

**CITY OF ASHLAND**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2017**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**

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## INDEPENDENT AUDITOR'S REPORT

Steve Gilmore, 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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information, the Schedule of Employer Contributions and Investment Returns, the Schedule of Funding Progress, the Schedule of Changes in Net Pension Liabilities, the Schedule of City's Proportionate Share of the Net Pension Liability and the Schedule of Pension Contributions on pages 5 through 16 and on pages 60 through 66, 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 67 through 73 and the Financial Data Schedule on pages 74 and 75 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental statements and schedules contained on pages 67 through 73, the Financial Data Schedule contained on pages 74 and 75 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 October 20, 2017, 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 Galloway Smith Gerkeby, PSC*

Ashland, Kentucky  
October 20, 2017

## 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, 2017. 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 \$66,413,833 (net position). Governmental activities’ unrestricted net position was \$(19,399,471). Business-type activities’ unrestricted net position was \$(11,615,980).
- The Government’s total net position increased by \$2,923,703. Net position of governmental activities increased by \$775,556, and net position of business-type activities increased by \$2,148,147.
- At June 30, 2017, the governmental activities had \$70,133,052 in assets and \$42,964,536 in liabilities. Business-type activities had \$66,052,262 in assets and \$35,607,809 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 capital 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, 2017. 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, details of the City's capital assets, statement of net position and revenue and expenditures for Ashland's Housing Authority.



## **THE GOVERNMENT AS A TRUSTEE**

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

## **THE GOVERNMENT AS A WHOLE**

### **NET POSITION**

As of June 30, 2017, the Government as a whole had net position greater than its liabilities by \$66,413,833. Net position of governmental activities was \$33,696,492 and increased by \$775,556 over the prior year. The final payment of \$250,000 for a pumper truck was budgeted yet paid in full during the year for cost savings. Property tax collections exceed revenue projections by \$244,850 as well as insurance premiums, \$139,127. Business and occupational license fee receipts due to focused collection efforts excelled this fiscal year for \$114,674 in additional revenue. Capital Improvements were made to the Central Garage including fencing, security cameras, inventory software and a forklift. Seven police interceptors and two trucks were purchased increasing our automotive assets. We experienced an increase in net position, and the total unrestricted fund balance decreased by \$(3,528,606) in comparison to Fiscal Year 2016. Of ending Governmental Activities Net Position, \$51,767,907, is invested in capital assets net of related debt, \$1,328,056, is restricted for capital projects and grant programs and unrestricted net position is \$(19,399,471).

The net position of the Government's business-type activities is \$32,717,341 and increased by \$2,148,147 over the prior year. The Utility Fund had budgeted \$500,000 to replenish fund balance. The City leachate revenue exceeded projections by \$370,169 and consistent bulk water sales to Big Sandy Water which began in Fiscal Year 2016 produced revenue of \$240,897. Water Tap Fees increased from new businesses and construction bringing in an additional \$129,545 of revenue than anticipated. \$26,603 was received for the water line extensions to Boyd County Schools that was completed this fiscal year. Utility Fund rates in all classes remained the same this fiscal year. Continuing to monitor area economic uncertainty with the idling of AK Steel plant, the City Commission did not raise any utility rates. Focus was placed on cost containment and capital purchases. Construction of the Water Distribution building began with \$516,018 of the \$850,000 budget spent for the fiscal year. The CSO project on 29<sup>th</sup> Street continued and placed an additional \$578,486 in construction-in-progress. Net position was restated as of June 30, 2016 for duplication errors in the Cemetery Fund's inventory balances. This restatement resulted in a total prior period adjustment of \$(801,800) in Business-Type Activities Net Position. Of the business-type net position, \$36,594,780 is net investment in capital assets and \$(11,615,980) is unrestricted. The largest portion of the City's combined net position 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 business-type net position, \$7,738,541 represents resources that are subject to limitations on their use through legislation adopted by the City or through external restrictions. The largest restricted portion, \$6,329,291, is for sewer improvements.

**ANALYSIS OF THE CITY'S NET POSITION**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016*	2017	2016*
Current and other assets	\$ 10,852,895	\$ 10,720,906	\$ 15,779,086	\$ 15,041,348	\$ 26,631,981	\$ 25,762,254
Capital assets	59,280,157	58,786,265	50,273,176	49,953,520	109,553,333	108,739,785
Total assets	70,133,052	69,507,171	66,052,262	64,994,868	136,185,314	134,502,039
Deferred outflows of resources	6,554,394	5,233,183	2,287,111	1,806,735	8,841,505	7,039,918
Liabilities	3,879,688	4,463,465	4,796,915	3,948,893	8,676,603	8,412,358
Long-term liabilities	39,084,848	37,355,953	30,810,894	32,283,516	69,895,742	69,639,469
Total Liabilities	42,964,536	41,819,418	35,607,809	36,232,409	78,572,345	78,051,827
Deferred inflows of resources	26,418	-	14,223	-	40,641	-
Net position						
Net investment in capital assets	51,767,907	50,917,007	36,594,780	32,498,757	88,362,687	83,415,764
Restricted	1,328,056	425,337	7,738,541	7,937,674	9,066,597	8,363,011
Unrestricted	(19,399,471)	(18,421,408)	(11,615,980)	(9,867,237)	(31,015,451)	(28,288,645)
Total Net Position	\$ 33,696,492	\$ 32,920,936	\$ 32,717,341	\$ 30,569,194	\$ 66,413,833	\$ 63,490,130

\*As restated, June 30th, 2016

**ANALYSIS OF THE CITY'S OPERATIONS**

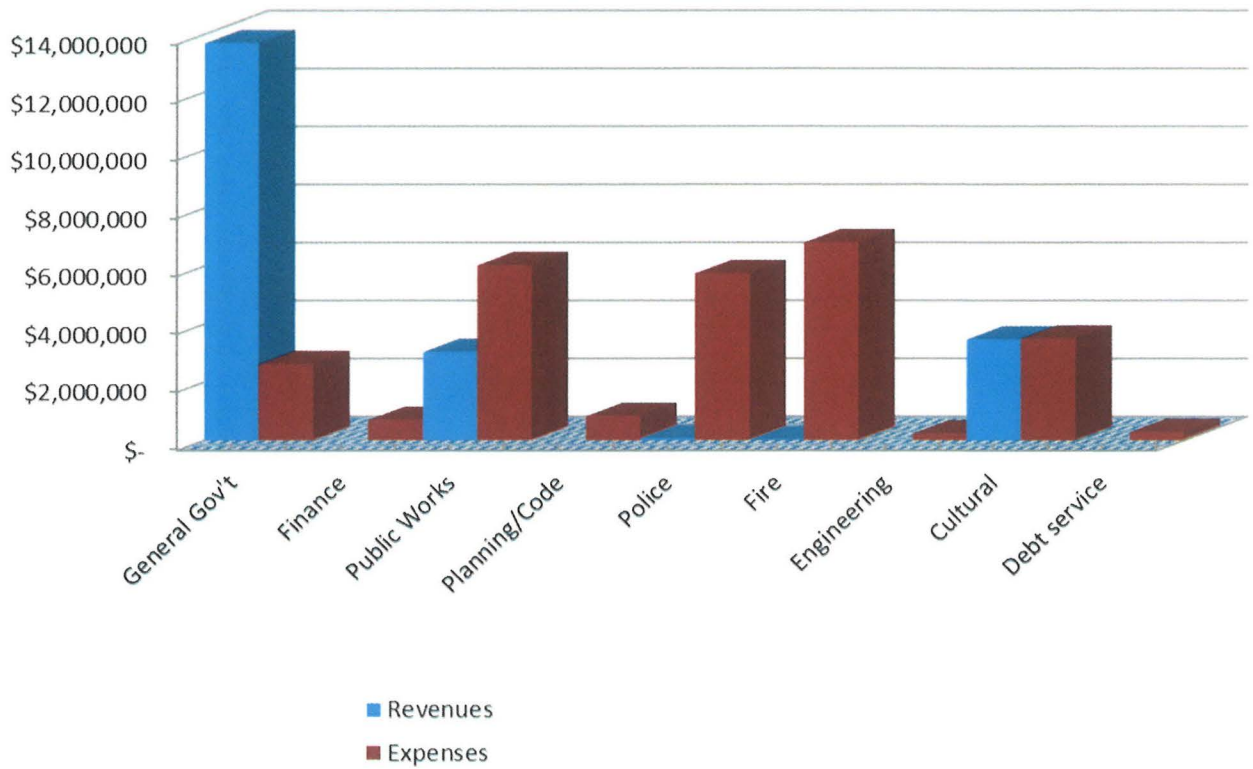
Revenues	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Taxes	\$ 8,248,971	\$ 7,720,589	\$ -	\$ -	\$ 8,248,971	\$ 7,720,589
Charges for Services	16,142,695	16,263,417	17,093,142	16,960,253	33,235,837	33,223,670
Operating Grants / Contr.	4,160,293	3,762,391	261,406	378,339	4,421,699	4,140,730
Capital Grants / Contr.	-	-	275,650	422,164	275,650	422,164
Other Income	425,555	238,240	825,893	862,432	1,251,448	1,100,672
<b>Total Revenue</b>	<b>\$ 28,977,514</b>	<b>\$ 27,984,637</b>	<b>\$ 18,456,091</b>	<b>\$ 18,623,188</b>	<b>\$ 47,433,605</b>	<b>\$ 46,607,825</b>

Expenses	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
General Government	\$ 2,608,336	\$ 3,097,166	\$ -	\$ -	\$ 2,608,336	\$ 3,097,166
Finance	680,224	652,648	-	-	680,224	652,648
Public Works	6,026,093	5,890,739	-	-	6,026,093	5,890,739
Planning/ Code	816,974	675,281	-	-	816,974	675,281
Police	5,744,758	6,074,675	-	-	5,744,758	6,074,675
Fire	6,811,004	7,104,407	-	-	6,811,004	7,104,407
Engineering	211,252	212,573	-	-	211,252	212,573
Community / Cultural	3,495,752	3,321,283	-	-	3,495,752	3,321,283
Debt Service	269,266	284,471	-	-	269,266	284,471
Utility Fund	-	-	15,345,611	14,920,959	15,345,611	14,920,959
Ashland Bus System	-	-	1,201,653	1,196,534	1,201,653	1,196,534
Recreation Operating Fund	-	-	985,140	1,093,886	985,140	1,093,886
Cemetery	-	-	313,839	274,980	313,839	274,980
<b>Total Expense</b>	<b>\$ 26,663,659</b>	<b>\$ 27,313,243</b>	<b>\$ 17,846,243</b>	<b>\$ 17,486,359</b>	<b>\$ 44,509,902</b>	<b>\$ 44,799,602</b>
Changes before transfers	2,313,855	671,394	609,848	1,136,829	2,923,703	1,808,223
Transfers	(1,538,299)	(1,487,097)	1,538,299	1,487,097	-	-
Change in Net Position	775,556	(815,703)	2,148,147	2,623,926	2,923,703	1,808,223
Net Position Beg of Year*	32,920,936	33,736,639	30,569,194	27,945,268	63,490,130	61,681,907
<b>Net Position End of Year</b>	<b>\$ 33,696,492</b>	<b>\$ 32,920,936</b>	<b>\$ 32,717,341</b>	<b>\$ 30,569,194</b>	<b>\$ 66,413,833</b>	<b>\$ 63,490,130</b>

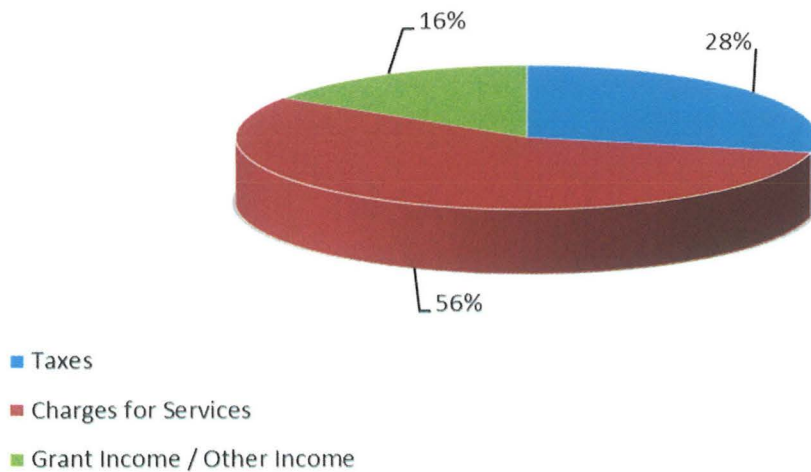
\*As restated. June 30th, 2016

**GOVERNMENTAL ACTIVITIES**

**EXPENSES AND PROGRAM REVENUES-  
GOVERNMENTAL ACTIVITIES**

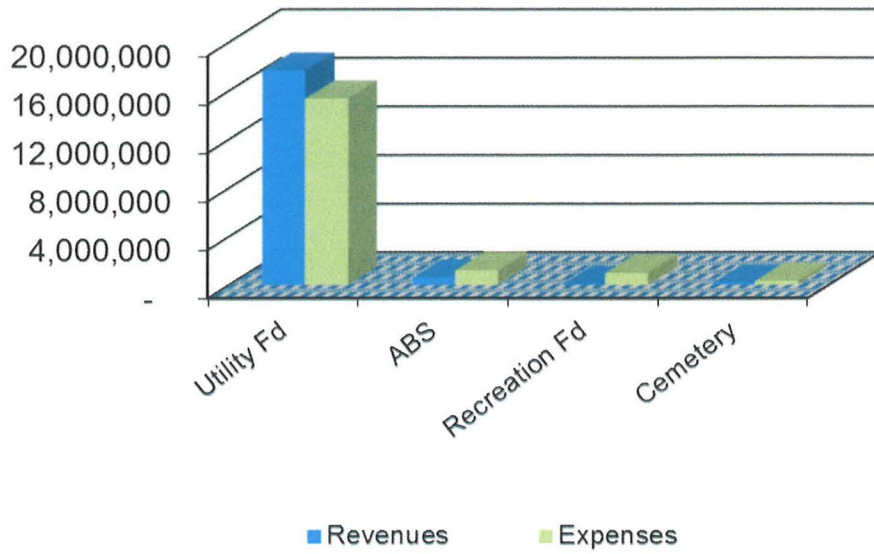


**REVENUE BY SOURCE - GOVERNMENT ACTIVITIES**

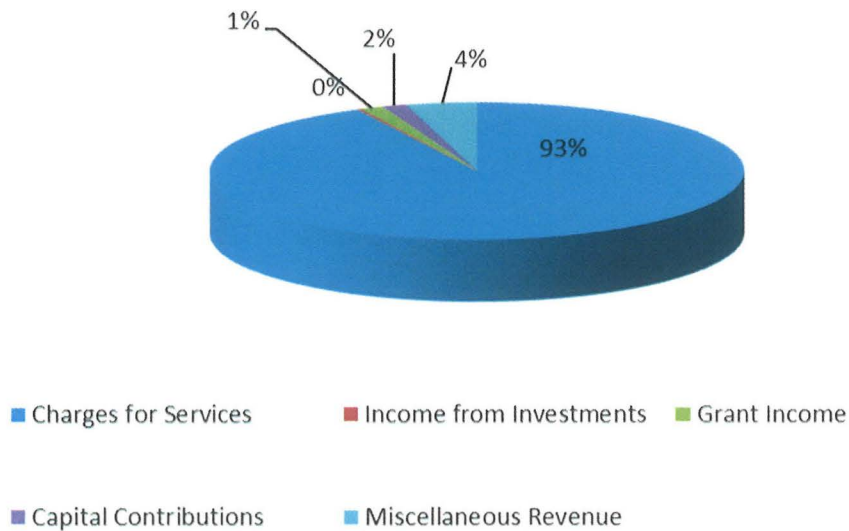


## BUSINESS-TYPE ACTIVITIES

### EXPENSES AND REVENUES - BUSINESS-TYPE ACTIVITIES

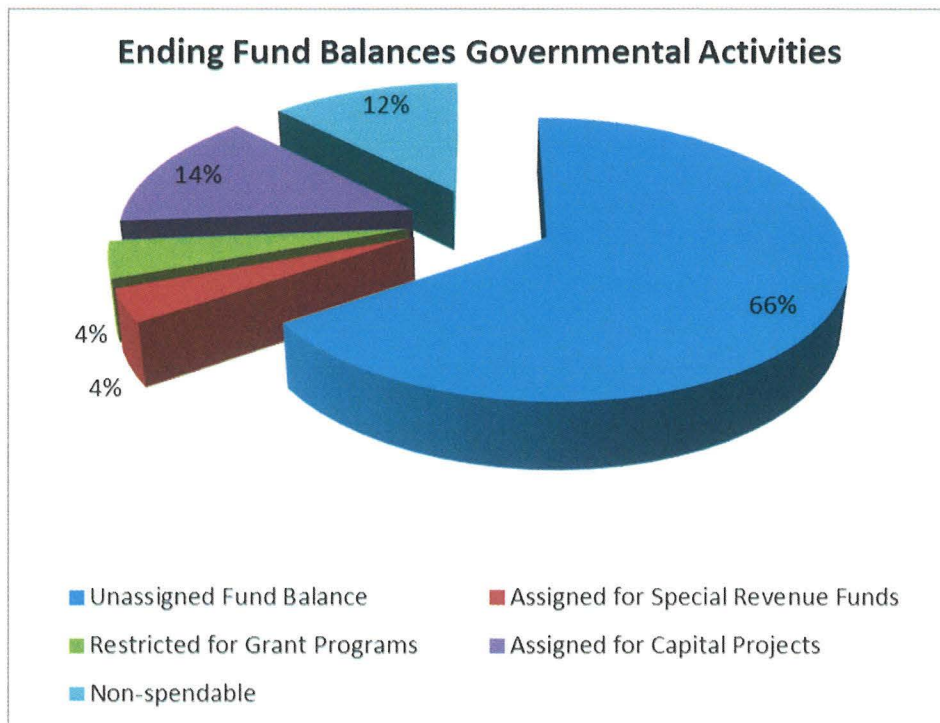


### REVENUE BY SOURCE - BUSINESS-TYPE ACTIVITIES



## 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 \$7,220,356. Of this total, \$4,726,995, or 66%, is unassigned fund balance. The remainder of fund balance is assigned / non-spendable / restricted to indicate it is not available for new spending. Fiscal Year 2017 reports assigned for special revenue funds at \$277,763, restricted for grant programs at \$312,823, non-spendable at \$887,542 and assigned for capital projects at \$1,015,233. The increase in the governmental funds assigned for capital projects is due to \$329,942 for Police automotive equipment and Streetscape Improvements, \$507,343. The remaining assignment is a tractor and traffic signal for Public Works and operating equipment for Fire. The restricted for grant programs increase this fiscal year was for the Safe Routes to School project. Assigned for special revenue funds decreased this year as the City completed paving and sidewalk improvements delayed from the prior fiscal year.



## MAJOR GOVERNMENTAL FUNDS

For the year ending June 30, 2017, the major governmental funds reported as follows:

The General Fund had revenues of \$24,768,358, expenditures of \$21,016,910 and net other financing uses of \$3,468,414. The total fund balance was \$5,840,668.

The Municipal Aid Road Fund had revenues of \$436,619 and expenditures of \$790,015. The total fund balance was \$38,899.

The Floodwall Operating Fund had revenues of \$282,987 and expenditures of \$182,857. The total fund balance was \$173,427.

The Community Development Fund had revenues of \$590,095 and expenditures of \$590,095. The total fund balance was \$65,437.

The Housing Assistance Fund had revenues of \$2,899,455 and expenditures of \$2,861,047. The total fund balance was \$86,692.

The Capital Purchase Improvement Fund had revenues of \$0, other financing sources of \$1,930,115 and expenditures of \$1,275,954. The total fund balance was \$1,015,233.

### **PROPRIETARY FUNDS**

The City's proprietary funds, or business-type activities, had total assets of \$68,249,085, total deferred outflows of resources of \$2,287,111, total liabilities of \$37,804,632, total deferred inflows of resources of \$14,223 leaving net position of \$32,717,341. Of the total proprietary funds' net position, the Utility Fund had \$(11,042,943) in unrestricted net position, the Ashland Bus Fund had \$(1,031,755) in unrestricted net position, the Recreation Fund had \$(969,943) in unrestricted net position and the Ashland Cemetery Fund had \$1,428,661 in unrestricted net position. All proprietary funds are considered major funds. Total decrease in unrestricted net position for the four proprietary funds was \$(2,550,543), including a restatement detailed in Note 16.

### **BUDGETARY HIGHLIGHTS**

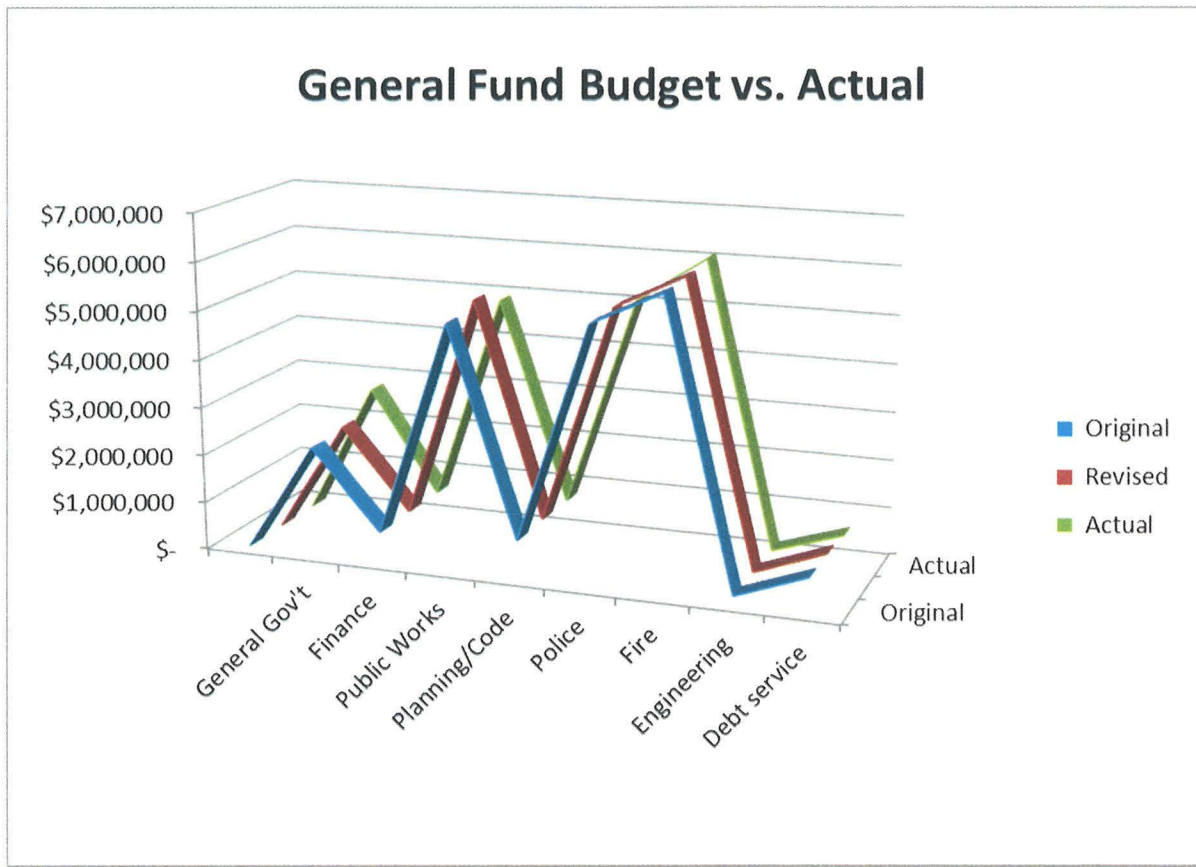
The General Fund budget was amended during the year to reflect the following:

- ⇒ \$901,913 increase in budgeted revenues for the General Fund. This increase includes \$215,180 for Safe Routes to School grant, \$22,700 of Homeland Security grant funds and \$205,000 for FEMA Fire equipment, \$26,500 various donations and \$258,065 insurance claim reimbursements.
- ⇒ \$62,488 increase for Public Works Director retirement package.
- ⇒ \$13,638 increase in police expenditures and revenue for the collection of restitution money and purchase of service weapon by retired officers.
- ⇒ \$205,000 increase in the transfer to Capital Purchase Improvement Fund for Fire equipment (SCBA) capital items. \$79,410 is included for Economic Development Incentives. Police vehicles and equipment totaling \$409,686. \$271,056 increase for Public Works excavator / trailer and packer truck.

Significant budget versus actual variances include the following:

- ⇒ The General Fund is the primary operating governmental fund of the City. General Fund actual revenues were \$24,768,358 versus budgeted revenues of \$24,234,045. Property tax assessments increased for 2017 and collections exceeded projected revenues by \$230,012. Fees / Fines / Reimbursements budget was \$1,831,040 and actual revenues were \$1,917,961 for a variance of \$86,921. This is due to the electric franchise fee and code enforcement fee / fine revenue being more than projected due to rate increases and liens paid for property maintenance issues. Insurance premium tax collected \$139,127 of unrealized revenue due to more insurance policies being sold within the City than estimated.
- ⇒ General Fund had a positive variance this fiscal year. The positive variance can be attributed to the Street / Sidewalk repair budget not being fully expended. Two departments with a negative variance were the General Government and Fire divisions. General Government past its operating parameters due to redevelopment consultants, additional funding necessary to continue operations of the Ashland Bus System and health insurance overages resulting from participants that exceeded the stop / loss premiums, \$445,953. The significant variance in the Fire department was personnel

overages of \$62,774, “pension spiking” with Kentucky Retirement of \$52,504 and unforeseen equipment repairs of \$54,504.



### CAPITAL ASSET AND DEBT ADMINISTRATION

The City’s investment in capital assets for governmental and business-type activities as of June 30, 2017 is \$109,553,333 (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, 2017 include:

Project	Approved Contract	Paid / Accrued to Date	Outstanding Commitment
Mill Street Facility	\$ 641,748	\$ 417,488	\$ 224,260
Skyline Drive Waterline	106,197	80,529	25,668
Hydrants	139,620	5,585	134,035
CSO - 29th Street Storm Water	2,941,565	499,430	2,442,135
39th Street Sewer Improvements	113,131	101,818	11,313
Water Pump Station	33,000	31,162	1,838
Safe Routes to School	215,180	195,921	19,259
Sidewalks	25,707	24,617	1,090
	<u>\$ 4,216,148</u>	<u>\$ 1,356,550</u>	<u>\$ 2,859,598</u>



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

Asset	Governmental Activities	Business-type Activities	Total 2017
Land	\$ 3,883,268	\$ 439,901	\$ 4,323,169
Buildings and improvements	12,343,755	4,582,081	16,925,836
Automotive equipment	4,157,927	2,385,519	6,543,446
Operating equipment	4,643,718	4,081,266	8,724,984
Office equipment	544,857	369,666	914,523
Capital improvements	742,170	524,539	1,266,709
Right-of-way	15,038,909	-	15,038,909
Infrastructure	79,176,033	-	79,176,033
Utility plant	-	93,440,011	93,440,011
Construction (CIP)	53,583	2,249,974	2,303,557
	<u>120,584,220</u>	<u>108,072,957</u>	<u>228,657,177</u>
Less depreciation	<u>(61,304,063)</u>	<u>(57,799,781)</u>	<u>(119,103,844)</u>
Total	<u>\$ 59,280,157</u>	<u>\$ 50,273,176</u>	<u>\$ 109,553,333</u>

**DEBT**

At the end of fiscal year 2017, the City had governmental activities debt of \$8,263,808 compared to \$8,749,468 at June 30, 2016, which represents a decrease of \$485,660. Business-type activities had debt of \$15,493,100 compared to \$17,593,327 at June 30, 2016, which represents a decrease of \$2,100,227. See Note (8) for additional discussion of the City's long term debt. The following chart summarizes governmental and business-type activities debt.

Governmental Activities Debt	Amount
General obligation bond series 2015	\$ 2,265,000
Capital lease - police station	3,774,851
Capital lease - Melody Mtn Phase II	1,482,917
Premium on bonds	73,710
Compensated absences obligation	667,330
Total	<u>\$ 8,263,808</u>
Business-Type Activities Debt	Amount
Revenue & Improvement Bonds 13	\$ 3,255,000
Water & Sewer Revenue Bonds 15	3,260,000
Capital lease - Radio Meters	1,333,333
Kentucky Infrastructure authority loan	7,553,947
Discount on bonds	(17,800)
Premium on bonds	108,620
Total	<u>\$ 15,493,100</u>

## **DESCRIPTION OF MUNICIPAL DEBT**

- ⇒ General Obligation Refunding Bonds 2015 \$2,265,000.
- ⇒ General Obligation Bonds 2013 Melody Mountain Phase II \$1,482,917.
- ⇒ Premium on bonds \$73,710.
- ⇒ Capital Lease - Police station \$3,774,851.
- ⇒ Employee compensated absences payable after 60 days at \$667,330.
- ⇒ Utility Revenue bond issue 2013 for phase II upgrade of the water plant \$3,255,000.
- ⇒ K.I.A. Loans used to upgrade the utility system and correct CSO \$7,553,947.
- ⇒ KLC lease payable for the purchase of radio read meters \$1,333,333.
- ⇒ Water & Sewer Revenue Bonds 2015 – water system improvements \$3,260,000.
- ⇒ Discount on bonds \$(17,800).
- ⇒ Premium on bonds \$108,620.

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

Unemployment rate for the City of Ashland as of June 2017 is 6.9%. This rate is higher than the State of Kentucky rate at 5.1% and the national rate of 4.4%.

The following summarizes the 2018 fiscal year budgeted expenses.

- ⇒ General Fund - \$24,552,072
- ⇒ Municipal Aid Program - \$432,010
- ⇒ Community Development Block Grant Fund - \$1,122,015
- ⇒ Section 8 Voucher - \$2,771,305
- ⇒ Floodwall Operating Fund - \$198,145
- ⇒ Utility Fund - \$19,067,528
- ⇒ Ashland Bus System - \$1,280,849
- ⇒ Recreation Operating Fund - \$1,038,974
- ⇒ Ashland Cemetery Fund - \$187,464
- ⇒ Capital Purchase Improvement Fund - \$1,319,215

Fiscal year 2018 contains three significant budget items. The Utility Fund will continue work on the second phase of construction pertaining to the Combined Sewer Overflow decree from the EPA. Also in the Utility Fund, is the continuing construction of the water distribution building. The third item is to continue the Streetscape project that began several years ago.

## **REQUEST FOR INFORMATION**

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

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

**CITY OF ASHLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,570,635	\$ 3,418,097	\$ 6,988,732
Accounts receivable	43,523	2,772,614	2,816,137
Allowance for uncollectible accounts	-	(102,307)	(102,307)
Taxes receivable	3,248,786	-	3,248,786
Allowance for uncollectible taxes	(508,444)	-	(508,444)
Grants receivable	325,948	114,117	440,065
Internal balances, net	2,167,644	(2,167,644)	-
Receivable from fiduciary fund	577,558	-	577,558
Program receivables	34,207	-	34,207
Allowance for uncollectible accounts	(34,207)	-	(34,207)
Other receivables	453,513	-	453,513
Allowance for uncollectible accounts	(63,818)	-	(63,818)
Prepaid expenses	782,542	82,029	864,571
Inventories	105,000	2,220,562	2,325,562
Investments	8	-	8
Restricted assets -			
Cash and cash equivalents	-	6,345,301	6,345,301
Certificates of deposit	-	3,096,301	3,096,301
Money market mutual fund	-	16	16
Note receivable	150,000	-	150,000
Nondepreciable capital assets	18,989,881	2,689,875	21,679,756
Depreciable capital assets	101,594,339	105,383,082	206,977,421
Accumulated depreciation	(61,304,063)	(57,799,781)	(119,103,844)
 Total assets	 <u>70,133,052</u>	 <u>66,052,262</u>	 <u>136,185,314</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred savings from refunding bonds	84,228	161,627	245,855
Deferred differences in pension experience	324,516	41,782	366,298
Deferred pension investment earnings	2,345,807	899,708	3,245,515
Deferred changes in pension assumptions	1,523,955	506,985	2,030,940
Deferred changes in proportionate share of liability	435,082	89,686	524,768
Deferred pension contributions	1,840,806	587,323	2,428,129
 Total deferred outflows of resources	 <u>6,554,394</u>	 <u>2,287,111</u>	 <u>8,841,505</u>

**CITY OF ASHLAND**  
**STATEMENT OF NET POSITION (CONCLUDED)**  
**JUNE 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Accounts payable	1,295,464	888,304	2,183,768
Due to Board of Education	20,427	-	20,427
Payable to fiduciary fund	-	1,391,999	1,391,999
Other accrued expenses and liabilities	2,065,996	455,583	2,521,579
Deposits	-	555,403	555,403
Matured revenue bonds and notes	-	50,000	50,000
Accrued compensated absences, current	131,278	228,307	359,585
Current portion of long-term debt	366,523	1,227,319	1,593,842
Net pension liabilities	31,187,563	16,545,113	47,732,676
Accrued compensated absences, non-current	667,330	-	667,330
Capital lease obligations, non-current	5,021,245	1,231,249	6,252,494
Revenue and Improvement bonds, net of discounts	-	5,985,820	5,985,820
Kentucky Infrastructure Authority loans, non-current	-	7,048,712	7,048,712
General obligation bonds, non-current, plus premiums	2,208,710	-	2,208,710
	<u>42,964,536</u>	<u>35,607,809</u>	<u>78,572,345</u>
Total liabilities			
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred changes in proportionate share of liability	26,418	14,223	40,641
	<u>26,418</u>	<u>14,223</u>	<u>40,641</u>
Total deferred inflows of resources			
<b>NET POSITION</b>			
Net investment in capital assets	51,767,907	36,594,780	88,362,687
Restricted			
Capital projects	1,015,233	-	1,015,233
Debt service	-	1,182,163	1,182,163
Grant programs	312,823	-	312,823
Sewer improvements	-	6,329,291	6,329,291
Other	-	227,087	227,087
Unrestricted	(19,399,471)	(11,615,980)	(31,015,451)
	<u>\$ 33,696,492</u>	<u>\$ 32,717,341</u>	<u>\$ 66,413,833</u>
Total net position			

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, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 2,608,336	\$ 13,663,487	\$ 27,999	\$ -	\$ 11,083,150	\$ -	\$ 11,083,150
Finance	680,224	-	-	-	(680,224)	-	(680,224)
Public services	6,026,093	2,206,121	838,563	-	(2,981,409)	-	(2,981,409)
Planning and code enforcement	816,974	-	-	-	(816,974)	-	(816,974)
Police	5,744,758	-	65,147	-	(5,679,611)	-	(5,679,611)
Fire	6,811,004	-	22,700	-	(6,788,304)	-	(6,788,304)
Engineering	211,252	-	-	-	(211,252)	-	(211,252)
Community and cultural	3,495,752	273,087	3,205,884	-	(16,781)	-	(16,781)
Debt service - interest	269,266	-	-	-	(269,266)	-	(269,266)
Total governmental activities	<u>26,663,659</u>	<u>16,142,695</u>	<u>4,160,293</u>	<u>-</u>	<u>(6,360,671)</u>	<u>-</u>	<u>(6,360,671)</u>
<b>Business-Type Activities</b>							
Utilities	15,345,611	16,848,289	-	-	-	1,502,678	1,502,678
Recreation	985,140	57,692	1,000	-	-	(926,448)	(926,448)
Cemetery	313,839	129,940	-	-	-	(183,899)	(183,899)
Bus	1,201,653	57,221	260,406	275,650	-	(608,376)	(608,376)
Total business-type activities	<u>17,846,243</u>	<u>17,093,142</u>	<u>261,406</u>	<u>275,650</u>	<u>-</u>	<u>(216,045)</u>	<u>(216,045)</u>
Total primary government	<u>\$ 44,509,902</u>	<u>\$ 33,235,837</u>	<u>\$ 4,421,699</u>	<u>\$ 275,650</u>	<u>\$ (6,360,671)</u>	<u>\$ (216,045)</u>	<u>\$ (6,576,716)</u>
<b>General Revenues:</b>							
Property and other local taxes					\$ 8,248,971	\$ -	\$ 8,248,971
Interest income					2,494	39,030	41,524
Other revenues					<u>423,061</u>	<u>786,863</u>	<u>1,209,924</u>
Total general revenues					8,674,526	825,893	9,500,419
Transfers					<u>(1,538,299)</u>	<u>1,538,299</u>	<u>-</u>
Total general revenues and transfers					<u>7,136,227</u>	<u>2,364,192</u>	<u>9,500,419</u>
Change in net position					775,556	2,148,147	2,923,703
Net position, June 30, 2016, as restated					<u>32,920,936</u>	<u>30,569,194</u>	<u>63,490,130</u>
Net position, June 30, 2017					<u>\$ 33,696,492</u>	<u>\$ 32,717,341</u>	<u>\$ 66,413,833</u>

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

**CITY OF ASHLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

	Special Revenue Funds						Total Governmental Funds
	General	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	
<b>Assets</b>							
Cash	\$ 3,029,513	\$ 37,687	\$ 20,133	\$ 66,348	\$ 99,088	\$ -	\$ 3,252,769
Taxes receivable	3,045,988	-	202,798	-	-	-	3,248,786
Allowance for uncollectible taxes	(476,448)	-	(31,996)	-	-	-	(508,444)
Grants receivable	226,131	40,577	-	59,240	-	-	325,948
Due from other funds	2,863,338	-	-	-	-	1,220,454	4,083,792
Program receivables	34,207	-	-	-	-	-	34,207
Allowance for uncollectible accounts	(34,207)	-	-	-	-	-	(34,207)
Other receivables	384,575	-	1,068	-	67,870	-	453,513
Allowance for uncollectible accounts	-	-	-	-	(63,818)	-	(63,818)
Investments	8	-	-	-	-	-	8
Prepaid items	782,542	-	-	-	-	-	782,542
Inventories - supplies	105,000	-	-	-	-	-	105,000
<b>Total assets</b>	<b>\$ 9,960,647</b>	<b>\$ 78,264</b>	<b>\$ 192,003</b>	<b>\$ 125,588</b>	<b>\$ 103,140</b>	<b>\$ 1,220,454</b>	<b>\$ 11,680,096</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 330,411	\$ -	\$ 7,271	\$ 21,586	\$ 2,098	\$ 205,221	\$ 566,587
Due to other funds	2,979,102	39,365	7,224	35,848	6,520	-	3,068,059
Due to Board of Education	20,427	-	-	-	-	-	20,427
Accrued compensated absences	126,938	-	1,498	1,284	1,558	-	131,278
Accrued expenditures	663,101	-	2,583	1,433	6,272	-	673,389
<b>Total liabilities</b>	<b>4,119,979</b>	<b>39,365</b>	<b>18,576</b>	<b>60,151</b>	<b>16,448</b>	<b>205,221</b>	<b>4,459,740</b>
<b>Fund Balances:</b>							
Non-spendable	887,542	-	-	-	-	-	887,542
Restricted for grant programs	226,131	-	-	-	86,692	-	312,823
Assigned for capital projects	-	-	-	-	-	1,015,233	1,015,233
Assigned for special revenue funds	-	38,899	173,427	65,437	-	-	277,763
Unassigned	4,726,995	-	-	-	-	-	4,726,995
<b>Total fund balances</b>	<b>5,840,668</b>	<b>38,899</b>	<b>173,427</b>	<b>65,437</b>	<b>86,692</b>	<b>1,015,233</b>	<b>7,220,356</b>
<b>Total liabilities and fund balances</b>	<b>\$ 9,960,647</b>	<b>\$ 78,264</b>	<b>\$ 192,003</b>	<b>\$ 125,588</b>	<b>\$ 103,140</b>	<b>\$ 1,220,454</b>	<b>\$ 11,680,096</b>

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, 2017**

Total fund balance - total governmental funds \$ 7,220,356

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

Capital assets of \$120,584,220 net of accumulated depreciation of \$61,304,063 used in governmental activities are not financial resources and therefore are not reported in the governmental funds. 59,280,157

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

Note receivable	150,000	
Deferred savings from refunding bonds	84,228	234,228

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred differences in pension experience	324,516	
Deferred pension investment earnings	2,345,807	
Deferred changes in pension assumptions	1,523,955	
Deferred changes in proportionate share of liability	408,664	
Deferred pension contributions	1,840,806	6,443,748

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

Net pension liabilities	(31,187,563)	
Bonds payable	(2,338,710)	
Accrued interest payable	(30,626)	
Accrued compensated absences	(667,330)	
Capital lease obligations	(5,257,768)	(39,481,997)

Net position, end of year - Governmental Activities \$ 33,696,492

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, 2017**

	Special Revenue Funds						Total Governmental Funds
	General	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	
<b>Revenues</b>							
Property and other local taxes	\$ 7,975,054	\$ -	\$ 273,917	\$ -	\$ -	\$ -	\$ 8,248,971
Licenses and permits	11,745,526	-	-	-	-	-	11,745,526
Charges for services	2,206,121	-	-	-	-	-	2,206,121
Fees, fines and reimbursements	1,917,961	-	-	-	-	-	1,917,961
Grant income	517,809	436,600	-	579,686	2,626,198	-	4,160,293
Administration fee income	-	-	-	-	273,087	-	273,087
Interest income	2,235	19	70	-	170	-	2,494
Other income	403,652	-	9,000	10,409	-	-	423,061
<b>Total revenues</b>	<b>24,768,358</b>	<b>436,619</b>	<b>282,987</b>	<b>590,095</b>	<b>2,899,455</b>	<b>-</b>	<b>28,977,514</b>
<b>Expenditures</b>							
General government	2,755,254	-	-	-	-	716	2,755,970
Finance	621,850	-	-	-	-	-	621,850
Public services	4,913,789	790,015	182,857	-	-	-	5,886,661
Planning and code enforcement	746,064	-	-	-	-	-	746,064
Police	5,126,462	-	-	-	-	-	5,126,462
Fire	6,078,866	-	-	-	-	-	6,078,866
Engineering	146,719	-	-	-	-	-	146,719
Community and cultural	-	-	-	590,095	2,861,047	-	3,451,142
Capital outlay	-	-	-	-	-	1,275,238	1,275,238
Debt service:							
Principal retirement	358,320	-	-	-	-	-	358,320
Interest charges	269,586	-	-	-	-	-	269,586
<b>Total expenditures</b>	<b>21,016,910</b>	<b>790,015</b>	<b>182,857</b>	<b>590,095</b>	<b>2,861,047</b>	<b>1,275,954</b>	<b>26,716,878</b>
Excess (deficiency) of Revenues Over (Under) Expenditures	3,751,448	(353,396)	100,130	-	38,408	(1,275,954)	2,260,636
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	-	-	-	-	1,930,115	1,930,115
Transfers out	(3,468,414)	-	-	-	-	-	(3,468,414)
<b>Total other financing sources (uses)</b>	<b>(3,468,414)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,930,115</b>	<b>(1,538,299)</b>
<b>Net change in fund balances</b>	<b>283,034</b>	<b>(353,396)</b>	<b>100,130</b>	<b>-</b>	<b>38,408</b>	<b>654,161</b>	<b>722,337</b>
Fund balances beginning of year	5,557,634	392,295	73,297	65,437	48,284	361,072	6,498,019
Fund balances end of year	<u>\$ 5,840,668</u>	<u>\$ 38,899</u>	<u>\$ 173,427</u>	<u>\$ 65,437</u>	<u>\$ 86,692</u>	<u>\$ 1,015,233</u>	<u>\$ 7,220,356</u>

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



**CITY OF ASHLAND  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Net change in fund balances - total governmental funds \$ 722,337

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

Capital outlay	2,964,351	
Depreciation expense	<u>(2,426,355)</u>	537,996

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		121,776
Amortization of deferred savings from refunding bonds		(6,876)
Amortization of bond discounts and premiums		5,563
Accrued interest payable		1,633

Governmental funds report pension contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.

Net change in Police & Firefighters pension liability	725,727	
CERS contributions	115,997	
CERS pension expense	<u>(1,762,813)</u>	(921,089)

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. 358,320

Losses on disposal of capital assets are not recognized in the fund financial statements. However, in the statement of activities, these losses are recognized. (44,104)

Change in net position of governmental activities \$ 775,556

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

**CITY OF ASHLAND**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**

	Business-Type Activities				Total	Governmental
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		Activity - Internal Service Fund
<b>ASSETS</b>						
Unrestricted Assets:						
Cash and cash equivalents	\$ 3,216,052	\$ 120,041	\$ 44,273	\$ 37,731	\$ 3,418,097	\$ 317,866
Accounts receivable	2,767,130	216	383	4,885	2,772,614	43,523
Allowance for doubtful accounts	(102,307)	-	-	-	(102,307)	-
Due from other funds	-	-	-	29,179	29,179	1,729,469
Grants receivable - capital	-	114,117	-	-	114,117	-
Grants receivable - operating	-	-	-	-	-	-
Prepaid expenses	82,029	-	-	-	82,029	-
Inventories -						
Repair parts and supplies	629,203	47,455	11,724	-	688,382	-
Lots and vaults	-	-	-	1,532,180	1,532,180	-
<b>Total unrestricted assets</b>	<b>6,592,107</b>	<b>281,829</b>	<b>56,380</b>	<b>1,603,975</b>	<b>8,534,291</b>	<b>2,090,858</b>
Restricted Assets:						
Cash and cash equivalents	6,308,214	-	-	37,087	6,345,301	-
Investments -						
Certificates of deposit	2,906,301	-	190,000	-	3,096,301	-
Money market mutual fund	16	-	-	-	16	-
<b>Total restricted assets</b>	<b>9,214,531</b>	<b>-</b>	<b>190,000</b>	<b>37,087</b>	<b>9,441,618</b>	<b>-</b>
<b>Total current assets</b>	<b>15,806,638</b>	<b>281,829</b>	<b>246,380</b>	<b>1,641,062</b>	<b>17,975,909</b>	<b>2,090,858</b>
Capital Assets:						
Land and easements	363,225	-	58,223	18,453	439,901	-
Utility plant	93,440,011	-	-	-	93,440,011	-
Buildings and improvements	670,667	1,498,076	100,529	2,312,809	4,582,081	-
Operating equipment	4,845,608	1,123,900	955,666	66,150	6,991,324	-
Office and computer equipment	332,517	31,829	5,320	-	369,666	-
Construction in progress	2,236,039	-	13,935	-	2,249,974	-
	101,888,067	2,653,805	1,133,673	2,397,412	108,072,957	-
Less: Accumulated depreciation	(55,334,163)	(1,410,922)	(655,413)	(399,283)	(57,799,781)	-
<b>Total capital assets - net</b>	<b>46,553,904</b>	<b>1,242,883</b>	<b>478,260</b>	<b>1,998,129</b>	<b>50,273,176</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>46,553,904</b>	<b>1,242,883</b>	<b>478,260</b>	<b>1,998,129</b>	<b>50,273,176</b>	<b>-</b>
<b>Total assets</b>	<b>62,360,542</b>	<b>1,524,712</b>	<b>724,640</b>	<b>3,639,191</b>	<b>68,249,085</b>	<b>2,090,858</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred savings from refunding bonds	161,627	-	-	-	161,627	-
Deferred differences in pension experience	33,278	4,680	2,909	915	41,782	-
Deferred pension investment earnings	716,586	100,787	62,640	19,695	899,708	-
Deferred changes in pension assumptions	403,795	56,794	35,298	11,098	506,985	-
Deferred changes in proportionate share of liability	71,432	10,047	6,244	1,963	89,686	-
Deferred pension contributions	467,782	65,793	40,891	12,857	587,323	-
<b>Total deferred outflows of resources</b>	<b>1,854,500</b>	<b>238,101</b>	<b>147,982</b>	<b>46,528</b>	<b>2,287,111</b>	<b>-</b>

	Business-Type Activities				Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		
<b>LIABILITIES</b>						
Current liabilities (payable from current assets):						
Accounts payable	\$ 795,682	\$ 46,848	\$ 42,508	\$ 3,266	\$ 888,304	\$ 728,877
Due to other funds	2,866,867	427,534	294,422	-	3,588,823	-
Accrued compensated absences	165,645	32,726	23,952	5,984	228,307	-
Other accrued liabilities	339,356	57,207	17,169	41,851	455,583	1,361,981
Customer deposits	-	-	-	-	-	-
Total current liabilities (payable from current assets)	4,167,550	564,315	378,051	51,101	5,161,017	2,090,858
Current liabilities (payable from restricted assets):						
Matured revenue bonds and notes	50,000	-	-	-	50,000	-
Customer deposits	555,402	-	-	-	555,402	-
Current portion of capital lease obligations	102,084	-	-	-	102,084	-
Current portion of Revenue and Improvement bonds	620,000	-	-	-	620,000	-
Current portion of Kentucky Infrastructure Authority loans	505,235	-	-	-	505,235	-
Total current liabilities (payable from restricted assets)	1,832,721	-	-	-	1,832,721	-
Total current liabilities	6,000,271	564,315	378,051	51,101	6,993,738	2,090,858
Long-term liabilities:						
Capital lease obligations	1,231,249	-	-	-	1,231,249	-
Revenue and Improvement bonds, net of discount and premium	5,985,820	-	-	-	5,985,820	-
Kentucky Infrastructure Authority loans	7,048,712	-	-	-	7,048,712	-
Net pension liabilities	14,593,643	985,777	795,264	170,429	16,545,113	-
Total long-term liabilities	28,859,424	985,777	795,264	170,429	30,810,894	-
Total liabilities	34,859,695	1,550,092	1,173,315	221,530	37,804,632	2,090,858
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred changes in proportionate share of liability	11,328	1,593	990	312	14,223	-
Total deferred inflows of resources	11,328	1,593	990	312	14,223	-
<b>NET POSITION</b>						
Net investment in capital assets	32,875,508	1,242,883	478,260	1,998,129	36,594,780	-
Restricted for debt service	1,182,163	-	-	-	1,182,163	-
Restricted for sewer improvements	6,329,291	-	-	-	6,329,291	-
Other	-	-	190,000	37,087	227,087	-
Unrestricted	(11,042,943)	(1,031,755)	(969,943)	1,428,661	(11,615,980)	-
Total net position	\$ 29,344,019	\$ 211,128	\$ (301,683)	\$ 3,463,877	\$ 32,717,341	\$ -

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, 2017**

	Business-Type Activities				Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		
<b>OPERATING REVENUES</b>						
Residential and commercial meter sales	\$ 4,177,403	\$ -	\$ -	\$ -	\$ 4,177,403	\$ -
Sewer service	7,343,867	-	-	-	7,343,867	-
Industrial meter sales	3,396,786	-	-	-	3,396,786	-
Other municipalities	1,653,817	-	-	-	1,653,817	-
Industrial pretreatment	98,758	-	-	-	98,758	-
Water and sewer taps	177,658	-	-	-	177,658	-
Concession sales	-	-	24,377	-	24,377	-
Lot and vault sales	-	-	-	51,690	51,690	-
Opening and closing fees	-	-	-	78,250	78,250	-
Passenger fares	-	57,221	-	-	57,221	-
Admission fees	-	-	33,315	-	33,315	-
Premium charges	-	-	-	-	-	6,522,337
Miscellaneous	763,000	11,480	400	11,983	786,863	-
Total operating revenues	<u>17,611,289</u>	<u>68,701</u>	<u>58,092</u>	<u>141,923</u>	<u>17,880,005</u>	<u>6,522,337</u>
<b>OPERATING EXPENSES</b>						
Administration - Director	277,911	-	-	-	277,911	-
Administration - Cashier	958,998	-	-	-	958,998	-
Water - Production	2,659,176	-	-	-	2,659,176	-
Water - Distribution	3,403,316	-	-	-	3,403,316	-
Sewer - Pretreatment	1,776,560	-	-	-	1,776,560	-
Sewer - Collection	1,416,964	-	-	-	1,416,964	-
Depreciation	2,312,034	136,599	47,985	51,462	2,548,080	-
Insurance	200,953	23,537	21,216	6,264	251,970	-
Other operating expenses	1,886,857	513,691	411,987	93,168	2,905,703	7,342
Salaries	-	466,493	318,216	100,006	884,715	-
Utilities	-	31,531	115,972	14,085	161,588	-
Operating supplies	-	29,802	69,764	48,854	148,420	-
Premiums and claims	-	-	-	-	-	6,515,197
Total operating expenses	<u>14,892,769</u>	<u>1,201,653</u>	<u>985,140</u>	<u>313,839</u>	<u>17,393,401</u>	<u>6,522,539</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,718,520</u>	<u>(1,132,952)</u>	<u>(927,048)</u>	<u>(171,916)</u>	<u>486,604</u>	<u>(202)</u>
<b>NON-OPERATING REVENUES</b>						
<b>(EXPENSES)</b>						
Interest income	37,296	132	1,518	84	39,030	202
Grant income	-	260,406	1,000	-	261,406	-
Interest on revenue bonds and notes	(452,842)	-	-	-	(452,842)	-
Total non-operating revenues (expenses)	<u>(415,546)</u>	<u>260,538</u>	<u>2,518</u>	<u>84</u>	<u>(152,406)</u>	<u>202</u>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<u>2,302,974</u>	<u>(872,414)</u>	<u>(924,530)</u>	<u>(171,832)</u>	<u>334,198</u>	<u>-</u>
<b>TRANSFERS</b>						
From General Fund	-	552,238	863,810	122,251	1,538,299	-
Total transfers in	<u>-</u>	<u>552,238</u>	<u>863,810</u>	<u>122,251</u>	<u>1,538,299</u>	<u>-</u>
<b>CAPITAL CONTRIBUTIONS</b>						
Federal/state grants	-	275,650	-	-	275,650	-
Total capital contributions	<u>-</u>	<u>275,650</u>	<u>-</u>	<u>-</u>	<u>275,650</u>	<u>-</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>2,302,974</u>	<u>(44,526)</u>	<u>(60,720)</u>	<u>(49,581)</u>	<u>2,148,147</u>	<u>-</u>
<b>NET POSITION, JUNE 30, 2016, as restated</b>	<u>27,041,045</u>	<u>255,654</u>	<u>(240,963)</u>	<u>3,513,458</u>	<u>30,569,194</u>	<u>-</u>
<b>NET POSITION, JUNE 30, 2017</b>	<u>\$ 29,344,019</u>	<u>\$ 211,128</u>	<u>\$ (301,683)</u>	<u>\$ 3,463,877</u>	<u>\$ 32,717,341</u>	<u>\$ -</u>

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

**CITY OF ASHLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Business-Type Activities				Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 16,727,333	\$ 57,017	\$ 57,435	\$ 126,292	\$ 16,968,077	\$ -
Cash payments to suppliers for goods and services	(3,627,953)	(743,901)	(490,701)	(86,121)	(4,948,676)	(7,342)
Cash payments to employees	(4,443,323)	(366,327)	(248,360)	(92,320)	(5,150,330)	-
Other operating revenues	763,000	11,480	400	11,983	786,863	-
Payments for internal services	(1,506,911)	(213,521)	(167,616)	(54,333)	(1,942,381)	-
Cash received for internal services	-	-	-	-	-	6,488,314
Payments for premiums and claims	-	-	-	-	-	(6,535,413)
Net cash provided by (used for) operating activities	<u>7,912,146</u>	<u>(1,255,252)</u>	<u>(848,842)</u>	<u>(94,499)</u>	<u>5,713,553</u>	<u>(54,441)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Grant income	-	587,676	1,000	-	588,676	-
Transfers from other funds	-	552,238	863,810	122,251	1,538,299	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>1,139,914</u>	<u>864,810</u>	<u>122,251</u>	<u>2,126,975</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	(2,683,065)	(171,095)	(13,935)	-	(2,868,095)	-
Proceeds from sale of assets	-	359	-	-	359	-
Principal paid on bonds, notes, and lease obligations	(2,095,436)	-	-	-	(2,095,436)	-
Interest paid on bonds, notes, and lease obligations	(452,842)	-	-	-	(452,842)	-
Capital grants received	-	311,409	-	-	311,409	-
Net cash provided by (used for) capital and related financing activities	<u>(5,231,343)</u>	<u>140,673</u>	<u>(13,935)</u>	<u>-</u>	<u>(5,104,605)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Withdrawal of investment securities	(12,809)	-	-	-	(12,809)	-
Investment income	37,296	132	1,518	84	39,030	202
Net cash provided by investing activities	<u>24,487</u>	<u>132</u>	<u>1,518</u>	<u>84</u>	<u>26,221</u>	<u>202</u>
Net increase (decrease) in cash and cash equivalents	2,705,290	25,467	3,551	27,836	2,762,144	(54,239)
Cash and cash equivalents, June 30, 2016	<u>6,818,992</u>	<u>94,574</u>	<u>40,722</u>	<u>46,982</u>	<u>7,001,270</u>	<u>372,105</u>
Cash and cash equivalents, June 30, 2017	<u>\$ 9,524,282</u>	<u>\$ 120,041</u>	<u>\$ 44,273</u>	<u>\$ 74,818</u>	<u>\$ 9,763,414</u>	<u>\$ 317,866</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 2,718,520	\$ (1,132,952)	\$ (927,048)	\$ (171,916)	\$ 486,604	\$ (202)
Adjustments:						
Depreciation	2,312,034	136,599	47,985	51,462	2,548,080	-
Amortization	22,146	-	-	-	22,146	-
Net pension adjustment	(76,877)	78,663	71,396	7,165	80,347	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(24,914)	(204)	(257)	(3,648)	(29,023)	(35,942)
(Increase) decrease in inventories	(170,424)	(29,443)	(4,054)	37,700	(166,221)	-
(Increase) decrease in prepaid expenses	119	-	-	-	119	-
(Increase) decrease in due from other funds	727,444	-	-	(13,717)	713,727	1,919
Increase (decrease) in accounts payable	302,179	(54,278)	8,820	(2,066)	254,655	40,631
Increase (decrease) in due to other funds	2,214,587	(275,140)	(44,144)	-	1,895,303	-
Increase (decrease) in compensated absences	(28,173)	3,451	(3,970)	699	(27,993)	-
Increase (decrease) in other accrued liabilities	11,547	18,052	2,430	(178)	31,851	(60,847)
Increase (decrease) in customer deposits	(96,042)	-	-	-	(96,042)	-
Net cash provided by (used for) operating activities	<u>\$ 7,912,146</u>	<u>\$ (1,255,252)</u>	<u>\$ (848,842)</u>	<u>\$ (94,499)</u>	<u>\$ 5,713,553</u>	<u>\$ (54,441)</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, 2017**

	<u>Pension Trust Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ -
Accrued interest receivable	752
Due from other funds	1,391,999
Investments, at fair value	
Certificates of deposit	<u>2,026,480</u>
 Total assets	 <u>3,419,231</u>
 <b>LIABILITIES</b>	
Due to other funds	<u>577,558</u>
 Total liabilities	 <u>577,558</u>
 <b>NET POSITION - RESTRICTED FOR PENSION BENEFITS</b>	
	 <u><u>\$ 2,841,673</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, 2017**

	<u>Pension Trust Funds</u>
ADDITIONS:	
CONTRIBUTIONS	
Employer	<u>\$ 1,156,850</u>
Total contributions	<u>1,156,850</u>
INVESTMENT INCOME	
Interest income	<u>15,620</u>
Total investment income	<u>15,620</u>
Total additions	<u>1,172,470</u>
DEDUCTIONS:	
Benefits	1,206,478
Administrative expenses	<u>6,982</u>
Total deductions	<u>1,213,460</u>
NET DECREASE	(40,990)
NET POSITION - RESTRICTED FOR PENSION BENEFITS:	
Beginning of year	<u>2,882,663</u>
End of year	<u><u>\$ 2,841,673</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, 2017**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ 7,440,867	\$ 210,599	\$ 7,651,466	\$ 7,975,054	\$ 323,588
Licenses and permits	11,621,425	30,000	11,651,425	11,745,526	94,101
Charges for services	2,230,500	-	2,230,500	2,206,121	(24,379)
Fees, fines and reimbursements	1,831,040	-	1,831,040	1,917,961	86,921
Interest income	2,100	-	2,100	2,235	135
Grant income	17,500	451,659	469,159	517,809	48,650
Other income	188,700	209,655	398,355	403,652	5,297
<b>Total revenues</b>	<u>23,332,132</u>	<u>901,913</u>	<u>24,234,045</u>	<u>24,768,358</u>	<u>534,313</u>
<b>Expenditures</b>					
General government	2,259,301	50,000	2,309,301	2,755,254	(445,953)
Finance	622,896	-	622,896	621,850	1,046
Public services	5,058,865	152,991	5,211,856	4,913,789	298,067
Planning and code enforcement	770,544	-	770,544	746,064	24,480
Police	5,266,211	13,638	5,279,849	5,126,462	153,387
Fire	5,968,551	25,000	5,993,551	6,078,866	(85,315)
Engineering	150,092	-	150,092	146,719	3,373
Debt service:					
Principal retirement	437,821	-	437,821	358,320	79,501
Interest and fiscal charges	260,200	-	260,200	269,586	(9,386)
<b>Total expenditures</b>	<u>20,794,481</u>	<u>241,629</u>	<u>21,036,110</u>	<u>21,016,910</u>	<u>19,200</u>
Excess of Revenues Over (Under) Expenditures	<u>2,537,651</u>	<u>660,284</u>	<u>3,197,935</u>	<u>3,751,448</u>	<u>553,513</u>
<b>Other Financing Sources (Uses)</b>					
Transfers out	<u>(2,537,651)</u>	<u>(965,152)</u>	<u>(3,502,803)</u>	<u>(3,468,414)</u>	<u>34,389</u>
<b>Total other financing sources (uses)</b>	<u>(2,537,651)</u>	<u>(965,152)</u>	<u>(3,502,803)</u>	<u>(3,468,414)</u>	<u>34,389</u>
Net change in fund balance	-	(304,868)	(304,868)	283,034	587,902
Fund balance beginning of year	5,557,634	-	5,557,634	5,557,634	-
Fund balance end of year	<u>\$ 5,557,634</u>	<u>\$ (304,868)</u>	<u>\$ 5,252,766</u>	<u>\$ 5,840,668</u>	<u>\$ 587,902</u>

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



**CITY OF ASHLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**MUNICIPAL AID ROAD FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	440,000	-	440,000	436,600	(3,400)
Administration fee income	-	-	-	-	-
Interest income	15	-	15	19	4
Other income	-	-	-	-	-
<b>Total revenues</b>	<b>440,015</b>	<b>-</b>	<b>440,015</b>	<b>436,619</b>	<b>(3,396)</b>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	440,015	350,000	790,015	790,015	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>440,015</b>	<b>350,000</b>	<b>790,015</b>	<b>790,015</b>	<b>-</b>
Excess of Revenues Over (Under) Expenditures	-	(350,000)	(350,000)	(353,396)	(3,396)
<b>Other Financing Sources (Uses)</b>					
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balance	-	(350,000)	(350,000)	(353,396)	(3,396)
Fund balance beginning of year	392,295	-	392,295	392,295	-
Fund balance end of year	<u>\$ 392,295</u>	<u>\$ (350,000)</u>	<u>\$ 42,295</u>	<u>\$ 38,899</u>	<u>\$ (3,396)</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, 2017**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	1,006,850	-	1,006,850	579,686	(427,164)
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	10,409	10,409
<b>Total revenues</b>	<b>1,006,850</b>	<b>-</b>	<b>1,006,850</b>	<b>590,095</b>	<b>(416,755)</b>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	1,006,850	-	1,006,850	590,095	416,755
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>1,006,850</b>	<b>-</b>	<b>1,006,850</b>	<b>590,095</b>	<b>416,755</b>
Excess of Revenues Over (Under) Expenditures	-	-	-	-	-
<b>Other Financing Sources (Uses)</b>					
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	65,437	-	65,437	65,437	-
Fund balance end of year	<u>\$ 65,437</u>	<u>\$ -</u>	<u>\$ 65,437</u>	<u>\$ 65,437</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, 2017**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	2,397,996	-	2,397,996	2,626,198	228,202
Administration fee income	255,744	-	255,744	273,087	17,343
Interest income	150	-	150	170	20
Other income	-	-	-	-	-
<b>Total revenues</b>	<u>2,653,890</u>	<u>-</u>	<u>2,653,890</u>	<u>2,899,455</u>	<u>245,565</u>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	2,653,890	-	2,653,890	2,861,047	(207,157)
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<u>2,653,890</u>	<u>-</u>	<u>2,653,890</u>	<u>2,861,047</u>	<u>(207,157)</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,408</u>	<u>38,408</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	38,408	38,408
Fund balance beginning of year	<u>48,284</u>	<u>-</u>	<u>48,284</u>	<u>48,284</u>	<u>-</u>
Fund balance end of year	<u>\$ 48,284</u>	<u>\$ -</u>	<u>\$ 48,284</u>	<u>\$ 86,692</u>	<u>\$ 38,408</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, 2017**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ 241,189	\$ -	\$ 241,189	\$ 273,917	\$ 32,728
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	25	-	25	70	45
Other income	-	-	-	9,000	9,000
<b>Total revenues</b>	<b>241,214</b>	<b>-</b>	<b>241,214</b>	<b>282,987</b>	<b>41,773</b>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	241,214	-	241,214	182,857	58,357
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>241,214</b>	<b>-</b>	<b>241,214</b>	<b>182,857</b>	<b>58,357</b>
Excess of Revenues Over (Under) Expenditures	-	-	-	100,130	100,130
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balance	-	-	-	100,130	100,130
Fund balance beginning of year	73,297	-	73,297	73,297	-
Fund balance end of year	<u>\$ 73,297</u>	<u>\$ -</u>	<u>\$ 73,297</u>	<u>\$ 173,427</u>	<u>\$ 100,130</u>

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

**CITY OF ASHLAND**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**(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, 2017 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.

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

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

The City reports the following major Proprietary Funds:

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

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

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

1. Prior to May 1, the City Manager obtains estimates from the department heads in order to prepare the proposed budget.
2. Prior to June 30, the City Manager submits to the City Commission a proposed budget for the fiscal year commencing the following July 1. The proposed budget includes proposed operating and capital expenditures and the means of financing them.
3. Public hearings are conducted at commission meetings in order to review the proposed budget and to obtain comments from taxpayers and other interested parties.

4. Prior to the first day beginning the fiscal year, the budget is legally adopted through the passage of an ordinance for the General Fund, all Special Revenue Funds, Capital Projects Funds and all Enterprise Funds, and a separate budgetary report is prepared for utilization by the City, and for informational purposes for the general public.
5. The City Manager is authorized to transfer budgeted amounts within departments of any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Commission. Therefore, the level of control on budgetary items is maintained at the department level.
6. Budgets for the General, Special Revenue and Capital Projects Funds are adopted on the modified accrual basis. Budgets for all Enterprise Funds are adopted on the accrual basis. Both methods are consistent with Generally Accepted Accounting Principles (GAAP). Budgeted amounts are as originally adopted, or as amended periodically by the City Commission. Departmental revisions were not material in relation to the original appropriations which were amended. All appropriations lapse at the end of the fiscal year, even if encumbered.

**D. Deposits and Investments**

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

At June 30, 2017, the City's investments consist of certificate of deposits and money market funds, which are valued at cost.

**E. Inventories**

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

**F. Capital Assets and Depreciation**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value as of the date received. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated with the exception of land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Estimated Lives</u>
Utility plants in service	5-50 years
Buildings and improvements	5-20 years
Operating equipment	3-10 years
Automotive equipment	3-7 years



Office furniture and equipment	3-20 years
Bus system equipment	5-10 years
Recreation equipment	5-25 years
Infrastructure	20-30 years

The City is required by GASB 34 to retroactively report all major general infrastructure assets for fiscal years beginning after June 15, 2006. The City elected to adopt the requirements of GASB 34 concerning infrastructure assets in the 2006 fiscal year. General infrastructure assets acquired prior to March 10, 2006 are reported at historical estimated cost or deflated replacement cost. Infrastructure assets acquired after March 10, 2006 are reported at cost.

#### **G. Encumbrances**

Encumbrance accounting is used by the City whereby purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balances in the General, Special Revenue, Enterprise and Capital Projects Funds, since the encumbrances do not constitute expenditures or liabilities, even though the City intends to honor those commitments. At June 30, 2017, there were no significant encumbrances.

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

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

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

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

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

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

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

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

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

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

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

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

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

The City is self-insured for health and accident claims for employees and eligible retirees as more fully described in Notes 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, and actuarial assumptions used in determining pension costs. Actual results could differ from estimated amounts.

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

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

#### **Q. Reclassifications**

Certain reclassifications have been made to June 30, 2016 information to conform to the 2017 presentation.

#### **R. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

#### **S. Pension**

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## T. Recent Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 75"). GASB 75 replaces Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures for other postemployment benefits ("OPEB"). In addition, GASB 75 details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. GASB 75 will be effective for the City beginning with its year ending June 30, 2018.

In March 2016, the GASB issued Statement No. 82, *Pension Issues* ("GASB 82"). GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements that arose during the implementation of GASB Statement No. 68. The adoption of this standard did not have a material effect on the City's financial statements.

In February 2017, the GASB issued Statement No. 84, *Fiduciary Activities* ("GASB 84"). GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. Additionally, GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust, or an equivalent arrangement, that meets specific criteria. Finally, it provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be effective for the City beginning with its year ending June 30, 2020.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017* ("GASB 85"), which seeks to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. GASB 85 addresses several topics, including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (i.e., pensions and other post-employment benefits (OPEB)). In particular, this Statement covers:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and "negative" goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

GASB 85 will be effective for the City beginning with its year ending June 30, 2018.

In May 2017, the GASB issued Statement No. 86, Certain Debt Extinguishment Issues (“GASB 86”), which seeks to (1) improve consistency in accounting and financial reporting for certain debt extinguishments and (2) enhance the decision-usefulness of such information. GASB 86 establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources (i.e., resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the purpose of extinguishing debt. Additionally, it amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an in-substance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, GASB 86 establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. GASB 86 will be effective for the City beginning with its year ending June 30, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases* (“GASB 87”), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the City beginning with its year ending June 30, 2021 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

### (3) DEPOSITS AND INVESTMENTS

#### Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City’s deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City requires deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). The City does not have a formal policy regarding custodial credit risk.

At June 30, 2017, the carrying amounts of the City's deposits held in banks were \$18,452,014 and the bank balances were \$20,407,189. 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, 2017, the City had the following investments and maturities:

Investment Type -	Investment Maturities (in years)				
	Balance	Less than 1	1 - 5	6 - 10	More than 10
<b>General Fund</b>					
Money Market	\$ 8	\$ 8	\$ -	\$ -	\$ -
Mutual Fund					
<b>Utility Fund</b>					
Money Market					
Mutual Fund	16	16	-	-	-
Certificates of Deposit	2,906,301	2,906,301	-	-	-
<b>Recreation Fund</b>					
Certificates of Deposit	190,000	-	190,000	-	-

**Fiduciary Funds**

Certificates of Deposit	2,026,480	2,026,480	-	-	-
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Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City may invest their monies in interest-bearing bonds of any county, urban-county government or city in the State of Kentucky, or in any securities in which trustees are permitted to invest trust funds under the laws of the State of Kentucky, including participation in a local government pension investment fund created pursuant to KRS 95.895. The money market mutual fund invests only in U.S. Treasury Obligations, which include securities issued or guaranteed by the U.S. Treasury where the payment of principal and interest is backed by the full faith and credit of the U.S. government.

**(4) PROPERTY TAX REVENUES**

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the City.

Real property, tangible and public utility property taxes are levied prior to June 30 of each year based upon the assessed value as of January 1. Per KRS 91.487, the lien date for assessed taxes is January 1 of each fiscal year. The City imposes penalties of 10% and interest of 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 2017 assessed value for real property and tangible property was \$889,786,675 and \$108,783,431, respectively. The tax rate adopted was \$.2853 per \$100 valuation.

**(5) GRANTS RECEIVABLE**

Grants receivable from other governmental units as of June 30, 2017, are as follows:

General Fund -	
Kentucky Transportation Cabinet	\$ 1,232
Homeland Security Grant	22,700
Safe Route to Schools Grant	202,199
	<u>226,131</u>
Special Revenue Funds -	
Municipal Aid Road Fund	40,577
Community Development Fund, program allocation	59,240
	<u>99,817</u>
Enterprise Funds -	
Ashland Bus System - FTA capital	<u>114,117</u>
	<u>\$ 440,065</u>

**(6) CAPITAL ASSETS**

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

	Balance June 30, 2016	Additions	Deductions	Transfers	Balance June 30, 2017
<b><u>Governmental Activities</u></b>					
<b>Capital Assets, Not Depreciated:</b>					
Land	\$ 18,936,298	\$ -	\$ -	\$ -	\$ 18,936,298
Construction in progress	532,060	53,583	(532,060)	-	53,583
<b>Capital Assets, Depreciated:</b>					
Buildings	9,085,773	-	-	-	9,085,773
Building improvements	3,225,561	18,300	-	-	3,243,861
Automotive equipment	3,482,613	823,809	(114,771)	(33,724)	4,157,927
Office furniture and equipment	504,437	40,420	-	-	544,857
Operating equipment	3,946,601	830,469	(133,352)	-	4,643,718
Capital improvements	728,820	13,350	-	-	742,170
Infrastructure	77,459,553	1,716,480	-	-	79,176,033
Totals	<u>117,901,716</u>	<u>3,496,411</u>	<u>(780,183)</u>	<u>(33,724)</u>	<u>120,584,220</u>
Less: accumulated depreciation					
Buildings	2,244,111	182,142	-	-	2,426,253
Building improvements	2,062,042	90,881	-	-	2,152,923
Automotive equipment	2,840,792	140,859	(70,668)	(33,724)	2,877,259
Office furniture and equipment	425,769	17,996	-	-	443,765
Operating equipment	2,763,554	176,221	(133,351)	-	2,806,424
Capital improvements	264,265	36,346	-	-	300,611
Infrastructure	48,514,918	1,781,910	-	-	50,296,828
Total accumulated depreciation	<u>59,115,451</u>	<u>2,426,355</u>	<u>(204,019)</u>	<u>(33,724)</u>	<u>61,304,063</u>
<b>Governmental Activities</b>					
<b>Capital Assets - Net</b>	<u>\$ 58,786,265</u>	<u>\$ 1,070,056</u>	<u>\$ (576,164)</u>	<u>\$ -</u>	<u>\$ 59,280,157</u>
<b><u>Business-type Activities</u></b>					
<b>Capital Assets, Not Depreciated:</b>					
Land	\$ 435,601	\$ 4,300	\$ -	\$ -	\$ 439,901
Construction in progress	1,019,513	1,230,461	-	-	2,249,974
<b>Capital Assets, Depreciated:</b>					
Buildings	3,846,513	-	-	-	3,846,513
Building improvements	727,634	7,934	-	-	735,568
Utility and sewage plants	92,482,829	957,182	-	-	93,440,011
Automotive equipment	2,323,529	268,916	(240,650)	33,724	2,385,519
Office furniture and equipment	254,921	195,021	(80,276)	-	369,666
Operating equipment	3,613,286	204,281	(7,400)	-	3,810,167
Recreation equipment	271,099	-	-	-	271,099
Capital improvement	524,539	-	-	-	524,539
Totals	<u>105,499,464</u>	<u>2,868,095</u>	<u>(328,326)</u>	<u>33,724</u>	<u>108,072,957</u>
Less: accumulated depreciation					
Buildings	1,110,862	89,646	-	-	1,200,508
Building improvements	475,130	29,891	-	-	505,021
Utility and sewage plants	49,560,562	2,025,699	-	-	51,586,261
Automotive equipment	1,415,376	184,732	(240,291)	33,724	1,393,541
Office furniture and equipment	224,657	25,374	(80,276)	-	169,755
Operating equipment	2,337,632	157,714	(7,400)	-	2,487,946
Recreation equipment	220,897	4,841	-	-	225,738
Capital improvements	200,828	30,183	-	-	231,011
Total accumulated depreciation	<u>55,545,944</u>	<u>2,548,080</u>	<u>(327,967)</u>	<u>33,724</u>	<u>57,799,781</u>
<b>Business-type Activities</b>					
<b>Capital Assets - Net</b>	<u>\$ 49,953,520</u>	<u>\$ 320,015</u>	<u>\$ (359)</u>	<u>\$ -</u>	<u>\$ 50,273,176</u>

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

Governmental activities:	
General government	\$ 485,643
Finance	367
Public services	1,522,441
Planning and code enforcement	8,640
Police	183,406
Fire	152,065
Engineering	54,495
Community and cultural	19,298
	<u>\$ 2,426,355</u>
Business-type activities:	
Utilities	\$ 2,312,034
Bus	136,599
Recreation	47,985
Cemetery	51,462
	<u>\$ 2,548,080</u>

**(7) RETIREMENT PLANS**

Net pension liabilities of the City as of June 30, 2017 are as follows:

Governmental activities:	
Policemen and Firefighters Pension Fund	\$ 3,671,629
County Employees Retirement System	
Nonhazardous	6,994,528
Hazardous	20,521,406
	<u>\$ 31,187,563</u>
Business-type activities:	
Utility Employees Pension Fund	\$ 7,431,279
County Employees Retirement System	
Nonhazardous	9,113,834
	<u>\$ 16,545,113</u>

**Single Employer Plans**

**Plan Descriptions, Contribution Information and Funding Policies**

The City of Ashland contributes to two single-employer, public employee retirement plans. Assets are held separately and may be used only for the payment of benefits to the members of the respective plans, as follows:

**Utility Pension Fund (UPF)**

The City of Ashland Utilities Employee's Pension Plan provides retirement benefits to City utility department employees in classified positions under civil service. The plan is closed to new participants and at June 30, 2017, there were no active employees participating in UPF. Unless otherwise indicated, UPF information in this Note is provided as of the latest actuarial valuation date, June 30, 2017.

**Policemen and Firefighters Pension Fund (PFPF):**

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

The plan was frozen effective August 1, 1988. Policemen and firefighters hired after that date are required to participate in CERS. The plan is closed to new participants and at June 30, 2017, there were no active employees participating in PFPF. Unless otherwise indicated, PFPF information in this note is provided as of the latest actuarial valuation date, June 30, 2016, with an update to roll forward information to June 30, 2017.

## Financial Statements

A separate audited financial statement is not available for the UPF and PFPF. The following is the statement of net position and the statement of changes in net position for the UPF and PFPF:

	PENSION TRUST FUNDS		
	Utility Pension Fund	Policemen & Firefighters Pension Fund	Total
<b>STATEMENT OF NET POSITION</b>			
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accrued interest receivable	609	143	752
Due from other funds	1,391,999	-	1,391,999
Investments, at fair value -			
Certificates of deposit	1,263,240	763,240	2,026,480
Total assets	<u>2,655,848</u>	<u>763,383</u>	<u>3,419,231</u>
<b>LIABILITIES</b>			
Due to other funds	282,749	294,809	577,558
Total liabilities	<u>282,749</u>	<u>294,809</u>	<u>577,558</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 2,373,099</u>	<u>\$ 468,574</u>	<u>\$ 2,841,673</u>
<b>STATEMENT OF CHANGES IN NET POSITION</b>			
<b>ADDITIONS</b>			
Contributions -			
Employer	\$ 737,240	\$ 419,610	\$ 1,156,850
Plan members	-	-	-
Total contributions	<u>737,240</u>	<u>419,610</u>	<u>1,156,850</u>
Investment income -			
Interest income	10,513	5,107	15,620
Total investment income	<u>10,513</u>	<u>5,107</u>	<u>15,620</u>
Total additions	<u>747,753</u>	<u>424,717</u>	<u>1,172,470</u>
<b>DEDUCTIONS</b>			
Benefits	732,480	473,998	1,206,478
Administrative expenses	2,310	4,672	6,982
Total deductions	<u>734,790</u>	<u>478,670</u>	<u>1,213,460</u>
NET INCREASE (DECREASE)	12,963	(53,953)	(40,990)
NET POSITION - RESTRICTED FOR PENSION BENEFITS:			
Beginning of year	2,360,136	522,527	2,882,663
End of year	<u>\$ 2,373,099</u>	<u>\$ 468,574</u>	<u>\$ 2,841,673</u>

### Pension Expense

For the year ended June 30, 2017, the City recognized pension expense of \$120,412 and (\$306,117) for the Utility Pension Fund and Policemen and Firefighters Pension Fund, respectively. At June 30, 2017, the effect of all changes in assumptions and difference between and expected and actual experience were recognized in pension expense due to there being no active employees participating.

### Actuarial Methods and Assumptions

Actuarial valuations are performed bi-annually. For additional information relating to basis of accounting and reported investment values, see Notes 1 and 2. These plans are defined benefit plans. The following is a summary of funding policies, contribution methods, and benefit provisions:



	<u>Utility Pension Fund</u> City Ordinance and KRS	<u>Policemen and Firefighters Pension Fund</u> City Ordinance and KRS	
Governing Authority			
Determination of contribution requirements	Actuarially	Actuarially	
Contribution rates as a percentage of covered payroll:			
Employer	N/A	N/A	
Plan Members	N/A	N/A	
Funding of administrative costs	Investment Earnings	Investment Earnings	
Period required to vest	20	10	
Post retirement benefit increases	As approved by City Commission	As approved by City Commission	
Eligibility for distribution	Age 50, with 20 years	N/A	
Provisions for:			
Disability benefits	Yes	Yes	
Death benefits	Yes	Yes	
Membership of the plans are as follows:			
Retirees and beneficiaries currently receiving benefits	24	24	<u>Totals</u> 48
Active plan participants:			
Vested	-	-	-
Non-Vested	-	-	-
	<u>24</u>	<u>24</u>	<u>48</u>

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

	<u>Utility Pension Fund</u>	<u>Policemen And Firefighters Pension Fund</u>
Valuation date	06-30-17	06-30-16
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level % of payroll Closed	Level % of payroll Closed
Amortization	20 years	10 years
Actuarial asset valuation method	Fair market value, quoted market prices	Fair market value, quoted market prices
Actuarial assumptions		
Investments		
Rate of return	3.00 %	4.00 %
Allocation	Allowed by KRS	Allowed by KRS
Projected salary increases	None	None
Post retirement benefit increases	0.00 %	0.00 %
Cost of living adjustments	3.00 %	3.00 %
Discount rate	3.00 %	4.00 %
Mortality	RP-2000 Mortality Table	RP-2000 Mortality Table
Changes of assumptions since prior valuation	Discount rate reduced from 4.0% to 3.0%	Discount rate reduced from 5.0% to 4.0%

## Net Pension Liability

The following represents the components of the net pension liability:

Date	Fiduciary Net Position (a)	Total Pension Liability (TPL) Entry Age (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	NPL As A Percentage Of Covered Payroll (b-a)/c
<u>Utility Pension Fund</u>						
06/30/16	\$ 2,360,136	\$ 10,408,243	\$ 8,048,107	22.7%	\$ ** N/A	** N/A
06/30/17	2,373,099	9,804,378	7,431,279	24.2%	** N/A	** N/A
<u>Policemen and Firefighters Pension Fund</u>						
06/30/16	\$ 522,527	\$ 4,919,883	\$ 4,397,356	10.6%	\$ ** N/A	** N/A
06/30/17	468,574	4,140,203	3,671,629	11.3%	** N/A	** N/A

\*\*No active employees or covered payroll.

## Changes in Net Pension Liability

The following represents the changes in the net pension liabilities for the year ended June 30, 2017:

### Utility Pension Fund

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2016	\$ 10,408,243	\$ 2,360,136	\$ 8,048,107
Changes for the year:			
Interest on total pension liability	400,459	-	400,459
Difference in expected and actual experience	(950,704)	-	(950,704)
Effect of changes in assumptions	944,652	-	944,652
Effect of changes in benefit terms	(265,792)	-	(265,792)
Benefit payments	(732,480)	-	(732,480)
Employer contributions	-	737,240	(737,240)
Investment income, net of expenses	-	10,513	(10,513)
Benefit payments	-	(732,480)	732,480
Administrative expenses	-	(2,310)	2,310
Net changes	(603,865)	12,963	(616,828)
Balance, June 30, 2017	\$ 9,804,378	\$ 2,373,099	\$ 7,431,279

### Policemen and Firefighters Pension Fund

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2016	\$ 4,919,883	\$ 522,527	\$ 4,397,356
Changes for the year:			
Interest on total pension liability	186,525	-	186,525
Difference in expected and actual experience	(368,001)	-	(368,001)
Effect of changes in benefit terms	(124,206)	-	(124,206)
Benefit payments	(473,998)	-	(473,998)
Employer contributions	-	419,610	(419,610)

Investment income, net of expenses	-	5,107	(5,107)
Benefit payments	-	(473,998)	473,998
Administrative expenses	-	(4,672)	4,672
Net changes	(779,680)	(53,953)	(725,727)
Balance, June 30, 2017	\$ 4,140,203	\$ 468,574	\$ 3,671,629

**Discount Rate**

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

	Utility Pension Fund	Policemen and Firefighters Pension Fund
Total pension liability at assumed discount rate of 3.0 and 4.0%, respectively	\$ 7,431,279	\$ 3,671,629
Pension liability at a discount rate:		
1% higher (4.0% and 5.0%, respectively)	\$ 6,535,964	\$ 3,361,515
1% lower (3.0% and 4.0%, respectively)	\$ 8,488,762	\$ 4,032,587

**Reserves**

There are no assets legally reserved for purposes other than the payment of plan member benefits for either plan. Each plan held two certificates of deposit at local financial institutions whose market value exceeds five percent of net position available for benefits. There are no long-term contracts for contributions.

**Payables**

The following represents amounts due to the Utility Pension Fund and the Policemen and Firefighters Pension Fund as of June 30, 2017:

Governmental activities:	
Policemen and Firefighters Pension Fund	\$ -
Business-type activities:	
Utility Pension Fund	\$ 1,391,999

**Cost - Sharing, Multiple Employer Plan - County Employees Retirement System**

Plan description

Substantially all full-time employees of the City participate in the County Employees Retirement System ("CERS"). This system consists of two plans – *Nonhazardous* and *Hazardous*. Each plan is a cost-sharing multiple-employer defined benefit pension plan that covers all regular full-time members employed in nonhazardous or hazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS. The plans provide for retirement, disability and death benefits to plan members.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

### Benefits provided

Benefits under the plans will vary based on final compensation, years of service and other factors as fully described in the plan documents.

### Contributions

Funding for CERS is provided by members, who contribute 5% nonhazardous and 8% hazardous (6.00% and 9.00% for employees hired after September 1, 2008, respectively) of their salary through payroll deductions and by employers of members who contribute 18.68% nonhazardous (13.95% - pension, 4.73% insurance) and 31.06% hazardous (21.71% - pension, 9.35% insurance) of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

At June 30, 2017, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The City's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2016. At June 30 2016, the City's proportion for nonhazardous and hazardous was 0.327% and 1.196%, respectively.

For the year ended June 30, 2017, the City recognized pension expense of \$1,252,000 and \$1,092,000 for nonhazardous and hazardous, respectively. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Nonhazardous</u>		
Differences between expected actual experience	\$ 70,325	\$ -
Changes of assumptions	853,335	-
Net difference between projected and actual earnings on investments	1,514,350	-
Changes in proportion and differences between City contributions and proportionate share of contributions	150,956	23,940
City contributions subsequent to the measurement date	988,556	-
	<u>\$ 3,577,522</u>	<u>\$ 23,940</u>
<u>Hazardous</u>		
Differences between expected actual experience	\$ 295,973	\$ -
Changes of assumptions	1,177,605	-
Net difference between projected and actual earnings on investments	1,731,165	-
Changes in proportion and differences between City contributions and proportionate share of contributions	373,812	16,701
City contributions subsequent to the measurement date	1,439,573	-
	<u>\$ 5,018,128</u>	<u>\$ 16,701</u>

At June 30, 2017, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$988,556 and \$1,439,573 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2018	\$ 942,861	\$ 951,785
2019	643,112	951,785
2020	627,369	1,243,771
2021	351,684	414,513
	<u>\$ 2,565,026</u>	<u>3,561,854</u>

#### Actuarial Methods and Assumptions

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.00%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013 is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by CERS's investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44.0%	5.40%
Combined Fixed Income	19.0%	1.50%
Real Return (Diversified Inflation Strategies)	10.0%	3.50%
Real Estate	5.0%	4.50%
Absolute Return (Diversified Hedge Funds)	10.0%	4.25%
Private Equity	10.0%	8.50%
Cash Equivalent	2.0%	-0.25%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 %, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability			
Nonhazardous	\$ 20,070,000	\$ 16,108,362	\$ 12,710,000
Hazardous	\$ 25,780,000	\$ 20,521,406	\$ 16,180,000

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS financial report which is publically available at <https://kyret.ky.gov>.

Payables to the pension plan

At June 30, 2017, there was \$362,399 in payables to CERS for nonhazardous and hazardous.

**(8) DEBT**

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2017:

<u>Governmental Activities</u>	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
General Obligation					
Bond Series 2015	\$ 2,395,000	\$ -	\$ 130,000	\$ 2,265,000	\$130,000
Capital lease -					
Police Station	3,938,172	-	163,321	3,774,851	169,439
Capital lease –					
Melody Mtn. Phase II	1,547,917	-	65,000	1,482,917	67,084
Premium on bonds	79,273	-	5,563	73,710	-
Compensated					
absences obligation	789,106	5,338	127,114	667,330	-
<b>Total Governmental Activities</b>	<u>\$ 8,749,468</u>	<u>\$ 5,338</u>	<u>\$ 490,998</u>	<u>\$ 8,263,808</u>	<u>\$366,523</u>

<i><b>Business-type Activities</b></i>	Balance			Balance June 30, 2017	Due Within One Year
	June 30, 2016	Additions	Reductions		
Revenue & Improvement Bond Series 2013	\$ 3,675,000	\$ -	\$ 420,000	\$ 3,255,000	\$ 430,000
Water & Sewer Revenue Bond Series 2015	3,445,000	-	185,000	3,260,000	190,000
Capital lease - Radio Meters	1,430,417	-	97,084	1,333,333	102,084
KIA Loan	900,117	-	900,117	-	-
KIA Loan	2,095,553	-	206,084	1,889,469	212,313
KIA Loan	5,951,629	-	287,151	5,664,478	292,922
Premium on bonds	116,378	-	7,758	108,620	-
Discount on bonds	(20,767)	-	(2,967)	(17,800)	-
<b>Total Business-type Activities</b>	<b>\$ 17,593,327</b>	<b>\$ -</b>	<b>\$ 2,100,227</b>	<b>\$ 15,493,100</b>	<b>\$ 1,227,319</b>

At June 30, 2017, the City was required to have \$805,163 for the Revenue and Improvement Bonds of 2013 and 2015, in sinking fund reserve accounts. Additionally, under the KIA loan agreements, the City was required to have \$276,000 set aside for the costs of extensions, improvements, renewals and replacements to the sewer system. As of June 30, 2017, the City had reserve funds of \$1,124,163.

### **Governmental Activities**

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

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

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

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

The annual requirements to amortize the indebtedness at June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 130,000	\$ 66,000	\$ 196,000
2019	135,000	62,025	197,025
2020	140,000	57,900	197,900
2021	145,000	53,625	198,625
2022	175,000	48,825	223,825
2023-2027	810,000	171,600	981,600
2028-2031	730,000	44,550	774,550
	<u>\$ 2,265,000</u>	<u>\$ 504,525</u>	<u>\$ 2,769,525</u>

### Capital Lease - Police Station

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2018	\$ 169,439	\$ 142,099	\$ 311,538
2019	175,804	135,553	311,357
2020	182,356	128,813	311,169
2021	189,204	121,771	310,975
2022	196,291	114,481	310,772
2023-2027	1,097,436	453,120	1,550,556
2028-2032	1,318,965	225,277	1,544,242
2033-2034	445,356	16,500	461,856
	<u>\$ 3,774,851</u>	<u>\$ 1,337,614</u>	<u>\$ 5,112,465</u>

### Capital Lease - Melody Mountain Phase II

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2018	\$ 67,084	\$ 49,947	\$ 117,031
2019	70,000	48,438	118,438
2020	70,000	46,862	116,862
2021	72,084	44,996	117,080
2022	75,000	42,653	117,653
2023-2027	411,251	175,159	586,410
2028-2032	493,332	100,292	593,624
2033-2035	224,166	14,756	238,922
	<u>\$ 1,482,917</u>	<u>\$ 523,103</u>	<u>\$ 2,006,020</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, 2017, are as follows:

	<u>Accrued Long-Term Obligation</u>	<u>Current Obligation</u>	<u>Total Compensated Absences</u>
General Fund	\$ 645,269	\$ 126,938	\$ 772,207
Community Development Fund	6,527	1,284	7,811
Housing Assistance Fund	7,921	1,558	9,479
Floodwall Fund	7,613	1,498	9,111



Ashland Bus System	-	32,726	32,726
Recreation Fund	-	23,952	23,952
Cemetery Fund	-	5,984	5,984
Utility Fund	-	165,645	165,645
	<u>\$ 667,330</u>	<u>\$ 359,585</u>	<u>\$ 1,026,915</u>

Refer to Note 2 for additional information regarding compensated absences.

### **Conduit Debt Obligations**

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying loan agreements. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2017, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$275 million.

### **Business-Type Activities**

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

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

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

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

The annual requirements to amortize the indebtedness at June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 430,000	\$ 61,980	\$ 491,980
2019	435,000	58,755	493,755
2020	445,000	50,055	495,055
2021	465,000	41,155	506,155
2022	480,000	31,855	511,855
2023-2024	1,000,000	33,730	1,033,730
	<u>\$ 3,255,000</u>	<u>\$ 277,530</u>	<u>\$ 3,532,530</u>

#### **Water & Sewer Revenue Bonds Series 2015**

On March 11, 2015, the City issued \$3,620,000 in revenue bonds with interest rates ranging from 3.0% to 3.25%, to finance improvements for the waterworks, water distribution, wastewater treatment and collection facilities.

The annual requirements to amortize the indebtedness at June 30, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 190,000	\$ 99,175	\$ 289,175
2019	195,000	93,475	288,475
2020	205,000	87,625	292,625
2021	210,000	81,475	291,475
2022	215,000	75,175	290,175
2023-2027	1,175,000	275,225	1,450,225
2028-2031	1,070,000	86,275	1,156,275
	<u>\$ 3,260,000</u>	<u>\$ 798,425</u>	<u>\$ 4,058,425</u>

### **Capital Lease – Radio Meters**

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2018	\$ 102,084	\$ 51,402	\$ 153,486
2019	105,000	48,084	153,084
2020	107,083	44,672	151,755
2021	112,083	41,192	153,275
2022	115,000	37,549	152,549
2023-2027	642,499	118,497	760,996
2028-2029	149,584	8,810	158,394
	<u>\$ 1,333,333</u>	<u>\$ 350,206</u>	<u>\$ 1,683,539</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, 2017, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
2018	\$ 212,313	\$ 55,104	\$ 4,592	\$ 272,009
2019	218,730	48,686	4,057	271,473
2020	225,342	42,075	3,506	270,923
2021	232,153	35,264	2,939	270,356
2022	239,169	28,248	2,354	269,771
2023-2025	761,762	40,489	3,375	805,626
	<u>\$ 1,889,469</u>	<u>\$ 249,866</u>	<u>\$ 20,823</u>	<u>\$ 2,160,158</u>

## Kentucky Infrastructure Authority Loan

On May 1, 2010, the City entered into an Assistance Agreement with the Kentucky Infrastructure Authority (“KIA”) to finance capacity upgrades at the Roberts Drive Pump Station and the Sixth Street Pump Station as part of the CSO abatement projects in the Long-Term Control Plan (See Note 11). The loan bears interest at a rate of 2.0% with a maturity date of December 1, 2033. A loan serving fee of 0.001% of the annual outstanding loan balance shall be payable to KIA as a part of each interest payment. In accordance with the Agreement, the City received the proceeds from the loan as eligible expenses were incurred.

The annual requirements to amortize the loan as of June 30, 2017 are as follows:

Year Ending June 30,	Principal	Interest	Fees	Total
2018	\$ 292,922	\$ 111,832	\$ 11,183	\$ 415,937
2019	298,810	105,945	10,594	415,349
2020	304,816	99,938	9,994	414,748
2021	310,943	93,812	9,381	414,136
2022	317,193	87,562	8,756	413,511
2023-2027	1,684,199	339,572	33,958	2,057,729
2028-2032	1,860,406	163,369	16,337	2,040,112
2033-2034	595,189	11,943	1,194	608,326
	<u>\$ 5,664,478</u>	<u>\$ 1,013,973</u>	<u>\$ 101,397</u>	<u>\$ 6,779,848</u>

### (9) INTERFUND TRANSACTIONS

#### Interfund Receivable and Payables

The composition of interfund balances as of June 30, 2017 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ashland Bus System	\$ 427,534
General Fund	Recreation Fund	294,422
General Fund	Utility Fund	1,474,867
General Fund	Housing Assistance	6,520
General Fund	Floodwall Operating Fund	7,224
General Fund	Community Development	35,849
General Fund	Utility Pension Fund	282,749
General Fund	Police and Fire Fighters Pension	294,809
General Fund	Municipal Aid Road Fund	39,365
Cemetery Fund	General Fund	29,179
Capital Project	General Fund	1,220,454
Internal Service Fund	General Fund	1,729,469
Utility Pension Fund	Utility Fund	1,391,999
Total		<u>\$ 7,234,440</u>

#### Interfund Transfers

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Ashland Bus System	Matching	\$ 552,238
Operating	General	Recreation	Operations	863,810
Operating	General	Capital Projects	Capital Purchases	1,930,115
Operating	General	Cemetery	Operations	122,251

**(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 affect the City's financial position or results of operations.

**(11) COMMITMENTS AND CONTINGENCIES**

**Ashland Bus System**

The City is committed to provide financial assistance to the Ashland Bus System (ABS). During the year ended June 30, 2017, the City paid \$290,033 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 \$0 from the DOT for the current year's operating grant. City management does not expect its cost of operating the ABS to decrease in the near future.

**Combined Sewer Overflow Improvements**

In 2007, the City entered into an agreement with the Kentucky Energy and Environment Cabinet to comply with federal Clean Water Act standards that are applicable to the City's sewer system. The City's system is considered a combined sewer system due to the sewers collecting rainwater, runoff, domestic sewage and industrial wastewater. During heavy rains or melting snow, the system can create Combined Sewer Overflow (CSO), when waste and storm water overflow from the sewer system into local bodies of water and the Ohio River. Under the agreement, the City is required to create a Long Term Control Plan to reduce the number of overflows and complete improvements to the sewer system. The improvements are expected to cost approximately \$60 million.

On February 18, 2010, the Board of Commissioners approved an additional surcharge for sewer customers of the City to pay for the improvements. Beginning April 1, 2010, sewer customers are charged a \$2.50 fee per 1,000 gallons of water used. The charge increased to \$3.50 per 1,000 gallons during 2015 and will end in 2035. All monies collected for this surcharge are placed in a separate account and only used for CSO improvements as outlined in the City's Long Term Control Plan. At June 30, 2017, the City has \$7,507,351 restricted for the sewer improvements.

**Construction Projects**

The City is obligated on commitments for various contracts in progress at June 30, 2017. 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>Outstanding Commitment</u>
Utility Fund	Mill Street Facility	\$ 638,988	\$ 417,488	\$ 221,500
Utility Fund	Skyline Drive Waterline	106,197	80,529	25,668
Utility Fund	Hydrants	139,620	5,585	134,035
Utility Fund	29th Street Storm Water	2,941,565	499,430	2,442,135
Utility Fund	39th Street Sewer Imp.	113,131	101,818	11,313
Utility Fund	Distribution Building	2,760	-	2,760
Utility Fund	Water Pump Station	33,000	31,162	1,838
General Fund	Safe Route To School	215,180	195,921	19,259
General Fund	Sidewalks	25,707	24,617	1,090
		<u>\$ 4,216,148</u>	<u>\$ 1,356,550</u>	<u>\$ 2,859,598</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 \$100,000 per covered full-time employee and his or her dependents and eligible retirees. The City purchases commercial insurance for the health and accident claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All full-time employees are eligible to participate in the City's Health Benefit Plan. The claims liability of \$728,877 reported in the Internal Service Fund at June 30, 2017, 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 2016 and 2017 were:

	Beginning of Fiscal Year Liability	Current Year Claims	Claim Payments	Balance At Fiscal Year End
2016	\$ 404,777	\$ 5,525,815	\$ 5,242,346	\$ 688,246
2017	688,246	5,925,510	5,884,879	728,877

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, 2017 totaled \$372,903.

**(13) OTHER POST EMPLOYMENT BENEFITS**

UPF and PFPF - Medical Insurance Plan

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 \$100,000 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 \$249 were recognized for post-retirement health care.

CERS - Medical Insurance Plan

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. For employees who initiated participation in the CERS system prior to July 1, 2003, KRS pays a percentage of the monthly contribution rate for insurance covered based on the retired member's years of service and type of service. Non-hazardous members receive a contribution subsidy for only the member's health insurance premium. Hazardous members receive a contribution subsidy for both the member and dependent coverage.

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after

September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

Hazardous retirees receive \$15 toward the monthly premium and the hazardous retiree's spouse may also receive this contribution upon the retiree's death. The monthly insurance benefit has been increased annually by a Cost of Living Adjustment (COLA) since July 2004.

CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the 2016 measurement period, CERS allocated 4.73% of the 18.68% nonhazardous and 9.35% of the 31.06% hazardous actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan.

The City's total payroll for employees covered under CERS for the years ending June 30, 2017, 2016, and 2015 was \$13,717,344, \$13,980,079 and \$13,668,765, respectively. The City's contributions to CERS for the years ending June 30, 2017, 2016, and 2015 were \$954,714, \$1,176,709, and \$1,146,722, respectively, and equaled the actuarially required contributions for the year.

The unfunded medical benefit obligation of the CERS (nonhazardous and hazardous), based upon the entry age normal cost method, as of June 30, 2016 was as follows:

Total medical benefit obligation	<u>000's omitted</u> \$ 4,546,939
Net position available for benefits at actuarial value	<u>(3,215,595)</u>
Unfunded medical benefit obligation	<u>\$ 1,331,144</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.

**(15) FUND DEFICIT**

As of June 30, 2017, the Recreation Fund had a negative net position of \$301,683. This deficit resulted from the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the recording of the fund's proportionate share of net pension liability. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**(16) PRIOR PERIOD ADJUSTMENT**

Net position as of June 30, 2016, has been restated for duplication errors in the Cemetery Fund's inventory balances. Net position as of June 30, 2016 has been restated as follows:

	<b>Cemetery Fund</b>	<b>Total Business-Type Activities</b>
Net position as previously reported at June 30, 2016	<u>\$ 4,315,258</u>	<u>\$ 31,370,994</u>
Correction of inventory errors	<u>(801,800)</u>	<u>(801,800)</u>
Net position, as restated, at June 30, 2016	<u>\$ 3,513,458</u>	<u>\$ 30,569,194</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ASHLAND  
DEFINED BENEFIT PENSION TRUSTS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS  
JUNE 30, 2017**

UTILITY EMPLOYEES  
PENSION FUND

POLICEMEN AND  
FIREFIGHTERS  
PENSION FUND

	UTILITY EMPLOYEES PENSION FUND				POLICEMEN AND FIREFIGHTERS PENSION FUND				POLICEMEN AND FIREFIGHTERS PENSION FUND					
	Amount Contributed	ADC	Contribution Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll ARC	Amount Contributed	Percentage of Covered Payroll ARC	Annual* M-W Rate of Return, net	Amount Contributed	ADC	Contribution Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll ARC	Amount Contributed
2008	\$ 504,621	\$325,015	\$ (179,606)	\$40,458	803%	1247%	*N/A	\$ 355,128	\$293,551	\$ (61,577)	**N/A	**N/A	**N/A	*N/A
2009	684,266	325,025	(359,241)	43,264	751%	1582%	*N/A	481,553	267,003	(214,550)	**N/A	**N/A	**N/A	*N/A
2010	608,977	309,647	(299,330)	44,414	697%	1371%	*N/A	448,250	267,003	(181,247)	**N/A	**N/A	**N/A	*N/A
2011	570,018	309,647	(260,371)	44,541	695%	1280%	*N/A	367,165	270,665	(96,500)	**N/A	**N/A	**N/A	*N/A
2012	567,529	316,165	(251,364)	**N/A	**N/A	**N/A	*N/A	367,165	270,665	(96,500)	**N/A	**N/A	**N/A	*N/A
2013	567,529	567,529	-	**N/A	**N/A	**N/A	*N/A	367,165	342,502	(24,663)	**N/A	**N/A	**N/A	*N/A
2014	650,912	383,103	(267,809)	**N/A	**N/A	**N/A	0.17%	316,277	425,142	108,865	**N/A	**N/A	**N/A	0.18%
2015	728,300	383,103	(345,197)	**N/A	**N/A	**N/A	0.61%	411,220	564,043	152,823	**N/A	**N/A	**N/A	0.50%
2016	782,736	603,145	(179,591)	**N/A	**N/A	**N/A	0.81%	419,610	564,043	144,433	**N/A	**N/A	**N/A	0.53%
2017	737,240	603,145	(134,095)	**N/A	**N/A	**N/A	0.80%	419,610	521,302	101,692	**N/A	**N/A	**N/A	0.67%

\* The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. Information is only shown for years available.

\*\* No active employees or covered payroll.



**CITY OF ASHLAND  
DEFINED BENEFIT PENSION TRUSTS  
SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 2017**

UTILITY EMPLOYEES PENSION FUND

Actuarial Valuation Date	Fiduciary Net Position (a)	Total Pension Liability (TPL) Entry Age (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	NPL As A Percentage Of Covered Payroll ((b-a)/c)
06/30/08	\$ 2,812,041	\$ 8,062,839	\$ 5,250,798	34.9%	\$ 40,458	12978.4%
06/30/09 *	2,882,283	7,776,949	4,894,666	37.1%	43,264	11313.5%
06/30/10	2,867,735	7,863,170	4,995,435	36.5%	44,414	11247.4%
06/30/11 *	2,761,148	7,744,771	4,983,623	35.7%	44,541	11188.8%
06/30/12	2,618,017	7,696,263	5,078,246	34.0%	**N/A	**N/A
06/30/13 *	2,449,372	7,462,369	5,012,997	32.8%	**N/A	**N/A
06/30/14	2,362,804	7,823,259	5,460,455	30.2%	**N/A	**N/A
06/30/15 *	2,340,422	10,865,198	8,524,776	21.5%	**N/A	**N/A
06/30/16	2,360,136	10,408,243	8,048,107	22.7%	**N/A	**N/A
06/30/17 *	2,373,099	9,804,378	7,431,279	24.2%	**N/A	**N/A

POLICEMEN AND FIREFIGHTERS PENSION FUND

06/30/08 *	\$ 2,005,460	\$ 5,499,260	\$ 3,493,800	36.5%	**N/A	**N/A
06/30/09	1,914,668	5,302,131	3,387,463	36.1%	**N/A	**N/A
06/30/10 *	1,775,017	5,316,734	3,541,717	33.4%	**N/A	**N/A
06/30/11	1,492,443	5,201,210	3,708,767	28.7%	**N/A	**N/A
06/30/12 *	1,246,072	4,693,041	3,446,969	26.6%	**N/A	**N/A
06/30/13	999,893	4,299,041	3,299,148	23.3%	**N/A	**N/A
06/30/14 *	731,401	4,338,361	3,606,960	16.9%	**N/A	**N/A
06/30/15	579,210	5,016,407	4,437,197	11.5%	**N/A	**N/A
06/30/16 *	522,527	4,919,883	4,397,356	10.6%	**N/A	**N/A
06/30/17	468,574	4,140,203	3,671,629	11.3%	**N/A	**N/A

\*Biannual actuarial valuation performed.

\*\*No active employees or covered payroll.

**CITY OF ASHLAND  
DEFINED BENEFIT PENSION TRUSTS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

	UTILITY EMPLOYEES PENSION FUND				POLICEMEN AND FIREFIGHTERS PENSION FUND			
	2017	2016	2015	2014	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>								
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	400,459	417,961	482,003	353,293	186,525	237,867	249,990	199,178
Effect of changes in benefit terms	(265,792)	(312,246)	-	848,025	(124,206)	(136,189)	-	436,571
Difference in expected and actual experience	(950,704)	205,645	66,792	(108,429)	(368,001)	(100,203)	24,498	(28,280)
Effect of changes in assumptions	944,652	-	3,246,184	-	-	380,261	966,202	14,282
Benefit payments	(732,480)	(768,315)	(753,040)	(731,999)	(473,998)	(478,260)	(562,644)	(582,431)
Net change in total pension liability	(603,865)	(456,955)	3,041,939	360,890	(779,680)	(96,524)	678,046	39,320
Total pension liability, beginning of year	<u>10,408,243</u>	<u>10,865,198</u>	<u>7,823,259</u>	<u>7,462,369</u>	<u>4,919,883</u>	<u>5,016,407</u>	<u>4,338,361</u>	<u>4,299,041</u>
Total pension liability, end of year (a)	<u>9,804,378</u>	<u>10,408,243</u>	<u>10,865,198</u>	<u>7,823,259</u>	<u>4,140,203</u>	<u>4,919,883</u>	<u>5,016,407</u>	<u>4,338,361</u>
<b>FIDUCIARY NET POSITION</b>								
Employer contributions	\$ 737,240	\$ 782,736	\$ 728,300	\$ 650,912	\$ 419,610	\$ 419,610	\$ 411,220	\$ 316,277
Member contributions	-	-	-	-	-	-	-	-
Investment income, net of investment expenses	10,513	10,395	4,570	879	5,107	3,994	3,787	857
Benefit payments and refund of contributions	(732,480)	(768,315)	(753,040)	(731,999)	(473,998)	(478,260)	(562,644)	(582,431)
Administrative expenses	(2,310)	(5,102)	(2,212)	(6,360)	(4,672)	(2,027)	(4,554)	(3,195)
Net change in plan fiduciary net position	12,963	19,714	(22,382)	(86,568)	(53,953)	(56,683)	(152,191)	(268,492)
Fiduciary net position, beginning of year	<u>2,360,136</u>	<u>2,340,422</u>	<u>2,362,804</u>	<u>2,449,372</u>	<u>522,527</u>	<u>579,210</u>	<u>731,401</u>	<u>999,893</u>
Fiduciary net position, end of year (b)	<u>2,373,099</u>	<u>2,360,136</u>	<u>2,340,422</u>	<u>2,362,804</u>	<u>468,574</u>	<u>522,527</u>	<u>579,210</u>	<u>731,401</u>
<b>Net pension liability, ending = (a)-(b)</b>	<u><u>\$ 7,431,279</u></u>	<u><u>\$ 8,048,107</u></u>	<u><u>\$ 8,524,776</u></u>	<u><u>\$ 5,460,455</u></u>	<u><u>\$ 3,671,629</u></u>	<u><u>\$ 4,397,356</u></u>	<u><u>\$ 4,437,197</u></u>	<u><u>\$ 3,606,960</u></u>

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

**CITY OF ASHLAND  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2017**

	Reporting Fiscal Year (Measurement Date)					
	2017 (2016)		2016 (2015)		2015 (2014)	
	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
City's proportion of the net pension liability	0.33%	1.20%	0.33%	1.20%	0.32%	1.15%
City's proportionate share of the net pension liability	\$ 16,108,362	\$ 20,521,406	\$ 14,104,958	\$ 18,386,060	\$ 10,328,000	\$ 13,818,000
City's covered-employee payroll	\$ 7,086,423	\$ 6,630,921	\$ 7,271,891	\$ 5,782,361	\$ 7,271,891	\$ 5,782,361
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	227.313%	309.480%	193.965%	317.968%	142.026%	238.968%
Plan fiduciary net position as a percentage of the total pension liability	55.50%	53.95%	59.97%	57.52%	66.80%	63.46%

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

**CITY OF ASHLAND  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
SCHEDULE OF PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2017**

	2017		2016		2015		2014	
	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Nonhazardous</u>	<u>Hazardous</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
Contractually required contribution	\$ 988,556	\$ 1,439,573	\$ 966,485	\$ 1,255,795	\$ 972,488	\$ 1,252,383	\$ 999,158	\$ 1,258,820
Contributions in relation to the contractually required contribution	<u>988,556</u>	<u>1,439,573</u>	<u>966,485</u>	<u>1,255,795</u>	<u>972,488</u>	<u>1,252,383</u>	<u>999,158</u>	<u>1,258,820</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
City's covered-employee payroll	\$ 7,086,423	\$ 6,630,921	\$ 7,781,684	\$ 6,198,395	\$ 7,627,360	\$ 6,041,405	\$ 7,271,891	\$ 5,782,361
City's contributions as a percentage of its covered-employee payroll	13.95%	21.71%	12.42%	20.26%	12.75%	20.73%	13.74%	21.77%

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

## CITY OF ASHLAND

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

#### FOR THE YEAR ENDED JUNE 30, 2017

#### (1) CHANGES OF ASSUMPTIONS

##### UTILITY EMPLOYEES PENSION FUND

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

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

##### POLICEMEN AND FIREFIGHTERS PENSION FUND

In the 2015 valuation, the expected investment rate of return was reduced from 5.0% to 4.0%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

In the 2014 valuation update, an estimated ad-hoc cost of living adjustment of 3% was included in the calculation of the total pension liability due to the adjustments being considered “substantively automatic” under the guidelines of GASB No. 67.

##### CERS

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

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

##### UTILITY EMPLOYEES PENSION FUND

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20 years

## CITY OF ASHLAND

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONCLUDED)

#### FOR THE YEAR ENDED JUNE 30, 2017

Asset Valuation Method	Fair market value, quoted prices
Cost of living adjustments	3.0%
Salary Increase	None
Investment Rate of Return	3.0%, net of pension plan investment expense, including inflation

#### POLICEMEN AND FIREFIGHTERS PENSION FUND

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	10 years
Asset Valuation Method	Fair market value, quoted prices
Cost of Living Adjustments	3.0%
Salary Increase	None
Investment Rate of Return	4.0%, net of pension plan investment expense, including inflation

#### CERS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2016 and 2017, determined as of July 1, 2015. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.00%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

### (3) CHANGES OF BENEFIT TERMS

#### CERS

There were no changes in benefit terms for CERS.

#### UTILITY EMPLOYEES PENSION FUND

The most recent valuation was prepared with the assumption of a “substantively automatic” 3% cost of living adjustment. However, the Commissioners elected not to provide a cost of living adjustment for fiscal year 2017.

#### POLICEMEN AND FIREFIGHTERS PENSION FUND

The most recent valuation was prepared with the assumption of a “substantively automatic” 3% cost of living adjustment. However, the Commissioners elected not to provide a cost of living adjustment for fiscal year 2017.

## **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, 2017**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>					
General government	600	-	600	716	(116)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	840,194	1,431,822	2,272,016	1,275,238	996,778
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>840,794</u>	<u>1,431,822</u>	<u>2,272,616</u>	<u>1,275,954</u>	<u>996,662</u>
Excess of Revenues Over (Under) Expenditures	<u>(840,794)</u>	<u>(1,431,822)</u>	<u>(2,272,616)</u>	<u>(1,275,954)</u>	<u>996,662</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	<u>1,121,562</u>	<u>965,152</u>	<u>2,086,714</u>	<u>1,930,115</u>	<u>(156,599)</u>
Total other financing sources (uses)	<u>1,121,562</u>	<u>965,152</u>	<u>2,086,714</u>	<u>1,930,115</u>	<u>(156,599)</u>
Net change in fund balance	280,768	(466,670)	(185,902)	654,161	840,063
Fund balance beginning of year	<u>361,072</u>	<u>-</u>	<u>361,072</u>	<u>361,072</u>	<u>-</u>
Fund balance end of year	<u>\$ 641,840</u>	<u>\$ (466,670)</u>	<u>\$ 175,170</u>	<u>\$ 1,015,233</u>	<u>\$ 840,063</u>



**CITY OF ASHLAND**

**GENERAL FUND**

**BALANCE SHEET**

**JUNE 30, 2017**

**ASSETS**

Cash	\$	3,029,513
Taxes receivable		3,045,988
Allowance for uncollectible taxes		(476,448)
Grants receivable		226,131
Due from other funds		2,863,338
Other receivables		418,782
Allowance for uncollectible accounts		(34,207)
Investments		8
Inventories - supplies		105,000
Prepaid items		782,542
		<hr/>
Total assets	\$	<u>9,960,647</u>

**LIABILITIES AND FUND BALANCE**

Liabilities:

Accounts payable	\$	330,411
Due to other funds		2,979,102
Due to Board of Education		20,427
Accrued compensated absences		126,938
Accrued expenses		663,101
		<hr/>

Total liabilities 4,119,979

Fund Balance:

Non-spendable		887,542
Restricted for grant programs		226,131
Committed		-
Unassigned		4,726,995
		<hr/>

Total fund balance 5,840,668

Total liabilities and fund balance \$ 9,960,647

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2017

	Budget	Actual	Variance
REVENUES:			
Taxes -			
General property taxes	\$ 2,750,987	\$ 2,980,999	\$ 230,012
Penalties and interest	28,630	27,043	(1,587)
Delinquent taxes	200,000	182,110	(17,890)
Vehicle property taxes	449,425	442,101	(7,324)
Bank franchise taxes	90,925	91,695	770
Other franchise taxes	165,400	145,880	(19,520)
Insurance premiums taxes	3,966,099	4,105,226	139,127
Total taxes	<u>7,651,466</u>	<u>7,975,054</u>	<u>323,588</u>
Licenses and permits -			
Occupational license fees	9,405,475	9,448,628	43,153
Business privilege licenses	1,580,000	1,651,521	71,521
Alcoholic beverage licenses	610,000	574,017	(35,983)
Construction permit fees	55,000	70,915	15,915
Other licenses and permits	950	445	(505)
Total licenses and permits	<u>11,651,425</u>	<u>11,745,526</u>	<u>94,101</u>
Charge for services -			
Garbage collection fee	2,151,500	2,119,266	(32,234)
Greyhound ticket sales	16,500	9,254	(7,246)
Rental revenue	62,500	77,601	15,101
Total charges for services	<u>2,230,500</u>	<u>2,206,121</u>	<u>(24,379)</u>
Fees, fines and reimbursements -			
Parking meter fees and fines	18,000	7,051	(10,949)
Taxes collection fees	140,000	142,583	2,583
State rebate - District Court	28,300	22,776	(5,524)
Street lighting franchise	956,400	1,087,311	130,911
Telecommunication franchise	272,100	276,972	4,872
Other	416,240	381,268	(34,972)
Total fees, fines and reimbursements	<u>1,831,040</u>	<u>1,917,961</u>	<u>86,921</u>
Other revenues -			
Police grants	26,279	65,147	38,868
Miscellaneous grants	442,880	452,663	9,783
Coal severance - LGEA	24,300	15,534	(8,766)
Interest earned	2,100	2,235	135
Other	374,055	388,117	14,062
Total other revenues	<u>869,614</u>	<u>923,696</u>	<u>54,082</u>
Total revenues	<u>24,234,045</u>	<u>24,768,358</u>	<u>534,313</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, 2017**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES:</b>			
<b>General Government -</b>			
Mayor and Commissioners	120,170	108,216	11,954
City Manager	112,040	133,095	(21,055)
City Clerk/Legal	191,208	189,009	2,199
Human Resources	251,868	253,504	(1,636)
Unclassified	1,634,015	2,071,430	(437,415)
	<u>2,309,301</u>	<u>2,755,254</u>	<u>(445,953)</u>
<b>Department of Finance -</b>			
Director of Finance	586,074	585,970	104
Data Processing	36,822	35,880	942
	<u>622,896</u>	<u>621,850</u>	<u>1,046</u>
<b>Department of Public Services -</b>			
Director of Public Services	217,005	238,202	(21,197)
Street maintenance	3,137,737	2,846,234	291,503
Sanitation services	1,420,128	1,367,697	52,431
Central garage	359,195	387,413	(28,218)
Animal control	77,791	74,243	3,548
	<u>5,211,856</u>	<u>4,913,789</u>	<u>298,067</u>
<b>Department of Planning and Economic Development -</b>			
Planning and Code Enforcement	645,659	638,830	6,829
Economic Development	124,885	107,234	17,651
	<u>770,544</u>	<u>746,064</u>	<u>24,480</u>
<b>Department of Police -</b>			
Technical services	1,630,279	1,511,185	119,094
Field operations	3,649,570	3,615,277	34,293
	<u>5,279,849</u>	<u>5,126,462</u>	<u>153,387</u>

**CITY OF ASHLAND**

**GENERAL FUND**

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

**FOR THE YEAR ENDED JUNE 30, 2017**

	Budget	Actual	Variance
Department of Fire	5,993,551	6,078,866	(85,315)
Department of Engineering	150,092	146,719	3,373
Debt Service	698,021	627,906	70,115
Total expenditures	21,036,110	21,016,910	19,200
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,197,935	3,751,448	553,513
OTHER FINANCING SOURCES (USES):			
Transfer to Capital Projects Fund	(2,086,714)	(1,930,115)	156,599
Transfer to Recreation Fund	(982,803)	(863,810)	118,993
Transfer to Ashland Bus Fund	(410,291)	(552,238)	(141,947)
Transfer to Ashland Cemetery Fund	(22,995)	(122,251)	(99,256)
Total other financing sources (uses)	(3,502,803)	(3,468,414)	34,389
NET CHANGE IN FUND BALANCE	(304,868)	283,034	587,902
FUND BALANCE, June 30, 2016	5,557,634	5,557,634	-
FUND BALANCE, June 30, 2017	\$ 5,252,766	\$ 5,840,668	\$ 587,902

CITY OF ASHLAND

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

JUNE 30, 2017

	Land & Buildings	Building Improvements	Automotive Equipment	Operating Equipment	Office Furniture & Equipment	Capital Improvements	Infrastructure	CIP	Total
Dept of General Gov't	\$ 2,822,024	\$ 1,965,072	\$ 19,960	\$ 86,741	\$ 183,566	\$ 164,929	\$ 11,778,556	\$ -	\$ 17,020,848
Dept of Finance	-	-	-	56,244	14,836	-	-	-	71,080
Dept of Public Services	15,978,343	725,840	402,984	3,286,982	46,719	483,434	65,759,728	53,583	86,737,613
Dept of Planning & Community Development	-	13,033	93,220	6,799	-	-	-	-	113,052
Department of Police	4,949,556	246,711	903,036	620,182	129,051	19,350	-	-	6,867,886
Department of Fire	3,869,125	172,047	2,553,434	481,472	53,246	-	-	-	7,129,324
Department of Engineering	-	-	98,782	-	79,170	74,457	1,257,664	-	1,510,073
Floodwall Operations	15,121	5,150	86,511	105,298	-	-	-	-	212,080
Community Development	237,869	103,058	-	-	18,623	-	380,085	-	739,635
Housing Assistance Programs	150,033	12,950	-	-	19,646	-	-	-	182,629
	<u>\$ 28,022,071</u>	<u>\$ 3,243,861</u>	<u>\$ 4,157,927</u>	<u>\$ 4,643,718</u>	<u>\$ 544,857</u>	<u>\$ 742,170</u>	<u>\$ 79,176,033</u>	<u>\$ 53,583</u>	<u>\$ 120,584,220</u>

CITY OF ASHLAND

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

JUNE 30, 2017

Land and buildings	\$ 28,022,071
Building improvements	3,243,861
Automotive equipment	4,157,927
Operating equipment	4,643,718
Office furniture and equipment	544,857
Capital improvements	742,170
Infrastructure	79,176,033
Construction in progress	<u>53,583</u>
Total	<u>\$ 120,584,220</u>
Investment in capital assets by source	
General Fund	\$ 92,197,940
Special Revenue Funds	6,790,619
Capital Projects Fund	<u>21,595,661</u>
Total	<u>\$ 120,584,220</u>

CITY OF ASHLAND HOUSING AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Rental Vouchers</u>
<b>ASSETS</b>	
Cash – unrestricted	\$ 65,826
Cash – restricted	33,262
Accounts receivable – HUD	1,608
Accounts receivable	2,444
Building and equipment, net	<u>88,921</u>
Total assets	<u>\$ 192,061</u>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES:</b>	
Accounts payable	\$ 2,098
Accounts payable - other governmental	6,520
Accrued expenses	6,272
Accrued compensated absences - current	1,558
Accrued compensated absences - noncurrent	<u>7,921</u>
Total liabilities	<u>24,369</u>
<b>NET POSITION:</b>	
Invested in capital assets	88,921
Unrestricted	45,509
Restricted	<u>33,262</u>
	<u>167,692</u>
Total liabilities and net position	<u>\$ 192,061</u>

**CITY OF ASHLAND HOUSING AUTHORITY**  
**STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Rental Vouchers</u>
<b>REVENUES</b>	
Housing assistance payments	\$ 2,626,198
Administrative fee revenue	273,087
Interest income	<u>170</u>
Total revenues	<u>2,899,455</u>
<b>EXPENSES</b>	
Administrative salaries	153,451
Audit	7,400
Employee benefit contributions	22,514
Travel	2,265
Other administrative	9,382
Utilities	2,008
Maintenance	18,209
Property insurance	175
General liability insurance	2,198
Workers compensation	426
Other insurance	29,035
Other general	21,049
Compensated absences	3,654
Housing assistance payments	2,592,936
Depreciation	<u>4,431</u>
Total expenses	<u>2,869,133</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<u>\$ 30,322</u>



**CITY OF ASHLAND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of HUD</u>				
Direct Programs:				
CDBG Entitlement	14.218	-	\$ 76,003	\$ 590,095
Housing Choice Voucher Program	14.871	-	-	2,861,047 *
Total U.S. Department of HUD				<u>3,451,142</u>
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Federal Transit Cluster				
FTA - Operating Assistance Grant	20.507	-	-	260,406
FTA - Capital Assistance Grant	20.507	-	-	245,023
				<u>505,429</u>
Passed through Kentucky Transportation Cabinet :				
Highway Planning and Construction	20.205	PO2-628-1500002940	-	212,872
Dept of State Police Highway Safety Program	20.600	OP-17-05	-	1,435
Dept of State Police Highway Safety Program	20.600	M2HVE-16-01	-	4,421
				<u>218,728</u>
Total U.S. Department of Transportation				<u>724,157</u>
<u>U.S. Department of Homeland Security</u>				
Passed through Kentucky Department of Homeland Security:				
Public Assistance Program	97.036	EMW-2015-FO-04333	-	189,091
Homeland Security Grant Program	97.067	PO2-094-17000023791	-	22,700
Total U.S. Department of Homeland Security				<u>211,791</u>
Total expenditures of Federal awards				<u>\$ 4,387,090</u>

\* Denotes major program.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ashland under the programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Ashland, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State and Local Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE C - INDIRECT COST RATE**

The City of Ashland has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**K**elley **G**alloway  
**S**mith **G**oolsby, PSC

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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**

Steve Gilmore, Mayor  
City Commissioners and City Manager  
City of Ashland  
Ashland, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ashland, Kentucky (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 20, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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


determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002.

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

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

  
Ashland, Kentucky  
October 20, 2017



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

Steve Gilmore, Mayor  
City Commissioners and City Manager  
City of Ashland  
Ashland, Kentucky

**Report on Compliance for Each Major Federal Program**

We have audited the City of Ashland, Kentucky's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Kelley Gallaway Smith, CPA, PSC*

Ashland, Kentucky  
October 20, 2017

CITY OF ASHLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_ Yes X No

Significant deficiency(ies) identified?

\_\_\_ Yes X None reported

Noncompliance material to the financial statements noted?

X Yes \_\_\_ No

*Federal Awards*

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_ Yes X No

Significant deficiency(ies) identified?

\_\_\_ Yes X None reported

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

Unmodified

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

\_\_\_ Yes X No

Identification of Major Programs:  
Housing Choice Voucher Program

CFDA No.  
14.871

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

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, 2017**

**B. FINANCIAL STATEMENT FINDINGS**

**2017-001 COMPETITIVE BIDDING**

*Condition:* We noted that proper procurement procedures were not followed for the purchase of 2 mast arm poles that totaled \$52,025 and the purchase of over 4,000 tons of mulch to absorb sludge at the water reservoir that totaled \$32,978. According to management, quotes were obtained but the items were not procured through competitive bidding.

*Criteria:* KRS 424.260 and City policy requires that all like items purchased during the fiscal year exceeding \$20,000 be purchased through a bid approved by the Board of Commissioners or at state/federal contract pricing.

*Effect:* Noncompliance with KRS 424.260 and City policy.

*Recommendation:* We recommend that the City implement procedures to ensure that all purchases with aggregate amounts over \$20,000 are awarded through the competitive bidding process.

*Management's Response:* City has procedures in place for competitive bidding. Finance has stressed to departments that aggregate purchases exceeding \$20,000 will need to be bid and they need to monitor this especially on larger jobs. Finance and Legal Department will continue to aid with additional oversight to Departments in bidding procurement regulations.

**2017-002 SICK LEAVE PAYOUT**

*Condition:* On November 11, 2016, the Board of Commissioners adopted Ordinance No. 129, which allowed employees who have more than 120 days of sick leave accrued at the end of the fiscal year to be compensated for the days in excess of 120 days at 50% of their hourly rate. Additionally, on June 9, 2017, the Board of Commissioners adopted Ordinance No. 51, which repealed all previous policies and procedures related to compensation to adopt the new policies that were provided to the Board of Commissioners at that time. However, this newly adopted policy excluded the paragraph related to the payout of sick leave in excess of 120 days. Therefore, the approximately \$92,000 paid out to employees who had accrued sick leave in excess of 120 days on June 30, 2017 was not in accordance with City policy.

*Criteria:* The compensation policy adopted by the Board of Commissioners on June 9, 2017, did not allow for the payout for sick leave in excess of 120 days.

*Cause:* The compensation policy provided to the Board of Commissioners on June 9, 2017, was not properly updated for the policy adopted on November 11, 2016.

*Effect:* Noncompliance with City policy

**CITY OF ASHLAND**

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

**FOR THE YEAR ENDED JUNE 30, 2017**

*Recommendation:* If the Board of Commissioners still desires that employees be compensated for accrued sick leave in excess of 120 days, we recommend that the compensation policy be amended to include the payout.

*Management's Response:* In the future, policy updates will be compared with current policy for any errors and omissions. The error occurred when the older policy was used erroneously to update the new policy. Also, Finance and Legal will review in the future before submittal to the Board of Commissioners as additional internal controls in the process.

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

None noted in current year.



**CITY OF ASHLAND**

**CORRECTIVE ACTION PLAN**

**FOR THE YEAR ENDED JUNE 30, 2017**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2017-001	Finance has stressed to departments that aggregate purchases exceeding \$20,000 will need to be bid and they need to monitor this especially on larger jobs. Finance and Legal Department will continue to aid with additional oversight to Departments in bidding procurement regulations.	June 30, 2018	Michael Graese, City Manager
2017-002	In the future, policy updates will be compared with the current policy for any errors and omissions. Also, Finance and Legal will review the policies in the future before submittal to the Board of Commissioners as an additional internal control.	June 30, 2018	Michael Graese, City Manager

**CITY OF ASHLAND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2017**

Findings

Findings/Noncompliance

2016-001

We recommend that employees responsible for the inventory counts and inventory valuation be reminded of the proper procedures.

Status: A new inventory clerk was hired during the current fiscal year and an accurate inventory was taken at June 30, 2017.

2016-002

We recommend that the City contact HUD to determine the procedures to be taken to properly correct an error noted in the calculation of annual gross income to determine eligibility for CDBG funds.

Status: HUD has been contacted and is aware of the issue. However, no official guidance has been issued to the City.