

City of Ashland, Kentucky



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2013

CITY OF ASHLAND, KENTUCKY
FOR THE FISCAL YEAR July 1, 2012 to June 30, 2013

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**



**PREPARED BY: DEPARTMENT OF FINANCE
DIRECTOR'S DIVISION**
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Michelle Veach, Assistant Finance Director
Gretchen Arrington VanHoose, Accountant II
Jacob Risner, Accountant I

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INTRODUCTORY SECTION

- Letter of Transmittal
- Certificate of Achievement for Excellence in Financial Reporting
- Organizational Chart
- Listing of Elected and Appointed Officials



December 20, 2013

The Mayor and City Commission and
City Manager of the City of Ashland, Kentucky

To the Mayor, City Commission and City Manager:

The Department of Finance is pleased to present the Comprehensive Annual Financial Report of the City of Ashland, Kentucky for the fiscal year ended June 30, 2013. This report was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and the reporting standards of the Governmental Accounting Standards Board (GASB). The Comprehensive Annual Financial Report (CAFR) includes all funds of the Government. The City management is responsible for the accuracy of the data and for the completeness and fairness of the presentation. To the best of our knowledge and belief, the enclosed data presents the financial position and results of the various activities of the City.

Kelley, Galloway and Company, PSC, has issued an unqualified opinion that the financial statements for the fiscal year ended June 30, 2013 are presented fairly in conformity with GAAP. The independent auditors' report is presented as the first component in the financial section of this report.

Immediately following the independent auditors' report is the section, Management's Discussion and Analysis (MD&A) that provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it. The City of Ashland's MD&A begins on page 15.

Profile of the Government

Ashland began as the Village of Poage Settlement in the early 18th century. In 1854, the name was changed to the Town of Ashland and was incorporated as a city in 1876 with a council of five trustees. Today, Ashland has a mayor, four city commissioners and a city manager. The City Manager, Stephen W. Corbitt, is the chief administrative officer for the city and reports to the Board of Commissioners. The Mayor is currently Chuck D. Charles and our City Commissioners are Larry Brown, Kevin Gunderson, Marty Gute and Cheryl Spriggs. Department heads report to the City Manager and they include: Richard Martin, Corporation Counsel; Chris Pullem, Director of Economic Development; Deborah Musser, Director of Human Resources; Tony Grubb, Director of Finance; Marion Russell, Director of Public Works; Mike Miller, Director of Planning & Community Development; Robert Ratliff, Chief of Police; Scott Penick, Fire Chief; Ryan Eastwood, Director of Engineering and Utilities and Sean Murray, Director of Parks / Recreation.

The City of Ashland has 298 authorized full-time positions. Of these positions, our largest department is Engineering & Utilities comprising 24% of the employees. The Engineering & Utilities department consists of seven different divisions ranging from Engineering to Meter Services. The next largest department is our Public Works department at 19% with 57 total employees.

The General Government of the City contains seven divisions: Mayor and Commissioners, City Manager, Legal, Economic Development, Human Resources / Safety Risk Manager, Unclassified and Grants / Projects. These divisions provide the administration for the City. The primary function of the Legal Department is to provide legal assistance to all departments within the City and to represent the City in court cases as needed. The Human Resources / City Clerk department maintains all personnel records on current and previous employees and official records of the City. The Economic Development department can streamline and expedite the business development review process and guide companies through zoning processes, building code regulations, licensing requirement and other development matters. This division also administers funding received from the U.S. Department of Housing and Urban Development (HUD) in the form of Community Development Block Grant (CDBG) funds. A portion of the City's annual entitlement funding is devoted to homeowner improvements such as emergency rehabilitation, architectural barriers and acquisition for affordable housing. The Safety Risk Manager coordinates and manages city-wide safety, loss control, and insurance programs to promote the maintenance of a safe, accident-free and healthy work environment. The manager conducts and reviews hazard assessments, analyzes injury statistics, develops safety policies and procedures and ensures we remain in compliance with OSHA rules and regulations. The Unclassified division in general government includes insurance, debt service payments, transfers to other funds and miscellaneous appropriations. The Grants and Projects division contain the major grants and construction projects in which the City is currently involved.

The Department of Finance includes the divisions of Director of Finance, Data Processing, Utility Cashier, Assisted Housing and Mass Transit. The department is responsible for the custody, investment and disbursement of all funds, debt management, pension fund administration, administration of the occupational license fee, coordination of the annual financial audit, compilation of the budget, and providing various types of financial information to city management and elected officials. The Finance department has committed themselves to doing the job right the first time with knowledgeable, efficient and effective service. The department ensures integrity by directing, coordinating and monitoring all service functions and assures progress by developing new and improved techniques and procedures. Finance bills approximately 14,150 utility customers per month and is accountable for the semi-annual billing of property tax customers. The Ashland Bus System (A.B.S.) is the public transportation system of the City and is funded by the Federal Transit Authority (F.T.A.), Kentucky Department of Transportation and the City. The bus system served approximately 203,000 passengers this past year and received \$ 78,595 in passenger fares. The City is also an authorized ticket agent for the Greyhound Bus Lines selling more than \$ 187,000 in tickets and bringing in commission of approximately \$ 23,000. The housing voucher program, also known as Section 8, provides rental assistance to 483 families throughout Boyd County. The goal of the program is to provide low-income families with decent, safe, and sanitary rental housing through rental assistance payments. The voucher program is funded by Housing and Urban Development's public housing funds.

The Department of Public Works is the second largest department in the City. This department performs a wide range of services and includes the divisions of Director of Public Works, Streets, Solid Waste, Fleet Maintenance, Animal Control, Municipal Aid Road program, and Floodwall. The Street department used 4,200 tons of asphalt to pave and patch the City streets and poured over 15,000 square feet of concrete sidewalks during the fiscal year. Garbage collection is required of all residents within the City and our Solid Waste division collects on a weekly basis. The recycling program was implemented in fiscal year 2009 placing 20 recycling bins in four locations throughout the City. The City recycled 494 tons of waste in fiscal year 2013.

The Department of Engineering & Utilities, our largest department, is comprised of Director of Engineering / Utilities, Engineering, Water Distribution, Water Production, Meter Services, Industrial Pretreatment, Wastewater Collection and Wastewater Treatment. This department also conducts the development, planning and implementation of the combined sewer overflows. The Engineering division is an integral part of the Engineering & Utilities department. This division maintains right-of-way records, keeps City maps current, prepares plans and drawings for projects, assigns addresses within the City, reviews building plans prior to permits being issued, and completes all the surveys for City projects. The City owns and operates its own water distribution system. The water plant averages over 10 million gallons per day with a capacity of 24 million gallons. In addition to the water produced for the Ashland distribution system, some water produced at the plant is sold to neighboring systems. Water Distribution is the largest division in Engineering & Utilities in number of employees. The tasks

of the division include the installation and maintenance of water and sanitary sewer mains. Water is distributed using a series of holding tanks and water pump stations. Wastewater is collected using sewer pump stations and forced mains to get it to the treatment plant. Wastewater from outside the City is pumped through the City's collection system to the treatment plant. The treatment plant processes all wastewater pumped in through the collection system. The treated water is tested and must meet all state and federal standards before being released into the Ohio River. The plant is monitored by government agencies, which regulate its operating permit. In 2013, we treated approximately 1.9 billion gallons of wastewater.

The Department of Planning and Community Development is charged with the functions of land use planning, code enforcement and community development. Tasks include the update and maintenance of the comprehensive plan, review of subdivision plats, site plans, zoning changes, street closings, conditional use permits, and variances. The staff serves the Planning Commission and Board of Zoning Adjustment. The Planning and Code division is responsible for the long-range and short-range land use planning of Ashland. This division also enforces building and property maintenance codes for properties in Ashland. The building codes govern construction practices on all buildings and structures. The property maintenance code governs the appearance and maintenance of existing structures and property. While some may see the duties as a burden or even intrusive, the City codes are for the benefit of all in the community. They promote health and safety and help preserve property values. Code Enforcement issued 283 building and zoning permits in fiscal year 2013, bringing in \$ 97,867 of revenue for the City. The code officers assist with the CDBG housing projects - mainly the homeowner rehabilitation program. It provides repairs, energy conservation measures, and other home improvements up to \$ 25,000 per home. Ashland has two target neighborhoods: East Central and Pollard. They were designated based on the median income of the residents according to U.S. Census data. The Kentucky Housing Corporation also awarded the City with the Emergency Shelter Grant, which actively supports CARES, Pathways, Safe Harbor, Salvation Army and Shelter of Hope. These five organizations provide services that include: crisis assistance, a mental health center, domestic violence shelter, and emergency shelter housing and food.

The Ashland Police Department strives to identify and respond to the needs of the community; take the lead in solving community problems; instill a professional attitude and enhance the overall quality of life through mutual trust, respect, and the fair enforcement of the laws while carefully safeguarding the self-respect of all. The Ashland Police Department was organized in the late 1800's with the first executive officer being a town Marshall who was elected. Today's police department has an authorized strength of 54, with 49 sworn officers. Two civilian employees serve administrative support roles and three parapolice handle tasks not requiring the services of a sworn officer, e.g., parking enforcement, information center, records management, and property control.

The Ashland Fire Department is a full-time professional fire department with 54 full-time employees. The department has two functions: fire suppression and fire prevention. The fire suppression division is responsible for all fire suppression, rescue services and hazardous materials response. The fire prevention division conducts semi-annual life safety inspections of all multi-family and commercial occupancies. The Fire Department was founded in 1856 as a volunteer fire department and became a full-time paid fire department in 1885. The principles the Ashland Fire Department were founded upon, and continues to strive to meet are dedication, determination, courage, excellence, teamwork, pride, leadership, commitment and honor. In fiscal year 2013, the department completed 2,184 fire and EMS runs.

The Parks and Recreation Department provides many opportunities for recreational activities for families. The park system consists of the following parks: Central Park, Southside Park, Riverfront Park, Oliverio Park, Linear Park, Dawson Park and Municipal Pool, Spring Park, and Pollard Mills Park. The parks add charm and beauty to our City and offer many various activities including: Winter Wonderland of Lights, Summer Motion, Easter Egg Hunt, summer concerts at the bandstand, Bluegrass Festival, Halloween Trick or Treat/Haunted Trail, Brass Band, picnics and cookouts. The activity rooms in the Round House and Log Cabin host various events from weddings to family reunions, including Santa Claus after the annual Christmas parade. Ice skating is also available from November through mid-March. The City acquired the Ashland Cemetery Company in September 2009 which is included in the Parks and Recreation Department. The cemetery was transferred to the City for \$ 1 and has a fixed asset and inventory value of over \$ 5 million dollars. Ashland Cemetery Company is a historic

treasure in the community. The first burial took place prior to the Civil War and the first rustic memorial still graces the landscape that has become the Ashland Cemetery. The cemetery holds a Revolutionary War Memorial of two members of Ashland's founding fathers: General John Poage and Colonel George Poage. The Ashland Cemetery is a unique part of our community and was officially established in 1870. Since then, the cemetery has been serving the families of our city.

Internal Control

Management of the City is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the City are protected from loss, theft or misuse. It must also ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that the costs of a control should ordinarily not exceed the benefits to be derived and the valuation of costs and benefits require estimates and judgments by management.

As a recipient of federal and state monies, the City is also responsible for ensuring that an adequate internal control system is in place and functioning properly to ensure compliance with applicable laws and regulations related to those programs. The internal control system is subject to periodic management evaluation.

As a part of the City's single audit, tests are made to determine the adequacy of the internal control system, including those controls related to federal programs, as well as to determine that the City has complied with applicable laws and regulations. The result of the City's single audit for the fiscal year ended June 30, 2013 provided no instances of material weaknesses in the internal control system.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. The City had three findings during fiscal year 2013. The findings were detected within the administration of its Community Development Block Grant Program and its Section 8 Housing Choice Voucher Program. Both programs' issues primarily involved a lack of adequate internal control and supporting documentation to determine compliance and eligibility with their respective grant programs. In particular, the City's CDBG Program failed to file reports in compliance with the Federal Funding Accountability and Transparency Act. Additionally, errors were noted with the City's Section 8 Program including missing and / or incomplete information in tenant files and adjudicating the notification of acceptance to the waiting list in a timely fashion. In response to these findings, the City will provide additional training for its employees, create a tenant file checklist, and establish internal audit procedures to ensure compliance with grant program requirements.

Demographics

Ashland is located on the Ohio River and is part of the metro "triangle" comprised of Ironton, Ohio, Huntington, West Virginia and Ashland, Kentucky. This location makes Ashland a major river port and manufacturing town. Ashland is eastern Kentucky's largest urban area and a center for health care, commerce, banking and recreational activities. The City currently encompasses 17.02 square miles. We continue to expand in the areas of art, entertainment and cultural events while maintaining an aggressive nature to progress and grow. The population of Ashland is 21,684 according to the 2010 census and experienced a decline between 2000 and 2010 that is projected to continue in the future. The rate of decline has slowed significantly as opposed to the rate between 1980 and 1990. The City lost 12.53% of its population between 1980 and 1990, 6.95% between 1990 and 2000 and only 1.35% between 2000 and 2010.

Ashland distinctly experiences all four seasons, with vivid fall foliage and occasional snow in winter. Average highs are around 88°F in July, the warmest month, and average lows are around 19°F in January, the coolest month. Average annual precipitation is 42.8 inches, with the wettest month being July, averaging 4.7 inches.

Significant Events

The *Poage Landing Days*' festival promotes the commercial, cultural, and social welfare of the Ashland area. The festival was voted one of the "Top 25" downtown festivals in Kentucky by the Kentucky Main Street Program. Poage Landing Days' features popular events such as an antique car show, tractor show, motorcycle show and the Poage Landing Days' Beauty Pageant along with various other events to challenge both the athletic and the artistic.

The *Summer Motion* festival features a wide variety of family entertainment such as games, rides, a petting zoo, food court, parade, live headliner concerts and health screenings. The Ashland skies shine bright every 4th of July with a spectacular fireworks display.

Winter Wonderland of Lights is a six week festival held in Ashland's Central Park and throughout the downtown area. Stroll through our fifty-two acre park ablaze with sixty magical holiday displays containing over 850,000 lights. Take your children or grandchildren on the "Winter Wonderland Express" train and top off your evening with a visit with Santa in Ashland's oldest home which is located in Central Park.

The annual *Repair Affair* is a one day event of home repairs for low income, disabled, and elderly homeowners. This year we completed 47 projects with the help of over 200 volunteers. Home repairs consist of yard work, exterior painting, porch replacements, handicap ramp construction and many other repairs.

The City of Ashland was awarded over \$10 million from the Kentucky Transportation Cabinet for the *Ashland Riverfront Project* regarding Federal Highway Administration SAFETEA-LU funds. The purpose of this project was to create a unique waterfront that will serve as a legacy for current and future generations of residents and visitors to the City. It incorporated existing assets such as the historical Depot building, brick roadways and floodwall murals. The riverfront allows for commercial activity in a park setting with views of the river and is able to accommodate festivals and events, such as Summer Motion. The riverfront project, now called the Port of Ashland, added over \$ 11,550,000 to the City's infrastructure.

The Engineering & Utilities department has begun construction on the *Combined Sewer Overflow (CSO)* initiative. Initial planning and engineering for this \$ 7.2 million project began in September of 2007. This project will improve water quality of the Ohio River by reducing the frequency, duration and volume of CSO discharges from the Ashland combined sewer system. There are CSO projects currently in process: the Sixth Street Pump Station and Force Main Extension Project, Roberts Drive Pump Station and Force Main Upgrade Project and 37th Street Pump Station and Force Main Upgrade Project. The Roberts Drive and Sixth Street project is in the final construction phase while the 37th Street project is just beginning construction. At the close of the fiscal year, the construction in progress was in excess of \$ 7.7 million.

Local Economy

The City of Ashland is at the epicenter of an unparalleled industrial and technological region. Healthcare is our leading industry and the King's Daughters Medical Center is our # 1 employer. King's Daughters Medical Center (KDMC) is a locally controlled, not-for-profit, 465-bed regional referral center, covering a 150-mile radius that includes southern Ohio, eastern Kentucky and western West Virginia. KDMC offers comprehensive cardiac, medical, surgical, pediatric, rehabilitative, psychiatric, cancer, neurological, pain care, wound care and home care services in one convenient location. Established in 1899, KDMC currently ranks fourth in the state of Kentucky in terms of overall admissions, and, with more than 3,600 team members, is the largest employer between Charleston, West Virginia and Lexington, Kentucky. King's Daughters Medical Center also has one of the busiest emergency departments in the state of Kentucky. KDMC is honored to be named one of the

nation's 100 Top Hospitals by Thomson Reuters®, the leading source of healthcare information products, for five consecutive years. Additionally, KDMC has been named among the "Best Places to Work in Kentucky" by the Kentucky Society for Human Resource Management State Council, in conjunction with the Kentucky Chamber of Commerce. King's Daughters is the only employer in Boyd, Greenup and Carter counties to receive the award.

Wal-Mart Stores, Inc. held our # 2 employer position this year. Wal-Mart's purpose is to save people money so they can live better. Wal-Mart is the anchor store in the Melody Mountain area retailers. Melody Mountain is annexed land that was developed in 2005. Overlooking the city to the west, it is bounded by 6th Street, US 23, and a CSX spur. Initial plans were to include a Wal-Mart, Home Depot, O'Charley's, Fire Mountain and Outback Steakhouse, although Fire Mountain and Home Depot later dropped out of the project. Chick-Fil-A was then added to the project and Verizon has been included now as well. The \$ 30 million Melody Mountain project was destined to be completed in 2005; however, Phase I opened in early 2006. It was financed partially by \$ 3 million in bonds issued by the city. Phase II construction of the Melody Mountain project began in March 2013 and should be completed by the fall of 2014. This phase will provide an additional 150,000 square feet of retail space as well as an estimated 300 permanent, full-time jobs.

Education in Ashland is another rung in our local economy. There are eight public schools and two private schools in Ashland. All public schools within city limits are operated by the Ashland Independent School District, our 3rd largest employer employing 586 citizens. The two private schools serving the Ashland area are the Holy Family School and Rose Hill Christian School. Holy Family is affiliated with Holy Family Catholic Church and currently offers K-8 education. Rose Hill is affiliated with the Rose Hill Baptist Church and offers K-12. Post-secondary educational opportunities include Ashland Community and Technical College, which has multiple campuses within the city. Morehead State University also has a satellite campus located in Ashland.

Kentucky Community & Technical College System (KCTCS) remained our # 4 principal employer this year with 430 employees. Created by House Bill 1 in 1997, KCTCS is the newest postsecondary education institution in the Commonwealth. Their 16 colleges and 68 campuses throughout the state are deeply rooted in the history and tradition of Kentucky while providing students with cutting edge education. KCTCS offers certificates (some as short as 6 weeks) and diplomas as well as two-year associate degrees in over 600 credit program offerings. The most popular area of study is the baccalaureate transfer program which allows a student to earn an associate degree at a KCTCS college and transfer to a four-year Kentucky institution.

Financial Policies / Planning

City management continues to monitor the Health Insurance costs of the city. In Fiscal Year 2013, the City modified the Employee's health insurance plan. These modifications are expected to reduce expenses by approximately \$ 1 million in its first complete year of implementation. We have also proposed a second tier insurance plan with lower benefits for new employees. Also, we have implemented an additional premium cost for an employee's spouse whose employer offers insurance. In the Fiscal Year 2014 budget, we once again addressed personnel cost containment. Personnel cost containment will continue to be a focus of management each time a position is vacant. City management will assess the need for the position before filling. We have also created a new revenue model for the General Fund which allowed us to address the low fund balance level by bringing in an additional \$ 2.1 million dollars of revenue. The City has budgeted a fund balance replenishment of \$ 750,000 in the General Fund and \$ 500,000 in the Utility Fund. City Elected Officials and City Management have committed to continue this practice until we bring the fund balances back to industry recommended levels which will maintain the fiscal health of the city.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ashland, Kentucky for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the 6th consecutive year that the government has achieved this prestigious award. The award was previously received in 1993, 2007, 2008, 2009, 2010 and 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and

efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The completion and issuance of this report could not have been accomplished without the dedicated efforts of the entire staff of the Department of Finance. Special thanks must be given to Michelle Veach, Gretchen Arrington VanHoose, and Jacob Risner for their dedication in the creation and compilation of this document.

We believe that this report clearly illustrates the strong financial posture of the City of Ashland and we wish to take this opportunity to thank you and the citizens of Ashland for the vital role you have historically played in enabling the City to achieve and maintain this high degree of fiscal responsibility.

Sincerely,

A handwritten signature in black ink that reads "Tony D. Grubb". The signature is written in a cursive, slightly slanted style.

Tony D. Grubb
Finance Director, CGFM



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Ashland
Kentucky**

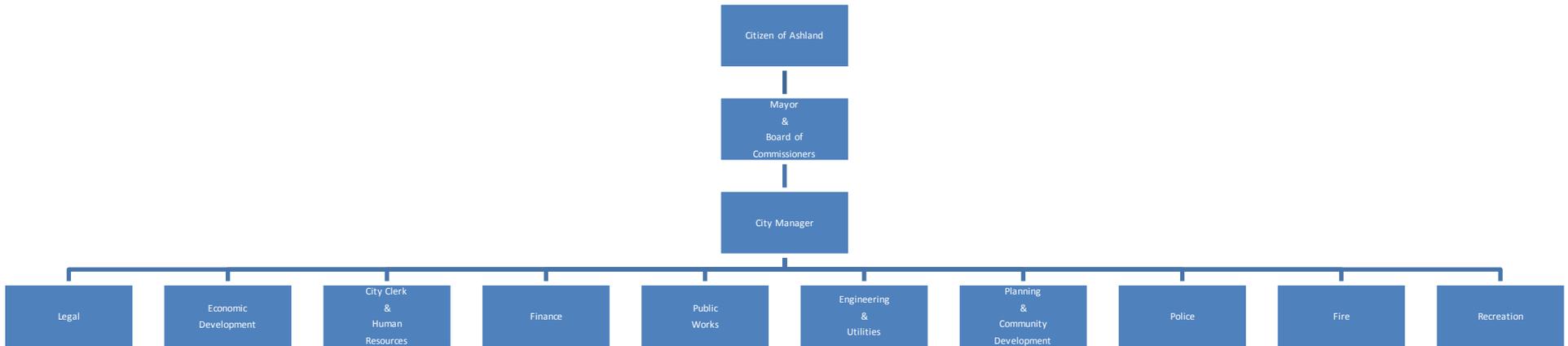
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



City of Ashland Departmental Organizational Chart



LIST OF ELECTED AND APPOINTED OFFICIALS

MAYOR

Chuck D. Charles

COMMISSIONERS

Larry Brown

Kevin Gunderson

Marty Gute

Cheryl Spriggs

CITY MANAGER

Stephen W. Corbitt

FINANCE DIRECTOR

Tony D. Grubb, CGFM

CORPORATION COUNSEL

Richard W. Martin

FINANCIAL SECTION

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
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Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

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Member of the Center for Public Company Audit Firms, the Private Companies Practice Section of the American Institute of Certified Public Accountants and PKF North America Network

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information and schedule of employer contributions and schedule of funding progress on pages 15 through 26 and page 66 and 67, 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 69 through 75 and the Financial Data Schedule on pages 76 and 77 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is also presented for purpose of additional analysis and is not a required part of the basic financial statements.

The supplemental statements and schedules contained on pages 69 through 75, the Financial Data Schedule on pages 76 and 77 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kelly, Hallway + Company, P.C.

December 18, 2013

MANAGEMENT DISCUSSION AND ANALYSIS

The management discussion and analysis (MD&A) gives readers an overview and analysis of the financial position and activities of the City of Ashland (“Government”) for the fiscal year ended June 30, 2013. This information should be read in conjunction with the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS

- ⇒ The assets of the Government exceeded its liabilities at the end of the fiscal year by \$99,836,360 (net position). Governmental activities’ unrestricted net position was \$3,415,661. Business type activities’ unrestricted net position was \$1,271,712.
- ⇒ The Government’s total net position decreased by \$38,907. Net position of governmental activities decreased by \$788,077, and net position of business-type activities increased by \$749,170.
- ⇒ At June 30, 2013, the governmental activities had \$71,427,542 in assets and \$12,830,529 in liabilities. Business type activities had \$62,145,694 in assets and \$20,906,347 in liabilities.

OVERVIEW OF FINANCIAL STATEMENTS

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

REPORTING THE GOVERNMENT AS A WHOLE

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

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

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

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

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

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

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

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

THE GOVERNMENT AS A TRUSTEE

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

ANALYSIS OF THE GOVERNMENT AS A WHOLE

NET POSITION

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

The net position of the Government's business-type activities is \$41,239,347 and increased by \$749,170 over the prior year. Of this net position, \$35,003,440 is invested in capital assets net of related debt, \$4,964,195 is restricted and \$1,271,712 is unrestricted. The largest portion of the City's combined net position (85%) reflects its investment in capital assets (i.e., land, buildings, machinery and equipment) less outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens and as a result, these assets are not available for future spending. The City's capital asset investment is reported net of related debt, but the resources to pay this debt must be provided from other sources, since the capital assets cannot be used to liquidate the liabilities.

An additional portion of the City's net position, \$5,264,435 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,687,373 may be used to meet the City's ongoing obligation to citizens and creditors.

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

ANALYSIS OF THE CITY'S NET POSITION

	Governmental Activities 2013	2012	Business- type Activities 2013	2012	Total Primary Government 2013	2012
Current and other assets	9,053,502	10,474,946	11,919,461	10,648,093	20,972,963	21,123,039
Capital assets	62,374,040	64,338,433	50,226,233	51,205,445	112,600,273	115,543,878
Total Assets	<u>71,427,542</u>	<u>74,813,379</u>	<u>62,145,694</u>	<u>61,853,538</u>	<u>133,573,236</u>	<u>136,666,917</u>
Liabilities	4,891,098	6,996,969	6,576,293	6,036,530	11,467,391	13,033,499
Long-term liabilities	7,939,431	8,431,320	14,330,054	15,326,831	22,269,485	23,758,151
Total Liabilities	<u>12,830,529</u>	<u>15,428,289</u>	<u>20,906,347</u>	<u>21,363,361</u>	<u>33,736,876</u>	<u>36,791,650</u>
Net position						
Invested in capital assets net of related debt	54,881,112	56,286,542	35,003,440	35,212,492	89,884,552	91,499,034
Restricted	300,240	537,747	4,964,195	3,967,088	5,264,435	4,504,835
Unrestricted	3,415,661	2,560,801	1,271,712	1,310,597	4,687,373	3,871,398
Total Net Position	<u>58,597,013</u>	<u>59,385,090</u>	<u>41,239,347</u>	<u>40,490,177</u>	<u>99,836,360</u>	<u>99,875,267</u>

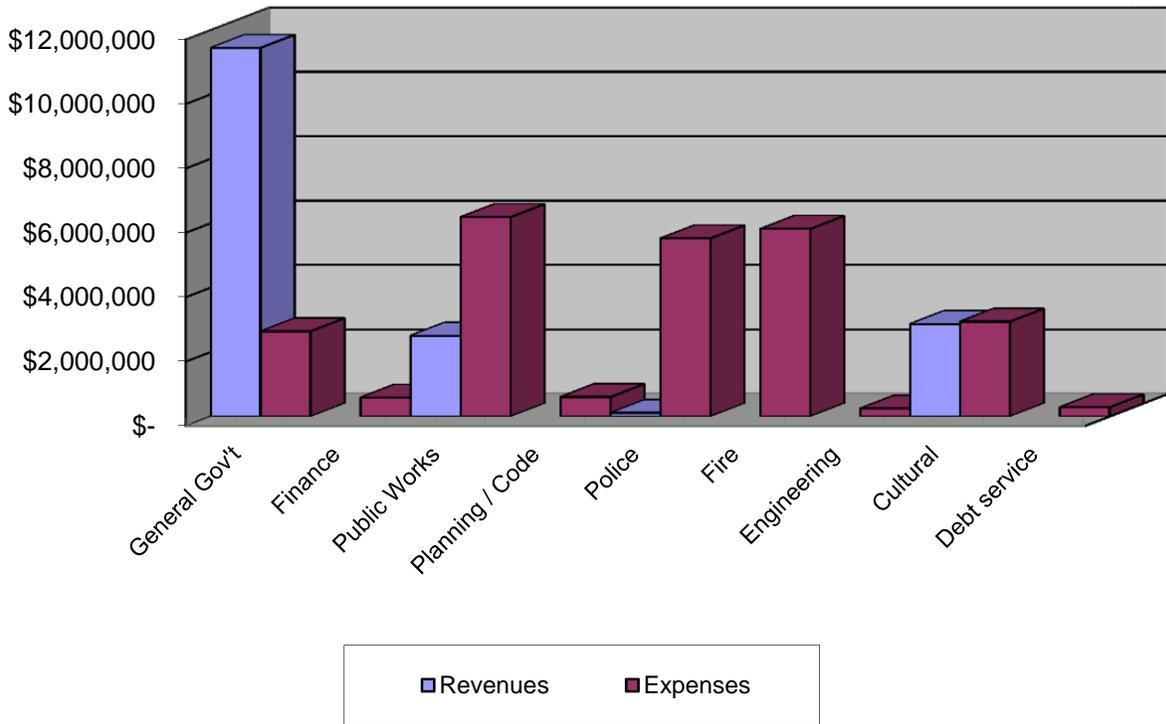
ANALYSIS OF THE CITY'S OPERATIONS

Revenues	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Taxes	8,479,163	7,650,814			8,479,163	7,650,814
Charges for Services	13,586,654	13,418,528	15,257,231	14,584,994	28,843,885	28,003,522
Operating Grants / Contr.	3,350,451	4,103,865	526,336	489,967	3,876,787	4,593,832
Capital Grants / Contr.	-	990,380	220,040	117,922	220,040	1,108,302
Other Income	170,276	311,866	714,211	722,430	884,487	1,034,296
Total Revenue	25,586,544	26,475,453	16,717,818	15,915,313	42,304,362	42,390,766

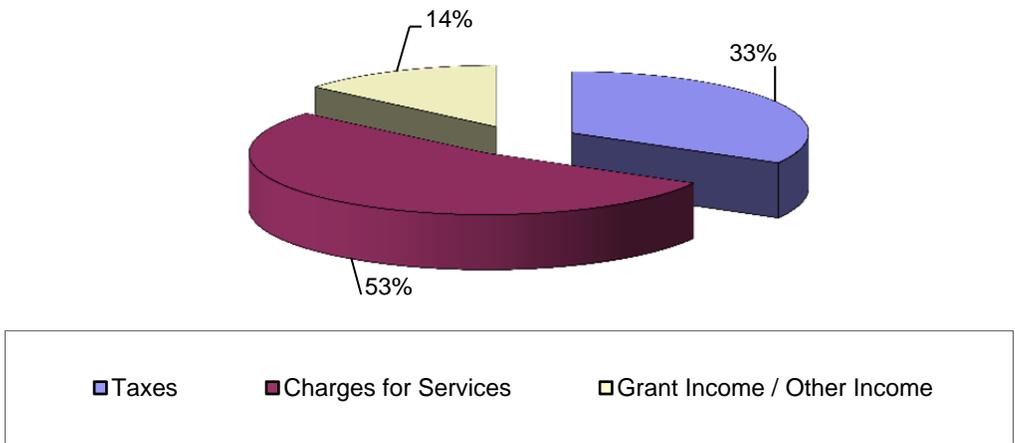
Expenses	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
General Government	2,644,407	3,108,207			2,644,407	3,108,207
Finance	587,010	624,375			587,010	624,375
Public Services	6,188,734	6,460,927			6,188,734	6,460,927
Planning / Code	605,205	616,724			605,205	616,724
Police	5,528,981	5,501,952			5,528,981	5,501,952
Fire	5,822,585	7,234,173			5,822,585	7,234,173
Engineering	244,377	210,484			244,377	210,484
Community / Cultural	2,943,475	3,333,805			2,943,475	3,333,805
Debt Service	285,947	291,216			285,947	291,216
Utility Fund			14,618,138	14,187,824	14,618,138	14,187,824
Ashland Bus System			1,483,318	1,585,686	1,483,318	1,585,686
Recreation Operating Fund			1,078,408	1,023,425	1,078,408	1,023,425
Cemetery			312,684	372,091	312,684	372,091
Total Expense	24,850,721	27,381,863	17,492,548	17,169,026	42,343,269	44,550,889
Changes before transfers	735,823	(906,410)	(774,730)	(1,253,713)	(38,907)	(2,160,123)
Transfers	(1,523,900)	(1,715,886)	1,523,900	1,715,886	-	-
Change in Net Position	(788,077)	(2,622,296)	749,170	462,173	(38,907)	(2,160,123)
Net Position Beginning of Yr	59,385,090	62,007,386	40,490,177	40,028,004	99,875,267	102,035,390
Net Position End of Year	58,597,013	59,385,090	41,239,347	40,490,177	99,836,360	99,875,267

GOVERNMENTAL ACTIVITIES

EXPENSES AND PROGRAM REVENUES-GOVERNMENTAL ACTIVITIES

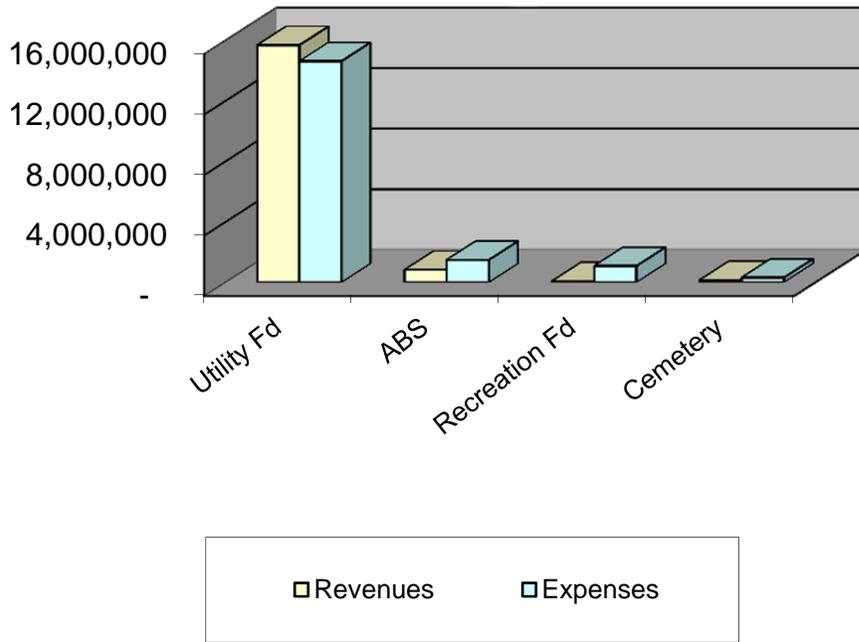


REVENUE BY SOURCE - GOVERNMENT ACTIVITIES

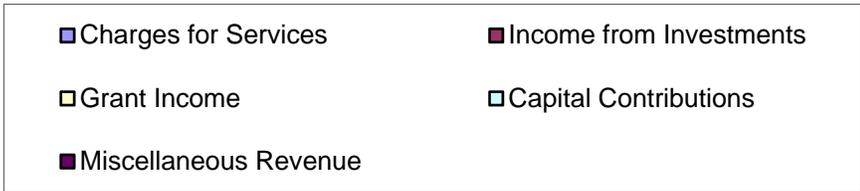
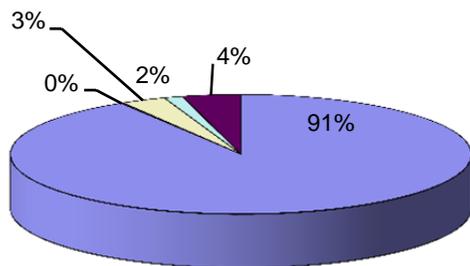


BUSINESS-TYPE ACTIVITIES

EXPENSES AND REVENUES - BUSINESS-TYPE ACTIVITIES



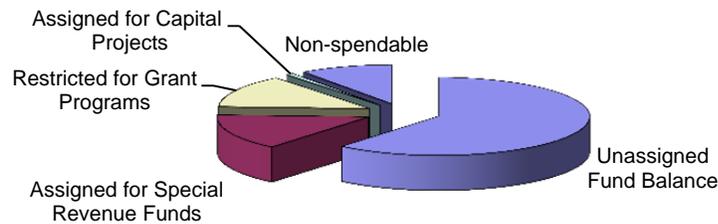
REVENUE BY SOURCE - BUSINESS -TYPE ACTIVITIES



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

A. The focus of the City's governmental funds is to provide information on near-term inflows or outflows and balances of spendable resources which are useful in determining the City's financing requirements. Unassigned fund balance serves as a useful measure of the City's net resources available for spending at the end of the fiscal year. At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$2,210,630. Of this total, \$1,348,970, or 61%, is unassigned fund balance. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been assigned for special revenue funds at \$326,558, restricted for grant programs at \$300,240, non-spendable at \$217,894 and assigned for capital projects at \$16,968. The increase in the governmental funds assigned for capital projects is due to the construction in progress of the Community Room at the Depot.

Ending Fund Balances Governmental Activities



- | | |
|---------------------------------|--------------------------------------|
| ■ Unassigned Fund Balance | ■ Assigned for Special Revenue Funds |
| ■ Restricted for Grant Programs | ■ Assigned for Capital Projects |
| ■ Non-spendable | |

MAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

PROPRIETARY FUNDS

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

BUDGETARY HIGHLIGHTS

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

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

Significant budget versus actual variances include the following:

- ⇒ The General Fund is the primary operating governmental fund of the City. General Fund actual revenues were \$21,945,572 versus budgeted revenues of \$21,985,708. This is due to the occupational license fee revenue being less than projected due to business closings and layoffs in the City. Projected tax revenues were \$8,148,042 and actual revenues were \$8,292,732 for a variance of \$144,690. Vehicle Property Tax Revenue had a positive budget variance of \$101,436 which was collected by the state April - June 2013.
- ⇒ General Fund had a positive variance this fiscal year. The only department with a negative variance was the Planning and Code Enforcement division. The variance was a personnel overage of \$36,668. The positive variance can be attributed to the spending modification that the City Manager established in the last quarter of the fiscal year to help offset the rising health insurance costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for governmental and business-type activities as of June 30, 2013 is \$112,600,273 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads and construction in progress. See Note (6) for additional discussion of the City's capital assets.

Major construction projects through June 30, 2013 include:

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

CITY OF ASHLAND - CAPITAL ASSETS (NET OF DEPRECIATION)

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

DEBT

At the end of fiscal year 2013, the City had governmental activities debt of \$8,359,837 compared to \$8,990,276 at June 30, 2012, which represents a decrease of \$630,439. Business-type activities had debt of \$15,172,793 compared to \$15,847,762 at June 30, 2012, which represents a decrease of \$674,969. See Note (8) for additional discussion of the City's long term debt. The following chart summarizes governmental and business-type activities debt.

<u>Governmental Activities Debt</u>	<u>Amount</u>
General obligation bond series 2005	\$ 2,675,000
Capital leases - equipment	31,832
Capital leases - police station	4,393,596
Capital lease	392,500
Compensated absences obligation	866,909
Total	<u>\$ 8,359,837</u>
<u>Business-Type Activities Debt</u>	<u>Amount</u>
Revenue & Improvement Bonds 13	\$ 4,590,954
Kentucky Infrastructure authority loan	10,570,083
Capital leases - equipment	11,756
Total	<u>\$ 15,172,793</u>

DESCRIPTION OF MUNICIPAL DEBT

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

The following table summarizes the 2014 fiscal year budgeted expenses.

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

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

REQUEST FOR INFORMATION

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

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

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

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

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

**CITY OF ASHLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

**CITY OF ASHLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

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

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

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

Total fund balance - total governmental funds		\$	2,210,630
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets of \$115,078,477 net of accumulated depreciation of \$52,704,437 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			62,374,040
Net pension asset of \$2,222,180 reported in the statement of net position is not a financial resource and therefore is not reported in the governmental funds.			2,222,180
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds			
Note receivable			150,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.			
Bonds payable	(2,675,000)		
Accrued compensated absences	(866,909)		
Capital lease obligations	(4,817,928)		
			(8,359,837)
Net position, end of year - Governmental Activities		\$	58,597,013

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

**CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

**CITY OF ASHLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Net change in fund balances - total governmental funds	\$	589,745
<p>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.</p>		
Capital outlay		684,402
Depreciation expense		(2,648,795)
		(1,964,393)
<p>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:</p>		
Long-term portion of accrued sick leave		71,476
<p>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.</p>		
		558,963
<p>Expenditures relating to the net pension asset in the statement of activities are not provided by current financial resources and therefore are not reported in the fund financial statements.</p>		
		(43,868)
Change in net position of governmental activities	\$	(788,077)

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

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

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

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

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

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

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

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

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	514,405	325,000	839,405	302,139	(537,266)
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	394	394
Total revenues	514,405	325,000	839,405	302,533	(536,872)
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	514,405	325,000	839,405	302,139	537,266
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	514,405	325,000	839,405	302,139	537,266
Excess of Revenues Over (Under) Expenditures	-	-	-	394	394
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	394	394
Fund balance beginning of year	65,043	-	65,043	65,043	-
Fund balance end of year	<u>\$ 65,043</u>	<u>\$ -</u>	<u>\$ 65,043</u>	<u>\$ 65,437</u>	<u>\$ 394</u>

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

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

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

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

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

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

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

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

	Business-Type Activities				Total	Governmental Activity - Internal Service
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		Fund
ASSETS						
Unrestricted Assets:						
Cash and cash equivalents	\$ 196,045	\$ 6,806	\$ 16,897	\$ 21,430	\$ 241,178	\$ 18,092
Accounts receivable	2,269,850	-	-	4,031	2,273,881	40,026
Allowance for doubtful accounts	(71,723)	-	-	-	(71,723)	-
Due from other funds	-	-	-	-	-	1,852,462
Grants receivable - capital	-	23,603	-	-	23,603	-
Grants receivable - operating	-	19,853	-	-	19,853	-
Inventories -						
Repair parts and supplies	437,890	29,825	12,725	-	480,440	-
Lots and vaults	-	-	-	2,530,330	2,530,330	-
Total unrestricted assets	2,832,062	80,087	29,622	2,555,791	5,497,562	1,910,580
Restricted Assets:						
Cash and cash equivalents	5,331,093	-	190,000	33,301	5,554,394	-
Total restricted assets	5,331,093	-	190,000	33,301	5,554,394	-
Total current assets	8,163,155	80,087	219,622	2,589,092	11,051,956	1,910,580
Capital Assets:						
Land and easements	358,925	-	5,723	18,453	383,101	-
Utility plant	79,946,023	-	-	-	79,946,023	-
Buildings and improvements	662,733	1,498,076	100,529	2,293,809	4,555,147	-
Operating equipment	3,963,058	969,406	794,927	66,150	5,793,541	-
Office and computer equipment	418,398	39,815	5,319	-	463,532	-
Construction in progress	8,341,947	-	-	-	8,341,947	-
	93,691,084	2,507,297	906,498	2,378,412	99,483,291	-
Less: Accumulated depreciation	(47,383,707)	(1,152,678)	(527,523)	(193,150)	(49,257,058)	-
Total capital assets - net	46,307,377	1,354,619	378,975	2,185,262	50,226,233	-
Other Assets:						
Net pension asset	2,406,806	-	-	-	2,406,806	-
Total other assets	2,406,806	-	-	-	2,406,806	-
Total noncurrent assets	48,714,183	1,354,619	378,975	2,185,262	52,633,039	-
Total assets	\$ 56,877,338	\$ 1,434,706	\$ 598,597	\$ 4,774,354	\$ 63,684,995	\$ 1,910,580

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

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

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

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

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

**CITY OF ASHLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

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

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

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

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

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

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CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

(1) REPORTING ENTITY

The City of Ashland (the "City") is a political subdivision of the Commonwealth of Kentucky. It is governed and operated under the City Manager/Commission form of government and provides such services as public safety, transportation, recreation, streets, water, sewer, and refuse removal. The City evaluates separately administered organizations in order to determine if they are controlled by, or dependent upon the City. GASB Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the government to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the government.
2. Organizations for which the government does not appoint a voting majority but are fiscally dependent on the government.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature and significance of the relationship.

Based on the previous criteria, the City has determined that as of June 30, 2013 there are no organizations meeting the criteria.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources*

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

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

The City reports the following major Governmental Funds:

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

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

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

The City reports the following major Proprietary Funds:

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in

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

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

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

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

C. Budget and Budgetary Accounting

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

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

D. Deposits and Investments

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

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

E. Inventories

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

F. Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

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

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

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

G. Encumbrances

Encumbrance accounting is used by the City whereby purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balances or retained earnings in the General, Special Revenue, Enterprise and Capital Projects Funds, since the encumbrances do not constitute expenditures or liabilities, even though the City intends to honor those commitments. At June 30, 2013, there were no encumbrances.

H. Interfund Transactions

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

I. Interfund Receivables and Payables

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

J. Compensated Absences

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

K. Fund Balances

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

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

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

L. Net Position

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

M. Self-Insurance

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

N. Cash and Cash Equivalents

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

O. Use of Estimates

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

P. Reclassifications

Certain reclassifications have been made to June 30, 2012 information to conform with the 2013 presentation.

Q. Recent Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has recently issued GASB No. 62, *Codification of Accounting and Financial Reporting Guidance*, that incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of GASB No. 62 are effective for fiscal year 2013 and thereafter. As a result of implementing this statement, the City was not required to change the reporting of current or past transactions.

The Governmental Accounting Standards Board (GASB) has recently issued GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, that provides financial reporting guidance for deferred outflows and inflows of resources. While these elements were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption and acquisition of net assets by the government that is applicable to a future reporting period, respectively, these elements have not been included in previous reporting guidance. The requirements of GASB No. 63 are effective for fiscal year 2013 and thereafter. As a result of implementing this statement, the computation of equity on the Statement of Net Position was changed and equity was retitled as "net position".

The Governmental Accounting Standards Board (GASB) has recently issued GASB No. 65, *Items Previously Reported as Assets and Liabilities* which clarifies the use of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement requires certain items which were previously reported as assets and liabilities to be reported as deferred outflows of resources, deferred inflows of resources and as revenues or expenses. The City has not completed the process of the evaluation of GASB No. 65; however, the City does expect it to have an impact on its future financial statements.

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* in August 2012. The standard addresses new accounting and financial reporting standards for the activities of certain pension plans that are administered through trusts. In particular, Statement No. 67 establishes (1) certain standards of financial reporting for defined benefit pension plans, including specifying the approach of contributing entities to measure pension liabilities for benefits provided through the pension plan, and (2) note disclosure requirements for certain defined contribution pension plans administered through trusts. The requirements of GASB No. 67 are effective for fiscal year 2015 and thereafter. The City has not completed the process of the evaluation of GASB No. 67.

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* in August 2012. This standard addresses new accounting and financial reporting standards for the activities of certain pension plans that are administered through trusts. In particular, Statement No. 68 establishes:

- Standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures;
- For defined benefit pensions, the methods and assumptions that should be used for employee benefits when projecting those benefits, discounting the projections, and attributing the discounted projections to certain periods;
- Note disclosures and supplementary information based on (1) the number of employers with employees covered by the plan, and (2) whether pension obligations and plan assets are shared; and
- Details of recognition and disclosure requirements for employers (1) with liabilities to defined benefit pension plans, and (2) whose employees are provided with defined contribution pensions.

The requirements of GASB No. 68 are effective for fiscal year 2015 and thereafter. The City has not completed the process of the evaluation of GASB No. 68.

(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, 2013, the carrying amounts of the City's deposits were \$5,859,453 and the bank balances were \$7,024,639. 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, 2013, the City had the following investments and maturities included in Fiduciary Funds:

Investment Type -	Investment Maturities (in years)				
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Government Securities	\$ 509,740	\$ 509,740	-	-	-

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

Credit Risk. The City may invest the monies in interest-bearing bonds of any county, urban-county government or city of the first, second or third class in the State of Kentucky, or in any securities in which trustees are permitted to invest trust funds under the laws of the State of Kentucky, including participation in a local government pension investment fund created pursuant to KRS 95.895.

(4) PROPERTY TAX REVENUES

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

Real property, tangible and public utility property taxes are levied prior to June 30 of each year based upon the assessed value as of January 1. Per KRS 91.487, the lien date for assessed taxes is January 1 of each fiscal year. The City imposes penalties of 10% and interest of ½ % per month on taxes not paid within thirty days of mailing tax bills.

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

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

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

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

The 2013 assessed value for real property and tangible property was \$800,895,756 and \$98,253,559, respectively. The tax rate adopted was \$.3550 per \$100 valuation.

(5) GRANTS RECEIVABLE

Grants receivable from other governmental units as of June 30, 2013, are as follows:

General Fund -	
Kentucky Transportation Cabinet	\$ 20,764
Special Revenue Funds -	
Municipal Aid Road Fund	50,139
Community Development Fund, program allocation	116,177
	<u>166,316</u>
Enterprise Funds -	
Ashland Bus System - FTA operations	19,853
Ashland Bus System - KYDOT capital	23,603
	<u>43,456</u>
	<u>\$ 230,536</u>

(6) CAPITAL ASSETS

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

<u>Governmental Activities</u>	June 30, 2012	Increases	Decreases	June 30, 2013
Capital Assets, Not Depreciated:				
Land	\$ 18,936,298	\$ -	\$ -	\$ 18,936,298
Construction in progress	71,952	108,278	(61,464)	118,766
Capital Assets, Depreciated:				
Buildings	8,872,607	-	-	8,872,607
Building improvements	3,006,086	-	-	3,006,086
Automotive equipment	3,810,059	25,000	-	3,835,059
Office furniture and equipment	723,715	7,299	(17,535)	713,479
Operating equipment	3,745,173	190,817	-	3,935,990
Capital improvements	477,935	95,231	-	573,166
Infrastructure	74,767,785	319,241	-	75,087,026
Totals	<u>114,411,610</u>	<u>745,866</u>	<u>(78,999)</u>	<u>115,078,477</u>
Accumulated Depreciation:				
Buildings	1,527,395	178,469	-	1,705,864
Building improvements	1,715,386	81,348	-	1,796,734
Automotive equipment	2,701,895	195,582	-	2,897,477
Office furniture and equipment	608,145	28,605	(17,535)	619,215
Operating equipment	2,340,929	204,214	-	2,545,143
Capital improvements	142,761	25,894	-	168,655
Infrastructure	41,036,666	1,934,683	-	42,971,349
Totals	<u>50,073,177</u>	<u>2,648,795</u>	<u>(17,535)</u>	<u>52,704,437</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 64,338,433</u>	<u>\$ (1,902,929)</u>	<u>\$ (61,464)</u>	<u>\$ 62,374,040</u>

<i>Business-type Activities</i>	June 30, 2012	Increases	Decreases	June 30, 2013
Capital Assets, Not Depreciated:				
Land	\$ 382,087	\$ 1,014	\$ -	\$ 383,101
Construction in progress	7,400,109	1,005,761	(63,923)	8,341,947
Capital Assets, Depreciated:				
Buildings	3,846,513	-	-	3,846,513
Building improvements	708,634	-	-	708,634
Utility and sewage plants	79,808,291	137,732	-	79,946,023
Automotive equipment	1,852,314	89,910	-	1,942,224
Office furniture and equipment	463,532	-	-	463,532
Operating equipment	3,024,824	95,575	-	3,120,399
Capital improvement	418,280	-	-	418,280
Recreation equipment	312,638	-	-	312,638
Totals	<u>98,217,222</u>	<u>1,329,992</u>	<u>(63,923)</u>	<u>99,483,291</u>
Accumulated Depreciation:				
Buildings	752,276	89,645	-	841,921
Building improvements	360,639	30,204	-	390,843
Utility and sewage plants	42,013,009	1,820,017	-	43,833,026
Automotive equipment	1,264,119	130,546	-	1,394,665
Office furniture and equipment	398,801	18,118	-	416,919
Operating equipment	1,855,973	128,396	-	1,984,369
Capital improvements	96,974	25,239	-	122,213
Recreation equipment	269,986	3,116	-	273,102
Totals	<u>47,011,777</u>	<u>2,245,281</u>	<u>-</u>	<u>49,257,058</u>
Business-type Activities				
Capital Assets, Net	<u>\$ 51,205,445</u>	<u>\$ (915,289)</u>	<u>\$ (63,923)</u>	<u>\$ 50,226,233</u>

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

Governmental activities:	
General government	\$ 477,234
Finance	367
Public services	1,700,214
Planning and code enforcement	7,803
Police	233,521
Fire	159,633
Engineering	56,852
Community and cultural	13,171
	<u>\$ 2,648,795</u>
Business-type activities:	
Utilities	\$ 2,021,021
Recreation	35,610
Bus	136,611
Cemetery	52,039
	<u>\$ 2,245,281</u>

(7) RETIREMENT PLANS

Single Employer Plans

Plan Descriptions, Contribution Information and Funding Policies

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

Utility Pension Fund (UPF):

The City of Ashland Utilities Employee's Pension Plan provides retirement benefits to City utility department employees in classified positions under civil service. The plan is closed to new participants

and at June 30, 2013, there were no active employees participating in UPF. Unless otherwise indicated, UPF information in this Note is provided as of the latest actuarial valuation, July 1, 2011.

Police and Firefighters Pension Fund (PFPF):

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

The plan was frozen effective August 1, 1988. Policemen and firefighters hired after that date are required to participate in CERS. The plan is closed to new participants and at June 30, 2013, there were no active employees participating in PFPF. Unless otherwise indicated, PFPF information in this note is provided as of the latest actuarial valuation, July 1, 2012.

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

	<u>PENSION TRUST FUNDS</u>		<u>Total</u>
	<u>Utility Pension Fund</u>	<u>Policemen & Firefighters Pension Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 50,251	\$ 8,018	\$ 58,269
Accrued interest receivable	2,078	2,078	4,156
Due from other funds	2,813,418	734,927	3,548,345
Investments, at fair value -			
U.S. Government obligations	<u>254,870</u>	<u>254,870</u>	<u>509,740</u>
Total assets	<u>3,120,617</u>	<u>999,893</u>	<u>4,120,510</u>
LIABILITIES			
Due to other funds	<u>671,245</u>	<u>-</u>	<u>671,245</u>
Total liabilities	<u>671,245</u>	<u>-</u>	<u>671,245</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 2,449,372</u>	<u>\$ 999,893</u>	<u>\$ 3,449,265</u>
ADDITIONS			
Contributions -			
Employer	\$ 567,529	\$ 367,165	\$ 934,694
Plan members	<u>-</u>	<u>-</u>	<u>-</u>
Total contributions	<u>567,529</u>	<u>367,165</u>	<u>934,694</u>
Investment income -			
Net (depreciation) appreciation in fair value of investments	(5,601)	(5,601)	(11,202)
Interest income	<u>6,897</u>	<u>7,057</u>	<u>13,954</u>
Total investment income	<u>1,296</u>	<u>1,456</u>	<u>2,752</u>
Total additions	<u>568,825</u>	<u>368,621</u>	<u>937,446</u>
DEDUCTIONS			
Benefits	733,800	607,944	1,341,744
Administrative expenses	<u>3,670</u>	<u>6,856</u>	<u>10,526</u>
Total deductions	<u>737,470</u>	<u>614,800</u>	<u>1,352,270</u>
NET DECREASE	(168,645)	(246,179)	(414,824)
NET POSITION - RESTRICTED FOR PENSION BENEFITS:			
Beginning of year	<u>2,618,017</u>	<u>1,246,072</u>	<u>3,864,089</u>
End of year	<u>\$ 2,449,372</u>	<u>\$ 999,893</u>	<u>\$ 3,449,265</u>

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

	<u>Utility Pension Fund</u> City Ordinance and KRS	<u>Police and Firefighters Pension Fund</u> City Ordinance and KRS	
Governing Authority			
Determination of contribution requirements	Actuarially	Actuarially	
Contribution rates as a percentage of covered payroll:			
Employer	549.42%	N/A	
Plan Members	8.00%	N/A	
Funding of administrative costs	Investment Earnings	Investment Earnings	
Period required to vest	20	10	
Post retirement benefit increases	As approved by City Commission	As approved by City Commission	
Eligibility for distribution	Age 50, with 20 years	N/A	
Provisions for:			
Disability benefits	Yes	Yes	
Death benefits	Yes	Yes	
Membership of the plans are as follows:			
Retirees and beneficiaries currently receiving benefits	29	34	<u>Totals</u> 63
Active plan participants:			
Vested	-	-	-
Non-Vested	<u>1</u>	<u>-</u>	<u>1</u>
	<u>30</u>	<u>34</u>	<u>64</u>

Annual Required Contributions

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

	<u>Utility Employees Pension Plan</u>	<u>Policemen And Firefighters Pension Plan</u>
Valuation date	7-1-11	7-1-12
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level % of payroll Closed	Level % of payroll Closed
Amortization	30 years	20 years
Actuarial asset valuation method	Fair market value, quoted market prices	Fair market value, quoted market prices
Actuarial assumptions		
Investment rate of return	5.00 %	5.00 %
Projected salary increases	5.00 %	None
Post retirement benefit increases	0.00 %	3.00 %
Inflation rate	5.00 %	5.00 %

Annual Pension Cost, Net Pension Obligation, and Reserves

Current annual pension cost for the UPF and PFPF retirement plans are shown in the trend information below, as well as the percentage contributed and the net pension obligation, if any, for each plan. The

City follows GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employees" in accounting for pension costs and other required disclosure information.

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

	Utility Pension Fund	Police and Firefighters Pension Fund
Employer contributions made for fiscal year	\$ 567,529	\$ 367,165
Employer required annual contribution	567,529	342,502
Interest on net pension asset	(123,594)	(113,303)
Adjustment to annual contribution requirement	188,671	181,834
Annual pension cost	<u>632,606</u>	<u>411,033</u>
Decrease in net pension asset	(65,077)	(43,868)
Net pension asset, June 30, 2012	2,471,883	2,266,048
Net pension asset, June 30, 2013	<u>\$ 2,406,806</u>	<u>\$ 2,222,180</u>

Reserves

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

Trend Information

Utility Pension Fund				Police and Firefighters Pension Fund			
Year	Annual Pension Cost	Percent Contributed	Net Pension Obligation (NPO)	Year	Annual Pension Cost	Percent Contributed	Net Pension Obligation (NPO)
2011	\$ 310,308	184%	(2,284,263)	2011	\$ 337,425	109%	\$ (2,237,207)
2012	379,908	149%	(2,471,883)	2012	338,324	109%	(2,266,048)
2013	632,606	90%	(2,406,806)	2013	411,033	89%	(2,222,180)

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

UTILITY EMPLOYEES PENSION PLAN

* Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As A Percentage Of Covered Payroll (b-a)/c)
7/1/07	\$ 2,832,267	\$ 7,978,693	\$ 5,146,426	35.5%	\$ 40,408	12,736.2%
7/1/09	2,882,283	7,776,949	4,894,666	37.1%	43,264	11,313.5%
7/1/11	2,761,148	7,744,771	4,983,623	35.7%	44,541	11,188.8%

POLICEMEN AND FIREFIGHTERS PENSION PLAN

7/1/08	2,005,460	5,499,260	3,493,800	36.5%	** N/A	** N/A
7/1/10	1,775,017	5,316,734	3,541,717	33.4%	** N/A	** N/A
7/1/12	1,246,072	4,693,041	3,446,969	26.6%	** N/A	** N/A

*Actuarial valuations performed bi-annually

**No active employees or covered payroll.

Cost - Sharing, Multiple Employer Plan

Plan Description, Contribution Information and Funding Policies

The City contributes to the County Employee's Retirement System ("CERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. It covers

substantially all regular full-time members employed in hazardous and non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the CERS. CERS provides for retirement, disability, and death benefits to plan members. Cost of living adjustments are provided at the discretion of the State legislature.

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

Plan members in non-hazardous positions are required to contribute 5% of their annual creditable compensation, and the City is required to contribute 19.55% of the employee's total compensation. Plan members in hazardous positions are required to contribute 8% of their annual creditable compensation, and the City is required to contribute 37.60% of the employees' compensation. Additionally, plan members hired on or after September 1, 2008 contribute an additional 1% non-refundable health insurance contribution. The contribution requirements of CERS members and the City are established and may be amended by the CERS Board of Trustees. The City's contributions to CERS for the years ending June 30, 2013, 2012, and 2011 were \$3,727,668, \$3,544,530, and \$3,188,070, respectively, equal to the required contributions for the year.

(8) DEBT

The following is a summary of changes in long-term debt (including current portions) of the City for the year ended June 30, 2013:

	Balance <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2013</u>
<u>Governmental Activities</u>				
General Obligation Bond Series 2005	\$ 2,775,000	\$ -	\$ 100,000	\$ 2,675,000
Capital leases - Equipment	48,150	-	16,318	31,832
Capital lease - Police Station	4,534,574	-	140,978	4,393,596
Capital lease	694,167	-	301,667	392,500
Compensated absences obligation	<u>938,385</u>	<u>639</u>	<u>72,115</u>	<u>866,909</u>
Total Governmental Activities	<u>\$ 8,990,276</u>	<u>\$ 639</u>	<u>\$ 631,078</u>	<u>\$ 8,359,837</u>
<u>Business-type Activities</u>				
Revenue & Improvement Bond Series 2004	\$ 5,065,000	\$ -	\$ 5,065,000	\$ -
Revenue & Improvement Bond Series 2013	-	4,890,000	-	4,890,000
Capital leases - Equipment	17,780	-	6,024	11,756
Kentucky Infrastructure Authority Loan	1,354,001	-	107,147	1,246,854
Kentucky Infrastructure Authority Loan	2,861,177	-	182,943	2,678,234
Kentucky Infrastructure Authority Loan	6,644,995	-	-	6,644,995
Discount on bonds	(95,191)	(29,668)	(95,191)	(29,668)
Deferred amount on refunding	<u>-</u>	<u>(269,378)</u>	<u>-</u>	<u>(269,378)</u>
Total Business-type Activities	<u>\$ 15,847,762</u>	<u>\$ 4,590,954</u>	<u>\$ 5,265,923</u>	<u>\$ 15,172,793</u>

At June 30, 2013, the City was required to have \$521,475 for the Revenue and Improvement Bonds of 2013, in sinking fund reserve accounts. Additionally, under the KIA loan agreements, the City was required to have \$300,000 set aside for the costs of extensions, improvements, renewals and replacements to the sewer system. As of June 30, 2013, the City had reserve funds of \$990,438.

Governmental Activities

Capital Lease

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest and fees</u>	<u>Total</u>
2014	\$ 150,000	\$ 9,669	\$ 159,669
2015	152,083	6,294	158,377
2016	90,417	2,523	92,940
	<u>\$ 392,500</u>	<u>\$ 18,486</u>	<u>\$ 410,986</u>

Capital Lease - Police Station

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest and fees</u>	<u>Total</u>
2014	\$ 146,259	\$ 165,939	\$ 312,198
2015	151,760	160,283	312,043
2016	157,404	154,476	311,880
2017	163,320	148,392	311,712
2018	169,439	142,099	311,538
2019-2023	947,314	607,523	1,554,837
2024-2028	1,138,527	410,859	1,549,386
2029-2033	1,368,383	174,450	1,542,833
2034	151,190	2,684	153,874
	<u>\$ 4,393,596</u>	<u>\$ 1,966,705</u>	<u>\$ 6,360,301</u>

Capital Leases - Equipment

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

Capital assets include the following under capital leases:

Operating equipment	\$ 78,291
Less: accumulated depreciation	(23,487)
	<u>\$ 54,804</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 19,147	\$ 3,760	\$ 22,907
2015	12,685	691	13,376
	<u>\$ 31,832</u>	<u>\$ 4,451</u>	<u>\$ 36,283</u>

General Obligation Bond Series 2005

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

The annual requirements to amortize the indebtedness at June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 105,000	\$ 110,588	\$ 215,588
2015	110,000	106,288	216,288
2016	110,000	101,888	211,888
2017	115,000	97,388	212,388
2018	120,000	92,688	212,688
2019-2023	700,000	383,709	1,083,709
2024-2028	830,000	223,027	1,053,027
2029-2031	585,000	40,389	625,389
	<u>\$ 2,675,000</u>	<u>\$ 1,155,965</u>	<u>\$ 3,830,965</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, 2013, are as follows:

	<u>Accrued Long-Term Obligation</u>	<u>Current Obligation</u>	<u>Total Compensated Absences</u>
General Fund	\$ 852,169	\$ 167,640	\$ 1,019,809
Community Development Fund	8,727	1,717	10,444
Housing Assistance Fund	3,983	784	4,767
Floodwall Fund	2,030	399	2,429
Ashland Bus System	-	31,435	31,435
Recreation Fund	-	51,489	51,489
Cemetery Fund	-	4,486	4,486
Utility Fund	-	220,311	220,311
	<u>\$ 866,909</u>	<u>\$ 478,261</u>	<u>\$ 1,345,170</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, 2013, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$28 million.

Business-Type Activities

Kentucky Infrastructure Authority Loan

On May 1, 2010, the City entered into an Assistance Agreement with the Kentucky Infrastructure Authority (“KIA”) to finance capacity upgrades at the Roberts Drive Pump Station and the Sixth Street Pump Station as part of the CSO abatement projects in the Long-Term Control Plan (See Note 11). The

loan bears interest at a rate of 2.0% with a maturity date of December 1, 2034. 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, 2013 are as follows:

Year ending June 30,	Principal	Interest	Fees	Total
2014	\$ 135,927	\$ 66,450	\$ 6,645	\$ 209,022
2015	275,946	128,808	12,881	417,635
2016	281,493	123,262	12,326	417,081
2017	287,151	117,604	11,760	416,515
2018	292,922	111,832	11,183	415,937
2019-2023	1,555,330	468,443	46,844	2,070,617
2024-2028	1,718,052	305,720	30,572	2,054,344
2029-2033	1,897,800	125,975	12,598	2,036,373
2034	200,374	2,003	200	202,577
	<u>\$ 6,644,995</u>	<u>\$ 1,450,097</u>	<u>\$ 145,009</u>	<u>\$ 8,240,101</u>

Kentucky Infrastructure Authority Loan

On October 1, 2001, the City entered into an Assistance Agreement with the Kentucky Infrastructure Authority (“KIA”) for a water system renovation project. The loan bears interest at a rate of 3.8% with a maturity date of December 1, 2023. A loan serving fee of 0.025% of the annual outstanding loan balance shall be payable to KIA as a part of each interest payment. In accordance with the Agreement, the City received the proceeds from the loan as eligible expenses were incurred.

The annual requirements to amortize the loan as of June 30, 2013 are as follows:

Year ending June 30,	Principal	Interest	Fees	Total
2014	\$ 111,257	\$ 46,333	\$ 3,048	\$ 160,638
2015	115,522	42,066	2,767	160,355
2016	119,956	37,634	2,476	160,066
2017	124,558	33,032	2,173	159,763
2018	129,336	28,254	1,859	159,449
2019-2023	646,225	62,932	4,140	713,297
	<u>\$ 1,246,854</u>	<u>\$ 250,251</u>	<u>\$ 16,463</u>	<u>\$ 1,513,568</u>

Kentucky Infrastructure Authority Loan

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

The annual requirements to amortize the indebtedness at June 30, 2013, are as follows:

Year ending June 30,	Principal	Interest	Fees	Total
2014	\$ 188,473	\$ 78,944	\$ 6,579	\$ 273,996
2015	194,169	73,247	6,104	273,520
2016	200,038	67,379	5,615	273,032
2017	206,084	61,332	5,111	272,527
2018	212,313	55,104	4,592	272,009
2019-2023	1,161,792	175,292	14,608	1,351,692
2024-2025	515,365	19,470	1,623	536,458
	<u>\$ 2,678,234</u>	<u>\$ 530,768</u>	<u>\$ 44,232</u>	<u>\$ 3,253,234</u>

Capital Leases - Equipment

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

Capital assets include the following under the capital lease:

Operating equipment	\$ 28,915
Less: accumulated depreciation	<u>(8,674)</u>
	<u>\$ 20,241</u>

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

Year ending June 30,	Principal	Interest	Total
2014	\$ 7,082	\$ 1,391	\$ 8,473
2015	4,674	255	4,929
	<u>\$ 11,756</u>	<u>\$ 1,646</u>	<u>\$ 13,402</u>

Revenue Refunding and Improvement Bonds Series 2013

On April 1, 2013, the City issued \$4,890,000 in Revenue & Improvement Bonds with interest rates ranging from 0.75% to 2.25% to advance refund \$4,745,000 of outstanding 2004 Series bonds with interest rates ranging from 2.0% to 4.125%. The net proceeds of \$4,795,314 (after payment of \$94,686 in underwriting fees and other issuance costs) plus an additional \$131,352 of 2004 Series sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2004 Series bonds. As a result, the 2004 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

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 deduction from bonds payable, is being charged to operations through the year 2024 using the straight-line method. The City completed the advance refunding to reduce its total debt service payments over the next 25 years by \$416,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) 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, 2013, are as follows:

Year ending June 30,	Principal	Interest	Total
2014	\$ 400,000	\$ 72,180	\$ 472,180
2015	405,000	71,243	476,243
2016	410,000	68,205	478,205
2017	420,000	65,130	485,130
2018	430,000	61,980	491,980
2019-2023	2,315,000	204,075	2,519,075
2024	510,000	11,475	521,475
	<u>\$ 4,890,000</u>	<u>\$ 554,288</u>	<u>\$ 5,444,288</u>

(9) INTERFUND TRANSACTIONS

Interfund Receivable and Payables

The composition of interfund balances as of June 30, 2013 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ashland Bus System	\$ 278,879
General Fund	Utility Fund	735,282
General Fund	Recreation Fund	222,812
General Fund	Floodwall Operating Fund	138,775
General Fund	Utility Pension Fund	671,245

General Fund	Cemetery Fund	302,327
General Fund	Community Development	32,566
General Fund	Housing Assistance	13,642
Municipal Aid Fund	General Fund	260,543
Capital Project	General Fund	17,598
Internal Service Fund	General Fund	1,852,462
Utility Pension Fund	Utility Fund	2,813,418
Police and Fire Fighters Pension	General Fund	734,927
Total		<u>\$ 8,074,476</u>

Interfund Transfers

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Ashland Bus System	Matching	\$ 521,694
Operating	General	Recreation	Operations	1,002,206
Operating	General	Capital Projects	Capital Purchases	231,940
Operating	General	Floodwall	Operations	83,383

(10) LEGAL CONTINGENCIES

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

(11) COMMITMENTS 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, 2013, the City paid \$521,694 to the ABS under this agreement. Remaining operating costs are to be funded through grants from the U.S. Department of Transportation (DOT). The City has estimated it is due \$19,853 from DOT for the current year's operating grant. It is management's opinion that all operating grants due from DOT will be received in full. City management does not expect its cost of operating the ABS to decrease in the near future.

Combined Sewer Overflow Improvements

In 2007, the City entered into an agreement with the Kentucky Energy and Environment Cabinet to comply with federal Clean Water Act standards that are applicable to the City's sewer system. The City's system is considered a combined sewer system due to the sewers collecting rainwater, runoff, domestic sewage and industrial wastewater. During heavy rains or melting snow, the system can create Combined Sewer Overflow (CSO), when waste and storm water overflow from the sewer system into local bodies of water and the Ohio River. Under the agreement, the City is required to create a Long Term Control Plan to reduce the number of overflows and complete improvements to the sewer system by December 26, 2017. The improvements are expected to cost approximately \$60 million. At June 30, 2013, the City has incurred costs of approximately \$8,200,000 in relation to the required sewer improvements.

On February 18, 2010, the Board of Commissioners approved an additional surcharge for sewer customers of the City to pay for the improvements. Beginning April 1, 2010, sewer customers are charged a \$2.50 fee per 1,000 gallons of water used. The charge will increase to \$3.50 per 1,000 gallons in 2015 and end in 2035. All monies collected for this surcharge are placed in a separate account and only used for CSO improvements as outlined in the City's Long Term Control Plan. At June 30, 2013, the City has \$4,109,419 restricted for the sewer improvements.

Floodwall Certification

As a result of the Risk MAP program undertaken by the Federal Emergency Management Agency (FEMA), the Ashland floodwall is now considered a Provisionally Accredited Levee (PAL). In effect, the City has until May 1, 2014 to obtain certification of the floodwall or FEMA will initiate a revision

to the Flood Insurance Rate Map to re-designate the areas protected by the floodwall as flood-prone. In fiscal year 2013, the City started the certification process and anticipates the total cost to be approximately \$250,000.

Construction Projects

The City is obligated on commitments for various contracts in progress at June 30, 2013. A summary of these commitments is as follows:

<u>Fund</u>	<u>Project Description</u>	<u>Total Approved Contract</u>	<u>Paid or Accrued to Date</u>	<u>Out- standing Commitment</u>
Utility Fund	CSO-Roberts and 6th	\$ 3,674,515	\$ 3,517,276	\$ 157,239
Utility Fund	CSO-37 th St. Pump Station	3,060,300	902,369	2,157,931
Comm. Dev. Fund	Curb Replacement	234,165	-	234,165
Floodwall Fund	Floodwall Certification	81,000	-	81,000
General Fund	Comprehensive Plan	44,620	32,715	11,905
		<u>\$ 7,094,600</u>	<u>\$ 4,452,360</u>	<u>\$ 2,642,240</u>

(12) RISK MANAGEMENT

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

All full-time employees are eligible to participate in the City's Health Benefit Plan. The claims liability of \$455,858 reported in the Internal Service Fund at June 30, 2013, 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 2012 and 2013 were:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance At Fiscal Year End</u>
2012	\$ 455,774	\$ 6,061,465	\$ 5,895,430	\$ 621,809
2013	621,809	5,534,500	5,700,451	455,858

Effective July 1, 2006, the City established a Health Reimbursement Arrangement (HRA) on behalf of employees enrolled in the Health Benefit Plan. Employees are eligible to participate in the HRA on the thirty-first day of employment. Participants enrolled in the Health Benefit Plan with single coverage are credited with \$900 per year into their HRA account, while participants enrolled in the Health Benefit Plan with family coverage are credited with \$1,800 per year. Participants in the HRA can use their account balances to reimburse the Health Benefit Plan deductibles and co-insurance expenses. Amounts charged to Internal Service Fund operating expenses under the provisions of the HRA for the year ended June 30, 2013 totaled \$385,511.

(13) OTHER POST EMPLOYMENT BENEFITS

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

Currently four retirees and eligible survivors meet the eligibility requirements. The City pays claims up to \$100,000 per individual. Funding is provided by billings to retirees. Expenditures for post retirement health care benefits are recognized as retirees report claims. Management has no knowledge of unreported claims incurred for which a liability has not been recognized. During the year, expenditures of \$59,794 were recognized for post retirement health care.

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

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

As of June 30, 2012, the date of the latest actuarial valuation, the plan had 92,685 active plan participants.

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

The unfunded medical benefit obligation of the CERS, based upon the entry age normal cost method, as of June 30, 2012 was as follows:

Total medical benefit obligation	<u>000's omitted</u> \$ 3,735,614
Net position available for benefits at actuarial value	<u>2,341,895</u>
Unfunded medical benefit obligation	<u>\$ 1,393,719</u>

(14) NOTE RECEIVABLE

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

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF ASHLAND
DEFINED BENEFIT PENSION TRUSTS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2013**

	UTILITY EMPLOYEES PENSION PLAN			POLICE AND FIREFIGHTERS PENSION PLAN		
	Amount Contributed	ARC	Percent of ARC Contributed	Amount Contributed	ARC	Percent of ARC Contributed
2008	\$ 504,621	\$ 325,015	155%	\$ 355,128	\$ 293,551	121%
2009	684,266	325,025	211%	481,553	267,003	180%
2010	608,977	309,647	197%	448,250	267,003	168%
2011	570,018	309,647	184%	367,165	270,665	136%
2012	567,529	316,165	180%	367,165	270,665	136%
2013	567,529	567,529	100%	367,165	342,502	107%

**CITY OF ASHLAND
DEFINED BENEFIT PENSION TRUSTS
SCHEDULES OF FUNDING PROGRESS
JUNE 30, 2013**

UTILITY EMPLOYEES PENSION PLAN

* Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As A Percentage Of Covered Payroll ((b-a)/c)
7/1/07	\$ 2,832,267	\$ 7,978,693	\$ 5,146,426	35.5%	\$ 40,408	12,736.2%
7/1/09	2,882,283	7,776,949	4,894,666	37.1%	43,264	11,313.5%
7/1/11	2,761,148	7,744,771	4,983,623	35.7%	44,541	11,188.8%

POLICEMEN AND FIREFIGHTERS PENSION PLAN

7/1/08	2,005,460	5,499,260	3,493,800	36.5%	**N/A	**N/A
7/1/10	1,775,017	5,316,734	3,541,717	33.4%	**N/A	**N/A
7/1/12	1,246,072	4,693,041	3,446,969	26.6%	**N/A	**N/A

*Actuarial valuations performed bi-annually.

**No active employees or covered payroll.

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

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, 2013

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	25,000	25,000	25,000	-
Total revenues	-	25,000	25,000	25,000	-
Expenditures					
General government	1,000	-	1,000	1,229	(229)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	590,000	(198,416)	391,584	241,884	149,700
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	591,000	(198,416)	392,584	243,113	149,471
Excess of Revenues Over (Under) Expenditures	(591,000)	223,416	(367,584)	(218,113)	149,471
Other Financing Sources (Uses)					
Transfers in	591,000	(223,416)	367,584	231,940	(135,644)
Total other financing sources (uses)	591,000	(223,416)	367,584	231,940	(135,644)
Net change in fund balance	-	-	-	13,827	13,827
Fund balance beginning of year	-	-	-	3,141	3,141
Fund balance end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,968</u>	<u>\$ 16,968</u>

CITY OF ASHLAND

GENERAL FUND

BALANCE SHEET

JUNE 30, 2013

ASSETS

Cash	\$	17,490
Taxes receivable		3,496,308
Allowance for uncollectible taxes		(494,992)
Grants receivable		20,764
Due from other funds		2,395,528
Other receivables		494,132
Allowance for uncollectible accounts		(29,307)
Inventories - supplies		70,360
Prepaid items		147,534
		<hr/>
Total assets	\$	<u><u>6,117,817</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Cash overdraft	\$	410,539
Accounts payable		421,972
Due to other funds		2,865,529
Due to Board of Education		39,292
Accrued compensated absences		167,640
Accrued expenses		583,655
Deferred revenue		20,781
		<hr/>

Total liabilities 4,509,408

Fund Balance:

Restricted for grant programs		41,545
Non-spendable		217,894
Unassigned		1,348,970
		<hr/>
Total fund balance		1,608,409

Total liabilities and fund balance \$ 6,117,817

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Taxes -			
General property taxes	\$ 3,395,618	\$ 3,423,363	\$ 27,745
Penalties and interest	35,748	33,626	(2,122)
Bank franchise taxes	99,993	96,508	(3,485)
Other franchise taxes	197,333	197,679	346
Delinquent taxes	173,115	189,404	16,289
Vehicle property taxes	512,445	613,882	101,437
Insurance premiums taxes	3,733,790	3,738,270	4,480
Total taxes	<u>8,148,042</u>	<u>8,292,732</u>	<u>144,690</u>
Licenses and permits -			
Occupational license fees	7,882,894	7,812,466	(70,428)
Business privilege licenses	1,247,633	1,213,204	(34,429)
Alcoholic beverage licenses	560,964	572,450	11,486
Construction permit fees	90,890	97,867	6,977
Other licenses and permits	900	736	(164)
Total licenses and permits	<u>9,783,281</u>	<u>9,696,723</u>	<u>(86,558)</u>
Charge for services -			
Garbage collection fee	1,895,500	1,910,841	15,341
Greyhound ticket sales	23,865	23,706	(159)
Rental revenue	16,200	19,632	3,432
Total charges for services	<u>1,935,565</u>	<u>1,954,179</u>	<u>18,614</u>
Fees, fines and reimbursements -			
Parking meter fees and fines	22,795	25,288	2,493
Taxes collection fees	116,417	118,875	2,458
State rebate - District Court	35,324	37,520	2,196
Street lighting franchise	863,743	899,128	35,385
Telecommunication franchise	252,425	273,162	20,737
Other	400,954	347,834	(53,120)
Total fees, fines and reimbursements	<u>1,691,658</u>	<u>1,701,807</u>	<u>10,149</u>
Other revenues -			
Police grants	142,606	110,181	(32,425)
Homeless shelter grant	84,000	18,024	(65,976)
Miscellaneous grants	8,070	31,064	22,994
Coal severance - LGEA	39,196	14,680	(24,516)
Interest earned	4,125	2,464	(1,661)
Other	149,165	123,718	(25,447)
Total other revenues	<u>427,162</u>	<u>300,131</u>	<u>(127,031)</u>
Total revenues	<u>21,985,708</u>	<u>21,945,572</u>	<u>(40,136)</u>

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
General Government -			
Mayor and Commissioners	111,867	108,756	3,111
City Manager	134,842	133,781	1,061
Legal	157,220	156,882	338
Economic Development	145,724	132,255	13,469
City Clerk/ABC Administrator	197,113	198,054	(941)
Grants and projects	91,500	26,447	65,053
Unclassified	<u>1,427,373</u>	<u>1,480,500</u>	<u>(53,127)</u>
	<u>2,265,639</u>	<u>2,236,675</u>	<u>28,964</u>
Department of Finance -			
Director of Finance	561,614	561,827	(213)
Data Processing	29,742	26,931	2,811
	<u>591,356</u>	<u>588,758</u>	<u>2,598</u>
Department of Public Services -			
Director of Public Services	231,721	234,842	(3,121)
Street maintenance	2,045,302	2,028,423	16,879
Sanitation services	1,415,199	1,434,618	(19,419)
Central garage	348,298	366,329	(18,031)
Animal control	142,052	102,918	39,134
	<u>4,182,572</u>	<u>4,167,130</u>	<u>15,442</u>
Department of Planning and			
Code Enforcement	<u>564,204</u>	<u>598,623</u>	<u>(34,419)</u>
Department of Police -			
Technical services	1,554,904	1,540,384	14,520
Field operations	3,865,519	3,810,236	55,283
	<u>5,420,423</u>	<u>5,350,620</u>	<u>69,803</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, 2013

	Budget	Actual	Variance
Department of Fire	5,779,929	5,683,338	96,591
Department of Engineering	277,858	201,685	76,173
Debt Service	844,910	844,910	-
Total expenditures	19,926,891	19,671,739	255,152
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,058,817	2,273,833	215,016
OTHER FINANCING SOURCES (USES):			
Transfer to Capital Projects Fund	(367,584)	(231,940)	135,644
Transfer to Recreation Fund	(1,016,057)	(1,002,206)	13,851
Transfer to Ashland Bus Fund	(480,368)	(521,694)	(41,326)
Transfer to Floodwall Fund	(135,766)	(83,383)	52,383
Transfer to Ashland Cemetery Fund	(39,378)	-	39,378
Total other financing sources (uses)	(2,039,153)	(1,839,223)	199,930
NET CHANGE IN FUND BALANCE	19,664	434,610	414,946
FUND BALANCE, June 30, 2012	1,173,799	1,173,799	-
FUND BALANCE, June 30, 2013	\$ 1,193,463	\$ 1,608,409	\$ 414,946

CITY OF ASHLAND

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

JUNE 30, 2013

	Land & Buildings	Building Improvements	Automotive Equipment	Operating Equipment	Office Furniture & Equip	Capital Improvements	Infrastructure	CIP	Total
Dept of General Gov't	\$ 2,822,024	\$ 1,781,975	\$ 48,000	\$ 144,317	\$ 298,056	\$ 39,275	\$ 11,591,668	\$ 118,766	\$ 16,844,081
Dept of Finance	-	-	-	64,920	22,706	-	-	-	87,626
Dept of Public Services	15,978,343	682,840	628,654	2,780,527	6,299	470,084	62,045,969	-	82,592,716
Dept of Planning & Community Development	-	13,033	87,637	6,799	-	-	-	-	107,469
Department of Police	4,949,556	246,711	879,823	571,882	190,538	19,350	-	-	6,857,860
Department of Fire	3,655,959	160,369	2,115,396	241,853	53,246	-	-	-	6,226,823
Department of Engineering	-	-	20,718	-	86,230	44,457	1,257,664	-	1,409,069
Floodwall Operations	15,121	5,150	42,241	125,692	-	-	-	-	188,204
Community Development	237,869	103,058	-	-	18,623	-	191,725	-	551,275
Housing Assistance Programs	150,033	12,950	12,590	-	37,781	-	-	-	213,354
	<u>\$ 27,808,905</u>	<u>\$ 3,006,086</u>	<u>\$ 3,835,059</u>	<u>\$ 3,935,990</u>	<u>\$ 713,479</u>	<u>\$ 573,166</u>	<u>\$ 75,087,026</u>	<u>\$ 118,766</u>	<u>\$ 115,078,477</u>

CITY OF ASHLAND

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

JUNE 30, 2013

Land and buildings	\$ 27,808,905
Building improvements	3,006,086
Automotive equipment	3,835,059
Operating equipment	3,935,990
Office furniture and equipment	713,479
Capital improvements	573,166
Infrastructure	75,087,026
Construction in progress	<u>118,766</u>
Total	<u>\$ 115,078,477</u>
Investment in capital assets by source	
General Fund	\$ 90,239,668
Special Revenue Funds	4,786,830
Capital Projects Fund	<u>20,051,979</u>
Total	<u>\$ 115,078,477</u>

CITY OF ASHLAND HOUSING AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2013

	<u>Rental Vouchers</u>
ASSETS	
Cash - restricted	\$ 250,147
Cash – unrestricted	23,543
Accounts receivable	2,356
Building and equipment, net	<u>97,137</u>
Total assets	<u>\$ 373,183</u>
LIABILITIES AND NET POSITION	
LIABILITIES:	
Accounts payable	\$ 435
Accounts payable – other governmental	13,642
Accrued expenses	2,490
Accrued compensated absences - current	784
Accrued compensated absences - noncurrent	<u>3,983</u>
Total liabilities	<u>21,334</u>
NET POSITION:	
Invested in capital assets	97,137
Unrestricted	4,565
Restricted	<u>250,147</u>
	<u>351,849</u>
Total liabilities and net position	<u>\$ 373,183</u>

CITY OF ASHLAND HOUSING AUTHORITY
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Rental Vouchers</u>
REVENUES	
Housing assistance payments	\$ 2,335,021
Administrative fee revenue	233,945
Interest income	<u>569</u>
Total revenues	<u>2,569,535</u>
EXPENSES	
Administrative salaries	128,264
Audit	6,892
Employee benefit contributions	22,175
Travel	6,726
Other administrative	9,916
Utilities	1,563
Maintenance	13,962
Property insurance	338
General liability insurance	1,310
Workers compensation	726
Other insurance	32,888
Other general	9,185
Compensated absences	639
Housing assistance payments	2,395,268
Depreciation	<u>4,583</u>
Total expenses	<u>2,634,435</u>
EXCESS OF EXPENSES OVER REVENUES	<u><u>\$ (64,900)</u></u>

CITY OF ASHLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of HUD</u>			
Direct Programs -			
CDBG Entitlement	14.218	B10MC2-10003	\$ 302,139 *
Housing Choice Voucher Program	14.871	KY142VO	2,648,394 *
Pass through Kentucky Housing Corporation - Kentucky Emergency Shelter Grants Program	14.231	ES007-0001-01	<u>18,024</u>
Total U.S. Department of HUD			<u>2,968,557</u>
<u>U.S. Department of Transportation</u>			
Direct Programs -			
Federal Transit Cluster			
FTA - Operating Assistance Grant	20.507	KY-90-X199	526,336 *
FTA - Capital Assistance Grant	20.507	KY-90-X210	<u>188,826 *</u>
			715,162
Passed through Kentucky Transportation Cabinet - Department of State Police Highway Safety Program	20.600	AL-13-01	3,443
Department of State Police Highway Safety Program	20.600	AL-12-05	<u>6,703</u>
			<u>10,146</u>
Total U.S. Department of Transportation			<u>725,308</u>
<u>U.S. Department of Homeland Security</u>			
Pass through Kentucky Homeland Security Hazard Mitigation Grant	97.039	FEMA-1976-DR-KY	<u>8,070</u>
Total U.S. Department of Homeland Security			<u>8,070</u>
<u>U.S. Department of Justice</u>			
Direct Programs -			
ARRA, Recovery Act Edward Byrne Memorial Justice Assistance Grant			
Edward Byrne Memorial Justice Assistance Grant	16.804	2009-SB-B9-3196	60,491
	16.738	2009-DJ-BX-1231	<u>12,932</u>
Total U.S. Department of Justice			<u>73,423</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,775,358</u>

* Denotes major program.

CITY OF ASHLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2013

Notes to Schedule of Expenditures of Federal Awards

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ashland's programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of operations of the City, it is not intended to, and does not present the financial position, changes in net position or cash flows of the City.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State and Local Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity indentifying numbers are presented where available.

NOTE C - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
16.804	ARRA, Recovery Act Edward Byrne Memorial Justice Assistance Grant	\$13,017
14.218	CDBG Entitlement	\$58,941

STATISTICAL SECTION

➤ Financial Trends

- The information presented in this section is intended to assist users in understanding and assessing how a government's financial position has changed over time.

➤ Revenue Capacity

- This section is intended to assist users in understanding and assessing the factors affecting a government's ability to generate its own-source revenue.

➤ Debt Capacity

- The information presented in this section is intended to assist users in understanding and assessing a government's debt burden and its ability to issue additional debt.

➤ Economic and Demographic Information

- This section is intended (1) to assist users in understanding the socioeconomic environment within which a government operates and (2) to provide information that facilitates comparisons of financial statement information over time and among governments.

➤ Operating Information

- This section is intended to provide contextual information about a government's operations and resources to assist readers in using financial statement information to understand and assess a government's economic condition.



CITY OF ASHLAND
Net Position by Component
(Unaudited)

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008*</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>	<u>2004*</u>
Governmental activities										
Invested in Capital Assets,										
Net of Related Debt	54,881,112	56,286,542	57,272,690	56,102,556	44,135,871	46,766,694	49,741,383	50,818,069	52,297,266	7,759,961
Restricted	300,240	537,747	714,917	1,279,940	6,444,960	4,398,775	4,115,665	3,933,528	-	119,303
Unrestricted	3,415,661	2,560,801	4,019,779	5,299,076	7,007,286	7,129,760	2,323,346	1,372,104	3,701,885	3,825,813
Total governmental activities net position	<u>58,597,013</u>	<u>59,385,090</u>	<u>62,007,386</u>	<u>62,681,572</u>	<u>57,588,117</u>	<u>58,295,229</u>	<u>56,180,394</u>	<u>56,123,701</u>	<u>55,999,151</u>	<u>11,705,077</u>
Business-type activities										
Invested in Capital Assets,										
Net of Related Debt	35,003,440	35,212,492	35,983,988	36,235,091	33,535,573	34,348,519	34,704,680	35,946,204	36,045,539	34,194,796
Restricted	4,964,195	3,967,088	2,536,674	1,155,361	662,246	662,246	662,246	662,246	731,162	561,344
Unrestricted	1,271,712	1,310,597	1,507,342	1,677,050	125,265	(74,930)	(226,819)	(595,508)	964,985	5,535,405
Total business-type activities net position	<u>41,239,347</u>	<u>40,490,177</u>	<u>40,028,004</u>	<u>39,067,502</u>	<u>34,323,084</u>	<u>34,935,835</u>	<u>35,140,107</u>	<u>36,012,942</u>	<u>37,741,686</u>	<u>40,291,545</u>
Primary government										
Invested in Capital Assets,										
Net of Related Debt	89,884,552	91,499,034	93,256,678	92,337,647	77,671,444	81,115,213	84,446,063	86,764,273	88,342,805	41,954,757
Restricted	5,264,435	4,504,835	3,251,591	2,435,301	7,107,206	5,061,021	4,777,911	4,595,774	731,162	680,647
Unrestricted	4,687,373	3,871,398	5,527,121	6,976,126	7,132,551	7,054,830	2,096,527	776,596	4,666,870	9,361,218
Total primary government net position	<u>99,836,360</u>	<u>99,875,267</u>	<u>102,035,390</u>	<u>101,749,074</u>	<u>91,911,201</u>	<u>93,231,064</u>	<u>91,320,501</u>	<u>92,136,643</u>	<u>93,740,837</u>	<u>51,996,622</u>

*Restated for prior period adjustments.

- (1) The additional increase in net position for governmental activities in 2005 was due to the adoption of GASB 34's provision for general infrastructure assets.
- (2) The riverfront construction project had amounts not capitalized due to the uncertainty of the project continuing in fiscal year 2008. The 2009 construction in process related to the project included these amounts.

CITY OF ASHLAND
Change in Net Position
(Unaudited)

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008*</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>	<u>2004*</u>
Expenses										
Governmental activities:										
General government	2,644,407	3,108,207	2,288,370	3,151,310	6,668,670	2,442,331	3,113,316	2,737,485	2,042,116	2,157,236
Finance	587,010	624,375	616,850	597,665	572,342	568,660	531,656	497,390	473,809	420,957
Public works	6,188,734	6,460,927	6,472,277	5,254,674	5,252,264	6,381,288	6,104,848	7,000,885	5,212,400	4,813,553
Planning and code enforcement	605,205	616,724	586,302	528,934	438,336	438,445	635,512	537,919	295,742	306,381
Police	5,528,981	5,501,952	5,435,091	4,819,508	4,272,709	4,150,927	4,518,328	3,973,678	3,907,563	3,606,062
Fire	5,822,585	7,234,173	5,797,256	5,549,443	4,803,590	5,059,304	4,927,766	4,461,805	4,374,029	4,185,765
Engineering	244,377	210,484	627,371	729,305	140,193	152,156	152,325	123,426	121,776	118,317
Community and cultural	2,943,475	3,333,805	3,501,176	3,472,659	3,036,757	2,495,250	2,802,714	2,708,838	3,294,299	3,554,958
Premiums and claims	-	-	-	-	-	-	(169,904)	312,624	272,249	122,947
Capital outlay	-	-	-	-	-	-	280,505	967,171	366,714	39,010
Debt service - interest	285,947	291,216	339,571	360,075	269,507	259,095	220,224	195,881	302,695	260,011
Loss on sale of assets	-	-	-	-	-	108,539	-	32,244	918	267,436
Other	-	-	-	-	-	-	15,938	51,780	1,290	1,081
Total governmental activities expenses	<u>24,850,721</u>	<u>27,381,863</u>	<u>25,664,264</u>	<u>24,463,573</u>	<u>25,454,368</u>	<u>22,055,995</u>	<u>23,133,228</u>	<u>23,601,126</u>	<u>20,665,600</u>	<u>19,853,714</u>
Business-type activities:										
Utilities	14,618,138	14,187,824	13,882,611	13,320,805	12,562,956	12,042,313	11,820,723	11,784,287	11,682,659	10,213,792
Recreation	1,078,408	1,023,425	1,131,949	960,621	1,002,994	931,995	844,372	168,977	186,755	201,817
Bus	1,483,318	1,585,686	1,344,854	1,387,173	1,084,078	993,610	887,907	843,006	777,293	743,351
Cemetery	312,684	372,091	378,031	294,083	-	-	-	-	-	-
Total business-type activities expenses	<u>17,492,548</u>	<u>17,169,026</u>	<u>16,737,445</u>	<u>15,962,682</u>	<u>14,650,028</u>	<u>13,967,918</u>	<u>13,553,002</u>	<u>12,796,270</u>	<u>12,646,707</u>	<u>11,158,960</u>
Total primary government expenses	<u><u>42,343,269</u></u>	<u><u>44,550,889</u></u>	<u><u>42,401,709</u></u>	<u><u>40,426,255</u></u>	<u><u>40,104,396</u></u>	<u><u>36,023,913</u></u>	<u><u>36,686,230</u></u>	<u><u>36,397,396</u></u>	<u><u>33,312,307</u></u>	<u><u>31,012,674</u></u>

*Restated for prior period adjustments.

CITY OF ASHLAND
Change in Net Position
(Unaudited)

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008*</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>	<u>2004*</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	11,398,530	11,308,826	10,863,132	10,785,309	10,385,365	9,826,921	-	-	-	-
Public works	1,954,179	1,857,995	1,787,289	1,684,139	1,594,264	1,542,664	1,471,184	1,374,612	1,254,323	1,258,927
Community and cultural	233,945	251,707	313,203	331,281	250,818	291,464	274,606	285,219	282,876	287,319
Premiums and claims	-	-	-	-	-	-	-	-	-	109,356
Operating grants and contributions:										
General government	49,088	386,749	362,042	526,760	-	-	-	-	-	-
Public works	554,022	517,971	476,559	421,945	1,769,058	1,143,679	853,098	589,552	374,400	349,511
Police	110,181	86,506	79,804	49,518	9,114	77,485	36,407	255,885	369,855	40,981
Fire	-	-	-	-	-	-	292,157	-	-	-
Community and cultural	2,637,160	3,112,639	3,165,698	2,950,588	3,079,848	3,708,417	3,610,811	4,003,847	3,528,953	2,704,873
Capital grants and contributions:										
General government	-	3,704	749,903	6,246,734	-	-	-	-	-	1,300,000
Capital outlay	-	986,676	-	-	-	-	-	-	-	100,000
Total governmental program revenues	<u>16,937,105</u>	<u>18,512,773</u>	<u>17,797,630</u>	<u>22,996,274</u>	<u>17,088,467</u>	<u>16,590,630</u>	<u>6,538,263</u>	<u>6,509,115</u>	<u>5,810,407</u>	<u>6,150,967</u>
Business-type activities:										
Charges for services:										
Utilities	14,976,626	14,282,119	14,408,152	12,250,268	11,204,613	10,638,285	10,335,931	9,435,963	8,621,158	8,621,158
Recreation	71,160	66,639	72,130	54,682	68,302	74,494	73,036	48,540	56,916	56,916
Bus	78,595	72,483	66,026	58,475	62,048	60,670	52,660	55,009	51,887	51,887
Cemetery	130,850	163,753	133,733	118,483	-	-	-	-	-	-
Operating grants and contributions:										
Bus	526,336	489,967	386,357	511,674	238,528	362,017	302,670	283,354	248,164	248,164
Capital grants and contributions:										
Utilities	-	-	128,503	-	-	200,000	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-	-
Bus	220,040	117,922	318,016	513,930	425,071	334,369	312,565	236,985	287,388	287,388
Cemetery	-	-	-	5,171,752	-	-	-	-	-	-
Total business-type activities program revenues	<u>16,003,607</u>	<u>15,192,883</u>	<u>15,512,917</u>	<u>18,679,264</u>	<u>11,998,562</u>	<u>11,669,835</u>	<u>11,076,862</u>	<u>10,059,851</u>	<u>9,265,513</u>	<u>9,265,513</u>
Total primary government program revenues	<u><u>32,940,712</u></u>	<u><u>33,705,656</u></u>	<u><u>33,310,547</u></u>	<u><u>41,675,538</u></u>	<u><u>29,087,029</u></u>	<u><u>28,260,465</u></u>	<u><u>17,615,125</u></u>	<u><u>16,568,966</u></u>	<u><u>15,075,920</u></u>	<u><u>15,416,480</u></u>

CITY OF ASHLAND
Change in Net Position
(Unaudited)

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008*</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>	<u>2004*</u>
Net (Expense) Revenue										
Governmental activities	(7,913,616)	(8,869,090)	(7,866,634)	(1,467,299)	(8,365,901)	(5,465,365)	(16,594,965)	(17,092,011)	(14,855,193)	(13,702,747)
Business-type activities	(1,488,941)	(1,976,143)	(1,224,528)	2,716,582	(2,651,466)	(2,298,083)	(2,476,140)	(2,736,419)	(3,381,194)	(1,893,447)
Total primary government net expense	<u>(9,402,557)</u>	<u>(10,845,233)</u>	<u>(9,091,162)</u>	<u>1,249,283</u>	<u>(11,017,367)</u>	<u>(7,763,448)</u>	<u>(19,071,105)</u>	<u>(19,828,430)</u>	<u>(18,236,387)</u>	<u>(15,596,194)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property and other local taxes	8,479,163	7,650,814	8,150,028	7,477,238	8,006,100	8,127,228	8,109,826	8,040,454	7,873,372	7,873,372
Licenses and permits	-	-	-	-	-	-	8,408,948	7,965,545	7,098,740	7,098,740
Fees, fines and reimbursements	-	-	-	-	-	-	853,106	1,222,715	565,835	565,835
Interest income	3,066	4,054	4,469	22,438	71,307	176,492	192,741	114,543	52,248	52,248
Gain on sale of assets	-	-	-	-	-	-	69,613	-	-	-
Other revenues	167,210	307,812	526,103	500,265	630,846	535,806	78,586	299,987	140,626	140,626
Transfers	(1,523,900)	(1,715,886)	(1,488,152)	(1,439,187)	(1,049,464)	(1,259,326)	(1,061,162)	(426,683)	(400,083)	(400,083)
Total governmental activities general revenues and other changes in net position	<u>7,125,539</u>	<u>6,246,794</u>	<u>7,192,448</u>	<u>6,560,754</u>	<u>7,658,789</u>	<u>7,580,200</u>	<u>16,651,658</u>	<u>17,216,561</u>	<u>15,330,738</u>	<u>15,330,738</u>
Business-type activities:										
Interest income	30,260	34,987	46,715	63,915	77,135	116,337	130,735	113,258	74,147	74,147
Other revenues	683,951	687,443	650,163	524,734	912,116	718,148	411,408	467,734	357,104	357,104
Transfers	1,523,900	1,715,886	1,488,152	1,439,187	1,049,464	1,259,326	1,061,162	426,683	400,083	400,083
Total business-type activities general revenues and other changes in net position	<u>2,238,111</u>	<u>2,438,316</u>	<u>2,185,030</u>	<u>2,027,836</u>	<u>2,038,715</u>	<u>2,093,811</u>	<u>1,603,305</u>	<u>1,007,675</u>	<u>831,334</u>	<u>831,334</u>
Total primary government general revenues and other changes in net position	<u>9,363,650</u>	<u>8,685,110</u>	<u>9,377,478</u>	<u>8,588,590</u>	<u>9,697,504</u>	<u>9,674,011</u>	<u>18,254,963</u>	<u>18,224,236</u>	<u>16,162,072</u>	<u>16,162,072</u>
Changes in Net Position										
Governmental activities	(788,077)	(2,622,296)	(674,186)	5,093,455	(707,112)	2,114,835	56,693	124,550	475,545	1,627,991
Business-type activities	749,170	462,173	960,502	4,744,418	(612,751)	(204,272)	(872,835)	(1,728,744)	(2,549,860)	(1,062,113)
Total primary government, change in net position	<u>(38,907)</u>	<u>(2,160,123)</u>	<u>286,316</u>	<u>9,837,873</u>	<u>(1,319,863)</u>	<u>1,910,563</u>	<u>(816,142)</u>	<u>(1,604,194)</u>	<u>(2,074,315)</u>	<u>565,878</u>

CITY OF ASHLAND
Fund Balances, Governmental Funds
(Unaudited)

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005</u>	<u>2004</u>
General Fund										
Assigned / Restricted	259,439	297,741	657,707	1,165,434	7,017,313	4,046,016	3,920,907	3,784,386	70,232	2,221,074
Unassigned	1,348,970	876,058	2,289,059	4,051,892	4,419,119	5,498,555	4,807,346	3,926,837	1,467,341	1,923,420
Total general fund	<u>1,608,409</u>	<u>1,173,799</u>	<u>2,946,766</u>	<u>5,217,326</u>	<u>11,436,432</u>	<u>9,544,571</u>	<u>8,728,253</u>	<u>7,711,223</u>	<u>1,537,573</u>	<u>4,144,494</u>
All other governmental funds										
Assigned / Restricted	602,221	447,086	363,212	284,090	460,290	444,999	366,757	219,747	1,586,210	1,587,609
Unassigned, reported in:										
Special revenue funds		-	-	134,641	247,258	238,374	192,533	217,817	223,996	287,826
Capital projects funds	-	-	-	-	-	(4,200)	(4,200)	50,000	120,000	120,000
	<u>602,221</u>	<u>447,086</u>	<u>363,212</u>	<u>418,731</u>	<u>707,548</u>	<u>679,173</u>	<u>555,090</u>	<u>487,564</u>	<u>1,930,206</u>	<u>1,995,435</u>

*Restated for prior period adjustments.

CITY OF ASHLAND
Changes in Fund Balances, Governmental Funds
(Unaudited)

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005</u>	<u>2004</u>
Revenues										
Property and other local taxes	8,479,163	7,650,814	8,150,028	7,776,235	7,707,103	8,127,228	8,109,826	8,040,454	7,873,372	7,979,323
Licenses and permits	9,696,723	9,688,773	9,977,092	10,007,066	9,430,244	8,836,831	8,408,948	7,965,545	7,098,740	6,681,686
Charges for services	1,954,179	1,857,995	1,787,289	1,684,139	1,594,264	1,542,664	1,471,184	1,374,612	1,254,323	1,258,927
Fees, fines and reimbursements	1,701,807	1,620,053	886,040	778,243	955,121	990,090	853,106	1,222,715	565,835	526,379
Grant income	3,350,451	5,094,245	4,834,006	10,195,545	4,858,020	4,834,482	4,605,436	4,849,284	3,822,131	2,996,804
Administration fee income	233,945	251,707	313,203	331,281	250,818	291,464	274,606	285,219	282,876	287,319
Program income	-	-	-	-	-	95,100	95,535	-	59,968	38,978
Interest income	3,066	4,054	4,469	22,438	71,307	176,144	192,123	113,751	49,614	18,516
Other income	167,210	307,812	376,103	500,265	630,846	535,806	282,908	319,657	532,712	194,126
Total revenues	<u>25,586,544</u>	<u>26,475,453</u>	<u>26,328,230</u>	<u>31,295,212</u>	<u>25,497,723</u>	<u>25,429,809</u>	<u>24,293,672</u>	<u>24,171,237</u>	<u>21,539,571</u>	<u>19,982,058</u>
Expenditures										
General government	2,237,904	2,767,313	4,074,854	11,108,133	7,770,993	3,658,157	3,015,441	2,691,637	1,996,403	2,095,239
Finance	588,758	624,750	624,865	602,790	574,583	566,952	535,622	494,912	471,319	417,182
Public works	4,793,825	5,168,264	5,281,430	4,522,214	4,539,582	4,216,986	4,185,765	5,004,446	4,969,584	4,745,701
Planning and code enforcement	598,623	609,254	577,943	520,260	428,075	477,918	636,790	537,419	295,480	306,415
Police	5,350,620	5,362,642	5,188,702	4,734,396	4,168,260	4,444,074	4,207,464	3,829,661	3,789,096	3,489,446
Fire	5,683,338	5,839,753	5,951,147	5,226,734	4,678,186	4,941,826	4,557,245	4,295,511	4,192,082	3,999,706
Engineering	201,685	432,705	592,275	727,338	139,846	147,027	139,343	118,652	116,137	114,128
Community and cultural	2,931,352	3,399,198	3,501,433	3,459,377	3,084,399	2,716,501	2,786,908	2,685,786	3,271,356	3,518,514
Capital outlay	241,884	1,315,814	528,862	4,732,709	1,400,662	1,925,217	1,360,323	1,726,029	1,499,170	599,061
Debt service:										
Principal retirement	558,963	637,751	2,180,075	559,893	810,460	395,000	485,000	385,000	2,642,834	528,141
Interest charges	285,947	291,216	339,571	360,075	269,507	151,018	220,224	195,881	302,695	260,011
Other			-	-	-	-	15,938	9,563	1,290	1,081
Total expenditures	<u>23,472,899</u>	<u>26,448,660</u>	<u>28,841,157</u>	<u>36,553,919</u>	<u>27,864,553</u>	<u>23,640,676</u>	<u>22,146,063</u>	<u>21,974,497</u>	<u>23,547,446</u>	<u>20,074,625</u>
Excess (deficiency) of revenues over expenditures	2,113,645	26,793	(2,512,927)	(5,258,707)	(2,366,830)	1,789,133	2,147,609	2,196,740	(2,007,875)	(92,567)

CITY OF ASHLAND
Changes in Fund Balances, Governmental Funds
(Unaudited)

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005</u>	<u>2004</u>
Other financing sources (uses)										
Transfers in	315,323	310,469	595,760	5,078,915	1,763,591	730,841	448,209	2,545,061	1,066,325	990,085
Transfers out	(1,839,223)	(2,026,355)	(2,083,912)	(6,518,102)	(2,813,055)	(1,990,167)	(1,509,371)	(3,283,576)	(1,730,600)	(1,403,529)
Local contributions	-	-	-	-	-	-	-	-	-	100,000
Issuance of Debt	-	-	1,675,000	189,971	5,336,530	410,594	-	-	-	-
Bond proceeds	-	-	-	-	-	-	-	3,272,783	-	-
Total other financing sources (uses)	<u>(1,523,900)</u>	<u>(1,715,886)</u>	<u>186,848</u>	<u>(1,249,216)</u>	<u>4,287,066</u>	<u>(848,732)</u>	<u>(1,061,162)</u>	<u>2,534,268</u>	<u>(664,275)</u>	<u>(313,444)</u>
Net change in fund balances	<u><u>589,745</u></u>	<u><u>(1,689,093)</u></u>	<u><u>(2,326,079)</u></u>	<u><u>(6,507,923)</u></u>	<u><u>1,920,236</u></u>	<u><u>940,401</u></u>	<u><u>1,086,447</u></u>	<u><u>4,731,008</u></u>	<u><u>(2,672,150)</u></u>	<u><u>(406,011)</u></u>
Debt Service as a percentage of noncapital expenditures	3.71%	3.67%	9.75%	4.05%	4.58%	2.54%	3.39%	2.87%	13.36%	4.05%

*Restated for prior period adjustments.

CITY OF ASHLAND
Assessed, Actual and Taxable Property Value
(Unaudited)

Last Ten Fiscal Years

Fiscal Year	Assessed Value			Estimated Actual Value	Total Direct Tax Rate	Percentage Taxable	
	Real Estate	Personal Property	Total			Real Estate	Personal Property
2004	668,900,615	82,292,078	751,192,693	672,174,015	0.3190	89.05%	10.95%
2005	686,274,035	99,911,068	786,185,103	686,274,035	0.3245	87.29%	12.71%
2006	727,781,091	92,203,624	819,984,715	727,781,091	0.3295	88.76%	11.24%
2007	755,592,391	93,740,910	849,333,301	755,592,391	0.3372	88.96%	11.04%
2008	793,565,014	105,075,190	898,640,204	793,565,014	0.3389	88.31%	11.69%
2009	800,261,684	102,452,548	902,714,232	800,261,684	0.3513	88.65%	11.35%
2010	807,905,514	102,979,300	910,884,814	807,905,514	0.3474	88.69%	11.31%
2011	815,809,764	97,283,558	913,093,322	815,809,764	0.3560	89.35%	10.65%
2012	824,453,614	98,253,559	922,707,173	824,453,614	0.3553	89.35%	10.65%
2013	826,561,756	102,946,806	929,508,562	826,561,756	0.3550	88.92%	11.08%

*Data supplied to City of Ashland by Boyd County Property Valuation Administration.

CITY OF ASHLAND
Property Tax Levies and Collections
(Unaudited)

Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	2,258,055	2,148,503	95.15%	100,269	2,248,772	99.59%
2004	2,396,559	2,256,893	94.17%	128,177	2,385,070	99.52%
2005	2,551,182	2,331,402	91.39%	204,700	2,536,102	99.41%
2006	2,701,860	2,521,704	93.33%	160,030	2,681,734	99.26%
2007	2,863,952	2,640,508	92.20%	201,378	2,841,886	99.23%
2008	3,045,731	2,846,057	93.44%	165,843	3,011,900	98.89%
2009	3,171,235	2,928,798	92.36%	187,359	3,116,157	98.26%
2010	3,171,878	2,941,046	92.72%	155,602	3,096,648	97.63%
2011	3,250,611	3,144,088	96.72%	10,616	3,154,704	97.05%
2012	3,278,384	3,170,115	96.70%	6,544	3,176,659	96.90%

*Data supplied by City of Ashland Finance Department.

CITY OF ASHLAND
Principal Property Tax Payers
(Unaudited)

2012				
Taxpayer	Assessment	Rank	Taxes Paid	Percentage of Total Taxes Paid
Glimcher Ashland Venture LLC	25,475,000	1	90,513	2.85%
Melody Mountain Associates LTD	14,500,000	2	51,519	1.62%
Fred Burns	13,629,000	3	49,223	1.55%
AK Steel Corporation	12,041,550	4	42,784	1.35%
JC Penney	10,673,363	5	37,922	1.19%
Gateway Van Buren	9,600,000	6	34,109	1.07%
Wal-Mart Stores East LP	8,201,388	7	29,140	0.92%
Progress Metal Reclamation	6,434,109	8	22,860	0.72%
BC Holding	4,399,000	9	15,630	0.49%
Citizens National Bank	4,188,337	10	14,881	0.47%
	109,141,747		388,581	12.23%

2003				
Taxpayer	Assessment	Rank	Taxes Paid	Percentage of Total Taxes Paid
Glimcher Ashland Venture LLC	33,000,000	1	103,092	4.58%
AK Steel Corporation	13,504,578	2	42,188	1.88%
Bradley Operating Limited PTR	7,102,300	3	22,188	0.99%
Wal-Mart Stores East LP	6,242,882	4	19,503	0.87%
Progress Metal Reclamation	3,698,601	5	11,554	0.51%
SKPR KY2 LLC	3,588,188	6	11,210	0.50%
First American	3,386,500	7	10,579	0.47%
Creek Bridge Limited	2,915,000	8	9,106	0.40%
Ashland Radiation Oncology PS	2,830,157	9	8,841	0.39%
Boyd County Health Care Facility	2,815,000	10	8,794	0.39%
	79,083,206		247,055	10.98%

*Data supplied by City of Ashland Finance Department.

CITY OF ASHLAND
Principal Occupational License Fee Tax Payers
(Unaudited)

2012				
Taxpayer	Taxable Wages	Rank	Taxes Paid	Percentage of Total Taxable Wages
Kings Daughters' Medical Center	171,010,877	1	2,565,151	29.11%
Kentucky Heart & Vascular Physicians	20,449,812	2	306,747	3.94%
Kings Daughters' Medical Specialty	19,874,244	3	298,114	4.23%
Ashland Inc. Board of Education	18,462,653	4	276,942	3.35%
City of Ashland	13,663,094	5	204,807	2.68%
AK Steel Corporation	12,452,319	6	186,785	2.57%
Wal-Mart Stores East, LP	9,637,015	7	144,555	1.84%
Kentucky Community & Tech. College	8,167,343	8	122,510	1.46%
Commonwealth of Kentucky	6,713,913	9	100,709	1.22%
Pathways, Inc.	6,680,333	10	100,206	1.19%
	287,111,603		4,306,526	51.59%

2003				
Taxpayer	Taxable Wages	Rank	Taxes Paid	Percentage of Total Taxable Wages
Kings Daughters' Medical Center	71,776,503	1	987,161	18.95%
AK Steel Corporation	20,119,704	2	276,648	5.38%
Ashland Inc. Board of Education	13,678,687	3	188,079	3.89%
City of Ashland	9,470,679	4	130,222	2.67%
Wal-Mart Associates, Inc.	6,279,582	5	90,530	1.83%
Kentucky Community & Tech. College	5,680,960	6	78,113	1.61%
Pathways, Inc.	5,019,839	7	69,023	1.39%
Mansbach Metal Co.	4,681,753	8	64,374	1.22%
Cumberland Cardiology, PSC	4,129,586	9	56,781	1.19%
Commonwealth of Kentucky	3,918,218	10	53,876	1.17%
	144,755,511		1,994,807	39.30%

*Data supplied by City of Ashland Finance Department.

CITY OF ASHLAND
Principal Water and Sewer Customers
(Unaudited)

Customer	2012	
	Water Revenue	
	Average Monthly Amount	Average Monthly Usage
Cannonsburg Water	\$ 85,614	33,974,000
A K Steel West Works	79,518	17,724,000
Flatwoods Water	26,029	10,265,000
Ashland Oil Refinery	32,253	7,128,000
Federal Corrections	27,264	6,300,000
Kings Daughters' Medical Center	47,759	5,038,000
Air Products	13,649	3,147,000
City of Ashland - Catlettsburg Sewer	8,173	2,037,000
Cintas	16,725	1,466,000
Ashland Municipal Housing	5,543	589,000
	\$ 342,527	87,668,000

Customer	Sewer Revenue	
	Average Monthly Amount	Average Monthly Usage
	Sanitation District # 4	\$ 136,614
Kings Daughters' Medical Center	47,759	3,346,000
Cintas	16,725	1,433,000
River Cities Disposal LLC	15,160	726,000
Mansbach Metal Company	6,619	631,000
Ashland Oil	5,860	624,000
Providence Hill	5,986	605,000
Ashland Municipal Housing	5,543	589,000
Woodland Oaks	4,028	401,000
Texas Roadhouse	4,156	409,000
	\$ 248,450	43,766,000

*Data obtained from City of Ashland Utility Billing records.

CITY OF ASHLAND
Interest Earned - All Funds
(Unaudited)

Last Ten Fiscal Years

Fiscal Year	Governmental Funds			Proprietary Funds		Fiduciary Funds	Total All Funds
	General Fund	Special Revenue Funds	Capital Project Funds	Enterprise Funds	Internal Service Fund	Pension Trust Funds	
2003	-	38,784	1,691	129,545	1,848	250,566	422,434
2004	-	18,192	324	105,573	1,362	224,222	349,673
2005	36,324	13,180	110	74,147	2,634	254,240	380,635
2006	111,630	2,119	2	113,258	792	189,265	417,066
2007	188,307	3,615	1	130,735	618	219,081	542,357
2008	173,834	2,310	-	116,337	348	165,481	458,310
2009	69,814	1,493	-	77,135	835	155,512	304,789
2010	21,933	505	-	63,915	1,493	95,928	183,774
2011	4,181	4,469	-	46,715	249	43,201	98,815
2012	3,355	699	-	34,987	192	32,367	71,600
2013	2,464	602	-	30,260	167	13,954	47,447

CITY OF ASHLAND
Governmental and Business Activities Debt Percentage
(Unaudited)

Fiscal Year	Governmental Debt	Business Debt	Total	Percentage of Governmental Debt to Total Debt	Percentage of Business Debt to Total Debt	Personal Income (Thousands)	Percentage of Personal Income
2004	5,454,704	14,476,588	19,931,292	27.37%	72.63%	1,345,932	1.48%
2005	2,748,513	14,450,728	17,199,241	15.98%	84.02%	1,369,553	1.26%
2006	5,612,784	13,849,880	19,462,664	28.84%	71.16%	1,473,463	1.32%
2007	5,172,725	13,231,385	18,404,110	28.11%	71.89%	1,513,013	1.22%
2008	5,038,569	12,050,267	17,088,836	29.48%	70.52%	1,594,725	1.07%
2009	9,564,639	11,501,283	21,065,922	45.40%	54.60%	1,568,175	1.34%
2010	9,194,717	11,068,153	20,262,870	45.38%	54.62%	1,608,119	1.26%
2011	9,652,131	13,536,357	23,188,488	41.62%	58.38%	1,652,435	1.40%
2012	8,990,276	15,942,953	24,933,229	36.06%	63.94%	*	*
2013	8,359,837	15,172,793	23,532,630	35.52%	64.48%	*	*

*Information not available.

**Property taxes are not restricted revenues.

***Fiscal Year 2013 legal debt margin is 10% of assessed property value or \$ 92,950,856.

CITY OF ASHLAND
Governmental Activities Debt Percentage
(Unaudited)

<u>Fiscal Year</u>	<u>Floating Indebtness</u>	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Total</u>	<u>Population</u>	<u>General Bonded Debt to Estimated Actual Property Value</u>	<u>General Bonded Debt per Capita</u>	<u>Total Debt per Capita</u>	<u>Personal Income (Thousands)</u>	<u>Percentage of Personal Income</u>
2004	2,267,834	1,495,000	1,691,870	5,454,704	21,821	0.22%	69	250	1,345,932	0.41%
2005	-	1,220,000	1,528,513	2,748,513	21,798	0.18%	56	126	1,369,553	0.20%
2006	-	4,250,000	1,362,784	5,612,784	21,775	0.58%	195	258	1,473,463	0.38%
2007	-	3,870,000	1,302,725	5,172,725	21,752	0.51%	178	238	1,513,013	0.34%
2008	-	3,475,000	1,563,569	5,038,569	21,729	0.44%	160	232	1,594,725	0.32%
2009	-	3,055,000	6,509,639	9,564,639	21,706	0.38%	141	441	1,568,175	0.61%
2010	-	2,965,000	6,229,717	9,194,717	21,684	0.37%	137	424	1,608,119	0.57%
2011	-	2,870,000	5,819,642	8,689,642	21,661	0.35%	132	401	1,652,435	0.53%
2012	-	2,775,000	5,276,891	8,051,891	21,639	0.34%	128	372	*	*
2013	-	2,675,000	5,684,837	8,359,837	21,506	0.32%	124	389	*	*

*Information not available.

**Property taxes are not restricted revenues.

***The City of Ashland does not have any overlapping debt.

****Fiscal Year 2013 legal debt margin is 10% of assessed property value or \$ 92,950,856.

*****Property value data supplied to City of Ashland by Boyd County Property Valuation Administration.

CITY OF ASHLAND
Business Activities Debt Percentage
(Unaudited)

Fiscal Year	Utility Bonds	Capital Lease	Note Payable	Utility Pension Liability	KIA Loans	Total	Population	Total Debt per Capita	Personal Income (Thousands)	Percentage of Personal Income
2004	8,220,000	-	-	576,293	5,680,295	14,476,588	21,821	663	1,345,932	1.08%
2005	7,910,000	-	-	539,717	6,001,011	14,450,728	21,798	663	1,369,553	1.06%
2006	7,540,000	-	-	539,717	5,770,163	13,849,880	21,775	636	1,473,463	0.94%
2007	7,160,000	-	-	539,717	5,531,668	13,231,385	21,752	608	1,513,013	0.87%
2008	6,765,000	-	-	-	5,285,267	12,050,267	21,729	555	1,594,725	0.76%
2009	6,365,000	105,585	-	-	5,030,698	11,501,283	21,706	530	1,568,175	0.73%
2010	5,950,000	154,134	196,335	-	4,767,684	11,068,153	21,684	510	1,608,119	0.69%
2011	5,515,000	22,912	184,264	-	7,814,181	13,536,357	21,661	625	1,652,435	0.82%
2012	5,065,000	17,780	-	-	10,860,173	15,942,953	21,639	737	*	*
2013	4,590,954	11,756	-	-	10,570,083	15,172,793	21,506	706	*	*

*Information not available.

**Fiscal Year 2013 legal debt margin is 10% of assessed property value or \$ 92,950,856.

CITY OF ASHLAND

Demographic and Economic Statistics

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2004	21,821	1,345,932	27,167	6.2
2005	21,798	1,369,553	27,722	5.8
2006	21,775	1,473,463	29,880	5.5
2007	21,752	1,513,013	30,781	5.0
2008	21,729	1,594,725	32,384	5.3
2009	21,706	1,568,175	31,769	8.6
2010	21,684	1,608,119	32,413	8.5
2011	21,661	1,652,435	33,405	8.7
2012	21,639	*	*	7.9
2013	21,506	*	*	7.6

*Personal income data from the U.S. Department of Commerce, Bureau of Economic Analysis is only available for Boyd County.

*Unemployment rate is from Bureau of Labor Statistics data Ashland-Huntington Metropolitan Statistical Area.

*Information not available.

CITY OF ASHLAND
Principal Employers
(Unaudited)

2012			
Employer	Rank	Number of Employees	Percentage of Total City Employment
Kings Daughters' Medical Center	1	3,681	15.48%
Wal-Mart Associates, Inc.	2	666	2.80%
Ashland Independent Board of Education	3	586	2.46%
Kentucky Community & Technological College	4	430	1.81%
City of Ashland	5	374	1.57%
Texas Roadhouse	6	358	1.51%
Pathways, Inc.	7	310	1.30%
Kings Daughters' Medical Specialties	8	234	0.98%
Woodland Oaks, Inc.	9	223	0.94%
AK Steel Corporation	10	201	0.85%
		7,063	29.70%

2003			
Employer	Rank	Number of Employees	Percentage of Total City Employment
Kings Daughters' Medical Center	1	2,421	10.74%
Ashland Board of Education	2	804	3.57%
Wal-Mart Associates, Inc.	3	573	2.54%
AK Steel Corporation	4	535	2.37%
Texas Roadhouse	5	395	1.75%
City of Ashland	6	366	1.62%
Kentucky Community & Technological College	7	358	1.59%
Pathways, Inc.	8	286	1.27%
Bob Evans Farms, Inc. # 156	9	242	1.07%
Woodland Oaks, Inc.	10	234	1.04%
		6,214	27.57%

*Data received from City of Ashland Occupational License Fee Division.

**Total number of City employees in 2012 was 23,116. Total number of City employees in 2003 was 23,746.

CITY OF ASHLAND
Full-Time Employees by Function
(Unaudited)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Full-Time Employees										
General government	24	27	26	24	11	10	12	11	11	12
Finance	32	34	34	34	30	22	22	23	23	22
Public works	57	63	63	63	63	63	63	75	75	78
Planning and code enforcement	8	8	8	8	8	12	12	14	16	14
Police	52	54	54	55	54	55	56	56	56	56
Fire	54	56	56	56	56	56	56	56	56	56
Engineering	-	-	-	-	-	-	4	4	4	4
Engineering & Utilities*	71	80	80	81	77	75	74	76	76	72
Bus**	-	-	-	-	-	6	6	6	6	6
Recreation***	-	-	-	-	11	11	11	-	-	-
Total full-time employees	<u>298</u>	<u>322</u>	<u>321</u>	<u>321</u>	<u>310</u>	<u>310</u>	<u>316</u>	<u>321</u>	<u>323</u>	<u>320</u>

*The department of Utilities and Engineering combined in Fiscal Year 2008.

**The Bus department was combined with Finance in Fiscal Year 2009.

***The Recreation department was combined with General Government in Fiscal Year 2010.

****Data received from City of Ashland Payroll staff.

CITY OF ASHLAND
Operating Indicators by Function / Program
(Unaudited)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Citizen's information				
City commission meetings	22	22	22	23
CSO presentation meetings	-	-	1	2
Neighborhood Watch	11	12	12	20
General government				
Job applicants	434	299	525	501
Positions filled	17	17	21	23
Liability claims investigated	111	127	154	120
CPR classes held	4	-	3	3
Finance				
Utility bills processed	169,552	170,535	169,077	171,811
Vendors paid	706	704	732	329
Tax bills mailed	20,741	20,989	20,334	21,207
Active business licenses	2,537	2,583	2,606	2,682
Public works				
Parking meter repairs	227	230	162	264
Stop / traffic signs changed	459	660	602	300
Debris hauled to landfill (tons)	1,014	1,100	1,160	1,091
Road / curb paint (gallons)	1,300	1,200	950	1,260
Planning and code enforcement				
Building / zonings permits issued	283	384	327	394
Code fees / fines	2,211	1,055	686	87
Police				
Crimes reported	1,902	1,983	1,962	2,412
Closed cases	667	744	743	1,037
Citations issued	5,550	3,554	2,979	2,717
Calls for service	27,030	26,265	26,306	26,159
Fire				
Fires extinguished	261	302	323	359
Fire alarms investigated	189	561	286	514
Smoke detectors installed	106	170	508	35
Training hours	5,000	4,843	11,769	15,629
Calls for service	2,184	2,922	2,760	1,760
Engineering				
75 / 25 Sidewalk contracts	10	2	6	13
Minor / major subdivision reviews	17	17	15	40

CITY OF ASHLAND
Operating Indicators by Function / Program
(Unaudited)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Engineering & Utilities				
Pipe installed (feet)	3,942	19,935	1,646	1,468
Catch basins	31	22	27	15
Bus				
Paratransit service calls	16,785	16,830	15,091	13,369
Recreation				
Commission approved events	43	44	42	45
Weddings at Central Park	45	60	60	55
Ballgames / practices	3,050	3,152	1,950	1,830
Dawson pool visitors	11,000	10,974	11,300	8,895
Cemetery				
Burials	100	100	95	128
Graves / Crypts / Niches sold	45	52	53	33

*This statistical information was compiled beginning in Fiscal Year 2010.

**Data received from City of Ashland departments.

CITY OF ASHLAND
Capital Assets Statistics by Function / Program
(Unaudited)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Public works				
Streets (miles)	200	200	200	200
Sidewalks (miles)	325	325	325	325
Floodwall (miles)	3	3	3	3
Police				
Stations	1	1	1	1
Vehicles	35	38	37	37
Fire				
Stations	3	3	3	3
Fire trucks	9	9	9	8
Administration vehicles	6	6	5	5
Rescue boat	1	1	1	1
Engineering & Utilities				
Lift stations	12	12	12	12
Booster stations	20	20	20	20
Water plant	1	1	1	1
Sewer plant	1	1	1	1
Bus				
Transportation center	1	1	1	1
Bus shelters	13	13	9	9
Buses / trolley	10	10	10	10
Recreation				
Parks	10	10	10	9
Pool	1	1	1	1
Sidewalk around park (miles)	1	1	1	1
Cemetery				
Acreage	31	31	31	31
Mausoleums	3	3	3	3

*This statistical information was compiled beginning in Fiscal Year 2010.

**Data received from City of Ashland departments.