

CITY OF ASHLAND

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2021

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

Matt Perkins, Mayor
City Commissioners and City Manager
City of Ashland
Ashland, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Kentucky (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Kentucky as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information, the Schedule of Employer Contributions and Investment Returns, the Schedule of Funding Progress, the Schedule of Changes in Net Pension Liabilities, the Schedule of City's Proportionate Share of the Net Pension and OPEB Liability and the Schedule of Pension and OPEB Contributions on pages 3 through 16 and on pages 71 through 84, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statements and schedules contained on pages 85 through 91 and the Financial Data Schedule on pages 92 and 93 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 85 through 91, the Financial Data Schedule contained on pages 92 and 93 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 11, 2022, 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 Gallaway Smith Goodby, PSC

Ashland, Kentucky
January 11, 2022

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, 2021. 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 \$49.1 million (net position). This amount includes \$10.1 million restricted to specific projects by laws, regulations or contractual agreements. A deficit total of (\$58.2) 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 \$3.0 million, primarily due to changes in the net pension and OPEB liabilities and the related deferred outflows and inflows. Net position of governmental activities increased by \$3.2 million and net position of business-type activities decreased by (\$119) thousand.
- At fiscal year end, the governmental funds reported a combined ending fund balance of \$21.0 million. Approximately 3% of this total amount, \$716,000, is restricted or committed for grant programs. Assigned fund balance comprises 48% of total fund balance; the majority of which is set aside for capital improvements.
- At June 30, 2021, unassigned General Fund fund balance of \$10 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 through the use of a consolidated statement of all funds and eliminating interfund transfers. The value of capital assets of governmental type operations is presented in this statement. The infrastructure assets for governmental type funds, including roads, bridges, sidewalks, etc., are reported and depreciated under these reporting standards. These reporting standards provide improved information to the reader.

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

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

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

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

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

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain *Required Supplemental Information* concerning the City's contributions to certain employees' pension plans and other post-employment benefits to its employees. Additionally, *Supplemental*

Information includes more detail on the City's General Fund, details of the City's capital assets, statement of net position and revenue and expenditures for Ashland's Housing Authority.

THE GOVERNMENT AS A TRUSTEE

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

THE GOVERNMENT AS A WHOLE

NET POSITION

As of June 30, 2021, the Government as a whole had a net position greater than its liabilities by \$49,170,257. Net position of governmental activities was \$13,469,346 and increased by \$3,204,019 over the prior year. Total collected for taxes were 108.7% of budget, which included two years of taxes due to the Governor Beshear declaring a State of Emergency on March 6, 2020. This changed many things for the City including the postponement by the PVA of our tax valuations. Occupational license fee receipts excelled again this fiscal year for \$3.0 million in additional revenue. The majority of this growth is attributable to the closing of Bellefonte Hospital and Kings Daughters hiring a vast majority of their employees. The City issued a bond issue to pay off the lease on the Police Station, paving, concrete, demolition of GB Johnson building, City Park improvements, Streetscape improvements and various other capital improvements in the amount of \$12 million. The City continued to receive Cares Relief funds to offset the police and fire payroll costs for \$605 thousand. Community Center and Playground construction was originally a CDBG project but had eligibility issues, so these costs had to be funded by General Fund. This was not a budgeted or anticipated cost of the General Fund. This and additional construction costs with Broadway Square came in overbudget at \$858 thousand. Of ending Governmental Activities Net Position, \$51,251,608 is invested in capital assets net of related debt; \$716,497 is restricted for grant programs; and unrestricted net position is (\$38,498,759). Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

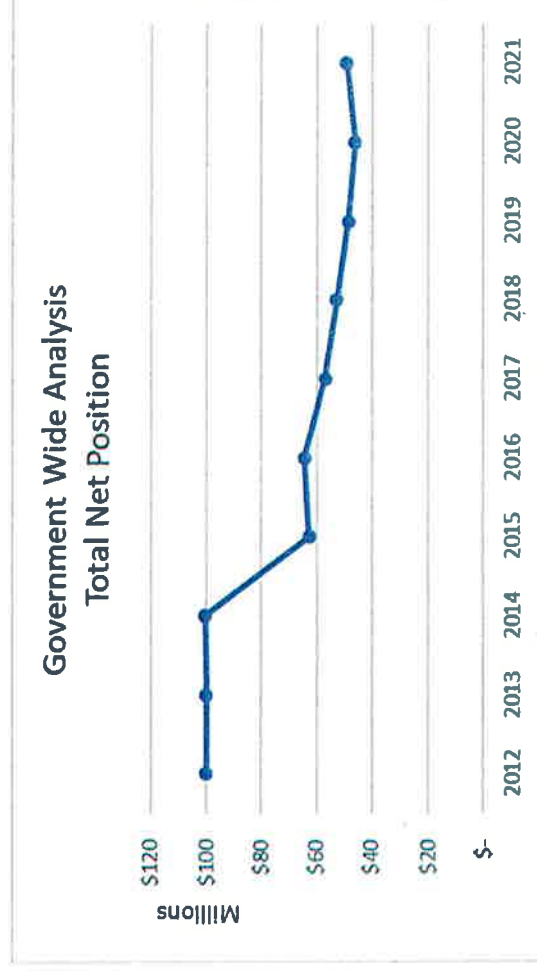
The net position of the Government's business-type activities is \$35,700,911 and decreased by (\$119,093) over the prior year. Residential and commercial meter sales exceeded projections by \$361,604 due to the continuation of commercial meter replacements that exceeded useful life and were registering reads at lower accuracy. An increase in the volume of hauled waste and its treatment brought in \$407,410 of excess funds. Late payment charges budgeted revenue did not meet projections due to \$281,389 due to Governor Executive Order on not allowing late fee charges. Also, turn fee revenues were down due to the prohibition of service disconnection due to Governor Executive order. A net reduction of \$644,223 in construction-in-progress was a result of the completion of the Water Distribution building, beginning the Water Plant Underdrain project and the CSO engineering for Wastewater Plant. Of the business-type net position, \$46,040,038 is net investment in capital assets and (\$19,790,647) 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, \$9,451,520, represents resources that are subject to limitations on their use through legislation adopted by the City or through external restrictions. The largest restricted portion, \$7,374,506, is for sewer improvements.

ANALYSIS OF THE CITY'S NET POSITION

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|----------------------------------|----------------------------|---------------|-----------------------------|---------------|-----------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Current and other assets | \$ 31,322,841 | \$ 8,312,630 | \$ 23,635,520 | \$ 13,067,478 | \$ 54,958,361 | \$ 21,380,108 |
| Capital assets | 61,745,365 | 62,259,475 | 59,415,333 | 55,644,516 | 121,160,698 | 117,903,991 |
| Total assets | 93,068,206 | 70,572,105 | 83,050,853 | 68,711,994 | 176,119,059 | 139,284,099 |
| Deferred outflows of resources | 12,159,392 | 12,186,249 | 3,994,002 | 3,436,263 | 16,153,394 | 15,622,512 |
| Liabilities | 11,052,118 | 5,094,763 | 6,762,211 | 3,337,620 | 17,814,329 | 8,432,383 |
| Long-term liabilities | 78,817,607 | 63,261,423 | 43,686,946 | 31,467,780 | 122,504,553 | 94,729,203 |
| Total Liabilities | 89,869,725 | 68,356,186 | 50,449,157 | 34,805,400 | 140,318,882 | 103,161,586 |
| Deferred inflows of resources | 1,888,527 | 4,136,841 | 894,787 | 1,522,853 | 2,783,314 | 5,659,694 |
| Net position | | | | | | |
| Net investment in capital assets | 51,251,608 | 51,659,502 | 46,040,038 | 43,974,450 | 97,291,646 | 95,633,952 |
| Restricted | 716,497 | 1,725,320 | 9,451,520 | 8,874,293 | 10,168,017 | 10,599,613 |
| Unrestricted | (38,498,759) | (43,119,495) | (19,790,647) | (17,028,739) | (58,289,406) | (60,148,234) |
| Total Net Position | \$ 13,469,346 | \$ 10,265,327 | \$ 35,700,911 | \$ 35,820,004 | \$ 49,170,257 | \$ 46,085,331 |

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. FY 2021 net position is marginally up due to the bond issues.

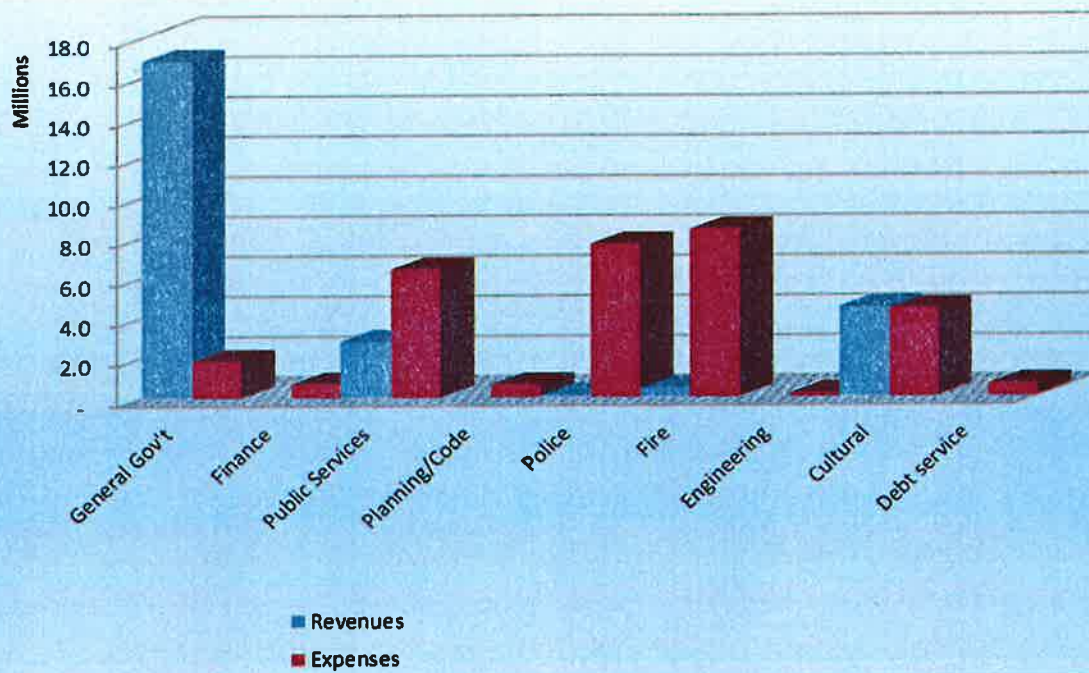
ANALYSIS OF THE CITY'S OPERATIONS

| Revenues | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---------------------------|----------------------------|--------------|-----------------------------|------------|-----------------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Taxes | \$ 10,678,005 | \$ 5,267,843 | \$ - | \$ - | \$ 10,678,005 | \$ 5,267,843 |
| Charges for Services | 18,635,386 | 17,064,839 | 17,672,704 | 17,488,662 | 36,308,090 | 34,553,501 |
| Operating Grants / Contr. | 5,888,412 | 6,216,866 | 1,038,491 | 323,851 | 6,926,903 | 6,540,717 |
| Capital Grants / Contr. | - | 20,000 | 150,135 | 2,488,069 | 150,135 | 2,508,069 |
| Other Income | 262,019 | 214,248 | 398,519 | 653,719 | 660,538 | 867,967 |
| Total Revenue | 35,463,822 | 28,783,796 | 19,259,849 | 20,954,301 | 54,723,671 | 49,738,097 |

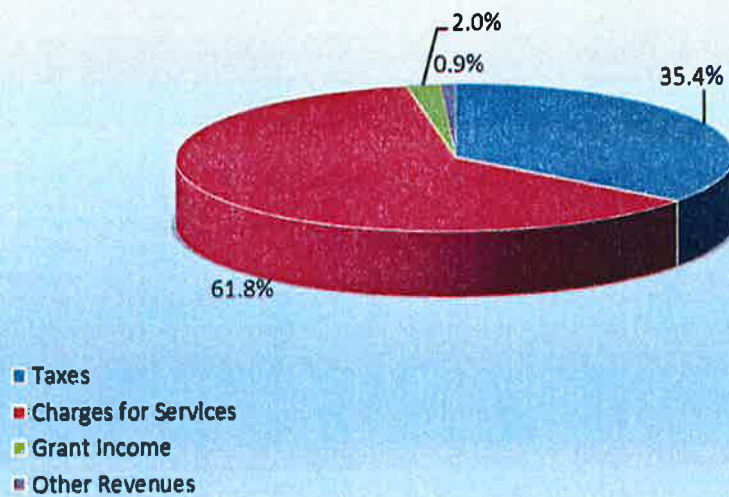
| Expenses | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---------------------------|----------------------------|---------------|-----------------------------|---------------|-----------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| General Government | 1,809,404 | 2,791,896 | - | - | 1,809,404 | 2,791,896 |
| Finance | 660,112 | 803,819 | - | - | 660,112 | 803,819 |
| Public Services | 6,388,485 | 6,541,436 | - | - | 6,388,485 | 6,541,436 |
| Planning / Code | 613,747 | 905,463 | - | - | 613,747 | 905,463 |
| Police | 7,629,854 | 7,946,663 | - | - | 7,629,854 | 7,946,663 |
| Fire | 8,360,031 | 9,447,894 | - | - | 8,360,031 | 9,447,894 |
| Engineering | 158,704 | 256,770 | - | - | 158,704 | 256,770 |
| Community / Cultural | 4,378,766 | 4,098,731 | - | - | 4,378,766 | 4,098,731 |
| Debt Service | 600,061 | 355,228 | - | - | 600,061 | 355,228 |
| Utility Fund | - | - | 18,318,747 | 16,151,545 | 18,318,747 | 16,151,545 |
| Ashland Bus System | - | - | 1,557,996 | 1,435,441 | 1,557,996 | 1,435,441 |
| Recreation Operating Fund | - | - | 925,347 | 1,076,103 | 925,347 | 1,076,103 |
| Cemetery | - | - | 237,491 | 279,629 | 237,491 | 279,629 |
| Total Expense | 30,599,164 | 33,147,900 | 21,039,581 | 18,942,718 | 51,638,745 | 52,090,618 |
| Changes before transfers | 4,864,658 | (4,364,104) | (1,779,732) | 2,011,583 | 3,084,926 | (2,352,521) |
| Transfers | (1,660,639) | (1,648,260) | 1,660,639 | 1,648,260 | - | - |
| Change in Net Position | 3,204,019 | (6,012,364) | (119,093) | 3,659,843 | 3,084,926 | (2,352,521) |
| Net Position Beg of Year | 10,265,327 | 16,277,691 | 35,820,004 | 32,160,161 | 46,085,331 | 48,437,852 |
| Net Position End of Year | \$ 13,469,346 | \$ 10,265,327 | \$ 35,700,911 | \$ 35,820,004 | \$ 49,170,257 | \$ 46,085,331 |

GOVERNMENTAL ACTIVITIES

EXPENSES AND PROGRAM REVENUES- GOVERNMENTAL ACTIVITIES

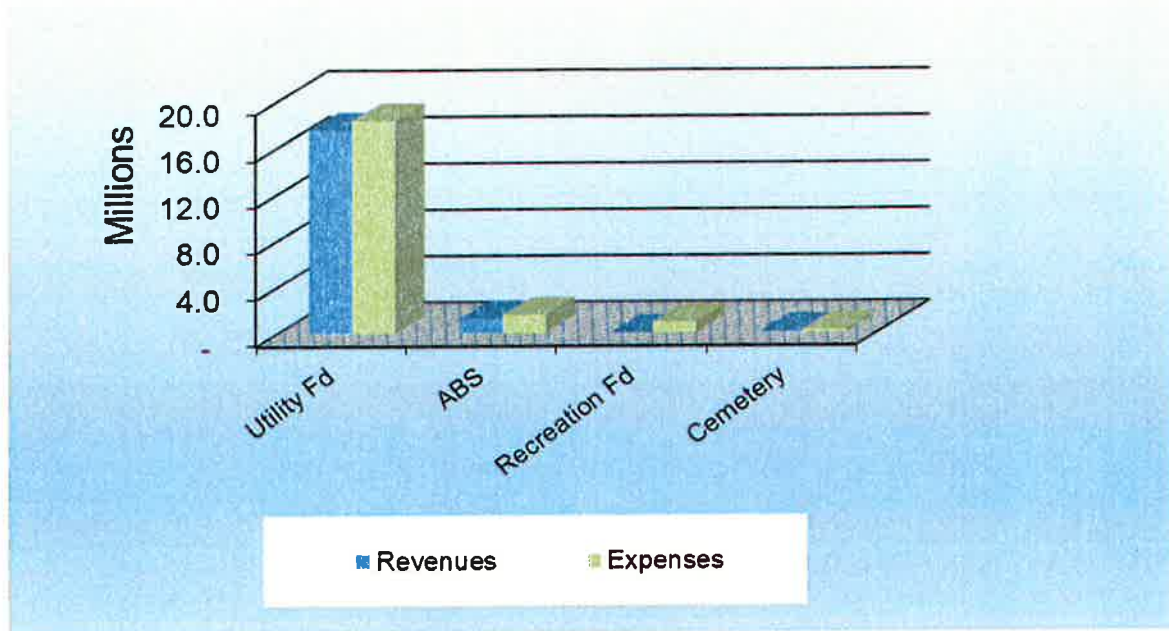


REVENUE BY SOURCE - GOVERNMENT ACTIVITIES

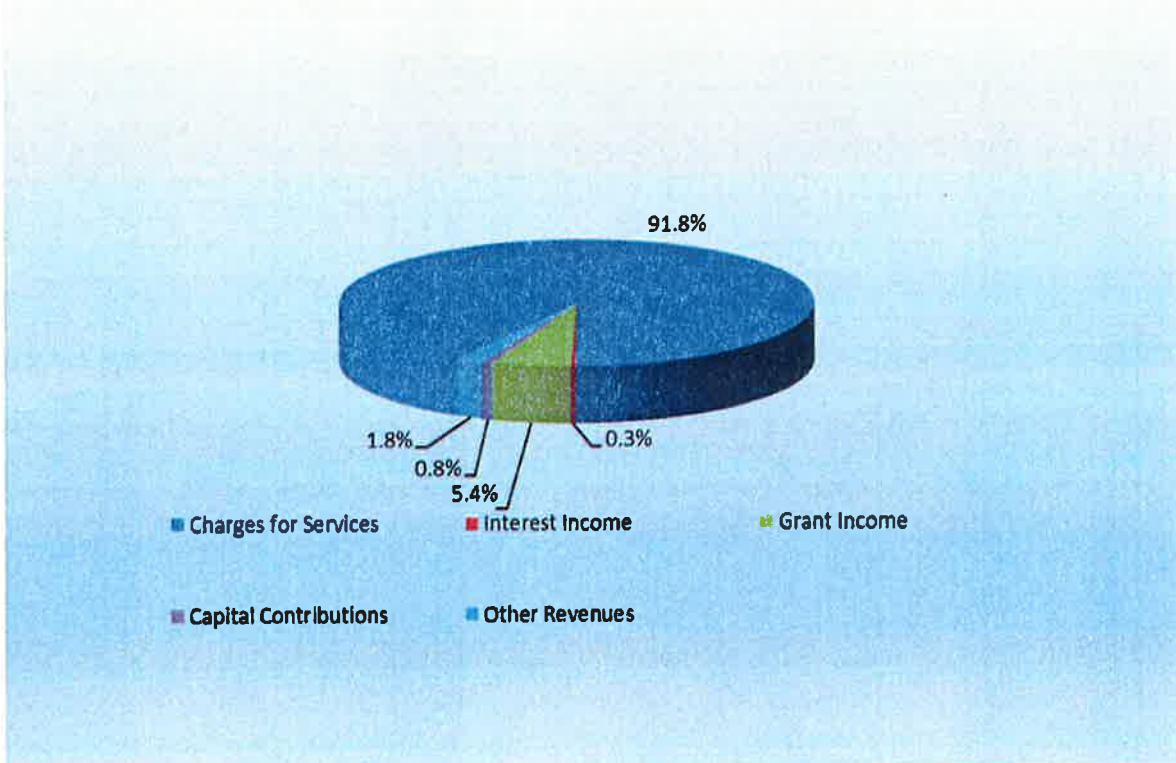


BUSINESS-TYPE ACTIVITIES

EXPENSES AND REVENUES - BUSINESS-TYPE ACTIVITIES



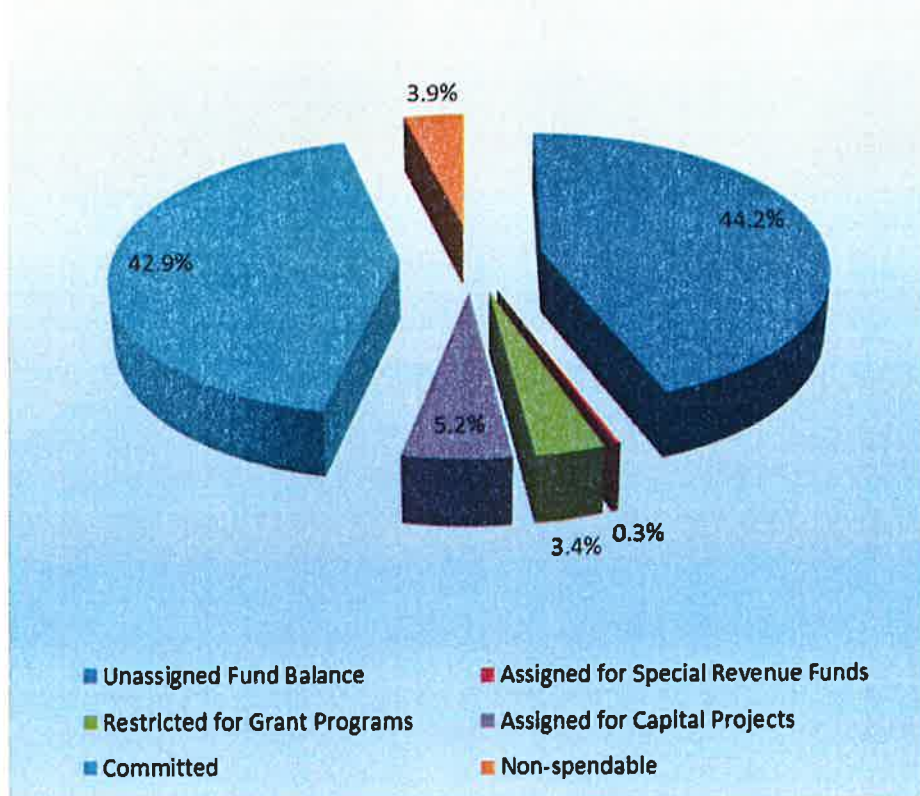
REVENUE BY SOURCE - BUSINESS -TYPE ACTIVITIES



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 \$21,038,863. Of this total, \$9,304,523, or 44%, 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 2021 reports assigned for special revenue funds at \$65,928, restricted for grant programs at \$716,497, non-spendable at \$817,551, assigned for capital projects at \$1,099,693 and committed \$9,034,671. The governmental funds assigned for capital projects is for the continuation of our Streetscape Improvements and various downtown and park improvements. Unassigned fund balance increased this year due to Occupational Tax revenue increases due to major health care employer hiring several employees due to nearby hospital closing and Bond issue for Capital improvements throughout the City. 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, 2021, the major governmental funds reported as follows:

The General Fund had revenues of \$30,082,111, expenditures of \$23,290,857 and net other financing uses of \$10,161,059. The total fund balance is \$20,462,394. Fund balance increased this fiscal year as a result of a double billing for property taxes due to COVID and a bond issue. These items are extraordinary in nature and are anticipated to be non-recurring.

The Tax Increment Finance Fund had revenues of \$99,155 and expenditures of \$298,773. The total fund balance is \$(895,031). 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 Municipal Aid Road Fund had revenues of \$428,152 and expenditures of \$428,132. The total fund balance is \$20. 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 \$409,787 and expenditures of \$196,584. The total fund balance is \$177,674. Fund balance increased this fiscal year as a result of delayed billing for property taxes due to COVID from FY 2020.

The Community Development Fund had revenues of \$1,042,465 and expenditures of \$1,042,465. The total fund balance is \$65,437.

The Housing Assistance Fund had revenues of \$3,401,681 and expenditures of \$3,285,209. The total fund balance is \$128,205. The net change in fund balance is due to the unspent COVID admin fees being classified as unearned revenue.

The Other Special Revenue Fund had revenues of \$471 and \$0 expenditures. The total fund balance is \$471. This fund will feature the ARPA funds for FY 2022.

The Capital Purchase Improvement Fund had revenues of \$0, other financing sources of \$1,163,789 and expenditures of \$914,096. The total fund balance is \$1,099,693. Fund balance is restricted for Streetscape Improvements.

PROPRIETARY FUNDS

The City's proprietary funds, or business-type activities, had a total net position of \$35,700,911 for the four funds. Total decrease in net position was (\$119,093). Net position changes are a result of operations, operating grants and capital contributions.

The Utility Fund, which accounts for water and wastewater services for the City of Ashland and surrounding communities, had a negative net position change. Operating expenses increased over prior year by 2.4% despite employee staff reduction and operating revenues included a 2.0% decrease related to various business closures and reductions due to Covid. Sales to Big Sandy have been reduced as they are purchasing water from another Utility. Turn fees and late payment charges were down due to COVID and the Governor's order to not complete turn offs or charge late fees. Utility rate modifications were effective beginning January 1, 2020.

The Ashland Bus System accounts for the City's transportation system which is partially subsidized by the Federal Government (Federal Transit Administration). The City acquired the Ashland Cemetery in September 2009.

Recreation Operating Fund is the City's park system, swimming pool, concession activities and other recreational activities. The pickleball court has a new lighting system so citizens can enjoy utilizing it until the Park closes. "Tot lot" equipment and a sensory garden were included to our playground upgrades. Riverfront statues rounded out the additions to the Recreation assets this fiscal year.

BUDGETARY HIGHLIGHTS

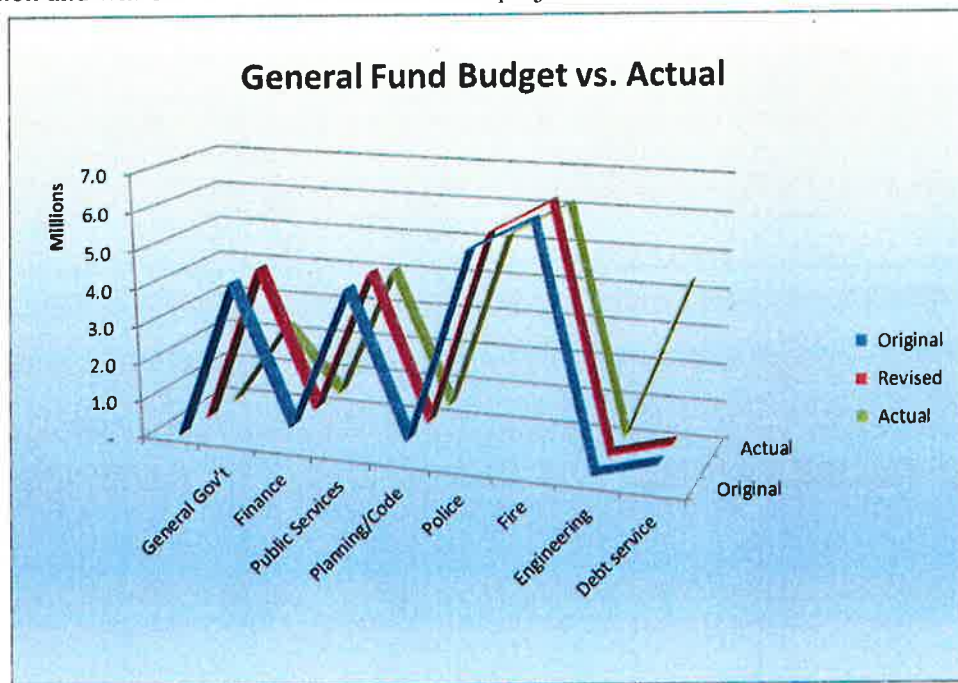
The General Fund budget was amended during the year to reflect the following:

- ⇒ \$334,622 increase in pay and benefits for 2.9% COLA.
- ⇒ \$26,727 increase in Mayor and Commissioners and City Manager computers and iPads; (\$7,500), personnel adjustment (\$19,227).
- ⇒ \$7,000 increase in Community and Economic Development for iPad data (\$2,000) and Community Center supplies (\$5,000).
- ⇒ \$26,500 increase in Public Services, (\$10,500) consulting services for disaster management and (\$16,000) salt purchases.
- ⇒ \$21,000 increase in Fire expenditures for plumbing (\$10,000) and overages in supplies (\$11,000).
- ⇒ \$500,820 increase in the transfer to the Recreation Fund for AK Steel Improvements (\$35,000), John Deere mowers (\$19,767) and Central Park Improvements (\$446,053).

- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$35,500 for General Government (\$7,100) HVAC, (\$18,900) Community Center Improvements and (\$9,500) dumpster enclosure.
- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$7,408 for Finance asset software.
- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$256,519 for Public Services (\$11,789) engine replacement, (\$229,000) Streetscape Improvements and Hickory Ridge, (\$10,080) catch basins and (\$5,650) copier.
- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$37,070 for Police video surveillance equipment.
- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$44,276 for Fire (\$32,000) HVAC and flooring and (\$12,276) pumper truck change orders.
- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$11,020 in Engineering for a plotter.

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 \$43,067,598 versus budgeted revenues of \$24,497,021. There was a 2021 bond issue that accounts for \$12,985,487. Taxes were \$9,394,006 budgeted and actual revenues were \$10,212,883 for a variance of \$818,877. The delayed billing from FY 2020 was a significant factor in the positive variance. Licenses & Permits were \$9,516,782 budgeted and actual revenues were \$13,915,926 for a variance of \$4,399,144. Finance staff's focus on collection efforts and new business in the City is to be credited for this positive variance.
- ⇒ The General Fund had a negative variance concerning expenditures this fiscal year. The variance can be attributed to the 2021 bond issue. The bond issue paid off the remaining debt for the Police Station and will be used towards construction projects in the future.



CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for governmental and business-type activities as of June 30, 2021 is \$121,160,698 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads and construction in progress. See Note (6) for additional discussion of the City's capital assets.

Major construction projects through June 30, 2021 include:

| Project | Approved Contract | Paid / Accrued to Date | Outstanding Commitment |
|-----------------------------------|----------------------|---------------------------|---------------------------|
| Summit Tank engineering | \$ 67,523 | \$ 33,757 | \$ 33,766 |
| Water & Sewer rate study | 72,000 | 55,440 | 16,560 |
| CIPP Lining Rehabilitation | 64,500 | 37,815 | 26,685 |
| Debord Terrace design services | 80,000 | 67,700 | 12,300 |
| Pollard Mills Storm Water | 421,800 | 256,976 | 164,824 |
| 1401 Winchester Demo | 47,000 | - | 47,000 |
| Water pipe | 43,300 | - | 43,300 |
| Waterline replacement engineering | 218,290 | 195,600 | 22,690 |
| Water pump station generators | 53,100 | 16,395 | 36,705 |
| SCADA | 3,278,212 | 2,202,089 | 1,076,123 |
| WWTP expansion | 582,790 | 451,314 | 131,476 |
| Consent / CSO annual reports | 30,000 | 9,696 | 20,304 |
| 26th Street pump station | 153,300 | 22,390 | 130,910 |
| Police Sub-Station | 183,400 | 165,061 | 18,339 |
| | <u>\$ 5,295,215</u> | <u>\$ 3,514,233</u> | <u>\$ 1,780,982</u> |

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

| Asset | Governmental Activities | Business-type Activities | Total |
|----------------------------|----------------------------|-----------------------------|-----------------------|
| Land | \$ 3,897,389 | \$ 449,401 | \$ 4,346,790 |
| Buildings and improvements | 13,230,632 | 6,560,665 | 19,791,297 |
| Automotive equipment | 6,942,312 | 2,673,838 | 9,616,150 |
| Operating equipment | 5,108,974 | 4,907,694 | 10,016,668 |
| Office equipment | 669,694 | 592,853 | 1,262,547 |
| Capital improvements | 2,967,980 | 3,262,098 | 6,230,078 |
| Right-of-way | 15,038,909 | - | 15,038,909 |
| Infrastructure | 66,800,239 | - | 66,800,239 |
| Utility plant | - | 105,835,687 | 105,835,687 |
| Construction (CIP) | 70,853 | 3,793,652 | 3,864,505 |
| | <u>114,726,982</u> | <u>128,075,888</u> | <u>242,802,870</u> |
| Less depreciation | <u>(52,981,617)</u> | <u>(68,660,555)</u> | <u>(121,642,172)</u> |
| Total | <u>\$ 61,745,365</u> | <u>\$ 59,415,333</u> | <u>\$ 121,160,698</u> |

DEBT

At the end of fiscal year 2021, the City had governmental activities debt of \$20,914,696 compared to \$11,544,861 at June 30, 2020, which represents an increase of \$9,369,835. Business-type activities had debt of \$21,502,755 compared to \$11,700,880 at June 30, 2020, which represents an increase of \$9,801,875. 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 | \$ 1,715,000 |
| General obligation bond series 2017 | 3,980,000 |
| General obligation bond series 2021 | 11,170,000 |
| Capital lease - Melody Mtn Phase II | 1,203,749 |
| Premium on bonds | 1,931,463 |
| Compensated absences obligation | 914,484 |
| Total | <u>\$ 20,914,696</u> |
| <u>Business-Type Activities Debt</u> | <u>Amount</u> |
| Revenue & Improvement Bonds 2013 | \$ 1,480,000 |
| Water & Sewer Revenue Bonds 2015 | 2,460,000 |
| Water & Sewer Revenue Bonds 2020 | 11,160,000 |
| Capital lease - Radio Meters | 907,083 |
| Kentucky Infrastructure Authority loans | 5,445,673 |
| Discount on bonds | (27,587) |
| Premium on bonds | 77,586 |
| Total | <u>\$ 21,502,755</u> |

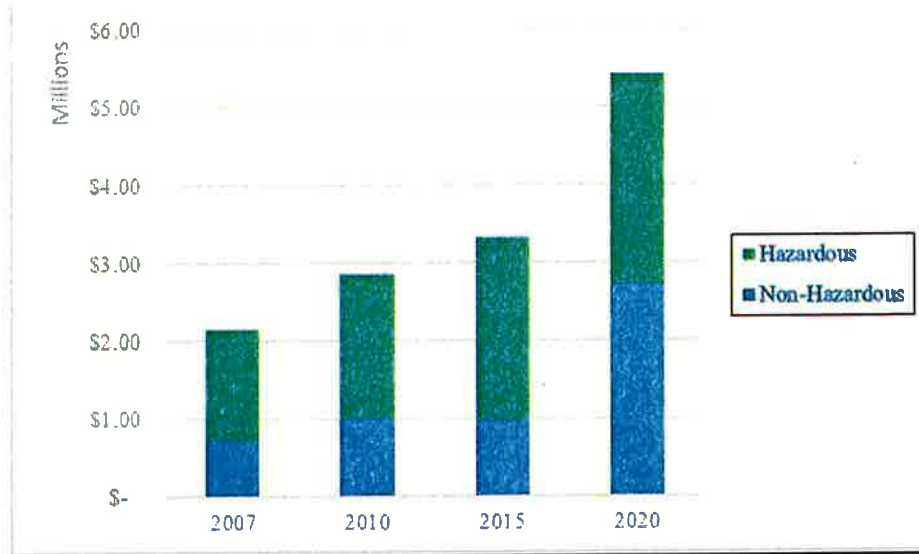
DESCRIPTION OF MUNICIPAL DEBT

- ⇒ General Obligation Refunding Bonds 2015 - \$1,715,000.
- ⇒ General Obligation Bonds 2017 Ashland Plaza Redevelopment Project - \$3,980,000.
- ⇒ General Obligation Bonds 2013 Melody Mountain Phase II - \$1,203,749.
- ⇒ Premium on bonds - \$1,931,463.
- ⇒ General Obligation Bonds 2021 for various capital projects - \$11,170,000.
- ⇒ Employee compensated absences payable after 60 days at \$914,484.
- ⇒ Utility Revenue bond issue 2013 for phase II upgrade of the water plant - \$1,480,000.
- ⇒ K.I.A. Loans used to upgrade the utility system and correct CSO - \$5,445,673.
- ⇒ KLC lease payable for the purchase of radio read meters - \$907,083.
- ⇒ Water & Sewer Revenue Bonds 2015 – water system improvements - \$2,460,000.
- ⇒ Water & Sewer Revenue Bonds 2020 – water & wastewater improvements - \$11,160,000.
- ⇒ Discount and premium on bonds - (\$27,587) and \$77,586, 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 and 2021.

| CERS Employer Contributions | | | | | | |
|------------------------------------|----------------------|---------------|---------------------|------------------|---------------|---------------------|
| | Non-Hazardous | | | Hazardous | | |
| FY | Rate | Amount | % Change | Rate | Amount | % Change |
| 2007 | 13.19% | \$ 726,183 | | 28.21% | \$1,416,348 | |
| 2010 | 16.16% | 1,007,386 | 38.72% | 32.97% | 1,842,136 | 30.06% |
| 2015 | 17.67% | 997,574 | -0.97% | 34.31% | 2,331,987 | 26.59% |
| 2020 | 24.06% | 1,740,547 | 174.72% | 39.58% | 2,685,813 | 15.17% |
| 2021 | 24.06% | 1,799,249 | 11.28% | 39.58% | 2,777,356 | 3.17% |



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Unemployment rate for the City of Ashland as of June 2021 is 6.5%. This rate is higher than the State of Kentucky rate at 5.5% and the national rate of 6.1%.

The following summarizes the 2022 fiscal year budgeted expenses.

- ⇒ General Fund - \$42,345,218
- ⇒ Tax Increment Finance Fund - \$297,100
- ⇒ Municipal Aid Program - \$412,720
- ⇒ Community Development Block Grant Fund - \$1,334,208
- ⇒ Section 8 Voucher - \$3,598,047
- ⇒ Floodwall Operating Fund - \$253,197
- ⇒ Utility Fund - \$28,579,079
- ⇒ Ashland Bus System - \$2,864,309
- ⇒ Recreation Operating Fund - \$2,286,389
- ⇒ Ashland Cemetery Fund - \$210,356
- ⇒ Capital Purchase Improvement Fund - \$6,493,410

Fiscal year 2022 contains several significant budget items. The Utility Fund will upgrade the Water Plant with SCADA and field instrumentation. Also in the Utility Fund is the continuance of replacing the aging water lines and engineering for new Sewer Treatment plant. Infrastructure improvements including significant paving, sidewalk replacement, Park Improvements and Winchester Avenue roundabouts and Streetscape 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
 Director of Finance
 City of Ashland
 P.O. Box 1839
 Ashland, KY 41105-1839
 Email: Tdgrubb@ashlandky.gov

CITY OF ASHLAND
STATEMENT OF NET POSITION
JUNE 30, 2021

| | Governmental Activities | Business-Type Activities | Total |
|---------------------------------------|----------------------------|-----------------------------|---------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 14,519,122 | \$ 3,204,505 | \$ 17,723,627 |
| Accounts receivable | - | 3,135,834 | 3,135,834 |
| Allowance for uncollectible accounts | - | (406,098) | (406,098) |
| Taxes receivable | 3,188,928 | - | 3,188,928 |
| Allowance for uncollectible taxes | (520,412) | - | (520,412) |
| Grants receivable | 1,055,684 | 300,784 | 1,356,468 |
| Internal balances, net | 2,717,258 | (2,717,258) | - |
| Due from fiduciary fund | - | - | - |
| Bond proceeds receivable | 9,034,671 | - | 9,034,671 |
| Allowance for uncollectible accounts | - | - | - |
| Other receivables | 428,123 | - | 428,123 |
| Allowance for uncollectible accounts | (68,084) | - | (68,084) |
| Prepaid expenses | 621,090 | 102,667 | 723,757 |
| Inventories | 196,461 | 2,439,982 | 2,636,443 |
| Restricted assets - | | | |
| Cash and cash equivalents | - | 11,146,071 | 11,146,071 |
| Certificates of deposit | - | 6,429,033 | 6,429,033 |
| Note receivable | 150,000 | - | 150,000 |
| Nondepreciable capital assets | 19,007,151 | 4,243,053 | 23,250,204 |
| Depreciable capital assets | 95,719,831 | 123,832,835 | 219,552,666 |
| Accumulated depreciation | (52,981,617) | (68,660,555) | (121,642,172) |
| Total assets | 93,068,206 | 83,050,853 | 176,119,059 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred amount from refunding bonds | 471,784 | 53,876 | 525,660 |
| Deferred outflows - OPEB related | 4,573,675 | 1,822,674 | 6,396,349 |
| Deferred outflows - pension related | 7,113,933 | 2,117,452 | 9,231,385 |
| Total deferred outflows of resources | 12,159,392 | 3,994,002 | 16,153,394 |

CITY OF ASHLAND
STATEMENT OF NET POSITION (CONCLUDED)
JUNE 30, 2021

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|---------------|
| LIABILITIES | | | |
| Accounts payable | 752,839 | 1,689,274 | 2,442,113 |
| Due to Board of Education | 52,812 | - | 52,812 |
| Payable to fiduciary fund | 258,698 | 2,151,595 | 2,410,293 |
| Unearned revenue | 7,108,350 | - | 7,108,350 |
| Other accrued expenses and liabilities | 1,844,522 | 411,071 | 2,255,593 |
| Deposits | - | 364,003 | 364,003 |
| Matured revenue bonds and notes | - | 50,000 | 50,000 |
| Accrued compensated absences, current | 179,897 | 270,136 | 450,033 |
| Current portion of long-term debt | 855,000 | 1,826,132 | 2,681,132 |
| Net OPEB liabilities, due in more than one year | 13,445,937 | 4,377,160 | 17,823,097 |
| Net pension liabilities, due in more than one year | 45,311,974 | 19,633,163 | 64,945,137 |
| Accrued compensated absences, non-current | 914,484 | - | 914,484 |
| Capital lease obligations, non-current | 1,128,749 | 792,083 | 1,920,832 |
| Revenue and Improvement bonds, net of discounts | - | 13,994,999 | 13,994,999 |
| Kentucky Infrastructure Authority loans, non-current | - | 4,889,541 | 4,889,541 |
| General obligation bonds, non-current, plus premiums | 18,016,463 | - | 18,016,463 |
| Total liabilities | 89,869,725 | 50,449,157 | 140,318,882 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows - OPEB related | 1,715,854 | 803,741 | 2,519,595 |
| Deferred inflows - pension related | 172,673 | 91,046 | 263,719 |
| Total deferred inflows of resources | 1,888,527 | 894,787 | 2,783,314 |
| NET POSITION | | | |
| Net investment in capital assets | 51,251,608 | 46,040,038 | 97,291,646 |
| Restricted | | | |
| Debt service | - | 1,848,225 | 1,848,225 |
| Grant programs | 716,497 | - | 716,497 |
| Sewer improvements | - | 7,374,506 | 7,374,506 |
| Other | - | 228,789 | 228,789 |
| Unrestricted | (38,498,759) | (19,790,647) | (58,289,406) |
| Total net position | \$ 13,469,346 | \$ 35,700,911 | \$ 49,170,257 |

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, 2021

| 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 | \$ 1,809,404 | \$ 15,914,551 | \$ 442,267 | \$ - | \$ 14,547,414 | \$ - | \$ 14,547,414 |
| Finance | 660,112 | - | - | - | (660,112) | - | (660,112) |
| Public services | 6,388,485 | 2,347,651 | 428,101 | - | (3,612,733) | - | (3,612,733) |
| Planning and code enforcement | 613,747 | - | - | - | (613,747) | - | (613,747) |
| Police | 7,629,854 | - | 538,227 | - | (7,091,627) | - | (7,091,627) |
| Fire | 8,360,031 | - | - | 409,091 | (7,950,940) | - | (7,950,940) |
| Engineering | 158,704 | - | - | - | (158,704) | - | (158,704) |
| Community and cultural | 4,378,766 | 373,184 | 4,070,726 | - | 65,144 | - | 65,144 |
| Debt service - interest | 600,061 | - | - | - | (600,061) | - | (600,061) |
| Total governmental activities | 30,599,164 | 18,635,386 | 5,479,321 | 409,091 | (6,075,366) | - | (6,075,366) |
| Business-Type Activities | | | | | | | |
| Utilities | 18,318,747 | 17,511,511 | - | - | - | (807,236) | (807,236) |
| Recreation | 925,347 | 18,040 | - | - | - | (907,307) | (907,307) |
| Cemetery | 237,491 | 110,780 | - | - | - | (126,711) | (126,711) |
| Bus | 1,557,996 | 32,373 | 1,038,491 | 150,135 | - | (336,997) | (336,997) |
| Total business-type activities | 21,039,581 | 17,672,704 | 1,038,491 | 150,135 | - | (2,178,251) | (2,178,251) |
| Total primary government | \$ 51,638,745 | \$ 36,308,090 | \$ 6,517,812 | \$ 559,226 | \$ (6,075,366) | \$ (2,178,251) | \$ (8,253,617) |
| General Revenues: | | | | | | | |
| Property and other local taxes | | | | | \$ 5,755,430 | \$ - | \$ 5,755,430 |
| General property taxes | | | | | 430,457 | - | 430,457 |
| Vehicle property taxes | | | | | 4,257,533 | - | 4,257,533 |
| Insurance premium taxes | | | | | 234,585 | - | 234,585 |
| Bank franchise and other taxes | | | | | 6,420 | 55,133 | 61,553 |
| Interest income | | | | | 255,599 | 343,386 | 598,985 |
| Other revenues | | | | | - | - | - |
| Total general revenues | | | | | 10,940,024 | 398,519 | 11,338,543 |
| Transfers | | | | | (1,660,639) | 1,660,639 | - |
| Total general revenues and transfers | | | | | 9,279,385 | 2,059,158 | 11,338,543 |
| Change in net position | | | | | 3,204,019 | (119,093) | 3,084,926 |
| Net position, June 30, 2020 | | | | | 10,265,327 | 35,820,004 | 46,085,331 |
| Net position, June 30, 2021 | | | | | \$ 13,469,346 | \$ 35,700,911 | \$ 49,170,257 |

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

**CITY OF ASHLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

| | Special Revenue Funds | | | | | | | | Total Governmental Funds |
|--|-----------------------|--------------------------|-----------------------|------------------------|--------------------------|-----------------------|--------------------------|---------------------|--------------------------------|
| | General | Tax Increment Finance | Municipal Aid Road | Floodwall Operating | Community Development | Housing Assistance | Other Special Revenue | Capital Projects | |
| Assets | | | | | | | | | |
| Cash | \$ 4,198,379 | \$ - | \$ 105,183 | \$ 95,859 | \$ 270,758 | \$ 551,418 | \$ 6,737,665 | \$ - | \$ 11,959,262 |
| Taxes receivable | 2,943,817 | 30,407 | - | 214,704 | - | - | - | - | 3,188,928 |
| Allowance for uncollectible taxes | (487,229) | - | - | (33,183) | - | - | - | - | (520,412) |
| Grants receivable | 588,292 | - | - | - | 426,865 | - | - | - | 1,055,684 |
| Due from other funds | 6,156,030 | - | 40,527 | - | - | - | - | 1,188,020 | 7,344,050 |
| Bond proceeds receivable | 9,034,671 | - | - | - | - | - | - | - | 9,034,671 |
| Other receivables | 352,782 | - | - | - | - | 75,341 | - | - | 428,123 |
| Allowance for uncollectible accounts | - | - | - | - | - | (68,084) | - | - | (68,084) |
| Prepaid items | 621,090 | - | - | - | - | - | - | - | 621,090 |
| Inventories - supplies | 196,461 | - | - | - | - | - | - | - | 196,461 |
| Total assets | \$ 23,604,293 | \$ 30,407 | \$ 145,710 | \$ 277,380 | \$ 697,623 | \$ 558,675 | \$ 6,737,665 | \$ 1,188,020 | \$ 33,239,773 |
| Liabilities and Fund Balances | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ 433,800 | \$ - | \$ 46,997 | \$ 7,496 | \$ 57,012 | \$ 6,692 | \$ - | \$ 88,327 | \$ 640,324 |
| Due to other funds | 1,895,043 | 925,438 | 98,693 | 90,780 | 573,875 | 48,346 | - | - | 3,632,175 |
| Unearned revenue | - | - | - | - | - | 371,156 | 6,737,194 | - | 7,108,350 |
| Due to Board of Education | 52,812 | - | - | - | - | - | - | - | 52,812 |
| Accrued compensated absences | 176,192 | - | - | 555 | 822 | 2,328 | - | - | 179,897 |
| Accrued wages and related | 584,052 | - | - | 875 | 476 | 1,948 | - | - | 587,351 |
| Total liabilities | 3,141,899 | 925,438 | 145,690 | 99,706 | 632,185 | 430,470 | 6,737,194 | 88,327 | 12,200,909 |
| Fund Balances: | | | | | | | | | |
| Non-spendable | 817,551 | - | - | - | - | - | - | - | 817,551 |
| Restricted for grant programs | 588,292 | - | - | - | - | 128,205 | - | - | 716,497 |
| Committed | 9,034,671 | - | - | - | - | - | - | - | 9,034,671 |
| Assigned for capital projects | - | - | - | - | - | - | - | 1,099,693 | 1,099,693 |
| Assigned for special revenue funds | - | - | 20 | - | 65,437 | - | 471 | - | 65,928 |
| Unassigned | 10,021,880 | (895,031) | - | 177,674 | - | - | - | - | 9,304,523 |
| Total fund balances | 20,462,394 | (895,031) | 20 | 177,674 | 65,437 | 128,205 | 471 | 1,099,693 | 21,038,863 |
| Total liabilities and fund balances | \$ 23,604,293 | \$ 30,407 | \$ 145,710 | \$ 277,380 | \$ 697,622 | \$ 558,675 | \$ 6,737,665 | \$ 1,188,020 | \$ 33,239,772 |

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, 2021

| | | |
|---|--------------------|----------------------|
| Total fund balance - total governmental funds | | \$ 21,038,863 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets of \$114,726,982 net of accumulated depreciation of \$52,981,617 used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | 61,745,365 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds: | | |
| Note receivable | 150,000 | |
| Deferred amount from refunding bonds | <u>471,784</u> | 621,784 |
| 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. | | 9,799,081 |
| 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 | (13,445,937) | |
| Net pension liabilities | (45,311,974) | |
| Bonds payable | (18,796,463) | |
| Accrued interest payable | (63,140) | |
| Accrued compensated absences | (914,484) | |
| Capital lease obligations | <u>(1,203,749)</u> | <u>(79,735,747)</u> |
| Net position, end of year - governmental activities | | <u>\$ 13,469,346</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, 2021

| | Special Revenue Funds | | | | | | | | Total |
|---|-----------------------|-------------------------|--------------------|---------------------|-----------------------|--------------------|-----------------------|------------------|--------------------|
| | General | Tax Incremental Finance | Municipal Aid Road | Floodwall Operating | Community Development | Housing Assistance | Other Special Revenue | Capital Projects | Governmental Funds |
| Revenues | | | | | | | | | |
| Property and other local taxes | \$ 10,212,883 | \$ 55,383 | \$ - | \$ 409,739 | \$ - | \$ - | \$ - | \$ - | \$ 10,678,005 |
| Licenses and permits | 13,915,926 | 43,772 | - | - | - | - | - | - | 13,959,698 |
| Charges for services | 2,347,651 | - | - | - | - | - | - | - | 2,347,651 |
| Fees, fines and reimbursements | 1,954,853 | - | - | - | - | - | - | - | 1,954,853 |
| Grant income | 1,389,585 | - | 428,101 | - | 1,042,465 | 3,028,261 | - | - | 5,888,412 |
| Administration fee income | - | - | - | - | - | 373,184 | - | - | 373,184 |
| Interest income | 5,614 | - | 51 | 48 | - | 236 | 471 | - | 6,420 |
| Other income | 255,599 | - | - | - | - | - | - | - | 255,599 |
| Total revenues | 30,082,111 | 99,155 | 428,152 | 409,787 | 1,042,465 | 3,401,681 | 471 | - | 35,463,822 |
| Expenditures | | | | | | | | | |
| General government | 2,282,297 | - | - | - | - | - | - | 3,409 | 2,285,706 |
| Finance | 538,597 | - | - | - | - | - | - | - | 538,597 |
| Public services | 4,078,895 | - | 428,132 | 196,584 | - | - | - | - | 4,703,611 |
| Planning and code enforcement | 499,228 | - | - | - | - | - | - | - | 499,228 |
| Police | 5,246,363 | - | - | - | - | - | - | - | 5,246,363 |
| Fire | 6,161,341 | - | - | - | - | - | - | - | 6,161,341 |
| Engineering | 130,054 | - | - | - | - | - | - | - | 130,054 |
| Community and cultural | - | 1,748 | - | - | 1,042,465 | 3,285,209 | - | - | 4,329,422 |
| Capital outlay | - | - | - | - | - | - | - | 910,687 | 910,687 |
| Debt service: | | | | | | | | | |
| Principal retirement | 3,464,336 | 175,000 | - | - | - | - | - | - | 3,639,336 |
| Interest and other charges | 889,746 | 122,025 | - | - | - | - | - | - | 1,011,771 |
| Total expenditures | 23,290,857 | 298,773 | 428,132 | 196,584 | 1,042,465 | 3,285,209 | - | 914,096 | 29,456,116 |
| Excess (deficiency) of revenues over (under) expenditures | 6,791,254 | (199,618) | 20 | 213,203 | - | 116,472 | 471 | (914,096) | 6,007,706 |
| Other Financing Sources (Uses) | | | | | | | | | |
| Proceeds from the issuance of debt | 11,170,000 | - | - | - | - | - | - | - | 11,170,000 |
| Premium received on debt issued | 1,815,487 | - | - | - | - | - | - | - | 1,815,487 |
| Transfers in | - | - | - | - | - | - | - | 1,163,789 | 1,163,789 |
| Transfers out | (2,824,428) | - | - | - | - | - | - | - | (2,824,428) |
| Total other financing sources (uses) | 10,161,059 | - | - | - | - | - | - | 1,163,789 | 11,324,848 |
| Net change in fund balances | 16,952,313 | (199,618) | 20 | 213,203 | - | 116,472 | 471 | 249,693 | 17,332,554 |
| Fund balances beginning of year | 3,510,081 | (695,413) | - | (35,529) | 65,437 | 11,733 | - | 850,000 | 3,706,309 |
| Fund balances end of year | \$ 20,462,394 | \$ (895,031) | \$ 20 | \$ 177,674 | \$ 65,437 | \$ 128,205 | \$ 471 | \$ 1,099,693 | \$ 21,038,863 |

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, 2021

Net change in fund balances - total governmental funds \$ 17,332,554

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

| | | |
|----------------------|--------------------|-----------|
| Capital outlay | 2,325,880 | |
| Depreciation expense | <u>(2,839,990)</u> | (514,110) |

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 | | (33,197) |
| Amortization of deferred savings from refunding bonds | | (6,876) |
| Amortization of bond discounts and premiums | | 9,513 |
| Accrued interest payable | | (5,986) |

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 | 855,811 | |
| CERS pension expense | (4,264,493) | |
| CERS OPEB expense | <u>(1,238,105)</u> | (4,646,787) |

Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position. 3,639,336

Governmental funds do not report the effect of gain or losses on refunding of debt, whereas these amounts are deferred and amortized in the statement of activities. 415,059

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 | (11,170,000) | |
| Premiums and discounts on bonds | <u>(1,815,487)</u> | <u>(12,985,487)</u> |

Change in net position of governmental activities \$ 3,204,019

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

**CITY OF ASHLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021**

| | Business-Type Activities | | | | | Governmental Activity - Internal Service |
|---|--------------------------|---------------------|--------------------|------------------|--------------|--|
| | Utility Fund | Ashland Bus Fund | Recreation Fund | Cemetery Fund | Total | Fund |
| ASSETS | | | | | | |
| Unrestricted Assets: | | | | | | |
| Cash and cash equivalents | \$ 2,994,967 | \$ 121,717 | \$ 31,685 | \$ 56,136 | \$ 3,204,505 | \$ 2,559,860 |
| Accounts receivable | 3,134,015 | - | 569 | 1,250 | 3,135,834 | - |
| Allowance for doubtful accounts | (406,098) | - | - | - | (406,098) | - |
| Due from other funds | - | - | 149,577 | 298,748 | 448,325 | - |
| Grants receivable - capital | - | 41,706 | - | - | 41,706 | - |
| Grants receivable - operating | - | 259,078 | - | - | 259,078 | - |
| Prepaid expenses | 102,667 | - | - | - | 102,667 | - |
| Inventories - | | | | | | |
| Repair parts and supplies | 973,811 | 70,115 | 8,626 | - | 1,052,552 | - |
| Lots and vaults | - | - | - | 1,387,430 | 1,387,430 | - |
| Total unrestricted assets | 6,799,362 | 492,616 | 190,457 | 1,743,564 | 9,225,999 | 2,559,860 |
| Restricted Assets: | | | | | | |
| Cash and cash equivalents | 11,107,282 | - | - | 38,789 | 11,146,071 | - |
| Investments - | | | | | | |
| Certificates of deposit | 6,239,033 | - | 190,000 | - | 6,429,033 | - |
| Total restricted assets | 17,346,315 | - | 190,000 | 38,789 | 17,575,104 | - |
| Total current assets | 24,145,677 | 492,616 | 380,457 | 1,782,353 | 26,801,103 | 2,559,860 |
| Capital Assets: | | | | | | |
| Land and easements | 372,725 | - | 58,223 | 18,453 | 449,401 | - |
| Utility plant | 105,835,687 | - | - | - | 105,835,687 | - |
| Buildings and improvements | 2,600,210 | 1,551,862 | 88,822 | 2,319,771 | 6,560,665 | - |
| Operating equipment | 5,661,709 | 1,459,999 | 3,655,773 | 66,150 | 10,843,631 | - |
| Office and computer equipment | 554,682 | 38,170 | - | - | 592,852 | - |
| Construction in progress | 3,791,836 | - | 1,816 | - | 3,793,652 | - |
| | 118,816,849 | 3,050,031 | 3,804,634 | 2,404,374 | 128,075,888 | - |
| Less: Accumulated depreciation | (65,322,448) | (1,837,969) | (895,390) | (604,748) | (68,660,555) | - |
| Total capital assets - net | 53,494,401 | 1,212,062 | 2,909,244 | 1,799,626 | 59,415,333 | - |
| Total noncurrent assets | 53,494,401 | 1,212,062 | 2,909,244 | 1,799,626 | 59,415,333 | - |
| Total assets | 77,640,078 | 1,704,678 | 3,289,701 | 3,581,979 | 86,216,436 | 2,559,860 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred amount from refunding bonds | 53,876 | - | - | - | 53,876 | - |
| Deferred outflows - OPEB related | 1,455,306 | 222,955 | 119,493 | 24,920 | 1,822,674 | - |
| Deferred outflows - pension related | 1,690,670 | 259,013 | 138,818 | 28,951 | 2,117,452 | - |
| Total deferred outflows of resources | 3,199,852 | 481,968 | 258,311 | 53,871 | 3,994,002 | - |

CITY OF ASHLAND
STATEMENT OF NET POSITION (CONCLUDED)
PROPRIETARY FUNDS
JUNE 30, 2021

| | Business-Type Activities | | | | | Governmental Activity - Internal Service Fund |
|--|--------------------------|---------------------|--------------------|------------------|---------------|--|
| | Utility Fund | Ashland Bus Fund | Recreation Fund | Cemetery Fund | Total | Fund |
| LIABILITIES | | | | | | |
| Current liabilities (payable from current assets): | | | | | | |
| Accounts payable | \$ 1,589,040 | \$ 41,236 | \$ 56,623 | \$ 2,375 | \$ 1,689,274 | \$ 112,515 |
| Due to other funds | 4,643,467 | 673,711 | - | - | 5,317,178 | 1,253,314 |
| Accrued compensated absences | 223,747 | 23,307 | 15,218 | 7,864 | 270,136 | - |
| Other accrued liabilities | 298,222 | 62,393 | 6,712 | 43,744 | 411,071 | 1,194,031 |
| Total current liabilities | | | | | | |
| (payable from current assets) | 6,754,476 | 800,647 | 78,553 | 53,983 | 7,687,659 | 2,559,860 |
| Current liabilities (payable from restricted assets): | | | | | | |
| Matured revenue bonds and notes | 50,000 | - | - | - | 50,000 | - |
| Customer deposits | 364,003 | - | - | - | 364,003 | - |
| Current portion of capital lease obligations | 115,000 | - | - | - | 115,000 | - |
| Current portion of Revenue and Improvement bonds | 1,155,000 | - | - | - | 1,155,000 | - |
| Current portion of Kentucky Infrastructure Authority loans | 556,132 | - | - | - | 556,132 | - |
| Total current liabilities | | | | | | |
| (payable from restricted assets) | 2,240,135 | - | - | - | 2,240,135 | - |
| Total current liabilities | 8,994,611 | 800,647 | 78,553 | 53,983 | 9,927,794 | 2,559,860 |
| Long-term liabilities: | | | | | | |
| Capital lease obligations | 792,083 | - | - | - | 792,083 | - |
| Revenue and Improvement bonds, net of discount and premium | 13,994,999 | - | - | - | 13,994,999 | - |
| Kentucky Infrastructure Authority loans | 4,889,541 | - | - | - | 4,889,541 | - |
| Net OPEB liabilities | 3,491,815 | 491,829 | 308,683 | 84,833 | 4,377,160 | - |
| Net pension liabilities | 16,741,546 | 1,538,326 | 1,112,376 | 240,915 | 19,633,163 | - |
| Total long-term liabilities | 39,909,984 | 2,030,155 | 1,421,059 | 325,748 | 43,686,946 | - |
| Total liabilities | 48,904,595 | 2,830,802 | 1,499,612 | 379,731 | 53,614,740 | 2,559,860 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred inflows - OPEB related | 641,743 | 98,316 | 52,693 | 10,989 | 803,741 | - |
| Deferred inflows - pension related | 72,695 | 11,137 | 5,969 | 1,245 | 91,046 | - |
| Total deferred inflows of resources | 714,438 | 109,453 | 58,662 | 12,234 | 894,787 | - |
| NET POSITION | | | | | | |
| Net investment in capital assets | 40,119,106 | 1,212,062 | 2,909,244 | 1,799,626 | 46,040,038 | - |
| Restricted for debt service | 1,848,225 | - | - | - | 1,848,225 | - |
| Restricted for sewer improvements | 7,374,506 | - | - | - | 7,374,506 | - |
| Other | - | - | 190,000 | 38,789 | 228,789 | - |
| Unrestricted | (18,120,940) | (1,965,671) | (1,109,506) | 1,405,470 | (19,790,647) | - |
| Total net position | \$ 31,220,897 | \$ (753,609) | \$ 1,989,738 | \$ 3,243,885 | \$ 35,700,911 | \$ - |

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, 2021

| | Business-Type Activities | | | | Governmental Activity - Internal Service Fund |
|---|--------------------------|---------------------|--------------------|------------------|--|
| | Utility Fund | Ashland Bus Fund | Recreation Fund | Cemetery Fund | Total |
| OPERATING REVENUES | | | | | |
| Residential and commercial meter sales | \$ 4,659,806 | \$ - | \$ - | \$ - | \$ 4,659,806 |
| Sewer service | 7,768,490 | - | - | - | 7,768,490 |
| Industrial meter sales | 3,671,009 | - | - | - | 3,671,009 |
| Other municipalities | 1,253,744 | - | - | - | 1,253,744 |
| Industrial pretreatment | 109,976 | - | - | - | 109,976 |
| Water and sewer taps | 48,486 | - | - | - | 48,486 |
| Concession sales | - | - | 4,803 | - | 4,803 |
| Lot and vault sales | - | - | - | 31,200 | 31,200 |
| Opening and closing fees | - | - | - | 79,580 | 79,580 |
| Passenger fares | - | 32,373 | - | - | 32,373 |
| Admission fees | - | - | 13,237 | - | 13,237 |
| Premium charges | - | - | - | - | - |
| Miscellaneous | 338,178 | - | 8,665 | 12,741 | 359,584 |
| Total operating revenues | 17,849,689 | 32,373 | 26,705 | 123,521 | 18,032,288 |
| OPERATING EXPENSES | | | | | |
| Administration - Director | 188,524 | - | - | - | 188,524 |
| Administration - Cashier | 1,036,116 | - | - | - | 1,036,116 |
| Water - Production | 2,640,091 | - | - | - | 2,640,091 |
| Water - Distribution | 4,165,967 | - | - | - | 4,165,967 |
| Sewer - Pretreatment | 1,855,843 | - | - | - | 1,855,843 |
| Sewer - Collection | 1,569,632 | - | - | - | 1,569,632 |
| Depreciation | 2,749,328 | 172,233 | 84,918 | 51,010 | 3,057,489 |
| Insurance | 201,230 | 28,995 | 19,609 | 4,293 | 254,127 |
| Other operating expenses | 3,372,099 | 629,428 | 350,951 | 64,332 | 4,416,810 |
| Salaries | - | 540,093 | 310,074 | 58,007 | 908,174 |
| Utilities | - | 30,119 | 107,799 | 10,655 | 148,573 |
| Operating supplies | - | 157,128 | 51,996 | 49,194 | 258,318 |
| Premiums and claims | - | - | - | - | - |
| Total operating expenses | 17,778,830 | 1,557,996 | 925,347 | 237,491 | 20,499,664 |
| OPERATING INCOME (LOSS) | 70,859 | (1,525,623) | (898,642) | (113,970) | (2,467,376) |
| NON-OPERATING REVENUES (EXPENSES) | | | | | |
| Gain (loss) on disposal of assets | - | (16,198) | - | - | (16,198) |
| Interest income | 53,707 | 107 | 1,037 | 282 | 55,133 |
| Grant income | - | 1,038,491 | - | - | 1,038,491 |
| Interest on revenue bonds and notes | (539,917) | - | - | - | (539,917) |
| Total non-operating revenues (expenses) | (486,210) | 1,022,400 | 1,037 | 282 | 537,509 |
| INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS | (415,351) | (503,223) | (897,605) | (113,688) | (1,929,867) |
| TRANSFERS | | | | | |
| From General Fund | - | 16,679 | 1,448,349 | 195,611 | 1,660,639 |
| Total transfers in | - | 16,679 | 1,448,349 | 195,611 | 1,660,639 |
| CAPITAL CONTRIBUTIONS | | | | | |
| Local contributions | - | - | - | - | - |
| Federal/state grants | - | 150,135 | - | - | 150,135 |
| Total capital contributions | - | 150,135 | - | - | 150,135 |
| INCREASE (DECREASE) IN NET POSITION | (415,351) | (336,409) | 550,744 | 81,923 | (119,093) |
| NET POSITION, JUNE 30, 2020 | 31,636,248 | (417,200) | 1,438,994 | 3,161,962 | 35,820,004 |
| NET POSITION, JUNE 30, 2021 | \$ 31,220,897 | \$ (753,609) | \$ 1,989,738 | \$ 3,243,885 | \$ 35,700,911 |

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, 2021**

| | Business-Type Activities | | | | | Governmental Activity - Internal Service Fund |
|--|--------------------------|---------------------|-----------------------|---------------------|----------------------|--|
| | Utility Fund | Ashland Bus Fund | Recreation Fund | Cemetery Fund | Total | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash received from customers | \$ 17,517,395 | \$ 32,373 | \$ 18,040 | \$ 111,686 | \$ 17,679,494 | \$ - |
| Cash payments to suppliers for goods and services | (4,048,694) | (389,566) | (1,061,105) | (320,266) | (5,819,631) | (11,791) |
| Cash payments to employees | (3,204,375) | (361,386) | (201,971) | (42,464) | (3,810,196) | - |
| Other operating revenues | 338,178 | - | 8,665 | 12,741 | 359,584 | - |
| Payments for internal services | (1,764,889) | (153,256) | (165,258) | (34,160) | (2,117,563) | - |
| Cash received for internal services | - | - | - | - | - | 6,036,432 |
| Payments for premiums and claims | - | - | - | - | - | (4,302,115) |
| Net cash provided by (used for) operating activities | <u>8,837,615</u> | <u>(871,835)</u> | <u>(1,401,629)</u> | <u>(272,463)</u> | <u>6,291,688</u> | <u>1,722,526</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Grant income | 7,815 | 779,413 | - | - | 787,228 | - |
| Transfers from other funds | - | 16,679 | 1,448,349 | 195,611 | 1,660,639 | - |
| Net cash provided by noncapital financing activities | <u>7,815</u> | <u>796,092</u> | <u>1,448,349</u> | <u>195,611</u> | <u>2,447,867</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Proceeds from issuance of debt | 11,475,940 | - | - | - | 11,475,940 | - |
| Acquisition and construction of capital assets | (6,736,794) | (90,506) | (21,583) | - | (6,848,883) | - |
| Proceeds from sale of assets | - | 4,379 | - | - | 4,379 | - |
| Principal paid on bonds, notes, and lease obligations | (1,671,680) | - | - | - | (1,671,680) | - |
| Interest paid on bonds, notes, and lease obligations | (539,917) | - | - | - | (539,917) | - |
| Capital grants received | - | 259,326 | - | - | 259,326 | - |
| Net cash provided by (used for) capital and related financing activities | <u>2,527,549</u> | <u>173,199</u> | <u>(21,583)</u> | <u>-</u> | <u>2,679,165</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Withdrawal of investment securities | (737,095) | - | - | - | (737,095) | - |
| Investment income | 53,707 | 107 | 1,416 | 282 | 55,512 | 1,244 |
| Net cash provided by (used for) investing activities | <u>(683,388)</u> | <u>107</u> | <u>1,416</u> | <u>282</u> | <u>(681,583)</u> | <u>1,244</u> |
| Net increase (decrease) in cash and cash equivalents | 10,689,591 | 97,563 | 26,553 | (76,570) | 10,737,137 | 1,723,770 |
| Cash and cash equivalents, June 30, 2020 | <u>3,412,658</u> | <u>24,154</u> | <u>5,132</u> | <u>171,495</u> | <u>3,613,439</u> | <u>836,090</u> |
| Cash and cash equivalents, June 30, 2021 | <u>\$ 14,102,249</u> | <u>\$ 121,717</u> | <u>\$ 31,685</u> | <u>\$ 94,925</u> | <u>\$ 14,350,576</u> | <u>\$ 2,559,860</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | | | | | | |
| Operating income (loss) | \$ 70,859 | \$ (1,525,623) | \$ (898,642) | \$ (113,970) | \$ (2,467,376) | \$ (1,244) |
| Adjustments: | | | | | | |
| Depreciation | 2,749,328 | 172,233 | 84,918 | 51,010 | 3,057,489 | - |
| Amortization | 24,553 | - | - | - | 24,553 | - |
| Net OPEB adjustment | 208,113 | 30,219 | 16,395 | 3,527 | 258,254 | - |
| Net pension adjustment | 1,150,628 | 184,683 | 90,886 | 14,550 | 1,440,747 | - |
| Changes in assets and liabilities: | | | | | | |
| (Increase) decrease in accounts receivable | (38,545) | - | - | 906 | (37,639) | 259,923 |
| (Increase) decrease in inventories | (39,948) | 553 | (5,333) | 42,050 | (2,678) | - |
| (Increase) decrease in prepaid expenses | (14,290) | - | - | - | (14,290) | - |
| (Increase) decrease in due from other funds | - | - | (149,577) | (267,685) | (417,262) | 800,128 |
| Increase (decrease) in accounts payable | 983,463 | (33,389) | 38,118 | (317) | 987,875 | (293,361) |
| Increase (decrease) in due to other funds | 3,760,717 | 335,684 | (579,216) | - | 3,517,185 | 1,253,314 |
| Increase (decrease) in compensated absences | 12,247 | (1,142) | 5,929 | 259 | 17,293 | - |
| Increase (decrease) in other accrued liabilities | (73,939) | (35,053) | (5,107) | (2,793) | (116,892) | (296,234) |
| Increase (decrease) in customer deposits | 44,429 | - | - | - | 44,429 | - |
| Net cash provided by (used for) operating activities | <u>\$ 8,837,615</u> | <u>\$ (871,835)</u> | <u>\$ (1,401,629)</u> | <u>\$ (272,463)</u> | <u>\$ 6,291,688</u> | <u>\$ 1,722,526</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, 2021**

| | <u>Pension Trust Funds</u> |
|---|--------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ - |
| Accrued interest receivable | 207 |
| Due from other funds | 2,410,293 |
| Investments, at fair value | |
| Certificates of deposit | <u>2,104,030</u> |
| Total assets | <u>4,514,530</u> |
| LIABILITIES | |
| Due to other funds | <u>-</u> |
| Total liabilities | <u>-</u> |
| NET POSITION - RESTRICTED FOR PENSION BENEFITS | <u><u>\$ 4,514,530</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, 2021

| | <u>Pension Trust Funds</u> |
|---|--------------------------------|
| ADDITIONS: | |
| CONTRIBUTIONS | |
| Employer | <u>\$ 1,319,101</u> |
| Total contributions | <u>1,319,101</u> |
| INVESTMENT INCOME | |
| Interest income | <u>12,335</u> |
| Total investment income | <u>12,335</u> |
| Total additions | <u>1,331,436</u> |
| DEDUCTIONS: | |
| Benefits | 980,574 |
| Administrative expenses | <u>7,095</u> |
| Total deductions | <u>987,669</u> |
| NET INCREASE | 343,767 |
| NET POSITION - RESTRICTED FOR PENSION BENEFITS: | |
| Beginning of year | <u>4,170,763</u> |
| End of year | <u><u>\$ 4,514,530</u></u> |

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | Original Budget | Revisions | Revised Budget | Actual | Variance Positive (Negative) |
|--|---------------------|-----------------------|---------------------|----------------------|------------------------------------|
| Revenues | | | | | |
| Property and other local taxes | \$ 9,394,006 | \$ - | \$ 9,394,006 | \$ 10,212,883 | \$ 818,877 |
| Licenses and permits | 9,516,782 | - | 9,516,782 | 13,915,926 | 4,399,144 |
| Charges for services | 2,281,220 | - | 2,281,220 | 2,347,651 | 66,431 |
| Fees, fines and reimbursements | 1,840,462 | - | 1,840,462 | 1,954,853 | 114,391 |
| Interest income | 2,750 | - | 2,750 | 5,614 | 2,864 |
| Grant income | 1,331,801 | - | 1,331,801 | 1,389,585 | 57,784 |
| Other income | 130,000 | - | 130,000 | 255,599 | 125,599 |
| Total revenues | 24,497,021 | - | 24,497,021 | 30,082,111 | 5,585,090 |
| Expenditures | | | | | |
| General government | 4,216,583 | 39,646 | 4,256,229 | 2,282,297 | 1,973,932 |
| Finance | 553,912 | 11,439 | 565,351 | 538,597 | 26,754 |
| Public services | 4,310,129 | 78,753 | 4,388,882 | 4,078,895 | 309,987 |
| Planning and code enforcement | 518,210 | 16,577 | 534,787 | 499,228 | 35,559 |
| Police | 5,528,184 | 106,440 | 5,634,624 | 5,246,363 | 388,261 |
| Fire | 6,364,238 | 159,767 | 6,524,005 | 6,161,341 | 362,664 |
| Engineering | 165,152 | 3,227 | 168,379 | 130,054 | 38,325 |
| Debt service: | | | | | |
| Principal retirement | 437,821 | - | 437,821 | 3,464,336 | (3,026,515) |
| Interest and fiscal charges | 188,858 | - | 188,858 | 889,746 | (700,888) |
| Total expenditures | 22,283,087 | 415,849 | 22,698,936 | 23,290,857 | (591,921) |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,213,934</u> | <u>(415,849)</u> | <u>1,798,085</u> | <u>6,791,254</u> | <u>4,993,169</u> |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from the issuance of debt | - | - | - | 12,985,487 | 12,985,487 |
| Transfers out | (2,213,934) | (903,574) | (3,117,508) | (2,824,428) | 293,080 |
| Total other financing sources (uses) | (2,213,934) | (903,574) | (3,117,508) | 10,161,059 | 13,278,567 |
| Net change in fund balance | - | (1,319,423) | (1,319,423) | 16,952,313 | 18,271,736 |
| Fund balance beginning of year | <u>3,510,081</u> | <u>-</u> | <u>3,510,081</u> | <u>3,510,081</u> | <u>-</u> |
| Fund balance end of year | <u>\$ 3,510,081</u> | <u>\$ (1,319,423)</u> | <u>\$ 2,190,658</u> | <u>\$ 20,462,394</u> | <u>\$ 18,271,736</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, 2021

| | Original Budget | Revisions | Revised Budget | Actual | Variance Positive (Negative) |
|--|---------------------|-------------|---------------------|---------------------|------------------------------------|
| Revenues | | | | | |
| Property and other local taxes | \$ 32,486 | \$ - | \$ 32,486 | \$ 55,383 | \$ 22,897 |
| Licenses and permits | 30,668 | - | 30,668 | 43,772 | 13,104 |
| Charges for services | - | - | - | - | - |
| Fees, fines and reimbursements | - | - | - | - | - |
| Grant income | - | - | - | - | - |
| Administration fee income | - | - | - | - | - |
| Interest income | - | - | - | - | - |
| Other income | - | - | - | - | - |
| Total revenues | <u>63,154</u> | <u>-</u> | <u>63,154</u> | <u>99,155</u> | <u>36,001</u> |
| Expenditures | | | | | |
| General government | - | - | - | - | - |
| Finance | - | - | - | - | - |
| Public services | - | - | - | - | - |
| Planning and code enforcement | - | - | - | - | - |
| Police | - | - | - | - | - |
| Fire | - | - | - | - | - |
| Engineering | - | - | - | - | - |
| Community and cultural | 1,425 | - | 1,425 | 1,748 | (323) |
| Other | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal retirement | 175,000 | - | 175,000 | 175,000 | - |
| Interest and fiscal charges | 122,025 | - | 122,025 | 122,025 | - |
| Total expenditures | <u>298,450</u> | <u>-</u> | <u>298,450</u> | <u>298,773</u> | <u>(323)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(235,296)</u> | <u>-</u> | <u>(235,296)</u> | <u>(199,618)</u> | <u>35,678</u> |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from the issuance of debt | - | - | - | - | - |
| Transfers in | 235,296 | - | 235,296 | - | (235,296) |
| Total other financing sources (uses) | <u>235,296</u> | <u>-</u> | <u>235,296</u> | <u>-</u> | <u>(235,296)</u> |
| Net change in fund balance | - | - | - | (199,618) | (199,618) |
| Fund balance beginning of year | <u>(695,413)</u> | <u>-</u> | <u>(695,413)</u> | <u>(695,413)</u> | <u>-</u> |
| Fund balance end of year | <u>\$ (695,413)</u> | <u>\$ -</u> | <u>\$ (695,413)</u> | <u>\$ (895,031)</u> | <u>\$ (199,618)</u> |

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL AID ROAD FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | 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 | 383,265 | - | 383,265 | 428,101 | 44,836 |
| Administration fee income | - | - | - | - | - |
| Interest income | 25 | - | 25 | 51 | 26 |
| Other income | - | - | - | - | - |
| Total revenues | <u>383,290</u> | <u>-</u> | <u>383,290</u> | <u>428,152</u> | <u>44,862</u> |
| Expenditures | | | | | |
| General government | - | - | - | - | - |
| Finance | - | - | - | - | - |
| Public services | 383,290 | - | 383,290 | 428,132 | (44,842) |
| Planning and code enforcement | - | - | - | - | - |
| Police | - | - | - | - | - |
| Fire | - | - | - | - | - |
| Engineering | - | - | - | - | - |
| Community and cultural | - | - | - | - | - |
| Other | - | - | - | - | - |
| Debt service: | | | | | |
| Principal retirement | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - |
| Total expenditures | <u>383,290</u> | <u>-</u> | <u>383,290</u> | <u>428,132</u> | <u>(44,842)</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>20</u> | <u>20</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers out | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | - | - | - | 20 | 20 |
| Fund balance beginning of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balance end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 20</u> | <u>\$ 20</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, 2021

| | 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 | 1,624,753 | - | 1,624,753 | 1,042,465 | (582,288) |
| Administration fee income | - | - | - | - | - |
| Interest income | - | - | - | - | - |
| Other income | - | - | - | - | - |
| Total revenues | 1,624,753 | - | 1,624,753 | 1,042,465 | (582,288) |
| Expenditures | | | | | |
| General government | - | - | - | - | - |
| Finance | - | - | - | - | - |
| Public services | - | - | - | - | - |
| Planning and code enforcement | - | - | - | - | - |
| Police | - | - | - | - | - |
| Fire | - | - | - | - | - |
| Engineering | - | - | - | - | - |
| Community and cultural | 1,624,753 | (16,722) | 1,608,031 | 1,042,465 | 565,566 |
| Other | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal retirement | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - |
| Total expenditures | 1,624,753 | (16,722) | 1,608,031 | 1,042,465 | 565,566 |
| Excess (deficiency) of revenues over (under) expenditures | - | 16,722 | 16,722 | - | (16,722) |
| Other Financing Sources (Uses) | | | | | |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | - | 16,722 | 16,722 | - | (16,722) |
| Fund balance beginning of year | 65,437 | - | 65,437 | 65,437 | - |
| Fund balance end of year | \$ 65,437 | \$ 16,722 | \$ 82,159 | \$ 65,437 | \$ (16,722) |

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, 2021

| | 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 | 3,142,438 | - | 3,142,438 | 3,028,261 | (114,177) |
| Administration fee income | 274,560 | - | 274,560 | 373,184 | 98,624 |
| Interest income | 50 | - | 50 | 236 | 186 |
| Other income | - | - | - | - | - |
| Total revenues | 3,417,048 | - | 3,417,048 | 3,401,681 | (15,367) |
| Expenditures | | | | | |
| General government | - | - | - | - | - |
| Finance | - | - | - | - | - |
| Public services | - | - | - | - | - |
| Planning and code enforcement | - | - | - | - | - |
| Police | - | - | - | - | - |
| Fire | - | - | - | - | - |
| Engineering | - | - | - | - | - |
| Community and cultural | 3,418,331 | 5,745 | 3,424,076 | 3,285,209 | 138,867 |
| Other | - | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Debt service: | | | | | |
| Principal retirement | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - |
| Total expenditures | 3,418,331 | 5,745 | 3,424,076 | 3,285,209 | 138,867 |
| Excess (deficiency) of revenues over (under) expenditures | (1,283) | (5,745) | (7,028) | 116,472 | 123,500 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | (1,283) | (5,745) | (7,028) | 116,472 | 123,500 |
| Fund balance beginning of year | 11,733 | - | 11,733 | 11,733 | - |
| Fund balance end of year | \$ 10,450 | \$ (5,745) | \$ 4,705 | \$ 128,205 | \$ 123,500 |

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, 2021

| | Original Budget | Revisions | Revised Budget | Actual | Variance Positive (Negative) |
|--|---------------------|-------------------|---------------------|-------------------|------------------------------------|
| Revenues | | | | | |
| Property and other local taxes | \$ 339,559 | \$ - | \$ 339,559 | \$ 409,739 | \$ 70,180 |
| Licenses and permits | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Fees, fines and reimbursements | - | - | - | - | - |
| Grant income | - | - | - | - | - |
| Administration fee income | - | - | - | - | - |
| Interest income | 150 | - | 150 | 48 | (102) |
| Other income | - | - | - | - | - |
| Total revenues | 339,709 | - | 339,709 | 409,787 | 70,078 |
| Expenditures | | | | | |
| General government | - | - | - | - | - |
| Finance | - | - | - | - | - |
| Public services | 436,903 | 2,994 | 439,897 | 196,584 | 243,313 |
| Planning and code enforcement | - | - | - | - | - |
| Police | - | - | - | - | - |
| Fire | - | - | - | - | - |
| Engineering | - | - | - | - | - |
| Community and cultural | - | - | - | - | - |
| Other | - | - | - | - | - |
| Debt service: | | | | | |
| Principal retirement | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - |
| Total expenditures | 436,903 | 2,994 | 439,897 | 196,584 | 243,313 |
| Excess (deficiency) of revenues over (under) expenditures | (97,194) | (2,994) | (100,188) | 213,203 | 313,391 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | (97,194) | (2,994) | (100,188) | 213,203 | 313,391 |
| Fund balance beginning of year | (35,529) | - | (35,529) | (35,529) | - |
| Fund balance end of year | \$ (132,723) | \$ (2,994) | \$ (135,717) | \$ 177,674 | \$ 313,391 |

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
OTHER SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | Original Budget | Revisions | Revised Budget | Actual | Variance Positive (Negative) |
|--|--------------------|-----------|-------------------|--------|------------------------------------|
| Revenues | | | | | |
| Property and other local taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Fees, fines and reimbursements | - | - | - | - | - |
| Grant income | - | - | - | - | - |
| Administration fee income | - | - | - | - | - |
| Interest income | - | - | - | 471 | 471 |
| Other income | - | - | - | - | - |
| Total revenues | - | - | - | 471 | 471 |
| Expenditures | | | | | |
| General government | - | - | - | - | - |
| Finance | - | - | - | - | - |
| Public services | - | - | - | - | - |
| Planning and code enforcement | - | - | - | - | - |
| Police | - | - | - | - | - |
| Fire | - | - | - | - | - |
| Engineering | - | - | - | - | - |
| Community and cultural | - | - | - | - | - |
| Other | - | - | - | - | - |
| Debt service: | | | | | |
| Principal retirement | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - |
| Total expenditures | - | - | - | - | - |
| Excess (deficiency) of revenues over (under) expenditures | - | - | - | 471 | 471 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | - | - | - | - |
| Transfers out | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - |
| Net change in fund balance | - | - | - | 471 | 471 |
| Fund balance beginning of year | - | - | - | - | - |
| Fund balance end of year | \$ - | \$ - | \$ - | \$ 471 | \$ 471 |

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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

(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, 2021 there are no organizations meeting the criteria.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

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

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

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

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

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

The City reports the following major Governmental Funds:

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

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

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

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

The City reports the following major Proprietary Funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

C. Budget and Budgetary Accounting

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

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

D. Deposits and Investments

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

At June 30, 2021, the City's investments consist of certificate of deposits and money market funds, which are valued at cost.

E. Inventories

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

F. Capital Assets and Depreciation

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

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

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

| <u>Description</u> | <u>Estimated Lives</u> |
|--------------------------------|------------------------|
| Utility plants in service | 5-50 years |
| Buildings and improvements | 5-20 years |
| Operating equipment | 3-10 years |
| Automotive equipment | 3-7 years |
| Office furniture and equipment | 3-20 years |
| Bus system equipment | 5-10 years |
| Recreation equipment | 5-25 years |
| Infrastructure | 20-30 years |

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

G. Encumbrances

Encumbrance accounting is used by the City whereby purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balances in the General, Special Revenue, Enterprise and Capital Projects Funds, since the encumbrances do not constitute expenditures or liabilities, even though the City intends to honor those commitments. At June 30, 2021, there were no significant encumbrances.

H. Interfund Transactions

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

I. Interfund Receivables and Payables

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

J. Compensated Absences

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

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

K. Fund Balances

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

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

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

L. Net Position

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

M. Self-Insurance

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

N. Cash and Cash Equivalents

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

O. Use of Estimates

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

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

P. 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, 2021, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

R. Deferred Outflows/Inflows of Resources

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

S. Pension

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

T. Postemployment Benefits Other Than Pensions (OPEB)

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

U. Recent Accounting Pronouncements

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

fiduciary resources. GASB 84 was effective for the City beginning with its year ending June 30, 2021. Adoption of this statement did not have a material effect on the City's financial statements

In June 2017, the GASB issued Statement No. 87, *Leases* ("GASB 87"), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the City beginning with its year ending June 30, 2022 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* ("GASB 89"), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the City beginning with its year ending June 30, 2022. Management is currently evaluating the impact of this Statement on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* ("GASB 91"), which aims to provide a single method of reporting conduit debt obligations by issuers and to eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. GASB 91 achieves those objectives by (1) clarifying the existing definition of a conduit debt obligation; (2) establishing that a conduit debt obligation is not a liability of the issuer; (3) establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and (4) improving required note disclosures. This Statement addresses arrangements (i.e., often characterized as leases) that are associated with conduit debt obligations. In such arrangements, (1) capital assets are constructed or acquired from the proceeds of a conduit debt obligation and are used by third-party obligors in the course of their activities; (2) payments from third-party obligors are intended to cover and coincide with debt service payments; (3) issuers retain the titles to the capital assets, which may or may not pass to the obligors at the end of the arrangements, depending upon the circumstances; and (4) issuers should neither report those arrangements as leases, nor recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. Additionally, this Statement requires issuers to disclose general information concerning their conduit debt obligations, organized by type of commitment(s). GASB 91 is effective for reporting periods beginning after December 15, 2021, with earlier application encouraged. Management is currently evaluating the impact of this Statement on its financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* ("GASB 92"). GASB 92 establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. Provisions related to insurance-related activities of public entity risk pools and derivative instruments were effective upon issuance. All other provisions will be effective for the City beginning with its year ending June 30, 2022. Adoption of the provisions required upon issuance did not have a material effect on the City's financial statements. Management is currently evaluating the impact of the remaining provisions of this Statement on its financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. The Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be effective for the City beginning with its year ending June 30, 2023. Management is currently evaluating the impact of this Statement on its financial statements.

(3) DEPOSITS AND INVESTMENTS

Deposits

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

At June 30, 2021, the carrying amounts of the City's deposits held in banks were \$37,402,761 and the bank balances were \$38,330,184. 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, 2021, the City had the following investments and maturities:

| Investment Type - | Investment Maturities (in years) | | | | |
|-------------------------|----------------------------------|--------------|-------|--------|--------------|
| | Balance | Less than 1 | 1 - 5 | 6 - 10 | More than 10 |
| Utility Fund | | | | | |
| Certificates of Deposit | \$ 6,239,033 | \$ 6,239,033 | \$ - | \$ - | \$ - |
| Recreation Fund | | | | | |
| Certificates of Deposit | 190,000 | 190,000 | - | - | - |
| Fiduciary Funds | | | | | |
| Certificates of Deposit | 2,104,030 | 2,104,030 | - | - | - |

Interest Rate Risk: The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

(4) PROPERTY TAX REVENUES

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

Real property, tangible and public utility property taxes are levied prior to June 30 of each year based upon the assessed value as of January 1. Per KRS 91.487, the lien date for assessed taxes is January 1 of each fiscal year. The City imposes penalties of 10% and interest of 0.5% per month on taxes not paid within thirty days of mailing tax bills.

Real property and tangible property taxes are due and payable by June 30 of each year. Public utility taxes are due and payable within thirty days from the date the bills are mailed.

Assessed values are established by State Law at 100% of fair value.

Real property and tangible property taxes are recognized as revenue on the modified accrual basis. Public utility taxes and tangible property taxes were not accrued at June 30, since assessed amounts are not available until the subsequent fiscal year.

Motor vehicle property taxes are assessed as of January 1 of each year and are collected by the County Clerk and remitted to the City. These taxes are not accrued, as amounts are payable upon the birth dates of the owners of the vehicles.

The 2021 assessed value for real property and tangible property was approximately \$987,000,000 and \$105,000,000 respectively. The tax rate adopted was \$.2576 per \$100 valuation with an additional \$.0925 per \$100 valuation for property within the floodwall.

(5) GRANTS RECEIVABLE

Grants receivable from other governmental units as of June 30, 2021, are as follows:

| | |
|--|---------------------|
| General Fund - | |
| Kentucky Transportation Cabinet | \$ 945 |
| COVID Relief Funds | 151,814 |
| FEMA grant | 26,442 |
| Firefighter grant | <u>409,091</u> |
| | <u>588,292</u> |
| Special Revenue Funds - | |
| Municipal Aid Road Fund | 40,527 |
| Community Development Fund, program allocation | <u>426,865</u> |
| | <u>467,392</u> |
| Enterprise Funds - | |
| Ashland Bus System - FTA capital | 41,706 |
| Ashland Bus System - FTA COVID | <u>259,078</u> |
| | <u>300,784</u> |
| | <u>\$ 1,356,468</u> |

(6) CAPITAL ASSETS

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

| | Balance June 30, 2020 | Additions | Deductions | Balance June 30, 2021 |
|---|--------------------------|---------------------|-----------------------|--------------------------|
| <u>Governmental Activities</u> | | | | |
| Capital Assets, Not Depreciated: | | | | |
| Land | \$ 18,936,298 | \$ - | \$ - | \$ 18,936,298 |
| Construction in progress | 2,314,726 | 7,057 | (2,250,930) | 70,853 |
| Capital Assets, Depreciated: | | | | |
| Buildings | 9,675,114 | 345,747 | - | 10,020,861 |
| Building improvements | 3,294,099 | 52,783 | (137,111) | 3,209,771 |
| Automotive equipment | 6,467,399 | 531,159 | (56,246) | 6,942,312 |
| Office furniture and equipment | 728,396 | 34,148 | (92,850) | 669,694 |
| Operating equipment | 5,122,964 | - | (13,990) | 5,108,974 |
| Capital improvements | 1,166,553 | 1,801,427 | - | 2,967,980 |
| Infrastructure | 82,874,945 | 1,804,489 | (17,879,195) | 66,800,239 |
| Totals | <u>130,580,494</u> | <u>4,576,810</u> | <u>(20,430,322)</u> | <u>114,726,982</u> |
| Less: accumulated depreciation | | | | |
| Buildings | 2,950,848 | 177,593 | - | 3,128,441 |
| Building improvements | 2,317,722 | 91,732 | (137,111) | 2,272,343 |
| Automotive equipment | 3,440,700 | 520,854 | (56,246) | 3,905,308 |
| Office furniture and equipment | 514,914 | 38,192 | (92,850) | 460,256 |
| Operating equipment | 3,158,254 | 239,835 | (13,990) | 3,384,099 |
| Capital improvements | 411,419 | 73,913 | - | 485,332 |
| Infrastructure | 55,527,162 | 1,697,871 | (17,879,195) | 39,345,838 |
| Total accumulated depreciation | <u>68,321,019</u> | <u>2,839,990</u> | <u>(18,179,392)</u> | <u>52,981,617</u> |
| Governmental Activities | | | | |
| Capital Assets - Net | <u>\$ 62,259,475</u> | <u>\$ 1,736,820</u> | <u>\$ (2,250,930)</u> | <u>\$ 61,745,365</u> |
| <u>Business-type Activities</u> | | | | |
| Capital Assets, Not Depreciated: | | | | |
| Land | \$ 449,401 | \$ - | \$ - | \$ 449,401 |
| Construction in progress | 1,732,766 | 3,177,007 | (1,116,121) | 3,793,652 |
| Capital Assets, Depreciated: | | | | |
| Buildings | 5,586,366 | - | (11,707) | 5,574,659 |
| Building improvements | 989,620 | 22,826 | (26,440) | 986,006 |
| Utility and sewage plants | 101,322,475 | 4,513,212 | - | 105,835,687 |
| Automotive equipment | 2,738,509 | 94,959 | (159,630) | 2,673,838 |
| Office furniture and equipment | 553,509 | 44,663 | (5,319) | 592,853 |
| Operating equipment | 4,485,013 | 92,570 | - | 4,577,583 |
| Recreation equipment | 310,344 | 19,767 | - | 330,111 |
| Capital improvement | 3,262,098 | - | - | 3,262,098 |
| Totals | <u>121,430,101</u> | <u>7,965,004</u> | <u>(1,319,217)</u> | <u>128,075,888</u> |
| Less: accumulated depreciation | | | | |
| Buildings | 1,498,446 | 124,443 | (11,707) | 1,611,182 |
| Building improvements | 582,627 | 42,529 | (14,432) | 610,724 |
| Utility and sewage plants | 58,133,700 | 2,295,275 | - | 60,428,975 |
| Automotive equipment | 1,717,836 | 257,806 | (151,061) | 1,824,581 |
| Office furniture and equipment | 239,831 | 65,379 | (5,319) | 299,891 |
| Operating equipment | 3,001,041 | 192,412 | - | 3,193,453 |
| Recreation equipment | 246,749 | 7,677 | - | 254,426 |
| Capital improvements | 365,355 | 71,968 | - | 437,323 |
| Total accumulated depreciation | <u>65,785,585</u> | <u>3,057,489</u> | <u>(182,519)</u> | <u>68,660,555</u> |
| Business-type Activities | | | | |
| Capital Assets - Net | <u>\$ 55,644,516</u> | <u>\$ 4,907,515</u> | <u>\$ (1,136,698)</u> | <u>\$ 59,415,333</u> |

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

| | |
|-------------------------------|---------------------|
| Governmental activities: | |
| General government | \$ 485,921 |
| Finance | 6,454 |
| Public services | 1,606,559 |
| Planning and code enforcement | 10,090 |
| Police | 447,542 |
| Fire | 252,657 |
| Engineering | 6,562 |
| Community and cultural | 24,205 |
| | <u>\$ 2,839,990</u> |
| Business-type activities: | |
| Utilities | \$ 2,749,328 |
| Bus | 172,233 |
| Recreation | 84,918 |
| Cemetery | 51,010 |
| | <u>\$ 3,057,489</u> |

(7) RETIREMENT PLANS

Net pension liabilities of the City as of June 30, 2021 are as follows:

| | |
|---|----------------------|
| Governmental activities: | |
| Policemen and Firefighters Pension Fund | \$ 1,209,606 |
| County Employees Retirement System | |
| Nonhazardous | 10,274,202 |
| Hazardous | 33,828,166 |
| | <u>\$ 45,311,974</u> |
| Business-type activities: | |
| Utility Employees Pension Fund | \$ 6,217,292 |
| County Employees Retirement System | |
| Nonhazardous | 13,415,871 |
| | <u>\$ 19,633,163</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, 2021, 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, 2021.

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, 2021, there were no active employees participating in PFPF. Unless otherwise indicated, PFPF information in this note is provided as of the latest actuarial valuation date, June 30, 2020, with an update to roll forward information to June 30, 2021.

Financial Statements

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

| STATEMENT OF NET POSITION | PENSION TRUST FUNDS | | Total |
|--|----------------------------|--|---------------------|
| | Utility Pension Fund | Policemen & Firefighters Pension Fund | |
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ - |
| Accrued interest receivable | 50 | 157 | 207 |
| Due from other funds | 2,151,595 | 258,698 | 2,410,293 |
| Investments, at fair value - | | | |
| Certificates of deposit | 793,333 | 1,310,697 | 2,104,030 |
| Total assets | <u>2,944,978</u> | <u>1,569,552</u> | <u>4,514,530</u> |
| LIABILITIES | | | |
| Due to other funds | - | - | - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| NET POSITION - RESTRICTED FOR PENSION BENEFITS | <u>\$ 2,944,978</u> | <u>\$ 1,569,552</u> | <u>\$ 4,514,530</u> |
| STATEMENT OF CHANGES IN NET POSITION | | | |
| ADDITIONS | | | |
| Contributions - | | | |
| Employer | \$ 716,227 | \$ 602,874 | \$ 1,319,101 |
| Plan members | - | - | - |
| Total contributions | <u>716,227</u> | <u>602,874</u> | <u>1,319,101</u> |
| Investment income - | | | |
| Interest income | 5,971 | 6,364 | 12,335 |
| Total investment income | <u>5,971</u> | <u>6,364</u> | <u>12,335</u> |
| Total additions | <u>722,198</u> | <u>609,238</u> | <u>1,331,436</u> |
| DEDUCTIONS | | | |
| Benefits | 692,653 | 287,921 | 980,574 |
| Administrative expenses | 2,277 | 4,818 | 7,095 |
| Total deductions | <u>694,930</u> | <u>292,739</u> | <u>987,669</u> |
| NET INCREASE (DECREASE) | 27,268 | 316,499 | 343,767 |
| NET POSITION - RESTRICTED FOR PENSION BENEFITS | | | |
| Beginning of year | 2,917,710 | 1,253,053 | 4,170,763 |
| End of year | <u>\$ 2,944,978</u> | <u>\$ 1,569,552</u> | <u>\$ 4,514,530</u> |

Pension Expense

For the year ended June 30, 2021, the City recognized pension expense of \$1,104,121 and (\$252,937) for the Utility Pension Fund and Policemen and Firefighters Pension Fund, respectively. At June 30, 2021, 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:

| Governing Authority | Utility Pension Fund | Policemen and Firefighters Pension Fund | |
|---|--------------------------------|--|---------------------|
| | 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 | 22 | 13 | <u>Totals</u> 36 |
| Active plan participants: | | | |
| Vested | - | - | - |
| Non-Vested | - | - | - |
| | <u>22</u> | <u>13</u> | <u>36</u> |

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

| | <u>Utility Pension Fund</u> | <u>Policemen And Firefighters Pension Fund</u> |
|---|--|--|
| Valuation date | 06-30-21 | 06-30-20 |
| Actuarial cost method | Entry age normal | Entry age normal |
| Amortization method | Level % of payroll Closed | Level % of payroll Closed |
| Amortization | 20 years | 10 years |
| Actuarial asset valuation method | Fair market value, quoted market prices | Fair market value, quoted market prices |
| Actuarial assumptions | | |
| Investments | | |
| Rate of return | 2.25% | 2.50% |
| Allocation | Allowed by KRS | Allowed by KRS |
| Projected salary increases | None | None |
| Post retirement benefit increases | 0.00 % | 0.00 % |
| Cost of living adjustments | 3.00 % | 3.00 % |
| Discount rate | 2.25 % | 2.50 % |
| Mortality | RP-2000 Mortality Table | RP-2000 Mortality Table |
| Changes of assumptions since prior valuation | Discount rate reduced from 3.00% to 2.25% | Discount rate reduced from 3.00% to 2.50% |

Net Pension Liability

The following represents the components of the net pension liability:

| <u>Date</u> | <u>Fiduciary Net Position (a)</u> | <u>Total Pension Liability (TPL) Entry Age (b)</u> | <u>Net Pension Liability (NPL) (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>NPL As A Percentage Of Covered Payroll (b-a)/c)</u> |
|--|---|--|--|-----------------------------------|------------------------------------|--|
| <u>Utility Pension Fund</u> | | | | | | |
| 06/30/20 | \$ 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 |
| <u>Policemen and Firefighters Pension Fund</u> | | | | | | |
| 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 |

**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, 2021:

| <u>Utility Pension Fund</u> | | | |
|--|--------------------------------------|--|---------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance, June 30, 2020 | \$ 8,747,108 | \$ 2,917,710 | \$ 5,829,398 |
| Changes for the year: | | | |
| Interest on total pension liability | 251,158 | - | 251,158 |
| Difference in expected and actual experience | 220,253 | - | 220,253 |
| Effect of changes in assumptions | 636,404 | - | 636,404 |
| Effect of changes in benefit terms | - | - | (262,413) |
| Benefit payments | (692,653) | - | (692,653) |
| Employer contributions | - | 716,227 | (716,227) |
| Investment income, net of expenses | - | 5,971 | (5,971) |
| Benefit payments | - | (692,653) | 692,653 |
| Administrative expenses | - | (2,277) | 2,277 |
| Net changes | <u>415,162</u> | <u>27,268</u> | <u>387,894</u> |
| Balance, June 30, 2021 | <u>\$ 9,162,270</u> | <u>\$ 2,944,978</u> | <u>\$ 6,217,292</u> |

| <u>Policemen and Firefighters Pension Fund</u> | | | |
|--|--------------------------------------|--|---------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balance, June 30, 2020 | \$ 3,318,470 | \$ 1,253,053 | \$ 2,065,417 |
| Changes for the year: | | | |
| Interest on total pension liability | 79,063 | - | 79,063 |
| Difference in expected and actual experience | (330,454) | - | (330,454) |
| Effect of changes in assumptions | - | - | - |
| Effect of changes in benefit terms | - | - | - |
| Benefit payments | (287,921) | - | (287,921) |
| Employer contributions | - | 602,874 | (602,874) |
| Investment income, net of expenses | - | 6,364 | (6,364) |
| Benefit payments | - | (287,921) | 287,921 |
| Administrative expenses | - | (4,818) | 4,818 |
| Net changes | <u>(539,312)</u> | <u>316,499</u> | <u>(855,811)</u> |
| Balance, June 30, 2021 | <u>\$ 2,779,158</u> | <u>\$ 1,569,552</u> | <u>\$ 1,209,606</u> |

Deferred Outflows of Resources and Deferred Inflows

There are not deferred outflows of resources and deferred inflows related to the Utility Pension Fund and Policemen and Firefighters Pension Fund at June 30, 2021 due to all participants of the Plans being retired.

Discount Rate

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

| | 1% Decrease (1.25%) | Current discount rate (2.25%) | 1% Increase (3.25%) |
|---|---------------------------|-------------------------------------|---------------------------|
| Utility Pension Fund | \$ 7,109,896 | \$ 6,217,292 | \$ 5,451,509 |
| | 1% Decrease (1.50%) | Current discount rate (2.50%) | 1% Increase (3.50%) |
| Policemen and Firefighters Pension Fund | \$ 1,436,675 | \$ 1,209,606 | \$ 1,012,581 |

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, 2021:

| | |
|---|--------------|
| Governmental activities: | |
| Policemen and Firefighters Pension Fund | \$ 258,698 |
| Business-type activities: | |
| Utility Pension Fund | \$ 2,151,595 |

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

Plan description

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

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

Benefits provided

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

Contributions

Funding for CERS is provided by members, who contribute 5.00% nonhazardous and 8.00% hazardous (6.00% and 9.00% for employees hired after September 1, 2008, respectively) of their salary through payroll

deductions and by employers of members who contribute 24.06% nonhazardous (19.30% - pension, 4.76% insurance) and 39.58% hazardous (30.06% - pension, 9.52% insurance) of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2021, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 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, 2020. At June 30, 2020, the City's proportion for nonhazardous and hazardous was 0.308870% and 1.21985%, respectively.

For the year ended June 30, 2021, the City recognized pension expense of approximately \$3,410,000 and \$5,460,000 for nonhazardous and hazardous, respectively. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| <u>Nonhazardous</u> | | |
| Differences between expected and actual experience | \$ 590,755 | \$ - |
| Changes of assumptions | 925,057 | - |
| Net difference between projected and actual earnings on investments | 592,814 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 104,440 | 157,214 |
| City contributions subsequent to the measurement date | <u>1,443,287</u> | <u>-</u> |
| | <u>\$ 3,656,353</u> | <u>\$ 157,214</u> |
| <u>Hazardous</u> | | |
| Differences between expected and actual experience | \$ 1,049,143 | \$ - |
| Changes of assumptions | 1,282,954 | - |
| Net difference between projected and actual earnings on investments | 762,069 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 371,536 | 106,505 |
| City contributions subsequent to the measurement date | <u>2,109,330</u> | <u>-</u> |
| | <u>\$ 5,575,032</u> | <u>\$ 106,505</u> |

At June 30, 2021, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$1,443,287 and \$2,109,330 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

| <u>Year</u> | <u>Nonhazardous</u> | <u>Hazardous</u> |
|-------------|---------------------|---------------------|
| 2022 | \$ 889,873 | \$ 1,433,022 |
| 2023 | 634,255 | 885,477 |
| 2024 | 293,637 | 625,191 |
| 2025 | 238,087 | 415,507 |
| | <u>\$ 2,055,852</u> | <u>\$ 3,359,197</u> |

Actuarial Methods and Assumptions

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2019. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions:

| | |
|--------------------------------|--|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Experience Study | July 1, 2013 - June 30, 2018 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percentage of payroll |
| Remaining Amortization Period | 24 years, closed |
| Asset Valuation Method | 20% of the difference between the market value of assets and the expected market value of assets is recognized |
| Payroll growth | 2.00% |
| Inflation | 2.30% |
| Salary Increase - Nonhazardous | 3.30% to 10.30%, varies by service |
| Salary Increase - Hazardous | 3.55% to 19.05%, varies by service |
| Investment Rate of Return | 6.25%, net of pension plan investment expense, including inflation |

The mortality table used for active members is PUB-2010 General Mortality Table projected with ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. For healthy retired members and beneficiaries, a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019 is utilized. For disabled members, the mortality table used is the PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Growth | | |
| US Equity | 18.75% | 4.50% |
| Non US Equity | 18.75% | 5.25% |
| Private Equity | 10.00% | 6.65% |
| Specialty Credit/High Yield | 15.00% | 3.90% |
| Liquidity | | |
| Core Bonds | 13.50% | -0.25% |
| Cash | 1.00% | -0.75% |
| Diversifying Strategies | | |
| Real Estate | 5.00% | 5.30% |
| Opportunistic | 3.00% | 2.25% |
| Real Return | 15.00% | 3.95% |
| Total | 100.00% | 3.96% |

Discount rate

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

| | <u>1% Decrease (5.25%)</u> | <u>Current discount rate (6.25%)</u> | <u>1% Increase (7.25%)</u> |
|---|----------------------------|--------------------------------------|----------------------------|
| City's proportionate share of the net pension liability | | | |
| Nonhazardous | \$ 29,215,015 | \$ 23,690,073 | \$ 19,115,211 |
| Hazardous | 41,806,796 | 33,828,166 | 27,315,496 |

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, 2021, there was a total payable to CERS of \$451,392 for nonhazardous and hazardous, which includes pension and OPEB contributions.

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

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

Plan description

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

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

Benefits provided

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

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

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

Contributions

CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2021, CERS allocated 4.76% of the 24.06% nonhazardous and 9.52% of the 39.58% hazardous actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2021, the City contributed \$355,962 and \$668,026 to the CERS Nonhazardous and Hazardous Insurance Fund, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy

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

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to CERS Insurance Fund

At June 30, 2021, the City reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2019. An expected total pension liability as of June 30, 2020 was determined using standard roll-forward techniques. City's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2020. At June 30, 2020, the City's proportion for nonhazardous and hazardous was 0.308789% and 1.121818%, respectively.

For the year ended June 30, 2021, the City recognized OPEB expense of approximately \$981,000 and \$1,771,000 for nonhazardous and hazardous, respectively, including an implicit subsidy of \$182,994 and \$48,715, respectively. At June 30, 2021, 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 | \$ 1,245,794 | \$ 1,246,767 |
| Changes of assumptions | 1,296,958 | 7,887 |
| Net difference between projected and actual earnings on investments | 247,831 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 796 | 133,222 |
| City contributions subsequent to the measurement date | 355,962 | - |
| | <u>\$ 3,147,341</u> | <u>\$ 1,387,876</u> |
| <u>Hazardous</u> | | |
| Differences between expected and actual experience | \$ 355,747 | \$ 1,035,237 |
| Changes of assumptions | 1,691,217 | 9,552 |
| Net difference between projected and actual earnings on investments | 460,180 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 73,838 | 86,930 |
| City contributions subsequent to the measurement date | 668,026 | - |
| | <u>\$ 3,249,008</u> | <u>\$ 1,131,719</u> |

At June 30, 2021, the City reported deferred outflows of resources related to OPEB for City contributions subsequent to the measurement date of \$355,962 and \$668,026 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

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

| <u>Year</u> | <u>Nonhazardous</u> | <u>Hazardous</u> |
|-------------|---------------------|---------------------|
| 2022 | \$ 374,935 | \$ 403,206 |
| 2023 | 448,278 | 150,817 |
| 2024 | 307,846 | 375,599 |
| 2025 | 297,064 | 357,508 |
| 2026 | (24,620) | 162,133 |
| Thereafter | - | - |
| | <u>\$ 1,403,503</u> | <u>\$ 1,449,263</u> |

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------------|---|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Experience Study | July 1, 2013 - June 30, 2018 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percent of Pay |
| Remaining Amortization Period | 24 Years, Closed |
| Payroll Growth Rate | 2.00% |
| Asset Valuation Method | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized |
| Inflation | 2.30% |
| Salary Increase | 3.30% to 10.30%, varies by service |
| Investment Rate of Return | 6.25% |
| Healthcare Trend Rates | |
| Pre-65 | Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. |
| Post-65 | Initial trend starting at 2.90% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. |
| Mortality | |
| Pre-retirement | PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 |
| Post-retirement (non- disabled) | System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019 |
| Post-retirement (disabled) | PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 |

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

weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the below tables.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Growth | | |
| US Equity | 18.75% | 4.50% |
| Non US Equity | 18.75% | 5.25% |
| Private Equity | 10.00% | 6.65% |
| Specialty Credit/High Yield | 15.00% | 3.90% |
| Liquidity | | |
| Core Bonds | 13.50% | -0.25% |
| Cash | 1.00% | -0.75% |
| Diversifying Strategies | | |
| Real Estate | 5.00% | 5.30% |
| Opportunistic | 3.00% | 2.25% |
| Real Return | 15.00% | 3.95% |
| Total | 100.00% | 3.96% |

Discount Rate

The discount rate used to measure the total OPEB liability was 5.34%. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.34%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

| | <u>1% Decrease (4.34%)</u> | <u>Current discount rate (5.34%)</u> | <u>1% Increase (6.34%)</u> |
|--|----------------------------|--------------------------------------|----------------------------|
| City's proportionate share of the net OPEB liability | | | |
| Nonhazardous | \$ 9,579,176 | \$ 7,456,315 | \$ 5,712,739 |

The following table presents the City's proportionate share of the collective net OPEB liability of the Hazardous CERS Insurance Fund, calculated using the discount rate of 5.30%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.30%) or 1-percentage-point higher (6.30%) than the current rate:

| | <u>1% Decrease (4.30%)</u> | <u>Current discount rate (5.30%)</u> | <u>1% Increase (6.30%)</u> |
|---|------------------------------------|--|------------------------------------|
| City's proportionate share of the net OPEB liability | | | |
| Hazardous | \$ 14,072,637 | \$ 10,366,782 | \$ 7,380,616 |

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

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

| | <u>1% Decrease</u> | <u>Current trend rate</u> | <u>1% Increase</u> |
|---|------------------------|-------------------------------|------------------------|
| City's proportionate share of the net OPEB liability | | | |
| Nonhazardous | \$ 5,773,052 | \$ 7,456,315 | \$ 9,498,995 |
| Hazardous | 7,408,407 | 10,366,782 | 14,003,851 |

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, 2021, there was a total payable to CERS of \$451,392 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, 2021:

| <u>Governmental Activities</u> | <u>Balance June 30, 2020</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2021</u> | <u>Due Within One Year</u> |
|---|----------------------------------|----------------------|---------------------|----------------------------------|--------------------------------|
| General Obligation Bond Series 2015 | \$ 1,860,000 | \$ - | \$ 145,000 | \$ 1,715,000 | \$ 175,000 |
| General Obligation Bond Series 2017 | 4,155,000 | - | 175,000 | 3,980,000 | 180,000 |
| General Obligation Bond Series 2021 | - | 11,170,000 | - | 11,170,000 | 425,000 |
| Capital lease - Police Station | 3,247,252 | - | 3,247,252 | - | - |
| Capital lease - Melody Mtn. Phase II | 1,275,834 | - | 72,085 | 1,203,749 | 75,000 |
| Premium on bonds | 125,488 | 1,815,487 | 9,512 | 1,931,463 | - |
| Compensated absences obligation | 881,287 | 38,910 | 5,713 | 914,484 | - |
| Total Governmental Activities | \$ 11,544,861 | \$ 13,024,397 | \$ 3,654,562 | \$ 20,914,696 | \$ 855,000 |

| <u>Business-type Activities</u> | Balance <u>June 30, 2020</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>June 30, 2021</u> | Due Within <u>One Year</u> |
|---|---------------------------------|---------------------|--------------------|---------------------------------|-------------------------------|
| Revenue & Improvement Bond Series 2013 | \$ 1,945,000 | \$ - | \$ 465,000 | \$ 1,480,000 | \$ 480,000 |
| Water & Sewer Revenue Bond Series 2015 | 2,670,000 | - | 210,000 | 2,460,000 | 215,000 |
| Water & Sewer Revenue Bond Series 2020 | - | 11,500,000 | 340,000 | 11,160,000 | 460,000 |
| Capital lease - Radio Meters | 1,019,167 | - | 112,084 | 907,083 | 115,000 |
| KIA Loan | 1,222,339 | - | 233,652 | 988,687 | 238,939 |
| KIA Loan | 4,767,930 | - | 310,944 | 4,456,986 | 317,193 |
| Premium on bonds | 85,344 | - | 7,758 | 77,586 | - |
| Discount on bonds | (8,900) | (24,060) | (5,373) | (27,587) | - |
| Total Business-type Activities | \$ 11,700,880 | \$11,475,940 | \$1,674,065 | \$ 21,502,755 | \$1,826,132 |

At June 30, 2021, the City was required to have \$1,496,225 for the Revenue and Improvement Bonds of 2013 and 2015, in sinking fund reserve accounts. Additionally, under the KIA loan agreements, the City was required to have \$352,000 set aside for the costs of extensions, improvements, renewals and replacements to the sewer system. As of June 30, 2021, the City had reserve funds of \$1,848,225.

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.

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, 2021, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|---------------------|
| 2022 | \$ 175,000 | \$ 48,825 | \$ 223,825 |
| 2023 | 150,000 | 43,950 | 193,950 |
| 2024 | 160,000 | 39,300 | 199,300 |
| 2025 | 165,000 | 34,425 | 199,425 |
| 2026 | 165,000 | 29,475 | 194,475 |
| 2027-2031 | 900,000 | 69,000 | 969,000 |
| | <u>\$ 1,715,000</u> | <u>\$ 264,975</u> | <u>\$ 1,979,975</u> |

General Obligation Bond Series 2017

On October 25, 2017, the City issued \$4,490,000 in general obligation bonds with an average rate of 3.0% to fund the Ashland Plaza Redevelopment Project, which is a tax increment finance project. See Note 13 for additional information regarding the tax increment finance district.

The 2017 Series bonds were sold at a premium of \$79,002, which is being amortized over the life of the bonds.

The annual requirements to amortize the indebtedness at June 30, 2021, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|---------------------|---------------------|
| 2022 | \$ 180,000 | \$ 116,700 | \$ 296,700 |
| 2023 | 190,000 | 111,150 | 301,150 |
| 2024 | 195,000 | 105,375 | 300,375 |
| 2025 | 200,000 | 99,450 | 299,450 |
| 2026 | 205,000 | 93,375 | 298,375 |
| 2027-2031 | 1,125,000 | 369,225 | 1,494,225 |
| 2032-2036 | 1,305,000 | 187,125 | 1,492,125 |
| 2037-2038 | 580,000 | 17,550 | 597,550 |
| | <u>\$ 3,980,000</u> | <u>\$ 1,099,950</u> | <u>\$ 5,079,950</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.

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, 2021, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|---------------------|----------------------|
| 2022 | \$ 425,000 | \$ 242,972 | \$ 667,972 |
| 2023 | 975,000 | 481,450 | 1,456,450 |
| 2024 | 1,025,000 | 432,700 | 1,457,700 |
| 2025 | 1,080,000 | 381,450 | 1,461,450 |
| 2026 | 1,130,000 | 327,450 | 1,457,450 |
| 2027-2031 | 6,535,000 | 757,750 | 7,292,750 |
| | <u>\$ 11,170,000</u> | <u>\$ 2,623,772</u> | <u>\$ 13,793,772</u> |

Capital Lease - Melody Mountain Phase II

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

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

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest & Fees</u> | <u>Total</u> |
|-----------------------------|---------------------|----------------------------|---------------------|
| 2022 | \$ 75,000 | \$ 42,653 | \$ 117,653 |
| 2023 | 77,084 | 40,216 | 117,300 |
| 2024 | 80,000 | 37,710 | 117,710 |
| 2025 | 82,084 | 35,110 | 117,194 |
| 2026 | 85,000 | 32,443 | 117,443 |
| 2027-2031 | 473,332 | 117,100 | 590,432 |
| 2032-2035 | 331,249 | 27,628 | 358,877 |
| | <u>\$ 1,203,749</u> | <u>\$ 332,860</u> | <u>\$ 1,536,609</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, 2021, are as follows:

| | <u>Accrued Long-Term Obligation</u> | <u>Current Obligation</u> | <u>Total Compensated Absences</u> |
|----------------------------|---|-------------------------------|---|
| General Fund | \$ 895,645 | \$ 176,192 | \$ 1,071,837 |
| Community Development Fund | 4,181 | 822 | 5,003 |
| Housing Assistance Fund | 11,835 | 2,328 | 14,163 |
| Floodwall Fund | 2,823 | 555 | 3,378 |
| Ashland Bus System | - | 23,307 | 24,449 |
| Recreation Fund | - | 15,218 | 9,289 |
| Cemetery Fund | - | 7,864 | 7,605 |
| Utility Fund | - | 223,747 | 211,500 |
| | <u>\$ 914,484</u> | <u>\$ 450,033</u> | <u>\$ 1,364,517</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, 2021, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$201 million.

Business-Type Activities

Revenue Refunding and Improvement Bonds Series 2013

On April 1, 2013, the City issued \$4,890,000 in refunding bonds with an average rate of 5.3% to advance refund \$4,410,000 of the series 1999 bonds with an average rate of 6.8%. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$269,378. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2024 using the straight-line method. Additionally, the City reduced its total debt service payments over the following 25 years by \$416,000 and obtained an economic gain (difference between the present values of the debt service payments of the old and new bonds) of \$354,000.

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

The annual requirements to amortize the indebtedness at June 30, 2021, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|------------------|---------------------|
| 2022 | \$ 480,000 | \$ 31,855 | \$ 511,855 |
| 2023 | 490,000 | 22,255 | 512,255 |
| 2024 | 510,000 | 11,475 | 521,475 |
| | <u>\$ 1,480,000</u> | <u>\$ 65,585</u> | <u>\$ 1,545,585</u> |

Water & Sewer Revenue Bonds Series 2015

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

The annual requirements to amortize the indebtedness at June 30, 2021, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|---------------------|
| 2022 | \$ 215,000 | \$ 75,175 | \$ 290,175 |
| 2023 | 220,000 | 68,725 | 288,725 |
| 2024 | 230,000 | 62,125 | 292,125 |
| 2025 | 235,000 | 55,225 | 290,225 |
| 2026 | 240,000 | 48,175 | 288,175 |
| 2027-2030 | 1,320,000 | 127,250 | 1,447,250 |
| | <u>\$ 2,460,000</u> | <u>\$ 436,675</u> | <u>\$ 2,896,675</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.

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, 2021, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|---------------------|----------------------|
| 2022 | \$ 460,000 | \$ 239,313 | \$ 699,313 |
| 2023 | 465,000 | 230,113 | 695,113 |
| 2024 | 475,000 | 220,813 | 695,813 |
| 2025 | 485,000 | 211,313 | 696,313 |
| 2026 | 495,000 | 201,613 | 696,613 |
| 2027-2031 | 2,625,000 | 855,565 | 3,480,565 |
| 2032-2036 | 2,905,000 | 580,590 | 3,485,590 |
| 2037-2041 | 3,250,000 | 243,050 | 3,493,050 |
| | <u>\$ 11,160,000</u> | <u>\$ 2,782,370</u> | <u>\$ 13,942,370</u> |

Capital Lease - Radio Meters

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

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

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest & Fees</u> | <u>Total</u> |
|-----------------------------|-------------------|----------------------------|---------------------|
| 2022 | \$ 115,000 | \$ 37,549 | \$ 152,549 |
| 2023 | 117,083 | 33,692 | 150,775 |
| 2024 | 122,083 | 29,219 | 151,302 |
| 2025 | 127,083 | 24,030 | 151,113 |
| 2026 | 134,167 | 18,629 | 152,796 |
| 2027-2029 | 291,667 | 21,737 | 313,404 |
| | <u>\$ 907,083</u> | <u>\$ 164,856</u> | <u>\$ 1,071,939</u> |

Kentucky Infrastructure Authority Loan

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

The annual requirements to amortize the indebtedness at June 30, 2021, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Fees</u> | <u>Total</u> |
|-----------------------------|-------------------|------------------|-----------------|---------------------|
| 2022 | \$ 238,939 | \$ 20,909 | \$ 1,859 | \$ 261,707 |
| 2023 | 244,345 | 15,503 | 1,378 | 261,226 |
| 2024 | 249,874 | 9,974 | 886 | 260,734 |
| 2025 | 255,529 | 4,320 | 384 | 260,233 |
| | <u>\$ 988,687</u> | <u>\$ 50,706</u> | <u>\$ 4,507</u> | <u>\$ 1,043,900</u> |

Kentucky Infrastructure Authority Loan

On May 1, 2010, the City entered into an Assistance Agreement with the Kentucky Infrastructure Authority ("KIA") to finance capacity upgrades at the Roberts Drive Pump Station and the Sixth Street Pump Station as part of the CSO abatement projects in the Long-Term Control Plan (See Note 12). The loan bears interest at a rate of 2.0% with a maturity date of December 1, 2033. A loan serving fee of 0.001% of the annual outstanding loan balance shall be payable to KIA as a part of each interest payment. In accordance with the Agreement, the City received the proceeds from the loan as eligible expenses were incurred.

The annual requirements to amortize the loan as of June 30, 2021 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Fees</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|------------------|---------------------|
| 2022 | \$ 317,193 | \$ 87,562 | \$ 8,756 | \$ 413,511 |
| 2023 | 323,568 | 81,186 | 8,119 | 412,873 |
| 2024 | 330,072 | 74,682 | 7,468 | 412,222 |
| 2025 | 336,707 | 68,048 | 6,805 | 411,560 |
| 2026 | 343,474 | 61,280 | 6,128 | 410,882 |
| 2027-2031 | 1,823,748 | 200,026 | 20,003 | 2,043,777 |
| 2032-2034 | 982,224 | 29,662 | 2,966 | 1,014,852 |
| | <u>\$ 4,456,986</u> | <u>\$ 602,446</u> | <u>\$ 60,245</u> | <u>\$ 5,119,677</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, 2021 is as follows:

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------------------|--------------------------|----------------------|
| General Fund | Ashland Bus System | \$ 673,711 |
| General Fund | Internal Service Fund | 1,253,314 |
| General Fund | Utility Fund | 2,491,873 |
| General Fund | Municipal Aid Road Fund | 98,693 |
| General Fund | Floodwall Operating Fund | 90,780 |
| General Fund | Community Development | 573,875 |
| General Fund | Tax Increment Fund | 925,438 |
| General Fund | Housing Assistance | 48,346 |
| Capital Project | General Fund | 1,188,020 |
| Recreation Fund | General Fund | 149,577 |
| Cemetery Fund | General Fund | 298,748 |
| Police & Firefighters Pension Fund | General Fund | 258,698 |
| Utility Pension Fund | Utility Fund | 2,151,595 |
| Total | | <u>\$ 10,202,668</u> |

Interfund Transfers

The following transfers were made during the year:

| <u>Type</u> | <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|-------------|------------------|--------------------|-------------------|---------------|
| Operating | General | Ashland Bus System | Matching | \$ 16,679 |
| Operating | General | Recreation | Operations | 1,448,349 |
| Operating | General | Capital Projects | Capital Purchases | 1,163,789 |
| Operating | General | Cemetery | Operations | 195,611 |

(11) LEGAL CONTINGENCIES

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

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

(12) COMMITMENTS AND CONTINGENCIES

Ashland Bus System

The City is committed to provide financial assistance to the Ashland Bus System (ABS). During the year ended June 30, 2021, the City paid \$574,833 to the ABS under this agreement. Remaining operating costs are to be funded through grants from the U.S. Department of Transportation (DOT). The City has estimated that there is no amount due from the DOT for the current year's operating grant. City management does not expect its cost of operating the ABS to decrease in the near future.

Combined Sewer Overflow Improvements

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

On February 18, 2010, the Board of Commissioners approved an additional surcharge for sewer customers of the City to pay for the improvements. Beginning April 1, 2010, sewer customers are charged a \$2.50 fee per 1,000 gallons of water used. The charge increased to \$3.50 per 1,000 gallons during 2015 and will end in 2035. All monies collected for this surcharge are placed in a separate account and only used for CSO improvements as outlined in the City's Long Term Control Plan. At June 30, 2021, the City has \$7,665,578 restricted for the sewer improvements.

Construction Projects

The City is obligated on commitments for various contracts in progress at June 30, 2021. A summary of these commitments is as follows:

| | |
|--------------------------|---------------------|
| Total Approved Contracts | \$ 5,295,215 |
| Paid or Accrued to Date | <u>3,514,233</u> |
| Outstanding Commitments | <u>\$ 1,780,982</u> |

(13) TAX ABATEMENTS

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

During the year ended June 30, 2018, the City created a tax increment financing ("TIF") district ("Ashland Plaza Redevelopment Project") under the authority granted by Kentucky Revised Statutes (KRS) Chapter 65 and 154.30. The 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, 2021, additional general property taxes of \$55,383 and occupational license fees of \$43,772 were collected and not available to the City.

(14) RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has established an employee's health insurance fund (an internal service fund) to account for and finance its uninsured risk of loss. Under this program, the employees' health insurance fund provides coverage up to a maximum of \$100,000 per covered full-time employee and his or her dependents and eligible retirees. The City purchases commercial insurance for the health and accident claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All full-time employees are eligible to participate in the City's Health Benefit Plan. The claims liability of \$112,515 reported in the Internal Service Fund at June 30, 2021, 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 2020 and 2021 were:

| | Beginning of Fiscal Year Liability | Current Year Claims | Claim Payments | Balance At Fiscal Year End |
|------|--|------------------------|-------------------|----------------------------------|
| 2020 | \$ 961,038 | \$ 5,178,132 | \$ 5,733,294 | \$ 405,876 |
| 2021 | 405,876 | 2,863,348 | 3,156,709 | 112,515 |

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, 2021 totaled (\$132,317), due to forfeiture of unused account balances by terminated employees.

(15) NOTE RECEIVABLE

On September 23, 2008, the City entered into an agreement with Harbor Hill, LLLP to loan \$150,000 from its Community Development Block Grant Funds for the rehabilitation of a building to increase the number of affordable rental housing units available for the benefit of low and very low income persons. The note bears no interest and is due and payable on September 30, 2038.

(16) FUND DEFICIT

As of June 30, 2021, the Ashland Bus Fund had a negative net position of \$753,609. This deficit resulted from the fund's proportionate share of the net pension and OPEB liabilities recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

As of June 30, 2021, the Tax Increment Financing Fund had a negative fund balance of \$895,031. This deficit resulted from incremental tax revenue received by the fund during the year being less than the debt service of the related bond. Sufficient revenue is expected to be received in future years to recover these excess costs.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ASHLAND
DEFINED BENEFIT PENSION TRUSTS
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS
JUNE 30, 2021

| | |
|-----------------------------------|---|
| UTILITY EMPLOYEES PENSION FUND | POLICEMEN AND FIREFIGHTERS PENSION FUND |
|-----------------------------------|---|

| | Percentage of Covered Payroll | | | | | Annual* M-W | | | | |
|------|-------------------------------|------------|----------------------------------|-----------------|-------|--------------------|------------|-----------------|-------|--------------------|
| | Amount Contributed | ADC | Contribution Deficiency (Excess) | Covered Payroll | ARC | Amount Contributed | Payroll | Covered Payroll | ARC | Amount Contributed |
| | | | | | | | | | | |
| 2012 | \$ 567,529 | \$ 316,165 | \$ (251,364) | **N/A | **N/A | \$ 367,165 | \$ 270,665 | **N/A | **N/A | **N/A |
| 2013 | 567,529 | 567,529 | - | **N/A | **N/A | 367,165 | 342,502 | **N/A | **N/A | **N/A |
| 2014 | 650,912 | 383,103 | (267,809) | **N/A | **N/A | 316,277 | 425,142 | **N/A | **N/A | **N/A |
| 2015 | 728,300 | 383,103 | (345,197) | **N/A | **N/A | 411,220 | 564,043 | **N/A | **N/A | **N/A |
| 2016 | 782,736 | 603,145 | (179,591) | **N/A | **N/A | 419,610 | 564,043 | **N/A | **N/A | **N/A |
| 2017 | 737,240 | 603,145 | (134,095) | **N/A | **N/A | 419,610 | 521,302 | **N/A | **N/A | **N/A |
| 2018 | 1,010,604 | 484,950 | (525,654) | **N/A | **N/A | 949,776 | 521,302 | **N/A | **N/A | **N/A |
| 2019 | 845,798 | 484,950 | (360,848) | **N/A | **N/A | 521,302 | 323,671 | **N/A | **N/A | **N/A |
| 2020 | 604,364 | 410,659 | (193,705) | **N/A | **N/A | 323,671 | 323,671 | **N/A | **N/A | **N/A |
| 2021 | 716,227 | 410,659 | (305,568) | **N/A | **N/A | 602,874 | 230,236 | **N/A | **N/A | **N/A |

* 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, 2021**

| Actuarial Valuation Date | Fiduciary Net Position (a) | Total Pension Liability (TPL) Entry Age (b) | Net Pension Liability (NPL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | NPL as a Percentage of Covered Payroll ((b-a)/c) |
|--|-------------------------------------|---|--|--------------------------|---------------------------|--|
| UTILITY EMPLOYEES PENSION FUND | | | | | | |
| 06/30/12 | \$ 2,618,017 | \$ 7,696,263 | \$ 5,078,246 | 34.0% | **N/A | **N/A |
| 06/30/13 * | 2,449,372 | 7,462,369 | 5,012,997 | 32.8% | **N/A | **N/A |
| 06/30/14 | 2,362,804 | 7,823,259 | 5,460,455 | 30.2% | **N/A | **N/A |
| 06/30/15 * | 2,340,422 | 10,865,198 | 8,524,776 | 21.5% | **N/A | **N/A |
| 06/30/16 | 2,360,136 | 10,408,243 | 8,048,107 | 22.7% | **N/A | **N/A |
| 06/30/17 * | 2,373,099 | 9,804,378 | 7,431,279 | 24.2% | **N/A | **N/A |
| 06/30/18 | 2,737,130 | 9,139,815 | 6,402,685 | 29.9% | **N/A | **N/A |
| 06/30/19 * | 2,955,799 | 9,248,646 | 6,292,847 | 32.0% | **N/A | **N/A |
| 06/30/20 | 2,917,710 | 8,747,108 | 5,829,398 | 33.4% | **N/A | **N/A |
| 06/30/21 * | 2,944,978 | 9,162,270 | 6,217,292 | 32.1% | **N/A | **N/A |
| POLICEMEN AND FIREFIGHTERS PENSION FUND | | | | | | |
| 06/30/12 * | \$ 1,246,072 | \$ 4,693,041 | \$ 3,446,969 | 26.6% | **N/A | **N/A |
| 06/30/13 | 999,893 | 4,299,041 | 3,299,148 | 23.3% | **N/A | **N/A |
| 06/30/14 * | 731,401 | 4,338,361 | 3,606,960 | 16.9% | **N/A | **N/A |
| 06/30/15 | 579,210 | 5,016,407 | 4,437,197 | 11.5% | **N/A | **N/A |
| 06/30/16 * | 522,527 | 4,919,883 | 4,397,356 | 10.6% | **N/A | **N/A |
| 06/30/17 | 468,574 | 4,140,203 | 3,671,629 | 11.3% | **N/A | **N/A |
| 06/30/18 * | 1,029,005 | 3,872,818 | 2,843,813 | 26.6% | **N/A | **N/A |
| 06/30/19 | 1,221,257 | 3,557,450 | 2,336,193 | 34.3% | **N/A | **N/A |
| 06/30/20 * | 1,253,053 | 3,318,470 | 2,065,417 | 37.8% | **N/A | **N/A |
| 06/30/21 | 1,569,552 | 2,779,158 | 1,209,606 | 56.5% | **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, 2021

| | UTILITY EMPLOYEES PENSION FUND | | | | | | |
|--|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| TOTAL PENSION LIABILITY | | | | | | | |
| Service cost | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest on total pension liability | 251,158 | 266,520 | 263,270 | 283,228 | 400,459 | 417,961 | 482,003 |
| Effect of changes in benefit terms | - | (262,413) | 457,843 | (274,194) | (265,792) | (312,246) | - |
| Difference in expected and actual experience | 220,253 | 167,553 | 4,302 | (2,629) | (950,704) | 205,645 | 66,792 |
| Effect of changes in assumptions | 636,404 | - | 55,714 | - | 944,652 | - | 3,246,184 |
| Benefit payments | (692,653) | (673,198) | (672,298) | (670,968) | (732,480) | (768,315) | (753,040) |
| Net change in total pension liability | 415,162 | (501,538) | 108,831 | (664,563) | (603,865) | (456,955) | 3,041,939 |
| Total pension liability, beginning of year | 8,747,108 | 9,248,646 | 9,139,815 | 9,804,378 | 10,408,243 | 10,865,198 | 7,823,259 |
| Total pension liability, end of year (a) | 9,162,270 | 8,747,108 | 9,248,646 | 9,139,815 | 9,804,378 | 10,408,243 | 10,865,198 |
| FIDUCIARY NET POSITION | | | | | | | |
| Employer contributions | \$ 716,227 | \$ 604,364 | \$ 845,798 | \$ 1,010,604 | \$ 737,240 | \$ 782,736 | \$ 728,300 |
| Member contributions | - | - | - | - | - | - | - |
| Investment income, net of investment expenses | 5,971 | 35,937 | 47,448 | 29,588 | 10,513 | 10,395 | 4,570 |
| Benefit payments and refund of contributions | (692,653) | (673,198) | (672,298) | (670,968) | (732,480) | (768,315) | (753,040) |
| Administrative expenses | (2,277) | (5,192) | (2,279) | (5,193) | (2,310) | (5,102) | (2,212) |
| Net change in plan fiduciary net position | 27,268 | (38,089) | 218,669 | 364,031 | 12,963 | 19,714 | (22,382) |
| Fiduciary net position, beginning of year | 2,917,710 | 2,955,799 | 2,737,130 | 2,373,099 | 2,360,136 | 2,340,422 | 2,362,804 |
| Fiduciary net position, end of year (b) | 2,944,978 | 2,917,710 | 2,955,799 | 2,737,130 | 2,373,099 | 2,360,136 | 2,340,422 |
| Net pension liability, ending = (a)-(b) | \$ 6,217,292 | \$ 5,829,398 | \$ 6,292,847 | \$ 6,402,685 | \$ 7,431,279 | \$ 8,048,107 | \$ 8,524,776 |

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

CITY OF ASHLAND
DEFINED BENEFIT PENSION TRUSTS
SCHEDULE OF CHANGES IN NET PENSION LIABILITIES (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021

POLICEMEN AND FIREFIGHTERS
PENSION FUND

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| TOTAL PENSION LIABILITY | | | | | | | | |
| Service cost | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest on total pension liability | 79,063 | 101,634 | 110,730 | 157,057 | 186,525 | 237,867 | 249,990 | 199,178 |
| Effect of changes in benefit terms | - | (94,919) | 224,367 | (106,452) | (124,206) | (136,189) | - | 436,571 |
| Difference in expected and actual experience | (330,454) | (86,978) | (314,821) | (247,741) | (368,001) | (100,203) | 24,498 | (28,280) |
| Effect of changes in assumptions | - | 154,488 | - | 324,422 | - | 380,261 | 966,202 | 14,282 |
| Benefit payments | (287,921) | (313,205) | (335,644) | (394,671) | (473,998) | (478,260) | (562,644) | (582,431) |
| Net change in total pension liability | (539,312) | (238,980) | (315,368) | (267,385) | (779,680) | (96,524) | 678,046 | 39,320 |
| Total pension liability, beginning of year | 3,318,470 | 3,557,450 | 3,872,818 | 4,140,203 | 4,919,883 | 5,016,407 | 4,338,361 | 4,299,041 |
| Total pension liability, end of year (a) | 2,779,158 | 3,318,470 | 3,557,450 | 3,872,818 | 4,140,203 | 4,919,883 | 5,016,407 | 4,338,361 |
| FIDUCIARY NET POSITION | | | | | | | | |
| Employer contributions | \$ 602,874 | \$ 323,671 | \$ 521,302 | \$ 949,776 | \$ 419,610 | \$ 419,610 | \$ 411,220 | \$ 316,277 |
| Member contributions | - | - | - | - | - | - | - | - |
| Investment income, net of investment expenses | 6,364 | 23,230 | 12,563 | 7,327 | 5,107 | 3,994 | 3,787 | 857 |
| Benefit payments and refund of contributions | (287,921) | (313,205) | (335,644) | (394,671) | (473,998) | (478,260) | (562,644) | (582,431) |
| Administrative expenses | (4,818) | (1,900) | (5,969) | (2,001) | (4,672) | (2,027) | (4,554) | (3,195) |
| Net change in plan fiduciary net position | 316,499 | 31,796 | 192,252 | 560,431 | (53,953) | (56,683) | (152,191) | (268,492) |
| Fiduciary net position, beginning of year | 1,253,053 | 1,221,257 | 1,029,005 | 468,574 | 522,527 | 579,210 | 731,401 | 999,893 |
| Fiduciary net position, end of year (b) | 1,569,552 | 1,253,053 | 1,221,257 | 1,029,005 | 468,574 | 522,527 | 579,210 | 731,401 |
| Net pension liability, ending = (a)-(b) | \$ 1,209,606 | \$ 2,065,417 | \$ 2,336,193 | \$ 2,843,813 | \$ 3,671,629 | \$ 4,397,356 | \$ 4,437,197 | \$ 3,606,960 |

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

CITY OF ASHLAND
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021

| | Reporting Fiscal Year (Measurement Date) | | | |
|--|---|--------------------------------|--------------------------------|--|
| | 2021 (2020) | 2020 (2019) | 2019 (2018) | |
| PENSION | | | | |
| City's proportion of the net pension liability | Nonhaz. Hazardous | Nonhaz. Hazardous | Nonhaz. Hazardous | |
| | 0.30887% 1.12199% | 0.30736% 1.10540% | 0.31496% 1.11871% | |
| City's proportionate share of the net pension liability | \$ 23,690,073 \$ 33,828,166 | \$ 21,616,977 \$ 30,534,523 | \$ 19,181,719 \$ 27,055,399 | |
| City's covered payroll | \$ 7,436,891 \$ 6,785,778 | \$ 7,115,364 \$ 6,506,066 | \$ 7,019,185 \$ 6,513,275 | |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 318.548% 498.516% | 303.807% 469.324% | 273.276% 415.389% | |
| Plan fiduciary net position as a percentage of the total pension liability | 47.81% 44.11% | 50.45% 46.63% | 53.54% 49.26% | |
| INSURANCE FUND | | | | |
| City's proportion of the net OPEB liability | 0.30879% 1.12182% | 0.30746% 1.10545% | 0.31499% 1.11901% | |
| City's proportionate share of the net OPEB liability | \$ 7,456,315 \$ 10,366,782 | \$ 5,171,305 \$ 8,178,810 | \$ 5,592,603 \$ 7,978,052 | |
| City's covered payroll | \$ 7,436,891 \$ 6,785,778 | \$ 7,115,364 \$ 6,506,066 | \$ 7,019,185 \$ 6,513,275 | |
| City's proportionate share of the net OPEB liability as a percentage of its covered payroll | 100.261% 152.772% | 72.678% 125.711% | 79.676% 122.489% | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 51.67% 58.84% | 60.44% 64.44% | 57.62% 64.24% | |

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 (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021

| | Reporting Fiscal Year (Measurement Date) | | | | | |
|--|---|----------------|---------------|----------------|---------------|----------------|
| | 2018 (2017) | 2017 (2016) | | 2016 (2015) | | 2015 (2014) |
| | Nonhaz. | Hazardous | Nonhaz. | Hazardous | Nonhaz. | Hazardous |
| PENSION | | | | | | |
| City's proportion of the net pension liability | 0.31601% | 1.12239% | 0.32717% | 1.19593% | 0.32806% | 1.19771% |
| City's proportionate share of the net pension liability | \$ 18,496,978 | \$ 25,110,923 | \$ 16,108,362 | \$ 20,521,406 | \$ 14,104,958 | \$ 18,386,060 |
| City's covered payroll | \$ 7,086,423 | \$ 6,630,921 | \$ 7,781,684 | \$ 6,198,395 | \$ 7,627,360 | \$ 6,041,405 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 261.020% | 378.694% | 207.004% | 331.076% | 184.926% | 304.334% |
| Plan fiduciary net position as a percentage of the total pension liability | 53.30% | 49.80% | 55.50% | 53.95% | 59.97% | 57.52% |
| INSURANCE FUND | | | | | | |
| City's proportion of the net OPEB liability | 0.31601% | 1.12239% | | | | |
| City's proportionate share of the net OPEB liability | \$ 6,352,862 | \$ 9,278,454 | | | | |
| City's covered payroll | \$ 7,086,423 | \$ 6,630,921 | | | | |
| City's proportionate share of the net OPEB liability as a percentage of its covered payroll | 89.648% | 139.927% | | | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | 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, 2021

| | 2021 | | | 2020 | | | 2019 | | | 2018 | |
|--|-------------|-------------|--|-------------|-------------|--|-------------|-------------|--|-------------|-------------|
| | Nonhaz. | Hazardous | | Nonhaz. | Hazardous | | Nonhaz. | Hazardous | | Nonhaz. | Hazardous |
| PENSION | | | | | | | | | | | |
| Contractually required contribution | \$1,443,287 | \$2,109,330 | | \$1,435,320 | \$2,039,805 | | \$1,154,112 | \$1,617,408 | | \$1,016,378 | \$1,445,947 |
| Contributions in relation to the contractually required contribution | 1,443,287 | 2,109,330 | | 1,435,320 | 2,039,805 | | 1,154,112 | 1,617,408 | | 1,016,378 | 1,445,947 |
| Contribution deficiency (excess) | - | - | | - | - | | - | - | | - | - |
| City's covered payroll | \$7,478,171 | \$7,017,066 | | \$7,436,891 | \$6,785,778 | | \$7,115,364 | \$6,506,066 | | \$7,019,185 | \$6,513,275 |
| City's contributions as a percentage of its covered payroll | 19.30% | 30.06% | | 19.30% | 30.06% | | 16.22% | 24.86% | | 14.48% | 22.20% |
| INSURANCE FUND | | | | | | | | | | | |
| Contractually required contribution | \$ 355,962 | \$ 668,026 | | \$ 353,996 | \$ 646,008 | | \$ 374,311 | \$ 681,680 | | \$ 329,818 | \$ 609,123 |
| Contributions in relation to the contractually required contribution | 355,962 | 668,026 | | 353,996 | 646,008 | | 374,311 | 681,680 | | 329,818 | 609,123 |
| Contribution deficiency (excess) | - | - | | - | - | | - | - | | - | - |
| City's covered payroll | \$7,478,171 | \$7,017,066 | | \$7,436,891 | \$6,785,778 | | \$7,115,364 | \$6,506,066 | | \$7,019,185 | \$6,513,275 |
| City's contributions as a percentage of its covered payroll | 4.76% | 9.52% | | 4.76% | 9.52% | | 5.26% | 10.47% | | 4.70% | 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
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021

| | 2017 | | | 2016 | | | 2015 | | | 2014 | |
|--|-------------|-------------|----|-------------|-------------|----|-------------|-------------|----|-------------|-------------|
| | Nonhaz. | Hazardous | | Nonhaz. | Hazardous | | Nonhaz. | Hazardous | | Nonhaz. | Hazardous |
| PENSION | | | | | | | | | | | |
| Contractually required contribution | \$ 988,556 | \$1,439,573 | \$ | \$ 966,485 | \$1,255,795 | \$ | \$ 972,488 | \$1,252,383 | \$ | \$ 999,158 | \$1,258,820 |
| Contributions in relation to the contractually required contribution | 988,556 | 1,439,573 | | 966,485 | 1,255,795 | | 972,488 | 1,252,383 | | 999,158 | 1,258,820 |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - | - | - |
| City's covered payroll | \$7,086,423 | \$6,630,921 | | \$7,781,684 | \$6,198,395 | | \$7,627,360 | \$6,041,405 | | \$7,271,891 | \$5,782,361 |
| City's contributions as a percentage of its covered payroll | 13.95% | 21.71% | | 12.42% | 20.26% | | 12.75% | 20.73% | | 13.74% | 21.77% |
| INSURANCE FUND | | | | | | | | | | | |
| Contractually required contribution | \$ 334,812 | \$ 619,902 | | | | | | | | | |
| Contributions in relation to the contractually required contribution | 334,812 | 619,902 | | | | | | | | | |
| Contribution deficiency (excess) | - | - | - | - | - | - | - | - | - | - | - |
| City's covered payroll | \$7,086,423 | \$6,630,921 | | | | | | | | | |
| City's contributions as a percentage of its covered payroll | 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, 2021

(1) CHANGES OF ASSUMPTIONS

UTILITY EMPLOYEES PENSION FUND

In the 2021 valuation, the expected investment rate of return was reduced from 3.0% 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 4.0% to 3.0%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

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

POLICEMEN AND FIREFIGHTERS PENSION FUND

In the 2020 valuation, the expected investment rate of return was reduced from 3.0% to 2.5%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

In the 2018 valuation, the expected investment rate of return was reduced from 4.0% to 3.0%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

In the 2016 valuation, the expected investment rate of return was reduced from 5.0% to 4.0%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

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

CERS

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

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

CITY OF ASHLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLANS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2021

- 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.

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

UTILITY EMPLOYEES PENSION FUND

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

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 20 years |
| Asset Valuation Method | Fair market value, quoted prices |
| Cost of Living Adjustments | 3.0% |
| Salary Increase | None |
| Investment Rate of Return | 2.5%, net of pension plan investment expense, including inflation |

CITY OF ASHLAND

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - PENSION PLANS (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2021

POLICEMEN AND FIREFIGHTERS PENSION FUND

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

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 10 years |
| Asset Valuation Method | Fair market value, quoted prices |
| Cost of Living Adjustments | 3.0% |
| Salary Increase | None |
| Investment Rate of Return | 2.25%, net of pension plan investment expense, including inflation |

CERS

The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal year ended 2018, determined as of July 1, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates for the year ending June 30, 2019:

| | |
|--------------------------------|---|
| Experience Study | July 1, 2013 – June 30, 2018 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level percentage of payroll |
| Remaining Amortization Period | 25 years, closed |
| Payroll growth | 2.00% |
| Asset Valuation Method | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized |
| Inflation | 2.30% |
| Salary Increase - Nonhazardous | 3.30% to 11.55%, varies by service |
| Salary Increase - Hazardous | 3.05% to 18.55%, varies by service |
| Investment Rate of Return | 6.25%, net of pension plan investment expense, including inflation |
| Mortality | RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females) |

(3) CHANGES OF BENEFIT TERMS

UTILITY EMPLOYEES PENSION FUND

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

POLICEMEN AND FIREFIGHTERS PENSION FUND

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

CITY OF ASHLAND
NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - PENSION PLANS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2021

CERS

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

CITY OF ASHLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLANS

FOR THE YEAR ENDED JUNE 30, 2021

(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.

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

CERS INSURANCE FUND

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2020:

| | |
|--------------------------------|---|
| Experience Study | July 1, 2008 – June 30, 2013 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percent of Pay |
| Remaining Amortization Period | 25 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 - Nonhazardous | 3.30% to 11.55%, varies by service |
| Salary Increase - Hazardous | 3.05% to 18.55%, varies by service |

CITY OF ASHLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLANS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2021

| | |
|---------------------------|---|
| Investment Rate of Return | 6.25% |
| Healthcare Trend Rates | |
| Pre-65 | Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. |
| Post-65 | Initial trend starting at 5.00% at and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years. |
| Mortality | RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females) |
| Phase-in Provision | Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS non-hazardous and hazardous. |

(3) CHANGES OF BENEFITS

CERS INSURANCE FUND

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

SUPPLEMENTAL INFORMATION

CITY OF ASHLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | Original Budget | Revisions | Revised Budget | Actual | Variance Positive (Negative) |
|--|--------------------|-----------|-------------------|--------------|------------------------------------|
| Revenues | | | | | |
| Property and other local taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Fees, fines and reimbursements | - | - | - | - | - |
| Grant income | - | - | - | - | - |
| Administration fee income | - | - | - | - | - |
| Interest income | - | - | - | - | - |
| Other income | - | - | - | - | - |
| Total revenues | - | - | - | - | - |
| Expenditures | | | | | |
| General government | 1,525 | - | 1,525 | 3,409 | (1,884) |
| Finance | - | - | - | - | - |
| Public services | - | - | - | - | - |
| Planning and code enforcement | - | - | - | - | - |
| Police | - | - | - | - | - |
| Fire | - | - | - | - | - |
| Engineering | - | - | - | - | - |
| Community and cultural | - | - | - | - | - |
| Other | - | - | - | - | - |
| Capital outlay | 1,028,217 | 391,793 | 1,420,010 | 910,687 | 509,323 |
| Debt service: | | | | | |
| Principal retirement | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - |
| Total expenditures | 1,029,742 | 391,793 | 1,421,535 | 914,096 | 507,439 |
| Excess (deficiency) of revenues over (under) expenditures | (1,029,742) | (391,793) | (1,421,535) | (914,096) | 507,439 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 1,029,742 | 391,793 | 1,421,535 | 1,163,789 | (257,746) |
| Total other financing sources (uses) | 1,029,742 | 391,793 | 1,421,535 | 1,163,789 | (257,746) |
| Net change in fund balance | - | - | - | 249,693 | 249,693 |
| Fund balance beginning of year | 850,000 | - | 850,000 | 850,000 | - |
| Fund balance end of year | \$ 850,000 | \$ - | \$ 850,000 | \$ 1,099,693 | \$ 249,693 |

CITY OF ASHLAND

GENERAL FUND

BALANCE SHEET

JUNE 30, 2021

ASSETS

| | |
|-----------------------------------|----------------------|
| Cash | \$ 4,198,379 |
| Taxes receivable | 2,943,817 |
| Allowance for uncollectible taxes | (487,229) |
| Grants receivable | 588,292 |
| Due from other funds | 6,156,030 |
| Bond proceeds receivable | 9,034,671 |
| Other receivables | 352,782 |
| Prepaid items | 621,090 |
| Inventories - supplies | <u>196,461</u> |
| Total assets | <u>\$ 23,604,293</u> |

LIABILITIES AND FUND BALANCE

| | |
|------------------------------------|----------------------|
| Liabilities: | |
| Accounts payable | \$ 433,800 |
| Due to other funds | 1,895,043 |
| Due to Board of Education | 52,812 |
| Accrued compensated absences | 176,192 |
| Accrued expenses | <u>584,052</u> |
| Total liabilities | <u>3,141,899</u> |
| Fund Balance: | |
| Non-spendable | 817,551 |
| Restricted for grant programs | 588,292 |
| Committed | 9,034,671 |
| Unassigned | <u>10,021,880</u> |
| Total fund balance | <u>20,462,394</u> |
| Total liabilities and fund balance | <u>\$ 23,604,293</u> |

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2021

| | Budget | Actual | Variance |
|--------------------------------------|--------------|--------------|------------|
| REVENUES: | | | |
| Taxes - | | | |
| General property taxes | \$ 4,456,541 | \$ 5,060,873 | \$ 604,332 |
| Penalties and interest | 33,500 | 5,380 | (28,120) |
| Delinquent taxes | 175,000 | 224,055 | 49,055 |
| Vehicle property taxes | 411,925 | 430,457 | 18,532 |
| Bank franchise taxes | 165,600 | 194,623 | 29,023 |
| Other franchise taxes | 149,140 | 39,962 | (109,178) |
| Insurance premium taxes | 4,002,300 | 4,257,533 | 255,233 |
| Total taxes | 9,394,006 | 10,212,883 | 818,877 |
| Licenses and permits - | | | |
| Occupational license fees | 8,045,460 | 11,096,214 | 3,050,754 |
| Business privilege licenses | 887,097 | 2,027,749 | 1,140,652 |
| Alcoholic beverage licenses | 558,500 | 723,848 | 165,348 |
| Construction permit fees | 25,000 | 67,575 | 42,575 |
| Other licenses and permits | 725 | 540 | (185) |
| Total licenses and permits | 9,516,782 | 13,915,926 | 4,399,144 |
| Charge for services - | | | |
| Garbage collection fee | 2,215,435 | 2,288,752 | 73,317 |
| Greyhound ticket sales | 5,785 | 1,965 | (3,820) |
| Rental revenue | 60,000 | 56,934 | (3,066) |
| Total charges for services | 2,281,220 | 2,347,651 | 66,431 |
| Fees, fines and reimbursements - | | | |
| Parking meter fees and fines | 2,500 | 5,087 | 2,587 |
| Taxes collection fees | 122,750 | 164,667 | 41,917 |
| State rebate - District Court | 23,100 | 13,322 | (9,778) |
| Street lighting franchise | 1,031,500 | 1,043,991 | 12,491 |
| Telecommunication franchise | 278,650 | 282,056 | 3,406 |
| Other | 381,962 | 445,730 | 63,768 |
| Total fees, fines and reimbursements | 1,840,462 | 1,954,853 | 114,391 |
| Other revenues - | | | |
| Police grants and revenue | 74,250 | 84,652 | 10,402 |
| Miscellaneous grants | 1,257,551 | 1,304,933 | 47,382 |
| Coal severance - LGEA | - | 200 | 200 |
| Interest earned | 2,750 | 5,614 | 2,864 |
| Other | 130,000 | 255,399 | 125,399 |
| Total other revenues | 1,464,551 | 1,650,798 | 186,247 |
| Total revenues | 24,497,021 | 30,082,111 | 5,585,090 |

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--|------------------|------------------|------------------|
| EXPENDITURES: | | | |
| General Government - | | | |
| Mayor and Commissioners | 83,918 | 78,266 | 5,652 |
| City Manager | 153,754 | 154,560 | (806) |
| City Clerk/Legal | 208,116 | 215,114 | (6,998) |
| Human Resources | 226,577 | 212,017 | 14,560 |
| Unclassified | 3,583,864 | 1,622,340 | 1,961,524 |
| | <u>4,256,229</u> | <u>2,282,297</u> | <u>1,973,932</u> |
| Department of Finance - | | | |
| Director of Finance | 539,213 | 512,535 | 26,678 |
| Data Processing | 26,138 | 26,062 | 76 |
| | <u>565,351</u> | <u>538,597</u> | <u>26,754</u> |
| Department of Public Services - | | | |
| Director of Public Services | 18,390 | 16,845 | 1,545 |
| Street maintenance | 2,489,339 | 2,312,804 | 176,535 |
| Sanitation services | 1,477,483 | 1,359,715 | 117,768 |
| Central garage | 321,619 | 316,980 | 4,639 |
| Animal control | 82,051 | 72,551 | 9,500 |
| | <u>4,388,882</u> | <u>4,078,895</u> | <u>309,987</u> |
| Department of Planning and Economic Development - | | | |
| Planning and Code Enforcement | 385,946 | 363,604 | 22,342 |
| Economic Development | 148,841 | 135,624 | 13,217 |
| | <u>534,787</u> | <u>499,228</u> | <u>35,559</u> |
| Department of Police - | | | |
| Technical services | 1,825,826 | 1,802,468 | 23,358 |
| Field operations | 3,808,798 | 3,443,895 | 364,903 |
| | <u>5,634,624</u> | <u>5,246,363</u> | <u>388,261</u> |

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2021

| | Budget | Actual | Variance |
|---|--------------|---------------|---------------|
| Department of Fire | 6,524,005 | 6,161,341 | 362,664 |
| Department of Engineering | 168,379 | 130,054 | 38,325 |
| Debt Service | 626,679 | 4,354,082 | (3,727,403) |
| Total expenditures | 22,698,936 | 23,290,857 | (591,921) |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 1,798,085 | 6,791,254 | 4,993,169 |
| OTHER FINANCING SOURCES (USES): | | | |
| Proceeds from issuance of debt | - | 11,170,000 | 11,170,000 |
| Proceeds from issuance of debt - premium | - | 1,815,487 | 1,815,487 |
| Transfer to Capital Projects Fund | (1,421,535) | (1,163,789) | 257,746 |
| Transfer to Tax Increment Finance Fund | (235,296) | - | 235,296 |
| Transfer to Recreation Fund | (1,443,652) | (1,448,349) | (4,697) |
| Transfer to Ashland Bus Fund | - | (16,679) | (16,679) |
| Transfer to Ashland Cemetery Fund | (17,025) | (195,611) | (178,586) |
| Total other financing sources (uses) | (3,117,508) | 10,161,059 | 13,278,567 |
| NET CHANGE IN FUND BALANCE | (1,319,423) | 16,952,313 | 18,271,736 |
| FUND BALANCE, June 30, 2020 | 3,510,081 | 3,510,081 | - |
| FUND BALANCE, June 30, 2021 | \$ 2,190,658 | \$ 20,462,394 | \$ 18,271,736 |

CITY OF ASHLAND

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

JUNE 30, 2021

| | Land & Buildings | Building Improvements | Automotive Equipment | Operating Equipment | Office Furniture & Equipment | Capital Improvements | Infrastructure | CIP | Total |
|---|----------------------|--------------------------|-------------------------|------------------------|------------------------------------|-------------------------|----------------------|------------------|-----------------------|
| Dept of General Gov't | \$ 3,789,270 | \$ 1,833,433 | \$ 61,332 | \$ 86,741 | \$ 274,077 | \$ 106,963 | \$ 11,915,776 | \$ - | \$ 18,067,592 |
| Dept of Finance | - | - | 28,384 | 56,243 | 47,120 | - | - | - | 131,747 |
| Dept of Public Services | 15,940,185 | 747,366 | 434,733 | 3,644,387 | 64,281 | 2,767,209 | 53,559,783 | 70,853 | 77,228,797 |
| Dept of Planning & Community Development | - | - | 93,220 | 6,799 | 15,740 | - | - | - | 115,759 |
| Department of Police | 4,949,556 | 246,711 | 2,430,217 | 620,182 | 129,187 | 19,350 | - | - | 8,395,203 |
| Department of Fire | 3,869,126 | 235,843 | 3,718,059 | 529,550 | 33,830 | - | - | - | 8,386,408 |
| Department of Engineering | - | - | 89,856 | 11,595 | 67,190 | 74,458 | - | - | 243,099 |
| Floodwall Operations | 15,121 | 16,048 | 86,511 | 153,477 | - | - | - | - | 271,157 |
| 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 |
| | <u>\$ 28,957,159</u> | <u>\$ 3,209,771</u> | <u>\$ 6,942,312</u> | <u>\$ 5,108,974</u> | <u>\$ 669,694</u> | <u>\$ 2,967,980</u> | <u>\$ 66,800,239</u> | <u>\$ 70,853</u> | <u>\$ 114,726,982</u> |

CITY OF ASHLAND

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

JUNE 30, 2021

| | |
|--|-----------------------|
| Land and buildings | \$ 28,957,159 |
| Building improvements | 3,209,771 |
| Automotive equipment | 6,942,312 |
| Operating equipment | 5,108,974 |
| Office furniture and equipment | 669,694 |
| Capital improvements | 2,967,980 |
| Infrastructure | 66,800,239 |
| Construction in progress | <u>70,853</u> |
| Total | <u>\$ 114,726,982</u> |
| Investment in capital assets by source | |
| General Fund | \$ 76,882,544 |
| Special Revenue Funds | 9,402,403 |
| Capital Projects Fund | <u>28,442,035</u> |
| Total | <u>\$ 114,726,982</u> |

CITY OF ASHLAND
ASHLAND PLANNING AND CDA (KY142)
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2021

| | 14.871 Housing Choice Vouchers | 14.HCC HCV CARES Act Funding | Total |
|---|-----------------------------------|------------------------------------|-------------------|
| 111 Cash - Unrestricted | \$ 126,894 | \$ - | \$ 126,894 |
| 113 Cash - Other Restricted | 331,666 | 92,858 | 424,524 |
| 100 Total Cash | <u>458,560</u> | <u>92,858</u> | <u>551,418</u> |
| 124 Accounts Receivable - Other Government | - | - | - |
| 128 Fraud Recovery | 75,341 | - | 75,341 |
| 128.1 Allowance for Doubtful Accounts - Fraud | (68,084) | - | (68,084) |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | <u>7,257</u> | <u>-</u> | <u>7,257</u> |
| 150 Total Current Assets | <u>465,817</u> | <u>92,858</u> | <u>558,675</u> |
| 162 Buildings | 162,983 | - | 162,983 |
| 164 Furniture, Equipment & Machinery - Administration | 19,646 | - | 19,646 |
| 166 Accumulated Depreciation | (110,480) | - | (110,480) |
| 160 Total Capital Assets, Net of Accumulated Depreciation | <u>72,149</u> | <u>-</u> | <u>72,149</u> |
| 180 Total Non-Current Assets | <u>72,149</u> | <u>-</u> | <u>72,149</u> |
| 200 Deferred Outflow of Resources | <u>-</u> | <u>-</u> | <u>-</u> |
| 290 Total Assets and Deferred Outflow of Resources | <u>\$ 537,966</u> | <u>\$ 92,858</u> | <u>\$ 630,824</u> |
| 312 Accounts Payable <= 90 Days | \$ 6,693 | \$ - | \$ 6,693 |
| 321 Accrued Wage/Payroll Taxes Payable | 1,948 | - | 1,948 |
| 322 Accrued Compensated Absences - Current Portion | 2,328 | - | 2,328 |
| 333 Accounts Payable - Other Government | 48,346 | - | 48,346 |
| 342 Unearned Revenue | 278,297 | 92,858 | 371,155 |
| 310 Total Current Liabilities | <u>337,612</u> | <u>92,858</u> | <u>430,470</u> |
| 354 Accrued Compensated Absences - Non-Current | 11,835 | - | 11,835 |
| 350 Total Non-Current Liabilities | <u>11,835</u> | <u>-</u> | <u>11,835</u> |
| 300 Total Liabilities | <u>349,447</u> | <u>92,858</u> | <u>442,305</u> |
| 400 Deferred Inflow of Resources | <u>-</u> | <u>-</u> | <u>-</u> |
| 508.4 Net Investment in Capital Assets | 72,149 | - | 72,149 |
| 511.4 Restricted Net Position | 53,369 | - | 53,369 |
| 512.4 Unrestricted Net Position | 63,001 | - | 63,001 |
| 513 Total Equity - Net Assets / Position | <u>188,519</u> | <u>-</u> | <u>188,519</u> |
| 600 Total Liabilities, Deferred Inflows of Resources and Equity - Net | <u>\$ 537,966</u> | <u>\$ 92,858</u> | <u>\$ 630,824</u> |

CITY OF ASHLAND
ASHLAND PLANNING AND CDA (KY142)
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2021

| | 14.871 Housing Choice Vouchers | 14.HCC HCV CARES Act Funding | Total |
|--|-----------------------------------|------------------------------------|--------------|
| 70600 HUD PHA Operating Grants | \$ 3,369,823 | \$ 31,622 | \$ 3,401,445 |
| 71100 Investment Income - Unrestricted | 236 | - | 236 |
| 70000 Total Revenue | 3,370,059 | 31,622 | 3,401,681 |
| 91100 Administrative Salaries | 130,373 | - | 130,373 |
| 91200 Auditing Fees | 4,303 | - | 4,303 |
| 91500 Employee Benefit Contributions - Administrative | 35,442 | - | 35,442 |
| 91800 Travel | - | - | - |
| 91900 Other | 14,020 | 31,622 | 45,642 |
| 91000 Total Operating - Administrative | 184,138 | 31,622 | 215,760 |
| 93800 Other Utilities Expense | 4,174 | - | 4,174 |
| 93000 Total Utilities | 4,174 | - | 4,174 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | 17,651 | - | 17,651 |
| 94000 Total Maintenance | 17,651 | - | 17,651 |
| 96110 Property Insurance | 134 | - | 134 |
| 96120 Liability Insurance | 4,164 | - | 4,164 |
| 96130 Workmen's Compensation | 214 | - | 214 |
| 96140 All Other Insurance | 29,404 | - | 29,404 |
| 96100 Total Insurance Premiums | 33,916 | - | 33,916 |
| 96200 Other General Expenses | 38,580 | - | 38,580 |
| 96210 Compensated Absences | 84 | - | 84 |
| 96000 Total Other General Expenses | 38,664 | - | 38,664 |
| 96900 Total Operating Expenses | 278,543 | 31,622 | 310,165 |
| 97000 Excess of Operating Revenue Over Operating Expenses | 3,091,516 | - | 3,091,516 |
| 97300 Housing Assistance Payments | 2,975,128 | - | 2,975,128 |
| 97400 Depreciation Expense | 3,477 | - | 3,477 |
| 90000 Total Expenses | 3,257,148 | 31,622 | 3,288,770 |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | \$ 112,911 | \$ - | \$ 112,911 |
| 11020 Required Annual Debt Principal Payments | - | - | - |
| 11030 Beginning Equity | \$ 75,608 | \$ - | \$ 75,608 |
| 11170 Administrative Fee Equity | \$ 135,150 | \$ - | \$ 135,150 |
| 11180 Housing Assistance Payments Equity | \$ 53,369 | \$ - | \$ 53,369 |
| 11190 Unit Months Available | 7,572 | - | 7,572 |
| 11210 Number of Unit Months Leased | 5,856 | - | 5,856 |

CITY OF ASHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantor's Number</u> | <u>Passed Through to Subrecipients</u> | <u>Expenditures</u> |
|---|------------------------------------|--|--|---------------------|
| <u>U.S. Department of HUD</u> | | | | |
| Direct Programs: | | | | |
| CDBG Entitlement | 14.218 | - | \$ 517,453 | \$ 849,550 |
| CDBG Entitlement - COVID-19 | 14.218 | - | - | 192,915 |
| | | | | <u>1,042,465</u> * |
| Housing Choice Voucher Program | 14.871 | - | - | 3,253,587 |
| HCV CARES Act Funding | 14.HCC | - | - | 31,622 |
| | | | | <u>3,285,209</u> |
| Total U.S. Department of HUD | | | | <u>4,327,674</u> |
| <u>U.S. Department of Transportation</u> | | | | |
| Direct Programs: | | | | |
| Federal Transit Cluster | | | | |
| FTA - Operating Assistance Grant - COVID-19 | 20.507 | - | - | 1,038,491 |
| FTA - Capital Assistance Grant | 20.507 | - | - | 133,453 |
| | | | | <u>1,171,944</u> * |
| Passed through Kentucky Transportation Cabinet: | | | | |
| Highway Planning and Construction | 20.205 | - | - | 198,886 |
| National Priority Safety Programs | 20.616 | M5HVE-2020-01 | - | 945 |
| Total U.S. Department of Transportation | | | | <u>1,371,775</u> |
| <u>U.S. Department of Homeland Security</u> | | | | |
| Passed through Kentucky Department of Homeland Security: | | | | |
| Assistance to Firefighters Grant | 97.044 | EMW-2019-FG-05550 | - | 409,091 |
| Public Assistance Program | 97.036 | DR-4592 | - | 26,442 |
| COVID-19 Public Assistance Program | 97.036 | DR-4497 | - | 53,640 |
| | | | | <u>80,082</u> |
| Total U.S. Department of Homeland Security | | | | <u>489,173</u> |
| <u>U.S. Department of the Treasury</u> | | | | |
| Passed through Department of Local Government | | | | |
| COVID-19 Coronavirus Relief Fund | 21.019 | C3-004 | - | 151,814 |
| COVID-19 Coronavirus Relief Fund | 21.019 | C2-043 | - | 453,575 |
| Total U.S. Department of the Treasury | | | | <u>605,389</u> |
| <u>Executive Office of the President</u> | | | | |
| Passed through Laurel County Fiscal Court | | | | |
| High Intensity Drug Trafficking Areas Program | 95.001 | G20AP0001A | - | 42,860 |
| Total Executive Office of the President | | | | <u>42,860</u> |
| Total expenditures of Federal awards | | | <u>\$ 517,453</u> | <u>\$ 6,836,871</u> |

* Denotes major program.

CITY OF ASHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Ashland, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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



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

Matt Perkins, Mayor
City Commissioners and City Manager
City of Ashland
Ashland, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ashland, Kentucky (the "City"), as of and for the year ended June 30, 2021, 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 11, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 Gallaway Smith Goodley, PSC

Ashland, Kentucky
January 11, 2022



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

Matt Perkins, Mayor
City Commissioners and City Manager
City of Ashland
Ashland, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the City of Ashland, Kentucky's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

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

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

Kelley Gallaway Smith Goodley, PSC

Ashland, Kentucky

January 11, 2022

CITY OF ASHLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

☐ Material weakness(es) identified?

___ Yes X No

☐ Significant deficiency(ies) identified?

___ Yes X None reported

Noncompliance material to the

☐ financial statements noted?

___ Yes X No

Federal Awards

Internal control over major federal programs:

☐ Material weakness(es) identified?

___ Yes X No

☐ Significant deficiency(ies) identified?

X 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)?

X Yes ___ No

Identification of Major Programs:

CDBG Entitlement

Federal Transit Cluster

CFDA No.

14.218

20.507

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

\$750,000

Auditee qualified as low risk auditee?

X Yes ___ No

CITY OF ASHLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2021

B. FINANCIAL STATEMENT FINDINGS

None noted in the current year.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2021-001 FEDERAL COMPLIANCE - PROGRAM COMPLIANCE

Federal Program Name: Community Development Block Grant (CDBG),

Catalog of Federal Domestic Assistance Number: 14.218

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

Compliance Requirement: Special Tests and Provisions and Reporting

Criteria: 24 CFR 570.501(b) states that a recipient is responsible for ensuring that CDBG funds are used in accordance with all program requirements.

Condition: During the 2021 fiscal year, a remote regulatory review was performed by the U.S. Department of Housing and Urban Development (HUD) that identified compliance issues. The following is a summary of noncompliance noted during the review and while performing our procedures:

1. A construction contract was executed prior to HUD approving the Request for Release of Funds (RROF). The contract was executed on December 13, 2019 and stated that payment thereunder was "to be paid for by Community Development Block Grant (CDBG) Funds." However, the RROF was not approved by HUD until January 31, 2020.
2. The environmental assessment for the Pollard Mills Infrastructure Project had several deficiencies that required correction.
3. Eligible individuals that received utility payments from CDBG-CV funds were not informed that if they received duplicated assistance, reimbursement of the benefits received would be required.
4. The addresses of two individuals who received boxed food purchased with CDBG-CV funds were not verified to ensure they resided in an area eligible to receive benefits.
5. Reporting under the Transparency Act for subawards that exceeded the \$30,000 threshold was not completed.

Cause: Procedures were not in place to ensure compliance with program requirements.

Effect and Questioned Costs: Due to the non-compliance noted during the remote monitoring, the City was required to reimburse HUD for ineligible activities totaling \$25,844.57.

Repeat Finding: Repeat of 2020-001

CITY OF ASHLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2021

Recommendation: We recommend that the program administrator, all program staff and a representative from the Finance department obtain extensive training on CDBG program requirements. Additionally, the City should implement adequate procedures to document compliance with CDBG national objectives.

Management's Response: In response to the noted issues, the City will implement the following changes:

- The new Program and Grant Administrator will receive extensive training on environmental review procedures and will work closely with the Department of Housing and Urban Development's regional environmental review officer, as well as Ashland's certifying officer, to ensure compliance with all regulations. Additionally, the Program and Grant Administrator will review and update the project checklist containing the required steps of the environmental review, Request for Release of Funds, and the Authorization to Use Grant Funds.
- Guidance regarding duplication of services was established by HUD after the City had distributed applications for the utility assistance program, which has been discontinued. If the utility assistance program resumes, or if a similar program begins, the Program and Grant Administrator will ensure eligible individuals are informed of the requirement to reimburse duplicate assistance both verbally and in writing.
- The City of Ashland food box program has been discontinued. The City has established a contract with Ashland Community Kitchen to reimburse a food box program in the East Central CDBG target area.
- The new Program and Grant Administrator will receive extensive training regarding the Transparency Act for subawards exceeding the \$30,000 threshold to ensure compliance with future programs.



1700 Greenup Ave
PO BOX 1839
Ashland, KY 41101
www.ashlandky.gov

Mayor
Matt Perkins

Commissioners
Josh Blanton
Amanda Clark
Marty Gute
Cheryl Spriggs

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

City Manager
Michael S. Graese

City Manager's Office
606-385-3303

City Building Main
606-385-3400

Ashland BusSystem
606-385-3287

Assisted Housing
606-385-3327

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

Engineering & Utilities
606-385-3332

Finance
606-385-3346

Human Resources
606-385-3312

Legal/City Clerk
606-385-3287

Parks and Recreation
606-385-3295

Public Services
606-385-3332

January 11, 2022

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,


Michael Graese
City Manager

CITY OF ASHLAND

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2021

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|-----------------------|---|------------------------------------|---|
| 2021-001 | <p>In response to the noted issues, the City will implement the following changes:</p> <ul style="list-style-type: none"> • The new Program and Grant Administrator will receive extensive training on environmental review procedures and will work closely with the Department of Housing and Urban Development's regional environmental review officer, as well as Ashland's certifying officer, to ensure compliance with all regulations. Additionally, the Program and Grant Administrator will review and update the project checklist containing the required steps of the environmental review, Request for Release of Funds, and the Authorization to Use Grant Funds. • Guidance regarding duplication of services was established by HUD after the City had distributed applications for the utility assistance program, which has been discontinued. If the utility assistance program resumes, or if a similar program begins, the Program and Grant Administrator will ensure eligible individuals are informed of the requirement to reimburse duplicate assistance both verbally and in writing. • The City of Ashland food box program has been discontinued. The City has established a contract with Ashland Community Kitchen to reimburse a food box program in the East Central CDBG target area. • The new Program and Grant Administrator will receive extensive training regarding the Transparency Act for subawards exceeding the \$30,000 threshold to ensure compliance with future programs. | June 30, 2022 | Chris Pullem, Community & Economic Development Director |



1700 Greenup Ave
PO BOX 1839
Ashland, KY 41101
www.ashlandky.gov

Mayor
Matt Perkins

Commissioners
Josh Blanton
Amanda Clark
Marty Gute
Cheryl Spriggs

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

City Manager
Michael S. Graese

City Manager's Office
606-385-3303

City Building Main
606-385-3400

Ashland BusSystem
606-385-3287

Assisted Housing
606-385-3327

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

Engineering & Utilities
606-385-3332

Finance
606-385-3346

Human Resources
606-385-3312

Legal/City Clerk
606-385-3287

Parks and Recreation
606-385-3295

Public Services
606-385-3332

January 11, 2022

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,

Michael Graese
City Manager

CITY OF ASHLAND

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2021

| Finding Number | Finding/Noncompliance | Status | Responsible Contact Person |
|-----------------------|---|----------------------|-----------------------------------|
| 2020-001 | During our review of CDBG program disbursements, we noted one instance where a construction contract was executed prior to HUD approving the Request for Release of Funds (RROF). The contract was executed on December 13, 2019 and stated that payment thereunder was "to be paid for by Community Development Block Grant (CDBG) Funds." However, the RROF was not approved by HUD until January 31, 2020. | Repeated as 2021-001 | Michael Graese, City Manager |