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 details of the City's capital assets, and statement of net position and revenue and expenditures for Ashland's Housing Authority.

THE GOVERNMENT AS A TRUSTEE

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

ANALYSIS OF THE GOVERNMENT AS A WHOLE

NET POSITION

As of June 30, 2013, the Government as a whole had net position greater than its liabilities by \$99,836,360. Net position of governmental activities was \$58,597,013 and decreased by \$788,077 over the prior year. Our receivable from the Utility Fund significantly decreased in Fiscal Year 2013. Our investment in capital assets was \$ 1,964,393 less than prior year due to depreciation expense, offset by capital purchases. Although, we experienced a decrease in net position, our unrestricted fund balance increased by \$854,860 in comparison to Fiscal Year 2012. This was due to multiple factors. Health insurance expenses decreased due to plan modifications. Capital purchases were curtailed to only essential purchases and some City positions were not filled or not immediately filled. Of ending Governmental Activities Net Position, \$54,881,112, or 94%, is invested in capital assets net of related debt, \$300,240, or 1%, is restricted assets and unrestricted net position is \$3,415,661 or 5%.

The net position of the Government's business-type activities is \$41,239,347 and increased by \$749,170 over the prior year. Of this net position, \$35,003,440 is invested in capital assets net of related debt, \$4,964,195 is restricted and \$1,271,712 is unrestricted. The largest portion of the City's combined net position (90%) 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 the City's net position, \$5,264,435, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,687,373 may be used to meet the City's ongoing obligation to citizens and creditors.

At the end of this fiscal year, June 30, 2013, the City has a positive unrestricted net position in its business-type activities. The City raised the utility rates in all rate classes again this fiscal year. This, in conjunction with budgeting a planned surplus has created a positive unrestricted net position in our business-type activities again this fiscal year.

ANALYSIS OF THE CITY'S NET POSITION

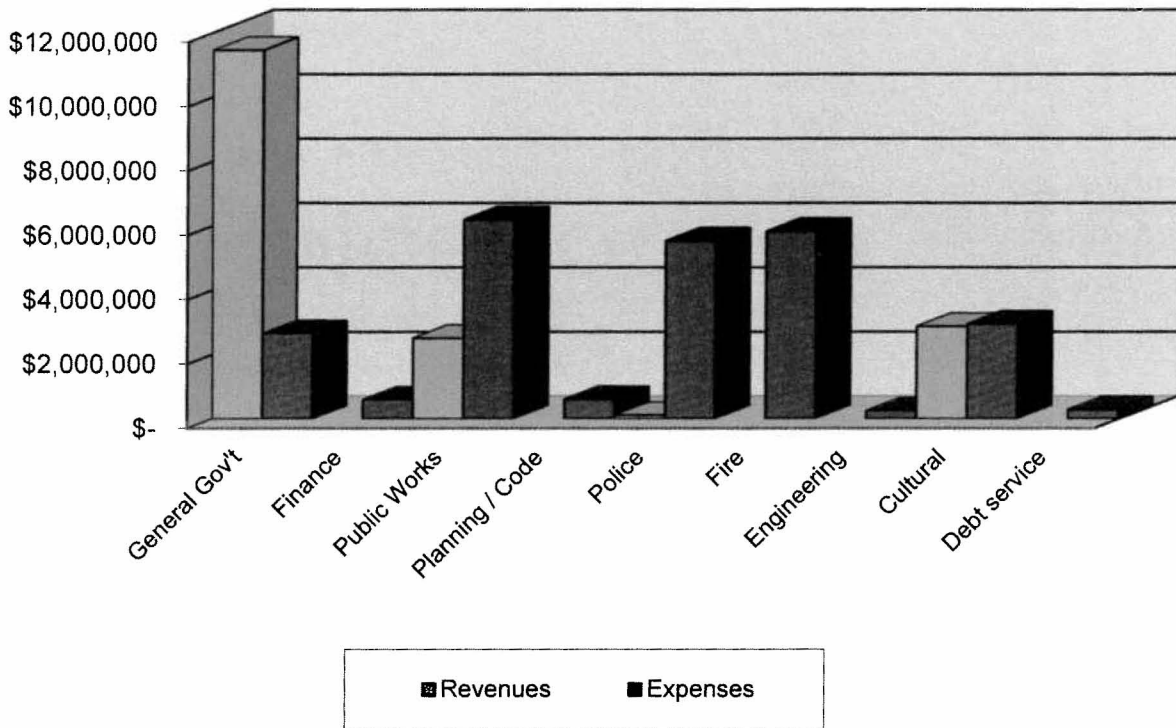
	Governmental Activities		Business- Type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 9,053,502	\$ 10,474,946	\$ 11,919,461	\$ 10,648,093	\$ 20,972,963	\$ 21,123,039
Capital assets	<u>62,374,040</u>	<u>64,338,433</u>	<u>50,226,233</u>	<u>51,205,445</u>	<u>112,600,273</u>	<u>115,543,878</u>
Total assets	<u>71,427,542</u>	<u>74,813,379</u>	<u>62,145,694</u>	<u>61,853,538</u>	<u>133,573,236</u>	<u>136,666,917</u>
Liabilities	4,891,099	6,996,969	6,576,293	6,036,530	11,467,392	13,033,499
Long-term liabilities	<u>7,939,430</u>	<u>8,431,320</u>	<u>14,330,054</u>	<u>15,326,831</u>	<u>22,269,484</u>	<u>23,758,151</u>
Total liabilities	<u>12,830,529</u>	<u>15,428,289</u>	<u>20,906,347</u>	<u>21,363,361</u>	<u>33,736,876</u>	<u>36,791,650</u>
Net position						
Invested in capital assets net of related debt	54,881,112	56,286,542	35,003,440	35,212,492	89,884,552	91,499,034
Restricted	300,240	537,747	4,964,195	3,967,088	5,264,435	4,504,835
Unrestricted	<u>3,415,661</u>	<u>2,560,801</u>	<u>1,271,712</u>	<u>1,310,597</u>	<u>4,687,373</u>	<u>3,871,398</u>
Total net position	<u>\$ 58,597,013</u>	<u>\$ 59,385,090</u>	<u>\$ 41,239,347</u>	<u>\$ 40,490,177</u>	<u>\$ 99,836,360</u>	<u>\$ 99,875,267</u>

ANALYSIS OF THE CITY'S OPERATIONS

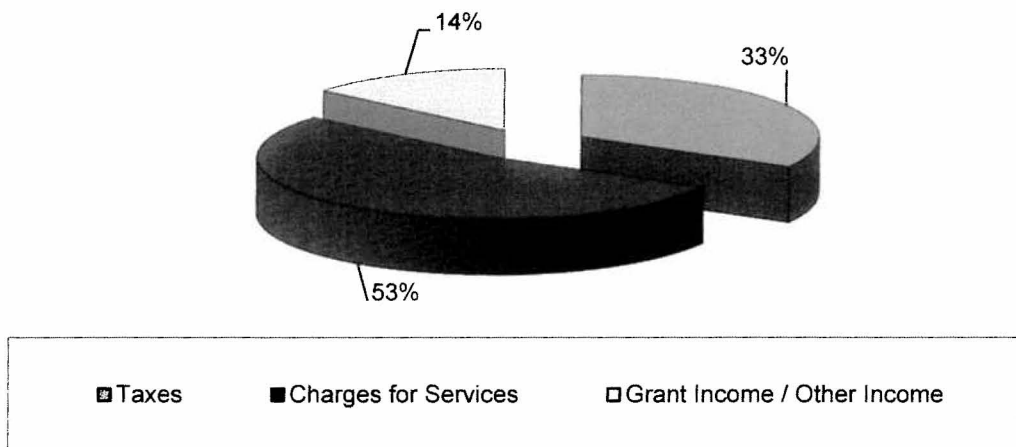
Revenues	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Taxes	\$ 8,479,163	\$ 7,650,814	\$ -	\$ -	\$ 8,479,163	\$ 7,650,814
Charges for services	13,586,654	13,418,528	15,257,231	14,584,994	28,843,885	28,003,522
Operating grants/contr.	3,350,451	4,103,865	526,336	489,967	3,876,787	4,593,832
Capital grants/contr.	-	990,380	220,040	117,922	220,040	1,108,302
Grant/other income	170,276	311,866	714,211	722,430	884,487	1,034,296
Total revenue	\$ 25,586,544	\$ 26,475,453	\$ 16,717,818	\$ 15,915,313	\$ 42,304,362	\$ 42,390,766
Expenses	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
General government	\$ 2,644,407	\$ 3,108,207	\$ -	\$ -	\$ 2,644,407	\$ 3,108,207
Finance	587,010	624,375	-	-	587,010	624,375
Public services	6,188,734	6,460,927	-	-	6,188,734	6,460,927
Planning/CE	605,205	616,724	-	-	605,205	616,724
Police	5,528,981	5,501,952	-	-	5,528,981	5,501,952
Fire	5,822,585	7,234,173	-	-	5,822,585	7,234,173
Engineering	244,377	210,484	-	-	244,377	210,484
Community/cultural	2,943,475	3,333,805	-	-	2,943,475	3,333,805
Debt service	285,947	291,216	-	-	285,947	291,216
Utility fund	-	-	14,618,138	14,187,824	14,618,138	14,187,824
Ashland bus system	-	-	1,483,318	1,585,686	1,483,318	1,585,686
Recreation operating fund	-	-	1,078,408	1,023,425	1,078,408	1,023,425
Cemetery	-	-	312,684	372,091	312,684	372,091
Total expense	\$ 24,850,721	\$ 27,381,863	\$ 17,492,548	\$ 17,169,026	\$ 42,343,269	\$ 44,550,889
Changes before transfers	735,823	(906,410)	(774,730)	(1,253,713)	(38,907)	(2,160,123)
Transfers	(1,523,900)	(1,715,886)	1,523,900	1,715,886	-	-
Change in net position	(788,077)	(2,622,296)	749,170	462,173	(38,907)	(2,160,123)
Net position beginning of year	59,385,090	62,007,386	40,490,177	40,028,004	99,875,267	102,035,390
Net position end of year	\$ 58,597,013	\$ 59,385,090	\$ 41,239,347	\$ 40,490,177	\$ 99,836,360	\$ 99,875,267

GOVERNMENTAL ACTIVITIES

EXPENSES AND PROGRAM REVENUES-GOVERNMENTAL ACTIVITIES

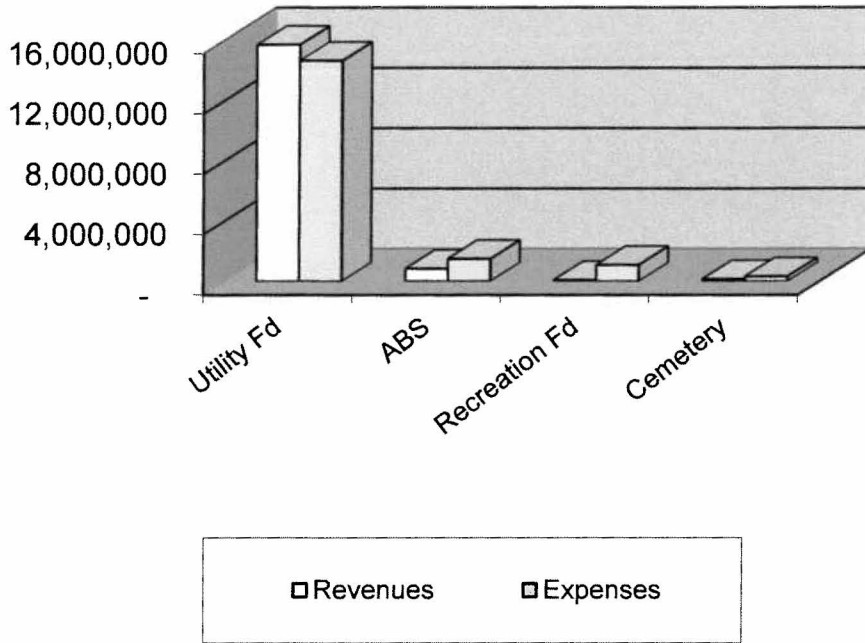


REVENUE BY SOURCE - GOVERNMENT ACTIVITIES

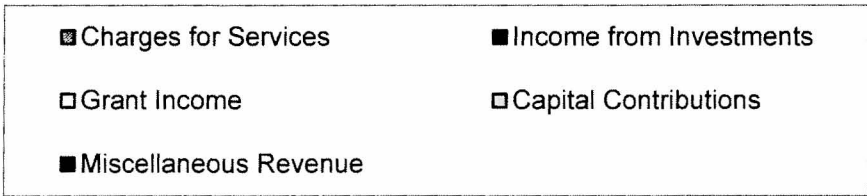
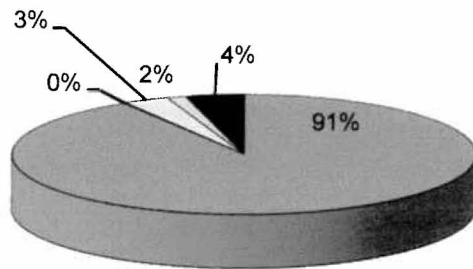


BUSINESS-TYPE ACTIVITIES

EXPENSES AND REVENUES - BUSINESS-TYPE ACTIVITIES

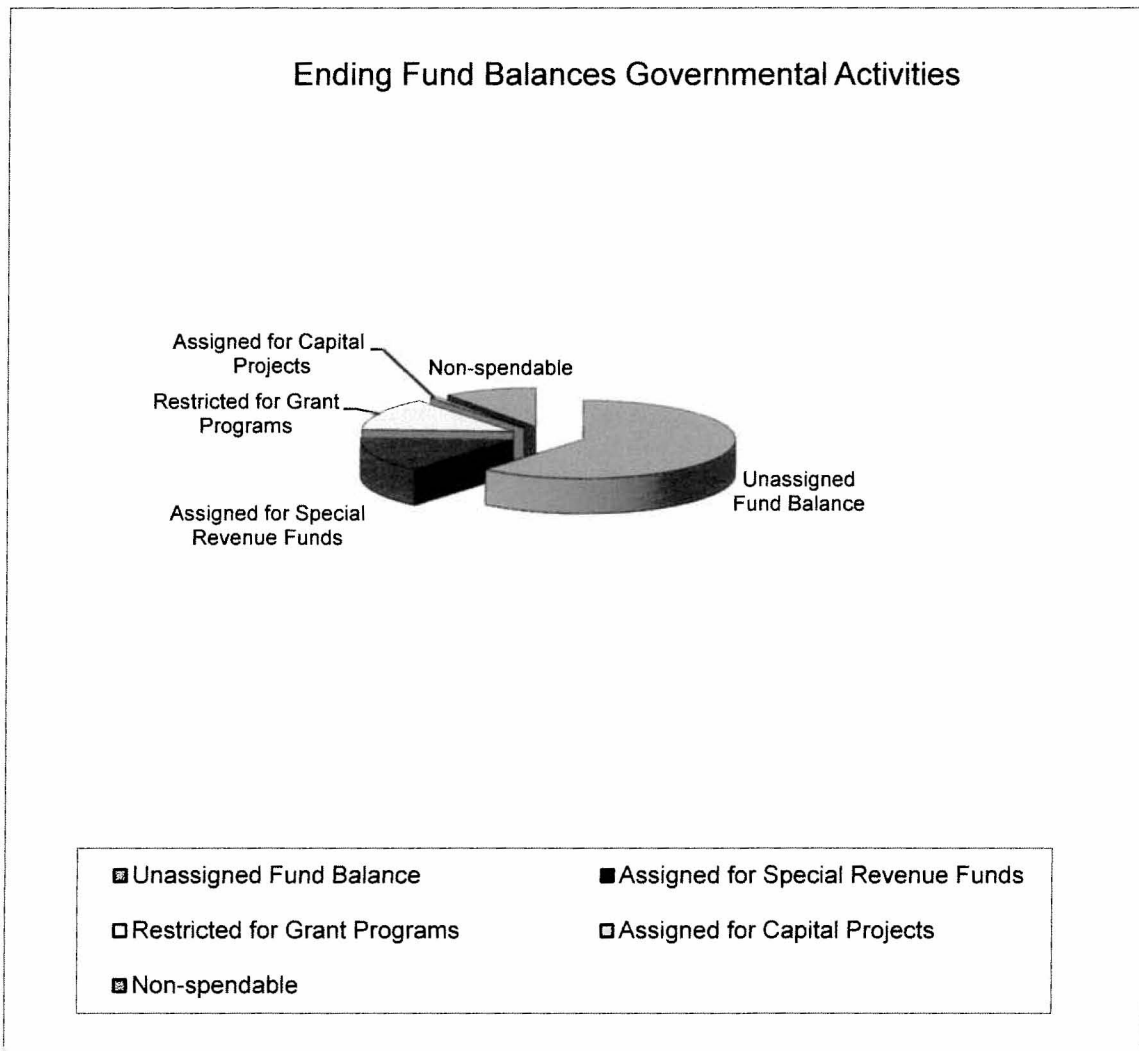


REVENUE BY SOURCE - BUSINESS -TYPE ACTIVITIES



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 \$2,210,630. Of this total, \$1,348,970, or 61%, is unassigned fund balance. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been assigned for special revenue funds at \$326,558, restricted for grant programs at \$300,240, non-spendable at \$217,894 and assigned for capital projects at \$16,968. The increase in the governmental funds assigned for capital projects is due to the construction in progress of the Community Room at the Depot.



MAJOR GOVERNMENTAL FUNDS

For the year ending June 30, 2013, the major governmental funds reported as follows:

The General Fund had revenues of \$21,945,572 and expenditures of \$21,510,962. The total fund balance was \$1,608,409.

The Municipal Aid Road Fund had revenues of \$557,449 and expenditures of \$356,857. The total fund balance was \$261,121.

The Floodwall Operating Fund had revenues of \$269,838 and expenditures of \$269,838. The total fund balance was \$0.

The Community Development Fund had revenues of \$302,533 and expenditures of \$302,139. The total fund balance was \$65,437.

The Housing Assistance Fund had revenues of \$2,569,535 and expenditures of \$2,629,213. The total fund balance was \$258,695.

The Capital Purchase Improvement Fund had other financing sources of \$256,940 and expenditures of \$243,113. The total fund balance was \$16,968.

PROPRIETARY FUNDS

The City's proprietary funds, or business-type activities, had total assets of \$62,145,694 and total liabilities of \$20,906,347, leaving a net position of \$41,239,347. Of the total proprietary funds' net position, the Utility Fund had \$(584,848) in unrestricted net position, the Ashland Bus Fund had \$(261,157) in unrestricted net position, the Recreation Fund had \$(93,400) in unrestricted net position and the Ashland Cemetery Fund had \$2,211,117 in unrestricted net position. All proprietary funds are considered major funds. Total reduction in unrestricted net position for the four proprietary funds was \$38,885.

BUDGETARY HIGHLIGHTS

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

- ⇒ \$296,909 increase in net expenditures of the General Fund. This increase was for the health care costs projected above what was budgeted. Claims trended higher than expected for fiscal year 2013.

Significant budget versus actual variances include the following:

- ⇒ The General Fund is the primary operating governmental fund of the City. General Fund actual revenues were \$21,945,572 versus budgeted revenues of \$21,985,708. This is due to the occupational license fee revenue being less than projected due to business closings and layoffs in the City. Projected tax revenues were \$8,148,042 and actual revenues were \$8,292,732 for a variance of \$144,690. Vehicle Property Tax Revenue had a positive budget variance of \$101,437 which was collected by the state April – June 2013.
- ⇒ General Fund had a positive variance this fiscal year. The only department with a negative variance was the Planning and code enforcement division. The variance was a personnel overage of \$36,668. The positive variance can be attributed to the spending modification that the City Manager established in the last quarter of the fiscal year to help offset the rising health insurance costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for governmental and business-type activities as of June 30, 2013 is \$112,600,273 (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, 2013 include:

<u>Project</u>	<u>Cost</u>	<u>Outstanding Balance</u>	<u>Amount Expended</u>
CSO - Roberts and 6th	\$ 3,674,515	\$ 3,517,276	\$ 157,239
CSO - 37 th Street Pump Station	3,060,300	902,369	2,157,931
Curb Replacement	234,165	-	234,165
Floodwall Certification	81,000	-	81,000
Comprehensive Plan	44,620	32,715	11,905
	<u>\$ 7,094,600</u>	<u>\$ 4,452,360</u>	<u>\$ 2,642,240</u>

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

<u>Asset</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total 2013</u>
Land	\$ 3,883,268	\$ 383,101	\$ 4,266,369
Buildings and improvements	8,390,216	3,322,384	11,712,600
Automotive equipment	937,582	547,559	1,485,141
Operating equipment	1,390,847	1,448,668	2,839,515
Office equipment	94,264	46,612	140,876
Capital improvements	404,511	22,965	427,476
Right-of-way	15,038,909	-	15,038,909
Infrastructure	32,115,677	-	32,115,677
Utility plant	-	36,112,997	36,112,997
Construction (CIP)	118,766	8,341,947	8,460,713
Total	<u>\$ 62,374,040</u>	<u>\$ 50,226,233</u>	<u>\$ 112,600,273</u>

DEBT

At the end of fiscal year 2013, the City had governmental activities debt of \$8,359,837 compared to \$8,990,276 at June 30, 2012, which represents a decrease of \$630,439. Business-type activities had debt of \$15,172,793 compared to \$15,847,762 at June 30, 2012, which represents a decrease of \$674,969. 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	\$ 2,675,000
Capital leases - equipment	31,832
Capital leases - police station	4,393,596
Capital lease	392,500
Compensated absences obligation	866,909
Total	<u>\$ 8,359,837</u>

<u>Business-Type Activities Debt</u>	<u>Amount</u>
Revenue and improvement bonds 13	\$ 4,590,954
Kentucky infrastructure authority loans	10,570,083
Capital leases - equipment	<u>11,756</u>
Total	<u>\$ 15,172,793</u>

DESCRIPTION OF MUNICIPAL DEBT

- ⇒ General Obligation Bonds 2005 Melody Mountain \$2,675,000.
- ⇒ Capital Lease - phone system \$31,832.
- ⇒ Capital Lease - Police station \$4,393,596.
- ⇒ Capital Lease – debt consolidation \$392,500.
- ⇒ Employee compensated absences payable after 60 days at \$866,909
- ⇒ Utility Revenue bond issue 2013 for phase II upgrade of the water plant \$4,590,954.
- ⇒ K.I.A. Loans used to upgrade the utility system and correct CSO \$10,570,083.
- ⇒ Capital Lease - phone system \$11,756.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

Unemployment rate for the City of Ashland as of June 2013 is 7.6%. This rate is lower than the State of Kentucky rate at 8.4% and the national rate of 7.6%.

The following table summarizes the 2014 fiscal year budgeted expenses.

- ⇒ General Fund - \$22,719,180
- ⇒ Municipal Aid Program - \$521,210
- ⇒ Community Development Block Grant Fund - \$1,000,251
- ⇒ Section 8 Voucher - \$2,444,406
- ⇒ Floodwall Operating Fund - \$267,217
- ⇒ Utility Fund - \$16,868,471
- ⇒ Ashland Bus System - \$1,256,759
- ⇒ Recreation Operating Fund - \$1,004,021
- ⇒ Ashland Cemetery Fund - \$245,268
- ⇒ Capital Purchase Improvement Fund - \$161,225

Fiscal year 2014 contains one significant budget item. The Utility Fund will continue work on the second phase of construction pertaining to the Combined Sewer Overflow decree from the EPA.

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 POSITION
JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 421,201	\$ 241,178	\$ 662,379
Accounts receivable	40,026	2,273,881	2,313,907
Allowance for uncollectible accounts	-	(71,723)	(71,723)
Taxes receivable	3,662,356	-	3,662,356
Allowance for uncollectible taxes	(525,075)	-	(525,075)
Grants receivable	187,080	43,456	230,536
Internal balances, net	1,539,301	(1,539,301)	-
Receivable from fiduciary fund	671,245	-	671,245
Program receivables	29,307	-	29,307
Allowance for uncollectible accounts	(29,307)	-	(29,307)
Other receivables	531,112	-	531,112
Allowance for uncollectible accounts	(63,818)	-	(63,818)
Prepaid expenses	147,534	-	147,534
Inventories	70,360	3,010,770	3,081,130
Restricted assets -			
Cash and cash equivalents	-	5,554,394	5,554,394
Note receivable	150,000	-	150,000
Net pension asset	2,222,180	2,406,806	4,628,986
Nondepreciable capital assets	19,055,064	8,725,048	27,780,112
Depreciable capital assets	96,023,413	90,758,243	186,781,656
Accumulated depreciation	(52,704,437)	(49,257,058)	(101,961,495)
Total assets	71,427,542	62,145,694	133,573,236
LIABILITIES			
Cash overdraft	410,539	-	410,539
Accounts payable	1,051,071	1,020,753	2,071,824
Due to Board of Education	39,292	-	39,292
Payable to fiduciary fund	734,927	2,813,418	3,548,345
Other accrued expenses and liabilities	2,064,323	317,786	2,382,109
Deposits	-	1,223,876	1,223,876
Matured revenue bonds and notes	-	50,000	50,000
Accrued compensated absences, current	170,540	307,721	478,261
Current portion of long-term debt	420,406	842,739	1,263,145
Accrued compensated absences, non-current	866,909	-	866,909
Capital lease obligations, non-current	4,502,522	4,674	4,507,196
Revenue and Improvement bonds, net of discount and deferred amount of \$299,046	-	4,190,954	4,190,954
Kentucky Infrastructure Authority loans, non-current	-	10,134,426	10,134,426
General obligation bonds, non-current	2,570,000	-	2,570,000
Total liabilities	12,830,529	20,906,347	33,736,876
NET POSITION			
Invested in capital assets, net of related debt	54,881,112	35,003,440	89,884,552
Restricted			
Debt service	-	821,475	821,475
Grant programs	300,240	-	300,240
Sewer improvements	-	4,109,419	4,109,419
Other	-	33,301	33,301
Unrestricted	3,415,661	1,271,712	4,687,373
Total net position	\$ 58,597,013	\$ 41,239,347	\$ 99,836,360

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, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 2,644,407	\$ 11,398,530	\$ 49,088	\$ -	\$ 8,803,211	\$ -	\$ 8,803,211
Finance	587,010	-	-	-	(587,010)	-	(587,010)
Public services	6,188,734	1,954,179	554,022	-	(3,680,533)	-	(3,680,533)
Planning and code enforcement	605,205	-	-	-	(605,205)	-	(605,205)
Police	5,528,981	-	110,181	-	(5,418,800)	-	(5,418,800)
Fire	5,822,585	-	-	-	(5,822,585)	-	(5,822,585)
Engineering	244,377	-	-	-	(244,377)	-	(244,377)
Community and cultural	2,943,475	233,945	2,637,160	-	(72,370)	-	(72,370)
Debt service - interest	285,947	-	-	-	(285,947)	-	(285,947)
Total governmental activities	<u>24,850,721</u>	<u>13,586,654</u>	<u>3,350,451</u>	<u>-</u>	<u>(7,913,616)</u>	<u>-</u>	<u>(7,913,616)</u>
Business-Type Activities							
Utilities	14,618,138	14,976,626	-	-	-	358,488	358,488
Recreation	1,078,408	71,160	-	-	-	(1,007,248)	(1,007,248)
Cemetery	312,684	130,850	-	-	-	(181,834)	(181,834)
Bus	1,483,318	78,595	526,336	220,040	-	(658,347)	(658,347)
Total business-type activities	<u>17,492,548</u>	<u>15,257,231</u>	<u>526,336</u>	<u>220,040</u>	<u>-</u>	<u>(1,488,941)</u>	<u>(1,488,941)</u>
Total primary government	<u>\$ 42,343,269</u>	<u>\$ 28,843,885</u>	<u>\$ 3,876,787</u>	<u>\$ 220,040</u>	<u>\$ (7,913,616)</u>	<u>\$ (1,488,941)</u>	<u>\$ (9,402,557)</u>
General Revenues:							
Property and other local taxes					\$ 8,479,163	\$ -	\$ 8,479,163
Interest income					3,066	30,260	33,326
Other revenues					167,210	683,951	851,161
Total general revenues					8,649,439	714,211	9,363,650
Transfers					(1,523,900)	1,523,900	-
Total general revenues and transfers					7,125,539	2,238,111	9,363,650
Change in net position					(788,077)	749,170	(38,907)
Net position, June 30, 2012					59,385,090	40,490,177	99,875,267
Net position, June 30, 2013					<u>\$ 58,597,013</u>	<u>\$ 41,239,347</u>	<u>\$ 99,836,360</u>

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

CITY OF ASHLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue Funds						Total Governmental Funds
	General	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	
Assets							
Cash	\$ 17,490	\$ 105,540	\$ 6,324	\$ 65	\$ 273,690	\$ -	\$ 403,109
Taxes receivable	3,496,308	-	166,048	-	-	-	3,662,356
Allowance for uncollectible taxes	(494,992)	-	(30,083)	-	-	-	(525,075)
Grants receivable	20,764	50,139	-	116,177	-	-	187,080
Due from other funds	2,395,528	260,543	-	-	-	17,598	2,673,669
Program receivables	29,307	-	-	-	-	-	29,307
Allowance for uncollectible accounts	(29,307)	-	-	-	-	-	(29,307)
Other receivables	464,825	-	113	-	66,174	-	531,112
Allowance for uncollectible accounts	-	-	-	-	(63,818)	-	(63,818)
Prepaid items	147,534	-	-	-	-	-	147,534
Inventories - supplies	70,360	-	-	-	-	-	70,360
Total assets	<u>\$ 6,117,817</u>	<u>\$ 416,222</u>	<u>\$ 142,402</u>	<u>\$ 116,242</u>	<u>\$ 276,046</u>	<u>\$ 17,598</u>	<u>\$ 7,086,327</u>
Liabilities and Fund Balances							
Liabilities:							
Cash overdraft	\$ 410,539	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 410,539
Accounts payable	421,972	155,101	1,818	15,257	435	630	595,213
Due to other funds	2,865,529	-	138,775	32,566	13,642	-	3,050,512
Due to Board of Education	39,292	-	-	-	-	-	39,292
Accrued compensated absences	167,640	-	399	1,717	784	-	170,540
Accrued expenses	583,655	-	1,410	1,265	2,490	-	588,820
Deferred revenue	20,781	-	-	-	-	-	20,781
Total liabilities	<u>4,509,408</u>	<u>155,101</u>	<u>142,402</u>	<u>50,805</u>	<u>17,351</u>	<u>630</u>	<u>4,875,697</u>
Fund Balances:							
Assigned for capital projects	-	-	-	-	-	16,968	16,968
Assigned for special revenue funds	-	261,121	-	65,437	-	-	326,558
Restricted for grant programs	41,545	-	-	-	258,695	-	300,240
Non-spendable	217,894	-	-	-	-	-	217,894
Unassigned	1,348,970	-	-	-	-	-	1,348,970
Total fund balances	<u>1,608,409</u>	<u>261,121</u>	<u>-</u>	<u>65,437</u>	<u>258,695</u>	<u>16,968</u>	<u>2,210,630</u>
Total liabilities and fund balances	<u>\$ 6,117,817</u>	<u>\$ 416,222</u>	<u>\$ 142,402</u>	<u>\$ 116,242</u>	<u>\$ 276,046</u>	<u>\$ 17,598</u>	<u>\$ 7,086,327</u>

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

CITY OF ASHLAND
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balance - total governmental funds		\$ 2,210,630
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets of \$115,078,477 net of accumulated depreciation of \$52,704,437 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		62,374,040
Net pension asset of \$2,222,180 reported in the statement of net position is not a financial resource and therefore is not reported in the governmental funds.		2,222,180
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.		
Bonds payable	(2,675,000)	
Accrued compensated absences	(866,909)	
Capital lease obligations	(4,817,928)	(8,359,837)
Net position, end of year - Governmental Activities		<u>\$ 58,597,013</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, 2013**

	Special Revenue Funds						Total Governmental Funds
	General	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	
Revenues							
Property and other local taxes	\$ 8,292,732	\$ -	\$ 186,431	\$ -	\$ -	\$ -	\$ 8,479,163
Licenses and permits	9,696,723	-	-	-	-	-	9,696,723
Charges for services	1,954,179	-	-	-	-	-	1,954,179
Fees, fines and reimbursements	1,701,807	-	-	-	-	-	1,701,807
Grant income	159,269	554,022	-	302,139	2,335,021	-	3,350,451
Administration fee income	-	-	-	-	233,945	-	233,945
Interest income	2,464	9	24	-	569	-	3,066
Other income	138,398	3,418	-	394	-	25,000	167,210
Total revenues	21,945,572	557,449	186,455	302,533	2,569,535	25,000	25,586,544
Expenditures							
General government	2,236,675	-	-	-	-	1,229	2,237,904
Finance	588,758	-	-	-	-	-	588,758
Public services	4,167,130	356,857	269,838	-	-	-	4,793,825
Planning and code enforcement	598,623	-	-	-	-	-	598,623
Police	5,350,620	-	-	-	-	-	5,350,620
Fire	5,683,338	-	-	-	-	-	5,683,338
Engineering	201,685	-	-	-	-	-	201,685
Community and cultural	-	-	-	302,139	2,629,213	-	2,931,352
Capital outlay	-	-	-	-	-	241,884	241,884
Debt service:							
Principal retirement	558,963	-	-	-	-	-	558,963
Interest charges	285,947	-	-	-	-	-	285,947
Total expenditures	19,671,739	356,857	269,838	302,139	2,629,213	243,113	23,472,899
Excess of Revenues Over (Under) Expenditures	2,273,833	200,592	(83,383)	394	(59,678)	(218,113)	2,113,645
Other Financing Sources (Uses)							
Transfers in	-	-	83,383	-	-	231,940	315,323
Transfers out	(1,839,223)	-	-	-	-	-	(1,839,223)
Total other financing sources (uses)	(1,839,223)	-	83,383	-	-	231,940	(1,523,900)
Net change in fund balances	434,610	200,592	-	394	(59,678)	13,827	589,745
Fund balances beginning of year	1,173,799	60,529	-	65,043	318,373	3,141	1,620,885
Fund balances end of year	\$ 1,608,409	\$ 261,121	\$ -	\$ 65,437	\$ 258,695	\$ 16,968	\$ 2,210,630

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, 2013**

Net change in fund balances - total governmental funds	\$	589,745
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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	684,402	
Depreciation expense	<u>(2,648,795)</u>	(1,964,393)

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		71,476
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Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position.		558,963
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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.		<u>(43,868)</u>
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Change in net position of governmental activities	\$	<u><u>(788,077)</u></u>
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The accompanying notes to financial statements
are an integral part of this statement.

	Business-Type Activities				Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		
LIABILITIES						
Current liabilities (payable from current assets):						
Accounts payable	\$ 975,861	\$ 14,201	\$ 27,880	\$ 2,811	\$ 1,020,753	\$ 455,858
Due to other funds	3,548,701	278,879	222,812	302,327	4,352,719	-
Accrued compensated absences	220,311	31,435	51,489	4,486	307,721	-
Other accrued liabilities	255,166	16,729	10,841	35,050	317,786	1,454,722
Customer deposits	130,770	-	-	-	130,770	-
Total current liabilities (payable from current assets)	5,130,809	341,244	313,022	344,674	6,129,749	1,910,580
Current liabilities (payable from restricted assets):						
Matured revenue bonds and notes	50,000	-	-	-	50,000	-
Customer deposits	1,093,106	-	-	-	1,093,106	-
Current portion of capital lease obligations	5,482	800	800	-	7,082	-
Current portion of Revenue and Improvement bonds	400,000	-	-	-	400,000	-
Current portion of Kentucky Infrastructure Authority loan	435,657	-	-	-	435,657	-
Total current liabilities (payable from restricted assets)	1,984,245	800	800	-	1,985,845	-
Total current liabilities	7,115,054	342,044	313,822	344,674	8,115,594	1,910,580
Long-term liabilities:						
Capital lease obligations	1,972	1,340	1,362	-	4,674	-
Revenue and Improvement bonds, net of discount and deferred amount of \$299,046	4,190,954	-	-	-	4,190,954	-
Kentucky Infrastructure Authority loan	10,134,426	-	-	-	10,134,426	-
Total long-term liabilities	14,327,352	1,340	1,362	-	14,330,054	-
Total liabilities	21,442,406	343,384	315,184	344,674	22,445,648	1,910,580
NET POSITION						
Invested in capital assets, net of related debt	31,088,886	1,352,479	376,813	2,185,262	35,003,440	-
Restricted for debt service	821,475	-	-	-	821,475	-
Restricted for sewer improvements	4,109,419	-	-	-	4,109,419	-
Other	-	-	-	33,301	33,301	-
Unrestricted	(584,848)	(261,157)	(93,400)	2,211,117	1,271,712	-
Total net position	\$ 35,434,932	\$ 1,091,322	\$ 283,413	\$ 4,429,680	\$ 41,239,347	\$ -

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

**CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Business-Type Activities				Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		
OPERATING REVENUES						
Residential and commercial meter sales	\$ 3,893,978	\$ -	\$ -	\$ -	\$ 3,893,978	\$ -
Sewer service	6,032,604	-	-	-	6,032,604	-
Industrial meter sales	3,535,296	-	-	-	3,535,296	-
Other municipalities	1,378,795	-	-	-	1,378,795	-
Industrial pretreatment	63,874	-	-	-	63,874	-
Water and sewer taps	72,079	-	-	-	72,079	-
Concession sales	-	-	35,300	-	35,300	-
Lot and vault sales	-	-	-	48,950	48,950	-
Opening and closing fees	-	-	-	81,900	81,900	-
Passenger fares	-	78,595	-	-	78,595	-
Admission fees	-	-	35,860	-	35,860	-
Premium charges	-	-	-	-	-	6,121,673
Miscellaneous	669,586	-	4,550	9,815	683,951	51
Total operating revenues	15,646,212	78,595	75,710	140,665	15,941,182	6,121,724
OPERATING EXPENSES						
Administration - Director	154,422	-	-	-	154,422	-
Administration - Cashier	793,805	-	-	-	793,805	-
Administration - Customer Service	612,067	-	-	-	612,067	-
Water - Production	2,195,517	-	-	-	2,195,517	-
Water - Distribution	2,955,709	-	-	-	2,955,709	-
Sewer - Pretreatment	1,563,329	-	-	-	1,563,329	-
Sewer - Collection	1,553,793	-	-	-	1,553,793	-
Depreciation	2,021,021	136,611	35,610	52,039	2,245,281	-
Insurance	214,646	27,822	23,416	6,904	272,788	-
Other operating expenses	2,127,252	523,929	415,830	72,008	3,139,019	6,636
Salaries	-	589,855	403,936	88,516	1,082,307	-
Utilities	-	25,130	117,851	9,845	152,826	-
Operating supplies	-	179,971	81,765	83,372	345,108	-
Premiums and claims	-	-	-	-	-	6,115,255
Total operating expenses	14,191,561	1,483,318	1,078,408	312,684	17,065,971	6,121,891
OPERATING INCOME (LOSS)	1,454,651	(1,404,723)	(1,002,698)	(172,019)	(1,124,789)	(167)
NON-OPERATING REVENUES (EXPENSES)						
Interest income	29,690	41	492	37	30,260	167
Grant income	-	526,336	-	-	526,336	-
Interest on revenue bonds and notes	(426,577)	-	-	-	(426,577)	-
Total non-operating revenues (expenses)	(396,887)	526,377	492	37	130,019	167
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,057,764	(878,346)	(1,002,206)	(171,982)	(994,770)	-
TRANSFERS						
From General Fund	-	521,694	1,002,206	-	1,523,900	-
Total transfers in	-	521,694	1,002,206	-	1,523,900	-
CAPITAL CONTRIBUTIONS						
Federal/state grants	-	220,040	-	-	220,040	-
Total capital contributions	-	220,040	-	-	220,040	-
INCREASE (DECREASE) IN NET POSITION	1,057,764	(136,612)	-	(171,982)	749,170	-
NET POSITION, JUNE 30, 2012	34,377,168	1,227,934	283,413	4,601,662	40,490,177	-
NET POSITION, JUNE 30, 2013	\$ 35,434,932	\$ 1,091,322	\$ 283,413	\$ 4,429,680	\$ 41,239,347	\$ -

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, 2013**

	Business-Type Activities				Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 15,603,282	\$ 78,678	\$ 71,352	\$ 136,735	\$ 15,890,047	\$ -
Cash payments to suppliers for goods and services	(7,230,971)	(510,412)	(474,805)	1,714	(8,214,474)	(6,636)
Cash payments to employees	(4,172,752)	(657,254)	(400,774)	(86,133)	(5,316,913)	-
Other operating revenues	669,586	-	4,550	9,815	683,951	51
Payments for internal services	(1,459,452)	(203,802)	(197,916)	(43,026)	(1,904,196)	-
Cash received for internal services	-	-	-	-	-	6,272,738
Payments for premiums and claims	-	-	-	-	-	(6,265,618)
Net cash provided by (used for) operating activities	<u>3,409,693</u>	<u>(1,292,790)</u>	<u>(997,593)</u>	<u>19,105</u>	<u>1,138,415</u>	<u>535</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grant income	-	568,056	-	-	568,056	-
Transfers from other funds	-	521,694	1,002,206	-	1,523,900	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>1,089,750</u>	<u>1,002,206</u>	<u>-</u>	<u>2,091,956</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Amount paid to refunding escrow agent	(131,352)	-	-	-	(131,352)	-
Acquisition and construction of capital assets	(1,266,070)	-	-	-	(1,266,070)	-
Principal paid on bonds, notes, and lease obligations	(613,909)	(1,097)	(1,108)	-	(616,114)	-
Interest paid on bonds, notes, and lease obligations	(361,559)	-	-	-	(361,559)	-
Capital grants received	-	203,348	-	-	203,348	-
Net cash provided by (used for) capital and related financing activities	<u>(2,372,890)</u>	<u>202,251</u>	<u>(1,108)</u>	<u>-</u>	<u>(2,171,747)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income	29,690	41	492	37	30,260	167
Net cash provided by investing activities	<u>29,690</u>	<u>41</u>	<u>492</u>	<u>37</u>	<u>30,260</u>	<u>167</u>
Net increase (decrease) in cash and cash equivalents	1,066,493	(748)	3,997	19,142	1,088,884	702
Cash and cash equivalents, June 30, 2012	<u>4,460,645</u>	<u>7,554</u>	<u>202,900</u>	<u>35,589</u>	<u>4,706,688</u>	<u>17,390</u>
Cash and cash equivalents, June 30, 2013	<u>\$ 5,527,138</u>	<u>\$ 6,806</u>	<u>\$ 206,897</u>	<u>\$ 54,731</u>	<u>\$ 5,795,572</u>	<u>\$ 18,092</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Operating income (loss)	\$ 1,454,651	\$ (1,404,723)	\$ (1,002,698)	\$ (172,019)	\$ (1,124,789)	\$ (167)
Adjustments:						
Depreciation	2,021,021	136,611	35,610	52,039	2,245,281	-
Amortization	7,479	-	-	-	7,479	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	571,389	83	191	5,885	577,548	746,823
(Increase) decrease in inventories	(38,830)	2,612	1,676	74,050	39,508	-
(Increase) decrease in due from other funds	-	-	-	-	-	(595,758)
(Increase) decrease in pension asset	65,077	-	-	-	65,077	-
Increase (decrease) in accounts payable	745,529	(3,494)	(3,074)	(2,692)	736,269	(165,951)
Increase (decrease) in due to other funds	(1,446,963)	43,520	(32,460)	59,459	(1,376,444)	-
Increase (decrease) in compensated absences	(7,121)	4,007	3,369	120	375	-
Increase (decrease) in other accrued liabilities	(17,806)	(71,406)	(207)	2,263	(87,156)	15,588
Increase (decrease) in customer deposits	55,267	-	-	-	55,267	-
Net cash provided by (used for) operating activities	<u>\$ 3,409,693</u>	<u>\$ (1,292,790)</u>	<u>\$ (997,593)</u>	<u>\$ 19,105</u>	<u>\$ 1,138,415</u>	<u>\$ 535</u>

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

**CITY OF ASHLAND
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013**

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 58,269
Accrued interest receivable	4,156
Due from other funds	3,548,345
Investments, at fair value	
U.S. Government obligations	<u>509,740</u>
 Total assets	 <u>4,120,510</u>
LIABILITIES	
Due to other funds	<u>671,245</u>
 Total liabilities	 <u>671,245</u>
 NET POSITION - RESTRICTED FOR PENSION BENEFITS	 <u><u>\$ 3,449,265</u></u>

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

**CITY OF ASHLAND
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Pension Trust Funds</u>
ADDITIONS:	
CONTRIBUTIONS	
Employer	\$ 934,694
Plan members	-
Total contributions	<u>934,694</u>
INVESTMENT INCOME	
Net depreciation in fair value of investments	(11,202)
Interest income	<u>13,954</u>
Total investment income	<u>2,752</u>
Total additions	<u>937,446</u>
DEDUCTIONS:	
Benefits	1,341,744
Administrative expenses	<u>10,526</u>
Total deductions	<u>1,352,270</u>
NET DECREASE	(414,824)
NET POSITION - RESTRICTED FOR PENSION BENEFITS:	
Beginning of year	<u>3,864,089</u>
End of year	<u><u>\$ 3,449,265</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, 2013

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 8,079,789	\$ 68,253	\$ 8,148,042	\$ 8,292,732	\$ 144,690
Licenses and permits	9,773,281	10,000	9,783,281	9,696,723	(86,558)
Charges for services	1,935,565	-	1,935,565	1,954,179	18,614
Fees, fines and reimbursements	1,660,058	31,600	1,691,658	1,701,807	10,149
Interest income	4,125	-	4,125	2,464	(1,661)
Grant income	164,700	69,976	234,676	159,269	(75,407)
Other income	178,765	9,596	188,361	138,398	(49,963)
Total revenues	21,796,283	189,425	21,985,708	21,945,572	(40,136)
Expenditures					
General government	2,436,457	(170,818)	2,265,639	2,236,675	28,964
Finance	570,016	21,340	591,356	588,758	2,598
Public services	4,060,360	122,212	4,182,572	4,167,130	15,442
Planning and code enforcement	538,897	25,307	564,204	598,623	(34,419)
Police	5,140,529	279,894	5,420,423	5,350,620	69,803
Fire	5,556,209	223,720	5,779,929	5,683,338	96,591
Engineering	482,604	(204,746)	277,858	201,685	76,173
Debt service:					
Principal retirement	558,956	-	558,956	558,963	(7)
Interest and fiscal charges	285,954	-	285,954	285,947	7
Total expenditures	19,629,982	296,909	19,926,891	19,671,739	255,152
Excess of Revenues Over (Under) Expenditures	2,166,301	(107,484)	2,058,817	2,273,833	215,016
Other Financing Sources (Uses)					
Transfers out	(2,166,301)	127,148	(2,039,153)	(1,839,223)	199,930
Total other financing sources (uses)	(2,166,301)	127,148	(2,039,153)	(1,839,223)	199,930
Net change in fund balance	-	19,664	19,664	434,610	414,946
Fund balance beginning of year	1,173,799	-	1,173,799	1,173,799	-
Fund balance end of year	\$ 1,173,799	\$ 19,664	\$ 1,193,463	\$ 1,608,409	\$ 414,946

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, 2013

	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	490,000	-	490,000	554,022	64,022
Administration fee income	-	-	-	-	-
Interest income	25	-	25	9	(16)
Other income	2,600	-	2,600	3,418	818
Total revenues	<u>492,625</u>	<u>-</u>	<u>492,625</u>	<u>557,449</u>	<u>64,824</u>
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	492,625	-	492,625	356,857	135,768
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>492,625</u>	<u>-</u>	<u>492,625</u>	<u>356,857</u>	<u>135,768</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,592</u>	<u>200,592</u>
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	200,592	200,592
Fund balance beginning of year	60,529	-	60,529	60,529	-
Fund balance end of year	<u>\$ 60,529</u>	<u>\$ -</u>	<u>\$ 60,529</u>	<u>\$ 261,121</u>	<u>\$ 200,592</u>

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2013

	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	514,405	325,000	839,405	302,139	(537,266)
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	394	394
Total revenues	514,405	325,000	839,405	302,533	(536,872)
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	514,405	325,000	839,405	302,139	537,266
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	514,405	325,000	839,405	302,139	537,266
Excess of Revenues Over (Under) Expenditures	-	-	-	394	394
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	394	394
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>\$ 65,437</u>	<u>\$ 394</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, 2013

	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	2,390,772	-	2,390,772	2,335,021	(55,751)
Administration fee income	274,225	-	274,225	233,945	(40,280)
Interest income	430	-	430	569	139
Other income	-	-	-	-	-
Total revenues	<u>2,665,427</u>	<u>-</u>	<u>2,665,427</u>	<u>2,569,535</u>	<u>(95,892)</u>
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	2,665,427	-	2,665,427	2,629,213	36,214
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>2,665,427</u>	<u>-</u>	<u>2,665,427</u>	<u>2,629,213</u>	<u>36,214</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59,678)</u>	<u>(59,678)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	(59,678)	(59,678)
Fund balance beginning of year	<u>318,373</u>	<u>-</u>	<u>318,373</u>	<u>318,373</u>	<u>-</u>
Fund balance end of year	<u>\$ 318,373</u>	<u>\$ -</u>	<u>\$ 318,373</u>	<u>\$ 258,695</u>	<u>\$ (59,678)</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, 2013

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 155,785	\$ -	\$ 155,785	\$ 186,431	\$ 30,646
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	50	-	50	24	(26)
Other income	-	-	-	-	-
Total revenues	155,835	-	155,835	186,455	30,620
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	291,601	-	291,601	269,838	21,763
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	291,601	-	291,601	269,838	21,763
Excess of Revenues Over (Under) Expenditures	(135,766)	-	(135,766)	(83,383)	52,383
Other Financing Sources (Uses)					
Transfers in	135,766	-	135,766	83,383	(52,383)
Transfers out	-	-	-	-	-
Total other financing sources (uses)	135,766	-	135,766	83,383	(52,383)
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	-	-	-	-	-
Fund balance end of year	\$ -	\$ -	\$ -	\$ -	\$ -

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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(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, 2013 there are no organizations meeting the criteria.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

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

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

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

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

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

The City reports the following major Governmental Funds:

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

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

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

The City reports the following major Proprietary Funds:

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

Ashland Bus Fund - This fund is used to account for the City's mass transportation system which is partially subsidized by the Federal government (Department of Transportation).

Recreation Fund - The Recreation Fund is used to account for the City's swimming pool operations and other vending (concession) activities.

Cemetery Fund - The Cemetery Fund is used to account for the operation and maintenance of the Ashland Cemetery.

Additionally, the City reports the following fund types:

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

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

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

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 Position.

E. Inventories

Inventories are valued at cost (first-in, first-out method). Inventory in the General and Enterprise-Utility Fund consists of expendable supplies held for consumption. Enterprise-Recreation Fund inventories consist of merchandise held for sale and consumable supplies. Enterprise-Cemetery Fund inventories consist of plots and mausoleum vaults. Costs are recorded as expenditures at the time individual inventory items are purchased.

F. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets 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, 2013, 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

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 Position

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

M. Self-Insurance

The City is self-insured for health and accident claims for employees and eligible retirees as more fully described in Notes 12 and 13.