

CITY OF ASHLAND

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2025

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison schedules for each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information, the Schedule of Employer Contributions and Investment Returns, the Schedule of Funding Progress, the Schedule of Changes in Net Pension Liabilities, the Schedule of City's Proportionate Share of the Net Pension and OPEB Liability (Asset) and the Schedule of Pension and OPEB Contributions on pages 4 through 18 and on pages 78 through 93, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 94 through 100 and the Financial Data Schedule on pages 101 and 102 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 94 through 100, the Financial Data Schedule contained on pages 101 and 102, 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 January 15, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kelley Galloway Smith Goodby, PSC

Ashland, Kentucky
January 15, 2026

CITY OF ASHLAND 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, 2025. This information should be read in conjunction with the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Government exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by \$70.5 million (net position). This amount includes \$13.2 million restricted to specific projects by laws, regulations or contractual agreements. A deficit total of (\$56.3) million was unrestricted due to GASB No. 68, Accounting and Financial Reporting for Pensions, which was implemented in the fiscal year ended 06/30/2015 and GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB), which was implemented in the fiscal year ended 06/30/2018.
- The Government’s total net position increased by \$14.2 million, primarily due to changes in the net pension and OPEB liabilities and the related deferred outflows and inflows. Net position of governmental activities decreased by \$2.8 million and net position of business-type activities increased by \$17.0 million.
- At fiscal year end, the governmental funds reported a combined ending fund balance of \$12.5 million. Approximately 2.35% of this total amount, \$293,332, is restricted. Assigned special revenue fund balance comprises 20.0% of total fund balance.
- On June 30, 2025, unassigned governmental funds fund balance of \$8.5 million is available and may be used to meet the government’s ongoing obligations to citizens and creditors.

OVERVIEW OF FINANCIAL STATEMENTS

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

REPORTING THE GOVERNMENT AS A WHOLE

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

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

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

The Statement of Net Position presents information on all the Government's assets, deferred outflows of resources, liabilities and deferred inflows of resources at the end of the fiscal year. Net position is the difference between assets and deferred outflows of resources vs. its liabilities and deferred inflows of resources. Over time, an increase or decrease in net position is one indicator of whether financial health is improving or deteriorating. Information on other factors such as changes in the revenue structure and the condition of the Government's assets is also needed to assess the overall financial position of the Government.

The Statement of Activities presents revenues and expenses and shows how the government's net position changed during the most recent fiscal year, as well as any other transactions that increase or decrease net position. Program revenues are offset by program expenses to provide better information as to program costs financed by general government revenues.

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

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

Business-type activities - Activities primarily paid for from charges and user fees cover the cost of services that are reported here. This includes water production, sanitary sewer services, Ashland bus system, recreation operating fund, cemetery fund, parking garage fund, conference center fund and Paramount Arts 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, Ashland Cemetery Fund, Parking Garage Fund, Conference Center Fund and Paramount Arts Fund to be its major proprietary funds.

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

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

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

THE GOVERNMENT AS A TRUSTEE

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

THE GOVERNMENT AS A WHOLE

NET POSITION

As of June 30, 2025, the Government as a whole had a net position greater than its liabilities by \$70,534,166. Net position of governmental activities was \$15,398,197 and decreased by \$2,827,033 over the prior year. Total collected for taxes were 99.4% of budget. Occupational license fee receipts excelled again this fiscal year for \$15 million in revenue. Of ending Governmental Activities Net Position, \$52,183,073 is invested in capital assets net of related debt; \$293,332 is restricted for grant programs; and unrestricted net position is (\$37,078,208). Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

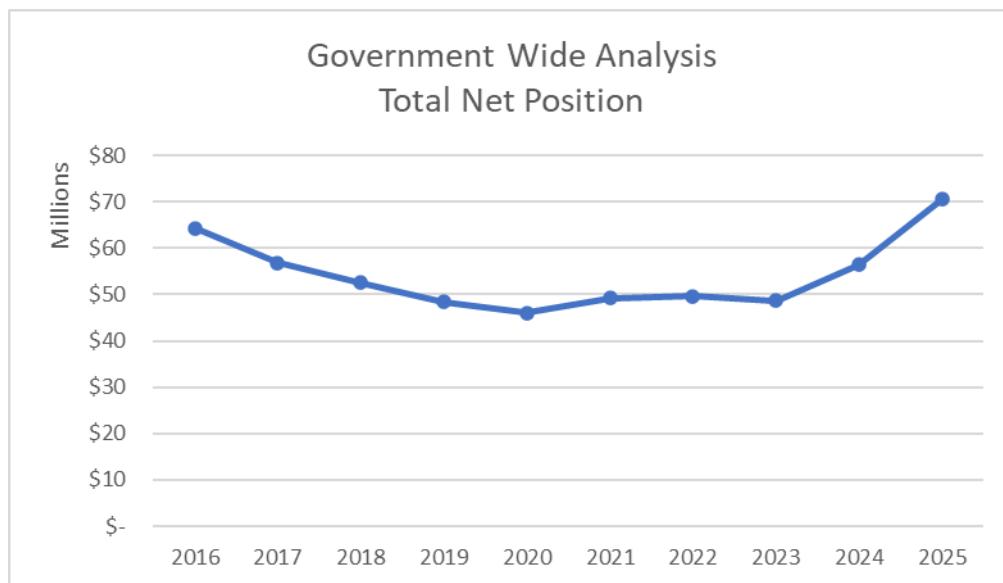
The net position of the Government's business-type activities is \$55,135,969 and increased by \$17.0 million over the prior year. Residential meter sales city exceeded projections by \$242,973. Sewer charges city exceeded projections by \$293,807. An increase in Boyd County Sewer charges brought in \$1,098,285 of excess funds. A net decrease of \$5,539,141 in construction-in-progress was a result of the completion of four water line replacement projects, water plant SCADA project and Geodesic Dome cover project. Of the business-type net position, \$61,386,971 is net investment in capital assets and (\$19,192,201) is unrestricted. The largest portion of the City's combined net position reflects its investment in capital assets (land, buildings, machinery and equipment), less outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens, and as a result, these assets are not available for future spending. The City's capital asset investment is reported net of related debt, but the resources to pay this debt must be provided from other sources, since the capital assets cannot be used to liquidate the liabilities.

An additional portion of the City's business-type net position, \$12,941,199, represents resources that are subject to limitations on their use through legislation adopted by the City or through external restrictions. The largest restricted portion, \$10,694,103, is for sewer improvements.

ANALYSIS OF THE CITY'S NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 33,553,929	\$ 35,067,900	\$ 34,386,319	\$ 13,103,106	\$ 67,940,248	\$ 48,171,006
Capital assets	73,634,622	69,293,976	73,412,557	67,575,846	147,047,179	136,869,822
Total assets	107,188,551	104,361,876	107,798,876	80,678,952	214,987,427	185,040,828
Deferred outflows of resource	11,095,093	11,736,310	4,275,507	4,532,714	15,370,600	16,269,024
Liabilities	22,634,882	22,520,504	20,819,433	8,065,025	43,454,315	30,585,529
Long-term liabilities	65,616,433	59,650,440	30,866,492	32,947,709	96,482,925	92,598,149
Total Liabilities	88,251,315	82,170,944	51,685,925	41,012,734	139,937,240	123,183,678
Deferred inflows of resources	14,634,132	15,702,012	5,252,489	6,062,908	19,886,621	21,764,920
Net position						
Net investment in capital assets	52,183,073	55,922,879	61,386,971	54,336,550	113,570,044	110,259,429
Restricted	293,322	89,541	12,941,199	11,776,059	13,234,521	11,865,600
Unrestricted	(37,078,208)	(37,787,190)	(19,192,201)	(27,976,585)	(56,270,409)	(65,763,775)
Total Net Position	\$ 15,398,187	\$ 18,225,230	\$ 55,135,969	\$ 38,136,024	\$ 70,534,156	\$ 56,361,254

The exhibit below charts the City's total net position for the past ten years (prior years have not been restated for implementation of GASB 68 and 75).



The City's net position decreased significantly in FY 2015 due to the implementation of GASB 68. The City's participation in County Employee Retirement System (CERS) led to the inclusion of an initial noncurrent liability. Net position took another hit in FY 2018 due to the implementation of GASB 75. The City's participation in the Kentucky Retirement Systems Insurance Fund generated a

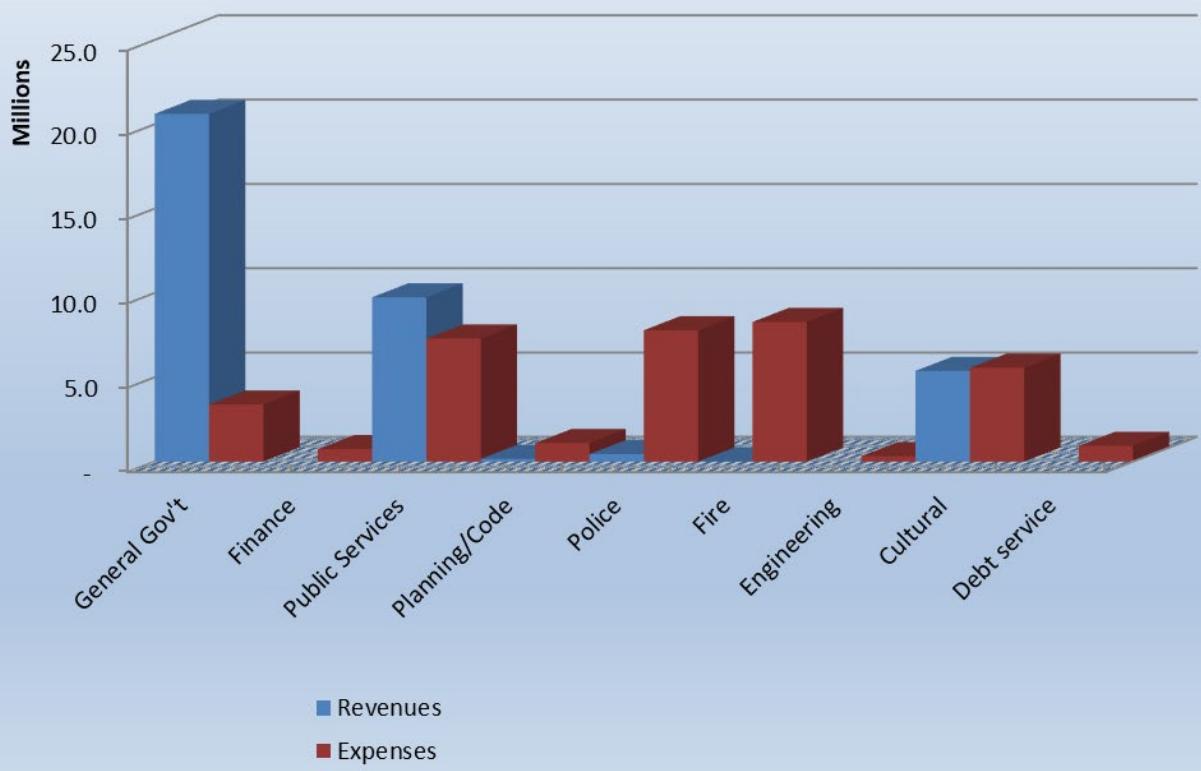
noncurrent liability for other post-employment benefits. Annual adjustments to these liabilities continued to drive net position down in FY 2020.

ANALYSIS OF THE CITY'S OPERATIONS

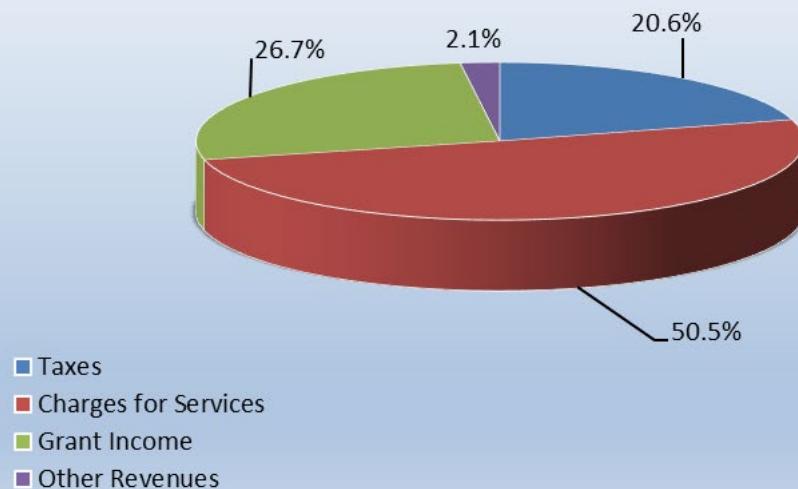
Revenues	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Taxes	\$ 9,699,581	\$ 9,185,098	\$ -	\$ -	\$ 9,699,581	\$ 9,185,098
Charges for Services	23,753,817	23,111,040	23,711,441	20,291,961	47,465,258	43,403,001
Operating Grants / Contr.	5,987,869	5,797,193	685,784	638,752	6,673,653	6,435,945
Capital Grants / Contr.	6,585,325	5,042,209	1,015,487	1,564,638	7,600,812	6,606,847
Other Income	980,362	1,063,541	1,810,641	1,068,213	2,791,003	2,131,754
Total Revenue	47,006,954	44,199,081	27,223,353	23,563,564	74,230,307	67,762,645
Expenses	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
General Government	3,383,116	3,108,422	-	-	3,383,116	3,108,422
Finance	737,451	809,457	-	-	737,451	809,457
Public Services	7,296,232	8,826,562	-	-	7,296,232	8,826,562
Planning / Code	1,096,071	1,071,224	-	-	1,096,071	1,071,224
Police	7,785,380	7,637,687	-	-	7,785,380	7,637,687
Fire	8,278,331	7,772,100	-	-	8,278,331	7,772,100
Engineering	320,284	293,769	-	-	320,284	293,769
Community / Cultural	5,560,468	5,364,775	-	-	5,560,468	5,364,775
Debt Service	931,738	443,902	-	-	931,738	443,902
Utility Fund	-	-	20,206,059	20,490,921	20,206,059	20,490,921
Ashland Bus System	-	-	1,794,213	1,747,851	1,794,213	1,747,851
Recreation Operating Fund	-	-	2,076,001	1,940,633	2,076,001	1,940,633
Cemetery	-	-	280,428	398,152	280,428	398,152
Parking Garage	-	-	226,259	227,633	226,259	227,633
Conference Center	-	-	9,556	-	9,556	-
Paramount Arts	-	-	75,808	-	75,808	-
Total Expense	35,389,071	35,327,898	24,668,324	24,805,190	60,057,395	60,133,088
Changes before transfers	11,617,883	8,871,183	2,555,029	(1,241,626)	14,172,912	7,629,557
Transfers	(14,444,916)	(2,834,788)	14,444,916	2,834,788	-	-
Change in Net Position	(2,827,033)	6,036,395	16,999,945	1,593,162	14,172,912	7,629,557
Net Position Beg of Year	18,225,230	12,188,835	38,136,024	36,542,862	56,361,254	48,731,697
Net Position End of Year	\$ 15,398,197	\$ 18,225,230	\$ 55,135,969	\$ 38,136,024	\$ 70,534,166	\$ 56,361,254

GOVERNMENTAL ACTIVITIES

EXPENSES AND PROGRAM REVENUES- GOVERNMENTAL ACTIVITIES

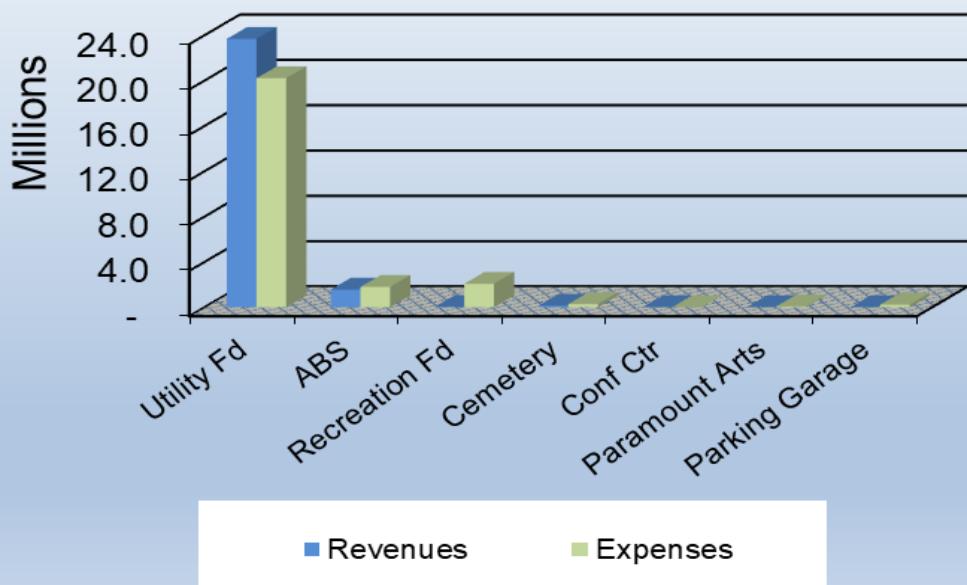


REVENUE BY SOURCE - GOVERNMENT ACTIVITIES

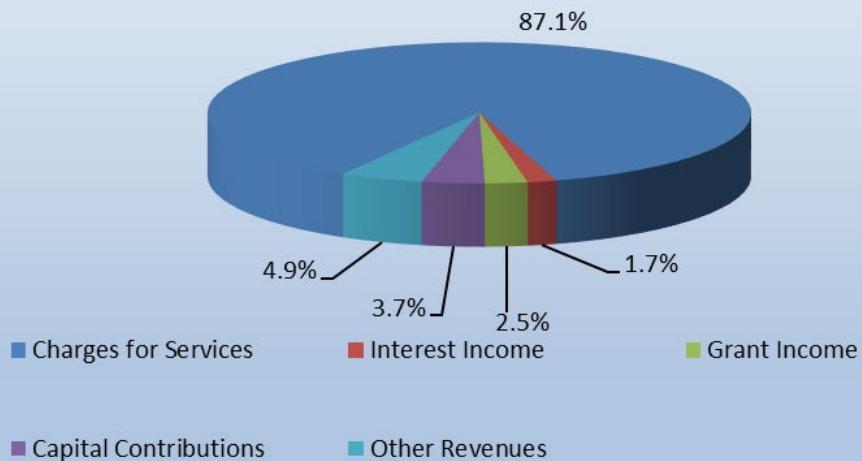


BUSINESS-TYPE ACTIVITIES

EXPENSES AND REVENUES - BUSINESS-TYPE ACTIVITIES



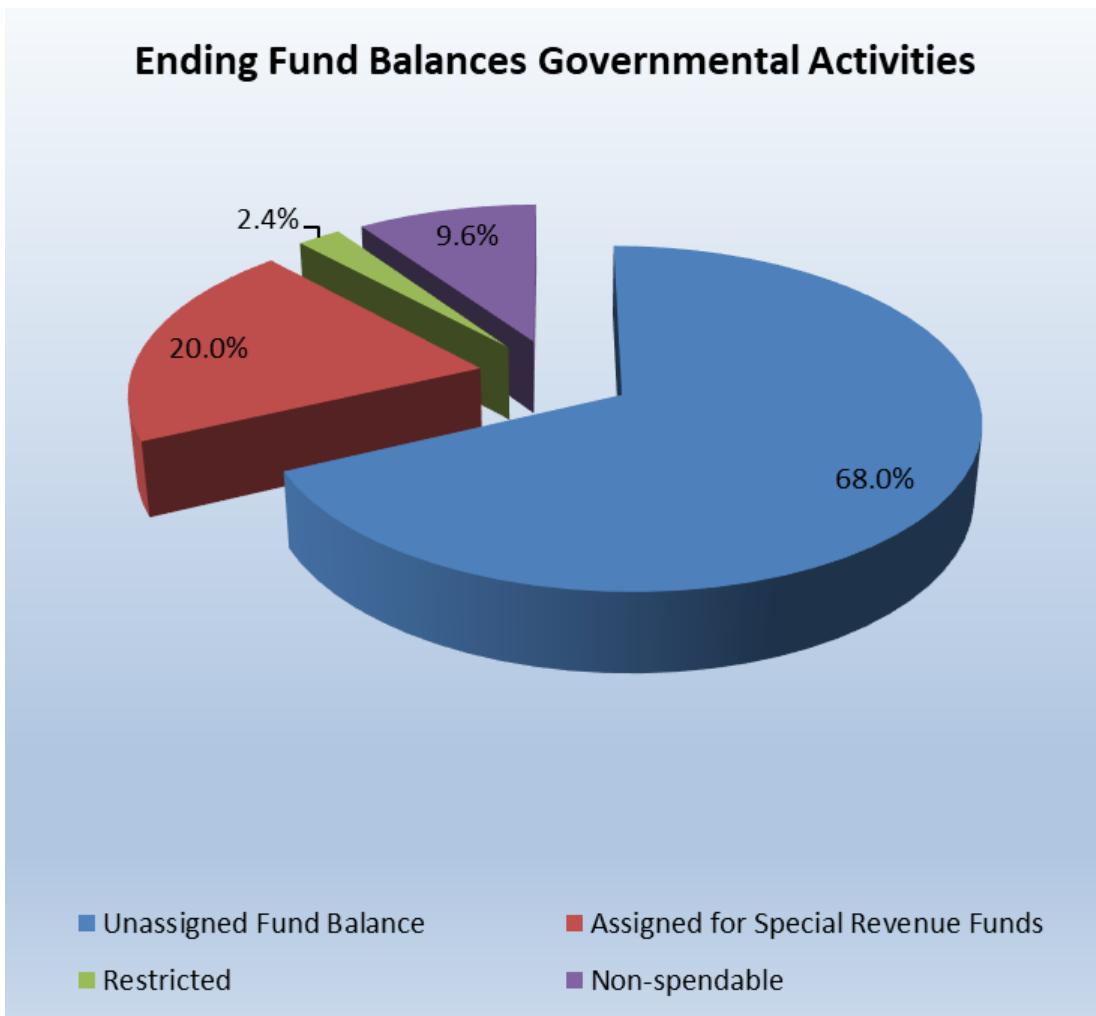
REVENUE BY SOURCE - BUSINESS -TYPE ACTIVITIES



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 \$12,478,191. Of this total, \$8,487,847 or 68.0%, is unassigned fund balance. The remainder of fund balance is assigned / non-spendable / restricted to indicate it is not available for new spending because it has previously been restricted. Fiscal Year 2025 reports assigned for special revenue funds at \$2,496,901, restricted at \$293,332 and non-spendable at \$1,200,111. Unassigned fund balance increased this year due to Occupational Tax revenue increases. Non-spendable fund balance is a combination of our prepaid property and equipment insurance, general liability insurance, workers compensation insurance and the balances of the inventory accounts at the close of the fiscal year.

Ending Fund Balances Governmental Activities



MAJOR GOVERNMENTAL FUNDS

For the year ending June 30, 2025, the major governmental funds reported as follows:

The General Fund had revenues of \$32,904,423, expenditures of \$30,435,082 and net other financing uses of (\$3,030,842). The total fund balance is \$11,103,958.

The Tax Increment Finance Fund had revenues of \$274,292 and expenditures of \$299,789. The total fund balance is (\$1,297,268). The TIF fund expenditures are the debt service payment. It should be noted that the deficit is a result of revenues not meeting the needs for the debt service payment. A conservative fiscal approach should be applied to the TIF district for future fiscal years.

The State Tax Increment Fund had revenues of \$276,738 and expenditures of \$0. The total fund balance is \$771,746.

The Brownfield Grant Fund had revenues of \$158,433 and expenditures of \$156,492. The total fund balance is \$1,941.

The Municipal Aid Road Fund had revenues of \$445,148 and expenditures of \$520,453. The total fund balance is \$63,635. The focus on paving allowed the City to utilize this fund to its full potential by improving the roads and infrastructure for our citizens.

The Floodwall Operating Fund had revenues of \$376,892 and expenditures of \$252,555. The total fund balance is \$375,517.

The Community Development Fund had revenues of \$368,248 and expenditures of \$368,248. The total fund balance is \$65,437.

The Housing Assistance Fund had revenues of \$4,703,694 and expenditures of \$4,644,132. The total fund balance is \$83,666.

The ARPA Fund had revenues of \$2,611,106 and expenditures of \$161,211 and net other financing uses of (\$2,010,479). The total fund balance is \$1,054,591.

The Opioid Settlement Fund had revenues of \$313,134 and expenditures of \$469,344. The total fund balance is \$254,968.

Conference Grant Fund has revenue of \$509,600 and expenditures of \$0 and net other financing uses of (\$509,600). The total fund balance is \$0.

The Capital Purchase Improvement Fund had revenues of \$4,065,246 and expenditures of \$6,259,540 and net other financing uses of \$852,893. The total fund balance is \$0.

PROPRIETARY FUNDS

The City's proprietary funds, or business-type activities, had a total net position of \$55,135,969 for the seven funds. Total increase in net position was \$16,999,945.

The Utility Fund, which accounts for water and wastewater services for the City of Ashland and surrounding communities, had a positive net position change of \$7,043,115.

The Ashland Bus System accounts for the City's transportation system which is partially subsidized by the Federal Government (Federal Transit Administration). Four buses were purchased this year.

Recreation Operating Fund is the City's park system, swimming pool, concession activities and other recreational activities. Renovations were made to the swimming pool this year.

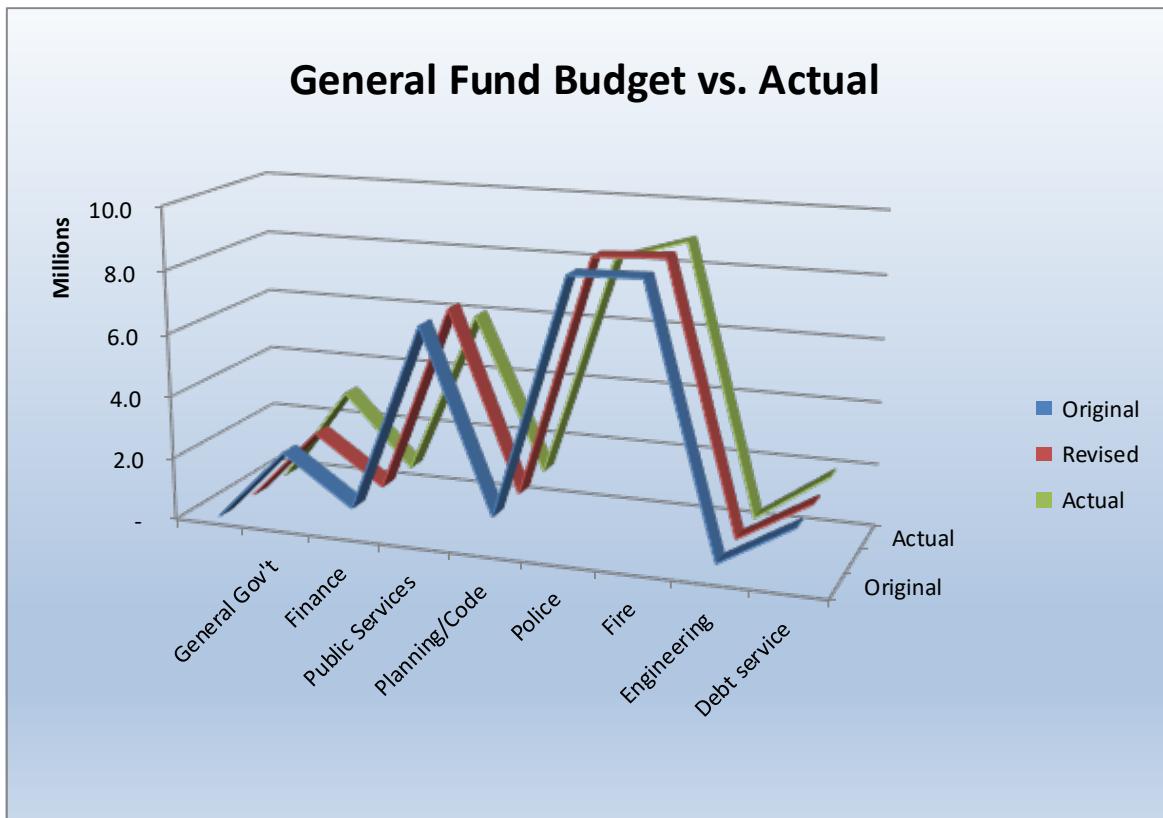
BUDGETARY HIGHLIGHTS

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

- ⇒ \$26,211 increase in Street Maintenance expenditures for tree trimming.
- ⇒ \$106,677 increase in Police expenditures for payroll (\$27,352) and tools / equipment (\$79,325).
- ⇒ \$163,401 increase in Fire expenditures for travel / training (\$71,300), building repairs (\$11,690), protective equipment (\$50,645), equipment repairs (\$12,291) and tools / equipment (\$17,475).
- ⇒ \$26,211 increase in CED expenditures for payroll (\$13,956) and misc. expense (\$12,255).
- ⇒ \$214 increase in TIF expenditures for professional services.
- ⇒ \$48,259 increase in Opioid expenditures for opioid litigation funds.
- ⇒ \$88,148 increase in Voucher expenditures for HAPS (\$77,171), advertising (\$7,446) and travel / training (\$3,531).
- ⇒ \$42,390 increase in Wastewater Collection expenditures for equipment repairs.
- ⇒ \$17,438 increase in Paramount Arts expenditures for professional services (\$3,625), insurance (\$10,433) and misc. expense (\$3,380).
- ⇒ \$7,948 increase in Brownfield Grant expenditures for professional services.
- ⇒ \$760,636 increase in Ashland Bus System expenditures for operating equipment.
- ⇒ \$76,063 increase in transfer to Ashland Bus System.
- ⇒ \$561,225 increase in the transfer to Capital Purchase Improvement Fund: \$27,470 General Government for office equipment, \$533,755 for Police for operating equipment, (\$68,611) automotive equipment, (\$465,144) for Fire for building improvements.

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 \$32,904,423 versus budgeted revenues of \$32,637,056. Licenses and permits were \$17,046,435 budgeted and actual revenues were \$17,961,861 for a variance of \$915,426. Finance staff's focus on collection efforts and new business in the City is to be credited for this positive variance. Grant Income was \$567,645 budgeted and actual revenues were \$458,474 for a variance of (\$109,171).



CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for governmental and business-type activities as of June 30, 2025 is \$147,047,179 (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.

CITY OF ASHLAND - CAPITAL ASSETS
(NET OF DEPRECIATION)

Asset	Governmental Activities	Business-type Activities	Total
Land	\$ 4,463,328	\$ 581,460	\$ 5,044,788
Buildings and improvements	14,321,917	11,956,186	26,278,103
Automotive equipment	8,468,588	3,469,995	11,938,583
Operating equipment	6,128,385	7,681,483	13,809,868
Office equipment	788,941	796,712	1,585,653
Capital improvements	4,824,719	6,826,930	11,651,649
Right-of-way	15,038,909	-	15,038,909
Infrastructure	59,715,274	-	59,715,274
Utility plant	-	117,127,846	117,127,846
Construction (CIP)	10,444,631	6,578,994	17,023,625
	<u>124,194,692</u>	<u>155,019,606</u>	<u>279,214,298</u>
Less depreciation	<u>(50,560,070)</u>	<u>(81,607,049)</u>	<u>(132,167,119)</u>
Total	\$ 73,634,622	\$ 73,412,557	\$ 147,047,179

Major construction projects in process as of June 30, 2025 include:

Project	Approved Contract	Paid / Accrued to Date	Outstanding Commitment
Winchester Ave. Streetscape & Improvements	\$ 8,233,909	\$ 7,963,665	\$ 270,244
Conference Center	35,432,508	589,306	34,843,202
Turbocompressor system WWTP	1,893,732	-	1,893,732
Generator & Switches WWTP	1,079,190	-	1,079,190
Carr St/Packard. Iroquois Sewer Line Rpl	345,077	-	345,077
55th Tank Renhab	256,050	21,000	235,050
Centrifuge Dewatering Equipment	731,036	-	731,036
Chestnut Dr Main Line Replacement	18,150	-	18,150
Debord Hill Tank rehab	105,680	94,090	11,590
Pollard Mills Improv Proj	421,800	321,762	100,038
Dawes St. Rehab	207,384	157,612	49,772
13th St. Tank Rehab	331,550	109,422	222,128
Backup generator for APD	76,300	-	76,300
Johnson Fork Baugees Dr Fla Dr booster st	2,773,000	207,382	2,565,618
Rbts Dr Screen Replacement	2,928,663	402,909	2,525,754
Safety Action Plan	200,000	59,831	140,169
12 generators	416,107	413,607	2,500
WWTP Expansion	3,992,040	2,367,208	1,624,832
26th St Pump Station	173,300	-	173,300
	<u>\$ 59,615,476</u>	<u>\$ 12,707,794</u>	<u>\$ 46,907,682</u>

DEBT

At the end of fiscal year 2025, the City had governmental activities debt of \$24,863,116 compared to \$16,854,453 at June 30, 2024, which represents an increase of \$8,008,663. Business-type activities had debt of \$14,439,988 compared to \$15,884,660 at June 30, 2024, which represents a decrease of (\$1,444,672). See Note (9) for additional discussion of the City's long term debt. The following chart summarizes governmental and business-type activities debt.

<u>Governmental Activities Debt</u>	<u>Amount</u>
General obligation bond series 2015	\$1,065,000
General obligation bond series 2017	3,215,000
General obligation bond series 2021	7,665,000
General obligation bond series 2024	9,920,000
Lease - Melody Mtn Phase II	889,583
Premium on Bonds	997,432
Compensated absences obligation	<u>1,111,101</u>
Total	<u>\$ 24,863,116</u>
<u>Business-Type Activities Debt</u>	<u>Amount</u>
Water & Sewer Revenue Bonds 2015	\$ 1,560,000
Water & Sewer Revenue Bonds 2020	9,275,000
Lease - Radio Meters	425,833
Kentucky Infrastructure Authority loans	3,149,446
Premium on Bonds	46,551
Discount on Bonds	<u>(16,842)</u>
Total	<u>\$ 14,439,988</u>

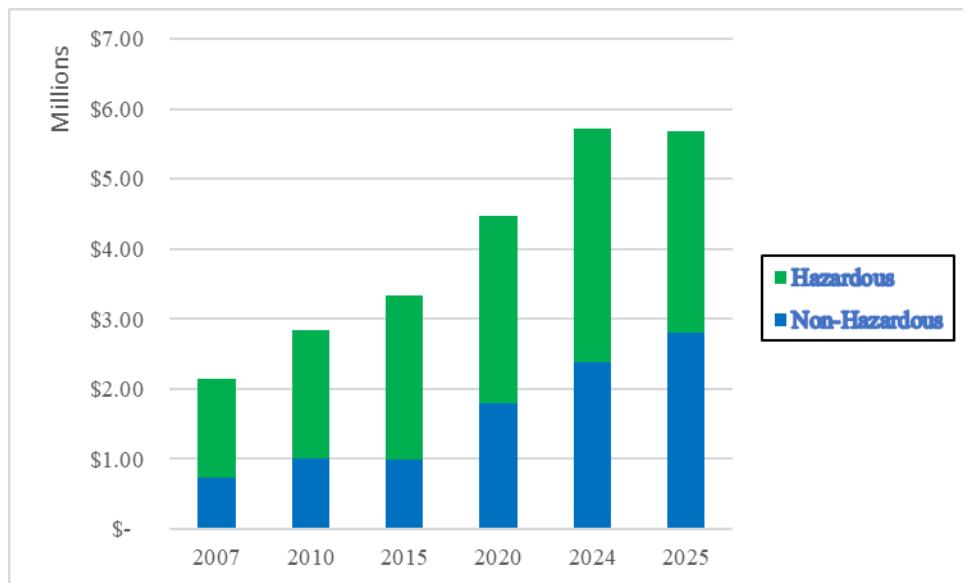
DESCRIPTION OF MUNICIPAL DEBT

- ⇒ General Obligation Refunding Bonds 2015 - \$1,065,000.
- ⇒ General Obligation Bonds 2017 Ashland Plaza Redevelopment Project - \$3,215,000.
- ⇒ General Obligation Bonds 2013 Melody Mountain Phase II - \$889,583.
- ⇒ General Obligation Bonds 2021 for various capital projects - \$7,665,000.
- ⇒ General Obligation Bonds 2024 Conference Center - \$9,920,000.
- ⇒ Premium on bonds - \$997,432.
- ⇒ Employee compensated absences payable after 60 days at \$1,111,101.
- ⇒ K.I.A. Loans used to upgrade the utility system and correct CSO - \$3,149,446.
- ⇒ KLC lease payable for the purchase of radio read meters - \$425,833.
- ⇒ Water & Sewer Revenue Bonds 2015 – water system improvements - \$1,560,000.
- ⇒ Water & Sewer Revenue Bonds 2020 – water & wastewater improvements - \$9,275,000.
- ⇒ Discount and premium on bonds – (\$16,842) and \$46,551 respectively.

OTHER POTENTIALLY SIGNIFICANT MATTERS

Over the years, the City's contribution to the Kentucky Retirement System (CERS) has seen a substantial rise in costs that has significantly impacted the City's operating budget. The table and graph below show the actual cost of the City's contributions to CERS for both Non-Hazardous and Hazardous employees for selected fiscal years, 2007, 2010, 2015, 2020, 2024, 2025 and 2025.

CERS Employer Contributions						
	Non-Hazardous			Hazardous		
FY	Rate	Amount	% Change	Rate	Amount	% Change
2007	13.19%	\$ 726,183		28.21%	\$ 1,416,348	
2010	16.16%	\$ 1,007,386	38.72%	32.97%	\$ 1,842,136	30.06%
2015	17.67%	\$ 997,574	-0.97%	34.31%	\$ 2,331,987	26.59%
2020	24.06%	\$ 1,789,316	79.37%	39.58%	\$ 2,685,813	15.17%
2024	23.34%	\$ 2,385,000	33.29%	43.69%	\$ 3,341,000	24.39%
2025	19.71%	\$ 2,796,000	17.23%	38.61%	\$ 2,889,000	-13.53%



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Unemployment rate for the City of Ashland as of June 2025 is 5.1%. This rate is higher than the State of Kentucky rate at 4.9% and the national rate of 4.1%.

The following summarizes the 2026 fiscal year budgeted expenses.

- ⇒ General Fund - \$33,003,840
- ⇒ Tax Increment Finance Fund - \$298,625
- ⇒ State Tax Increment Finance Fund - \$195,600
- ⇒ Brownfield Grant - \$143,594
- ⇒ Municipal Aid Program - \$638,615
- ⇒ Community Development Block Grant Fund - \$1,221,539
- ⇒ ARPA Fund - \$11,642,455
- ⇒ Conference Center Grant - \$12,825,000
- ⇒ Opioid Settlement - \$401,770
- ⇒ Section 8 Voucher - \$4,533,123
- ⇒ Floodwall Operating Fund - \$327,480

- ⇒ Utility Fund - \$47,618,463
- ⇒ Ashland Bus System - \$1,689,822
- ⇒ Recreation Operating Fund - \$1,677,724
- ⇒ Ashland Cemetery Fund - \$227,643
- ⇒ Parking Garage - \$134,335
- ⇒ Conference Center - \$0
- ⇒ Paramount Arts Center = \$15,183
- ⇒ Capital Purchase Improvement Fund - \$1,276,363

Fiscal year 2026 contains several significant budget items. The Utility Fund will continue with the replacement of the aging sewer lines, tank and pump station rehabs, and construction on the Sewer Treatment plant. Infrastructure improvements including paving and sidewalk replacement; and work to begin on the new Conference Center in our downtown area.

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
City Manager
City of Ashland
P.O. Box 1839
Ashland, KY 41105-1839
Email: Tdgrubb@ashlandky.gov

CITY OF ASHLAND
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,476,770	\$ 9,093,768	\$ 14,570,538
Accounts receivable	-	4,581,228	4,581,228
Allowance for uncollectible accounts	-	(242,891)	(242,891)
Taxes receivable	2,560,089	-	2,560,089
Allowance for uncollectible taxes	(520,378)	-	(520,378)
Grants receivable	1,412,298	708,068	2,120,366
Internal balances, net	10,906,839	(10,906,839)	-
Due from fiduciary fund	2,164,481	-	2,164,481
Other receivables	469,595	-	469,595
Allowance for uncollectible accounts	(76,311)	-	(76,311)
Prepaid expenses	909,122	90,553	999,675
Inventories	290,989	2,798,663	3,089,652
Restricted assets -			
Cash and cash equivalents	-	21,082,795	21,082,795
Certificates of deposit	9,505,121	6,822,806	16,327,927
Note receivable	150,000	-	150,000
Nondepreciable capital assets	29,946,868	7,160,454	37,107,322
Depreciable capital assets	94,247,824	147,859,152	242,106,976
Accumulated depreciation	(50,560,070)	(81,607,049)	(132,167,119)
Net OPEB assets	305,314	358,168	663,482
Total assets	<u>107,188,551</u>	<u>107,798,876</u>	<u>214,987,427</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount from refunding bonds	278,257	-	278,257
Deferred outflows - OPEB related	2,559,088	1,075,335	3,634,423
Deferred outflows - pension related	8,257,748	3,200,172	11,457,920
Total deferred outflows of resources	<u>11,095,093</u>	<u>4,275,507</u>	<u>15,370,600</u>

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

CITY OF ASHLAND
STATEMENT OF NET POSITION (CONCLUDED)
JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Cash overdrafts	\$ 3,230,567	\$ -	\$ 3,230,567
Accounts payable	2,292,832	1,628,780	3,921,612
Line-of-credit	1,700,000	-	1,700,000
Due to Board of Education	120,955	-	120,955
Payable to fiduciary fund	-	4,116,048	4,116,048
Unearned revenue	11,048,783	12,500,000	23,548,783
Other accrued expenses and liabilities	2,438,168	505,539	2,943,707
Deposits	-	389,581	389,581
Matured revenue bonds and notes	-	50,000	50,000
Accrued compensated absences, current	218,577	416,844	635,421
Current portion of long-term debt	1,585,000	1,212,641	2,797,641
Net OPEB liabilities, due in more than one year	1,433,612	-	1,433,612
Net pension liabilities, due in more than one year	40,904,705	17,639,145	58,543,850
Accrued compensated absences, non-current	1,111,101	-	1,111,101
Financing lease obligations, non-current	804,583	291,666	1,096,249
Revenue and Improvement bonds, net of discounts	-	10,129,709	10,129,709
Kentucky Infrastructure Authority loans, non-current	-	2,805,972	2,805,972
General obligation bonds, non-current, plus premiums	<u>21,362,432</u>	<u>-</u>	<u>21,362,432</u>
Total liabilities	<u>88,251,315</u>	<u>51,685,925</u>	<u>139,937,240</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - OPEB related	10,049,854	3,760,937	13,810,791
Deferred inflows - pension related	<u>4,584,278</u>	<u>1,491,552</u>	<u>6,075,830</u>
Total deferred inflows of resources	<u>14,634,132</u>	<u>5,252,489</u>	<u>19,886,621</u>
NET POSITION			
Net investment in capital assets	52,183,073	61,386,971	113,570,044
Restricted			
Debt service	-	1,886,225	1,886,225
Grant programs	293,332	-	293,332
Sewer improvements	-	10,694,103	10,694,103
Other	-	360,871	360,871
Unrestricted	<u>(37,078,208)</u>	<u>(19,192,201)</u>	<u>(56,270,409)</u>
Total net position	<u>\$ 15,398,197</u>	<u>\$ 55,135,969</u>	<u>\$ 70,534,166</u>

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

CITY OF ASHLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

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
Governmental Activities							
General government	\$ 3,383,116	\$ 20,595,013	\$ 20,586	\$ -	\$ 17,232,483	\$ -	\$ 17,232,483
Finance	737,451	-	-	-	(737,451)	-	(737,451)
Public services	7,296,232	2,709,653	444,805	6,585,325	2,443,551	-	2,443,551
Planning and code enforcement	1,096,071	-	158,433	-	(937,638)	-	(937,638)
Police	7,785,380	-	437,888	-	(7,347,492)	-	(7,347,492)
Fire	8,278,331	-	-	-	(8,278,331)	-	(8,278,331)
Engineering	320,284	-	-	-	(320,284)	-	(320,284)
Community and cultural	5,560,468	449,151	4,926,157	-	(185,160)	-	(185,160)
Debt service - interest	931,738	-	-	-	(931,738)	-	(931,738)
Total governmental activities	<u>35,389,071</u>	<u>23,753,817</u>	<u>5,987,869</u>	<u>6,585,325</u>	<u>937,940</u>	<u>-</u>	<u>937,940</u>
Business-Type Activities							
Utilities	20,206,059	23,503,314	-	172,286	-	3,469,541	3,469,541
Recreation	2,076,001	29,483	-	-	-	(2,046,518)	(2,046,518)
Cemetery	280,428	141,142	-	-	-	(139,286)	(139,286)
Parking Garage	226,259	583	-	-	-	(225,676)	(225,676)
Bus	1,794,213	36,919	685,784	843,201	-	(228,309)	(228,309)
Conference Center	9,556	-	-	-	-	(9,556)	(9,556)
Paramount Arts	75,808	-	-	-	-	(75,808)	(75,808)
Total business-type activities	<u>24,668,324</u>	<u>23,711,441</u>	<u>685,784</u>	<u>1,015,487</u>	<u>-</u>	<u>744,388</u>	<u>744,388</u>
Total primary government	<u>\$ 60,057,395</u>	<u>\$ 47,465,258</u>	<u>\$ 6,673,653</u>	<u>\$ 7,600,812</u>	<u>\$ 937,940</u>	<u>\$ 744,388</u>	<u>1,682,328</u>
General Revenues:							
Property and other local taxes							
General property taxes				2,965,795	-	2,965,795	
Vehicle property taxes				501,714	-	501,714	
Insurance premium taxes				5,558,734	-	5,558,734	
Bank franchise and other taxes				673,338	-	673,338	
Interest income				628,263	470,236	1,098,499	
Other revenues				352,099	1,340,405	1,692,504	
Total general revenues				<u>10,679,943</u>	<u>1,810,641</u>	<u>12,490,584</u>	
Transfers				<u>(14,444,916)</u>	<u>14,444,916</u>	<u>-</u>	
Total general revenues and transfers				<u>(3,764,973)</u>	<u>16,255,557</u>	<u>12,490,584</u>	
Change in net position				(2,827,033)	16,999,945	14,172,912	
Net position, June 30, 2024				<u>18,225,230</u>	<u>38,136,024</u>	<u>56,361,254</u>	
Net position, June 30, 2025				<u>\$ 15,398,197</u>	<u>\$ 55,135,969</u>	<u>\$ 70,534,166</u>	

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

CITY OF ASHLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	Special Revenue Funds													Total Governmental Funds				
	General		Tax Increment Finance		State Tax Increment Finance		Brownfield Grant		Municipal Aid Road		Community Development		ARPA	Conference Center Grant	Opioid Settlement	Housing Assistance	Floodwall Operating	Capital Projects
	General	General	Increment	Finance	General	General	General	General	General	General	General	General	ARPA	Conference Center Grant	Opioid Settlement	Housing Assistance	Floodwall Operating	Capital Projects
Assets																		
Cash	\$ 209,459	\$ -	\$ 771,746	\$ 34	\$ 29,565	\$ 14,589	\$ 3,051,893	\$ -	\$ 277,963	\$ 527,809	\$ 28,400	\$ -	\$ 4,911,458					
Taxes receivable	2,305,309	-	-	-	-	-	-	-	-	-	254,780	-	2,560,089					
Allowance for uncollectible taxes	(487,029)	-	-	-	-	-	-	-	-	-	(33,349)	-	(520,378)					
Grants receivable	1,175,809	-	-	-	13,499	34,272	26,118	-	162,600	-	-	-	1,412,298					
Due from other funds	17,608,878	-	-	-	-	-	36,399	-	-	-	-	136,277	278,247	18,059,801				
Other receivables	362,804	-	-	-	-	-	-	30,480	-	-	76,311	-	469,595					
Allowance for uncollectible accounts	-	-	-	-	-	-	-	-	-	(76,311)	-	-	(76,311)					
Investments - certificates of deposit	-	-	-	-	-	-	-	9,505,121	-	-	-	-	9,505,121					
Prepaid items	909,122	-	-	-	-	-	-	-	-	-	-	-	909,122					
Inventories - supplies	290,989	-	-	-	-	-	-	-	-	-	-	-	290,989					
Total assets	\$ 22,375,341	\$ -	\$ 771,746	\$ 13,533	\$ 63,837	\$ 77,106	\$ 12,587,494	\$ 162,600	\$ 277,963	\$ 527,809	\$ 386,108	\$ 278,247	\$ 37,521,784					
Liabilities and Fund Balances																		
Liabilities:																		
Cash overdraft	\$ 3,230,567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,230,567					
Accounts payable	1,244,395	-	-	-	11,500	-	5,767	250,179	2,150	21,894	3,018	6,520	278,247	1,823,670				
Line-of-credit	1,700,000	-	-	-	-	-	-	-	-	-	-	-	1,700,000					
Due to other funds	3,787,779	1,297,268	-	92	202	-	636,926	160,450	1,101	30,881	-	-	5,914,699					
Unearned revenue	-	-	-	-	-	-	10,645,798	-	-	402,985	-	-	11,048,783					
Due to Board of Education	120,955	-	-	-	-	-	-	-	-	-	-	-	120,955					
Accrued compensated absences	212,164	-	-	-	-	-	3,737	-	-	-	1,646	1,030	218,577					
Accrued wages and related	975,523	-	-	-	-	-	2,165	-	-	-	5,613	3,041	986,342					
Total liabilities	11,271,383	1,297,268	-	11,592	202	11,669	11,532,903	162,600	22,995	444,143	10,591	278,247	25,043,593					
Fund Balances:																		
Non-spendable	1,200,111	-	-	-	-	-	-	-	-	-	-	-	1,200,111					
Restricted	144,229	-	-	-	-	-	65,437	-	-	-	83,666	-	293,332					
Assigned for special revenue funds	-	(25,497)	771,746	1,941	63,635	-	1,054,591	-	254,968	-	375,517	-	2,496,901					
Unassigned	9,759,618	(1,271,771)	-	-	-	-	-	-	-	-	-	-	8,487,847					
Total fund balances	11,103,958	(1,297,268)	771,746	1,941	63,635	65,437	1,054,591	-	254,968	83,666	375,517	-	12,478,191					
Total liabilities and fund balances	\$ 22,375,341	\$ -	\$ 771,746	\$ 13,533	\$ 63,837	\$ 77,106	\$ 12,587,494	\$ 162,600	\$ 277,963	\$ 527,809	\$ 386,108	\$ 278,247	\$ 37,521,784					

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, 2025

Total fund balance - total governmental funds \$ 12,478,191

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

Capital assets of \$124,194,692 net of accumulated depreciation of \$50,560,070
used in governmental activities are not financial resources and therefore
are not reported in the governmental funds. 73,634,622

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	
Net OPEB assets	305,314	
Deferred amount from refunding bonds	<u>278,257</u>	733,571

Deferred outflows and inflows of resources related to pensions and OPEB
plans are applicable to future periods and, therefore, are not reported in
the governmental funds. (3,817,296)

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

Net OPEB liabilities	(1,433,612)	
Net pension liabilities	(40,904,705)	
Bonds payable	(22,862,432)	
Accrued interest payable	(429,458)	
Accrued compensated absences	(1,111,101)	
Financing lease obligations	<u>(889,583)</u>	<u>(67,630,891)</u>
Net position, end of year - governmental activities	<u>\$ 15,398,197</u>	

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Special Revenue Funds												Total Governmental Funds			
	Tax		State Tax		Brownfield Grant	Municipal Aid Road	Community Development	ARPA	Conference Center Grant	Opioid Settlement	Housing Assistance	Floodwall Operating				
	General	Increment Finance	Increment Finance	General												
Revenues																
Property and other local taxes	\$ 9,007,770	\$ 39,182	\$ 275,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 376,791	\$ -	\$ 9,699,581		
Licenses and permits	17,961,861	235,110	-	-	-	-	-	-	-	-	-	-	-	18,196,971		
Charges for services	2,709,653	-	-	-	-	-	-	-	-	-	-	-	-	2,709,653		
Fees, fines and reimbursements	2,398,042	-	-	-	-	-	-	-	-	-	-	-	-	2,398,042		
Grant income	458,474	-	-	158,433	444,805	368,248	2,010,479	509,600	312,101	4,245,808	-	-	4,065,246	12,573,194		
Administration fee income	-	-	-	-	-	-	-	-	-	-	449,151	-	-	449,151		
Interest income	24,596	-	900	-	343	-	600,627	-	1,033	663	101	-	-	628,263		
Other income	344,027	-	-	-	-	-	-	-	-	8,072	-	-	-	352,099		
Total revenues	32,904,423	274,292	276,738	158,433	445,148	368,248	2,611,106	509,600	313,134	4,703,694	376,892	-	4,065,246	47,006,954		
Expenditures																
General government	3,086,995	339	-	-	-	-	-	-	107,036	-	-	-	8,409	3,202,779		
Finance	765,185	-	-	-	-	-	-	-	-	-	-	-	-	765,185		
Public services	6,050,691	-	-	156,492	520,453	-	-	-	-	-	-	252,555	-	6,980,191		
Planning and code enforcement	1,134,517	-	-	-	-	-	-	-	-	-	-	-	-	1,134,517		
Police	8,225,011	-	-	-	-	-	-	-	-	-	-	-	-	8,225,011		
Fire	8,925,903	-	-	-	-	-	-	-	-	-	-	-	-	8,925,903		
Engineering	330,607	-	-	-	-	-	-	-	-	-	-	-	-	330,607		
Community and cultural	-	-	-	-	-	368,248	160,000	-	362,308	4,644,132	-	-	-	5,534,688		
Capital outlay	-	-	-	-	-	-	1,211	-	-	-	-	-	6,251,131	6,252,342		
Debt service:																
Principal retirement	1,327,084	200,000	-	-	-	-	-	-	-	-	-	-	-	1,527,084		
Interest and other charges	589,089	99,450	-	-	-	-	-	-	-	-	-	-	-	688,539		
Total expenditures	30,435,082	299,789	-	156,492	520,453	368,248	161,211	-	469,344	4,644,132	252,555	-	6,259,540	43,566,846		
Excess (deficiency) of revenues over (under) expenditures	2,469,341	(25,497)	276,738	1,941	(75,305)	-	2,449,895	509,600	(156,210)	59,562	124,337	(2,194,294)	-	3,440,108		
Other Financing Sources (Uses)																
Proceeds from the issuance of debt	9,920,000	-	-	-	-	-	-	-	-	-	-	-	-	9,920,000		
Discount on debt issued	(173,112)	-	-	-	-	-	-	-	-	-	-	-	-	(173,112)		
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-	852,893	852,893		
Transfers out	(12,777,730)	-	-	-	-	-	(2,010,479)	(509,600)	-	-	-	-	-	(15,297,809)		
Total other financing sources (uses)	(3,030,842)	-	-	-	-	-	(2,010,479)	(509,600)	-	-	-	-	852,893	(4,698,028)		
Net change in fund balances	(561,501)	(25,497)	276,738	1,941	(75,305)	-	439,416	-	(156,210)	59,562	124,337	(1,341,401)	-	(1,257,920)		
Fund balances beginning of year	11,665,459	(1,271,771)	495,008	-	138,940	65,437	615,175	-	411,178	24,104	251,180	1,341,401	-	13,736,111		
Fund balances end of year	\$ 11,103,958	\$ (1,297,268)	\$ 771,746	\$ 1,941	\$ 63,635	\$ 65,437	\$ 1,054,591	\$ -	\$ 254,968	\$ 83,666	\$ 375,517	\$ -	\$ 12,478,191			

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, 2025

Net change in fund balances - total governmental funds \$ (1,257,920)

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	7,383,679	
Depreciation expense	<u>(3,043,033)</u>	4,340,646

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	23,407	
Amortization of deferred savings from refunding bonds	(48,382)	
Amortization of bond discounts and premiums	187,734	
Accrued interest payable	(382,551)	

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	233,078	
CERS pension and OPEB expense	<u>2,296,759</u>	2,529,837

Bond and financing lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position.		<u>1,527,084</u>
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Bond and capital lease proceeds, including related premiums and discounts, are recognized as revenues in the fund financial statements, but are increases in liabilities in the statement of net position.

Bonds issued	(9,920,000)	
Premiums and discounts on bonds	<u>173,112</u>	<u>(9,746,888)</u>
Change in net position of governmental activities	<u>\$ (2,827,033)</u>	

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

CITY OF ASHLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2025

	Business-Type Activities							Total	Governmental Activity - Internal Service Fund	
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Parking Garage Fund	Conference Center Fund	Paramount Arts Fund			
ASSETS										
Unrestricted Assets:										
Cash and cash equivalents	\$ 1,716,813	\$ 167,627	\$ 25,008	\$ 17,335	\$ 21	\$ 7,166,964	\$ -	\$ 9,093,768	\$ 565,312	
Accounts receivable	4,521,753	-	-	2,952	-	56,523	-	4,581,228	-	
Allowance for doubtful accounts	(242,891)	-	-	-	-	-	-	(242,891)	-	
Due from other funds	-	-	-	-	-	2,410,638	-	2,410,638	926,218	
Grants receivable	-	708,068	-	-	-	-	-	708,068	-	
Prepaid expenses	90,553	-	-	-	-	-	-	90,553	-	
Inventories -										
Repair parts and supplies	1,431,140	46,518	11,650	-	-	-	-	1,489,308	-	
Lots and vaults	-	-	-	1,309,355	-	-	-	1,309,355	-	
Total unrestricted assets	7,517,368	922,213	36,658	1,329,642	21	9,634,125	-	19,440,027	1,491,530	
Restricted Assets:										
Cash and cash equivalents	8,411,924	-	-	35,173	-	12,635,698	-	21,082,795	-	
Certificates of deposit	6,632,806	-	190,000	-	-	-	-	6,822,806	-	
Total restricted assets	15,044,730	-	190,000	35,173	-	12,635,698	-	27,905,601	-	
Total current assets	22,562,098	922,213	226,658	1,364,815	21	22,269,823	-	47,345,628	1,491,530	
Capital Assets:										
Land and easements	383,225	-	58,223	18,453	-	-	121,559	581,460	-	
Utility plant	117,127,846	-	-	-	-	-	-	117,127,846	-	
Buildings and improvements	2,912,935	1,604,339	307,070	2,331,842	1,800,000	-	3,000,000	11,956,186	-	
Operating equipment	8,506,658	2,223,558	6,998,302	197,436	52,454	-	-	17,978,408	-	
Office and computer equipment	758,542	38,170	-	-	-	-	-	796,712	-	
Construction in progress	5,989,688	-	-	-	-	589,306	-	6,578,994	-	
Less: Accumulated depreciation	135,678,894	3,866,067	7,363,595	2,547,731	1,852,454	589,306	3,121,559	155,019,606	-	
Total capital assets - net	(76,712,973)	(2,270,993)	(1,611,223)	(793,886)	(160,282)	-	(57,692)	(81,607,049)	-	
Net OPEB assets	58,965,921	1,595,074	5,752,372	1,753,845	1,692,172	589,306	3,063,867	73,412,557	-	
Total noncurrent assets										
Total assets	81,646,533	2,552,450	6,130,089	3,127,832	1,736,453	22,859,129	3,063,867	121,116,353	1,491,530	
DEFERRED OUTFLOWS OF RESOURCES										
Deferred outflows - OPEB related	823,959	121,474	106,742	14,525	8,635	-	-	1,075,335	-	
Deferred outflows - pension related	2,452,085	361,504	317,660	43,224	25,699	-	-	3,200,172	-	
Total deferred outflows of resources	3,276,044	482,978	424,402	57,749	34,334	-	-	4,275,507	-	

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

CITY OF ASHLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (CONCLUDED)
JUNE 30, 2025

	Business-Type Activities							Total	Governmental Activity - Internal Service Fund	
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Parking Garage Fund	Conference Center Fund	Paramount Arts Fund			
LIABILITIES										
Current liabilities (payable from current assets):										
Accounts payable	\$ 536,341	\$ 789,023	\$ 297,846	\$ 5,455	\$ 115	\$ -	\$ -	\$ 1,628,780	\$ 469,162	
Due to other funds	8,896,338	949,478	3,885,668	24,452	537,914	-	3,139,675	17,433,525	-	
Accrued compensated absences	347,076	33,995	26,907	7,433	1,433	-	-	416,844	-	
Unearned revenue	-	-	-	-	-	12,500,000	-	12,500,000	-	
Other accrued liabilities	417,795	20,705	28,375	37,603	1,061	-	-	505,539	1,022,368	
Matured revenue bonds and notes	50,000	-	-	-	-	-	-	50,000	-	
Customer deposits	389,581	-	-	-	-	-	-	389,581	-	
Current portion of financing lease obligations	134,167	-	-	-	-	-	-	134,167	-	
Current portion of Revenue and Improvement bonds	735,000	-	-	-	-	-	-	735,000	-	
Current portion of Kentucky Infrastructure Authority loans	343,474	-	-	-	-	-	-	343,474	-	
Total current liabilities	11,849,772	1,793,201	4,238,796	74,943	540,523	12,500,000	3,139,675	34,136,910	1,491,530	
Long-term liabilities:										
Financing lease obligations	291,666	-	-	-	-	-	-	291,666	-	
Revenue and Improvement bonds, net of discount and premium	10,129,709	-	-	-	-	-	-	10,129,709	-	
Kentucky Infrastructure Authority loans	2,805,972	-	-	-	-	-	-	2,805,972	-	
Net pension liabilities	14,764,742	1,496,552	1,124,714	238,881	14,256	-	-	17,639,145	-	
Total long-term liabilities	27,992,089	1,496,552	1,124,714	238,881	14,256	-	-	30,866,492	-	
Total liabilities	39,841,861	3,289,753	5,363,510	313,824	554,779	12,500,000	3,139,675	65,003,402	1,491,530	
DEFERRED INFLOWS OF RESOURCES										
Deferred inflows - OPEB related	2,881,763	424,850	373,323	50,798	30,203	-	-	3,760,937	-	
Deferred inflows - pension related	1,142,879	168,492	148,057	20,146	11,978	-	-	1,491,552	-	
Total deferred inflows of resources	4,024,642	593,342	521,380	70,944	42,181	-	-	5,252,489	-	
NET POSITION										
Net investment in capital assets	46,940,335	1,595,074	5,752,372	1,753,845	1,692,172	589,306	3,063,867	61,386,971	-	
Restricted for debt service	1,886,225	-	-	-	-	-	-	1,886,225	-	
Restricted for sewer improvements	10,694,103	-	-	-	-	-	-	10,694,103	-	
Restricted for other purposes	-	-	190,000	35,173	-	135,698	-	360,871	-	
Unrestricted	(18,464,589)	(2,442,741)	(5,272,771)	1,011,795	(518,345)	9,634,125	(3,139,675)	(19,192,201)	-	
Total net position	\$ 41,056,074	\$ (847,667)	\$ 669,601	\$ 2,800,813	\$ 1,173,827	\$ 10,359,129	\$ (75,808)	\$ 55,135,969	\$ -	

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, 2025

	Business-Type Activities							Governmental Activity - Internal Service Fund	
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Parking Garage Fund	Conference Center Fund	Paramount Arts Fund		
OPERATING REVENUES									
Residential and commercial meter sales	\$ 5,913,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,913,839	\$ -
Sewer service	11,059,136	-	-	-	-	-	-	11,059,136	-
Industrial meter sales	5,037,092	-	-	-	-	-	-	5,037,092	-
Other municipalities	1,401,962	-	-	-	-	-	-	1,401,962	-
Industrial pretreatment	91,285	-	-	-	-	-	-	91,285	-
Concession sales	-	-	8,180	-	-	-	-	8,180	-
Lot and vault sales	-	-	-	55,630	-	-	-	55,630	-
Opening and closing fees	-	-	-	85,512	-	-	-	85,512	-
Passenger fares	-	36,919	-	-	-	-	-	36,919	-
Admission and parking fees	-	-	21,303	-	583	-	-	21,386	-
Premium charges	-	-	-	-	-	-	-	-	7,101,876
Miscellaneous	1,336,763	-	3,208	400	14	20	-	1,340,405	-
Total operating revenues	24,840,077	36,919	32,691	141,542	597	20	-	25,051,846	7,101,876
OPERATING EXPENSES									
Administration - Director	213,710	-	-	-	-	-	-	213,710	-
Administration - Cashier	1,244,725	-	-	-	-	-	-	1,244,725	-
Water - Production	3,254,812	-	-	-	-	-	-	3,254,812	-
Water - Distribution	5,802,484	-	-	-	-	-	-	5,802,484	-
Sewer - Pretreatment	2,347,988	-	-	-	-	-	-	2,347,988	-
Sewer - Collection	2,300,578	-	-	-	-	-	-	2,300,578	-
Depreciation	2,923,142	160,887	254,086	59,190	55,923	-	57,692	3,510,920	-
Insurance	233,597	33,056	29,585	7,500	15,373	-	10,433	329,544	-
Other operating expenses	1,525,922	548,321	659,628	58,347	47,788	9,556	7,683	2,857,245	39,883
Salaries	-	897,559	824,357	109,930	56,947	-	-	1,888,793	-
Utilities	-	36,369	122,503	13,988	16,891	-	-	189,751	-
Operating supplies	-	118,021	185,842	31,473	33,337	-	-	368,673	-
Premiums and claims	-	-	-	-	-	-	-	-	7,062,687
Total operating expenses	19,846,958	1,794,213	2,076,001	280,428	226,259	9,556	75,808	24,309,223	7,102,570
OPERATING INCOME (LOSS)	4,993,119	(1,757,294)	(2,043,310)	(138,886)	(225,662)	(9,536)	(75,808)	742,623	(694)

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 (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

	Business-Type Activities							Total	Governmental Activity - Internal Service Fund	
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Parking Garage Fund	Conference Center Fund	Paramount Arts Fund		Internal Service Fund	
NON-OPERATING REVENUES (EXPENSES)										
Gain (loss) on disposal of assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Interest income	226,332	109	1,756	68	15	241,956	-	470,236	694	
Grant income	-	685,784	-	-	-	-	-	685,784	-	
Interest on revenue bonds and notes	(359,101)	-	-	-	-	-	-	(359,101)	-	
Total non-operating revenues (expenses)	(132,769)	685,893	1,756	68	15	241,956	-	796,919	694	
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS										
	4,860,350	(1,071,401)	(2,041,554)	(138,818)	(225,647)	232,420	(75,808)	1,539,542	-	
TRANSFERS										
From the General Fund	-	606,126	1,621,944	-	-	-	-	2,228,070	-	
Total transfers in	-	606,126	1,621,944	-	-	-	-	2,228,070	-	
CAPITAL CONTRIBUTIONS										
Water and sewer tap fees	118,523	-	-	-	-	-	-	118,523	-	
From the General Fund	-	79,658	-	-	-	9,617,109	-	9,696,767	-	
From the ARPA Fund	2,010,479	-	-	-	-	-	-	2,010,479	-	
From the Conference Center Grant Fund	-	-	-	-	-	509,600	-	509,600	-	
Federal/state grants	53,763	843,201	-	-	-	-	-	896,964	-	
Total capital contributions	2,182,765	922,859	-	-	-	10,126,709	-	13,232,333	-	
INCREASE (DECREASE) IN NET POSITION										
	7,043,115	457,584	(419,610)	(138,818)	(225,647)	10,359,129	(75,808)	16,999,945	-	
NET POSITION, JUNE 30, 2024	34,012,959	(1,305,251)	1,089,211	2,939,631	1,399,474	-	-	38,136,024	-	
NET POSITION, JUNE 30, 2025	\$ 41,056,074	\$ (847,667)	\$ 669,601	\$ 2,800,813	\$ 1,173,827	\$ 10,359,129	\$ (75,808)	\$ 55,135,969	\$ -	

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, 2025

	Business-Type Activities							Governmental Activity - Internal Service Fund	
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Parking Garage Fund	Conference Center Fund	Paramount Arts Fund		
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash received from customers	\$ 22,154,933	\$ 36,919	\$ 29,483	\$ 140,880	\$ 583	\$ -	\$ -	\$ 22,362,798	\$ -
Cash payments to suppliers for goods and services	(8,232,004)	(619,879)	(929,978)	(50,220)	(125,072)	(9,556)	(18,116)	(9,984,825)	(39,883)
Cash payments to employees	(8,645,753)	(901,999)	(825,291)	(114,251)	(57,362)	-	-	(10,544,656)	-
Other operating revenues	1,336,763	-	3,208	400	14	20	-	1,340,405	-
Payments for internal services	(1,587,461)	(196,625)	(229,125)	(65,000)	-	-	-	(2,078,211)	-
Cash received for internal services	-	-	-	-	-	-	-	-	7,263,619
Payments for premiums and claims	-	-	-	-	-	-	-	-	(6,796,351)
Net cash provided by (used for) operating activities	<u>5,026,478</u>	<u>(1,681,584)</u>	<u>(1,951,703)</u>	<u>(88,191)</u>	<u>(181,837)</u>	<u>(9,536)</u>	<u>(18,116)</u>	<u>1,095,511</u>	<u>427,385</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Grant income	-	1,253,450	-	-	-	-	-	1,253,450	-
Transfers and advances from other funds	<u>17,673</u>	<u>(117,122)</u>	<u>2,614,182</u>	<u>91,576</u>	<u>166,111</u>	<u>7,716,071</u>	<u>3,139,675</u>	<u>13,628,166</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>17,673</u>	<u>1,136,328</u>	<u>2,614,182</u>	<u>91,576</u>	<u>166,111</u>	<u>7,716,071</u>	<u>3,139,675</u>	<u>14,881,616</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition and construction of capital assets	(4,215,731)	(14,380)	(646,019)	-	-	(589,306)	(3,121,559)	(8,586,995)	-
Principal paid on bonds, notes, and lease obligations	(1,439,319)	-	-	-	-	-	-	(1,439,319)	-
Interest paid on bonds, notes, and lease obligations	(359,101)	-	-	-	-	-	-	(359,101)	-
Capital contributions	2,010,479	79,658	-	-	-	-	-	2,090,137	-
Tap fees	118,523	-	-	-	-	-	-	118,523	-
Capital grants received	<u>741,763</u>	<u>588,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,500,000</u>	<u>-</u>	<u>13,830,049</u>	<u>-</u>
Net cash provided by (used for) capital and related financing activities	<u>(3,143,386)</u>	<u>653,564</u>	<u>(646,019)</u>	<u>-</u>	<u>-</u>	<u>11,910,694</u>	<u>(3,121,559)</u>	<u>5,653,294</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES									
Withdrawal of investment securities	(179,785)	-	-	-	-	-	-	(179,785)	-
Investment income	<u>226,332</u>	<u>109</u>	<u>1,767</u>	<u>68</u>	<u>15</u>	<u>185,433</u>	<u>-</u>	<u>413,724</u>	<u>694</u>
Net cash provided by (used for) investing activities	<u>46,547</u>	<u>109</u>	<u>1,767</u>	<u>68</u>	<u>15</u>	<u>185,433</u>	<u>-</u>	<u>233,939</u>	<u>694</u>

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

CITY OF ASHLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

	Business-Type Activities							Governmental Activity - Internal Service Fund	
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Parking Garage Fund	Conference Center Fund	Paramount Arts Fund	Total	
Net increase (decrease) in cash and cash equivalents	\$ 1,947,312	\$ 108,417	\$ 18,227	\$ 3,453	\$ (15,711)	\$ 19,802,662	\$ -	\$ 21,864,360	\$ 428,079
Cash and cash equivalents, June 30, 2024	<u>8,181,425</u>	<u>59,210</u>	<u>6,781</u>	<u>49,055</u>	<u>15,732</u>	<u>-</u>	<u>-</u>	<u>8,312,203</u>	<u>137,233</u>
Cash and cash equivalents, June 30, 2025	<u>\$ 10,128,737</u>	<u>\$ 167,627</u>	<u>\$ 25,008</u>	<u>\$ 52,508</u>	<u>\$ 21</u>	<u>\$ 19,802,662</u>	<u>\$ -</u>	<u>\$ 30,176,563</u>	<u>\$ 565,312</u>
Cash and cash equivalents reported as:									
Unrestricted	\$ 1,716,813	\$ 167,627	\$ 25,008	\$ 17,335	\$ 21	\$ 7,166,964	\$ -	\$ 9,093,768	\$ 565,312
Restricted	<u>8,411,924</u>	<u>-</u>	<u>-</u>	<u>35,173</u>	<u>-</u>	<u>12,635,698</u>	<u>-</u>	<u>21,082,795</u>	<u>-</u>
	<u><u>\$ 10,128,737</u></u>	<u><u>\$ 167,627</u></u>	<u><u>\$ 25,008</u></u>	<u><u>\$ 52,508</u></u>	<u><u>\$ 21</u></u>	<u><u>\$ 19,802,662</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,176,563</u></u>	<u><u>\$ 565,312</u></u>

RECONCILIATION OF OPERATING INCOME (LOSS)

TO NET CASH PROVIDED BY (USED FOR)
 OPERATING ACTIVITIES

Operating income (loss)	\$ 4,993,119	\$ (1,757,294)	\$ (2,043,310)	\$ (138,886)	\$ (225,662)	\$ (9,536)	\$ (75,808)	\$ 742,623	\$ (694)
Adjustments:									
Depreciation	2,923,142	160,887	254,086	59,190	55,923	-	57,692	3,510,920	-
Amortization	(5,353)	-	-	-	-	-	-	(5,353)	-
Net pension adjustment	(757,440)	25,273	25,733	18,018	7,982	-	-	(680,434)	-
(Increase) decrease in accounts receivable	(1,024,790)	-	-	(262)	-	-	-	(1,025,052)	-
(Increase) decrease in inventories	120,863	2,042	(8,902)	14,050	-	-	-	128,053	-
(Increase) decrease in prepaid expenses	14,475	-	-	-	-	-	-	14,475	-
(Increase) decrease in due from other funds	-	-	-	-	-	-	-	-	161,743
Increase (decrease) in accounts payable	(420,427)	(18,183)	(93,029)	1,895	(2,087)	-	-	(531,831)	284,521
Increase (decrease) in compensated absences	861	(5,918)	(11,953)	(1,834)	(46)	-	-	(18,890)	-
Increase (decrease) in other accrued liabilities	113,636	1,478	11,019	(2,487)	(369)	-	-	123,277	(18,185)
Increase (decrease) in customer deposits	(323,591)	-	-	-	-	-	-	(323,591)	-
Net cash provided by (used for) operating activities	<u>\$ 5,026,478</u>	<u>\$ (1,681,584)</u>	<u>\$ (1,951,703)</u>	<u>\$ (88,191)</u>	<u>\$ (181,837)</u>	<u>\$ (9,536)</u>	<u>\$ (18,116)</u>	<u>\$ 1,095,511</u>	<u>\$ 427,385</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, 2025

	<u>Pension</u> <u>Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ -
Accrued interest receivable	10,652
Due from other funds	4,116,048
Investments	
Certificates of deposit	<u>1,196,818</u>
Total assets	<u>5,323,518</u>
LIABILITIES	
Due to other funds	<u>2,164,481</u>
Total liabilities	<u>2,164,481</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u><u>\$ 3,159,037</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, 2025

	<u>Pension Trust Funds</u>
ADDITIONS:	
CONTRIBUTIONS	
Employer	<u>\$ 471,485</u>
Total contributions	<u>471,485</u>
INVESTMENT INCOME	
Interest income	<u>48,459</u>
Total investment income	<u>48,459</u>
Total additions	<u>519,944</u>
DEDUCTIONS:	
Benefits	<u>877,115</u>
Administrative expenses	<u>7,840</u>
Total deductions	<u>884,955</u>
NET DECREASE	<u>(365,011)</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS:	
Beginning of year	<u>3,524,048</u>
End of year	<u>\$ 3,159,037</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, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 9,061,880	\$ -	\$ 9,061,880	\$ 9,007,770	\$ (54,110)
Licenses and permits	17,046,435	-	17,046,435	17,961,861	915,426
Charges for services	2,728,175	-	2,728,175	2,709,653	(18,522)
Fees, fines and reimbursements	2,931,475	-	2,931,475	2,398,042	(533,433)
Interest income	31,750	-	31,750	24,596	(7,154)
Grant income	567,645	-	567,645	458,474	(109,171)
Other income	269,696	-	269,696	344,027	74,331
Total revenues	<u>32,637,056</u>	<u>-</u>	<u>32,637,056</u>	<u>32,904,423</u>	<u>267,367</u>
Expenditures					
General government	2,327,598	-	2,327,598	3,086,995	(759,397)
Finance	792,453	-	792,453	765,185	27,268
Public services	6,756,612	26,211	6,782,823	6,050,691	732,132
Planning and code enforcement	1,042,315	26,211	1,068,526	1,134,517	(65,991)
Police	8,626,766	106,677	8,733,443	8,225,011	508,432
Fire	8,697,974	163,401	8,861,375	8,925,903	(64,528)
Engineering	404,419	-	404,419	330,607	73,812
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	437,821	-	437,821	1,327,084	(889,263)
Interest and fiscal charges	1,340,248	-	1,340,248	589,089	751,159
Total expenditures	<u>30,426,206</u>	<u>322,500</u>	<u>30,748,706</u>	<u>30,435,082</u>	<u>313,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,210,850</u>	<u>(322,500)</u>	<u>1,888,350</u>	<u>2,469,341</u>	<u>580,991</u>
Other Financing Sources (Uses)					
Proceeds from the issuance of debt	-	-	-	9,920,000	9,920,000
Discount on debt issued	-	-	-	(173,112)	(173,112)
Transfers in	-	-	-	-	-
Transfers out	<u>(2,210,850)</u>	<u>(637,288)</u>	<u>(2,848,138)</u>	<u>(12,777,730)</u>	<u>(9,929,592)</u>
Total other financing sources (uses)	<u>(2,210,850)</u>	<u>(637,288)</u>	<u>(2,848,138)</u>	<u>(3,030,842)</u>	<u>(182,704)</u>
Net change in fund balance	-	(959,788)	(959,788)	(561,501)	398,287
Fund balance beginning of year	<u>11,665,459</u>	<u>-</u>	<u>11,665,459</u>	<u>11,665,459</u>	<u>-</u>
Fund balance end of year	<u>\$ 11,665,459</u>	<u>\$ (959,788)</u>	<u>\$ 10,705,671</u>	<u>\$ 11,103,958</u>	<u>\$ 398,287</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
TAX INCREMENT FINANCE FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 19,075	\$ -	\$ 19,075	\$ 39,182	\$ 20,107
Licenses and permits	114,347	-	114,347	235,110	120,763
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	133,422	-	133,422	274,292	140,870
Expenditures					
General government	-	214	214	339	(125)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	195,000	-	195,000	200,000	(5,000)
Interest and fiscal charges	104,450	-	104,450	99,450	5,000
Total expenditures	299,450	214	299,664	299,789	(125)
Excess (deficiency) of revenues over (under) expenditures	(166,028)	(214)	(166,242)	(25,497)	140,745
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(166,028)	(214)	(166,242)	(25,497)	140,745
Fund balance beginning of year	(1,271,771)	-	(1,271,771)	(1,271,771)	-
Fund balance end of year	\$ (1,437,799)	\$ (214)	\$ (1,438,013)	\$ (1,297,268)	\$ 140,745

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
STATE TAX INCREMENT FINANCE FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 195,000	\$ -	\$ 195,000	\$ 275,838	\$ 80,838
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	1,000	-	1,000	900	(100)
Other income	-	-	-	-	-
Total revenues	196,000	-	196,000	276,738	80,738
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Capital outlay	396,176	-	396,176	-	396,176
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	396,176	-	396,176	-	396,176
Excess (deficiency) of revenues over (under) expenditures	(200,176)	-	(200,176)	276,738	476,914
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(200,176)	-	(200,176)	276,738	476,914
Fund balance beginning of year	495,008	-	495,008	495,008	-
Fund balance end of year	\$ 294,832	\$ -	\$ 294,832	\$ 771,746	\$ 476,914

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
BROWNFIELD GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	137,000	-	137,000	158,433	21,433
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	137,000	-	137,000	158,433	21,433
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	137,000	7,948	144,948	156,492	(11,544)
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	137,000	7,948	144,948	156,492	(11,544)
Excess (deficiency) of revenues over (under) expenditures	-	(7,948)	(7,948)	1,941	9,889
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	(7,948)	(7,948)	1,941	9,889
Fund balance beginning of year	-	-	-	-	-
Fund balance end of year	\$ -	\$ (7,948)	\$ (7,948)	\$ 1,941	\$ 9,889

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, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	520,875	-	520,875	444,805	(76,070)
Administration fee income	-	-	-	-	-
Interest income	50	-	50	343	293
Other income	-	-	-	-	-
Total revenues	520,925	-	520,925	445,148	(75,777)
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	520,925	-	520,925	520,453	472
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	520,925	-	520,925	520,453	472
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(75,305)	(75,305)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	(75,305)	(75,305)
Fund balance beginning of year	138,940	-	138,940	138,940	-
Fund balance end of year	<u>\$ 138,940</u>	<u>\$ -</u>	<u>\$ 138,940</u>	<u>\$ 63,635</u>	<u>\$ (75,305)</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, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	- -	- -	- -	- -	- -
Charges for services	- -	- -	- -	- -	- -
Fees, fines and reimbursements	- -	- -	- -	- -	- -
Grant income	1,191,905	- -	1,191,905	368,248	(823,657)
Administration fee income	- -	- -	- -	- -	- -
Interest income	- -	- -	- -	- -	- -
Other income	- -	- -	- -	- -	- -
Total revenues	1,191,905	- -	1,191,905	368,248	(823,657)
Expenditures					
General government	- -	- -	- -	- -	- -
Finance	- -	- -	- -	- -	- -
Public services	- -	- -	- -	- -	- -
Planning and code enforcement	- -	- -	- -	- -	- -
Police	- -	- -	- -	- -	- -
Fire	- -	- -	- -	- -	- -
Engineering	- -	- -	- -	- -	- -
Community and cultural	1,191,905	- -	1,191,905	368,248	823,657
Capital outlay	- -	- -	- -	- -	- -
Debt service:					
Principal retirement	- -	- -	- -	- -	- -
Interest and fiscal charges	- -	- -	- -	- -	- -
Total expenditures	1,191,905	- -	1,191,905	368,248	823,657
Excess (deficiency) of revenues over (under) expenditures	- -	- -	- -	- -	- -
Other Financing Sources (Uses)					
Transfers in	- -	- -	- -	- -	- -
Transfers out	- -	- -	- -	- -	- -
Total other financing sources (uses)	- -	- -	- -	- -	- -
Net change in fund balance	- -	- -	- -	- -	- -
Fund balance beginning of year	65,437	- -	65,437	65,437	- -
Fund balance end of year	\$ 65,437	\$ -	\$ 65,437	\$ 65,437	\$ -

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
ARPA FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	2,010,479	2,010,479
Administration fee income	-	-	-	-	-
Interest income	450,000	-	450,000	600,627	150,627
Other income	-	-	-	-	-
Total revenues	450,000	-	450,000	2,611,106	2,161,106
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	160,000	(160,000)
Capital outlay	12,415,000	-	12,415,000	1,211	12,413,789
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	12,415,000	-	12,415,000	161,211	12,253,789
Excess (deficiency) of revenues over (under) expenditures	(11,965,000)	-	(11,965,000)	2,449,895	14,414,895
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(2,010,479)	(2,010,479)
Total other financing sources (uses)	-	-	-	(2,010,479)	(2,010,479)
Net change in fund balance	(11,965,000)	-	(11,965,000)	439,416	12,404,416
Fund balance beginning of year	615,175	-	615,175	615,175	-
Fund balance end of year	\$ (11,349,825)	\$ -	\$ (11,349,825)	\$ 1,054,591	\$ 12,404,416

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
CONFERENCE CENTER GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	1,000,000	-	1,000,000	509,600	(490,400)
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	1,000,000	-	1,000,000	509,600	(490,400)
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Capital outlay	1,000,000	-	1,000,000	-	1,000,000
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	1,000,000	-	1,000,000	-	1,000,000
Excess (deficiency) of revenues over (under) expenditures	-	-	-	509,600	509,600
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(509,600)	(509,600)
Total other financing sources (uses)	-	-	-	(509,600)	(509,600)
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	-	-	-	-	-
Fund balance end of year	\$ -	\$ -	\$ -	\$ -	\$ -

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
OPIOID SETTLEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	454,330	-	454,330	312,101	(142,229)
Administration fee income	-	-	-	-	-
Interest income	100	-	100	1,033	933
Other income	-	-	-	-	-
Total revenues	454,430	-	454,430	313,134	(141,296)
Expenditures					
General government	430	-	430	107,036	(106,606)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	454,000	48,259	502,259	362,308	139,951
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	454,430	48,259	502,689	469,344	33,345
Excess (deficiency) of revenues over (under) expenditures	-	(48,259)	(48,259)	(156,210)	(107,951)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	(48,259)	(48,259)	(156,210)	(107,951)
Fund balance beginning of year	411,178	-	411,178	411,178	-
Fund balance end of year	\$ 411,178	\$ (48,259)	\$ 362,919	\$ 254,968	\$ (107,951)

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, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	4,040,308	-	4,040,308	4,245,808	205,500
Administration fee income	403,164	-	403,164	449,151	45,987
Interest income	300	-	300	663	363
Other income	-	-	-	8,072	8,072
Total revenues	4,443,772	-	4,443,772	4,703,694	259,922
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	4,543,250	88,148	4,631,398	4,644,132	(12,734)
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	4,543,250	88,148	4,631,398	4,644,132	(12,734)
Excess (deficiency) of revenues over (under) expenditures	(99,478)	(88,148)	(187,626)	59,562	247,188
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(99,478)	(88,148)	(187,626)	59,562	247,188
Fund balance beginning of year	24,104	-	24,104	24,104	-
Fund balance end of year	<u>\$ (75,374)</u>	<u>\$ (88,148)</u>	<u>\$ (163,522)</u>	<u>\$ 83,666</u>	<u>\$ 247,188</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, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 326,930	\$ -	\$ 326,930	\$ 376,791	\$ 49,861
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	550	-	550	101	(449)
Other income	-	-	-	-	-
Total revenues	<u>327,480</u>	<u>-</u>	<u>327,480</u>	<u>376,892</u>	<u>49,412</u>
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	<u>327,480</u>	<u>-</u>	<u>327,480</u>	<u>252,555</u>	<u>74,925</u>
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>327,480</u>	<u>-</u>	<u>327,480</u>	<u>252,555</u>	<u>74,925</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>124,337</u>	<u>124,337</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	124,337	124,337
Fund balance beginning of year	<u>251,180</u>	<u>-</u>	<u>251,180</u>	<u>251,180</u>	<u>-</u>
Fund balance end of year	<u>\$ 251,180</u>	<u>\$ -</u>	<u>\$ 251,180</u>	<u>\$ 375,517</u>	<u>\$ 124,337</u>

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

**CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

(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, 2025 there are no organizations meeting the criteria.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and fiduciary fund financial statements.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major Governmental Funds:

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

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

- Tax Increment Finance Fund - The Tax Increment Finance Fund is used to account for the revenue and expenditures related to the Tax Increment Financing District.
- State Tax Increment Finance Fund - The State Tax Increment Finance Fund is used to account for the Kentucky revenue and expenditures related to the Tax Increment Financing District.
- Brownfield Grant Fund - The Brownfield Grant Fund is used to account for the restricted use of the U.S. Environment Protection Agency Brownfield Grant.
- Municipal Aid Road Fund - The Municipal Aid Road Fund is used to account for state grants restricted for road improvements.
- 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.
- ARPA Fund - The ARPA Fund is used to account for the revenue and expenditures related to grants received under the American Rescue Plan Act.
- Conference Center Grant Fund - The Conference Center Grant Fund is used to account for state grants restricted for the construction of a convention center.
- Opioid Settlement Fund - The Opioid Settlement Fund is used to account for the revenue and expenditures related to funds received from the Kentucky Opioid Abatement Advisory Commission. Resources are used for expenditures related to opioid use disorder or any co-occurring substance use disorder or mental health issue, as defined in KRS 15.291.
- 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.
- Floodwall Operating Fund - The Floodwall Operating Fund is used to account for taxes levied on real estate located within the floodwall. Resources may only be used for the repair and maintenance of the City's floodwall.

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.
- Parking Garage Fund - The Parking Garage Fund is used to account for the operation and maintenance of the city parking garage.
- Conference Center Fund - The Conference Center Fund is used to account for the operation and maintenance of the Ashland Conference Center.
- Paramount Arts Fund - The Paramount Arts Fund is used to account for the operation and maintenance of the Paramount Arts Center.

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, 2025, 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 asset's 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, 2025, 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 leave (1) is attributable to employee services already rendered, (2) relates to rights that vest or accumulate, (3) is probable to result in payment, and (4) can be reasonably estimated.

Vacation leave is accrued as a liability as the benefits are earned and the City expects to pay them upon termination or retirement, or through use during employment. Sick leave accumulates; however, for substantially all employees, unused sick leave is not payable upon termination or retirement, is not convertible to other benefits, and is routinely forfeited. Historical utilization has consistently been below annual accruals, resulting in increasing unused balances that are routinely forfeited or are expected to be forfeited. Accordingly, the City has concluded that payment of accumulated sick leave balances is not probable, and no liability for accumulated sick leave is recorded for those employees. Certain employees are eligible for payout of unused sick leave upon retirement. A liability for accumulated sick leave has been recorded for these employees for amounts that are probable and reasonably estimable.

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 Note (15).

N. Cash and Cash Equivalents

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

O. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenditures during the reporting period. Material estimates that are particularly susceptible to significant changes relate to the determination of the allowance for uncollectible accounts and the useful lives used to depreciate capital assets, and actuarial assumptions used in determining pension and OPEB costs. Actual results could differ from estimated amounts.

P. Debt Issuance Costs

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

Q. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2025, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

R. Deferred Outflows/Inflows of Resources

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

S. Pension

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

T. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the OPEB plan's fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis

as they are reported by plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

U. Recent Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* (“GASB 101”), which supersedes the guidance in Statement No. 16, *Accounting for Compensated Absences*, issued in 1992. GASB 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The City adopted GASB 101 in the current fiscal year. Adoption of this statement did not have a material impact on the financial statements.

In January 2024, the GASB issued Statement No. 102, *Certain Risk Disclosures* (“GASB 102”), which aims to enhance the transparency of financial reporting by requiring disclosures about risks that state and local governments face due to certain concentrations or constraints. A concentration is defined as a lack of diversity in significant inflows or outflows of resources, while a constraint is a limitation imposed by an external party or by the government's highest level of decision-making authority. Governments must disclose information about these risks if they are vulnerable to a substantial impact from them. The disclosures should include the nature of the concentration or constraint, any associated events that could cause a substantial impact, and actions taken to mitigate the risk. The requirements of GASB 102 are effective for fiscal years beginning after June 15, 2024. Adoption of this statement did not have a material impact on the financial statements.

In May 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements* (“GASB 103”) with the objective to enhance the effectiveness of the financial reporting model for decision-making and assessing government accountability. The improvements target the following established accounting and financial reporting requirements:

- Management's discussion and analysis;
- Unusual or infrequent items (previously known as extraordinary and special items);
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
- Major component unit information; and
- Budgetary comparison information.

The effective date for GASB 103 is for fiscal years beginning after June 15, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, which enhances financial reporting transparency by requiring separate note disclosures for certain types of capital assets, including a) Lease assets under GASB Statement No. 87, b) Subscription-based information technology arrangements (SBITAs) under GASB Statement No. 96, c) Intangible right-to-use assets under GASB Statement No. 94, d) Other intangible assets not otherwise separately reported, and e) Capital assets held for sale. The provisions of GASB 104 are effective for fiscal years beginning after June 15, 2025. 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, 2025, the carrying amounts of the City's deposits held in banks were \$49,947,511 and the bank balances were \$33,497,100. 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, 2025, the City had the following investments and maturities:

Fund	Investment	Current Value	Maturity	Interest
ARPA Fund	CD	\$ 4,505,121	08/24/25	4.25%
ARPA Fund	CD	5,000,000	12/13/25	4.00%
Utility Fund	CD	2,840,094	01/09/26	3.70%
Utility Fund	CD	1,943,950	06/11/26	1.34%
Utility Fund	CD	1,124,163	09/27/25	1.19%
Utility Fund	CD	724,599	10/07/25	1.19%
Recreation Fund	CD	190,000	12/30/25	1.34%
Fiduciary Funds	CD	272,564	10/02/25	1.34%
Fiduciary Funds	CD	924,254	07/08/25	4.59%

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 AND LICENSE FEES

Property Taxes: 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. Assessed values are established by State Law at 100% of fair value. Per KRS 91.487, the lien date for assessed taxes is January 1 of each fiscal year and 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. The City imposes penalties of 10% and interest of 0.5% per month on taxes not paid within thirty days of mailing tax bills.

Real property and tangible property taxes are recognized as revenue on the modified accrual basis. Public utility 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 2025 assessed value for real property and tangible property was approximately \$893,000,000 and \$72,000,000 respectively. The tax rate adopted was \$.1918 per \$100 valuation with an additional \$.1056 per \$100 valuation for property within the floodwall.

License Fees: The City levies a payroll tax of 2.0% on all individuals who work within the City limits. This tax is withheld by an employee's employer and remitted to the City quarterly. The payroll license fee is recorded in the General Fund and is used to pay the general operations of the City. Additionally, the City levies an occupational license fee of 2.0% on net profits of all companies who do business within the City. Companies are required to report and remit this fee annually. The occupational license fee is recorded in the General Fund and is used to pay the general operations of the City.

(5) GRANTS RECEIVABLE

Grants receivable from other governmental units as of June 30, 2025, are as follows:

General Fund:

Highway Planning & Construction	\$ 1,129,580
Safe Streets and Roads for All	46,229
	<u>1,175,809</u>

Special Revenue Funds:

Municipal Aid Road Program	34,272
Brownfield Grant	13,499
Community Development Fund, program allocation	26,118
Abandoned Mine Land Reclamation Program	162,600
	<u>236,489</u>

Enterprise Funds:

Ashland Bus System – FTA Operating	68,086
Ashland Bus System – FTA Capital	569,557
Ashland Bus System – KDOT	70,425
	<u>708,068</u>
	<u>\$ 2,120,366</u>

(6) CAPITAL ASSETS

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

<i>Governmental Activities</i>	<i>Balance June 30, 2024</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance June 30, 2025</i>
Capital Assets, Not Depreciated:				
Land	\$ 19,502,237	\$ -	\$ -	\$ 19,502,237
Construction in progress	6,291,532	5,059,898	(906,799)	10,444,631
Capital Assets, Depreciated:				
Buildings	9,514,922	-	-	9,514,922
Building improvements	4,400,415	406,580	-	4,806,995
Automotive equipment	7,955,727	512,861	-	8,468,588
Office furniture and equipment	743,873	45,068	-	788,941
Operating equipment	5,785,887	342,498	-	6,128,385
Capital improvements	4,056,721	767,998	-	4,824,719
Infrastructure	58,559,699	1,155,575	-	59,715,274
Totals	116,811,013	8,290,478	(906,799)	124,194,692
Less: accumulated depreciation				
Buildings	3,688,977	187,082	-	3,876,059
Building improvements	2,577,445	164,186	-	2,741,631
Automotive equipment	5,427,460	535,634	-	5,963,094
Office furniture and equipment	575,158	35,545	-	610,703
Operating equipment	3,447,751	261,228	-	3,708,979
Capital improvements	900,347	179,304	-	1,079,651
Infrastructure	30,899,899	1,680,054	-	32,579,953
Total accumulated depreciation	47,517,037	3,043,033	-	50,560,070
Governmental Activities				
Capital Assets - Net	\$ 69,293,976	\$ 5,247,445	\$ (906,799)	\$ 73,634,622

<u>Business-type Activities</u>	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2025</u>
Capital Assets, Not Depreciated:				
Land	\$ 449,401	\$ 132,059	\$ -	\$ 581,460
Construction in progress	12,118,135	3,599,154	(9,138,295)	6,578,994
Capital Assets, Depreciated:				
Buildings	7,374,659	3,000,000	-	10,374,659
Building improvements	1,581,527	-	-	1,581,527
Utility and sewage plants	108,228,879	8,898,967	-	117,127,846
Automotive equipment	2,645,109	824,886	-	3,469,995
Office furniture and equipment	775,888	20,824	-	796,712
Operating equipment	6,311,811	947,084	-	7,258,895
Recreation equipment	389,290	33,298	-	422,588
Capital improvement	5,797,276	1,029,654	-	6,826,930
Totals	<u>145,671,975</u>	<u>18,485,926</u>	<u>(9,138,295)</u>	<u>155,019,606</u>
Less: accumulated depreciation				
Buildings	2,087,368	233,565	-	2,320,933
Building improvements	768,435	92,260	-	860,695
Utility and sewage plants	67,617,705	2,399,711	-	70,017,416
Automotive equipment	2,019,931	182,791	-	2,202,722
Office furniture and equipment	498,609	60,781	-	559,390
Operating equipment	3,951,544	289,477	-	4,241,021
Recreation equipment	285,044	14,203	-	299,247
Capital improvements	867,493	238,132	-	1,105,625
Total accumulated depreciation	<u>78,096,129</u>	<u>3,510,920</u>	<u>-</u>	<u>81,607,049</u>
Business-type Activities				
Capital Assets - Net	<u>\$ 67,575,846</u>	<u>\$ 14,975,006</u>	<u>\$ (9,138,295)</u>	<u>\$ 73,412,557</u>

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

Governmental activities:	
General government	\$ 526,462
Finance	1,849
Public services	1,663,266
Planning and code enforcement	1,920
Police	468,622
Fire	327,360
Engineering	3,363
Community and cultural	50,191
	<u>\$ 3,043,033</u>

Business-type activities:	
Utilities	\$ 2,923,142
Bus	160,887
Recreation	254,086
Cemetery	59,190
Parking garage	55,923
Paramount arts	57,692
	<u>\$ 3,510,920</u>

(7) RETIREMENT PLANS

Net pension liabilities of the City as of June 30, 2025 are as follows:

Governmental activities:		
Policemen and Firefighters Pension Fund	\$	643,780
County Employees Retirement System		
Nonhazardous		9,870,363
Hazardous		30,390,562
		<u>\$ 40,904,705</u>
Business-type activities:		
Utility Employees Pension Fund	\$	4,591,985
County Employees Retirement System		
Nonhazardous		13,047,160
		<u>\$ 17,639,145</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, 2025, 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, 2025.

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, 2025, 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, 2024, with an update to roll forward information to June 30, 2025.

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:

<u>PENSION TRUST FUNDS</u>			
	Utility Pension Fund	Policemen & Firefighters Pension Fund	Total
STATEMENT OF NET POSITION			
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accrued interest receivable	-	10,652	10,652
Due from other funds	4,116,048	-	4,116,048
Investments, at fair value -			
Certificates of deposit	-	1,196,818	1,196,818
Total assets	<u>4,116,048</u>	<u>1,207,470</u>	<u>5,323,518</u>
LIABILITIES			
Due to other funds	2,000,828	163,653	2,164,481
Total liabilities	<u>2,000,828</u>	<u>163,653</u>	<u>2,164,481</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 2,115,220</u>	<u>\$ 1,043,817</u>	<u>\$ 3,159,037</u>
STATEMENT OF CHANGES IN NET POSITION			
ADDITIONS			
Contributions -			
Employer	\$ 471,485	\$ -	\$ 471,485
Plan members	-	-	-
Total contributions	<u>471,485</u>	<u>-</u>	<u>471,485</u>
Investment income -			
Interest income	2,576	45,883	48,459
Total investment income	<u>2,576</u>	<u>45,883</u>	<u>48,459</u>
Total additions	<u>474,061</u>	<u>45,883</u>	<u>519,944</u>
DEDUCTIONS			
Benefits	664,086	213,029	877,115
Administrative expenses	2,659	5,181	7,840
Total deductions	<u>666,745</u>	<u>218,210</u>	<u>884,955</u>
NET INCREASE (DECREASE)	(192,684)	(172,327)	(365,011)
NET POSITION - RESTRICTED FOR PENSION BENEFITS			
Beginning of year	2,307,904	1,216,144	3,524,048
End of year	<u>\$ 2,115,220</u>	<u>\$ 1,043,817</u>	<u>\$ 3,159,037</u>

Pension Expense

For the year ended June 30, 2025, the City recognized pension expense of (\$456,511) and (\$233,078) for the Utility Pension Fund and Policemen and Firefighters Pension Fund, respectively. At June 30, 2025, the effect of all changes in assumptions and differences between expected and actual experience were recognized in pension expense due to there being no active employees participating.

Actuarial Methods and Assumptions

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

	<u>Utility Pension Fund</u>	<u>Policemen and Firefighters Pension Fund</u>
Governing Authority	City Ordinance and KRS	City Ordinance and KRS
Determination of contribution requirements	Actuarially	Actuarially
Contribution rates as a percentage of covered payroll:		
Employer	N/A	N/A
Plan Members	N/A	N/A
Funding of administrative costs	Investment Earnings	Investment Earnings
Period required to vest	20	10
Post retirement benefit increases	As approved by City Commission	As approved by City Commission
Eligibility for distribution	Age 50, with 20 years	N/A
Provisions for:		
Disability benefits	Yes	Yes
Death benefits	Yes	Yes
Membership of the plans are as follows:		
Retirees and beneficiaries currently receiving benefits	16	7
Active plan participants:		<u>Totals</u>
Vested	-	-
Non-Vested	<u>16</u>	<u>7</u>
		<u>23</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	06-30-25	06-30-24
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%	3.00%
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 %	3.00 %
Mortality	RP-2000 Mortality Table	RP-2000 Mortality Table
Changes of assumptions since prior valuation	Discount rate increased from 2.50% to 3.00%	Discount rate increased from 2.50% to 3.00%

Net Pension Liability

The following represents the components of the net pension liability:

Actuarial Valuation Date	Fiduciary Net Position (a)	Total Pension Liability (TPL) (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	NPL as a Percentage of Covered Payroll ((b-a)/c)
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UTILITY EMPLOYEES PENSION FUND

06/30/24	\$ 2,307,904	\$ 7,827,885	\$ 5,519,981	29.5%	**N/A	**N/A
06/30/25	2,115,220	6,707,205	4,591,985	31.5%	**N/A	**N/A

POLICEMEN AND FIREFIGHTERS PENSION FUND

06/30/24	\$ 1,216,144	\$ 2,093,002	\$ 876,858	58.1%	**N/A	**N/A
06/30/25	1,043,817	1,687,597	643,780	61.9%	**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, 2025:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	\$ 7,827,885	\$ 2,307,904	\$ 5,519,981
UTILITY EMPLOYEES PENSION FUND			
Balance, June 30, 2024			
Changes for the year:			
Interest on total pension liability	186,704	-	186,704
Difference in expected and actual experience	(556,333)	-	(556,333)
Effect of changes in assumptions	(247,527)	-	(247,527)
Effect of changes in benefit terms	160,562	-	160,562
Benefit payments	(664,086)	-	(664,086)
Employer contributions	-	471,485	(471,485)
Investment income, net of expenses	-	2,576	(2,576)
Benefit payments	-	(664,086)	664,086
Administrative expenses	-	(2,659)	2,659
Net changes	(1,120,680)	(192,684)	(927,996)
Balance, June 30, 2025	\$ 6,707,205	\$ 2,115,220	\$ 4,591,985

	Total	Plan	
	Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
POLICEMEN AND FIREFIGHTERS PENSION FUND			
Balance, June 30, 2024	\$ 2,093,002	\$ 1,216,144	\$ 876,858
Changes for the year:			
Interest on total pension liability	59,328	-	59,328
Difference in expected and actual experience	(273,057)	-	(273,057)
Effect of changes in assumptions	-	-	-
Effect of changes in benefit terms	21,353	-	21,353
Benefit payments	(213,029)	-	(213,029)
Employer contributions	-	-	-
Investment income, net of expenses	-	45,883	(45,883)
Benefit payments	-	(213,029)	213,029
Administrative expenses	-	(5,181)	5,181
Net changes	(405,405)	(172,327)	(233,078)
Balance, June 30, 2025	<u>\$ 1,687,597</u>	<u>\$ 1,043,817</u>	<u>\$ 643,780</u>

Deferred Outflows of Resources and Deferred Inflows

There are no deferred outflows of resources and deferred inflows related to the Utility Pension Fund and Policemen and Firefighters Pension Fund at June 30, 2025 due to all participants of the Plans being retired.

Discount Rate

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

	1%	Current	1%
	Decrease (2.00%)	discount rate (3.00%)	Increase (4.00%)
Utility Pension Fund	\$ 5,185,265	\$ 4,591,985	\$ 4,078,770
Policemen and Firefighters Pension Fund	768,686	643,780	534,422

Reserves

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

Payables

The following represents amounts due to the Utility Pension Fund and the Policemen and Firefighters Pension Fund as of June 30, 2025:

Governmental activities:		
Policemen and Firefighters Pension Fund	\$	-
Business-type activities:		
Utility Employees Pension Fund	\$	4,116,048

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

Plan description

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

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

Benefits provided

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

Contributions

Funding for CERS is provided by members, who contribute 5.00% nonhazardous and 8.00% hazardous (6.00% and 9.00% for employees hired after September 1, 2008, respectively) of their salary through payroll deductions and by employers of members who contribute 19.71% nonhazardous (19.71% - pension, 0.00% - insurance) and 38.61% hazardous (36.49% - pension, 2.12% - insurance) of the member's salary. During the year ending June 30, 2025, the City contributed \$2,360,135 and \$3,445,678 to the CERS Nonhazardous and Hazardous Pension Fund, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Pension Liabilities, Expense, and Deferred Outflows/Inflows of Resources Related to CERS

At June 30, 2025, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2023. An expected total pension liability as of June 30, 2024 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, 2024. At June 30, 2023, the City's proportion for nonhazardous and hazardous was 0.38321% and 1.18159%, respectively.

For the year ended June 30, 2025, the City recognized pension expense of approximately \$2,796,000 and \$2,889,000 for nonhazardous and hazardous, respectively. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Nonhazardous</u>		
Differences between expected and actual experience	\$ 1,109,250	\$ -
Changes of assumptions	-	1,035,422
Net difference between projected and actual earnings on investments	-	1,473,473
Changes in proportion and differences between District contributions and proportionate share of contributions	1,913,537	-
District contributions subsequent to the measurement date	2,360,135	-
	<u>\$ 5,382,922</u>	<u>\$ 2,508,895</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 1,974,699	\$ -
Changes of assumptions	-	1,715,188
Net difference between projected and actual earnings on investments	-	1,622,019
Changes in proportion and differences between District contributions and proportionate share of contributions	654,621	229,728
District contributions subsequent to the measurement date	3,445,678	-
	<u>\$ 6,074,998</u>	<u>\$ 3,566,935</u>

At June 30, 2025, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$2,360,135 and \$3,445,678 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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:

Year	Nonhazardous	Hazardous
2026	\$ 564,490	\$ (511,696)
2027	844,201	303,394
2028	(566,420)	(388,694)
2029	(328,379)	(340,619)
Thereafter	-	-
	<u>\$ 513,892</u>	<u>\$ (937,615)</u>

Actuarial Methods and Assumptions

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2023. The financial reporting actuarial valuation as of June 30, 2024, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Payroll Growth	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service, for nonhazardous 3.55% to 19.05%, varies by service, for hazardous
Investment Rate of Return	6.50%, net of pension plan investment expense, including inflation

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real 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>
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	<u>100.00%</u>	4.69%

Discount rate

The discount rate used to measure the total pension liability was 6.50%. 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 6.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1%	Current	1%
	Decrease (5.50%)	discount rate (6.50%)	Increase (7.50%)
City's proportionate share of the net pension liability			
Nonhazardous	\$ 29,544,431	\$ 22,917,523	\$ 17,418,934
Hazardous	39,124,673	30,390,562	23,259,638

Pension plan fiduciary net position

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

Payables to the pension plan

At June 30, 2025, there was a total payable to CERS of \$587,650 for nonhazardous and hazardous, which includes pension and OPEB contributions.

(8) OTHER POSTEMPLOYMENT BENEFIT (“OPEB”) PLANS

Net OPEB liabilities (assets) of the City as of June 30, 2025 are as follows:

Governmental activities:

County Employees Retirement System	
Nonhazardous	\$ (305,314)
Hazardous	1,433,612
	<u>\$ 1,128,298</u>

Business-type activities:

Utility Employees Pension Fund	
County Employees Retirement System	
Nonhazardous	\$ (358,168)

Cost - Sharing, Multiple Employer Plan - County Employees Retirement System Insurance Fund

Plan Description

The County Employees Retirement System (“CERS”) Insurance Fund was established to provide post-employment healthcare benefits to eligible members and dependents. This system consists of two plans – *Nonhazardous* and *Hazardous*. Each Insurance Fund is a cost-sharing, multiple employer defined benefit plan administered by the Kentucky Retirement Systems' (KRS) board of trustees.

CERS issues a publicly available financial report included in the Kentucky Retirement Systems Annual Report that includes financial statements and the required supplementary information for CERS. That report may be

obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky, 40601, or by calling (502) 564-4646 or at <https://kyret.ky.gov>.

Benefits Provided

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

Percentage of contribution ranges from 0% for less than 4 years of service to 100% for 20 years or more of service. For members who initiated participation in the CERS system after July 1, 2003 until August 31, 2008, members must have 120 months of service in a state-administered retirement system to qualify for participation in the KRS health plans. Members who began participating with KRS on or after September 1, 2008, must have 180 months of service upon retirement to participate in the KRS health plans. Non-hazardous retirees receive \$10 toward the monthly premium for each full year of service.

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

Contributions

CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2025, CERS allocated 0.00% of the 19.71% nonhazardous and 2.12% of the 36.49% hazardous actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2025, the City contributed \$0 and \$200,156 to the CERS Nonhazardous and Hazardous Insurance Fund, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy

The fully-insured premiums KRS pays for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. This implicit subsidy is included in the calculation of the total OPEB liability.

OPEB Liabilities (Assets), Expense, and Deferred Outflows/Inflows of Resources Related to CERS Insurance Fund

At June 30, 2025, the City reported a liability for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability (asset) was based on an actuarial valuation as of June 30, 2023. An expected total pension liability as of June 30, 2024 was determined using standard roll-forward techniques. City's proportion of the net OPEB liability (asset) was based on contributions to CERS during the fiscal year ended June 30, 2024. At June 30, 2024, the City's proportion for nonhazardous and hazardous was 0.38559% and 1.81848%, respectively.

For the year ended June 30, 2025, the City recognized OPEB expense of approximately (\$1,298,000) and (\$1,115,000) for nonhazardous and hazardous, respectively, including an implicit subsidy of \$180,442 and (\$8,277), respectively. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Nonhazardous</u>		
Differences between expected and actual experience	\$ 368,092	\$ 5,220,288
Changes of assumptions	601,194	468,156
Net difference between projected and actual earnings on investments	-	605,465
Changes in proportion and differences between District contributions and proportionate share of contributions	839,504	32,259
District contributions subsequent to the measurement date	-	-
	<u>\$ 1,808,790</u>	<u>\$ 6,326,168</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 388,214	\$ 5,247,348
Changes of assumptions	972,406	1,261,671
Net difference between projected and actual earnings on investments	-	900,864
Changes in proportion and differences between District contributions and proportionate share of contributions	264,857	74,740
District contributions subsequent to the measurement date	200,156	-
	<u>\$ 1,825,633</u>	<u>\$ 7,484,623</u>

At June 30, 2025, the City reported deferred outflows of resources related to OPEB for City contributions subsequent to the measurement date of \$0 and \$200,156 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2026.

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

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2026	\$ (1,880,890)	\$ (1,645,136)
2027	(1,411,554)	(1,261,273)
2028	(1,222,261)	(1,845,446)
2029	(2,673)	(1,187,726)
Thereafter	-	80,435
	<u>\$ (4,517,378)</u>	<u>\$ (5,859,146)</u>

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Payroll Growth Rate	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting 7.10% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Post-65	Initial trend starting at 8.00% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010

Assumption Changes: The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%

Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	<u>13.00%</u>	5.35%
Total	<u>100.00%</u>	4.69%

Discount rate: The discount rate used to measure the total OPEB liability was 5.99%. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans' actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the City's proportionate share of the collective net OPEB liability (asset) of the System, calculated using the discount rate of 5.99%, as well as what the City's proportionate share of the collective net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99%) or 1-percentage-point higher (6.99%) than the current rate:

	1% Decrease (4.99%)	Current discount rate (5.99%)	1% Increase (6.99%)
City's proportionate share of the net OPEB liability (asset)			
Nonhazardous	\$ 897,101	\$ (663,482)	\$ (1,975,621)

The following table presents the City's proportionate share of the collective net OPEB liability (asset) of the Hazardous CERS Insurance Fund, calculated using the discount rate of 6.02%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.02%) or 1-percentage-point higher (7.02%) than the current rate:

	1% Decrease (5.02%)	Current discount rate (6.02%)	1% Increase (7.02%)
City's proportionate share of the net OPEB liability (asset)			
Hazardous	\$ 3,961,834	\$ 1,433,612	\$ (679,207)

Sensitivity of net OPEB liability (asset) to changes in the healthcare cost trend rates

The following presents the City's proportionate share of the collective net OPEB liability (asset), as well as what the City's proportionate share of the collective net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current trend rate	1% Increase
City's proportionate share of the net OPEB liability (asset)			
Nonhazardous	\$ (1,596,255)	\$ (663,482)	\$ 423,135
Hazardous	(222,239)	1,433,612	3,368,941

OPEB plan fiduciary net position

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

Payables to the OPEB plan

At June 30, 2025, there was a total payable to CERS of \$587,650 for nonhazardous and hazardous, which includes pension and OPEB contributions.

(9) LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2025:

<i>Governmental Activities</i>	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
General Obligation					
Bond Series 2015	\$ 1,230,000	\$ -	\$ 165,000	\$ 1,065,000	\$ 165,000
General Obligation					
Bond Series 2017	3,415,000	-	200,000	3,215,000	205,000
General Obligation					
Bond Series 2021	8,745,000	-	1,080,000	7,665,000	1,130,000
General Obligation					
Bond Series 2024	-	9,920,000	-	9,920,000	-
Financing lease –					
Melody Mtn. Phase II	971,667	-	82,084	889,583	85,000
Premium (discount) on bonds	1,358,278	(173,112)	187,734	997,432	-
Compensated absences obligation	1,134,508	-	23,407	1,111,101	-
Total Governmental Activities	\$ 16,854,453	\$ 9,746,888	\$ 1,738,225	\$ 24,863,116	\$ 1,585,000
<i>Business-type Activities</i>	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
Water & Sewer Revenue					
Bond Series 2015	\$ 1,795,000	\$ -	\$ 235,000	\$ 1,560,000	\$ 240,000
Water & Sewer Revenue					
Bond Series 2020	9,760,000	-	485,000	9,275,000	495,000
Financing lease –					
Radio Meters	552,917	-	127,084	425,833	134,167
KIA Loan	255,529	-	255,529	-	-
KIA Loan	3,486,152	-	336,706	3,149,446	343,474
Premium on bonds	54,310	-	7,759	46,551	-
Discount on bonds	(19,248)	-	(2,406)	(16,842)	-
Total Business-type Activities	\$ 15,884,660	\$ -	\$ 1,444,672	\$ 14,439,988	\$ 1,212,641

At June 30, 2025, the City was required to have \$1,496,225 for the Revenue and Improvement Bonds, in sinking fund reserve accounts. Additionally, under the KIA loan agreements, the City was required to have \$390,000 set aside for the costs of extensions, improvements, renewals and replacements to the sewer system. As of June 30, 2025, the City had reserve funds of \$1,886,225.

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 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. Additionally, 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, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 165,000	\$ 29,475	\$ 194,475
2027	170,000	24,450	194,450
2028	175,000	19,275	194,275
2029	180,000	13,950	193,950
2030	185,000	8,475	193,475
2031	190,000	2,850	192,850
	<u>\$ 1,065,000</u>	<u>\$ 98,475</u>	<u>\$ 1,163,475</u>

General Obligation Bond Series 2017

On October 25, 2017, the City issued \$4,490,000 in general obligation bonds with an average rate of 3.0% to fund the Ashland Plaza Redevelopment Project, which is a tax increment finance project. See Note (14) for additional information regarding the tax increment finance district. Additionally, the 2017 Series bonds were sold at a premium of \$79,002, which is being amortized over the life of the bonds.

The annual requirements to amortize the indebtedness at June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 205,000	\$ 93,375	\$ 298,375
2027	210,000	87,150	297,150
2028	220,000	80,700	300,700
2029	225,000	74,025	299,025
2030	230,000	67,200	297,200
2031-2035	1,270,000	225,750	1,495,750
2036-2038	855,000	39,075	894,075
	<u>\$ 3,215,000</u>	<u>\$ 667,275</u>	<u>\$ 3,882,275</u>

General Obligation Bond Series 2021

On June 22, 2021, the City issued \$11,170,000 in general obligation bonds with an average rate of 5.0% to terminate the lease agreement with the Kentucky League of Cities Funding Trust for the police station constructed in 2008 and to finance various capital improvements. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$415,059. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2031 using the straight-line method. Additionally, the 2021 Series bonds were sold at a premium of \$1,815,487, which is being amortized over the life of the bonds.

The annual requirements to amortize the indebtedness at June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 1,130,000	\$ 327,450	\$ 1,457,450
2027	1,190,000	270,950	1,460,950
2028	1,245,000	211,450	1,456,450
2029	1,310,000	149,200	1,459,200
2030	1,375,000	83,700	1,458,700
2031	1,415,000	42,450	1,457,450
	<u>\$ 7,665,000</u>	<u>\$ 1,085,200</u>	<u>\$ 8,750,200</u>

General Obligation Bond Series 2024

On November 1, 2024, the City issued \$9,920,000 in general obligation bonds with an average rate of 4.0% to finance the construction of a new conference center. Additionally, the 2024 Series bonds were sold at a discount of \$173,112, which is being amortized over the life of the bonds.

The annual requirements to amortize the indebtedness at June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ -	\$ 576,008	\$ 576,008
2027	120,000	396,375	516,375
2028	130,000	391,375	521,375
2029	150,000	385,775	535,775
2030	165,000	379,475	544,475
2031-2035	1,100,000	1,778,875	2,878,875
2036-2040	1,655,000	1,505,775	3,160,775
2041-2045	2,405,000	1,102,975	3,507,975
2046-2050	3,380,000	527,997	3,907,997
2051	815,000	16,809	831,809
	<u>\$ 9,920,000</u>	<u>\$ 7,061,439</u>	<u>\$ 16,981,439</u>

Financing 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:

Year Ending June 30,	Principal	Interest & Fees	Total
2026	\$ 85,000	\$ 32,443	\$ 117,443
2027	87,083	29,680	116,763
2028	92,083	26,803	118,886
2029	95,000	23,646	118,646
2030	97,083	20,271	117,354
2031-2035	433,334	44,328	477,662
	<u>\$ 889,583</u>	<u>\$ 177,171</u>	<u>\$ 1,066,754</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, 2025, are as follows:

	Accrued Long-Term Obligation	Current Obligation	Total Compensated Absences
General Fund	\$ 1,078,498	\$ 212,164	\$ 1,290,662
Community Development Fund	18,998	3,737	22,735
Housing Assistance Fund	8,368	1,646	10,014
Floodwall Fund	5,237	1,030	6,267
Utility Fund	-	347,076	347,076
Ashland Bus System	-	33,995	33,995
Recreation Fund	-	26,907	26,907
Cemetery Fund	-	7,433	7,433
Parking Garage Fund	-	1,433	1,433
	<u>\$ 1,111,101</u>	<u>\$ 635,421</u>	<u>\$ 1,746,522</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, 2025, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$213 million.

Business-Type Activities

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, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 240,000	\$ 48,175	\$ 288,175
2027	250,000	40,975	290,975
2028	255,000	33,475	288,475
2029	265,000	25,825	290,825
2030	550,000	26,975	576,975
	<u>\$ 1,560,000</u>	<u>\$ 175,425</u>	<u>\$ 1,735,425</u>

Water & Sewer Revenue Bonds Series 2020

On July 7, 2020, the City issued \$11,500,000 in revenue bonds with interest rates ranging from 2.0% to 2.5%, to finance improvements for the waterworks, water distribution, wastewater treatment and collection facilities. Additionally, the 2020 Series bonds were sold at a discount of \$24,060, which is being amortized over the life of the bonds.

The annual requirements to amortize the indebtedness at June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 495,000	\$ 201,613	\$ 696,613
2027	505,000	191,713	696,713
2028	515,000	181,613	696,613
2029	525,000	171,313	696,313
2030	535,000	160,813	695,813
2031-2035	2,845,000	638,965	3,483,965
2036-2040	3,175,000	317,788	3,492,788
2041	<u>680,000</u>	<u>17,000</u>	<u>697,000</u>
	<u>\$ 9,275,000</u>	<u>\$ 1,880,818</u>	<u>\$ 11,155,818</u>

Financing 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:

Year Ending June 30,	Principal	Interest & Fees	Total
2026	\$ 134,167	\$ 18,629	\$ 152,796
2027	142,083	12,927	155,010
2028	111,667	6,889	118,556
2029	37,916	1,921	39,837
	<u>\$ 425,833</u>	<u>\$ 40,366</u>	<u>\$ 466,199</u>

Kentucky Infrastructure Authority Loan

On November 1, 2004, the City entered into an Assistance Agreement with the Kentucky Infrastructure Authority (“KIA”) for a water system renovation project. In accordance with the Agreement, the City received the proceeds from the loan as eligible expenses were incurred. On January 12, 2019, the KIA allowed the City to refinance the agreement to reduce the interest rate from 3.0% to 2.25%. A loan serving fee of 0.025% of the annual outstanding loan balance shall be payable to KIA as a part of each interest payment. The loan was paid off during the fiscal year ending June 30, 2025.

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 13). 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, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Fees	Total
2026	\$ 343,474	\$ 61,280	\$ 6,128	\$ 410,882
2027	350,378	54,376	5,438	410,192
2028	357,421	47,334	4,733	409,488
2029	364,605	40,150	4,015	408,770
2030	371,934	32,821	3,282	408,037
2031-2034	1,361,634	55,007	5,501	1,422,142
	<u>\$ 3,149,446</u>	<u>\$ 290,968</u>	<u>\$ 29,097</u>	<u>\$ 3,469,511</u>

(10) INTERFUND TRANSACTIONS

Interfund Receivable and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds are eliminated in the Statement of Net Position. The composition of interfund balances as of June 30, 2025 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Ashland Bus System	\$ 949,478
General Fund	Utility Fund	4,780,290
General Fund	Recreation Fund	3,885,668
General Fund	Cemetery Fund	24,452
General Fund	Parking Garage	537,914
General Fund	Paramount Arts Fund	3,139,675
General Fund	Tax Increment Fund	1,297,268
General Fund	Brownfield Grant Fund	92
General Fund	Municipal Aid Road Fund	202
General Fund	ARPA	636,926
General Fund	Conference Center Grant	160,450
General Fund	Opioid Settlement	1,101
General Fund	Housing Assistance	30,881
General Fund	Police & Firefighters Pension Fund	163,653
General Fund	Utility Pension Fund	2,000,828
Internal Service Fund	General Fund	926,218
Floodwall Operating Fund	General Fund	136,277
Community Development Fund	General Fund	36,399
Conference Center Fund	General Fund	2,410,638
Capital Project	General Fund	278,247
Utility Pension Fund	Utility Fund	4,116,048
Total		<u>\$ 25,512,705</u>

Interfund Transfers

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Ashland Bus System	Matching	\$ 685,784
Operating	General	Recreation	Operations & Capital	1,621,944
Capital	General	Conference Center	Capital Purchases	9,617,109
Capital	General	Capital Projects	Capital Purchases	852,893
Capital	ARPA	Utility	Capital Purchases	2,010,479
Capital	Conference Center Grant	Conference Center	Capital Purchases	509,600

(11) LINE OF CREDIT

The City maintains a revolving line of credit agreement with Kentucky Farmers Bank to provide short-term financing for cash flow needs and other lawful purposes. The line of credit is intended to fund temporary cash flow deficiencies and is expected to be repaid from subsequent revenues.

As of June 30, 2025, the City's line of credit had the following terms:

- Maximum principal amount: \$3,500,000
- Interest rate: Prime
- Maturity date: June 30, 2025 (Renewed through June 30, 2026)
- Collateral / security: Real Estate Tax Receipts
- Purpose: Short-term financing
- Renewal provisions: Annual renewal
- Debt service requirements: Interest due monthly; principal due at maturity

Interest expense related to the line of credit totaled \$35,326 for the fiscal year ended June 30, 2025. The City's weighted average interest rate during the year was approximately 6.00%.

The outstanding balance of \$1,700,000 at fiscal year-end is reported as current liability in the General Fund, since it is due within one year and is intended to be repaid from current financial resources. At June 30, 2025, the City had \$1,800,000 of unused availability under the line of credit.

(12) CONTINGENCIES

The City is a defendant in various legal actions arising from normal business operations. The City's legal counsel believes these actions are without merit, adequately covered by insurance, or that the ultimate liability, if any, will not materially affect the City's financial position or results of operations.

The City receives significant financial assistance from the federal government in the form of grants and entitlements, which are generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by federal agencies. Any disallowance as a result of these audits could become a liability of the City.

(13) 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, 2025, the City paid \$606,126 to the ABS under this agreement. Remaining operating costs are to be funded through grants from the U.S. Department of Transportation (DOT). The City has estimated that there is no amount due from the DOT for the current year's operating grant. City management does not expect its cost of operating the ABS to decrease in the near future.

Combined Sewer Overflow Improvements

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

On February 18, 2010, the Board of Commissioners approved an additional surcharge for sewer customers of the City to pay for the improvements. Beginning April 1, 2010, sewer customers are charged a \$2.50 fee per 1,000 gallons of water used. The charge increased to \$3.50 per 1,000 gallons during 2015 and will end in 2035. All monies collected for this surcharge are placed in a separate account and only used for CSO improvements as outlined in the City's Long Term Control Plan. At June 30, 2025, the City has \$10,694,103 restricted for the sewer improvements.

Construction Projects

The City is obligated on commitments for various contracts in progress at June 30, 2025. A summary of these commitments is as follows:

Total Approved Contracts	\$ 70,558,363
Less: Paid or Accrued to Date	<u>(22,750,838)</u>
Outstanding Commitments	<u>\$ 47,807,525</u>

(14) TAX ABATEMENTS

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

During the year ended June 30, 2018, the City created a tax increment financing ("TIF") district ("Ashland Plaza Redevelopment Project") under the authority granted by Kentucky Revised Statutes (KRS) Chapter 65 and 154.30. The taxes levied on all taxable property within the TIF district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the district, including reimbursing the City's initial investment. The tax increments are allocated until all costs of the TIF district project has been repaid; however, it cannot exceed 20 years. The project developer bears the risk that the increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall. The City has one active TIF district in which taxes are passed directly to developers or utilized for debt service payments associated with the district. Because the general property taxes on tax increment districts are allocated to the district, these taxes are not available to the City during the life of the tax increment district. For the year ended June 30, 2025, additional general property taxes of \$39,182 and occupational license fees of \$235,110 were collected and not available to the City.

(15) 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 \$469,162 reported in the Internal Service Fund at June 30, 2025, 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 2024 and 2025 were:

		Beginning of		Balance	
Year Ending	Fiscal Year Liability	Current Year Claims	Claim Payments	At Fiscal Year End	
06/30/24	\$ 87,459	\$ 4,637,637	\$ 4,540,455	\$ 184,641	
06/30/25	184,641	5,463,378	5,178,857	469,162	

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. Effective January 1, 2021, only members of the City's fire department are eligible to participate in the HRA. However, employees previously eligible to participate may continue to utilize any unused account balance. Amounts charged to Internal Service Fund operating expenses under the provisions of the HRA for the year ended June 30, 2025 totaled \$62,889.

(16) 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.

(17) FUND DEFICIT

As of June 30, 2025, the Ashland Bus Fund had a negative net position of \$847,667. This deficit resulted from the fund's proportionate share of the net pension and OPEB liabilities (assets) recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

As of June 30, 2025, the Tax Increment Financing Fund had a negative fund balance of \$1,297,268. This deficit resulted from incremental tax revenue received by the fund during the year being less than the debt service of the related bond. Sufficient revenue is expected to be received in future years to recover these excess costs.

As of June 30, 2025, the Paramount Arts Fund had a negative fund balance of \$75,808. This deficit resulted from revenue received by the fund during the year being less than current expenditures. Sufficient revenue is expected to be received in future years to recover these excess costs.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ASHLAND
DEFINED BENEFIT PENSION TRUSTS
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS
JUNE 30, 2025

UTILITY EMPLOYEES PENSION FUND								POLICEMEN AND FIREFIGHTERS PENSION FUND							
	Amount Contributed	ADC	Contribution Deficiency (Excess)	Percentage of Covered Payroll			Annual* M-W	Amount Contributed	ADC	Percentage of Covered Payroll			Annual* M-W		
				Covered Payroll	ARC	Amount Contributed				Deficiency (Excess)	Covered Payroll	Payroll ARC		Amount Contributed	
2016	\$ 782,736	\$ 603,145	\$ (179,591)	**N/A	**N/A	**N/A	0.81%	\$ 419,610	\$ 564,043	\$ 144,433	**N/A	**N/A	**N/A	0.53%	
2017	737,240	603,145	(134,095)	**N/A	**N/A	**N/A	0.80%	419,610	521,302	101,692	**N/A	**N/A	**N/A	0.67%	
2018	1,010,604	484,950	(525,654)	**N/A	**N/A	**N/A	1.02%	949,776	521,302	(428,474)	**N/A	**N/A	**N/A	0.96%	
2019	845,798	484,950	(360,848)	**N/A	**N/A	**N/A	1.76%	521,302	323,671	(197,631)	**N/A	**N/A	**N/A	1.62%	
2020	604,364	410,659	(193,705)	**N/A	**N/A	**N/A	1.31%	323,671	323,671	-	**N/A	**N/A	**N/A	2.23%	
2021	716,227	410,659	(305,568)	**N/A	**N/A	**N/A	0.34%	602,874	230,236	(372,638)	**N/A	**N/A	**N/A	0.49%	
2022	511,778	380,896	(130,882)	**N/A	**N/A	**N/A	0.10%	230,236	230,236	-	**N/A	**N/A	**N/A	0.16%	
2023	509,705	380,896	(128,809)	**N/A	**N/A	**N/A	0.31%	172,903	160,652	(12,251)	**N/A	**N/A	**N/A	0.69%	
2024	471,485	311,033	(160,452)	**N/A	**N/A	**N/A	0.74%	-	160,652	160,652	**N/A	**N/A	**N/A	3.51%	
2025	471,485	311,033	(160,452)	**N/A	**N/A	**N/A	1.70%	-	99,800	99,800	**N/A	**N/A	**N/A	3.89%	

* 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, 2025

Actuarial Valuation Date	Fiduciary Net Position	Total		Net Pension Liability (NPL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	NPL as a Percentage of Covered Payroll ((b-a)/c)
		Pension Liability (TPL)	Entry Age				
	(a)	(b)					

UTILITY EMPLOYEES PENSION FUND

06/30/16	\$ 2,360,136	\$ 10,408,243	\$ 8,048,107	22.7%	**N/A	**N/A
06/30/17 *	2,373,099	9,804,378	7,431,279	24.2%	**N/A	**N/A
06/30/18	2,737,130	9,139,815	6,402,685	29.9%	**N/A	**N/A
06/30/19 *	2,955,799	9,248,646	6,292,847	32.0%	**N/A	**N/A
06/30/20	2,917,710	8,747,108	5,829,398	33.4%	**N/A	**N/A
06/30/21 *	2,944,978	9,162,270	6,217,292	32.1%	**N/A	**N/A
06/30/22	2,738,825	8,899,419	6,160,594	30.8%	**N/A	**N/A
06/30/23 *	2,531,492	8,010,966	5,479,474	31.6%	**N/A	**N/A
06/30/24	2,307,904	7,827,885	5,519,981	29.5%	**N/A	**N/A
06/30/25 *	2,115,220	6,707,205	4,591,985	31.5%	**N/A	**N/A

POLICEMEN AND FIREFIGHTERS PENSION FUND

06/30/16 *	\$ 522,527	\$ 4,919,883	\$ 4,397,356	10.6%	**N/A	**N/A
06/30/17	468,574	4,140,203	3,671,629	11.3%	**N/A	**N/A
06/30/18 *	1,029,005	3,872,818	2,843,813	26.6%	**N/A	**N/A
06/30/19	1,221,257	3,557,450	2,336,193	34.3%	**N/A	**N/A
06/30/20 *	1,253,053	3,318,470	2,065,417	37.8%	**N/A	**N/A
06/30/21	1,569,552	2,779,158	1,209,606	56.5%	**N/A	**N/A
06/30/22 *	1,507,303	2,948,487	1,441,184	51.1%	**N/A	**N/A
06/30/23	1,412,596	2,637,495	1,224,899	53.6%	**N/A	**N/A
06/30/24 *	1,216,144	2,093,002	876,858	58.1%	**N/A	**N/A
06/30/25	1,043,817	1,687,597	643,780	61.9%	**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, 2025

	UTILITY EMPLOYEES PENSION FUND									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
TOTAL PENSION LIABILITY										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	186,704	190,880	191,488	197,456	251,158	266,520	263,270	283,228	400,459	417,961
Effect of changes in benefit terms	160,562	204,402	235,706	-	-	(262,413)	457,843	(274,194)	(265,792)	(312,246)
Difference in expected and actual experience	(556,333)	115,324	(463,572)	253,125	220,253	167,553	4,302	(2,629)	(950,704)	205,645
Effect of changes in assumptions	(247,527)	-	(134,192)	-	636,404	-	55,714	-	944,652	-
Benefit payments	(664,086)	(693,687)	(717,883)	(713,432)	(692,653)	(673,198)	(672,298)	(670,968)	(732,480)	(768,315)
Net change in total pension liability	(1,120,680)	(183,081)	(888,453)	(262,851)	415,162	(501,538)	108,831	(664,563)	(603,865)	(456,955)
Total pension liability, beginning of year	<u>7,827,885</u>	<u>8,010,966</u>	<u>8,899,419</u>	<u>9,162,270</u>	<u>8,747,108</u>	<u>9,248,646</u>	<u>9,139,815</u>	<u>9,804,378</u>	<u>10,408,243</u>	<u>10,865,198</u>
Total pension liability, end of year (a)	<u>6,707,205</u>	<u>7,827,885</u>	<u>8,010,966</u>	<u>8,899,419</u>	<u>9,162,270</u>	<u>8,747,108</u>	<u>9,248,646</u>	<u>9,139,815</u>	<u>9,804,378</u>	<u>10,408,243</u>
FIDUCIARY NET POSITION										
Employer contributions	471,485	471,485	509,705	511,778	716,227	604,364	845,798	1,010,604	737,240	782,736
Member contributions	-	-	-	-	-	-	-	-	-	-
Investment income, net of investment expenses	2,576	3,936	2,489	831	5,971	35,937	47,448	29,588	10,513	10,395
Benefit payments and refund of contributions	(664,086)	(693,687)	(717,727)	(713,432)	(692,653)	(673,198)	(672,298)	(670,968)	(732,480)	(768,315)
Administrative expenses	(2,659)	(5,322)	(1,800)	(5,330)	(2,277)	(5,192)	(2,279)	(5,193)	(2,310)	(5,102)
Net change in plan fiduciary net position	(192,684)	(223,588)	(207,333)	(206,153)	27,268	(38,089)	218,669	364,031	12,963	19,714
Fiduciary net position, beginning of year	<u>2,307,904</u>	<u>2,531,492</u>	<u>2,738,825</u>	<u>2,944,978</u>	<u>2,917,710</u>	<u>2,955,799</u>	<u>2,737,130</u>	<u>2,373,099</u>	<u>2,360,136</u>	<u>2,340,422</u>
Fiduciary net position, end of year (b)	<u>2,115,220</u>	<u>2,307,904</u>	<u>2,531,492</u>	<u>2,738,825</u>	<u>2,944,978</u>	<u>2,917,710</u>	<u>2,955,799</u>	<u>2,737,130</u>	<u>2,373,099</u>	<u>2,360,136</u>
Net pension liability, ending = (a)-(b)	<u>\$ 4,591,985</u>	<u>\$ 5,519,981</u>	<u>\$ 5,479,474</u>	<u>\$ 6,160,594</u>	<u>\$ 6,217,292</u>	<u>\$ 5,829,398</u>	<u>\$ 6,292,847</u>	<u>\$ 6,402,685</u>	<u>\$ 7,431,279</u>	<u>\$ 8,048,107</u>

CITY OF ASHLAND
DEFINED BENEFIT PENSION TRUSTS
SCHEDULE OF CHANGES IN NET PENSION LIABILITIES (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

	POLICEMEN AND FIREFIGHTERS PENSION FUND									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
TOTAL PENSION LIABILITY										
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	59,328	62,511	69,865	65,516	79,063	101,634	110,730	157,057	186,525	237,867
Effect of changes in benefit terms	21,353	56,034	73,343	-	-	(94,919)	224,367	(106,452)	(124,206)	(136,189)
Difference in expected and actual experience	(273,057)	(332,856)	(170,068)	384,354	(330,454)	(86,978)	(314,821)	(247,741)	(368,001)	(100,203)
Effect of changes in assumptions	-	(77,180)	-	12,099	-	154,488	-	324,422	-	380,261
Benefit payments	(213,029)	(253,002)	(284,132)	(292,640)	(287,921)	(313,205)	(335,644)	(394,671)	(473,998)	(478,260)
Net change in total pension liability	(405,405)	(544,493)	(310,992)	169,329	(539,312)	(238,980)	(315,368)	(267,385)	(779,680)	(96,524)
Total pension liability, beginning of year	<u>2,093,002</u>	<u>2,637,495</u>	<u>2,948,487</u>	<u>2,779,158</u>	<u>3,318,470</u>	<u>3,557,450</u>	<u>3,872,818</u>	<u>4,140,203</u>	<u>4,919,883</u>	<u>5,016,407</u>
Total pension liability, end of year (a)	<u>1,687,597</u>	<u>2,093,002</u>	<u>2,637,495</u>	<u>2,948,487</u>	<u>2,779,158</u>	<u>3,318,470</u>	<u>3,557,450</u>	<u>3,872,818</u>	<u>4,140,203</u>	<u>4,919,883</u>
FIDUCIARY NET POSITION										
Employer contributions	-	-	172,903	230,236	602,874	323,671	521,302	949,776	419,610	419,610
Member contributions	-	-	-	-	-	-	-	-	-	-
Investment income, net of investment expenses	45,883	58,505	14,896	2,120	6,364	23,230	12,563	7,327	5,107	3,994
Benefit payments and refund of contributions	(213,029)	(253,002)	(277,756)	(292,640)	(287,921)	(313,205)	(335,644)	(394,671)	(473,998)	(478,260)
Administrative expenses	(5,181)	(1,955)	(4,750)	(1,965)	(4,818)	(1,900)	(5,969)	(2,001)	(4,672)	(2,027)
Net change in plan fiduciary net position	(172,327)	(196,452)	(94,707)	(62,249)	316,499	31,796	192,252	560,431	(53,953)	(56,683)
Fiduciary net position, beginning of year	<u>1,216,144</u>	<u>1,412,596</u>	<u>1,507,303</u>	<u>1,569,552</u>	<u>1,253,053</u>	<u>1,221,257</u>	<u>1,029,005</u>	<u>468,574</u>	<u>522,527</u>	<u>579,210</u>
Fiduciary net position, end of year (b)	<u>1,043,817</u>	<u>1,216,144</u>	<u>1,412,596</u>	<u>1,507,303</u>	<u>1,569,552</u>	<u>1,253,053</u>	<u>1,221,257</u>	<u>1,029,005</u>	<u>468,574</u>	<u>522,527</u>
Net pension liability, ending = (a)-(b)	<u>\$ 643,780</u>	<u>\$ 876,858</u>	<u>\$ 1,224,899</u>	<u>\$ 1,441,184</u>	<u>\$ 1,209,606</u>	<u>\$ 2,065,417</u>	<u>\$ 2,336,193</u>	<u>\$ 2,843,813</u>	<u>\$ 3,671,629</u>	<u>\$ 4,397,356</u>

CITY OF ASHLAND
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2025

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)		2024 (2023)		2023 (2022)		2022 (2021)		2021 (2020)	
	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous
PENSION										
City's proportion of the net pension liability	0.38321%	1.18159%	0.35547%	1.18686%	0.31562%	1.47733%	0.31782%	1.14696%	0.30887%	1.12199%
City's proportionate share of the net pension liability	\$ 22,917,523	\$ 30,390,562	\$ 22,808,570	\$ 31,997,192	\$ 22,815,996	\$ 35,022,582	\$ 20,263,327	\$ 30,533,875	\$ 23,690,073	\$ 33,828,166
City's covered payroll	\$ 11,643,693	\$ 9,157,254	\$ 9,860,316	\$ 8,577,926	\$ 8,118,460	\$ 7,613,901	\$ 7,478,171	\$ 7,017,066	\$ 7,436,891	\$ 6,785,778
City's proportionate share of the net pension liability as a percentage of its covered payroll	196.823%	331.874%	231.317%	373.018%	281.038%	459.982%	270.966%	435.137%	318.548%	498.516%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.05%	57.48%	52.96%	52.42%	47.11%	57.33%	52.26%	47.81%	44.11%
INSURANCE FUND										
City's proportion of the net OPEB liability/asset	0.38559%	1.81848%	0.35545%	1.18609%	0.31559%	1.47157%	0.31774%	1.14696%	0.30879%	1.12182%
City's proportionate share of the net OPEB liability (asset)	\$ (663,482)	\$ 1,433,612	\$ (490,759)	\$ 1,622,838	\$ 6,228,231	\$ 9,771,320	\$ 6,083,012	\$ 9,273,820	\$ 7,456,315	\$ 10,366,782
City's covered payroll	\$ 11,643,693	\$ 9,157,254	\$ 9,860,316	\$ 8,577,926	\$ 8,118,460	\$ 7,613,901	\$ 7,478,171	\$ 7,017,066	\$ 7,436,891	\$ 6,785,778
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.698%	15.655%	-4.977%	18.919%	76.717%	128.335%	81.344%	132.161%	100.261%	152.772%
Plan fiduciary net position as a percentage of the total OPEB liability	104.89%	93.53%	104.23%	92.27%	60.95%	64.13%	62.91%	66.81%	51.67%	58.84%

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

CITY OF ASHLAND
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY (ASSET) (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

	Reporting Fiscal Year (Measurement Date)									
	2020 (2019)		2019 (2018)		2018 (2017)		2017 (2016)		2016 (2015)	
	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous
PENSION										
City's proportion of the net pension liability		0.30736%		1.10540%		0.31496%		1.11871%		0.31601%
City's proportionate share of the net pension liability	\$ 21,616,977		\$ 30,534,523		\$ 19,181,719		\$ 27,055,399		\$ 18,496,978	
City's covered payroll	\$ 7,115,364		\$ 6,506,066		\$ 7,019,185		\$ 6,513,275		\$ 7,086,423	
City's proportionate share of the net pension liability as a percentage of its covered payroll		303.807%		469.324%		273.276%		415.389%		261.020%
Plan fiduciary net position as a percentage of the total pension liability		50.45%		46.63%		53.54%		49.26%		53.30%
INSURANCE FUND										
City's proportion of the net OPEB liability/asset		0.30746%		1.10545%		0.31499%		1.11901%		0.31601%
City's proportionate share of the net OPEB liability (asset)	\$ 5,171,305		\$ 8,178,810		\$ 5,592,603		\$ 7,978,052		\$ 6,352,862	
City's covered payroll	\$ 7,115,364		\$ 6,506,066		\$ 7,019,185		\$ 6,513,275		\$ 7,086,423	
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll		72.678%		125.711%		79.676%		122.489%		89.648%
Plan fiduciary net position as a percentage of the total OPEB liability		60.44%		64.44%		57.62%		64.24%		52.40%
										59.00%

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

CITY OF ASHLAND
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2025

	2025		2024		2023		2022		2021	
	Nonhaz.	Hazardous								
PENSION										
Contractually required contribution	\$ 2,360,135	\$ 3,445,678	\$ 2,717,638	\$ 3,764,547	\$ 2,307,314	\$ 3,672,210	\$ 1,718,678	\$ 2,578,067	\$ 1,443,287	\$ 2,109,330
Contributions in relation to the contractually required contribution	<u>2,360,135</u>	<u>3,445,678</u>	<u>2,717,638</u>	<u>3,764,547</u>	<u>2,307,314</u>	<u>3,672,210</u>	<u>1,718,678</u>	<u>2,578,067</u>	<u>1,443,287</u>	<u>2,109,330</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 11,974,302	\$ 9,442,801	\$ 11,643,693	\$ 9,157,254	\$ 9,860,316	\$ 8,577,926	\$ 8,118,460	\$ 7,613,901	\$ 7,478,171	\$ 7,017,066
City's contributions as a percentage of its covered payroll	19.71%	36.49%	23.34%	41.11%	23.40%	42.81%	21.17%	33.86%	19.30%	30.06%
INSURANCE FUND										
Contractually required contribution	\$ -	\$ 200,156	\$ -	\$ 236,459	\$ 334,265	\$ 581,583	\$ 469,246	\$ 797,175	\$ 355,962	\$ 668,026
Contributions in relation to the contractually required contribution	<u>-</u>	<u>200,156</u>	<u>-</u>	<u>236,459</u>	<u>334,265</u>	<u>581,583</u>	<u>469,246</u>	<u>797,175</u>	<u>355,962</u>	<u>668,026</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 11,974,302	\$ 9,442,801	\$ 11,643,693	\$ 9,157,254	\$ 9,860,316	\$ 8,577,926	\$ 8,118,460	\$ 7,613,901	\$ 7,478,171	\$ 7,017,066
City's contributions as a percentage of its covered payroll	0.00%	2.12%	0.00%	2.58%	3.39%	6.78%	5.78%	10.47%	4.76%	9.52%

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

CITY OF ASHLAND
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

	2020		2019		2018		2017		2016	
	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous
PENSION										
Contractually required contribution	\$ 1,435,320	\$ 2,039,805	\$ 1,154,112	\$ 1,617,408	\$ 1,016,378	\$ 1,445,947	\$ 988,556	\$ 1,439,573	\$ 966,485	\$ 1,255,795
Contributions in relation to the contractually required contribution	<u>1,435,320</u>	<u>2,039,805</u>	<u>1,154,112</u>	<u>1,617,408</u>	<u>1,016,378</u>	<u>1,445,947</u>	<u>988,556</u>	<u>1,439,573</u>	<u>966,485</u>	<u>1,255,795</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 7,436,891	\$ 6,785,778	\$ 7,115,364	\$ 6,506,066	\$ 7,019,185	\$ 6,513,275	\$ 7,086,423	\$ 6,630,921	\$ 7,781,684	\$ 6,198,395
City's contributions as a percentage of its covered payroll	19.30%	30.06%	16.22%	24.86%	14.48%	22.20%	13.95%	21.71%	12.42%	20.26%
INSURANCE FUND										
Contractually required contribution	\$ 353,996	\$ 646,008	\$ 374,311	\$ 681,680	\$ 329,818	\$ 609,123	\$ 334,812	\$ 619,902		
Contributions in relation to the contractually required contribution	<u>353,996</u>	<u>646,008</u>	<u>374,311</u>	<u>681,680</u>	<u>329,818</u>	<u>609,123</u>	<u>334,812</u>	<u>619,902</u>		
Contribution deficiency (excess)	-	-	-	-	-	-	-	-		
City's covered payroll	\$ 7,436,891	\$ 6,785,778	\$ 7,115,364	\$ 6,506,066	\$ 7,019,185	\$ 6,513,275	\$ 7,086,423	\$ 6,630,921		
City's contributions as a percentage of its covered payroll	4.76%	9.52%	5.26%	10.47%	4.70%	9.35%	4.73%	9.35%		

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

CITY OF ASHLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

FOR THE YEAR ENDED JUNE 30, 2025

(1) CHANGES OF ASSUMPTIONS

UTILITY EMPLOYEES PENSION FUND

In the 2025 valuation, the expected investment rate of return was increased from 2.50% to 3.00%, 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 2023 valuation, the expected investment rate of return was increased from 2.25% to 2.50%, 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 2021 valuation, the expected investment rate of return was reduced from 3.00% to 2.25%, 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 2019 valuation, a mortality assumption for disabled lives was no longer considered necessary since there are no retirees remaining who retired due to disability.

In the 2017 valuation, the expected investment rate of return was reduced from 4.00% to 3.00%, 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 5.00% to 4.00%, 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 2024 valuation, the expected investment rate of return was increased from 2.50% to 3.00%, 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 2020 valuation, the expected investment rate of return was reduced from 3.00% to 2.50%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

In the 2018 valuation, the expected investment rate of return was reduced from 4.00% to 3.00%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

In the 2016 valuation, the expected investment rate of return was reduced from 5.00% to 4.00%, 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 3.00% 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.

CITY OF ASHLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2025

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.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.05%-10.30% for nonhazardous and 3.55% - 19.05% for hazardous (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020:

- Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2019.

CITY OF ASHLAND
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - PENSION PLANS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total pension liability was changed to 6.50%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

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

UTILITY EMPLOYEES PENSION FUND

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20 years
Asset Valuation Method	Fair market value, quoted prices
Cost of Living Adjustments	3.0%
Salary Increase	None
Investment Rate of Return	3.00%, 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	3.00%, net of pension plan investment expense, including inflation

CERS

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
Remaining Amortization Period	30 years, closed
Payroll Growth	2.00%

CITY OF ASHLAND
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - PENSION PLANS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service for nonhazardous
	3.55% to 19.05%, varies by service for hazardous
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

(3) CHANGES OF BENEFIT TERMS

UTILITY EMPLOYEES PENSION FUND

The most recent valuation was prepared with the assumption of a “substantively automatic” 3% cost of living adjustment. However, the Commissioners elected not to provide a cost of living adjustment for fiscal year 2017, a 2% cost of living adjustment for fiscal year 2019, a 7% cost of living adjustment for fiscal year 2023, a 6.2% cost of living adjustment for fiscal year 2024, and a 4.6% cost of living adjustment for fiscal year 2025.

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, a 2% cost of living adjustment for fiscal year 2019, a 7% cost of living adjustment for fiscal year 2023, a 6.2% cost of living adjustment for fiscal year 2024, and a 4.6% cost of living adjustment for fiscal year 2025.

CERS

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member’s final rate of pay to 75% of the member’s average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member’s final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2019 is determined using these updated benefit provisions.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021, is determined using these updated benefit provisions.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service a member attains over certain thresholds, depending on a member’s retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member’s applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

CITY OF ASHLAND
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - PENSION PLANS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member's Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

CITY OF ASHLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLANS FOR THE YEAR ENDED JUNE 30, 2025

(1) CHANGES OF ASSUMPTIONS

CERS INSURANCE FUND

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2017:

- Decreased the price inflation assumption to 2.30%.
- Decreased the assumed rate of return to 6.25%.
- Decreased the payroll growth assumption to 2.00%.

The following changes were made by the Board of Trustees and reflected in the valuation performed as of June 30, 2019:

- The assumed salary increase was changed from 4.00% (average) to 3.30%-10.30% for nonhazardous and 3.55% - 19.05% for hazardous (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

The following change was made by the Board of Trustees and reflected in the valuation performed as of June 30, 2022:

- The single discount rates used to calculate the total OPEB liability increased from 5.34% to 5.70%.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total OPEB liability was changed to 5.93%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

For the valuation performed as of June 30, 2024, the discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

CITY OF ASHLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLANS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2025

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

CERS INSURANCE FUND

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2024:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service for nonhazardous
Investment Rate of Return	3.55% to 19.05%, varies by service for hazardous
Healthcare Trend Rates	6.25%
Pre-65	Initial trend starting at 6.20% at January 1, 2024, gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 9.00% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

(3) CHANGES OF BENEFIT TERMS

CERS INSURANCE FUND

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2019, is determined using these updated benefit provisions.

CITY OF ASHLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLANS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2025

Senate Bill 169 passed during the 2021 legislative session increased and the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by \$5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member's Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

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, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	3,958,850	-	3,958,850	4,065,246	106,396
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	<u>3,958,850</u>	<u>-</u>	<u>3,958,850</u>	<u>4,065,246</u>	<u>106,396</u>
Expenditures					
General government	2,950	-	2,950	8,409	(5,459)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Capital outlay	6,337,745	1,824,566	8,162,311	6,251,131	1,911,180
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>6,340,695</u>	<u>1,824,566</u>	<u>8,165,261</u>	<u>6,259,540</u>	<u>1,905,721</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,381,845)</u>	<u>(1,824,566)</u>	<u>(4,206,411)</u>	<u>(2,194,294)</u>	<u>2,012,117</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	852,893	852,893
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>852,893</u>	<u>852,893</u>
Net change in fund balance	(2,381,845)	(1,824,566)	(4,206,411)	(1,341,401)	2,865,010
Fund balance beginning of year	<u>1,341,401</u>	<u>-</u>	<u>1,341,401</u>	<u>1,341,401</u>	<u>-</u>
Fund balance end of year	<u>\$ (1,040,444)</u>	<u>\$ (1,824,566)</u>	<u>\$ (2,865,010)</u>	<u>\$ -</u>	<u>\$ 2,865,010</u>

CITY OF ASHLAND

GENERAL FUND

BALANCE SHEET

JUNE 30, 2025

ASSETS

Cash	\$ 209,459
Taxes receivable	2,305,309
Allowance for uncollectible taxes	(487,029)
Grants receivable	1,175,809
Due from other funds	17,608,878
Other receivables	362,804
Prepaid items	909,122
Inventories - supplies	<u>290,989</u>
 Total assets	 <u>\$ 22,375,341</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 3,230,567
Accounts payable	1,244,395
Line-of-credit	1,700,000
Due to other funds	3,787,779
Due to Board of Education	120,955
Accrued compensated absences	212,164
Accrued expenses	<u>975,523</u>
 Total liabilities	 <u>11,271,383</u>

Fund Balance:

Non-spendable	1,200,111
Restricted	144,229
Unassigned	<u>9,759,618</u>
 Total fund balance	 <u>11,103,958</u>
 Total liabilities and fund balance	 <u>\$ 22,375,341</u>

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Taxes -			
General property taxes	\$ 2,935,440	\$ 1,991,648	\$ (943,792)
Penalties and interest	18,000	15,400	(2,600)
Tourism taxes	-	144,172	144,172
Delinquent taxes	269,750	266,936	(2,814)
Vehicle property taxes	515,860	501,714	(14,146)
Bank franchise taxes	187,430	170,629	(16,801)
Other franchise taxes	150,150	358,537	208,387
Insurance premium taxes	4,985,250	5,558,734	573,484
Total taxes	<u>9,061,880</u>	<u>9,007,770</u>	<u>(54,110)</u>
Licenses and permits -			
Occupational license fees	13,975,000	15,003,926	1,028,926
Business privilege licenses	2,388,000	2,316,926	(71,074)
Alcoholic beverage licenses	637,950	608,876	(29,074)
Construction permit fees	43,115	29,779	(13,336)
Other licenses and permits	2,370	2,354	(16)
Total licenses and permits	<u>17,046,435</u>	<u>17,961,861</u>	<u>915,426</u>
Charge for services -			
Garbage collection fee	2,630,675	2,639,254	8,579
Greyhound ticket sales	7,500	2,398	(5,102)
Rental revenue	90,000	68,001	(21,999)
Total charges for services	<u>2,728,175</u>	<u>2,709,653</u>	<u>(18,522)</u>
Fees, fines and reimbursements -			
Parking meter fees and fines	530,400	4,510	(525,890)
Taxes collection fees	194,305	189,579	(4,726)
State rebate - District Court	25,260	26,641	1,381
Street lighting franchise	1,211,110	1,239,121	28,011
Telecommunication franchise	289,400	288,106	(1,294)
Other	681,000	650,085	(30,915)
Total fees, fines and reimbursements	<u>2,931,475</u>	<u>2,398,042</u>	<u>(533,433)</u>
Other revenues -			
Police grants and revenue	557,645	437,888	(119,757)
Miscellaneous grants	10,000	20,586	10,586
Coal severance - LGEA	17,500	6,082	(11,418)
Interest earned	31,750	24,596	(7,154)
Other	252,196	337,945	85,749
Total other revenues	<u>869,091</u>	<u>827,097</u>	<u>(41,994)</u>
Total revenues	<u>32,637,056</u>	<u>32,904,423</u>	<u>267,367</u>

CITY OF ASHLAND

GENERAL FUND

**SCHEDEULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
General Government -			
Mayor and Commissioners	94,133	102,935	(8,802)
City Manager	231,722	275,568	(43,846)
City Clerk/Legal	266,712	285,679	(18,967)
Human Resources	251,749	228,891	22,858
Risk Management	214,333	147,948	66,385
Unclassified	<u>1,268,949</u>	<u>2,045,974</u>	<u>(777,025)</u>
	<u>2,327,598</u>	<u>3,086,995</u>	<u>(759,397)</u>
Department of Finance -			
Director of Finance	792,453	765,185	27,268
Data Processing	<u>-</u>	<u>-</u>	<u>-</u>
	<u>792,453</u>	<u>765,185</u>	<u>27,268</u>
Department of Public Services -			
Director of Public Services	192,034	178,858	13,176
Street maintenance	4,131,471	3,336,700	794,771
Sanitation services	1,892,711	1,963,864	(71,153)
Central garage	469,011	469,286	(275)
Animal control	<u>97,596</u>	<u>101,983</u>	<u>(4,387)</u>
	<u>6,782,823</u>	<u>6,050,691</u>	<u>732,132</u>
Department of Planning and Economic Development -			
Planning and Code Enforcement	804,483	871,679	(67,196)
Economic Development	<u>264,043</u>	<u>262,838</u>	<u>1,205</u>
	<u>1,068,526</u>	<u>1,134,517</u>	<u>(65,991)</u>
Department of Police -			
Technical services	3,416,075	3,531,961	(115,886)
Field operations	<u>5,317,368</u>	<u>4,693,050</u>	<u>624,318</u>
	<u>8,733,443</u>	<u>8,225,011</u>	<u>508,432</u>

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Fire	<u>8,861,375</u>	<u>8,925,903</u>	<u>(64,528)</u>
Department of Engineering	<u>404,419</u>	<u>330,607</u>	<u>73,812</u>
Debt Service	<u>1,778,069</u>	<u>1,916,173</u>	<u>(138,104)</u>
Total expenditures	<u>30,748,706</u>	<u>30,435,082</u>	<u>313,624</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,888,350</u>	<u>2,469,341</u>	<u>580,991</u>
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of debt	-	9,920,000	9,920,000
Proceeds from issuance of debt - discount	-	(173,112)	(173,112)
Transfer to Capital Projects Fund	(561,225)	(852,893)	(291,668)
Transfer to Conference Center Fund	-	(9,617,109)	(9,617,109)
Transfer to Recreation Fund	(1,700,752)	(1,621,944)	78,808
Transfer to Ashland Bus Fund	<u>(586,161)</u>	<u>(685,784)</u>	<u>(99,623)</u>
Total other financing sources (uses)	<u>(2,848,138)</u>	<u>(3,030,842)</u>	<u>(182,704)</u>
NET CHANGE IN FUND BALANCE	(959,788)	(561,501)	398,287
FUND BALANCE, June 30, 2024	<u>11,665,459</u>	<u>11,665,459</u>	<u>-</u>
FUND BALANCE, June 30, 2025	<u>\$ 10,705,671</u>	<u>\$ 11,103,958</u>	<u>\$ 398,287</u>

CITY OF ASHLAND

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

JUNE 30, 2025

	Land & Buildings	Building Improvements	Automotive Equipment	Operating Equipment	Office Furniture & Equipment	Capital Improvements	Infrastructure	CIP	Total
Dept of General Gov't	\$ 3,789,270	\$ 2,036,231	\$ 61,332	\$ 86,741	\$ 339,097	\$ 339,996	\$ 11,955,117	\$ 88,855	\$ 18,696,639
Dept of Finance	-	-	28,384	56,243	47,120	-	-	-	131,747
Dept of Public Services	16,000,185	747,366	746,138	4,223,073	81,440	4,160,898	46,379,518	9,455,694	81,794,312
Dept of Planning & Community Development	-	-	93,220	6,799	25,339	-	-	-	125,358
Department of Police	4,949,556	273,034	3,550,455	1,019,552	156,656	249,367	-	-	10,198,620
Department of Fire	3,869,126	1,596,541	3,844,539	566,550	33,830	-	-	900,082	10,810,668
Department of Engineering	-	-	89,856	17,135	67,190	74,458	-	-	248,639
Floodwall Operations	15,121	23,453	54,664	152,292	-	-	-	-	245,530
Community Development	243,868	117,420	-	-	18,623	-	1,324,680	-	1,704,591
Housing Assistance Programs	150,033	12,950	-	-	19,646	-	-	-	182,629
Tax Increment Financing	-	-	-	-	-	-	55,959	-	55,959
	\$ 29,017,159	\$ 4,806,995	\$ 8,468,588	\$ 6,128,385	\$ 788,941	\$ 4,824,719	\$ 59,715,274	\$ 10,444,631	\$ 124,194,692

CITY OF ASHLAND

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

JUNE 30, 2025

Land & Buildings	\$ 29,017,159
Building Improvements	4,806,995
Automotive Equipment	8,468,588
Operating Equipment	6,128,385
Office Furniture & Equipment	788,941
Capital Improvements	4,824,719
Infrastructure	59,715,274
Construction in progress	<u>10,444,631</u>
 Total	 <u>\$ 124,194,692</u>
 Investment in capital assets by source:	
General Fund	67,380,891
Special Revenue Funds	10,709,612
Capital Projects Fund	<u>46,104,189</u>
 Total	 <u>\$ 124,194,692</u>

CITY OF ASHLAND
ASHLAND PLANNING AND CDA (KY142)
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2025

	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted	\$ (3,259)	\$ (3,259)
113 Cash - Other Restricted	531,068	531,068
100 Total Cash	<u>527,809</u>	<u>527,809</u>
124 Accounts Receivable - Other Government	-	-
128 Fraud Recovery	76,311	76,311
128.1 Allowance for Doubtful Accounts - Fraud	<u>(76,311)</u>	<u>(76,311)</u>
120 Total Receivables, Net of Allowances for Doubtful Accounts	-	-
150 Total Current Assets	<u>527,809</u>	<u>527,809</u>
162 Buildings	162,983	162,983
164 Furniture, Equipment & Machinery - Administration	19,646	19,646
166 Accumulated Depreciation	<u>(122,482)</u>	<u>(122,482)</u>
160 Total Capital Assets, Net of Accumulated Depreciation	<u>60,147</u>	<u>60,147</u>
180 Total Non-Current Assets	<u>60,147</u>	<u>60,147</u>
200 Deferred Outflow of Resources	-	-
290 Total Assets and Deferred Outflow of Resources	<u>\$ 587,956</u>	<u>\$ 587,956</u>
312 Accounts Payable <= 90 Days	\$ 3,018	\$ 3,018
321 Accrued Wage/Payroll Taxes Payable	5,613	5,613
322 Accrued Compensated Absences - Current Portion	1,646	1,646
333 Accounts Payable - Other Government	30,881	30,881
342 Unearned Revenue	<u>402,985</u>	<u>402,985</u>
310 Total Current Liabilities	<u>444,143</u>	<u>444,143</u>
354 Accrued Compensated Absences - Non-Current	8,368	8,368
350 Total Non-Current Liabilities	<u>8,368</u>	<u>8,368</u>
300 Total Liabilities	<u>452,511</u>	<u>452,511</u>
400 Deferred Inflow of Resources	-	-
508.4 Net Investment in Capital Assets	60,147	60,147
511.4 Restricted Net Position	128,083	128,083
512.4 Unrestricted Net Position	<u>(52,785)</u>	<u>(52,785)</u>
513 Total Equity - Net Assets / Position	<u>135,445</u>	<u>135,445</u>
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	<u>\$ 587,956</u>	<u>\$ 587,956</u>

CITY OF ASHLAND
ASHLAND PLANNING AND CDA (KY142)
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2025

	14,871 Housing Choice Vouchers	Total
70600 HUD PHA Operating Grants	\$ 4,694,959	\$ 4,694,959
71500 Other Revenue - Unrestricted	8,072	8,072
72000 Investment Income - Restricted	663	663
70000 Total Revenue	<u>4,703,694</u>	<u>4,703,694</u>
91100 Administrative Salaries	247,323	247,323
91200 Auditing Fees	8,919	8,919
91400 Advertising	8,038	8,038
91500 Employee Benefit Contributions - Administrative	45,197	45,197
91800 Travel	6,031	6,031
91900 Other	12,389	12,389
91000 Total Operating - Administrative	<u>327,897</u>	<u>327,897</u>
93800 Other Utilities Expense	2,793	2,793
93000 Total Utilities	<u>2,793</u>	<u>2,793</u>
94200 Ordinary Maintenance and Operations - Materials and Other	38,702	38,702
94000 Total Maintenance	<u>38,702</u>	<u>38,702</u>
96110 Property Insurance	307	307
96120 Liability Insurance	4,800	4,800
96130 Workmen's Compensation	462	462
96140 All Other Insurance	65,519	65,519
96100 Total Insurance Premiums	<u>71,088</u>	<u>71,088</u>
96200 Other General Expenses	12,698	12,698
96210 Compensated Absences	1,086	1,086
96000 Total Other General Expenses	<u>13,784</u>	<u>13,784</u>
96900 Total Operating Expenses	<u>454,264</u>	<u>454,264</u>
97000 Excess of Operating Revenue Over Operating Expenses	4,249,430	4,249,430
97300 Housing Assistance Payments	4,185,152	4,185,152
97350 HAP Portability - In	5,800	5,800
97400 Depreciation Expense	3,001	3,001
90000 Total Expenses	<u>4,648,217</u>	<u>4,648,216</u>
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 55,477	\$ 55,477
11020 Required Annual Debt Principal Payments	-	-
11030 Beginning Equity	\$ 79,968	\$ 79,968
11170 Administrative Fee Equity	\$ 7,362	\$ 7,362
11180 Housing Assistance Payments Equity	\$ 128,083	\$ 128,083
11190 Unit Months Available	7,572	7,572
11210 Number of Unit Months Leased	6,328	6,328

CITY OF ASHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>U.S. Department of HUD</u>				
Direct Programs:				
CDBG Entitlement	14.218		\$ 153,764	\$ 368,248
Housing Choice Voucher Program	14.871		-	<u>4,644,132</u> *
Total U.S. Department of HUD				<u>5,012,380</u>
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Federal Transit Cluster				
FTA - Operating Assistance Grant	20.507		-	685,784
FTA - Capital Assistance Grant	20.507		-	<u>805,209</u>
Total Federal Transit Cluster				<u>1,490,993</u>
Safe Streets and Roads for All	20.939		-	<u>46,229</u>
Passed through Kentucky Transportation Cabinet:				
Highway Planning and Construction	20.205	09.00244.00	-	1,964,686
Highway Planning and Construction	20.205	09.00307.00	-	<u>2,188,811</u>
				<u>4,153,497</u>
Dept. of State Police Highway Safety Program	20.600	AL-2022-00-00-03	-	<u>3,775</u>
Total U.S. Department of Transportation				<u>5,694,494</u>
<u>U.S. Department of Treasury</u>				
Direct Programs:				
Coronavirus Local Fiscal Recovery Funds	21.027		-	2,010,479 *
Passed through Kentucky Infrastructure Authority				
Coronavirus Local Fiscal Recovery Funds	21.027	22CWW104	-	<u>31,000</u> *
Total U.S. Department of Treasury				<u>2,041,479</u>
<u>U.S. Department of Homeland Security</u>				
Passed through Kentucky Department of Homeland Security:				
Disaster Grants - Public Assistance	97.036	DR-4592	-	<u>2,714</u>
Total U.S. Department of Homeland Security				<u>2,714</u>
<u>U.S. Department of Interior</u>				
Passed through Kentucky Energy & Environment Cabinet:				
Abandoned Mine Land Reclamation Program	15.252	SC 128 2300000089	-	<u>509,600</u>
Total U.S. Department of Interior				<u>509,600</u>

CITY OF ASHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>U.S. Environmental Protection Agency</u>				
Direct Programs:				
Brownfields Multipurpose Grant	66.818		-	<u>156,492</u>
Total U.S. Environmental Protection Agency				
				<u>156,492</u>
<u>U.S. Department of Justice</u>				
Passed through Kentucky Department of Local Government:				
Edward Byrne Memorial Justice Assistance Grant	16.738	15PBJA-21	-	<u>37,382</u>
Total U.S. Department of Justice				
				<u>37,382</u>
<u>Executive Office of the President</u>				
Passed through Laurel County Fiscal Court				
High Intensity Drug Trafficking Areas Program	95.001	G20AP0001A	-	<u>51,988</u>
Total Executive Office of the President				<u>51,988</u>
Total expenditures of Federal awards				
			<u>\$ 153,764</u>	<u>\$ 13,506,529</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, 2025. 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 the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE

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



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

Chuck Charles, 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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 15, 2026.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not been identified.

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

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.

Kelley Galloway Smith Goolby, PSC

Ashland, Kentucky
January 15, 2026



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Ashland, Kentucky's (the "City") compliance with the types of compliance requirements identified as subject to audit 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, 2025. 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.

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, 2025.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2025-001 to 2025-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in blue ink that reads "Kelley Galloway Smith Goolsby, PSC". The signature is fluid and cursive, with "Kelley Galloway" on the first line, "Smith" on the second line, and "Goolsby, PSC" on the third line.

Ashland, Kentucky
January 15, 2026

CITY OF ASHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

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 No

□ Significant deficiency(ies) identified? ____ Yes None reported

Noncompliance material to the financial statements noted? ____ Yes No

Federal Awards

Internal control over major federal programs:

□ Material weakness(es) identified? ____ Yes No

□ Significant deficiency(ies) identified? ____ Yes 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 ____ No

Identification of Major Programs:

Housing Choice Voucher Program	<u>AL No.</u>	14.871
Coronavirus Local Fiscal Recovery Funds	21.027	

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? ____ Yes No

B. FINANCIAL STATEMENT FINDINGS

None noted in the current year.

**CITY OF ASHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025**

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2025-001 FEDERAL COMPLIANCE – WAITING LIST PREFERENCES

Federal Program Name: Housing Choice Voucher Program

Catalog of Federal Domestic Assistance Number: 14.871

Federal Agency: U.S. Department of Housing and Urban Development

Compliance Requirement: Special Tests and Provisions

Criteria: According to 24 CFR 982.54(d), the PHA's administrative plan must include procedures for the "Selection and admission of applicants from the PHA waiting list, including any PHA admission preferences, procedures for removing applicant names from the waiting list, and procedures for closing and reopening the PHA waiting list."

Condition: While reviewing applications for acceptance into the program, we noted several preference codes assigned to applicants that did not agree to information contained on the original application.

Effect and Questioned Costs: Inadequate documentation of preference codes assigned to applicants. This could result in individuals improperly being moved to the top of the waiting list and allowed to enter the program before other qualified applicants.

Repeat Finding: Yes, 2024-001

Recommendation: We recommend that the PHA implement procedures to document any changes to the original preference codes assigned to applicants.

Management's Response: The PHA has updated the Administrative Plan. Verification requirements are now explicitly stated, including what documentation is acceptable and what is not acceptable as verification. In addition, as the PHA selects applicants from the legacy waiting list, staff confirm the applicant still qualifies for the claimed preference at the time of selection.

2025-002 FEDERAL COMPLIANCE – TENANT DOCUMENTATION

Federal Program Name: Housing Choice Voucher Program

Catalog of Federal Domestic Assistance Number: 14.871

Federal Agency: U.S. Department of Housing and Urban Development

Compliance Requirement: Eligibility and Special Provisions

Criteria: HUD requires Public Housing Authorities (PHA) to properly document the eligibility of tenants, properly calculate benefits based on tenant income and determine rent is reasonable.

CITY OF ASHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

Condition: During our testing of compliance with Section 8 requirements, we noted several errors while reviewing 40 tenant files. These include the following:

- Missing or incomplete HQS/inspection documentation (reports, checklists, or proof of passing; some years not uploaded).
- Voucher / Form 50058 (Family Report) missing or incomplete, including support for payment standard/bedroom size used.
- Utility reimbursement (UR) and HAP payment changes not supported with required documentation or clear interim/recert support.
- Rent reasonableness documentation missing or incomplete, including missing conclusion that rent was reasonable.
- Other required file items missing, such as HAP contract, lease pages, eligibility verifications (e.g., birth verification), landlord certification forms, and zero-income forms.

Cause: According to the PHA director, these issues were primarily caused by a server crash with the required documentation being unrecoverable.

Effect and Questioned Costs: Noncompliance with HUD requirements.

Repeat Finding: Yes, 2024-002

Recommendation: We recommend that procedures be implemented to ensure that documentation is maintained in accordance with HUD requirements.

Management's Response: The PHA began forwarding requested documentation to the auditors before the server crash impacted its ability to locate and respond to file requests. Once APD recovered the files in September, the PHA resumed providing recovered documentation to fulfill the auditors' request. To date, the PHA is unable to locate three documents that were originally requested before the crash. The PHA is continuing to sort and review the 12,000+ files that were recovered and will provide any additional responsive documents if they are located.

The PHA has revised its recertification/application intake procedures. If a participant submits a recertification packet/application that is incomplete, the PHA will not accept it for processing. Packets must be submitted complete, including all required supporting documentation, before the staff will move forward.

CITY OF ASHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2025

In addition, the PHA has strengthened documentation controls to improve file integrity and retrieval going forward. These actions include:

- Required intake checklist: The PHA uses a standardized checklist to verify that all required forms and documents are received before a packet is accepted.
- File completeness review: The PHA conducts a second-level review to confirm documentation is present and appropriately filed/scanned before final processing.
- Standardized scanning and labeling: The PHA scans and labels documents consistently to ensure they can be efficiently located and reproduced for monitoring or audit requests.
- Ongoing reconciliation of recovered files: The PHA continues reviewing the 12,000+ recovered files and will provide any additional responsive documents if located, while also using this process to identify and address any gaps in recordkeeping practices.

These measures are intended to reduce missing documentation, strengthen file retention practices, and ensure the timely retrieval of records in the future.

2025-003 FEDERAL COMPLIANCE - DISBURSEMENTS

Federal Program Name: Housing Choice Voucher Program

Catalog of Federal Domestic Assistance Number: 14.871

Federal Agency: U.S. Department of Housing and Urban Development

Compliance Requirement: Allowable Costs

Criteria: The City's internal controls require that all disbursements be approved by the finance department prior to payment and that bank reconciliations be performed on all accounts.

Condition: During our audit, we noted several check runs for the Section 8 program that did not include the finance department's approval for payment. Additionally, we noted one check that cleared for an amount other than the amount included on the check register. These errors caused increased difficulty in reconciling the bank statements in a timely manner.

Cause: According to the PHA director, these differences were caused by the check registers being printed by program instead of check number. Therefore, the payment amount for several tenants for a certain check were listed in a separate section. Other errors were due to misfeeds in the check printer.

Effect and Questioned Costs: Reduced effectiveness of internal controls with the possibility of incorrect payments being processed.

Repeat Finding: No

Recommendation: We recommend that the PHA implement procedures to ensure that checks written agree to the check register prior to mailing and the finance department approve all Section 8 check runs. These procedures should include printing the check register by check number and comparing the printed checks to the register prior to mailing. If any differences are noted due to misfeeds in the check printer, the register should be updated to reflect correct information. Furthermore, an updated check register should be provided to the finance department with a memorandum documenting the changes. The City may consider investing in printing equipment that allows check numbers to be printed on the checks instead of utilizing preprinted checks.

CITY OF ASHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

Management's Response: Staff will conduct a manual, check-by-check review immediately after each monthly check run and before mailing to confirm that check totals align with supporting reports. In addition, the PHA will investigate and resolve the source of the discrepancy between the HAPPY Program Management Software outputs and the PHA's internal control records to ensure consistent and accurate reporting going forward.

2025-004 FEDERAL COMPLIANCE – WAITING LIST CONTACT

Federal Program Name: Housing Choice Voucher Program

Catalog of Federal Domestic Assistance Number: 14.871

Federal Agency: U.S. Department of Housing and Urban Development

Compliance Requirement: Eligibility and Special Provisions

Criteria: Program procedures require sufficient documentation to demonstrate that waiting list selections and outreach were conducted consistently, timely, and in a transparent manner.

Condition: For Section 8 project-specific vouchers, documentation of contact with individuals selected from the waiting list was not consistently maintained. Files lacked evidence of outreach such as letters, emails, call logs, or documentation of responses and outcomes.

Cause: Documentation requirements for waiting list contact were not clearly defined or consistently enforced.

Effect and Questioned Costs: Without documentation of outreach efforts, the program cannot demonstrate that project-specific voucher selections were conducted fairly and in compliance with program requirements, increasing risk of noncompliance or disputes.

Recommendation: Management should implement a standardized process to document and retain all waiting list contact attempts, including method, dates, and outcomes, in project-specific voucher files.

Management's Response: When applicants call or come in to request a change to contact information, the PHA now requires the applicant to provide the updated information in writing (completed by the applicant) rather than staff updating records solely based on a verbal request. This provides documentation for the change and strengthens file integrity.



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Mayor
Chuck Charles

Commissioners
Marty Gute
Sonny Martin
Tim Renfroe
DJ Rymer

**Mayor &
Commissioner's Office**
606-385-3300

City Manager
Tony D Grubb

City Manager's Office
606-385-3303

City Building Main
606-385-3400

Ashland Bus System
606-385-3287

Assisted Housing
606-385-3327

**Community & Economic
Development**
606-385-3317

Engineering & Utilities
606-385-3332

Finance
606-385-3346

Human Resources
606-385-3312

Legal/City Clerk
606-385-3287

Parks and Recreation
606-385-3295

Public Services
606-385-3332

January 15, 2026

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

Dear Sir or Madam:

We have prepared the accompanying corrective action plan as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Specifically, for each finding we are providing you with our responsible officials' views, the names of the contact people responsible for corrective action, the corrective action planned, and the anticipated completion date.

Sincerely,

Tony Grubb
City Manager

CITY OF ASHLAND
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2025

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2025-001	<p>The PHA has updated the Administrative Plan. Verification requirements are now explicitly stated, including what documentation is acceptable and what is not acceptable as verification. In addition, as the PHA selects applicants from the legacy waiting list, staff confirm the applicant still qualifies for the claimed preference at the time of selection.</p>	June 30, 2026	Chris Pullem, Community & Economic Development Director
2025-002	<p>The PHA has revised its recertification/application intake procedures. If a participant submits a recertification packet/application that is incomplete, the PHA will not accept it for processing. Packets must be submitted complete, including all required supporting documentation, before the staff will move forward.</p> <p>In addition, the PHA has strengthened documentation controls to improve file integrity and retrieval going forward. These actions include:</p> <ul style="list-style-type: none"> • Required intake checklist: The PHA uses a standardized checklist to verify that all required forms and documents are received before a packet is accepted. • File completeness review: The PHA conducts a second-level review to confirm documentation is present and appropriately filed/scanned before final processing. • Standardized scanning and labeling: The PHA scans and labels documents consistently to ensure they can be efficiently located and reproduced for monitoring or audit requests. • Ongoing reconciliation of recovered files: The PHA continues reviewing the 12,000+ recovered files and will provide any additional responsive documents if located, while also using this process to identify and address any gaps in recordkeeping practices. 	June 30, 2026	Chris Pullem, Community & Economic Development Director

CITY OF ASHLAND
CORRECTIVE ACTION PLAN (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2025-003	Staff will conduct a manual, check-by-check review immediately after each monthly check run and before mailing to confirm that check totals align with supporting reports. In addition, the PHA will investigate and resolve the source of the discrepancy between the HAPPY Program Management Software outputs and the PHA's internal control records to ensure consistent and accurate reporting going forward.	June 30, 2026	Chris Pullem, Community & Economic Development Director
2025-004	When applicants call or come in to request a change to contact information, the PHA now requires the applicant to provide the updated information in writing (completed by the applicant) rather than staff updating records solely based on a verbal request. This provides documentation for the change and strengthens file integrity.	June 30, 2026	Chris Pullem, Community & Economic Development Director



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Legal/City Clerk
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Parks and Recreation
606-385-3295

Public Services
606-385-3332

January 15, 2026

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

Dear Sir or Madam:

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

Sincerely,

Tony Grubb
City Manager

CITY OF ASHLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025

Finding Number	Finding/Noncompliance	Status	Responsible Contact Person
2024-001	While reviewing applications for acceptance into the program, we noted several preference codes assigned to applicants that did not agree to information contained on the original application.	Repeated, 2025-001	Chris Pullem, Community & Economic Development Director
2024-002	During our testing of compliance with Section 8 requirements, we noted several errors while reviewing 40 tenant files.	Repeated, 2025-002	Chris Pullem, Community & Economic Development Director