

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 30, 2020

New Issue  
Not Bank Qualified

Rating: S&P “AA/Stable” (Insured)  
Moody’s “A2” (Underlying)  
(See “Rating” herein)

In the opinion of Bond Counsel for the Series 2020A Bonds, based upon an analysis of laws, regulations, rulings, and court decisions, and assuming continuing compliance with certain covenants made by the City, and subject to the conditions and limitations set forth herein under the caption “TAX EXEMPTION” herein, interest on the Series 2020A Bonds is excludable from gross income for Federal income tax purposes and is not a specific item of tax preference for purposes of the Federal alternative minimum tax. Interest on the Series 2020A Bonds is exempt from Kentucky income tax and the Series 2020A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

\$11,500,000\*  
CITY OF ASHLAND, KENTUCKY  
WATER AND SEWER SYSTEM REVENUE BONDS  
SERIES 2020A

Dated: Date of Delivery

Due: April 1<sup>st</sup>, as shown below

The \$11,500,000\* Water and Sewer System Revenue Bonds, Series 2020A (the “Series 2020A Bonds”) are being issued by the City of Ashland, Kentucky (the “City”) and are authorized by a General Bond Ordinance adopted on January 15, 2004 (the “General Bond Ordinance”) and a Series 2020A Bond Ordinance adopted by the Board of Commissioners of the City on April 24, 2020 (the “Series 2020A Bond Ordinance”, and together with the General Bond Ordinance, the “Ordinance”). The Series 2020A Bonds shall be payable from revenues derived by the City from the operation of its combined water and sewer system (the “System”).

The proceeds to be received by the City from the sale of the Series 2020A Bonds are to be used to provide funds to (i) pay all or a portion of the costs of the construction of additions and improvements to the System, (ii) pay all or a portion of the costs incident to the issuance and sale of the Series 2020A Bonds and (iii) fund, to the extent necessary, all or a portion of the debt service reserve for the Series 2020A Bonds.

The Series 2020A Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof and will bear interest at the annual rates shown below. Interest on the Series 2015 Bonds will be payable semiannually on April 1<sup>st</sup> and October 1<sup>st</sup>, commencing April 1, 2021, and the Series 2020A Bonds will mature on April 1<sup>st</sup> of each year, as shown below.

<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>
2021	\$340,000			2032	\$550,000		
2022	470,000			2033	565,000		
2023	475,000			2034	575,000		
2024	480,000			2035	590,000		
2025	490,000			2036	605,000		
2026	495,000			2037	620,000		
2027	505,000			2038	635,000		
2028	510,000			2039	650,000		
2029	520,000			2040	670,000		
2030	530,000			2041	685,000		
2031	540,000						

The Series 2020A Bonds will be issuable under a book entry system, registered in the name of The Depository Trust Company (“DTC”) or its nominee. There will be no distribution of the Bonds to the ultimate purchasers. See “Book Entry” herein. Principal and interest on the Series 2020A Bonds is payable at the principal office of U.S. Bank National Association, Louisville, Kentucky, as Paying Agent and Bond Registrar. The Series 2020A Bonds are subject to redemption prior to maturity as described herein.

The scheduled payment of principal of and interest on the Series 2020A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2020A Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to make an informed decision. The Bonds are offered when, as and if issued by the City, subject to the approval of legality thereof by Dinsmore & Shohl LLP, Bond Counsel, Louisville, Kentucky. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about July 22, 2020.



\* Preliminary, subject to change.

This Preliminary Official Statement and information contained herein are subject to change, completion or amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

## REGARDING THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, has been prepared by officials of the City of Ashland, Kentucky (the “City”) in connection with the sale by the City of \$11,500,000\* aggregate principal amount of Water and Sewer System Revenue Bonds, Series 2020A of the City. Certain information concerning the authorization, purpose, terms, conditions of sale, and sources of payment of, and security for, the Series 2020A Bonds are described herein. Insofar as such information embodies statements of opinion, or estimates, even if not so labeled, it should be regarded as suggesting independent investigation or consultation of other sources prior to making investment decisions. Certain information may not be the most current that is available; however, attempts were made to date and document sources of information.

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been given by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2020A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Neither this Official Statement nor any verbal or written representations by or on behalf of the City before sale of the Series 2020A Bonds should be regarded as part of the contract with the holders from time to time of the City’s Series 2020A Bonds.

All financial and other information presented herein has been provided by the City from its records, except for information expressly attributed to other sources. It is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Series 2020A Bonds or the advisability of investing in the Series 2020A Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and “Appendix I - Specimen Municipal Bond Insurance Policy”.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes (“KRS”) or uncodified, or of the Kentucky Constitution, are references to such provisions as they presently exist. Any of those provisions may from time to time be amended, repealed or supplemented.

As used in this Official Statement, “debt service” means principal of and interest on the obligations referred to, and “Commonwealth” or “Kentucky” means the Commonwealth of Kentucky.

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\* Preliminary, subject to change.

**CITY OF ASHLAND, KENTUCKY**

*Mayor*  
Steve Gilmore

*Board of Commissioners*

Amanda Clark  
F. Marty Gute  
Matthew Perkins  
Pat Steen

*City Manager*  
Michael Graese

*Director of Finance*  
Tony D. Grubb

*City Clerk*  
Susan Maddix

City Attorney  
James H. Moore III

**BOND COUNSEL**  
Dinsmore & Shohl LLP  
Louisville, Kentucky

**FINANCIAL ADVISOR**  
RSA Advisors LLC  
Lexington, Kentucky

**REGISTRAR AND PAYING AGENT**  
U.S. Bank National Association  
Louisville, Kentucky

<b>Maturity Date</b>	<b>CUSIP<sup>†</sup></b>	<b>Maturity Date</b>	<b>CUSIP<sup>†</sup></b>
April 1, 2021	044330 [ ]	April 1, 2032	044330 [ ]
April 1, 2022	044330 [ ]	April 1, 2033	044330 [ ]
April 1, 2023	044330 [ ]	April 1, 2034	044330 [ ]
April 1, 2024	044330 [ ]	April 1, 2035	044330 [ ]
April 1, 2025	044330 [ ]	April 1, 2036	044330 [ ]
April 1, 2026	044330 [ ]	April 1, 2037	044330 [ ]
April 1, 2027	044330 [ ]	April 1, 2038	044330 [ ]
April 1, 2028	044330 [ ]	April 1, 2039	044330 [ ]
April 1, 2029	044330 [ ]	April 1, 2040	044330 [ ]
April 1, 2030	044330 [ ]	April 1, 2041	044330 [ ]
April 1, 2031	044330 [ ]		

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<sup>†</sup> Copyright, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP Numbers are provided for convenience of reference only. Neither the City, the Financial Advisor, the Underwriter, nor Bond Counsel takes any responsibility for the accuracy of such numbers.

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**\$11,500,000\***  
**CITY OF ASHLAND, KENTUCKY**  
**WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2020A**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance of the Series 2020A Bonds.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2020A Bonds to potential investors is made only by means of the entire Official Statement.

**The Issuer**

The Series 2020A Bonds are being issued by the City of Ashland, Kentucky, a municipal corporation and political subdivision of the Commonwealth of Kentucky.

**Sources of Payment and Security for the Series 2020A Bonds**

Pursuant to the City's General Bond Ordinance adopted on January 15, 2004 (the "General Bond Ordinance") and a Series 2020A Bond Ordinance adopted by the Board of Commissioners of the City on April 24, 2020 (the "Series 2020A Bond Ordinance", and together with the General Bond Ordinance, the "Ordinance"), the City has pledged the revenues from the operation of the combined and consolidated water and sewer system of the City (the "System") to the payment of the principal of, premium, if any, and interest on the Series 2020A Bonds. **THE SERIES 2020A BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF THE CONSTITUTION OF THE COMMONWEALTH OF KENTUCKY. THE SERIES 2020A BONDS ARE PAYABLE SOLELY FROM THE REVENUES OF THE SYSTEM AND THE ASSETS AND REVENUES PLEDGED THEREFOR UNDER THE ORDINANCE, AND ARE SECURED BY A STATUTORY MORTGAGE LIEN ON ALL OF THE PROPERTIES OF THE SYSTEM. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COMMONWEALTH OF KENTUCKY, OR ANY POLITICAL SUBDIVISION OR TAXING AUTHORITY THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2020A BONDS.**

**Purpose of the Series 2020A Bonds**

The proceeds of the Series 2020A Bonds will be used to provide funds to (i) finance all or a portion of the costs of the construction of additions and improvements to the System (the "Project"), (ii) make a deposit to the Series 2020A Cost of Issuance Account to pay all or a portion of the costs of issuing the Series 2020A Bonds, and (iii) fund, to the extent necessary, all or a portion of the increase to the debt service reserve resulting from the Series 2020A Bonds (See "PLAN OF FINANCING" herein). The Series 2020A Bonds, together with any additional bonds issued on a parity therewith in accordance with the Ordinance (collectively, the "Bonds"), are secured by and payable solely from the City's Pledged Receipts, as defined and described herein (see "SECURITY FOR THE BONDS" herein).

**Description of the Series 2020A Bonds**

**Redemption.** The Series 2020A Bonds maturing on or after April 1, 2029 are subject to redemption prior to stated maturity on any date falling on or after April 1, 2028 (less than all of a single maturity to be selected by lot), in whole or in part, upon terms of the face amount, plus accrued interest to the date of redemption (see "THE SERIES 2020A BONDS - Redemption," herein).

**Denominations.** The Series 2020A Bonds will be issued in the denomination of \$5,000 or any integral multiple thereof.

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\* Preliminary, subject to change.

**Book Entry.** The Series 2020A Bonds are issuable only as fully registered Series 2020A Bonds, without coupons. The Series 2020A Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2020A Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2020A Bonds purchased. So long as DTC or its nominee is the registered owner of the Series 2020A Bonds, payments of the principal of and interest due on the Series 2020A Bonds will be made directly to DTC. Principal of, redemption premium, if any, and interest on the Series 2020A Bonds will be paid directly to DTC by U.S. Bank National Association, Louisville, Kentucky, as Registrar and Paying Agent (the “Registrar and Paying Agent”). See “BOOK-ENTRY SYSTEM” herein.

**Interest.** The Series 2020A Bonds will be dated their date of initial issuance and delivery, will bear interest at the rates set forth on the cover hereof, payable semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup>, beginning April 1, 2021.

**Notices.** In the event any Series 2020A Bonds are called for redemption, notice shall be given by mailing a copy of the redemption notice by registered mail not less than thirty days prior to the date fixed for redemption to the registered owner of each Series 2020A Bond to be redeemed.

### **Tax Exemption**

In the opinion of Bond Counsel, based upon present laws, regulations, rulings, and decisions in effect on the date of delivery of the Series 2020A Bonds, and assuming continuing compliance with certain covenants made by the City, interest on the Series 2020A Bonds is excludible from gross income for federal income tax purposes upon the conditions and subject to the limitations set forth herein under “Tax Exemption.” Furthermore, interest on the Series 2020A Bonds is not a specific item of tax preference under § 57 of the Internal Revenue Code of 1986, as amended (the “Code”) for purposes of Federal alternative minimum tax. Receipt of interest on the Series 2020A Bonds may result in other federal income tax consequences to certain holders of the Series 2020A Bonds. Interest on the Series 2020A Bonds is also exempt from certain taxes in Kentucky (see “TAX EXEMPTION” herein).

The City has not designated the Series 2020A Bonds as “qualified tax exempt obligations” with respect to certain financial institutions under Section 265 of the Internal Revenue Code of 1986, as amended (the “Code”). See Appendix F hereto for the form of opinion Bond Counsel proposes to deliver in connection with the Series 2020A Bonds.

### **Parties to the Issuance of the Series 2020A Bonds**

The Registrar and Paying Agent for the Series 2020A Bonds is U.S. Bank National Association, Louisville, Kentucky. Legal matters incidence to the issuance of the Series 2020A Bonds and with regard to the tax exempt status of the interest thereon are subject to the approving legal opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, Bond Counsel. The financial advisor to the City with regard to the issuance of the Series 2020A Bonds is RSA Advisors LLC, Lexington, Kentucky.

### **Authority for Issuance**

Authority for the issuance of the Series 2020A Bonds is provided by Chapter 58 of the Kentucky Revised Statutes and Sections 96.350 to 96.510, inclusive of the Kentucky Revised Statutes (collectively, the “Act”), the General Bond Ordinance and the Series 2020A Bond Ordinance adopted by the Board of Commissioners of the City on May 7, 2020

### **Offering and Delivery of the Series 2020A Bonds**

The Series 2020A Bonds are offered when, as and if issued by the City. The Bonds will be delivered on or about July 22, 2020 in New York, New York through the Depository Trust Company (DTC).

### **Disclosure Information**

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and continuing disclosure documents of the City are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Series 2020A Bonds, including the authorizing ordinance and the bond form, are available from the City.

The City deems this Preliminary Official Statement to be final for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) except for certain information on the inside cover page hereof and certain pages herein which has been omitted in accordance with the Rule and will be provided with the final Official Statement.

**Additional Information**

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Series 2020A Bonds, is available from RSA Advisors LLC, 325 West Main Street, Suite 300, Lexington, Kentucky 40507, Attn: Mr. Joe Lakofka.

Brief descriptions of the Series 2020A Bonds, Security for the Bonds, the City, the Plan of Financing and the General Bond Ordinance are included in this Official Statement. Certain information with respect to the City is included in Appendices. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Ordinance. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available at the office of the City.

**THE SERIES 2020A BONDS**

**General**

The Series 2020A Bonds are to be issued only as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof. The Series 2020A Bonds will be dated their date of initial issuance and delivery, will bear interest from that date as described herein, payable semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup>, beginning April 1, 2021 (each an “Interest Payment Date”), and will mature on April 1<sup>st</sup> in the years and in the principal amounts set forth on the cover page of this Official Statement.

The Series 2020A Bonds shall be payable at the principal office of the Paying Agent and Registrar with respect to principal or premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public or private debts. All interest payments shall be payable by check or draft mailed to the record date registered Bondholders. The record dates for April 1<sup>st</sup> and October 1<sup>st</sup> interest payment dates shall be the preceding March 15<sup>th</sup> and September 15<sup>th</sup>, respectively.

Each registered Series 2020A Bond shall be transferable only upon the books of the Registrar, at the request of the registered owner thereof or by his authorized Attorney upon surrender thereof together with an assignment satisfactory to the appropriate Registrar duly executed by the registered owner or his duly authorized Attorney. Upon the transfer of any such Series 2020A Bond, the City shall issue in the name of the transferee a new registered Series 2020A Bond or Bonds of the same aggregate principal amount and maturity as the surrendered Series 2020A Bond. If any Series 2020A Bond is mutilated, lost, stolen or destroyed, the City will execute and deliver a new Series 2020A Bond in accordance with the General Bond Ordinance.

**Redemption**

**Optional Redemption.** The Series 2020A Bonds maturing on or after April 1, 2029 are subject to redemption prior to stated maturity on any date falling on or after April 1, 2028 (less than all of a single maturity to be selected by lot), in whole or in part, upon terms of the face amount, plus accrued interest to the date of redemption.

**Mandatory Sinking Fund Redemption.** The Series 2020A Bonds maturing on April 1, 20[ ] are subject to mandatory sinking fund redemption on April 1 of the years in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
[ ]	<u>Subject to Redemption</u>
[ ]*	\$[ ]
*Maturity	\$[ ]

**Selection of Bonds to be Redeemed.** In the event of redemption of less than all the outstanding Series 2020A Bonds of the same maturity, the City shall assign to each such outstanding Series 2020A Bond a distinctive number for each \$5,000 of the principal amount of such Series 2020A Bond and shall select by lot, using such method of selection as it shall deem



proper in its discretion, as many numbers as, at \$5,000 for each number shall equal the principal amount of such Series 2020A Bonds to be redeemed. The Series 2020A Bonds to be redeemed shall be the Series 2020A Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Series 2020A Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected.

In the event that any of the Series 2020A Bonds are to be redeemed, notice of such redemption, identifying the Series 2020A Bonds to be redeemed or amounts to be pre-paid, shall be given by the Paying Agent and Registrar at least thirty (30) days prior to the date of redemption by written notification by United States mail, postage prepaid, to the Registered Owners thereof. In the event any Series 2020A Bonds shall be called for redemption in the manner above provided, and in the event that on the redemption date the City shall cause to be deposited with the Paying Agent and Registrar a sum sufficient to pay such Series 2020A Bonds and all charges hereon, computed to the redemption date as above set forth, then such Series 2020A Bonds shall be deemed to have been paid and shall no longer constitute an obligation of the City and shall no longer be secured by the Ordinance and shall cease to bear interest; and thereafter the Registered Owner thereof shall look exclusively to the Paying Agent and Registrar for the payment thereof.

### **BOOK ENTRY**

The Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners of Beneficial Ownership Interests, each as hereinafter defined, Beneficial Owners will not be or be considered to be, and will not have any rights as, holders of the Bonds. For additional information about DTC and the book-entry-only system see "Appendix E - Book Entry Only System."

### **SECURITY FOR THE BONDS**

The Series 2020A Bonds, together with parity bonds which may be issued from time to time, pursuant to the General Bond Ordinance (collectively, the "Bonds"), are secured by and payable solely from the Pledged Receipts derived from the collection of rates, rentals, and charges for the services rendered by the System.

#### **Pledge of Revenues and Funds**

Pledged Receipts include all water and sewer service rates, rentals and charges of any and all types and varieties imposed, enforced and collected by the City for any water or sewer services rendered by the System of the City, together with any income or operating subsidies (as distinguished from capital grants) received from any unit of government, either federal or state, by the City. Pledged Receipts also include all interest earned and gains realized on investment obligations acquired by any fund or account of the City unless the General Bond Ordinance specifically requires such interest earned or gains realized to remain in a particular fund or account, provided that any interest or gains on the funds held in escrow by a trustee for the payment of previously outstanding bonds are not included.

#### **Debt Service Reserve**

For the further security of the owners of the Series 2020A Bonds, a Debt Service Reserve is created by the General Bond Ordinance. The Debt Service Reserve is required to be funded in an amount equal to the Aggregate Debt Service Reserve Requirement, which means the lesser of: (i) the maximum Annual Debt Service Requirement in any bond fiscal year (April 1<sup>st</sup> to March 31<sup>st</sup>) of the City or (ii) 125% of the average Annual Debt Service Requirement; provided that not more than 10% of the proceeds of any series of bonds shall be deposited in the Debt Service Reserve. The Annual Debt Service Requirement is the maximum amount of principal and interest coming due on all bonds outstanding in any bond fiscal year with regard to all outstanding bonds of the City issued under the General Bond Ordinance. In lieu of deposit of funds in the Debt Service Reserve the City may, subject to certain limitations, obtain a letter of credit, surety bond or similar arrangement, in an amount at least equal to the Aggregate Debt Service Reserve Requirement.

#### **Statutory Mortgage**

The Series 2020A Bonds are further secured by a statutory mortgage lien upon all properties of the City and extensions thereof, including the System and all extensions and appurtenances thereto. The statutory mortgage lien is granted by Section 96.400 of the Kentucky Revised Statutes, is not a foreclosable lien and is created by law for the purpose of providing security to the Series 2020A Bondholders.

## **Rate Covenant**

In the General Bond Ordinance, the City has covenanted to establish water and sewer rates which are adequate to accumulate and maintain all reserves as provided in the General Bond Ordinance, and after fulfillment of all contractual obligations required of the City, to pay operating and maintenance costs of the facilities of the City, accumulate and maintain all reserves and provide 1.25 times coverage of annual principal, interest and sinking fund requirements on all outstanding bonds and 1.00 times coverage of annual principal, interest and sinking fund requirements on all outstanding bonds and subordinated debt. Subject to required regulatory approvals, rates, rentals and charges must be adjusted from time to time to comply with the General Bond Ordinance. Further, the City has covenanted that it will not at any time make any reduction in the prevailing schedule of rates, rentals and charges without first obtaining the written determination of a consulting engineer of national recognition in the field of water and sewer system engineering to the effect that any such proposed reduction will not materially affect the ability of the City to meet all the requirements of the General Bond Ordinance.

For the further security of the holders of the Series 2020A Bonds, the City, in the General Bond Ordinance, has covenanted and agreed that it will, to the maximum extent authorized by law, enforce and collect the schedule of water and sewer rates, rentals and charges imposed upon users of the System and will promptly cause service to be terminated and discontinued to any premises where a City bill for such services is not paid in full.

## **Parity Bonds**

The City has the right to issue additional bonds on a basis of parity with the Series 2020A Bonds, to reconstruct, repair and improve the facilities of the City, to make additions, betterments or improvements thereto, to acquire existing water or sewer systems, or to refund outstanding bonds. No such additional parity bonds shall be issued unless, among other things, the facilities to be acquired or improved with the proceeds of such proposed additional bonds shall be made an integral part of the System and revenues there from are pledged as additional security for all outstanding Bonds and the proposed additional bonds, and the net annual income and revenues will be sufficient to meet certain requirements set forth in the Ordinance, see "SUMMARY OF THE GENERAL BOND ORDINANCE - Issuance of Parity Bonds" and "SUMMARY OF THE GENERAL BOND ORDINANCE - Issuance of Refunding Bonds" herein.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2020A Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Series 2020A Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2020A Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's

current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2020A Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2020A Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2020A Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Series 2020A Bonds, nor does it guarantee that the rating on the Series 2020A Bonds will not be revised or withdrawn.

### **Capitalization of BAM**

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$459.6 million, \$126.1 million and \$333.5 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Series 2020A Bonds or the advisability of investing in the Series 2020A Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

### **Additional Information Available from BAM**

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [buildamerica.com/creditisights/](http://buildamerica.com/creditisights/). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [buildamerica.com/obligor/](http://buildamerica.com/obligor/). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Series 2020A Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2020A Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2020A Bonds, whether at the initial offering or otherwise.

## **GENERAL INFORMATION CONCERNING THE CITY AND THE SYSTEM**

The City operates a combined and consolidated water and sewer system on a retail basis in Ashland, Boyd County, Kentucky. The City operates the System under Chapters 58 and 96 of the Kentucky Revised Statutes, as amended (collectively, the “Act”).

### **Existing System**

The City has its source of supply at the Ohio River. The City has a permit to draw as much water as necessary. The City owns and operates a 20 million gallon per day water treatment plant. The average daily consumption is 10 million gallons per day with peak daily consumption of 13 million gallons per day. As of April 14, 2020, the City served approximately 13,858 water customers and 8,819 sewer customers in the Cities of Ashland, Catlettsburg, Flatwoods and Russell and the Counties of Boyd and Greenup. The City has also served Ceredo Kenova, West Virginia. This translates to 100% of the population of the City and 60% of Boyd County for Sewer and 100% both City and Boyd County for Water. The System currently has 303 miles of transmission and distribution lines, ten storage tanks with capabilities ranging from 150,000 to 3,250,000 gallons and a total capacity of 9,150,000 gallons, and thirteen pump stations.

### **Outstanding Indebtedness**

Upon issuance of the Series 2020A Bonds, the City will have outstanding the Series 2020A Bonds, \$2,670,000 principal amount of its Water and Sewer System Revenue Bonds, Series 2015 (the “Series 2015 Bonds”), and \$1,945,000 principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2013 (the “Series 2013 Bonds”), which are all also secured by a first lien on revenues of the System. Upon issuance of the Series 2020A Bonds, subordinated debt outstanding will consist of two Assistance Agreements with the Kentucky Infrastructure Authority outstanding in an aggregate principal amount not exceeding \$5,990,329 as of the date of this Official Statement. The May 1, 2010 financing was for Combined Sewer Overflow projects, which are funded with a \$3.50 per gallon fee on the sewer bill. The fee’s receipts are only for use on Combined Sewer Overflow projects.

### **Management of the System**

Management of the Ashland Water and Sewer Plant is vested exclusively in the Department of Engineering & Utilities. Steve Cole, P.E. is employed by the City Commission as Director of Engineering & Utilities and has charge of the management, operation, and maintenance of the System, subject to all rules, regulations, and decisions of the Ashland City Commission. There over thirty certified operators for the water system and twenty certified operators for the sewer system.

For additional information regarding the City and the System see Appendices B and C.

### **Future Financings**

The City does not presently contemplate any future financings payable from the revenues of the System.

## **PLAN OF FINANCING**

A portion of the proceeds of the Series 2020A Bonds will be deposited to a Series 2020A Construction and Acquisition Account established by the Series 2020A Bond Ordinance (the “Construction Account”) and used to pay the costs of acquiring and constructing various components of the System. The remaining proceeds of the Series 2020A Bonds will be used to pay the costs of issuing the Series 2020A Bonds and the make a deposit to the Debt Service Reserve, so that the balance therein, upon issuance of the Series 2020A Bonds, will equal the Aggregate Debt Service Reserve Requirement.

[Continued on the following page]

**SOURCES AND USES OF FUNDS**

Principal Amount of Series 2020A Bonds	\$[_____]
[Plus Original Issue Premium] [Less Original Issue Discount]	[_____]
Total	\$[_____]
Deposit to Series 2020A Construction and Acquisition Account	\$[_____]
Deposit to Debt Service Reserve	[_____]
Costs of Issuance	[_____]
Underwriter's Discount	[_____]
Total	\$[_____]

**SUMMARY OF THE GENERAL BOND ORDINANCE**

The General Bond Ordinance (i) authorizes and provides for the issuance of Water and Sewer System Revenue Bonds in series from time to time pursuant to ordinances adopted by the Board of Commissioners of the City, (ii) prescribes and imposes certain duties and obligations of the City, (iii) makes covenants with bondholders, and (iv) provides generally for the collection and treatment of water and sewer revenues of the City. Such bonds may be issued to acquire, construct and improve the System, which consists of the City's existing water and sewer system and any and all additions and extensions thereto.

The General Bond Ordinance contains various covenants and security provisions, certain of which are summarized below. Reference is made to the General Bond Ordinance for a full and complete statement of its provisions.

**General Application of Bond Proceeds Fund**

Under the General Bond Ordinance, the City is required to establish within the Bond Proceeds Fund established by the General Bond Ordinance a Cost of Issuance Account and a Construction and Acquisition Account for each series of bonds outstanding. In addition, if Bond Proceeds are to be used in whole or in part for the payment or provision thereof of outstanding debt obligations, a Refunding Account may be established. From the proceeds of the sale of a series of bonds, there will be deposited in the Cost of Issuance Account the costs of issuing the series of bonds. Moneys received by the City from any other source, unless otherwise provided by the General Bond Ordinance, may also be deposited in the Cost of Issuance Account. So much of the remainder of the Bond Proceeds as is required by the applicable series ordinance (except for accrued and capitalized interest, if any, which shall be deposited in the Interest Account, amounts to be deposited in the Debt Service Reserve, and any premium over the principal amount of the series, which is applied as provided in such series ordinance) shall be deposited in the Construction and Acquisition Account. The Cost of Issuance Account and the Construction and Acquisition Account constitute all the Accounts within the Bond Proceeds Fund.

Moneys in the Cost of Issuance Account and the Construction and Acquisition Account shall be applied by the appropriate depository, upon issuance of a check or other bill of exchange signed by the Mayor, City Clerk or any other official of the City duly authorized by resolution of the City to act in such capacity (an "Authorized Officer") only for the making of disbursements and payments required to be made by the City for paying issuance costs and pursuant to construction and acquisition contracts relating to the System. Pending their disbursements, the depository, upon direction of the City, shall invest moneys in the Construction and Acquisition Account in Investment Obligations (see "Investment of Funds" below) having maturities consistent with the anticipated needs for such moneys.

[Continued on the following page]

## Other Funds and Accounts

In addition to the Bond Proceeds Fund and accounts therein described above, the General Bond Ordinance establishes the following special funds and accounts:

- (1) Water and Sewer Revenue Fund
- (2) Debt Service Fund
  - (a) Interest Account
  - (b) Principal Account
- (3) Debt Service Reserve
- (4) Operation and Maintenance Fund
- (5) Depreciation Fund
- (6) Surplus Fund

All funds shall be held and maintained by depositories designated in the General Bond Ordinance.

## Water and Sewer Revenue Fund

All moneys received by the City as Pledged Receipts, together with income from the Debt Service Reserve as provided in the Ordinance, are required to be deposited promptly in the Water and Sewer Revenue Fund. Pledged Receipts are defined as the totality of (i) all water and sewer service rates, rentals and charges imposed by the City, (ii) all interest earned and gains realized on Investment Obligations, unless the General Bond Ordinance specifically requires such interest earned or gains realized to remain in a particular fund or account, provided that any interest or gains on funds held in escrow by a trustee for the payment of previously outstanding bonds shall not be included, and (iii) other income received by the City, if any, from any agency of government, both Federal and State, as representing income or operating subsidies, if any, as distinguished from capital grants, to the extent not otherwise required to be treated and applied.

The designated depository is required to make monthly transfers from the moneys in the Water and Sewer Revenue Fund to the following funds and accounts and in the following amounts and order of priority:

**Debt Service Fund Interest Account.** An amount, which when added to the amount then on deposit in the Interest Account, will equal the interest on all outstanding Bonds accrued and unpaid in respect of the next interest payment date. In the event Subordinated Debt (as hereinafter defined) is issued, a corresponding subaccount for such Subordinated Debt is required to be established.

**Debt Service Fund Principal Account.** An amount equal to the amount of the next principal installment, divided by the number of months preceding the next principal installment date. In the event Subordinated Debt is issued, a corresponding subaccount for such Subordinated Debt is required to be established

**Debt Service Reserve.** An amount which, when added to sums then on deposit in the Debt Service Reserve, will equal the Aggregate Debt Service Reserve Requirement; or if such amount is insufficient, all amounts remaining in the Water and Sewer Revenue Fund.

**Operation and Maintenance Fund.** The amount required prior to the tenth day of the next month to pay operating and maintenance costs of the City in accordance with its annual budget, together with such proportionate amounts as will, during the twenty four months following the issuance of any series of bonds or Subordinated Debt, together with sums on deposit in said fund, equal operation and maintenance requirements for one month. Operation and maintenance costs include salaries, operating expenses and all other expenses of administering the System, fees and expenses of the paying agents and costs of issuance other than those paid from Bond proceeds.

**Depreciation Fund.** If at any time the amount in the Depreciation Fund is less than the Depreciation Reserve Requirement, there shall be deposited into the Depreciation Fund, on no less than a monthly basis, an amount equal to 1/36th of such deficiency so that the balance in the Depreciation Fund will equal the Depreciation Reserve Requirement in the month that is thirty six months from the month such deficiency first existed. Thereafter such monthly payments may cease for so long as the required balance in the Depreciation Fund is maintained and such monthly payments shall resume again if at any time said balance is less than the Depreciation Reserve Requirement and shall continue until said balance is established. The Depreciation Reserve Requirement is an amount determined by a firm of consulting engineers to balance depreciation and for unforeseen major repairs or replacements.

**Surplus Fund.** On a periodic basis, but no less frequently than annually, the revenues remaining in the Water and Sewer Revenue Fund at the end of the month, or, in the case of annual transfers, the preceding calendar year, after making the payments described above, including any balances to be accrued and maintained, may be transferred to the Surplus Fund.

### **Debt Service Fund**

**Interest Account.** The City will cause the Paying Agent to disburse moneys from the Interest Account for the purpose of paying interest on the Bonds and Subordinated Debt when due and payable as well as interest on Bonds and Subordinated Debt to be redeemed to the extent not otherwise provided for.

**Principal Account.** The City will cause the Paying Agent to disburse moneys from the Principal Account for the purpose of paying the principal of the Bonds and Subordinated Debt when due and payable. In addition, the City may, at its option, apply amounts accumulated in the Principal Account for each sinking fund installment (plus amounts accumulated in the Interest Account for interest on Bonds and Subordinated Debt for which the sinking fund installment was established), before the forty fifth day preceding the due date of such sinking fund installment, to (i) the purchase of Bonds or Subordinated Debt of the Series and maturity for which the sinking fund was established at prices (including brokerage and other charges) not exceeding the redemption price payable from sinking fund installments for such Bonds or Subordinated Debt when such Bonds or Subordinated Debt are redeemable by application of such sinking fund installment plus unpaid interest accrued to the date of purchase, or (ii) to the redemption of such Bonds or Subordinated Debt, if then redeemable by their terms at the redemption price referred to in clause (i). The City is required to pay from the Principal Account the amount required to redeem such Bonds or Subordinated Debt as may be necessary (after taking into account Bonds or Subordinated Debt purchased as aforesaid) to complete the retirement of the principal amounts specified by any Series Ordinance for the sinking fund installments.

### **Debt Service Reserve**

Amounts deposited, pursuant to the provisions of the General Bond Ordinance, in the Debt Service Reserve are to be used for the payment of principal of and interest on Bonds as to which there would otherwise be a default in payment. Interest earned or sums realized as a result of investment of moneys in the Debt Service Reserve shall accrue to and be a part of the Debt Service Reserve; however, so long as the Debt Service Reserve contains the Aggregate Debt Service Reserve Requirement, any such interest earned or sums realized shall be transferred, as received, to the Water and Sewer Revenue Fund.

### **Operation and Maintenance Fund**

In addition to the amounts required to be transferred to the Operation and Maintenance Fund from the Water and Sewer Revenue Fund, there may be paid into said fund any moneys received by the City from any other source, unless otherwise provided by the Ordinance. The City may withdraw moneys from the Operation and Maintenance Fund from time to time for the purpose of paying reasonable and necessary operation and maintenance costs, and moneys so withdrawn and paid are free and clear of the pledge created by the General Bond Ordinance for the payment of the principal and redemption price of and interest on the Bonds and sinking fund installments. The City may also withdraw moneys from the Operation and Maintenance Fund for deposit to any other fund or account except the Depreciation Fund. At the City's discretion, amounts in the Operation and Maintenance Fund may be invested in Investment Obligations, as described below, from time to time to provide funds when needed to pay operation and maintenance costs.

### **Depreciation Fund**

The Depreciation Fund is available and is to be utilized to balance depreciation to make unforeseen major repairs and replacements and to pay the cost of construction of additions, extensions, betterments and improvements of the System which will either increase income and revenues or provide a higher degree of service. In addition to any amounts required by any Series Ordinance and the General Bond Ordinance to be set aside and deposited therein there shall be transferred and deposited to the Depreciation Fund any other moneys (a) received by the City from any other source and duly ordered to be deposited therein (unless required to be otherwise applied), (b) for which the City has exercised a discretion to so deposit or transfer as permitted in the Ordinance, and (c) ordered to be so deposited from the proceeds of any series of Bonds. All amounts in the Depreciation Fund may be expended and applied by the depository upon written direction of the City only for (i) making up any deficiency in the Debt Service Fund and the Debt Service Reserve, (ii) redemption of Bonds, (iii) payments of principal installments of or interest on Bonds when due, (iv) transfer to the Water and Sewer Revenue Fund, or (v)

investment in Investment Obligations. To the extent that other moneys are not available for payment of Principal Installments or interest on Bonds or Subordinated Debt when due, all Investment Obligations credited to, and Investment Obligations in, the Depreciation Fund shall be sold and the proceeds deposited in the Debt Service Fund.

### **Surplus Fund**

Moneys deposited in the Surplus Fund may be used as follows: (a) to the extent necessary from time to time monies in the Surplus Fund shall be transferred to the Debt Service Fund to permit payment of all obligations payable from the Debt Service Fund without drawing on the Debt Service Reserve; (b) monies in the Surplus Fund shall be used for payment of principal of and interest on any outstanding bonds and notes issued by the District to pay for costs of improving or extending the System or may be transferred to the appropriate Fund or Account created under the General Bond Ordinance or in any Series Ordinance adopted pursuant to the Ordinance to permit such payment; and (c) monies in the Surplus Fund otherwise may be used for any other lawful purpose of the City.

### **Investment of Funds**

Moneys held in any of the aforementioned funds may be invested until required for the purposes intended in one or more of the following "Investment Obligations":

- (a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including without limitation national or state banks chartered in Kentucky;
- (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including without limitation:
  - 1. United States Treasury;
  - 2. Export-Import Bank of the United States;
  - 3. Farmers Home Administration;
  - 4. Governmental National Mortgage corporation; and
  - 5. Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including without limitation:
  - 1. Federal Home Loan Mortgage Corporation;
  - 2. Federal Farm Credit Banks;
  - 3. Bank for Cooperatives;
  - 4. Federal Intermediate Credit Banks;
  - 5. Federal Land Banks;
  - 6. Federal Home Loan Banks;
  - 7. Federal National Mortgage Association; and
  - 8. Tennessee Valley Authority;
- (d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(d);
- (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institutions rated in one of the three highest categories by a competent rating agency;
- (f) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;
- (g) Commercial paper rated in the highest category by a competent rating agency;
- (h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;



- (i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;
- (j) Shares of mutual funds, each of which shall have the following characteristics;
  - 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
  - 2. The management company of the investment company shall have been in operation for at least five years; and
  - 3. All of the securities in the mutual fund shall be eligible investments pursuant to KRS 66.480.
- (k) Individual equity securities if the funds being invested are managed by a professional investment manager regulated by a federal regulatory agency. The individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed twenty-five percent of the equity allocation; and
- (l) Individual high-quality corporate bonds that are managed by a professional investment manager that:
  - 1. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
  - 2. Have a standard maturity of no more than ten years; and
  - 3. Are rated in the three highest rating categories by at least two competent credit rating agencies.

### **Issuance of Notes, Additional Bonds and Subordinated Debt**

The General Bond Ordinance provides that the City may issue notes in anticipation of an authorized issuance of a series of bonds in a principal amount not to exceed the principal amount of such series. Notes are payable from any moneys of the City available therefor which are not pledged under the General Bond Ordinance for the benefit of the Bonds and from the proceeds of the sale of any authorized series of Bonds in anticipation of which notes were issued. Such proceeds may be pledged for payment of the principal of the notes and such pledge will have priority over any pledge created by the General Bond Ordinance.

The General Bond Ordinance provides that the City may issue notes, bonds and other obligations having such terms and secured by a pledge of such funds as the resolution or ordinance authorizing the issue provides (“Subordinated Debt”), but any pledge to the holders of such notes, bonds or other obligations of a fund or account created under the Series Bond Ordinance is required to be subordinated in all respects to the pledge created under the General Bond Ordinance for the benefit of the holders of Bonds, except that proceeds of the sale of Bonds may be pledged for the payment of notes issued in anticipation thereof as aforesaid and additional series of bonds may be issued on a parity with the initially issued Series 2020A Bonds and secured equally by the revenues and assets pledged under the General Bond Ordinance and payable equally there from, as herein described.

### **Issuance of Parity Bonds**

The General Bond Ordinance provides that from and after the issuance of any Bonds thereunder, the General Bond Ordinance shall constitute the sole and exclusive method for the issuance of any further Bonds by the City.

The City reserves the right to issue additional series of bonds payable from the Pledged Receipts of the System on a basis of parity and equality with all other parity bonds authorized to be issued by the General Bond Ordinance in order to (a) reconstruct, repair and improve the System, (b) make, acquire, construct and install additions, extensions, betterments or improvements thereto, (c) acquire existing utility facilities and systems from any person, if said waterworks and water distribution systems are revenue producing, and (d) refund any outstanding bonds. No such parity bonds shall be issued unless: (i) the facility or facilities to be acquired, constructed, reconstructed or improved from parity bond proceeds are made an integral part of the System and revenues therefrom are pledged as additional security for all outstanding Bonds and additional parity bonds, (ii) the City is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the Pledged Receipts, (iii) the net annual income and revenues of the System for a period of twelve consecutive months of the eighteen months immediately prior to the issuance of said parity bonds are certified in

writing by an independent firm of state licensed certified public accountants to have been equal to at least 1.25 times the maximum annual debt service requirement coming due in any future twelve month period on all outstanding Bonds, together with the parity bonds to be issued and (iv) the net annual income and revenues of the System for a period of twelve consecutive months of the eighteen months immediately prior to the issuance of said parity bonds, are certified in writing by an independent firm of state licensed certified public accountants (subject to adjustments as hereinafter provided) to have been equal to at least one and ten hundredths (1.10) times the maximum Annual Debt Service Requirement coming due in any future Bond Fiscal Year on all Bonds and Subordinated Debt outstanding payable from Pledged Receipts, together with the parity bonds then to be issued.

The net annual income and revenues of the System may be adjusted by a firm of independent certified public accountants to reflect, for the historical period being tested, any revision in the schedule of water and sewer rates, rentals and charges being actually imposed and billed by the City at the time of issuance of parity bonds. The net annual income and revenues may also be adjusted in writing by a consulting engineer of national recognition to take into account and reflect, for the historical period being tested, the amount of additional net income and revenues to be realized by the City (a) by virtue of the acquisition by the City of existing and operating System facilities, and (b) by virtue of contractual relationships between the City and other municipal corporations or other entities where such income and revenues are historically determinable. A further adjustment to the net annual income and revenues may also be made by adding an estimate of a consulting engineer of the annual increase in operating revenues anticipated to be derived from the extensions, additions, replacements and betterments to be financed by such additional bonds, less the engineer's estimate of any additional expenses of operation and maintenance.

In the event parity bonds are issued in the future, the City is required to (i) adjust the monthly deposits into the Debt Service Fund in the manner prescribed by the General Bond Ordinance to reflect the annual debt service on the additional parity bonds, and (ii) adjust the prescribed amount to be accumulated in the Debt Service Reserve in accordance with the provisions of the General Bond Ordinance, as described above, and fund from such parity bonds said additional Debt Service Reserve Requirement.

### **Issuance of Refunding Bonds**

Bonds of one or more series may be issued to refund outstanding Bonds subject to the following provisions and limitations. A series of refunding bonds may be delivered only upon receipt of:

- (a) irrevocable instructions to the Paying Agent and Registrar in respect of the Bonds to be refunded to give due notice of redemption of all Bonds to be refunded on a specified redemption date, and,
- (b) irrevocable instructions to the Paying Agent and Registrar in respect of the Bonds to be refunded to give due notice provided for in the Ordinance to the holders of Bonds being refunded;
- (c) either:
  - (i) moneys in an amount sufficient to effect payment at the applicable redemption price of the Bonds to be refunded, together with accrued interest thereon to the date of redemption, or
  - (ii) Investment Obligations, the principal of and interest on which, when due, will provide moneys which, together with any moneys deposited with the appropriate depository at the same time, will be sufficient to pay the principal or redemption price of and interest due or to become due on the Bonds to be refunded,
- (d) all other documents required to be delivered to the Paying Agent in respect of the Bonds to be refunded as a condition precedent to delivery of bonds of any series under the General Bond Ordinance.

In addition, the Paying Agent is required to deliver to the City at the time of delivery of the series of refunding bonds a certificate stating that it holds in trust the moneys and/or Investment Obligations required to affect the aforesaid redemption on the date specified in such Series Ordinance.

## **Issuance of Subordinated Debt**

The General Bond Ordinance provides that from and after the issuance of any Bonds thereunder, the General Bond Ordinance shall constitute the sole and exclusive method for the issuance of any Subordinated Debt by the City.

The City reserves the right to issue Subordinated Debt payable from the Pledged Receipts of the System and not ranking on a basis of parity and equality with all other parity bonds authorized to be issued by the General Bond Ordinance in order to (a) reconstruct, repair and improve the System, (b) make, acquire, construct and install additions, extensions, betterments or improvements thereto. No such Subordinated Debt shall be issued unless: (i) the facility or facilities to be acquired, constructed, reconstructed or improved from Subordinated Debt proceeds are made an integral part of the System and revenues therefrom are pledged as additional security for all Outstanding Bonds and Subordinated Debt, (ii) the City is in compliance with all covenants and undertakings in connection with all of its Bonds then outstanding and payable from the Pledged Receipts and (iii) the net annual income and revenues of the System for a period of twelve consecutive months of the eighteen months immediately prior to the issuance of said Subordinated Debt are certified in writing by an independent firm of state licensed certified public accountants to have been equal to at least 1.00 times the maximum annual debt service requirement coming due in any future twelve month period on all Outstanding Bonds and Subordinated Debt, together with the Subordinated Debt to be issued.

The net annual income and revenues of the System may be adjusted by a firm of independent certified public accountants to reflect, for the historical period being tested, any revision in the schedule of water rates, rentals and charges being actually imposed and billed by the City at the time of issuance of Subordinated Debt. The net annual income and revenues may also be adjusted in writing by a consulting engineer of national recognition to take into account and reflect, for the historical period being tested, the amount of additional net income and revenues to be realized by the City (a) by virtue of the acquisition by the City of existing and operating System facilities, and (b) by virtue of contractual relationships between the City and other municipal corporations or other entities where such income and revenues are historically determinable. A further adjustment to the net annual income and revenues may also be made by adding an estimate of a consulting engineer of the annual increase in operating revenues anticipated to be derived from the extensions, additions, replacements and betterments to be financed by such Subordinated Debt, less the engineer's estimate of any additional expenses of operation and maintenance.

In the event Subordinated Debt is issued in the future, the City is required to adjust the monthly deposits into the Bond and Interest Sinking Fund, including the subaccounts therein to be established upon the issuance of Subordinated Debt (the "Subordinated Debt Accounts") in the manner prescribed by the General Bond Ordinance to reflect the annual debt service on the Subordinated Debt.

## **Modifications of Ordinance, Adoption of Series Ordinances and Requirement for Consent of Holders of Outstanding Bonds**

The General Bond Ordinance provides procedures whereby the City may amend the General Bond Ordinance by adoption of a supplemental ordinance. Amendments that may be made without the consent of the Bondholders must be for purposes of further securing the Bonds, imposing further limitations on or surrendering rights of the City or curing ambiguities.

Series Ordinances may be adopted from time to time pursuant to compliance with the conditions of the General Bond Ordinance to provide for the issuance of one or more series of bonds and to prescribe the terms and conditions thereof.

Amendments of the respective rights and obligations of the City and the Bondholders may be made with the written consent of the holders of not less than 66 2/3% in principal amount of the outstanding Bonds affected by such amendment. No such amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bond or any installment of interest thereon or a reduction in the amount of redemption price thereof or the rate of interest thereon, without the consent of the affected holder, or reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect such amendment.

## Certain Covenants of the City

Among other covenants made by the City in the Ordinance are those related to the following matters:

**Tax Covenant.** The City has covenanted that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusions from gross income of the interest on the Bonds under Section 103(a) of the Code. The City shall not permit at any time or times any of the proceeds of the Bonds or other funds of the City to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an “arbitrage bond” with the meaning of Sections 103(b)(2) and 148 of the Code to that end, the City will comply with all requirements of Sections 103(b)(2) and 148 of the Code to the extent applicable to the Bonds.

In order to assure compliance with such covenant, the City, from the date of adoption of the General Bond Ordinance, has covenanted that it shall not:

- (a) make any investment in connection with the System that produces a yield in excess of such applicable maximum yield as may be permitted by the Code, and
- (b) invest or direct any depository to invest moneys in any such fund or account in Investment Obligations that produce a yield in excess of such applicable maximum yield as may be permitted by the Code.

The City further covenants that prior to the issuance of any series of Bonds the City shall certify by issuance of a certificate that on the basis of the facts, estimates and circumstances in existence on the date of issue of such series it is not expected that the proceeds thereof will be used in a manner that would cause such obligations to be arbitrage bonds.

**Accounts and Reports.** The City shall keep complete and accurate books of record and account relating to the System, and all funds and accounts established by the General Bond Ordinance, which are subject at reasonable times to the inspection of the holders of an aggregate of not less than five percent (5%) in principal amount of the Bonds then outstanding or their representatives duly authorized in writing.

**General Compliance.** The City has covenanted to faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky, Chapter 58 and Sections 96.350 to 96.510, inclusive, of the Kentucky Revised Statutes, and by the terms and provisions of the General Bond Ordinance.

**Project Not to be Disposed of or Sold.** The City has covenanted and agreed that so long as any Bonds are outstanding, it will not sell, issue, mortgage or otherwise dispose of or surrender control of any of the facilities of the System, except as provided in the General Bond Ordinance.

**Budgets.** On or before the first day of each fiscal year, so long as any Bonds authorized or permitted to be issued by the General Bond Ordinance are outstanding, the City shall adopt an annual budget of current expenses for the System covering its fiscal operations for the ensuing calendar year and will promptly file a copy of each such budget, and any amendments thereto, in the office of the secretary of the City. Copies of same shall be furnished to any bondholder upon request. The City may file amendments of the annual budget for the remainder of the fiscal year. The City shall not incur current expenses in excess of the amounts provided therefor in the annual budget as originally prepared or as amended, except upon resolution or ordinance duly adopted by the Board of Commissioners determining that such expenses are necessary in order to operate and maintain the System.

**No Decrease in Rates, Rentals, and Charges.** The City has covenanted that it will not at any time make any reduction in any prevailing schedule of rates, rentals and charges without first obtaining the written determination of a consulting engineer of national recognition that any such proposed reduction will not materially affect the ability of the City to meet all the requirements of the General Bond Ordinance.

**Annual Audit.** The City has covenanted that it will, within sixty (60) days after the end of each calendar year cause an audit to be made of the books of record and account pertinent to the System, and a report to be issued by an independent certified public accountant reflecting in reasonable detail the financial condition and results of operations of the System, including the status of the several funds created by the General Bond Ordinance, the status of required insurance and fidelity bonding as provided by the General Bond Ordinance, all in accordance with generally accepted governmental accounting principles. A copy of such audit must be submitted to the Board of Commissioners of the City, and a copy of same shall be filed in the office of the City where it will be available for public inspection.

**Insurance of Facilities and Fidelity Bonding of Personnel.** The City has covenanted to keep all buildings, machinery and equipment constituting any part of the System insured as provided in the General Bond Ordinance, and to cause each officer or other person having custody of any moneys administered under the provisions of the General Bond Ordinance to be bonded at all times in an amount at least equal to \$50,000. The City has further covenanted to carry public liability, vehicular insurance and property damage insurance.

**Waiver of Laws.** The City has covenanted not to insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law nor or at any time hereafter in force which may affect the covenants and agreements contained in the General Bond Ordinance or in any series Ordinance or supplemental Ordinance or in the Bonds, and all benefit or advantage of such law or laws has been expressly waived by the City.

### **Defaults and Remedies**

The General Bond Ordinance declares each of the following events to be an “Event of Default”:

- (a) default by the City in the payment of any principal installment or redemption price, if any, on any Bond when due;
- (b) default by the City in the payment of any installment of interest on the Bonds when due;
- (c) failure or refusal by the City to comply with the Act pursuant to which the City was created, or default in the performance or observance of any other of the covenants, agreements or conditions contained in the General Bond Ordinance, any Series Bond Ordinance, any supplemental ordinance or the Bonds, and such failure, refusal or default shall continue for a period of forty five days after written notice thereof by the holder of not less than five percent (5%) in principal amount of the outstanding Bonds.

The General Bond Ordinance provides that upon the happening and continuance of any Event of Default, the holders of not less than twenty five percent (25%) in principal amount of the outstanding Bonds may proceed, in their own name, subject to certain provisions in the General Bond Ordinance, to protect and enforce the rights of the Bondholders by such of the following remedies as such Bondholders, being advised by counsel, shall deem most effectual.

- (a) enforce by mandamus or other suit, action or proceedings at law or in equity all rights of the Bondholders, including the right to require the City to enforce, collect and receive water rates, rentals and charges adequate to carry out the covenants and agreements of the City as to production of income, and to require the City to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;
- (b) bring suit upon the Bonds;
- (c) require the City by action or suit to account as if it were the trustee of an express trust for the holders of the Bonds;
- (d) enjoin by action or suit any act or things which may be unlawful or in violation of the rights of the holders of the Bonds;
- (e) by action or suit in equity, seek the appointment of a receiver who shall take charge of and administer the affairs of the City;
- (f) declare all Bonds due and payable, and if all default shall be made good (excepting acceleration provisions), then with the written consent of not less than twenty five percent (25%) in principal amount of the holders of outstanding Bonds, to annul such declaration and its consequences; and
- (g) in the event that all Bonds are declared due and payable, and a receiver is appointed, to sell all Investment Obligations and all other assets of the City (to the extent not theretofore set aside for redemption of Bonds for which call has been made), and to cause the receiver to take over the System and operate same in the name of the City for the use and benefit of the Bondholders.

## **No Individual Liability**

All covenants, stipulations, promises, agreements and obligations of the City in the General Bond Ordinance shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City and not of any member, officer, director or employee of the City in his individual capacity, and no recourse shall be had for the payment of the principal or redemption price of or interest on the Bonds or for any claims based thereon or on the General Bond Ordinance against any member, officer, director or employee of the City or any natural person executing the Bonds.

## **Defeasance**

The General Bond Ordinance provides that the City may defease the Bonds by paying or causing to be paid to the holders of the Bonds all of the principal and interest and redemption price, if any, to become due thereon.

All outstanding Bonds shall be deemed paid prior to their maturity or redemption date thereof if (a) for Bonds to be redeemed prior to their maturity the City has given notice of redemption and (b) moneys or direct obligations of or obligations guaranteed by the United States of America sufficient to pay the principal or redemption price and interest on said Bonds on the redemption date or maturity thereof, have been deposited with the Paying Agents.

Upon such defeasance the General Bond Ordinance shall cease, determine and become null and void and the covenants, agreements, and other obligations of the City hereunder shall be satisfied and discharged, and the fiduciaries shall pay to the City all moneys held by them which are required for the payment or redemption of Bonds.

## **COVID-19 PANDEMIC**

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 6, 2020, Kentucky's Governor Andy Beshear declared a state of emergency, directing state agencies to use all resources necessary to prepare for and respond to the outbreak. On March 13, 2020, President Donald Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic. The current spread of COVID-19 is altering the behavior of businesses and people in a manner that may have negative effects on economic activity, and therefore adversely affect the financial condition of the Issuer, either directly or indirectly.

## **GENERAL LEGAL MATTERS**

The issuance of the Series 2020A Bonds and certain legal matters incident to compliance by the City with Sections 103(b)2) and 148 of the Code, and regulations thereunder relating to "arbitrage bonds" are subject to the approval of Dinsmore & Shohl LLP, Louisville, Kentucky, Bond Counsel, whose approving opinion will be delivered with the Series 2020A Bonds. Certain legal matters will be passed upon for the City by its counsel, James H. Moore III, Esq.

Bond Counsel has reviewed legal matters incident to those sections of the Official Statement entitled "THE SERIES 2020A BONDS," "SECURITY FOR THE BONDS," "SUMMARY OF GENERAL BOND ORDINANCE," and "TAX EXEMPTION," and is of the opinion that the statements contained in such identified sections are, as to law and legal conclusions, correct and that such sections fairly summarize the contents of documents therein described. Bond Counsel assumes no responsibility for the accuracy or completeness of other statements or financial information contained in this Official Statement.

## **LITIGATION INVOLVING CITY**

There is no controversy or litigation of any nature now pending or threatened, restraining or enjoining the issuance, sale, execution or delivery of the Series 2020A Bonds, or in any way contesting or affecting the validity of such Series 2020A Bonds, or any proceedings of the City taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of such Series 2020A Bonds, or the due existence or powers of the City.

## TAX EXEMPTION

### General

In the opinion of Bond Counsel for the Series 2020A Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Series 2020A Bonds will be excludible from gross income for Federal income tax purposes. Bond Counsel for the Series 2020A Bonds is also of the opinion that interest on the Series 2020A Bonds will not be a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal alternative minimum tax. Furthermore, Bond Counsel for the Series 2020A Bonds is of the opinion that interest on the Series 2020A Bonds is exempt from income taxation and the Series 2020A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the opinion of Bond Counsel for the Series 2020A Bonds is set forth in Appendix F, attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Series 2020A Bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the Series 2020A Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Series 2020A Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Series 2020A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2020A Bonds may adversely affect the tax status of the interest on the Series 2020A Bonds.

Certain requirements and procedures contained or referred to in the Series 2020A Bond documents and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2020A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2020A Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel for the Series 2020A Bonds is of the opinion that interest on the Series 2020A Bonds will be excludible from gross income for Federal income tax purposes and that interest on the Series 2020A Bonds is excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2020A Bonds may otherwise affect a Series 2020A Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Series 2020A Bondholder or the Series 2020A Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Series 2020A Bondholder or potential Series 2020A Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Series 2020A Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Series 2020A Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Series 2020A Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Series 2020A Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series 2020A Bonds.

The City has not designated the Series 2020A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

## **Original Issue Premium**

“Acquisition Premium” is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Series 2020A Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the “Premium Series 2020A Bonds”). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes (“tax-exempt bonds”) must be amortized and will reduce the bondholder’s adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder’s taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Series 2020A Bonds, or on any of the Series 2020A Bonds, that must be amortized during any period will be based on the “constant yield” method, using the original bondholder’s basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Series 2020A Bonds, including any Premium Series 2020A Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

## **Original Issue Discount**

The Series 2020A Bonds having a yield that is higher than the interest rate (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount (“OID”) from the amounts payable at maturity thereon (the “Discount Series 2020A Bonds”). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the “issue price” of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Discount Series 2020A Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the “yield to maturity”). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Series 2020A Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Series 2020A Bond is added to such purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Series 2020A Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

Holders of Discount Series 2020A Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Series 2020A Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

## **RATING**

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), is expected to assign to the Series 2020A Bonds the rating of “AA” (stable outlook), with the understanding that upon delivery of the Series 2020A Bonds, the Policy will be issued by BAM. Moody’s Investors Service, Inc. (“Moody’s”) has given the Series 2020A Bonds an underlying rating of “A2”. Such rating reflects only the view of Moody’s. An explanation of the significance of the rating given by Moody’s may be obtained from Moody’s Investors Service at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, (212) 553-0300. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely if, in the judgment of Moody’s, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2020A Bonds.

There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Series 2020A Bonds.

The City presently expects to furnish such rating agency with information and material that it may request on future bond issues. However, the City assumes no obligation to furnish requested information and materials, and may issue debt for



which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of the rating agency's ratings on outstanding bonds.

### **UNDERWRITING**

The Series 2020A Bonds are being purchased for reoffering by [\_\_\_\_\_] (the "Underwriter"). The Underwriter has agreed to purchase the Series 2020A Bonds at an aggregate purchase price of \$[\_\_\_\_\_] (reflecting the par amount of the Series 2020A Bonds, [less] [plus] net original issue [discount][premium] of \$[\_\_\_\_\_] and less underwriter's discount of \$[\_\_\_\_\_]). The initial public offering prices which produce the yields set forth on the cover page of this Official Statement may be changed by the Underwriter and the Underwriter may offer and sell the Series 2020A Bonds to certain dealers (including dealers depositing Series 2020A Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page.

### **FINANCIAL ADVISOR**

RSA Advisors LLC is employed as Financial Advisor to the City in connection with the issuance of the Series 2020A Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2020A Bonds is contingent upon the issuance and delivery of the Series 2020A Bonds.

### **CONTINUING DISCLOSURE**

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") and so long as the Series 2020A Bonds are outstanding the City (the "Obligated Person") will agree pursuant to an Undertaking to be dated as of the date of issuance and delivery of the Series 2020A Bonds (the "Disclosure Undertaking"), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained in "Appendix B and "Appendix D" of the Official Statement ("Financial Data"). The annual financial information shall be provided on or before the March 1<sup>st</sup> succeeding the end of the fiscal year ending June 30, commencing with the fiscal year ending June 30, 2015; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person;
- (ii) to the MSRB through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Series 2020A Bonds:
  - (a) Principal and interest payment delinquencies;
  - (b) Non-payment related defaults, if material;
  - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (e) Substitution of credit or liquidity providers, or their failure to perform;
  - (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
  - (g) Modifications to rights of security holders, if material;
  - (h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);

- (i) Defeasances;
  - (j) Release, substitution or sale of property securing repayment of the securities, if material;
  - (k) Rating changes;
  - (l) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);
  - (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
  - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
  - (o) Incurrence of a Financial Obligation of the City or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City or obligated person, any of which affect security holders, if material; and
  - (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City or obligated person, any of which reflect financial difficulties. (iii) in a timely manner, to the MSRB through EMMA, notice of a failure (of which the Obligated Persons have knowledge) of the Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.
- (iii) in a timely manner, to the MSRB through EMMA, notice of a failure (of which the Obligated Persons have knowledge) of the Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

“Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Series 2020A Bonds, with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to events as set forth in the Rule:

- (a) there are no credit enhancements applicable to the Series 2020A Bonds; and
- (b) there are no liquidity providers applicable to the Series 2020A Bonds.

The City has materially complied with its obligations under the Rule during the past five years except that the City filed restated versions of certain operating data for its fiscal years ended June 30, 2015 and 2016 on October 13, 2017. The original filings for the operating data were filing timely under the Rule. Written internal procedures are utilized by the City

to ensure that future filing submissions are undertaken within the timeframes prescribed by the Disclosure Undertaking and prior continuing disclosure undertakings.

### **CONCLUDING STATEMENT**

The financial statements of the City have been examined to the extent set forth in the report of Kelley, Galloway Smith Goolsby, PSC, Certified Public Accountants, Ashland, Kentucky, independent certified public accountants, and are included in reliance upon the report of such firm and upon their authority as experts in auditing and accounting.

The foregoing summaries or descriptions of provisions in the Ordinance and all references to other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and do not purport to be complete statements of such documents and provisions. Reference is hereby made to the complete documents, copies of which will be furnished by the City upon request, for further information.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Series 2020A Bonds.

[Signature page to follow]

SIGNATURE PAGE TO OFFICIAL STATEMENT

This Official Statement has been approved by the City as of the date set forth on the cover hereof.

**CITY OF ASHLAND, KENTUCKY**

By: /s/ \_\_\_\_\_  
Mayor

**APPENDIX A**

**CITY OF ASHLAND, KENTUCKY  
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2020A**

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**ESTIMATED AGGREGATE DEBT SERVICE SCHEDULE**

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*Estimated Aggregate Debt Service Requirements*

Fiscal Year Ended June 30	Prior Debt Service*	---- Estimated Series 2020 Debt Service ----			Aggregate Total
		Principal	Interest	Total	
2020	\$1,616,820				\$1,616,820
2021	\$1,627,218	\$340,000	\$170,914	\$510,914	\$2,138,132
2022	\$1,629,797	\$470,000	\$236,608	\$706,608	\$2,336,405
2023	\$1,625,854	\$475,000	\$230,968	\$705,968	\$2,331,822
2024	\$1,637,858	\$480,000	\$224,793	\$704,793	\$2,342,651
2025	\$1,113,266	\$490,000	\$218,073	\$708,073	\$1,821,338
2026	\$852,081	\$495,000	\$210,968	\$705,968	\$1,558,049
2027	\$856,510	\$505,000	\$203,295	\$708,295	\$1,564,805
2028	\$788,408	\$510,000	\$194,963	\$704,963	\$1,493,371
2029	\$698,447	\$520,000	\$186,038	\$706,038	\$1,404,485
2030	\$695,017	\$530,000	\$175,898	\$705,898	\$1,400,915
2031	\$695,762	\$540,000	\$165,563	\$705,563	\$1,401,325
2032	\$406,182	\$550,000	\$153,953	\$703,953	\$1,110,135
2033	\$405,702	\$565,000	\$142,128	\$707,128	\$1,112,830
2034	\$204,492	\$575,000	\$129,133	\$704,133	\$908,625
2035		\$590,000	\$115,908	\$705,908	\$705,908
2036		\$605,000	\$102,043	\$707,043	\$707,043
2037		\$620,000	\$87,825	\$707,825	\$707,825
2038		\$635,000	\$72,015	\$707,015	\$707,015
2039		\$650,000	\$55,823	\$705,823	\$705,823
2040		\$670,000	\$37,948	\$707,948	\$707,948
2041		\$685,000	\$19,523	\$704,523	\$704,523
<b>Total</b>	<b>\$14,853,414</b>	<b>\$11,500,000</b>	<b>\$3,134,371</b>	<b>\$14,634,371</b>	<b>\$29,487,785</b>

*\*Includes Estimated KIA Debt Service*

**APPENDIX B**

**CITY OF ASHLAND, KENTUCKY  
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2020A**

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**ADDITIONAL INFORMATION REGARDING THE CITY AND THE SYSTEM**



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## THE SYSTEM

### History

The original Ashland Water Treatment Plant was built in 1921 on the bank of the Ohio River. By 1925 the Ohio River had severe pollution problems resulting in very high raw water treatment cost. In 1937, a 25,000,000 gallon reservoir was added to reduce cost due to the conditions and uncertainty of the river. This reservoir/settling basin reportedly reduced the treatment cost from \$48 to \$.95 per million gallons.

As the City and the area grew the plant was modified and expanded to reach a capacity of 5,000,000 gallons per day by the 1950's. The existing Ashland Water Treatment Plant was completed in 1959 to increase capacity to 8,000,000 gallons per day and replace the 1921 era plant. The plant was updated in 1981 to increase capacity to 12,000,000 gallons per day. Construction was completed in 2005 increasing capacity to 20,000,000 gallons per day.

The system continues to expand monthly. The system serves the City of Ashland, City of Catlettsburg, most of Boyd County, individual customers in Greenup County and can supply the Greenup County cities of Russell and Flatwoods. The system is also connected to the City of Kenova water system in West Virginia. The system currently has 303 miles of transmission and distributions lines including:

<u>Pipe Diameter</u>	<u>Length</u>
<input type="checkbox"/> 36"	919 feet
<input type="checkbox"/> 30"	17,808 feet
<input type="checkbox"/> 24"	4,542 feet
<input type="checkbox"/> 20"	7,721 feet
<input type="checkbox"/> 16"	69,270 feet
<input type="checkbox"/> 14"	3,229 feet
<input type="checkbox"/> 12"	188,055 feet
<input type="checkbox"/> 10"	27,258 feet
<input type="checkbox"/> 8"	206,794 feet
<input type="checkbox"/> 6"	545,923 feet
<input type="checkbox"/> 4"	27,519 feet
<input type="checkbox"/> 2"	147,145 feet

Storage tanks for treated water have been added over the years including four tanks with a total capacity of 5,000,000 gallons added since 2001. The system has twelve tanks ranging from 150,000 to 3,250,000 gallons with a total capacity of 9,150,000 gallons.

<u>Size</u>	<u>Number of Tanks</u>
<input type="checkbox"/> 3,250,000 Gallons	0
<input type="checkbox"/> 3,000,000 Gallons	1
<input type="checkbox"/> 1,000,000 Gallons	4
<input type="checkbox"/> 500,000 Gallons	4
<input type="checkbox"/> 150,000 Gallons	1

Due to coverage area (+170 square miles) and elevation changes of over 600 feet from the water plant, water booster station have been added over the years including three stations (Brumfield Estates, Skyline Drive, Hall Ridge and East Park) added since 2001. The System has thirteen pump stations.

The City has committed to provide 1,000,000 gallons per day to the East Industrial Park at the completion of the current Ashland Water Treatment Plant expansion and has taken ownership of state installed line, pump station and tanks. The transmission system is in place but the existing plant does not have the capacity to provide the committed amount during peak operations.

### Existing System

The City has its source of supply at the Ohio River. The City has a permit to draw as much water as necessary. The City owns and operates a 20 million gallon per day water treatment plant. The average daily consumption is 10 million gallons per day with peak daily consumption of 13 million gallons per day. As of April 14, 2020, the City served approximately 13,858 water customers and 8,819 sewer customers in the Cities of Ashland, Catlettsburg, Flatwoods and Russell and the Counties of Boyd and Greenup. The City has also served Ceredo Kenova, West Virginia. This translates to 100% of the population of the City and 60% of Boyd County for Sewer and 100% both City and Boyd County for Water. The System currently has 303 miles of transmission and distribution lines, ten storage tanks with capabilities ranging from 150,000 to 3,250,000 gallons and a total capacity of 9,150,000 gallons, and thirteen pump stations.

The City has authority under the Act to plan, design, finance, construct, install, operate, replace and maintain water and sewer facilities within the service area of the City. The City, acting through its City Commission establishes rates and charges for services rendered by the System. The City is in compliance with all regulatory laws governing its operations and has the legal authority to levy, bill and collect a schedule of water and sewer service rates, rentals and charges.

**Management of the System**

Management of the Ashland Water and Sewer Plant is vested exclusively in the Department of Engineering & Utilities. Ryan S. Eastwood, PE is employed by the City Commission as Director of Engineering & Utilities and has charge of the management, operation and maintenance of the System, subject to all rules, regulations and decisions of the Ashland City Commission. There are over 30 certified operators for the water system; currently 17 distribution operators and 11 Water Plant operators, as well as 20 certified operators for the sewer system.

**Future Financings**

The City has no present plans to issue any additional debt.

**Data on Existing System**

*A. Water System Components*

Capacity and Consumption

Source:	Ohio River
Treatment Plant Capacity:	24,000,000 Gallons Per Day
Average Daily Consumption:	10,000,000 Gallons Per Day
Peak Daily Consumption:	13,000,000 Gallons Per Day
Storage Capacity:	Reservoir (Untreated) 25,000,000 Gallons Tanks (Treated) 9,150,000 Gallons
Water Pressure:	120 PSI Plant

10 Largest Users

	<i>Monthly Amount</i>	<i>Monthly Usage</i>
Cannonsburg Water	88,401	30,087,000
A K Steel West Works	55,721	9,976,000
Big Sandy Water District	21,339	9,743,000
City of Ashland	36,984	7,564,000
Ashland Oil Refinery	40,460	7,089,000
Kings Daughters' Medical Center	53,225	5,893,000
Federal Correctional Institution	25,507	4,907,000
Cintas	28,579	4,705,000
Air Products	23,179	4,194,000
Flatwoods Water District	10,248	3,447,000

***B. Sewer System Components***

Capacity and Treatment

Peak Design Capacity:	33,000,000 Gallons Per Day (11,000,000 gallons per day typical design capacity)
Average Daily Flow:	5,500,000 Gallons Per Day
Type of Treatment:	Extended Aeration
Contractors Treated Effluent:	5,500,000 Gallons Per Day

10 Largest Sewer Customers

	<i>Monthly Amount</i>	<i>Monthly Usage</i>
Sanitation District # 4	187,586	35,953,000
Kings Daughters' Medical Center	43,847	3,724,000
Cintas	26,122	1,690,000
River Cities Disposal LLC	51,958	1,515,000
City of Ashland Water Plant	8,480	804,000
Hardin Street Marine LLC	6,723	621,000
Woodland Oaks Health Care	5,020	402,000
Texas Roadhouse	4,760	377,000
Providence Hill Apartments	4,653	337,000
Ashland Municipal Housing	3,176	262,000

**Rates and Charges**

Water Rates

***Inside City Limits of Ashland***

<u>Metered Water Usage</u>	<u>Monthly Rate</u>
0 to 2,000 gallons @	\$6.26 per 1,000 gallons
2,001 to 10,000 gallons @	\$4.72 per 1,000 gallons
10,001 to 100,000 gallons @	\$3.82 per \$1,000 gallons
over 100,000 gallons @	\$3.08 per 1,000 gallons
minimum bill	\$12.44/month
Administrative and Billing Charge	\$6.18 month

***Outside City Limits of Ashland***

<u>Metered Water Usage</u>	<u>Monthly Rate</u>
0 to 2,000 gallons @	\$10.66 per 1,000 gallons
2,001 to 10,000 gallons @	\$8.03 per 1,000 gallons
10,001 to 100,000 gallons @	\$6.46 per \$1,000 gallons
over 100,000 gallons @	\$5.24 per 1,000 gallons
minimum bill	\$27.50/month
Administrative and Billing Charge	\$6.18 month

***Water District Fees***

\$3.17 per 1,000 gallons (Cannonsburg and Big Sandy; \$2.94 per 1,000 gallons)

***Tap Fees***

\$425.00 to \$28,800.00 depending on Water Meter Size

Sewer Rates

***General Rates***

\$5.35 per \$1,000 gallons within City Limits of Ashland

\$8.03 per \$1,000 gallons outside the City Limits of Ashland (minimum is \$16.06)

***Tap Fees***

\$350.00 to \$21,500.00 depending on Water Meter Size

**Raw Water Intake**

- Raw Water Pumps
- Potassium Permanganate Feed System
- HVAC System
- Structural Improvements

**Water Treatment Plant**

- Influent Flow Monitoring
- Yard Piping Water Line
- Chemical Feed Systems
- Clarification System
- Clarification Building
- Filtration System
- Backwash Pumps
- High Service Pumps
- Monitoring Systems
- Sludge Holding Basin
- Dewatering Facilities
- Disinfection System
- HVAC
- Electrical
- Training Facilities

**Debt Service Coverage**

This calculation of debt service requirements as set forth below is based on the maximum annual debt service requirements for the City's Series 2013 and 2015 Bonds (which collectively constitute the System's outstanding first-lien indebtedness):

Historical Debt Service Coverage based on net annual income and revenues of the System for the fiscal year ended June 30, 2019 (1.25x coverage is minimum):

Net Annual Income and Revenues	\$3,583,637
Estimated Maximum Annual Debt Service Requirement <sup>(1)</sup>	\$964,902
Estimated Debt Service Coverage Ratio	3.71x

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<sup>(1)</sup> Occurs in Fiscal Year ending June 30, 2024 and does not include the Series 2020 Bonds.

**APPENDIX C**

**CITY OF ASHLAND, KENTUCKY  
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2020A**

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**DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING  
THE CITY OF ASHLAND AND BOYD COUNTY**

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## THE CITY

### LOCATION

Ashland, the largest city in Boyd County had an estimated 2019 population of 20,245. Boyd County is situated on the Ohio River in the Appalachian foothills of the tri-state area of Kentucky, Ohio, and West Virginia, covers 160 square miles. Ashland is located in northeastern Kentucky and is 137 miles southeast of Louisville, Kentucky; 118 miles east of Lexington, Kentucky and 190 miles east of Louisville, Kentucky. Boyd County had an estimated population of 47,948 persons in 2019.

### POPULATION

Ashland is a city of the 2nd class and currently has a population of approximately 20,245 people. The following table sets forth population developments over the past five years

<u>Year</u>	<u>City</u>	<u>County</u>
2019	20,245	47,948
2018	20,382	47,240
2017	21,684	49,542
2016	21,038	48,132
2015	21,171	48,488

### TRANSPORTATION

Major highways serving Ashland are Interstate 64; U.S. 60; and Kentucky Highway, all of which are AAA-rated trucking highways. Numerous trucking companies provide interstate and/or intrastate service to Ashland, while two trucking firms maintain terminals in Ashland. Main line rail service is provided by CSX Transportation. Ashland Boyd County Airport maintains a 5,000-foot paved runway. The nearest scheduled commercial airline service is available Huntington, West Virginia, five miles west of Ashland; and the Blue Grass Airport, which is located 118 miles west of Ashland.

### GOVERNMENT

The City of Ashland, Kentucky is a municipal corporation of the 2nd class. The City of Ashland is governed by a City Commission, comprised of a Mayor, elected to a four year term, and four (4) commissioners who are elected to two (2) year terms. The members of the City Commission and their terms of office are as follows:

<u>Member</u>	<u>Current Term Ends</u>
Mayor Stephen E. Gilmore	12/31/2020
Commissioner Amanda Clark	12/31/2020
Commissioner F. Marty Gute	12/31/2020
Commissioner Matt Perkins	12/31/2020
Commissioner Pat Steen	12/31/2020

The day-to-day activities of City government are managed by a professional staff, led by a City Manager who has 1 year of service with the city. The management staff consists of 9 department heads who report directly to the City Manager and comprise the executive management team. These department heads average 16 years each of local government work experience including tenure with the city organization ranging from 7 months to 33 years. The current appointed City officials who serve at the pleasure of the City Commission are:

	Title	<u>Years of Service</u>
Michael Graese	City Manager	2.5
<u>Department Heads</u>		
James Moore	City Attorney	1.5
Tony D. Grubb	Finance Director	31
Chris Pullem	Community Economic Development Director	14
Mark Hall	Director of Utilities	23
Greg Ray	Fire Chief	29
Todd Kelley	Police Chief	33
Sean Murray	Parks/Recreation Director / HR Director	15
Steve Cole	Director of Engineering	7 months

There are a total of 8 Department Heads. Department Heads average 16 years of local government work experience ranging from 7 months to 33 years.

## **TAXATION**

### **State and Local Property Taxes**

The Kentucky Constitution requires the state to tax all classes of taxable property, and state statutes allow local jurisdictions to tax only a few classes. All locally taxed property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside the city limits may also be subject to city property taxes. Property assessments in Kentucky are at 100% fair cash value. Accounts receivable are taxed at 85% of face value. Special local taxing jurisdictions (fire protection districts, watershed districts and sanitation districts) levy taxes within their operating areas (usually a small portion of community or county).

The City of Ashland currently levies an insurance premium tax of 10% on various types of insurance, including fire, casualty, auto, accident, health and new life policies.

The City of Ashland also levies a franchise tax as listed below:

Electric /AEP	3% of AEP Electric Charges Billed in City
Natural Gas/Columbia Gas	3% of City's Natural Gas Charges

The City of Ashland also levies an occupation tax of 2.0% on all local salaries, wages, etc.

The City of Ashland also levies a net profits receipts business tax of 2.0%

**Property Taxes Collections**

<b>Year</b>	<b>Amount Billed</b>	<b>Amount Collected</b>	<b>Percent Collected</b>
2019	\$2,818,411	\$2,568,070	91.12%
2018	\$2,829,255	\$2,684,013	94.87%
2017	\$2,848,925	\$2,782,266	97.66%
2016	\$2,856,886	\$2,805,633	98.21%
2015	\$2,761,331	\$2,722,242	98.58%
2014	\$2,744,463	\$2,714,077	98.89%

*\*Collected as of 01/2020*

The table below lists the assessed property valuation of the city as reported by the Department of Revenue, Frankfort, Kentucky.

<b>Description</b>	<b>Tax Year -----</b>				
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Residential	\$442,352,352	\$446,529,052	\$457,875,252	\$466,941,430	\$466,249,197
Farm	\$59,200	\$68,400	\$68,400	\$68,400	\$90,000
Commercial	\$289,877,691	\$293,413,041	\$308,433,231	\$315,776,145	\$323,927,096
<b>Total</b>	<b>\$732,289,243</b>	<b>\$740,010,493</b>	<b>\$766,376,883</b>	<b>\$782,785,975</b>	<b>\$787,266,293</b>

**Top Ten Largest Corporate Taxpayers:**

<u>Name</u>	<u>Fiscal Year 2018 Assessed Valuation</u>
ATC Glimcher LLC	\$29,250,000
Melody Mountain Associates LTD	\$14,525,000
Fred Burns	\$13,468,000
Verit Mt Ashland KY LLC	\$12,000,000
BDB Midtown LLC	\$11,300,000
GCG Ashland LLC	\$10,045,500
JC Penney	\$9,343,450
Wal-Mart	\$8,161,897
AK Steel Corporation	\$5,788,000
CRHC Mansback Metal	\$4,691,058

**Assessed Value of Property**

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Assessed Value</u>
2019	905,744,984	106,505,938	1,012,250,922
2018	894,843,783	103,481,315	998,325,098
2017	889,786,675	108,783,431	998,570,106
2016	874,574,783	111,238,153	985,812,936
2015	848,811,892	111,317,166	960,129,058
2014	838,362,243	110,948,997	949,311,240
2013	826,561,756	102,946,806	1,510,305,569

**Property Tax Rates**

<u>Fiscal Year</u>	<u>Real Property<sup>(1)</sup></u>	<u>Tangible Property<sup>(1)</sup></u>	<u>Bank Shares</u>	<u>Occupational Tax <sup>(2)</sup></u>	<u>Motor Vehicles</u>	<u>Special Assessment</u>
2019	.2714	.2714	.00025	2.0%	.2714	.0925
2018	.2834	.2834	.00025	2.0%	.2834	.0925
2017	.2853	.2853	.00025	2.0%	.2853	.0925
2016	.2898	.2898	.00025	2.0%	.2898	.1059
2015	.2876	.2876	.00025	2.0%	.2876	.0159
2014	.2891	.2891	.00025	2.0%	.2891	.1059
2013	.3550	.3553	.00025	1.5%	.3553	.1019

<sup>(1)</sup> per \$100.00 assessed valuation

<sup>(2)</sup> Percentage

**APPENDIX D**

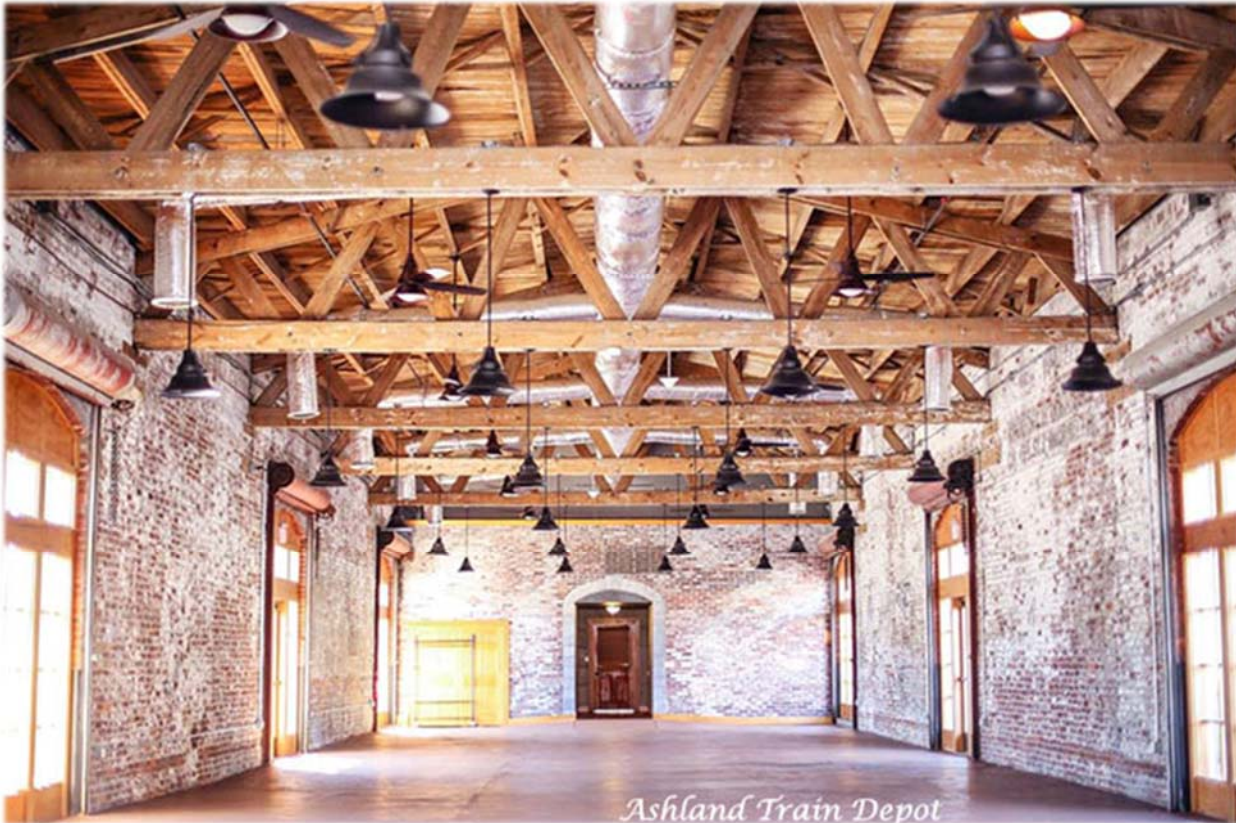
**CITY OF ASHLAND, KENTUCKY  
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2020A**

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**FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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# City of Ashland, Kentucky



## Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2019

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**CITY OF ASHLAND, KENTUCKY**  
FOR THE FISCAL YEAR July 1, 2018 to June 30, 2019

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**COMPREHENSIVE ANNUAL FINANCIAL  
REPORT**



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**PREPARED BY: DEPARTMENT OF FINANCE  
DIRECTOR'S DIVISION**  
Tony D. Grubb, CGFM, Finance Director  
Michelle Veach, Assistant Finance Director  
Gretchen Arrington VanHoose, Senior Financial Analyst  
Jacob Risner, Accountant

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





Website: [www.ashlandky.gov](http://www.ashlandky.gov)

Department of Finance

Email: [tdgrubb@windstream.net](mailto:tdgrubb@windstream.net)

January 31, 2020

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, 2019. 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 unmodified opinion that the financial statements for the fiscal year ended June 30, 2019 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 18<sup>th</sup> 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, Michael Graese, is the chief administrative officer for the city and reports to the Board of Commissioners. The Mayor is currently Stephen E. Gilmore and our City Commissioners are Amanda Clark, Marty Gute, Matt Perkins and Pat Steen. Department heads report to the City Manager and they include: Jim Moore, Corporation Counsel; Chris Pullem, Director of Community and Economic Development; Tony Grubb, Director of Finance; Jack Hunter, Director of Public Services; Todd Kelley, Chief of Police; Greg Ray, Fire Chief; Mark Hall, Director of Utilities and Sean Murray, Director of Human Resources / Parks / Recreation.

The City of Ashland has 299 authorized full-time positions. Of these positions, our largest department is Utilities comprising 23% of the employees. The Utilities department consists of five different divisions ranging from Water Production to Sewer Collection. The next largest department is our Public Services department at 18% with 55 total employees.

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### **The City of Ashland, Kentucky**

Post Office Box 1839  
Ashland, KY 41105-1839  
(606) 327-2009 Fax: (606) 327-2010  
For Hearing Impaired TDD: (606) 327-2097

The General Government of the City contains five divisions: Mayor and Commissioners, City Manager, Legal / City Clerk, Human Resources / Safety Risk and Unclassified. These divisions provide the administration for the City. The primary function of the Legal / City Clerk Department is to provide legal assistance to all departments within the City, to represent the City in court cases as needed and maintain official records of the City. The Human Resources / Safety Risk department maintains all personnel records on current and previous employees. 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, miscellaneous grants and appropriations.

The Department of Finance includes the divisions of Director of Finance, Data Processing, Utility Cashier 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 14,000 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 128,215 passengers this past year and received \$ 53,927 in passenger fares. The City is also an authorized ticket agent for the Greyhound Bus Lines selling more than \$ 50,905 in tickets and bringing in commission of approximately \$ 6,299.

The Department of Public Services is the second largest department in the City. This department performs a wide range of services and includes the divisions of Director of Public Services, Streets, Solid Waste, Fleet Maintenance, Animal Control and Floodwall. The Street department used 9,379 tons of asphalt to pave and patch the City streets and paved 42 roads 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 and has a recycling center in the City. The City recycled 337 tons of waste in calendar year 2018.

The Department of Utility Operations, our largest department, is comprised of Director of Utilities, Municipal Aid Road program, Water Distribution, Water Production, Industrial Pretreatment, Wastewater Collection and Wastewater Treatment. 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 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 calendar year 2018, we treated approximately 2.23 billion gallons of wastewater.

The Department of Engineering is an integral part of the City who 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. This department also conducts the development, planning and implementation of the combined sewer overflows.

The Department of Community and Economic Development is charged with the functions of land use planning, code enforcement, economic 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. Economic Development can streamline and expedite the business development review process and guide companies through zoning processes, building code regulations, licensing requirement and other development matters. The staff serves the Planning Commission and Board of Zoning Adjustment. Planning and Code 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 332 building and zoning permits in calendar year 2018, bringing in \$ 52,218 of revenue for the City. 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 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 housing voucher program, also known as Section 8, provides rental assistance to 455 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 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 Marshal who was elected. Today's police department has an authorized strength of 53, with 48 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 53 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 calendar year 2018, the department completed 1,989 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. 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 capital assets and inventory valued over \$ 3 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, 2019 provides 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 2019. One finding was a failure to follow proper procurement procedures. Quotes were obtained for the items and not procured through competitive bidding. It has been stressed to the departments that aggregate purchases over \$20,000 will need to be bid and that larger jobs need to be better monitored. A second finding was relating to improper counting of inventory and purchases not being added to the inventory system throughout the year. All purchases and usage of inventory should be tracked through the inventory system and employees be mindful of accurate counts. The third and final finding is related to pay rates not compensated in accordance with City policy. Five employees pay rates are in excess of the adopted pay scale. One employee is compensated less than the scale and one new employee received a pay increase during the probationary period. Adjustments will need to be made accordingly to ensure employees are correctly compensated. Management will not give raises in the probationary period without Board of Commissioners formal approval.

## **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 4<sup>th</sup> 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 800,000 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 52 projects with the help of over 180 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 finished construction on the *Combined Sewer Overflow (CSO)* initiative. Initial planning and engineering for this \$ 14.6 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. 29<sup>th</sup> Street Storm Separation and Remediation Project was completed this year. The final cost for 29<sup>th</sup> Street was \$ 3,280,592 bringing the total CSO initiative to \$14.2 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, 612-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 3,100 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.

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 2<sup>nd</sup> largest employer employing 766 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.

Wal-Mart Stores, Inc. remained our # 3 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 was completed in the fall of 2014. The second Phase brought the retail stores Kohl's, Great Clips, Dick's Sporting Goods and PetSmart to the City. This phase provided an additional 150,000 square feet of retail space as well as approximately 300 permanent, full-time jobs.

A focus on downtown revitalization to strengthen our local economy is coming to light. The Marriott Delta Hotel opened in calendar year 2019 after a complete renovation of the former Ashland Plaza Hotel. The newly renovated hotel offers a restaurant and 152 guest rooms. The hotel is located in downtown Ashland in the TIF district. The renovation employed approximately 60 construction workers and the hotel currently has 42 staff members. Engineering for the Judd Plaza renovation continued in fiscal year 2019 with construction set to begin this year. The Plaza will feature fountains, trees, seating, brick sidewalks and a stage area. It will be home to concerts, speeches and plays and tie into the Country Music Highway which runs through the city.

### **Financial Policies / Planning**

Despite a relatively flat local economy, the financial health of the City remains stable, bolstered by progressive policies of fund balance preservation. Kentucky Retirement System employer contributions continue to cause budgetary pressure on current and future budgets. Contributions are projected at \$4.6 million dollars in Fiscal Year 2020. Our focus has been on how to meet this obligation without a major reduction in city services. We continue to look for operating expense reductions. The downtown business district is being revitalized with the Streetscape project by beautification of the streets and lighting enhancements. Also, in our downtown district is the hotel redevelopment by Marriott Delta which is infused by general obligation bonds to fund a tax increment district. The City's Fiscal Year 2020 budget includes a capital investment towards Waterline replacements, Water Plant upgrades and Sewer Plant engineering to modernize our Utility System with a focus on compliance. Proposed Utility Fund Water and Sewer projects total \$5 million. Included in these projects are water and sewer line replacements of approximately \$1.4 million, which should reduce leaks, energy costs, and labor/overtime costs, especially during the winter season.

### **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, 2018. This was the 12<sup>th</sup> consecutive year that the government has achieved this prestigious award. The award was previously received in 1993, 2007 - 2017. 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.

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Ashland for its Popular Annual Financial Report for the fiscal year ended June 30, 2018. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports. In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

The Government Finance Officers Association of the United States and Canada (GFOA) has also given a Certificate of Recognition for Budget Presentation to the City of Ashland for the 5<sup>th</sup> consecutive year. The Distinguished Budget Presentation Award is presented to those individuals who have been instrumental in their government unit and whose budgets are judged to adhere to program standards.

### **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

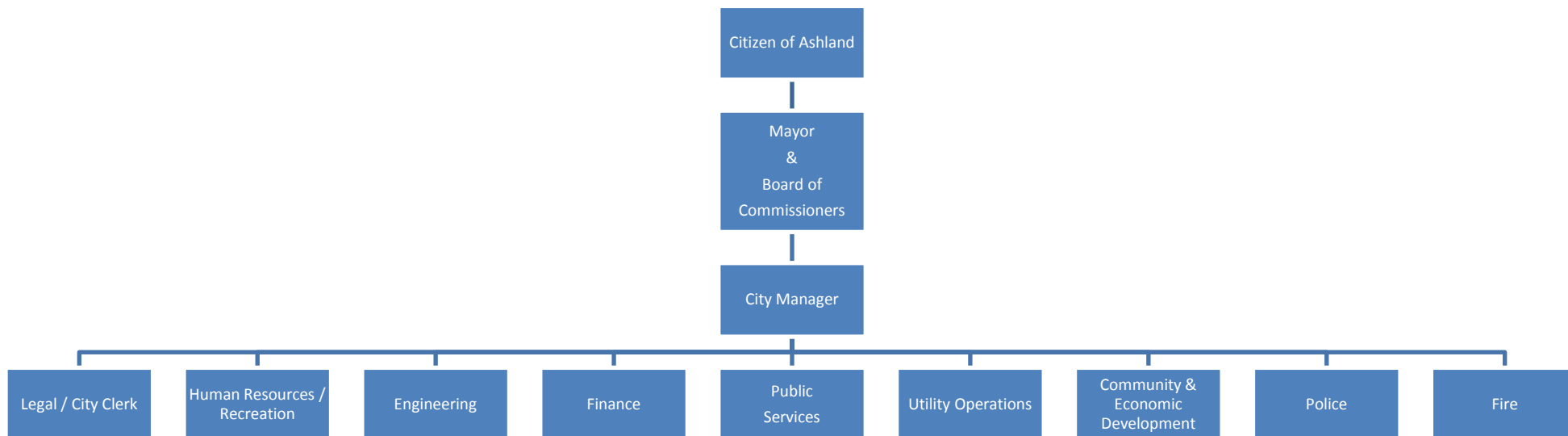
**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO



## City of Ashland Departmental Organizational Chart



# **LIST OF ELECTED AND APPOINTED OFFICIALS**

## **MAYOR**

Stephen E. Gilmore

## **COMMISSIONERS**

Amanda Clark

Marty Gute

Matt Perkins

Pat Steen

## **CITY MANAGER**

Michael Graese

## **FINANCE DIRECTOR**

Tony D. Grubb, CGFM

## **CORPORATION COUNSEL**

James H. Moore, III

## FINANCIAL SECTION

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
  - ⇒ Government-Wide Financial Statements
  - ⇒ Fund Financial Statements
  - ⇒ Index to Notes to Basic Financial Statements
  - ⇒ Notes to the Basic Financial Statements
- Required Supplemental Information
  - ⇒ Defined Benefit Pension Trusts
  - ⇒ County Employees Retirement System
  - ⇒ Notes to Required Supplementary Information
- Supplementary Information – Combining, Individual and Other Statements and Schedules
  - ⇒ Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Projects Fund
  - ⇒ General Fund
  - ⇒ Capital Assets Used in the Operations of Governmental Funds
  - ⇒ City of Ashland Housing Authority (HUD Schedules)
  - ⇒ Schedule of Expenditures of Federal Awards



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Kentucky (the "City") as of and for the year ended June 30, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information, the Schedule of Employer Contributions and Investment Returns, the Schedule of Funding Progress, the Schedule of Changes in Net Pension Liabilities, the Schedule of City's Proportionate Share of the Net Pension and OPEB Liability and the Schedule of Pension and OPEB Contributions on pages 15 through 26 and on pages 82 through 92, 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 93 through 99 and the Financial Data Schedule on pages 100 and 101 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental statements and schedules contained on pages 93 through 99, the Financial Data Schedule contained on pages 100 and 101 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 January 6, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Kelley Gallaway Smith Goodby, PSC*

Ashland, Kentucky  
January 6, 2020

## **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, 2019. 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 \$48,437,852 (net position). Governmental activities’ unrestricted net position was (\$33,573,966). Business-type activities’ unrestricted net position was (\$15,428,391). Unrestricted net position may be used to meet the government’s ongoing obligations to citizens and creditors.
- The Government’s total net position decreased by (\$4,108,950). Net position of governmental activities decreased by (\$4,794,941) and net position of business-type activities increased by \$685,991.
- At June 30, 2019, the governmental activities had \$72,540,447 in assets and \$65,262,675 in liabilities. Business-type activities had \$67,169,286 in assets and \$36,878,425 in liabilities.

### **OVERVIEW OF FINANCIAL STATEMENTS**

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

### **REPORTING THE GOVERNMENT AS A WHOLE**

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

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

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

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

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

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

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

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

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

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

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

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

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

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

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

## **THE GOVERNMENT AS A TRUSTEE**

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

## **THE GOVERNMENT AS A WHOLE**

### **NET POSITION**

As of June 30, 2019, the Government as a whole had a net position greater than its liabilities by \$48,437,852. Net position of governmental activities was \$16,277,691 and decreased by (\$4,794,941) over the prior year. Property and vehicle taxes collected were \$184,050 more than projected. Occupational license fee receipts excelled again this fiscal year due to focused collection efforts for \$242,372 in additional revenue. In light of the successful year for revenues, expenses were higher which led to the decrease in net position. Hiring costs were elevated to exceed appropriations by \$35,502. Unbudgeted items included a 2011 legal claim finally settled this fiscal year and Office 365 renewals totaling \$82,177. Solid Waste and Central Garage divisions overspent their budgets by \$137,402. Health insurance claims also exceeded budget projections as multiple employees hit the stop / loss threshold. Land was donated to the City to provide additional parking for the downtown area. A packer truck was purchased for our Solid Waste division, two police vehicles and one fire vehicle were also purchased increasing our automotive assets. Streetscape projects and a down payment for a custom fire truck are restricted for capital projects in the amount of \$1,725,000. Of ending Governmental Activities Net Position, \$48,057,346 is invested in capital assets net of related debt; \$1,794,311 is restricted for capital projects and grant programs; and unrestricted net position is (\$33,573,966). Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The net position of the Government's business-type activities is \$32,160,161 and increased by \$685,991 over the prior year. Industrial meter sales exceeded projections by \$214,247 due to the continuation of meter replacements that were outdated and faulty. An increase in the volume of hauled waste and its treatment brought in \$254,984 of excess funds. Miscellaneous revenues from insurance claims and the surplus auction produced unanticipated revenue totaling \$48,822. Utility Fund rates in all classes increased by the CPI this year effective January 1<sup>st</sup>. A net reduction of \$2,340,589 in construction-in-progress was a result of the continuation of the construction of the Water Distribution building and the completion of the CSO project on 29<sup>th</sup> Street. Of the business-type net position, \$39,952,083 is net investment in capital assets and (\$15,428,391) is unrestricted. The largest portion of the City's combined net position reflects its investment in capital assets (land, buildings, machinery and equipment) less outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens, and as a result, these assets are not available for future spending. The City's capital asset investment is reported net of related debt, but the resources to pay this debt must be provided from other sources, since the capital assets cannot be used to liquidate the liabilities.

An additional portion of the City's business-type net position, \$7,636,469, represents resources that are subject to limitations on their use through legislation adopted by the City or through external restrictions. The largest restricted portion, \$6,288,114, is for sewer improvements.

## ANALYSIS OF THE CITY'S NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 13,318,134	\$ 14,654,479	\$ 14,278,900	\$ 13,470,766	\$ 27,597,034	\$ 28,125,245
Capital assets	59,222,313	58,769,768	52,890,386	51,936,384	112,112,699	110,706,152
Total assets	<u>72,540,447</u>	<u>73,424,247</u>	<u>67,169,286</u>	<u>65,407,150</u>	<u>139,709,733</u>	<u>138,831,397</u>
Deferred outflows of resources	<u>11,924,890</u>	<u>16,592,872</u>	<u>3,323,612</u>	<u>4,598,454</u>	<u>15,248,502</u>	<u>21,191,326</u>
Liabilities	6,052,739	4,849,582	4,725,976	2,298,247	10,778,715	7,147,829
Long-term liabilities	59,209,936	60,327,014	32,152,449	34,854,922	91,362,385	95,181,936
Total Liabilities	<u>65,262,675</u>	<u>65,176,596</u>	<u>36,878,425</u>	<u>37,153,169</u>	<u>102,141,100</u>	<u>102,329,765</u>
Deferred inflows of resources	<u>2,924,971</u>	<u>3,767,891</u>	<u>1,454,312</u>	<u>1,378,265</u>	<u>4,379,283</u>	<u>5,146,156</u>
Net position						
Net investment in capital assets	48,057,346	47,056,359	39,952,083	38,815,146	88,009,429	85,871,505
Restricted	1,794,311	1,272,291	7,636,469	6,586,421	9,430,780	7,858,712
Unrestricted	<u>(33,573,966)</u>	<u>(27,256,018)</u>	<u>(15,428,391)</u>	<u>(13,927,397)</u>	<u>(49,002,357)</u>	<u>(41,183,415)</u>
Total Net Position	<u>\$ 16,277,691</u>	<u>\$ 21,072,632</u>	<u>\$ 32,160,161</u>	<u>\$ 31,474,170</u>	<u>\$ 48,437,852</u>	<u>\$ 52,546,802</u>

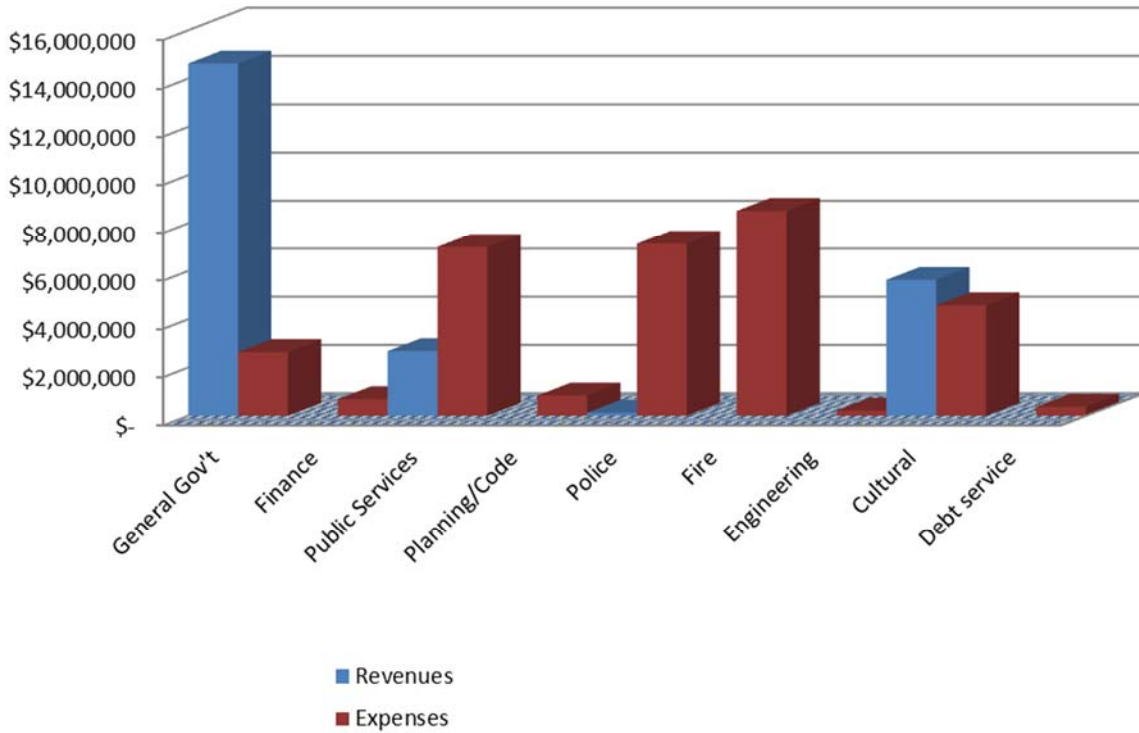
ANALYSIS OF THE CITY'S OPERATIONS

Revenues	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Taxes	\$ 8,042,133	\$ 7,837,931	\$ -	\$ -	\$ 8,042,133	\$ 7,837,931
Charges for Services	16,383,748	16,761,361	16,881,896	16,995,726	33,265,644	33,757,087
Operating Grants / Contr.	3,707,280	3,619,265	319,526	277,595	4,026,806	3,896,860
Capital Grants / Contr.	621,500	-	322,381	211,869	943,881	211,869
Other Income	196,199	137,887	780,448	887,967	976,647	1,025,854
<b>Total Revenue</b>	<b>28,950,860</b>	<b>28,356,444</b>	<b>18,304,251</b>	<b>18,373,157</b>	<b>47,255,111</b>	<b>46,729,601</b>

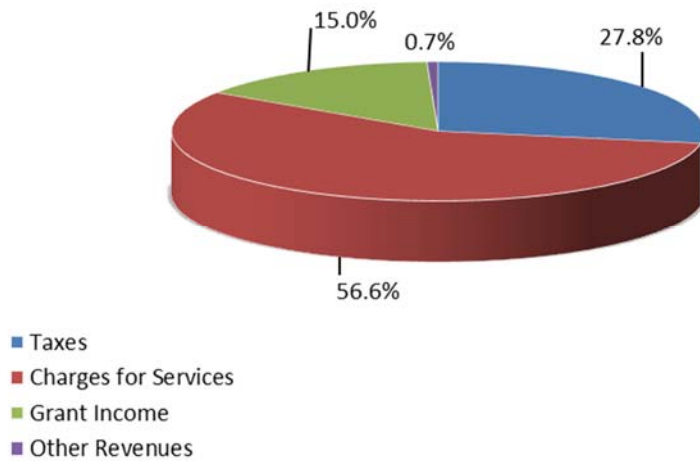
Expenses	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
General Government	2,638,860	2,222,981	-	-	2,638,860	2,222,981
Finance	688,925	760,728	-	-	688,925	760,728
Public Services	7,007,676	6,456,885	-	-	7,007,676	6,456,885
Planning / Code	838,185	912,064	-	-	838,185	912,064
Police	7,142,676	6,759,240	-	-	7,142,676	6,759,240
Fire	8,518,282	8,103,647	-	-	8,518,282	8,103,647
Engineering	216,630	146,723	-	-	216,630	146,723
Community / Cultural	4,576,745	6,828,989	-	-	4,576,745	6,828,989
Debt Service	373,683	346,466	-	-	373,683	346,466
Utility Fund	-	-	16,719,013	15,775,239	16,719,013	15,775,239
Ashland Bus System	-	-	1,274,145	1,355,883	1,274,145	1,355,883
Recreation Operating Fund	-	-	1,099,626	1,046,238	1,099,626	1,046,238
Cemetery	-	-	269,615	309,053	269,615	309,053
<b>Total Expense</b>	<b>32,001,662</b>	<b>32,537,723</b>	<b>19,362,399</b>	<b>18,486,413</b>	<b>51,364,061</b>	<b>51,024,136</b>
Changes before transfers	(3,050,802)	(4,181,279)	(1,058,148)	(113,256)	(4,108,950)	(4,294,535)
Transfers	(1,744,139)	(1,567,153)	1,744,139	1,567,153	-	-
Change in Net Position	(4,794,941)	(5,748,432)	685,991	1,453,897	(4,108,950)	(4,294,535)
Net Position Beg of Year	21,072,632	26,821,064	31,474,170	30,020,273	52,546,802	56,841,337
<b>Net Position End of Year</b>	<b>\$ 16,277,691</b>	<b>\$ 21,072,632</b>	<b>\$ 32,160,161</b>	<b>\$ 31,474,170</b>	<b>\$ 48,437,852</b>	<b>\$ 52,546,802</b>

**GOVERNMENTAL ACTIVITIES**

**EXPENSES AND PROGRAM REVENUES-  
GOVERNMENTAL ACTIVITIES**



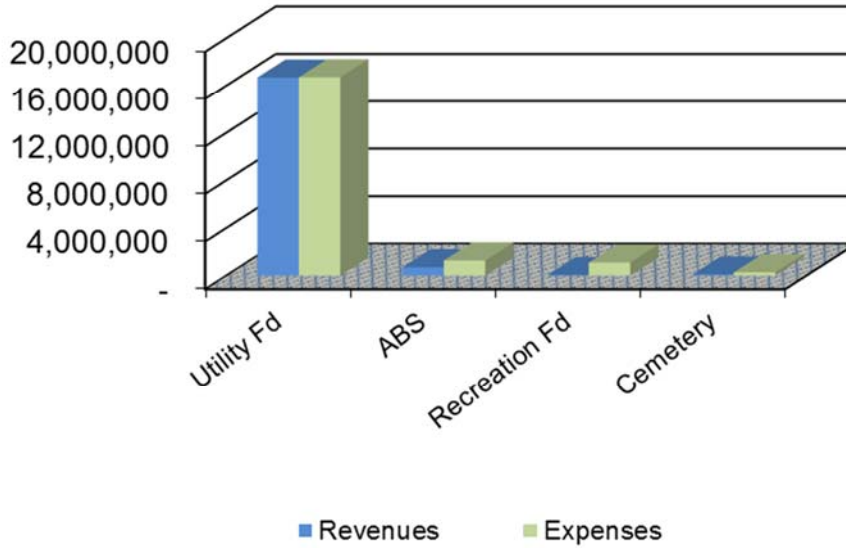
**REVENUE BY SOURCE - GOVERNMENT ACTIVITIES**



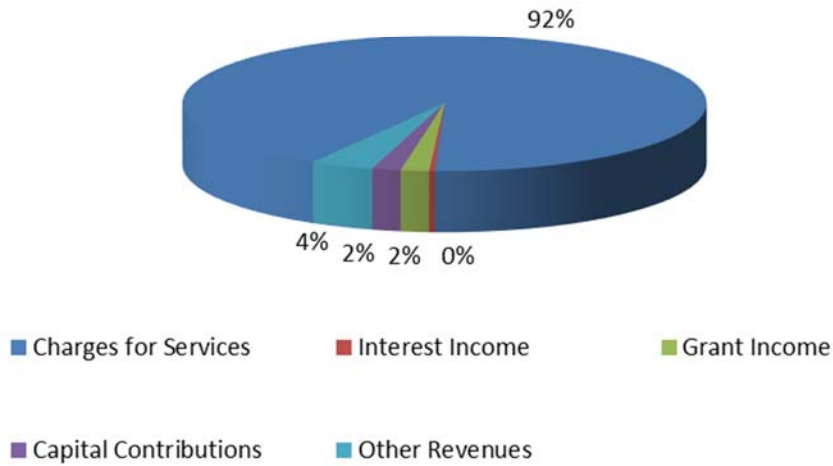


**BUSINESS-TYPE ACTIVITIES**

**EXPENSES AND REVENUES - BUSINESS-TYPE ACTIVITIES**



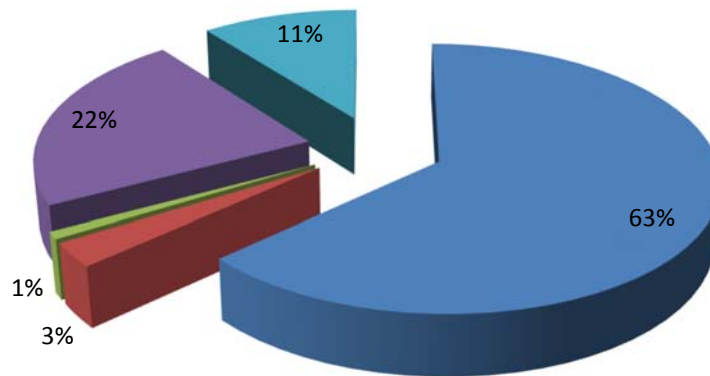
**REVENUE BY SOURCE - BUSINESS -TYPE ACTIVITIES**



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

A. The focus of the City's governmental funds is to provide information on near-term inflows or outflows and balances of spendable resources which are useful in determining the City's financing requirements. Unassigned fund balance serves as a useful measure of the City's net resources available for spending at the end of the fiscal year. At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of \$7,737,822. Of this total, \$4,901,745, or 63%, is unassigned fund balance. The remainder of fund balance is assigned / non-spendable / restricted to indicate it is not available for new spending because it has previously been restricted. Fiscal Year 2019 reports assigned for special revenue funds at \$227,828, restricted for grant programs at \$69,311, non-spendable at \$813,938 and assigned for capital projects at \$1,725,000. The governmental funds assigned for capital projects is for the partial purchase of a custom fire vehicle, a new dump truck for our Public Services department and the continuation of our Streetscape Improvements. Assigned for special revenue funds decreased this year as the City created a Tax Increment Financing (TIF) district in FY 2018 for infrastructure improvements to transform the existing Ashland Plaza Hotel into a Marriott Delta. The property tax revenue and occupational license fee revenue received from businesses in the TIF district was not enough to support the debt service payment. Non-spendable fund balance is a combination of our prepaid property and equipment insurance, general liability insurance, workers compensation insurance and the balances of the inventory accounts at the close of the fiscal year.

### Ending Fund Balances Governmental Activities



- 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, 2019, the major governmental funds reported as follows:

The General Fund had revenues of \$24,307,546, expenditures of \$21,647,325 and net other financing uses of \$(3,356,057). The total fund balance was \$6,012,384. Fund balance decreased this fiscal year as a result of a legal settlement, overspending in the Solid Waste and Central Garage divisions and unexpected health insurance claims. These items are extraordinary in nature and are anticipated to be non-recurring.

The Tax Increment Finance Fund had revenues of \$32,703 and expenditures of \$1,621,838. The total fund balance was \$(292,482). The TIF fund expenditures are the final redevelopment assistance payments for the Marriott Delta Hotel and the debt service payment. It should be noted that the deficit is a result of revenues not meeting the needs for the debt service payment. A conservative fiscal approach should be applied to the TIF district for future fiscal years.

The Municipal Aid Road Fund had revenues of \$442,651 and expenditures of \$632,526. The total fund balance was \$0. The focus on paving allowed the City to utilize this fund to its full potential by improving the roads and infrastructure for our citizens.

The Floodwall Operating Fund had revenues of \$266,641 and expenditures of \$292,144. The total fund balance was \$162,391. Preventative maintenance items caused our expenditures to slightly exceed our revenues this year. Floodwall is a financially stable fund and the repairs do not cause concern for the new fiscal year.

The Community Development Fund had revenues of \$333,749 and expenditures of \$333,749. The total fund balance was \$65,437.

The Housing Assistance Fund had revenues of \$2,946,070 and expenditures of \$2,946,641. The total fund balance was \$65,092. Even though the net change in fund balance was minimal, the administrative expenditures should be monitored to ensure that they are staying on course with the administrative revenue received throughout the fiscal year.

The Capital Purchase Improvement Fund had revenues of \$621,500, other financing sources of \$1,611,918 and expenditures of \$1,712,470. The total fund balance was \$1,725,000. Land was donated to the City recognizing an appraisal value of \$621,500. Fund balance is restricted for the partial purchase of a fire rescue vehicle, a dump truck and Streetscape Improvements.

## **PROPRIETARY FUNDS**

The City's proprietary funds, or business-type activities, had a total net position of \$32,160,161 for the four funds. Total increase in net position was \$685,991. Net position changes are a result of operations, operating grants and capital contributions.

The Utility Fund, which accounts for water and wastewater services for the City of Ashland and surrounding communities, had a positive net position change. Operating expenses increased over prior year by 5.98%. Revenues included a slight 0.87% increase than projected. Utility rate modifications were effective beginning January 1, 2019. Meter replacements to adequately read consumption and an increase in hauled waste also contributed to this excess.

The Ashland Bus System accounts for the City's transportation system which is partially subsidized by the Federal Government (Federal Transit Administration). The City acquired the Ashland Cemetery in September 2009. Both funds experienced a decrease in net position associated with other post-employment benefit liabilities. Although it does not require the use of City resources for funding, it has contributed to the reduction of net position.

Recreation Operating Fund is the City's park system, swimming pool, concession activities and other recreational activities. The playgrounds at Central Park are being revitalized. New equipment has

been ordered, installed and now includes ADA accessibility. A pickleball court is now open and awaiting a new lighting system so citizens can enjoy utilizing it until the Park closes.

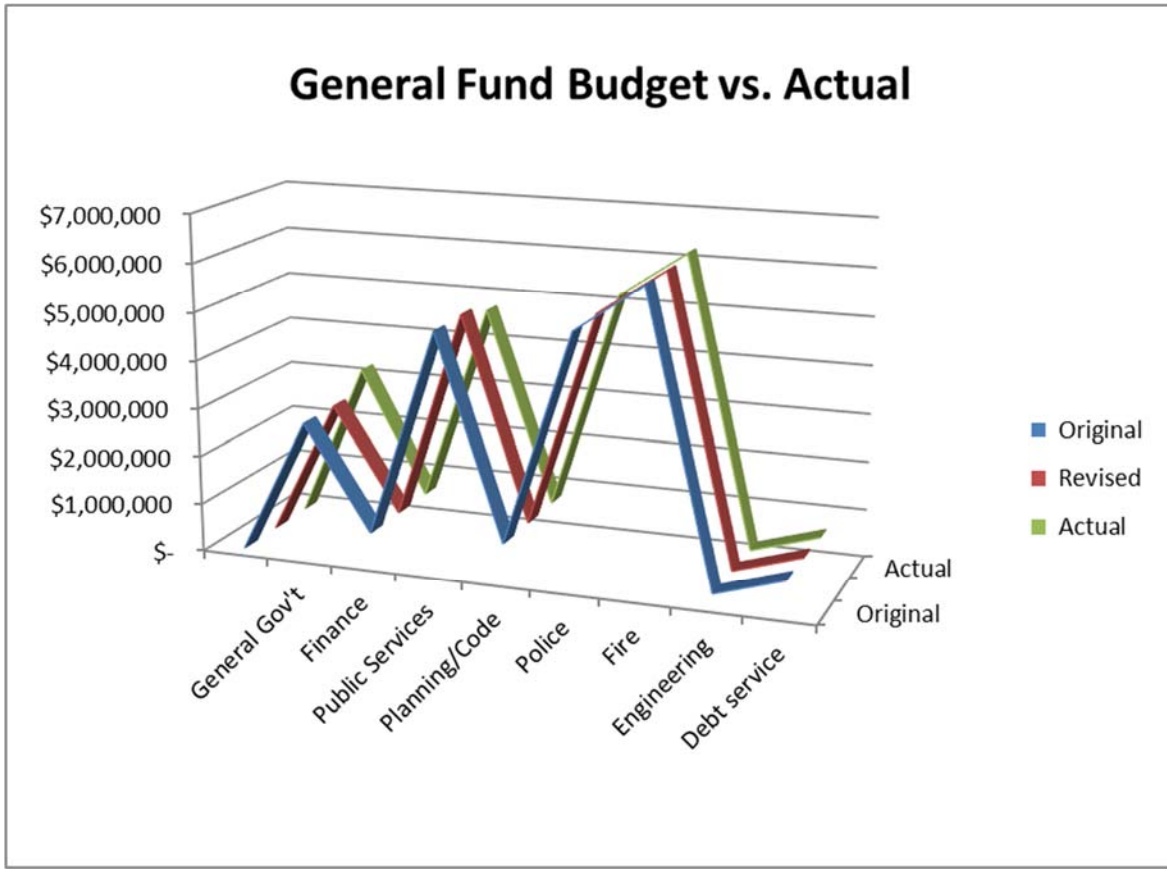
## **BUDGETARY HIGHLIGHTS**

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

- ⇒ \$174,185 increase in budgeted revenues for the General Fund. This increase includes \$8,213 for repairs of Kentucky State Police vehicles, \$2,576 for the collection of recycling permits fees, \$100,160 insurance claim and FEMA reimbursements, \$60,036 for forfeitures funds collected for the Police, and \$3,200 Fire grant for the purchase of thermal imaging cameras.
- ⇒ \$5,000 increase for a new software program for Human Resources to streamline the hiring process and to interface employee data with Payroll.
- ⇒ \$43,982 increase in police expenditures for travel / training, overtime for festival security and vehicle damage repairs.
- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$123,692 for Public Services to purchase a dump truck, brush chipper and roof replacement; \$157,115 transfer for road slip repairs on Hogsten, Skyline and Vanbibber Roads; \$435,106 for Police vehicles and equipment.

Significant budget versus actual variances include the following:

- ⇒ The General Fund is the primary operating governmental fund of the City. General Fund actual revenues were \$24,307,546 versus budgeted revenues of \$23,787,425. Licenses / Permits was \$11,677,826 budgeted and actual revenues were \$11,965,618 for a variance of \$287,792. Finance staff's focus on collection efforts and new business in the City is to be credited for this positive variance. Grants / Entitlements exceeded projections by \$83,424. Part of this surplus was for the award of a Household Hazardous Waste Management Grant and the balance of a Safe Routes to School grant.
- ⇒ General Fund had a negative variance concerning expenditures this fiscal year. The negative variance can be attributed to the hiring costs associated with three department heads and the health insurance claims increasing for a select few that are to be considered non-recurring for future years. Two divisions that passed their operating parameters were Solid Waste and Central Garage. Both divisions overspent by utilizing temporary workers that were not budgeted and purchasing supplies and tools above the board approved amounts.



**CAPITAL ASSET AND DEBT ADMINISTRATION**

The City’s investment in capital assets for governmental and business-type activities as of June 30, 2019 is \$112,112,699 (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, 2019 include:

Project	Approved Contract	Paid / Accrued to Date	Outstanding Commitment
CIPP Lining	\$ 40,000	\$ 24,960	\$ 15,040
Water Treatment Plan	30,000	29,854	146
Pollard Mills	421,800	104,440	317,360
SCADA	218,640	86,375	132,265
5th Street Lift Station	12,800	10,376	2,424
Waterline Replacement	206,000	89,729	116,271
Comprehensive Plan	32,980	-	32,980
S.H. ADA Renovation	58,059	18,571	39,488
	<u>\$ 1,020,279</u>	<u>\$ 364,305</u>	<u>\$ 655,974</u>

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

Asset	Governmental Activities	Business-type Activities	Total 2019
Land	\$ 4,457,328	\$ 449,401	\$ 4,906,729
Buildings and improvements	12,340,029	4,616,483	16,956,512
Automotive equipment	4,604,874	2,290,649	6,895,523
Operating equipment	4,699,819	4,475,395	9,175,214
Office equipment	582,041	360,300	942,341
Capital improvements	1,098,864	901,135	1,999,999
Right-of-way	15,038,909	-	15,038,909
Infrastructure	81,509,938	-	81,509,938
Utility plant	-	100,227,701	100,227,701
Construction (CIP)	653,311	2,376,989	3,030,300
	<u>124,985,113</u>	<u>115,698,053</u>	<u>240,683,166</u>
Less depreciation	<u>(65,762,800)</u>	<u>(62,807,667)</u>	<u>(128,570,467)</u>
Total	<u>\$ 59,222,313</u>	<u>\$ 52,890,386</u>	<u>\$ 112,112,699</u>

**DEBT**

At the end of fiscal year 2019, the City had governmental activities debt of \$11,782,256 compared to \$12,438,138 at June 30, 2018, which represents a decrease of \$655,882. Business-type activities had debt of \$12,996,054 compared to \$14,258,082 at June 30, 2018, which represents a decrease of \$1,262,028. See Note (9) for additional discussion of the City's long term debt. The following chart summarizes governmental and business-type activities debt.

<u>Governmental Activities Debt</u>	<u>Amount</u>
General obligation bond series 2015	\$ 2,000,000
General obligation bond series 2017	4,325,000
Capital lease - police station	3,429,608
Capital lease - Melody Mtn Phase II	1,345,834
Premium on bonds	135,002
Compensated absences obligation	546,812
Total	<u>\$ 11,782,256</u>
<u>Business-Type Activities Debt</u>	<u>Amount</u>
Revenue & Improvement Bonds 2013	\$ 2,390,000
Water & Sewer Revenue Bonds 2015	2,875,000
Capital lease - Radio Meters	1,126,250
Kentucky Infrastructure Authority loans	6,523,568
Discount on bonds	(11,867)
Premium on bonds	93,103
Total	<u>\$ 12,996,054</u>

## **DESCRIPTION OF MUNICIPAL DEBT**

- ⇒ General Obligation Refunding Bonds 2015 - \$2,000,000.
- ⇒ General Obligation Bonds 2017 Ashland Plaza Redevelopment Project - \$4,325,000.
- ⇒ General Obligation Bonds 2013 Melody Mountain Phase II - \$1,345,834.
- ⇒ Premium on bonds - \$135,002.
- ⇒ Capital Lease - Police station - \$3,429,608.
- ⇒ Employee compensated absences payable after 60 days at \$546,812.
- ⇒ Utility Revenue bond issue 2013 for phase II upgrade of the water plant - \$2,390,000.
- ⇒ K.I.A. Loans used to upgrade the utility system and correct CSO - \$6,523,568.
- ⇒ KLC lease payable for the purchase of radio read meters - \$1,126,250.
- ⇒ Water & Sewer Revenue Bonds 2015 – water system improvements - \$2,875,000.
- ⇒ Discount on bonds - (\$11,867).
- ⇒ Premium on bonds - \$93,103.

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

Unemployment rate for the City of Ashland as of June 2019 is 6.1%. This rate is higher than the State of Kentucky rate at 4.9% and the national rate of 3.8%.

The following summarizes the 2020 fiscal year budgeted expenses.

- ⇒ General Fund - \$24,534,920
- ⇒ Tax Increment Finance Fund - \$304,200
- ⇒ Municipal Aid Program - \$442,215
- ⇒ Community Development Block Grant Fund - \$1,560,286
- ⇒ Section 8 Voucher - \$2,963,530
- ⇒ Floodwall Operating Fund - \$261,909
- ⇒ Utility Fund - \$20,100,345
- ⇒ Ashland Bus System - \$1,486,823
- ⇒ Recreation Operating Fund - \$1,060,877
- ⇒ Ashland Cemetery Fund - \$164,666
- ⇒ Capital Purchase Improvement Fund - \$2,709,425

Fiscal year 2020 contains three significant budget items. The Utility Fund will upgrade the Water Plant with SCADA and field instrumentation. Also in the Utility Fund is the continuance of replacing the aging water lines. The third item is to continue the Streetscape project that began several years ago.

## **REQUEST FOR INFORMATION**

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

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

**CITY OF ASHLAND**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,095,559	\$ 5,349,605	\$ 9,445,164
Accounts receivable	165,941	2,810,943	2,976,884
Allowance for uncollectible accounts	-	(145,693)	(145,693)
Taxes receivable	3,269,118	-	3,269,118
Allowance for uncollectible taxes	(514,227)	-	(514,227)
Grants receivable	170,362	567,406	737,768
Internal balances, net	4,739,767	(4,739,767)	-
Program receivables	38,176	-	38,176
Allowance for uncollectible accounts	(36,137)	-	(36,137)
Other receivables	489,455	-	489,455
Allowance for uncollectible accounts	(63,818)	-	(63,818)
Prepaid expenses	631,099	81,418	712,517
Inventories	182,839	2,718,519	2,901,358
Restricted assets -			
Cash and cash equivalents	-	4,502,800	4,502,800
Certificates of deposit	-	3,133,669	3,133,669
Note receivable	150,000	-	150,000
Nondepreciable capital assets	19,589,609	2,826,390	22,415,999
Depreciable capital assets	105,395,504	112,871,663	218,267,167
Accumulated depreciation	(65,762,800)	(62,807,667)	(128,570,467)
 Total assets	 <u>72,540,447</u>	 <u>67,169,286</u>	 <u>139,709,733</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred savings from refunding bonds	70,477	107,751	178,228
Deferred outflows - OPEB related	3,826,866	794,294	4,621,160
Deferred outflows - pension related	8,027,547	2,421,567	10,449,114
 Total deferred outflows of resources	 <u>11,924,890</u>	 <u>3,323,612</u>	 <u>15,248,502</u>



**CITY OF ASHLAND**  
**STATEMENT OF NET POSITION (CONCLUDED)**  
**JUNE 30, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Accounts payable	2,711,841	1,804,101	4,515,942
Due to Board of Education	24,353	-	24,353
Payable to fiduciary fund	439,997	228,187	668,184
Other accrued expenses and liabilities	2,206,623	522,083	2,728,706
Deposits	-	608,871	608,871
Matured revenue bonds and notes	-	50,000	50,000
Accrued compensated absences, current	107,569	222,352	329,921
Current portion of long-term debt	562,356	1,290,382	1,852,738
Net OPEB liabilities, due in more than one year	10,283,482	3,287,173	13,570,655
Net pension liabilities, due in more than one year	37,706,554	17,159,604	54,866,158
Accrued compensated absences, non-current	546,812	-	546,812
Capital lease obligations, non-current	4,523,086	1,019,167	5,542,253
Revenue and Improvement bonds, net of discounts	-	4,696,236	4,696,236
Kentucky Infrastructure Authority loans, non-current	-	5,990,269	5,990,269
General obligation bonds, non-current, plus premiums	6,150,002	-	6,150,002
	<u>65,262,675</u>	<u>36,878,425</u>	<u>102,141,100</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows - OPEB related	2,235,608	584,678	2,820,286
Deferred inflows - pension related	689,363	869,634	1,558,997
	<u>2,924,971</u>	<u>1,454,312</u>	<u>4,379,283</u>
<b>NET POSITION</b>			
Net investment in capital assets	48,057,346	39,952,083	88,009,429
Restricted			
Capital projects	1,725,000	-	1,725,000
Debt service	-	1,119,163	1,119,163
Grant programs	69,311	-	69,311
Sewer improvements	-	6,288,114	6,288,114
Other	-	229,192	229,192
Unrestricted	<u>(33,573,966)</u>	<u>(15,428,391)</u>	<u>(49,002,357)</u>
	<u>\$ 16,277,691</u>	<u>\$ 32,160,161</u>	<u>\$ 48,437,852</u>

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

**CITY OF ASHLAND  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 2,638,860	\$ 13,886,513	\$ 117,963	\$ 621,500	\$ 11,987,116	\$ -	\$ 11,987,116
Finance	688,925	-	-	-	(688,925)	-	(688,925)
Public services	7,007,676	2,235,508	442,627	-	(4,329,541)	-	(4,329,541)
Planning and code enforcement	838,185	-	-	-	(838,185)	-	(838,185)
Police	7,142,676	-	129,162	-	(7,013,514)	-	(7,013,514)
Fire	8,518,282	-	-	-	(8,518,282)	-	(8,518,282)
Engineering	216,630	-	-	-	(216,630)	-	(216,630)
Community and cultural	4,576,745	261,727	3,017,528	-	(1,297,490)	-	(1,297,490)
Debt service - interest	373,683	-	-	-	(373,683)	-	(373,683)
Total governmental activities	<u>32,001,662</u>	<u>16,383,748</u>	<u>3,707,280</u>	<u>621,500</u>	<u>(11,289,134)</u>	<u>-</u>	<u>(11,289,134)</u>
<b>Business-Type Activities</b>							
Utilities	16,719,013	16,690,257	-	-	-	(28,756)	(28,756)
Recreation	1,099,626	44,212	-	-	-	(1,055,414)	(1,055,414)
Cemetery	269,615	93,500	-	-	-	(176,115)	(176,115)
Bus	1,274,145	53,927	319,526	322,381	-	(578,311)	(578,311)
Total business-type activities	<u>19,362,399</u>	<u>16,881,896</u>	<u>319,526</u>	<u>322,381</u>	<u>-</u>	<u>(1,838,596)</u>	<u>(1,838,596)</u>
Total primary government	<u>\$ 51,364,061</u>	<u>\$ 33,265,644</u>	<u>\$ 4,026,806</u>	<u>\$ 943,881</u>	<u>\$ (11,289,134)</u>	<u>\$ (1,838,596)</u>	<u>\$ (13,127,730)</u>
<b>General Revenues:</b>							
Property and other local taxes					\$ 8,042,133	\$ -	\$ 8,042,133
Interest income					12,406	66,910	79,316
Other revenues					183,793	713,538	897,331
Total general revenues					8,238,332	780,448	9,018,780
Transfers					(1,744,139)	1,744,139	-
Total general revenues and transfers					6,494,193	2,524,587	9,018,780
Change in net position					(4,794,941)	685,991	(4,108,950)
Net position, June 30, 2018					21,072,632	31,474,170	52,546,802
Net position, June 30, 2019					<u>\$ 16,277,691</u>	<u>\$ 32,160,161</u>	<u>\$ 48,437,852</u>

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

**CITY OF ASHLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

Special Revenue Funds

	General	Tax Increment Finance	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	Total Governmental Funds
<b>Assets</b>								
Cash	\$ 3,569,464	\$ -	\$ 38,008	\$ 2,993	\$ 65,541	\$ 103,627	\$ -	\$ 3,779,633
Taxes receivable	3,053,700	-	-	215,418	-	-	-	3,269,118
Allowance for uncollectible taxes	(489,186)	-	-	(25,041)	-	-	-	(514,227)
Grants receivable	4,219	-	41,067	-	125,076	-	-	170,362
Due from other funds	5,163,283	-	235,352	-	-	-	2,117,240	7,515,875
Program receivables	38,176	-	-	-	-	-	-	38,176
Allowance for uncollectible accounts	(36,137)	-	-	-	-	-	-	(36,137)
Other receivables	412,358	-	-	698	938	67,563	7,898	489,455
Allowance for uncollectible accounts	-	-	-	-	-	(63,818)	-	(63,818)
Prepaid items	631,099	-	-	-	-	-	-	631,099
Inventories - supplies	182,839	-	-	-	-	-	-	182,839
<b>Total assets</b>	<b>\$ 12,529,815</b>	<b>\$ -</b>	<b>\$ 314,427</b>	<b>\$ 194,068</b>	<b>\$ 191,555</b>	<b>\$ 107,372</b>	<b>\$ 2,125,138</b>	<b>\$ 15,462,375</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 977,597	\$ 7,000	\$ 314,427	\$ 6,450	\$ 37,258	\$ 7,933	\$ 400,138	\$ 1,750,803
Due to other funds	4,631,436	285,482	-	20,481	86,112	25,802	-	5,049,313
Due to Board of Education	24,353	-	-	-	-	-	-	24,353
Accrued compensated absences	103,327	-	-	1,113	1,037	2,092	-	107,569
Accrued wages and related expenditures	780,718	-	-	3,633	1,711	6,453	-	792,515
<b>Total liabilities</b>	<b>6,517,431</b>	<b>292,482</b>	<b>314,427</b>	<b>31,677</b>	<b>126,118</b>	<b>42,280</b>	<b>400,138</b>	<b>7,724,553</b>
<b>Fund Balances:</b>								
Non-spendable	813,938	-	-	-	-	-	-	813,938
Restricted for grant programs	4,219	-	-	-	-	65,092	-	69,311
Assigned for capital projects	-	-	-	-	-	-	1,725,000	1,725,000
Assigned for special revenue funds	-	-	-	162,391	65,437	-	-	227,828
Unassigned	5,194,227	(292,482)	-	-	-	-	-	4,901,745
<b>Total fund balances</b>	<b>6,012,384</b>	<b>(292,482)</b>	<b>-</b>	<b>162,391</b>	<b>65,437</b>	<b>65,092</b>	<b>1,725,000</b>	<b>7,737,822</b>
<b>Total liabilities and fund balances</b>	<b>\$ 12,529,815</b>	<b>\$ -</b>	<b>\$ 314,427</b>	<b>\$ 194,068</b>	<b>\$ 191,555</b>	<b>\$ 107,372</b>	<b>\$ 2,125,138</b>	<b>\$ 15,462,375</b>

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

**CITY OF ASHLAND**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

Total fund balance - total governmental funds		\$ 7,737,822
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets of \$124,985,113 net of accumulated depreciation of \$65,762,800 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		59,222,313
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds:		
Note receivable	150,000	
Deferred savings from refunding bonds	70,477	220,477
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the governmental funds.		8,929,442
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds:		
Net OPEB liabilities	(10,283,482)	
Net pension liabilities	(37,706,554)	
Bonds payable	(6,460,002)	
Accrued interest payable	(60,071)	
Accrued compensated absences	(546,812)	
Capital lease obligations	(4,775,442)	(59,832,363)
Net position, end of year - Governmental Activities		\$ 16,277,691

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, 2019**

	Special Revenue Funds						Capital Projects	Total Governmental Funds
	General	Tax Increment Finance	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance		
<b>Revenues</b>								
Property and other local taxes	\$ 7,745,138	\$ 30,577	\$ -	\$ 266,418	\$ -	\$ -	\$ -	\$ 8,042,133
Licenses and permits	11,965,618	864	-	-	-	-	-	11,966,482
Charges for services	2,235,508	-	-	-	-	-	-	2,235,508
Fees, fines and reimbursements	1,920,031	-	-	-	-	-	-	1,920,031
Grant income	247,125	-	442,627	-	333,749	2,683,779	-	3,707,280
Administration fee income	-	-	-	-	-	261,727	-	261,727
Interest income	10,338	1,262	24	223	-	559	-	12,406
Other income	183,788	-	-	-	-	5	621,500	805,293
<b>Total revenues</b>	<b>24,307,546</b>	<b>32,703</b>	<b>442,651</b>	<b>266,641</b>	<b>333,749</b>	<b>2,946,070</b>	<b>621,500</b>	<b>28,950,860</b>
<b>Expenditures</b>								
General government	3,219,412	-	-	-	-	-	937	3,220,349
Finance	641,635	-	-	-	-	-	-	641,635
Public services	4,732,649	-	632,526	292,144	-	-	-	5,657,319
Planning and code enforcement	749,686	-	-	-	-	-	-	749,686
Police	5,261,663	-	-	-	-	-	-	5,261,663
Fire	6,219,113	-	-	-	-	-	-	6,219,113
Engineering	195,441	-	-	-	-	-	-	195,441
Community and cultural	-	1,324,613	-	-	333,749	2,946,641	-	4,605,003
Capital outlay	-	-	-	-	-	-	1,711,533	1,711,533
Debt service:								
Principal retirement	380,804	165,000	-	-	-	-	-	545,804
Interest charges	246,922	132,225	-	-	-	-	-	379,147
<b>Total expenditures</b>	<b>21,647,325</b>	<b>1,621,838</b>	<b>632,526</b>	<b>292,144</b>	<b>333,749</b>	<b>2,946,641</b>	<b>1,712,470</b>	<b>29,186,693</b>
Excess (deficiency) of Revenues Over (Under) Expenditures	2,660,221	(1,589,135)	(189,875)	(25,503)	-	(571)	(1,090,970)	(235,833)
<b>Other Financing Sources (Uses)</b>								
Transfers in	-	-	-	-	-	-	1,611,918	1,611,918
Transfers out	(3,356,057)	-	-	-	-	-	-	(3,356,057)
<b>Total other financing sources (uses)</b>	<b>(3,356,057)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,611,918</b>	<b>(1,744,139)</b>
Net change in fund balances	(695,836)	(1,589,135)	(189,875)	(25,503)	-	(571)	520,948	(1,979,972)
Fund balances beginning of year	6,708,220	1,296,653	189,875	187,894	65,437	65,663	1,204,052	9,717,794
Fund balances end of year	\$ 6,012,384	\$ (292,482)	\$ -	\$ 162,391	\$ 65,437	\$ 65,092	\$ 1,725,000	\$ 7,737,822

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, 2019**

Net change in fund balances - total governmental funds \$ (1,979,972)

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

Capital outlay	3,078,679	
Depreciation expense	<u>(2,548,211)</u>	530,468

Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:

Long-term portion of accrued sick leave		100,565
Amortization of deferred savings from refunding bonds		(6,875)
Amortization of bond discounts and premiums		9,513
Accrued interest payable		2,826

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

Net change in Police & Firefighters pension liability	507,620	
CERS pension expense	(3,669,212)	
CERS OPEB expense	<u>(756,755)</u>	(3,918,347)

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. 545,804

Losses on disposal of capital assets are not recognized in the fund financial statements. However, in the statement of activities, these losses are recognized. (78,923)

Change in net position of governmental activities \$ (4,794,941)

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, 2019**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ 7,700,050	\$ -	\$ 7,700,050	\$ 7,745,138	\$ 45,088
Licenses and permits	11,675,250	2,576	11,677,826	11,965,618	287,792
Charges for services	2,209,750	8,213	2,217,963	2,235,508	17,545
Fees, fines and reimbursements	1,895,520	-	1,895,520	1,920,031	24,511
Interest income	2,250	-	2,250	10,338	8,088
Grant income	5,000	158,701	163,701	247,125	83,424
Other income	125,420	4,695	130,115	183,788	53,673
<b>Total revenues</b>	<b>23,613,240</b>	<b>174,185</b>	<b>23,787,425</b>	<b>24,307,546</b>	<b>520,121</b>
<b>Expenditures</b>					
General government	2,789,648	5,000	2,794,648	3,219,412	(424,764)
Finance	648,118	-	648,118	641,635	6,483
Public services	4,912,125	31,853	4,943,978	4,732,649	211,329
Planning and code enforcement	743,522	-	743,522	749,686	(6,164)
Police	5,137,811	43,982	5,181,793	5,261,663	(79,870)
Fire	6,135,515	5,700	6,141,215	6,219,113	(77,898)
Engineering	214,990	-	214,990	195,441	19,549
Debt service:					
Principal retirement	437,821	-	437,821	380,804	57,017
Interest and fiscal charges	220,194	-	220,194	246,922	(26,728)
<b>Total expenditures</b>	<b>21,239,744</b>	<b>86,535</b>	<b>21,326,279</b>	<b>21,647,325</b>	<b>(321,046)</b>
Excess of Revenues Over (Under) Expenditures	2,373,496	87,650	2,461,146	2,660,221	199,075
<b>Other Financing Sources (Uses)</b>					
Transfers out	(2,373,496)	(963,267)	(3,336,763)	(3,356,057)	(19,294)
<b>Total other financing sources (uses)</b>	<b>(2,373,496)</b>	<b>(963,267)</b>	<b>(3,336,763)</b>	<b>(3,356,057)</b>	<b>(19,294)</b>
Net change in fund balance	-	(875,617)	(875,617)	(695,836)	179,781
Fund balance beginning of year	6,708,220	-	6,708,220	6,708,220	-
Fund balance end of year	<u>\$ 6,708,220</u>	<u>\$ (875,617)</u>	<u>\$ 5,832,603</u>	<u>\$ 6,012,384</u>	<u>\$ 179,781</u>

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

**CITY OF ASHLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**TAX INCREMENT FINANCE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ 30,577	\$ 30,577
Licenses and permits	-	-	-	864	864
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	-	-	-	1,262	1,262
Other income	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,703</b>	<b>32,703</b>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	1,373,465	1,373,465	1,324,613	48,852
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	165,000	(165,000)
Interest and fiscal charges	297,225	-	297,225	132,225	165,000
<b>Total expenditures</b>	<b>297,225</b>	<b>1,373,465</b>	<b>1,670,690</b>	<b>1,621,838</b>	<b>48,852</b>
Excess of Revenues Over (Under) Expenditures	(297,225)	(1,373,465)	(1,670,690)	(1,589,135)	81,555
<b>Other Financing Sources (Uses)</b>					
Proceeds from the issuance of debt	-	-	-	-	-
Transfers in	297,225	-	297,225	-	(297,225)
<b>Total other financing sources (uses)</b>	<b>297,225</b>	<b>-</b>	<b>297,225</b>	<b>-</b>	<b>(297,225)</b>
Net change in fund balance	-	(1,373,465)	(1,373,465)	(1,589,135)	(215,670)
Fund balance beginning of year	1,296,653	-	1,296,653	1,296,653	-
Fund balance end of year	<u>\$ 1,296,653</u>	<u>\$ (1,373,465)</u>	<u>\$ (76,812)</u>	<u>\$ (292,482)</u>	<u>\$ (215,670)</u>

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



**CITY OF ASHLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**MUNICIPAL AID ROAD FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	434,850	-	434,850	442,627	7,777
Administration fee income	-	-	-	-	-
Interest income	15	-	15	24	9
Other income	-	-	-	-	-
<b>Total revenues</b>	<b>434,865</b>	<b>-</b>	<b>434,865</b>	<b>442,651</b>	<b>7,786</b>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	634,865	-	634,865	632,526	2,339
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>634,865</b>	<b>-</b>	<b>634,865</b>	<b>632,526</b>	<b>2,339</b>
Excess of Revenues Over (Under) Expenditures	<u>(200,000)</u>	<u>-</u>	<u>(200,000)</u>	<u>(189,875)</u>	<u>10,125</u>
<b>Other Financing Sources (Uses)</b>					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balance	(200,000)	-	(200,000)	(189,875)	10,125
Fund balance beginning of year	<u>189,875</u>	<u>-</u>	<u>189,875</u>	<u>189,875</u>	<u>-</u>
Fund balance end of year	<u><u>\$ (10,125)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (10,125)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,125</u></u>

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

**CITY OF ASHLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**COMMUNITY DEVELOPMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	1,239,669	76,373	1,316,042	333,749	(982,293)
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
<b>Total revenues</b>	<b>1,239,669</b>	<b>76,373</b>	<b>1,316,042</b>	<b>333,749</b>	<b>(982,293)</b>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	1,239,669	76,373	1,316,042	333,749	982,293
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>1,239,669</b>	<b>76,373</b>	<b>1,316,042</b>	<b>333,749</b>	<b>982,293</b>
Excess of Revenues Over (Under) Expenditures	-	-	-	-	-
<b>Other Financing Sources (Uses)</b>					
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	65,437	-	65,437	65,437	-
Fund balance end of year	<u>\$ 65,437</u>	<u>\$ -</u>	<u>\$ 65,437</u>	<u>\$ 65,437</u>	<u>\$ -</u>

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

**CITY OF ASHLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**HOUSING ASSISTANCE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	2,688,110	-	2,688,110	2,683,779	(4,331)
Administration fee income	255,495	-	255,495	261,727	6,232
Interest income	150	-	150	559	409
Other income	-	-	-	5	5
<b>Total revenues</b>	<b>2,943,755</b>	<b>-</b>	<b>2,943,755</b>	<b>2,946,070</b>	<b>2,315</b>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	2,943,755	-	2,943,755	2,946,641	(2,886)
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>2,943,755</b>	<b>-</b>	<b>2,943,755</b>	<b>2,946,641</b>	<b>(2,886)</b>
Excess of Revenues Over (Under) Expenditures	-	-	-	(571)	(571)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balance	-	-	-	(571)	(571)
Fund balance beginning of year	65,663	-	65,663	65,663	-
Fund balance end of year	<u>\$ 65,663</u>	<u>\$ -</u>	<u>\$ 65,663</u>	<u>\$ 65,092</u>	<u>\$ (571)</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, 2019**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ 235,100	\$ -	\$ 235,100	\$ 266,418	\$ 31,318
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	90	-	90	223	133
Other income	-	-	-	-	-
Total revenues	<u>235,190</u>	<u>-</u>	<u>235,190</u>	<u>266,641</u>	<u>31,451</u>
<b>Expenditures</b>					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	186,429	57,921	244,350	292,144	(47,794)
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>186,429</u>	<u>57,921</u>	<u>244,350</u>	<u>292,144</u>	<u>(47,794)</u>
Excess of Revenues Over (Under) Expenditures	<u>48,761</u>	<u>(57,921)</u>	<u>(9,160)</u>	<u>(25,503)</u>	<u>(16,343)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	48,761	(57,921)	(9,160)	(25,503)	(16,343)
Fund balance beginning of year	<u>187,894</u>	<u>-</u>	<u>187,894</u>	<u>187,894</u>	<u>-</u>
Fund balance end of year	<u>\$ 236,655</u>	<u>\$ (57,921)</u>	<u>\$ 178,734</u>	<u>\$ 162,391</u>	<u>\$ (16,343)</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, 2019**

	Business-Type Activities				Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		
<b>ASSETS</b>						
Unrestricted Assets:						
Cash and cash equivalents	\$ 5,103,171	\$ 157,437	\$ 25,825	\$ 63,172	\$ 5,349,605	\$ 315,926
Accounts receivable	2,810,771	-	172	-	2,810,943	165,941
Allowance for doubtful accounts	(145,693)	-	-	-	(145,693)	-
Due from other funds	-	-	-	5,639	5,639	1,833,208
Grants receivable - capital	-	247,880	-	-	247,880	-
Grants receivable - operating	-	319,526	-	-	319,526	-
Prepaid expenses	81,418	-	-	-	81,418	-
Inventories -						
Repair parts and supplies	1,160,663	74,904	7,472	-	1,243,039	-
Lots and vaults	-	-	-	1,475,480	1,475,480	-
<b>Total unrestricted assets</b>	<b>9,010,330</b>	<b>799,747</b>	<b>33,469</b>	<b>1,544,291</b>	<b>11,387,837</b>	<b>2,315,075</b>
Restricted Assets:						
Cash and cash equivalents	4,463,608	-	-	39,192	4,502,800	-
Investments -						
Certificates of deposit	2,943,669	-	190,000	-	3,133,669	-
<b>Total restricted assets</b>	<b>7,407,277</b>	<b>-</b>	<b>190,000</b>	<b>39,192</b>	<b>7,636,469</b>	<b>-</b>
<b>Total current assets</b>	<b>16,417,607</b>	<b>799,747</b>	<b>223,469</b>	<b>1,583,483</b>	<b>19,024,306</b>	<b>2,315,075</b>
Capital Assets:						
Land and easements	372,725	-	58,223	18,453	449,401	-
Utility plant	100,227,701	-	-	-	100,227,701	-
Buildings and improvements	698,107	1,498,076	100,529	2,319,771	4,616,483	-
Operating equipment	5,258,093	1,067,894	1,275,042	66,150	7,667,179	-
Office and computer equipment	316,810	38,170	5,320	-	360,300	-
Construction in progress	2,376,989	-	-	-	2,376,989	-
	109,250,425	2,604,140	1,439,114	2,404,374	115,698,053	-
Less: Accumulated depreciation	(59,947,413)	(1,603,339)	(754,387)	(502,528)	(62,807,667)	-
<b>Total capital assets - net</b>	<b>49,303,012</b>	<b>1,000,801</b>	<b>684,727</b>	<b>1,901,846</b>	<b>52,890,386</b>	<b>-</b>
<b>Total noncurrent assets</b>	<b>49,303,012</b>	<b>1,000,801</b>	<b>684,727</b>	<b>1,901,846</b>	<b>52,890,386</b>	<b>-</b>
<b>Total assets</b>	<b>65,720,619</b>	<b>1,800,548</b>	<b>908,196</b>	<b>3,485,329</b>	<b>71,914,692</b>	<b>2,315,075</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred savings from refunding bonds	107,751	-	-	-	107,751	-
Deferred outflows - OPEB related	615,272	97,118	67,736	14,168	794,294	-
Deferred outflows - pension related	1,875,783	296,084	206,506	43,194	2,421,567	-
<b>Total deferred outflows of resources</b>	<b>2,598,806</b>	<b>393,202</b>	<b>274,242</b>	<b>57,362</b>	<b>3,323,612</b>	<b>-</b>

**CITY OF ASHLAND**  
**STATEMENT OF NET POSITION (CONCLUDED)**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**

	Business-Type Activities				Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		
<b>LIABILITIES</b>						
Current liabilities (payable from current assets):						
Accounts payable	\$ 1,686,568	\$ 46,167	\$ 67,416	\$ 3,950	\$ 1,804,101	\$ 961,038
Due to other funds	4,006,171	747,602	219,820	-	4,973,593	-
Accrued compensated absences	171,276	22,795	20,651	7,630	222,352	-
Other accrued liabilities	368,665	85,960	21,705	45,753	522,083	1,354,037
Total current liabilities (payable from current assets)	<u>6,232,680</u>	<u>902,524</u>	<u>329,592</u>	<u>57,333</u>	<u>7,522,129</u>	<u>2,315,075</u>
Current liabilities (payable from restricted assets):						
Matured revenue bonds and notes	50,000	-	-	-	50,000	-
Customer deposits	608,871	-	-	-	608,871	-
Current portion of capital lease obligations	107,083	-	-	-	107,083	-
Current portion of Revenue and Improvement bonds	650,000	-	-	-	650,000	-
Current portion of Kentucky Infrastructure Authority loans	533,299	-	-	-	533,299	-
Total current liabilities (payable from restricted assets)	<u>1,949,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,949,253</u>	<u>-</u>
Total current liabilities	<u>8,181,933</u>	<u>902,524</u>	<u>329,592</u>	<u>57,333</u>	<u>9,471,382</u>	<u>2,315,075</u>
Long-term liabilities:						
Capital lease obligations	1,019,167	-	-	-	1,019,167	-
Revenue and Improvement bonds, net of discount and premium	4,696,236	-	-	-	4,696,236	-
Kentucky Infrastructure Authority loans	5,990,269	-	-	-	5,990,269	-
Net OPEB liabilities	2,611,844	365,440	239,939	69,950	3,287,173	-
Net pension liabilities	14,837,698	1,186,389	929,566	205,951	17,159,604	-
Total long-term liabilities	<u>29,155,214</u>	<u>1,551,829</u>	<u>1,169,505</u>	<u>275,901</u>	<u>32,152,449</u>	<u>-</u>
Total liabilities	<u>37,337,147</u>	<u>2,454,353</u>	<u>1,499,097</u>	<u>333,234</u>	<u>41,623,831</u>	<u>2,315,075</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows - OPEB related	452,901	71,488	49,860	10,429	584,678	-
Deferred inflows - pension related	673,631	106,330	74,161	15,512	869,634	-
Total deferred inflows of resources	<u>1,126,532</u>	<u>177,818</u>	<u>124,021</u>	<u>25,941</u>	<u>1,454,312</u>	<u>-</u>
<b>NET POSITION</b>						
Net investment in capital assets	36,364,709	1,000,801	684,727	1,901,846	39,952,083	-
Restricted for debt service	1,119,163	-	-	-	1,119,163	-
Restricted for sewer improvements	6,288,114	-	-	-	6,288,114	-
Other	-	-	190,000	39,192	229,192	-
Unrestricted	<u>(13,916,240)</u>	<u>(1,439,222)</u>	<u>(1,315,407)</u>	<u>1,242,478</u>	<u>(15,428,391)</u>	<u>-</u>
Total net position	<u>\$ 29,855,746</u>	<u>\$ (438,421)</u>	<u>\$ (440,680)</u>	<u>\$ 3,183,516</u>	<u>\$ 32,160,161</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, 2019**

	Business-Type Activities				Total	Governmental
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		Activity - Internal Service Fund
<b>OPERATING REVENUES</b>						
Residential and commercial meter sales	\$ 3,989,018	\$ -	\$ -	\$ -	\$ 3,989,018	\$ -
Sewer service	7,193,312	-	-	-	7,193,312	-
Industrial meter sales	3,771,322	-	-	-	3,771,322	-
Other municipalities	1,474,518	-	-	-	1,474,518	-
Industrial pretreatment	192,937	-	-	-	192,937	-
Water and sewer taps	69,150	-	-	-	69,150	-
Concession sales	-	-	16,294	-	16,294	-
Lot and vault sales	-	-	-	22,300	22,300	-
Opening and closing fees	-	-	-	71,200	71,200	-
Passenger fares	-	53,927	-	-	53,927	-
Admission fees	-	-	27,918	-	27,918	-
Premium charges	-	-	-	-	-	7,016,451
Miscellaneous	716,690	5	5,681	11,536	733,912	-
<b>Total operating revenues</b>	<b>17,406,947</b>	<b>53,932</b>	<b>49,893</b>	<b>105,036</b>	<b>17,615,808</b>	<b>7,016,451</b>
<b>OPERATING EXPENSES</b>						
Administration - Director	80,327	-	-	-	80,327	-
Administration - Cashier	988,293	-	-	-	988,293	-
Water - Production	2,628,038	-	-	-	2,628,038	-
Water - Distribution	3,502,669	-	-	-	3,502,669	-
Sewer - Pretreatment	2,054,983	-	-	-	2,054,983	-
Sewer - Collection	1,576,222	-	-	-	1,576,222	-
Depreciation	2,524,567	150,826	60,940	51,782	2,788,115	-
Insurance	180,931	24,933	17,129	5,574	228,567	-
Other operating expenses	2,811,847	543,010	458,002	97,597	3,910,456	9,726
Salaries	-	466,437	361,934	69,429	897,800	-
Utilities	-	30,191	119,324	11,468	160,983	-
Operating supplies	-	58,748	82,297	33,765	174,810	-
Premiums and claims	-	-	-	-	-	7,010,277
<b>Total operating expenses</b>	<b>16,347,877</b>	<b>1,274,145</b>	<b>1,099,626</b>	<b>269,615</b>	<b>18,991,263</b>	<b>7,020,003</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,059,070</b>	<b>(1,220,213)</b>	<b>(1,049,733)</b>	<b>(164,579)</b>	<b>(1,375,455)</b>	<b>(3,552)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Gain (loss) on disposal of assets	-	(20,374)	-	-	(20,374)	-
Interest income	64,608	195	1,969	138	66,910	3,552
Grant income	-	319,526	-	-	319,526	-
Interest on revenue bonds and notes	(371,136)	-	-	-	(371,136)	-
<b>Total non-operating revenues (expenses)</b>	<b>(306,528)</b>	<b>299,347</b>	<b>1,969</b>	<b>138</b>	<b>(5,074)</b>	<b>3,552</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<b>752,542</b>	<b>(920,866)</b>	<b>(1,047,764)</b>	<b>(164,441)</b>	<b>(1,380,529)</b>	<b>-</b>
<b>TRANSFERS</b>						
From General Fund	-	501,388	1,187,498	55,253	1,744,139	-
<b>Total transfers in</b>	<b>-</b>	<b>501,388</b>	<b>1,187,498</b>	<b>55,253</b>	<b>1,744,139</b>	<b>-</b>
<b>CAPITAL CONTRIBUTIONS</b>						
Federal/state grants	-	322,381	-	-	322,381	-
<b>Total capital contributions</b>	<b>-</b>	<b>322,381</b>	<b>-</b>	<b>-</b>	<b>322,381</b>	<b>-</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>752,542</b>	<b>(97,097)</b>	<b>139,734</b>	<b>(109,188)</b>	<b>685,991</b>	<b>-</b>
<b>NET POSITION, JUNE 30, 2018</b>	<b>29,103,204</b>	<b>(341,324)</b>	<b>(580,414)</b>	<b>3,292,704</b>	<b>31,474,170</b>	<b>-</b>
<b>NET POSITION, JUNE 30, 2019</b>	<b>\$ 29,855,746</b>	<b>\$ (438,421)</b>	<b>\$ (440,680)</b>	<b>\$ 3,183,516</b>	<b>\$ 32,160,161</b>	<b>\$ -</b>

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, 2019**

	Business-Type Activities				Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers	\$ 16,846,851	\$ 53,927	\$ 44,212	\$ 94,774	\$ 17,039,764	\$ -
Cash payments to suppliers for goods and services	(4,940,469)	(317,378)	(702,579)	(20,908)	(5,981,334)	(9,726)
Cash payments to employees	(3,495,788)	(335,319)	(283,924)	(36,901)	(4,151,932)	-
Other operating revenues	716,690	5	5,681	11,536	733,912	-
Payments for internal services	(1,663,989)	(183,932)	(211,957)	(63,995)	(2,123,873)	-
Cash received for internal services	-	-	-	-	-	5,848,013
Payments for premiums and claims	-	-	-	-	-	(6,671,621)
Net cash provided by (used for) operating activities	<u>7,463,295</u>	<u>(782,697)</u>	<u>(1,148,567)</u>	<u>(15,494)</u>	<u>5,516,537</u>	<u>(833,334)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Grant income	-	277,595	-	-	277,595	-
Transfers from other funds	-	501,388	1,187,498	55,253	1,744,139	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>778,983</u>	<u>1,187,498</u>	<u>55,253</u>	<u>2,021,734</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition and construction of capital assets	(3,708,811)	(22,966)	(25,855)	(6,962)	(3,764,594)	-
Proceeds from sale of assets	-	2,099	-	-	2,099	-
Principal paid on bonds, notes, and lease obligations	(1,257,237)	-	-	-	(1,257,237)	-
Interest paid on bonds, notes, and lease obligations	(371,136)	-	-	-	(371,136)	-
Capital grants received	-	172,413	-	-	172,413	-
Net cash provided by (used for) capital and related financing activities	<u>(5,337,184)</u>	<u>151,546</u>	<u>(25,855)</u>	<u>(6,962)</u>	<u>(5,218,455)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Withdrawal of investment securities	(16,616)	-	-	-	(16,616)	-
Investment income	64,608	195	2,162	138	67,103	3,552
Net cash provided by investing activities	<u>47,992</u>	<u>195</u>	<u>2,162</u>	<u>138</u>	<u>50,487</u>	<u>3,552</u>
Net increase (decrease) in cash and cash equivalents	2,174,103	148,027	15,238	32,935	2,370,303	(829,782)
Cash and cash equivalents, June 30, 2018	<u>7,392,676</u>	<u>9,410</u>	<u>10,587</u>	<u>69,429</u>	<u>7,482,102</u>	<u>1,145,708</u>
Cash and cash equivalents, June 30, 2019	<u>\$ 9,566,779</u>	<u>\$ 157,437</u>	<u>\$ 25,825</u>	<u>\$ 102,364</u>	<u>\$ 9,852,405</u>	<u>\$ 315,926</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 1,059,070	\$ (1,220,213)	\$ (1,049,733)	\$ (164,579)	\$ (1,375,455)	\$ (3,552)
Adjustments:						
Depreciation	2,524,567	150,826	60,940	51,782	2,788,115	-
Amortization	22,147	-	-	-	22,147	-
Net OPEB adjustment	159,238	14,965	7,193	5,796	187,192	-
Net pension adjustment	780,098	111,507	68,532	26,559	986,696	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	138,344	-	-	1,274	139,618	(125,109)
(Increase) decrease in inventories	(495,768)	(32,467)	4,443	24,900	(498,892)	-
(Increase) decrease in prepaid expenses	5,142	-	-	-	5,142	-
(Increase) decrease in due from other funds	-	-	-	36,691	36,691	(1,043,329)
Increase (decrease) in accounts payable	871,283	36,965	18,049	1,910	928,207	391,662
Increase (decrease) in due to other funds	2,370,371	151,074	(260,276)	-	2,261,169	-
Increase (decrease) in compensated absences	(10,056)	(2,923)	(353)	(409)	(13,741)	-
Increase (decrease) in other accrued liabilities	20,609	7,569	2,638	582	31,398	(53,006)
Increase (decrease) in customer deposits	18,250	-	-	-	18,250	-
Net cash provided by (used for) operating activities	<u>\$ 7,463,295</u>	<u>\$ (782,697)</u>	<u>\$ (1,148,567)</u>	<u>\$ (15,494)</u>	<u>\$ 5,516,537</u>	<u>\$ (833,334)</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, 2019**

	<u>Pension Trust Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ -
Accrued interest receivable	4,751
Due from other funds	668,184
Investments, at fair value	
Certificates of deposit	<u>3,504,121</u>
 Total assets	 <u>4,177,056</u>
<b>LIABILITIES</b>	
Due to other funds	<u>-</u>
 Total liabilities	 <u>-</u>
 <b>NET POSITION - RESTRICTED FOR PENSION BENEFITS</b>	 <u><u>\$ 4,177,056</u></u>

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

**CITY OF ASHLAND  
STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Pension Trust Funds</u>
ADDITIONS:	
CONTRIBUTIONS	
Employer	<u>\$ 1,367,100</u>
Total contributions	<u>1,367,100</u>
INVESTMENT INCOME	
Interest income	<u>60,011</u>
Total investment income	<u>60,011</u>
Total additions	<u>1,427,111</u>
DEDUCTIONS:	
Benefits	1,007,942
Administrative expenses	<u>8,248</u>
Total deductions	<u>1,016,190</u>
NET INCREASE	410,921
NET POSITION - RESTRICTED FOR PENSION BENEFITS:	
Beginning of year	<u>3,766,135</u>
End of year	<u><u>\$ 4,177,056</u></u>

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, 2019**

**(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, 2019 there are no organizations meeting the criteria.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus*

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

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

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

The City reports the following major Governmental Funds:

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

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

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

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

The City reports the following major Proprietary Funds:

- Utility Fund - The Utility Fund is used to account for water and wastewater (sewer) services for the City and surrounding communities.
- Ashland Bus Fund - This fund is used to account for the City's mass transportation system which

is partially subsidized by the Federal government (Department of Transportation).

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

#### **D. Deposits and Investments**

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

At June 30, 2019, the City's investments consist of certificate of deposits and money market funds, which are valued at cost.

#### **E. Inventories**

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

#### **F. Capital Assets and Depreciation**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value as of the date received.

The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

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

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

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

#### **G. Encumbrances**

Encumbrance accounting is used by the City whereby purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balances in the General, Special Revenue, Enterprise and Capital Projects Funds, since the encumbrances do not constitute expenditures or liabilities, even though the City intends to honor those commitments. At June 30, 2019, there were no significant encumbrances.

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

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

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

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

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

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



## **K. Fund Balances**

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

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

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

## **L. Net Position**

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

## **M. Self-Insurance**

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

## **N. Cash and Cash Equivalents**

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

## **O. Use of Estimates**

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

the useful lives used to depreciate capital assets, and actuarial assumptions used in determining pension and OPEB costs. Actual results could differ from estimated amounts.

**P. Bond Issuance Costs**

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

**Q. Reclassifications**

Certain reclassifications have been made to June 30, 2018 information to conform to the 2019 presentation.

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

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

**S. Pension**

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

**T. Postemployment Benefits Other Than Pensions (OPEB)**

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

**U. Recent Accounting Pronouncements**

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

In June 2017, the GASB issued Statement No. 87, *Leases* ("GASB 87"), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness

of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the City beginning with its year ending June 30, 2021 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* ("GASB 88"), which seeks to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, while providing financial statement users with additional essential information concerning debt. In particular, GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date that the contractual obligation is established, and it clarifies which liabilities governments should include when disclosing information related to debt. Furthermore, this Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including (1) unused lines of credit; (2) assets pledged as collateral for the debt; and (3) terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. GASB 88 is effective for the City beginning with its year ending June 30, 2019. The adoption of this Statement did not have a material effect on the financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* ("GASB 89"), which seeks to (1) enhance the relevance and comparability of information concerning capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred during the period of construction. In particular, GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, and, thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 will be effective for the City beginning with its year ending June 30, 2021. Management is currently evaluating the impact of this Statement on its financial statements.

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

December 15, 2020, with earlier application encouraged. Management is currently evaluating the impact of this Statement on its financial statements.

### (3) DEPOSITS AND INVESTMENTS

#### Deposits

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

At June 30, 2019, the carrying amounts of the City's deposits held in banks were \$20,585,754 and the bank balances were \$21,026,653. 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, 2019, the City had the following investments and maturities:

Investment Type -	Investment Maturities (in years)				
	Balance	Less than 1	1 - 5	6 - 10	More than 10
<b>Utility Fund</b>					
Certificates of Deposit	\$ 2,943,669	\$ 2,943,669	\$ -	\$ -	\$ -
<b>Recreation Fund</b>					
Certificates of Deposit	190,000	190,000	-	-	-
<b>Fiduciary Funds</b>					
Certificates of Deposit	3,504,121	3,504,121	-	-	-

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

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

### (4) PROPERTY TAX REVENUES

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

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

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

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

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

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

The 2019 assessed value for real property and tangible property was \$931,133,087 and \$106,505,938, respectively. The tax rate adopted was \$.2714 per \$100 valuation.

**(5) GRANTS RECEIVABLE**

Grants receivable from other governmental units as of June 30, 2019, are as follows:

General Fund -	
Kentucky Transportation Cabinet	\$ <u>4,219</u>
Special Revenue Funds -	
Municipal Aid Road Fund	41,067
Community Development Fund, program allocation	<u>125,076</u>
	<u>166,143</u>
Enterprise Funds –	
Ashland Bus System – FTA operating	319,526
Ashland Bus System – FTA capital	241,847
Ashland Bus System – Capital	<u>6,033</u>
	<u>567,406</u>
	<u>\$ 737,768</u>

**(6) CAPITAL ASSETS**

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

<i><b>Governmental Activities</b></i>	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
<b>Capital Assets, Not Depreciated:</b>				
Land	\$ 18,936,298	\$ -	\$ -	\$ 18,936,298
Construction in progress	124,053	529,258	-	653,311
<b>Capital Assets, Depreciated:</b>				
Buildings	9,095,054	621,500	(47,440)	9,669,114
Building improvements	3,187,080	54,633	(10,859)	3,230,854
Automotive equipment	4,526,787	78,087	-	4,604,874
Office furniture and equipment	574,705	24,875	(17,539)	582,041
Operating equipment	4,783,254	275,247	(358,682)	4,699,819
Capital improvements	899,464	199,400	-	1,098,864
Infrastructure	80,214,259	1,295,679	-	81,509,938
Totals	<u>122,340,954</u>	<u>3,078,679</u>	<u>(434,520)</u>	<u>124,985,113</u>
Less: accumulated depreciation				
Buildings	2,601,264	174,792	-	2,776,056
Building improvements	2,146,074	90,311	(10,768)	2,225,617
Automotive equipment	2,927,230	255,025	-	3,182,255
Office furniture and equipment	468,661	26,943	(17,539)	478,065
Operating equipment	3,027,119	222,498	(328,290)	2,921,327
Capital improvements	331,985	36,907	-	368,892
Infrastructure	52,068,853	1,741,735	-	53,810,588
Total accumulated depreciation	<u>63,571,186</u>	<u>2,548,211</u>	<u>(356,597)</u>	<u>65,762,800</u>
<b>Governmental Activities</b>				
<b>Capital Assets - Net</b>	<u>\$ 58,769,768</u>	<u>\$ 530,468</u>	<u>\$ (77,923)</u>	<u>\$ 59,222,313</u>
<i><b>Business-type Activities</b></i>				
<b>Capital Assets, Not Depreciated:</b>				
Land	\$ 449,401	\$ -	\$ -	\$ 449,401
Construction in progress	4,821,927	1,212,233	(3,657,171)	2,376,989
<b>Capital Assets, Depreciated:</b>				
Buildings	3,846,513	-	-	3,846,513
Building improvements	735,568	56,862	(22,460)	769,970
Utility and sewage plants	94,575,619	5,652,082	-	100,227,701
Automotive equipment	2,321,464	133,558	(164,373)	2,290,649
Office furniture and equipment	335,060	25,240	-	360,300
Operating equipment	3,926,959	238,092	-	4,165,051
Recreation equipment	310,344	-	-	310,344
Capital improvement	797,437	103,698	-	901,135
Totals	<u>112,120,292</u>	<u>7,421,765</u>	<u>(3,844,004)</u>	<u>115,698,053</u>
Less: accumulated depreciation				
Buildings	1,290,155	89,647	-	1,379,802
Building improvements	534,314	33,532	(22,459)	545,387
Utility and sewage plants	53,647,261	2,194,954	-	55,842,215
Automotive equipment	1,448,988	190,830	(141,897)	1,497,921
Office furniture and equipment	145,942	39,857	-	185,799
Operating equipment	2,625,429	186,316	-	2,811,745
Recreation equipment	231,835	7,457	-	239,292
Capital improvements	259,984	45,522	-	305,506
Total accumulated depreciation	<u>60,183,908</u>	<u>2,788,115</u>	<u>(164,356)</u>	<u>62,807,667</u>
<b>Business-type Activities</b>				
<b>Capital Assets - Net</b>	<u>\$ 51,936,384</u>	<u>\$ 4,633,650</u>	<u>\$ (3,679,648)</u>	<u>\$ 52,890,386</u>

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

Governmental activities:	
General government	\$ 476,732
Finance	782
Public services	1,576,146
Planning and code enforcement	8,640
Police	272,258
Fire	186,782
Engineering	6,319
Community and cultural	20,552
	<u>\$ 2,548,211</u>
Business-type activities:	
Utilities	\$ 2,524,567
Bus	150,826
Recreation	60,940
Cemetery	51,782
	<u>\$ 2,788,115</u>

## (7) RETIREMENT PLANS

Net pension liabilities of the City as of June 30, 2019 are as follows:

Governmental activities:	
Policemen and Firefighters Pension Fund	\$ 2,336,193
County Employees Retirement System	
Nonhazardous	8,314,962
Hazardous	27,055,399
	<u>\$ 37,706,554</u>
Business-type activities:	
Utility Employees Pension Fund	\$ 6,292,847
County Employees Retirement System	
Nonhazardous	10,866,757
	<u>\$ 17,159,604</u>

### Single Employer Plans

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

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

#### Utility Pension Fund (UPF)

The City of Ashland Utilities Employee's Pension Plan provides retirement benefits to City utility department employees in classified positions under civil service. The plan is closed to new participants and at June 30, 2019, there were no active employees participating in UPF. Unless otherwise indicated, UPF information in this Note is provided as of the latest actuarial valuation date, June 30, 2018, with an update to roll forward information to June 30, 2019.

#### Policemen and Firefighters Pension Fund (PFPF)

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

The plan was frozen effective August 1, 1988. Policemen and firefighters hired after that date are required to participate in CERS. The plan is closed to new participants and at June 30, 2019, there were no active employees participating in PFPF. Unless otherwise indicated, PFPF information in this note is provided as of the latest actuarial valuation date, June 30, 2019.

## Financial Statements

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

STATEMENT OF NET POSITION	PENSION TRUST FUNDS		Total
	Utility Pension Fund	Policemen & Firefighters Pension Fund	
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accrued interest receivable	3,184	1,567	4,751
Due from other funds	228,187	439,997	668,184
Investments, at fair value -			
Certificates of deposit	<u>2,724,428</u>	<u>779,693</u>	<u>3,504,121</u>
Total assets	<u>2,955,799</u>	<u>1,221,257</u>	<u>4,177,056</u>
<b>LIABILITIES</b>			
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 2,955,799</u>	<u>\$ 1,221,257</u>	<u>\$ 4,177,056</u>
<b>STATEMENT OF CHANGES IN NET POSITION</b>			
<b>ADDITIONS</b>			
Contributions -			
Employer	\$ 845,798	\$ 521,302	\$ 1,367,100
Plan members	<u>-</u>	<u>-</u>	<u>-</u>
Total contributions	<u>845,798</u>	<u>521,302</u>	<u>1,367,100</u>
Investment income -			
Interest income	<u>47,448</u>	<u>12,563</u>	<u>60,011</u>
Total investment income	<u>47,448</u>	<u>12,563</u>	<u>60,011</u>
Total additions	<u>893,246</u>	<u>533,865</u>	<u>1,427,111</u>
<b>DEDUCTIONS</b>			
Benefits	672,298	335,644	1,007,942
Administrative expenses	<u>2,279</u>	<u>5,969</u>	<u>8,248</u>
Total deductions	<u>674,577</u>	<u>341,613</u>	<u>1,016,190</u>
NET INCREASE	218,669	192,552	410,921
NET POSITION - RESTRICTED FOR PENSION BENEFITS:			
Beginning of year	<u>2,737,130</u>	<u>1,029,005</u>	<u>3,766,135</u>
End of year	<u>\$ 2,955,799</u>	<u>\$ 1,221,257</u>	<u>\$ 4,177,056</u>



## Pension Expense

For the year ended June 30, 2019, the City recognized pension expense of \$735,960 and \$13,682 for the Utility Pension Fund and Policemen and Firefighters Pension Fund, respectively. At June 30, 2019, the effect of all changes in assumptions and difference between and expected and actual experience were recognized in pension expense due to there being no active employees participating.

### Actuarial Methods and Assumptions

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

	Utility Pension Fund	Policemen and Firefighters Pension Fund	
Governing Authority	City Ordinance and KRS	City Ordinance and KRS	
Determination of contribution requirements	Actuarially	Actuarially	
Contribution rates as a percentage of covered payroll:			
Employer	N/A	N/A	
Plan Members	N/A	N/A	
Funding of administrative costs	Investment Earnings	Investment Earnings	
Period required to vest	20	10	
Post retirement benefit increases	As approved by City Commission	As approved by City Commission	
Eligibility for distribution	Age 50, with 20 years	N/A	
Provisions for:			
Disability benefits	Yes	Yes	
Death benefits	Yes	Yes	
Membership of the plans are as follows:			
Retirees and beneficiaries currently receiving benefits	23	17	<u>Totals</u> 40
Active plan participants:			
Vested	-	-	-
Non-Vested	-	-	-
	<u>23</u>	<u>17</u>	<u>40</u>

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

	Utility Pension Fund	Policemen And Firefighters Pension Fund
Valuation date	06-30-19	06-30-18

Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level % of payroll Closed	Level % of payroll Closed
Amortization	20 years	10 years
Actuarial asset valuation method	Fair market value, quoted market prices	Fair market value, quoted market prices
Actuarial assumptions		
Investments		
Rate of return	3.00 %	3.00 %
Allocation	Allowed by KRS	Allowed by KRS
Projected salary increases	None	None
Post retirement benefit increases	0.00 %	0.00 %
Cost of living adjustments	3.00 %	3.00 %
Discount rate	3.00 %	3.00 %
Mortality	RP-2000 Mortality Table	RP-2000 Mortality Table
Changes of assumptions since prior valuation	Mortality rates	Discount rate reduced from 4.0% to 3.0%

### Net Pension Liability

The following represents the components of the net pension liability:

<u>Date</u>	<u>Fiduciary Net Position (a)</u>	<u>Total Pension Liability (TPL) Entry Age (b)</u>	<u>Net Pension Liability (NPL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>NPL As A Percentage Of Covered Payroll (b-a)/c)</u>
<u>Utility Pension Fund</u>						
06/30/18	\$ 2,737,130	\$ 9,139,815	\$ 6,402,685	29.9%	** N/A	** N/A
06/30/19	2,955,799	9,248,646	6,292,847	32.0%	\$ ** N/A	** N/A
<u>Policemen and Firefighters Pension Fund</u>						
06/30/18	\$ 1,029,005	\$ 3,872,818	\$ 2,843,813	26.6%	** N/A	** N/A
06/30/19	1,221,257	3,557,450	2,336,193	34.3%	\$ ** N/A	** N/A

\*\*No active employees or covered payroll.

### Changes in Net Pension Liability

The following represents the changes in the net pension liabilities for the year ended June 30, 2019:

<u>Utility Pension Fund</u>	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balance, June 30, 2018	\$ 9,139,815	\$ 2,737,130	\$ 6,402,685
Changes for the year:			
Interest on total pension liability	263,270	-	263,270

Difference in expected and actual experience	4,302	-	4,302
Effect of changes in assumptions	55,714	-	55,714
Effect of changes in benefit terms	457,843	-	457,843
Benefit payments	(672,298)	-	(672,298)
Employer contributions	-	845,798	(845,798)
Investment income, net of expenses	-	47,448	(47,448)
Benefit payments	-	(672,298)	672,298
Administrative expenses	-	(2,279)	2,279
Net changes	<u>108,831</u>	<u>218,669</u>	<u>(109,838)</u>
Balance, June 30, 2019	<u>\$ 9,248,646</u>	<u>\$ 2,955,799</u>	<u>\$ 6,292,847</u>

#### Policemen and Firefighters Pension Fund

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2018	\$ 3,872,818	\$ 1,029,005	\$ 2,843,813
Changes for the year:			
Interest on total pension liability	110,730	-	110,730
Difference in expected and actual experience	(314,821)	-	(314,821)
Effect of changes in assumptions	-	-	-
Effect of changes in benefit terms	224,367	-	224,367
Benefit payments	(335,644)	-	(335,644)
Employer contributions	-	521,302	(521,302)
Investment income, net of expenses	-	12,563	(12,563)
Benefit payments	-	(335,644)	335,644
Administrative expenses	-	(5,969)	5,969
Net changes	<u>(315,368)</u>	<u>192,252</u>	<u>(507,620)</u>
Balance, June 30, 2019	<u>\$ 3,557,450</u>	<u>\$ 1,221,257</u>	<u>\$ 2,336,193</u>

#### **Deferred Outflows of Resources and Deferred Inflows**

There are not deferred outflows of resources and deferred inflows related to the Utility Pension Fund and Policemen and Firefighters Pension Fund at June 30, 2019 due to all participants of the Plans being retired.

#### **Discount Rate**

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

	1% Decrease (2.00%)	Current discount rate (3.00%)	1% Increase (4.00%)
Utility Pension Fund	\$ 7,215,919	\$ 6,292,847	\$ 5,503,671
Policemen and Firefighters Pension Fund	2,668,783	2,336,193	2,052,981

#### **Reserves**

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

## Payables

The following represents amounts due to the Utility Pension Fund and the Policemen and Firefighters Pension Fund as of June 30, 2019:

Governmental activities:		
Policemen and Firefighters Pension Fund	\$	439,997
Business-type activities:		
Utility Pension Fund	\$	228,187

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

#### Plan description

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

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

#### Benefits provided

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

#### Contributions

Funding for CERS is provided by members, who contribute 5.00% nonhazardous and 8.00% hazardous (6.00% and 9.00% for employees hired after September 1, 2008, respectively) of their salary through payroll deductions and by employers of members who contribute 21.48% nonhazardous (16.22% - pension, 5.26% insurance) and 35.34% hazardous (24.87% - pension, 10.47% insurance) of the member's salary. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2019, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. The City's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2018. At June 30, 2018, the City's proportion for nonhazardous and hazardous was 0.315% and 1.119%, respectively.

For the year ended June 30, 2019, the City recognized pension expense of approximately \$3,855,000 and \$4,684,000 for nonhazardous and hazardous, respectively. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Nonhazardous</u>		
Differences between expected and actual experience	\$ 625,654	\$ 280,780
Changes of assumptions	1,874,612	-
Net difference between projected and actual earnings on investments	-	230,000
Changes in proportion and differences between City contributions and proportionate share of contributions	-	229,938
City contributions subsequent to the measurement date	<u>1,154,112</u>	<u>-</u>
	<u>\$ 3,654,378</u>	<u>\$ 740,718</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 2,153,153	\$ -
Changes of assumptions	2,879,955	-
Net difference between projected and actual earnings on investments	-	305,174
Changes in proportion and differences between City contributions and proportionate share of contributions	144,220	513,105
City contributions subsequent to the measurement date	<u>1,617,408</u>	<u>-</u>
	<u>\$ 6,794,736</u>	<u>\$ 818,279</u>

At June 30, 2019, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$1,154,112 and \$1,617,408 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2020	\$ 1,399,588	\$ 3,181,719
2021	692,012	1,425,053
2022	(229,100)	(125,546)
2023	<u>(102,952)</u>	<u>(122,177)</u>
	<u>\$ 1,759,548</u>	<u>\$ 4,359,049</u>

#### Actuarial Methods and Assumptions

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2016. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2018
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	25 years, closed

Payroll growth	2.00%
Asset Valuation Method	5-year smoothed market
Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation

There have been no changes in actuarial assumptions since June 30, 2017. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension Liability as of June 30, 2018 is determined using these updated benefit provisions.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	<u>2.00%</u>	1.50%
Total	<u>100.00%</u>	6.09%

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

Sensitivity of net pension liability to changes in the discount rate

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

	1% Decrease (5.25%)	Current discount rate (6.25%)	1% Increase (7.25%)
City's proportionate share of the net pension liability			
Nonhazardous	\$ 24,147,798	\$ 19,181,719	\$ 15,021,015
Hazardous	33,898,644	27,055,399	21,398,176

Pension plan fiduciary net position

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

Payables to the pension plan

At June 30, 2019, there was a total payable to CERS of \$393,349 for nonhazardous and hazardous, which includes pension and OPEB contributions.

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

**Single Employer Plans - UPF and PFPF Medical Insurance Plan**

In addition to UPF and PFPF pension benefits described in Note 7, the City provides pursuant to City ordinance, post-retirement health care benefits to all employees who retire from the City and are receiving benefits from a retirement plan which the City sponsors. The City has determined the post-employment health care benefits provided to retirees are not material to the financial statements. Therefore, the City has elected not to adopt the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* for the City’s plans.

Currently, one retiree meets 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 \$17,536 were recognized for post-retirement health care.

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

Plan description

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

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

### Benefits provided

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

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

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

### Contributions

CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2019, CERS allocated 5.26% of the 21.48% nonhazardous and 10.47% of the 35.34% hazardous actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2019, the City contributed \$374,311 and \$681,680 to the CERS Nonhazardous and Hazardous Insurance Fund, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

### Implicit Subsidy

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

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

At June 30, 2019, the City reported a liability its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2016. An expected total pension liability as of June 30, 2018 was determined using standard roll-forward techniques. City's proportion of the net OPEB liability was based on contributions to CERS during the fiscal year ended June 30, 2018. At June 30, 2018, the City's proportion for nonhazardous and hazardous was 0.315% and 1.119%, respectively.

For the year ended June 30, 2019, the City recognized OPEB expense of \$695,000 and \$1,456,000 for nonhazardous and hazardous, respectively, including an implicit subsidy of \$39,862 and (\$80,946),



respectively. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Nonhazardous</u>		
Differences between expected and actual experience	\$ -	\$ 651,744
Changes of assumptions	1,116,925	12,921
Net difference between projected and actual earnings on investments	-	385,221
Changes in proportion and differences between City contributions and proportionate share of contributions	-	47,811
City contributions subsequent to the measurement date	374,311	-
	<u>\$ 1,491,236</u>	<u>\$ 1,097,697</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ -	\$ 891,572
Changes of assumptions	2,448,244	21,823
Net difference between projected and actual earnings on investments	-	758,456
Changes in proportion and differences between City contributions and proportionate share of contributions	-	50,738
City contributions subsequent to the measurement date	681,680	-
	<u>\$ 3,129,924</u>	<u>\$ 1,722,589</u>

At June 30, 2019, the City reported deferred outflows of resources related to OPEB for City contributions subsequent to the measurement date of \$374,311 and \$681,680 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020.

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

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2020	\$ 10,347	\$ 464,519
2021	10,347	464,519
2022	10,347	24,179
2023	85,164	(227,562)
2024	(58,129)	-
Thereafter	(38,848)	-
	<u>\$ 19,228</u>	<u>\$ 725,655</u>

#### Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2018

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	28 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post-65	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

There have been no changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the total OPEB liability). However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The total OPEB liability as of June 30, 2018, is determined using these updated benefit provisions.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%

EMD	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	<u>2.00%</u>	1.50%
Total	<u>100.00%</u>	6.09%

#### Discount rate

The discount rate used to measure the total OPEB liability for nonhazardous and hazardous was 5.85% and 5.97%, respectively. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20 -Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the City's proportionate share of the collective net OPEB liability of the Nonhazardous CERS Insurance Fund, calculated using the discount rate of 5.85%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

	<u>1% Decrease (4.85%)</u>	<u>Current discount rate (5.85%)</u>	<u>1% Increase (6.85%)</u>
City's proportionate share of the net OPEB liability			
Nonhazardous	\$ 7,263,894	\$ 5,592,603	\$ 4,168,968

The following table presents the City's proportionate share of the collective net OPEB liability of the Hazardous CERS Insurance Fund, calculated using the discount rate of 5.97%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.97%) or 1-percentage-point higher (6.97%) than the current rate:

	<u>1% Decrease (4.97%)</u>	<u>Current discount rate (5.97%)</u>	<u>1% Increase (6.97%)</u>
City's proportionate share of the net OPEB liability			
Hazardous	\$ 11,089,885	\$ 7,978,052	\$ 5,486,948

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

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

	<u>1% Decrease</u>	<u>Current trend rate</u>	<u>1% Increase</u>
City's proportionate share of the net OPEB liability			
Nonhazardous	\$ 4,163,748	\$ 5,592,603	\$ 7,276,811
Hazardous	5,433,438	7,978,052	11,129,661

OPEB plan fiduciary net position

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

Payables to the OPEB plan

At June 30, 2019, there was a total payable to CERS of \$393,349 for nonhazardous and hazardous, which includes pension and OPEB contributions.

**(9) LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2019:

<u><i>Governmental Activities</i></u>	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
General Obligation Bond Series 2015	\$ 2,135,000	\$ -	\$ 135,000	\$ 2,000,000	\$ 140,000
General Obligation Bond Series 2017	4,490,000	-	165,000	4,325,000	170,000
Capital lease - Police Station	3,605,412	-	175,804	3,429,608	182,356
Capital lease – Melody Mtn. Phase II	1,415,834	-	70,000	1,345,834	70,000
Premium on bonds	144,515	-	9,513	135,002	-
Compensated absences obligation	647,377	4,058	104,623	546,812	-
<b>Total Governmental Activities</b>	<u>\$ 12,438,138</u>	<u>\$ 4,058</u>	<u>\$ 659,940</u>	<u>\$ 11,782,256</u>	<u>\$ 562,356</u>

<b><i>Business-type Activities</i></b>	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Revenue & Improvement Bond Series 2013	\$ 2,825,000	\$ -	\$ 435,000	\$ 2,390,000	\$ 445,000
Water & Sewer Revenue Bond Series 2015	3,070,000	-	195,000	2,875,000	205,000
Capital lease - Radio Meters	1,231,249	-	104,999	1,126,250	107,083
KIA Loan	1,674,249	-	223,427	1,450,822	228,483
KIA Loan	5,371,556	-	298,810	5,072,746	304,816
Premium on bonds	100,862	-	7,759	93,103	-
Discount on bonds	(14,834)	-	(2,967)	(11,867)	-
<b>Total Business-type Activities</b>	<b>\$ 14,258,082</b>	<b>\$ -</b>	<b>\$ 1,262,028</b>	<b>\$ 12,996,054</b>	<b>\$ 1,290,382</b>

At June 30, 2019, the City was required to have \$805,163 for the Revenue and Improvement Bonds of 2013 and 2015, in sinking fund reserve accounts. Additionally, under the KIA loan agreements, the City was required to have \$314,000 set aside for the costs of extensions, improvements, renewals and replacements to the sewer system. As of June 30, 2019, the City had reserve funds of \$1,124,163.

### **Governmental Activities**

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

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

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

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

The annual requirements to amortize the indebtedness at June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 140,000	\$ 57,900	\$ 197,900
2021	145,000	53,625	198,625
2022	175,000	48,825	223,825
2023	150,000	43,950	193,950
2024	160,000	39,300	199,300
2025-2029	855,000	121,575	976,575
2030-2031	375,000	11,325	386,325
	<u>\$ 2,000,000</u>	<u>\$ 376,500</u>	<u>\$ 2,376,500</u>

## General Obligation Bond Series 2017

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

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

The annual requirements to amortize the indebtedness at June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 170,000	\$ 127,200	\$ 297,200
2021	175,000	122,025	297,025
2022	180,000	116,700	296,700
2023	190,000	111,150	301,150
2024	195,000	105,375	300,375
2025-2029	1,060,000	434,700	1,494,700
2030-2034	1,230,000	263,250	1,493,250
2035-2038	1,125,000	68,775	1,193,775
	<u>\$ 4,325,000</u>	<u>\$ 1,349,175</u>	<u>\$ 5,674,175</u>

## Capital Lease - Police Station

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2020	\$ 182,356	\$ 128,813	\$ 311,169
2021	189,204	121,771	310,975
2022	196,291	114,481	310,772
2023	203,659	106,905	310,564
2024	211,262	99,083	310,345
2025-2029	1,181,188	366,979	1,548,167
2030-2034	1,265,648	121,930	1,387,578
	<u>\$ 3,429,608</u>	<u>\$ 1,059,962</u>	<u>\$ 4,489,570</u>

## Capital Lease - Melody Mountain Phase II

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2020	\$ 70,000	\$ 46,862	\$ 116,862
2021	72,084	44,996	117,080
2022	75,000	42,653	117,653
2023	77,084	40,216	117,300
2024	80,000	37,710	117,710
2025-2029	441,250	147,682	588,932
2030-2034	504,165	63,352	567,517
2035	26,251	1,247	27,498
	<u>\$ 1,345,834</u>	<u>\$ 424,718</u>	<u>\$ 1,770,552</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, 2019, are as follows:

	<u>Accrued Long-Term Obligation</u>	<u>Current Obligation</u>	<u>Total Compensated Absences</u>
General Fund	\$ 525,248	\$ 103,327	\$ 628,575
Community Development Fund	5,273	1,037	6,310
Housing Assistance Fund	10,636	2,092	12,728
Floodwall Fund	5,655	1,113	6,768
Ashland Bus System	-	22,795	22,795
Recreation Fund	-	20,651	20,651
Cemetery Fund	-	7,630	7,630
Utility Fund	-	171,276	171,276
	<u>\$ 546,812</u>	<u>\$ 329,921</u>	<u>\$ 876,733</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, 2019, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$264 million.

### **Business-Type Activities**

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

On April 1, 2013, the City issued \$4,890,000 in refunding bonds with an average rate of 5.3% to advance refund \$4,410,000 of the series 1999 bonds with an average rate of 6.8%. The proceeds of the refunding bonds were

used to purchase U.S. government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds in the amount of \$4,410,000 are considered to be defeased and the liability for those bonds has been removed from Utility Fund liabilities.

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

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

The annual requirements to amortize the indebtedness at June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 445,000	\$ 50,055	\$ 495,055
2021	465,000	41,155	506,155
2022	480,000	31,855	511,855
2023	490,000	22,255	512,255
2024	510,000	11,475	521,475
	<u>\$ 2,390,000</u>	<u>\$ 156,795</u>	<u>\$ 2,546,795</u>

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

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

The annual requirements to amortize the indebtedness at June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 205,000	\$ 87,625	\$ 292,625
2021	210,000	81,475	291,475
2022	215,000	75,175	290,175
2023	220,000	68,725	288,725
2024	230,000	62,125	292,125
2025-2029	1,245,000	203,675	1,448,675
2030-2031	550,000	26,975	576,975
	<u>\$ 2,875,000</u>	<u>\$ 605,775</u>	<u>\$ 3,480,775</u>

### **Capital Lease – Radio Meters**

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

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



<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2020	\$ 107,083	\$ 44,672	\$ 151,755
2021	112,083	41,192	153,275
2022	115,000	37,549	152,549
2023	117,083	33,692	150,775
2024	122,083	29,219	151,302
2025-2028	552,918	64,396	617,314
	<u>\$ 1,126,250</u>	<u>\$ 250,720</u>	<u>\$ 1,376,970</u>

### **Kentucky Infrastructure Authority Loan**

On November 1, 2004, the City entered into an Assistance Agreement with the Kentucky Infrastructure Authority (“KIA”) for a water system renovation project. In accordance with the Agreement, the City received the proceeds from the loan as eligible expenses were incurred. On January 12, 2018, the KIA allowed the City to refinance the agreement to reduce the interest rate from 3.0% to 2.25%. A loan serving fee of 0.025% of the annual outstanding loan balance shall be payable to KIA as a part of each interest payment.

The annual requirements to amortize the indebtedness at June 30, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
2020	\$ 228,483	\$ 31,366	\$ 2,788	\$ 262,637
2021	233,653	26,196	2,328	262,177
2022	238,939	20,909	1,859	261,707
2023	244,345	15,503	1,378	261,226
2024	249,874	9,974	886	260,734
2025	255,528	4,320	384	260,232
	<u>\$ 1,450,822</u>	<u>\$ 108,268</u>	<u>\$ 9,623</u>	<u>\$ 1,568,713</u>

### **Kentucky Infrastructure Authority Loan**

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

The annual requirements to amortize the loan as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
2020	\$ 304,816	\$ 99,938	\$ 9,994	\$ 414,748
2021	310,943	93,812	9,381	414,136
2022	317,193	87,562	8,756	413,511
2023	323,568	81,186	8,119	412,873
2024	330,072	74,682	7,468	412,222
2025-2029	1,752,585	271,188	27,119	2,050,892
2030-2034	1,733,569	87,828	8,783	1,830,180
	<u>\$ 5,072,746</u>	<u>\$ 796,196</u>	<u>\$ 79,620</u>	<u>\$ 5,948,562</u>

**(10) INTERFUND TRANSACTIONS**

**Interfund Receivable and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds are eliminated in the Statement of Net Position. The composition of interfund balances as of June 30, 2019 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ashland Bus System	\$ 747,602
General Fund	Recreation Fund	219,820
General Fund	Utility Fund	3,777,984
General Fund	Housing Assistance	25,802
General Fund	Floodwall Operating Fund	20,481
General Fund	Community Development	86,112
General Fund	Tax Increment Fund	285,482
Municipal Aid Road Fund	General Fund	235,352
Capital Project	General Fund	2,117,240
Internal Service Fund	General Fund	1,833,208
Police and Fire Fighters Pension	General Fund	439,997
Cemetery Fund	General Fund	5,639
Utility Pension Fund	Utility Fund	228,187
Total		<u>\$ 10,022,906</u>

**Interfund Transfers**

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Operating	General	Ashland Bus System	Matching	\$ 501,388
Operating	General	Recreation	Operations	1,187,498
Operating	General	Capital Projects	Capital Purchases	1,611,918
Operating	General	Cemetery	Operations	55,253

**(11) LEGAL CONTINGENCIES**

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

**(12) COMMITMENTS AND CONTINGENCIES**

**Ashland Bus System**

The City is committed to provide financial assistance to the Ashland Bus System (ABS). During the year ended June 30, 2019, the City paid \$501,388 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 \$319,526 from the DOT for the current year's operating grant. City management does not expect its cost of operating the ABS to decrease in the near future.

**Combined Sewer Overflow Improvements**

In 2007, the City entered into an agreement with the Kentucky Energy and Environment Cabinet to comply with federal Clean Water Act standards that are applicable to the City's sewer system. The City's system is considered a combined sewer system due to the sewers collecting rainwater, runoff, domestic sewage and

industrial wastewater. During heavy rains or melting snow, the system can create Combined Sewer Overflow (CSO), when waste and storm water overflow from the sewer system into local bodies of water and the Ohio River. Under the agreement, the City is required to create a Long Term Control Plan to reduce the number of overflows and complete improvements to the sewer system. The improvements are expected to cost approximately \$60 million.

On February 18, 2010, the Board of Commissioners approved an additional surcharge for sewer customers of the City to pay for the improvements. Beginning April 1, 2010, sewer customers are charged a \$2.50 fee per 1,000 gallons of water used. The charge increased to \$3.50 per 1,000 gallons during 2015 and will end in 2035. All monies collected for this surcharge are placed in a separate account and only used for CSO improvements as outlined in the City's Long Term Control Plan. At June 30, 2019, the City has \$5,599,700 restricted for the sewer improvements.

### Construction Projects

The City is obligated on commitments for various contracts in progress at June 30, 2019. A summary of these commitments is as follows:

Fund	Project Description	Total Approved Contract	Paid or Accrued to Date	Outstanding Commitment
Utility Fund	CIPP Lining	\$ 40,000	\$ 24,960	\$ 15,040
Utility Fund	Water Treatment Plan	30,000	29,854	146
Utility Fund	Pollard Mills	421,800	104,440	317,360
Utility Fund	SCADA	218,640	86,375	132,265
Utility Fund	5th Street Lift Station	12,800	10,376	2,424
Utility Fund	Waterline Replacement	206,000	89,729	116,271
Comm. Dev.	Comprehensive Plan	32,980	-	32,980
Comm. Dev.	S. H. ADA Renovation	58,059	18,571	39,488
		<u>\$ 1,020,279</u>	<u>\$ 364,305</u>	<u>\$ 655,974</u>

### (13) TAX ABATEMENTS

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

During the year ended June 30 2018, the City created a tax increment financing (“TIF”) district (“Ashland Plaza Redevelopment Project”) under the authority granted by Kentucky Revised Statutes (KRS) Chapter 65 and 154.30. The tax increment district was created to redevelop the existing Ashland Plaza Hotel into a 149 room, 3-star hotel with full service accommodations, including restaurant space, lobby bar, and meeting spaces. Under the agreement with the project developer, the City is to provide \$4,500,000 to help fund initial construction.

The taxes levied on all taxable property within the TIF district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the district, including reimbursing the City’s initial investment. The tax increments are allocated until all costs of the TIF district project has been repaid; however, it cannot exceed 20 years. The project developer bears the risk that the increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall. The City has one active TIF district in which taxes are passed directly to developers or utilized for debt service payments associated with the district. Because the general property taxes on tax increment districts are allocated to the district, these taxes are not available to the City during the life of the tax increment district. For the year ended June 30, 2019, additional general property taxes of \$30,577 and

occupational license fees of \$864 were collected and not available to the City. Additionally, approximately \$1.3 million was paid to the developer as part of the City’s initial investment.

**(14) RISK MANAGEMENT**

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

All full-time employees are eligible to participate in the City’s Health Benefit Plan. The claims liability of \$569,376 reported in the Internal Service Fund at June 30, 2019, 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 2018 and 2019 were:

	Beginning of Fiscal Year Liability	Current Year Claims	Claim Payments	Balance At Fiscal Year End
2018	\$ 728,877	\$ 4,570,357	\$ 4,729,858	\$ 569,376
2019	569,376	6,472,162	6,080,500	961,038

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, 2019 totaled \$347,663.

**(15) NOTE RECEIVABLE**

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

**(16) FUND DEFICIT**

As of June 30, 2019, the Ashland Bus Fund and Recreation Fund had a negative net position of \$438,421 and \$440,680, respectively. These deficits resulted from the funds’ proportionate share of the net pension and OPEB liabilities recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

As of June 30, 2019, the Tax Increment Financing Fund had a negative fund balance of \$292,482. This deficit resulted from incremental tax revenue received by the fund during the year being less than the debt service of the related bond. Sufficient revenue is expected to be received in future years to recover these excess costs.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ASHLAND  
DEFINED BENEFIT PENSION TRUSTS  
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS  
JUNE 30, 2019**

UTILITY EMPLOYEES PENSION FUND								POLICEMEN AND FIREFIGHTERS PENSION FUND						
Amount Contributed	ADC	Contribution Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll		Annual* M-W Rate of Return, net	Amount Contributed	ADC	Contribution Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll		Annual* M-W Rate of Return, net	
				ARC	Amount Contributed						ARC	Amount Contributed		
2010	\$ 608,977	\$ 309,647	\$ (299,330)	\$ 44,414	697%	1371%	*N/A	\$ 448,250	\$ 267,003	\$ (181,247)	**N/A	**N/A	**N/A	*N/A
2011	570,018	309,647	(260,371)	44,541	695%	1280%	*N/A	367,165	270,665	(96,500)	**N/A	**N/A	**N/A	*N/A
2012	567,529	316,165	(251,364)	**N/A	**N/A	**N/A	*N/A	367,165	270,665	(96,500)	**N/A	**N/A	**N/A	*N/A
2013	567,529	567,529	-	**N/A	**N/A	**N/A	*N/A	367,165	342,502	(24,663)	**N/A	**N/A	**N/A	*N/A
2014	650,912	383,103	(267,809)	**N/A	**N/A	**N/A	0.17%	316,277	425,142	108,865	**N/A	**N/A	**N/A	0.18%
2015	728,300	383,103	(345,197)	**N/A	**N/A	**N/A	0.61%	411,220	564,043	152,823	**N/A	**N/A	**N/A	0.50%
2016	782,736	603,145	(179,591)	**N/A	**N/A	**N/A	0.81%	419,610	564,043	144,433	**N/A	**N/A	**N/A	0.53%
2017	737,240	603,145	(134,095)	**N/A	**N/A	**N/A	0.80%	419,610	521,302	101,692	**N/A	**N/A	**N/A	0.67%
2018	1,010,604	484,950	(525,654)	**N/A	**N/A	**N/A	1.02%	949,776	521,302	(428,474)	**N/A	**N/A	**N/A	0.96%
2019	845,798	484,950	(360,848)	**N/A	**N/A	**N/A	1.76%	521,302	323,671	(197,631)	**N/A	**N/A	**N/A	1.62%

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

\*\* No active employees or covered payroll.

**CITY OF ASHLAND  
DEFINED BENEFIT PENSION TRUSTS  
SCHEDULE OF FUNDING PROGRESS  
JUNE 30, 2019**

UTILITY EMPLOYEES PENSION FUND

Actuarial Valuation Date	Fiduciary Net Position (a)	Total Pension Liability (TPL) Entry Age (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	NPL As A Percentage Of Covered Payroll ((b-a)/c)
06/30/10	\$ 2,867,735	\$ 7,863,170	\$ 4,995,435	36.5%	\$ 44,414	11247.4%
06/30/11 *	2,761,148	7,744,771	4,983,623	35.7%	44,541	11188.8%
06/30/12	2,618,017	7,696,263	5,078,246	34.0%	**N/A	**N/A
06/30/13 *	2,449,372	7,462,369	5,012,997	32.8%	**N/A	**N/A
06/30/14	2,362,804	7,823,259	5,460,455	30.2%	**N/A	**N/A
06/30/15 *	2,340,422	10,865,198	8,524,776	21.5%	**N/A	**N/A
06/30/16	2,360,136	10,408,243	8,048,107	22.7%	**N/A	**N/A
06/30/17 *	2,373,099	9,804,378	7,431,279	24.2%	**N/A	**N/A
06/30/18	2,737,130	9,139,815	6,402,685	29.9%	**N/A	**N/A
06/30/19 *	2,955,799	9,248,646	6,292,847	32.0%	**N/A	**N/A

POLICEMEN AND FIREFIGHTERS PENSION FUND

06/30/10 *	\$ 1,775,017	\$ 5,316,734	\$ 3,541,717	33.4%	**N/A	**N/A
06/30/11	1,492,443	5,201,210	3,708,767	28.7%	**N/A	**N/A
06/30/12 *	1,246,072	4,693,041	3,446,969	26.6%	**N/A	**N/A
06/30/13	999,893	4,299,041	3,299,148	23.3%	**N/A	**N/A
06/30/14 *	731,401	4,338,361	3,606,960	16.9%	**N/A	**N/A
06/30/15	579,210	5,016,407	4,437,197	11.5%	**N/A	**N/A
06/30/16 *	522,527	4,919,883	4,397,356	10.6%	**N/A	**N/A
06/30/17	468,574	4,140,203	3,671,629	11.3%	**N/A	**N/A
06/30/18 *	1,029,005	3,872,818	2,843,813	26.6%	**N/A	**N/A
06/30/19	1,221,257	3,557,450	2,336,193	34.3%	**N/A	**N/A

\*Biannual actuarial valuation performed.

\*\*No active employees or covered payroll.

**CITY OF ASHLAND**  
**DEFINED BENEFIT PENSION TRUSTS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	UTILITY EMPLOYEES PENSION FUND					
	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	263,270	283,228	400,459	417,961	482,003	353,293
Effect of changes in benefit terms	457,843	(274,194)	(265,792)	(312,246)	-	848,025
Difference in expected and actual experience	4,302	(2,629)	(950,704)	205,645	66,792	(108,429)
Effect of changes in assumptions	55,714	-	944,652	-	3,246,184	-
Benefit payments	<u>(672,298)</u>	<u>(670,968)</u>	<u>(732,480)</u>	<u>(768,315)</u>	<u>(753,040)</u>	<u>(731,999)</u>
Net change in total pension liability	108,831	(664,563)	(603,865)	(456,955)	3,041,939	360,890
Total pension liability, beginning of year	<u>9,139,815</u>	<u>9,804,378</u>	<u>10,408,243</u>	<u>10,865,198</u>	<u>7,823,259</u>	<u>7,462,369</u>
Total pension liability, end of year (a)	<u>9,248,646</u>	<u>9,139,815</u>	<u>9,804,378</u>	<u>10,408,243</u>	<u>10,865,198</u>	<u>7,823,259</u>
<b>FIDUCIARY NET POSITION</b>						
Employer contributions	\$ 845,798	\$ 1,010,604	\$ 737,240	\$ 782,736	\$ 728,300	\$ 650,912
Member contributions	-	-	-	-	-	-
Investment income, net of investment expenses	47,448	29,588	10,513	10,395	4,570	879
Benefit payments and refund of contributions	(672,298)	(670,968)	(732,480)	(768,315)	(753,040)	(731,999)
Administrative expenses	<u>(2,279)</u>	<u>(5,193)</u>	<u>(2,310)</u>	<u>(5,102)</u>	<u>(2,212)</u>	<u>(6,360)</u>
Net change in plan fiduciary net position	218,669	364,031	12,963	19,714	(22,382)	(86,568)
Fiduciary net position, beginning of year	<u>2,737,130</u>	<u>2,373,099</u>	<u>2,360,136</u>	<u>2,340,422</u>	<u>2,362,804</u>	<u>2,449,372</u>
Fiduciary net position, end of year (b)	<u>2,955,799</u>	<u>2,737,130</u>	<u>2,373,099</u>	<u>2,360,136</u>	<u>2,340,422</u>	<u>2,362,804</u>
<b>Net pension liability, ending = (a)-(b)</b>	<u>\$ 6,292,847</u>	<u>\$ 6,402,685</u>	<u>\$ 7,431,279</u>	<u>\$ 8,048,107</u>	<u>\$ 8,524,776</u>	<u>\$ 5,460,455</u>

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



**CITY OF ASHLAND  
DEFINED BENEFIT PENSION TRUSTS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITIES (CONCLUDED)  
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

**CITY OF ASHLAND  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2019**

	Reporting Fiscal Year (Measurement Date)									
	2019 (2018)		2018 (2017)		2017 (2016)		2016 (2015)		2015 (2014)	
	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous
<b>PENSION</b>										
City's proportion of the net pension liability	0.31496%	1.11871%	0.31601%	1.12239%	0.32717%	1.19593%	0.32806%	1.19771%	0.32000%	1.15000%
City's proportionate share of the net pension liability	\$ 19,181,719	\$ 27,055,399	\$ 18,496,978	\$ 25,110,923	\$ 16,108,362	\$ 20,521,406	\$ 14,104,958	\$ 18,386,060	\$ 10,328,000	\$ 13,818,000
City's covered payroll	\$ 7,019,185	\$ 6,513,275	\$ 7,086,423	\$ 6,630,921	\$ 7,781,684	\$ 6,198,395	\$ 7,627,360	\$ 6,041,405	\$ 7,271,891	\$ 5,782,361
City's proportionate share of the net pension liability as a percentage of its covered payroll	273.276%	415.389%	261.020%	378.694%	207.004%	331.076%	184.926%	304.334%	142.026%	238.968%
Plan fiduciary net position as a percentage of the total pension liability	53.54%	49.26%	53.30%	49.80%	55.50%	53.95%	59.97%	57.52%	66.80%	63.46%
<b>INSURANCE FUND</b>										
City's proportion of the net OPEB liability	0.31499%	1.11901%	0.31601%	1.12239%						
City's proportionate share of the net OPEB liability	\$ 5,592,603	\$ 7,978,052	\$ 6,352,862	\$ 9,278,454						
City's covered payroll	\$ 7,019,185	\$ 6,513,275	\$ 7,086,423	\$ 6,630,921						
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	79.676%	122.489%	89.648%	139.927%						
Plan fiduciary net position as a percentage of the total OPEB liability	57.62%	64.24%	52.40%	59.00%						

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

**CITY OF ASHLAND  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2019**

	2019		2018		2017		2016		2015		2014	
	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous
<b>PENSION</b>												
Contractually required contribution	\$1,154,112	\$1,617,408	\$1,016,378	\$1,445,947	\$ 988,556	\$1,439,573	\$ 966,485	\$1,255,795	\$ 972,488	\$1,252,383	\$ 999,158	\$1,258,820
Contributions in relation to the contractually required contribution	<u>1,154,112</u>	<u>1,617,408</u>	<u>1,016,378</u>	<u>1,445,947</u>	<u>988,556</u>	<u>1,439,573</u>	<u>966,485</u>	<u>1,255,795</u>	<u>972,488</u>	<u>1,252,383</u>	<u>999,158</u>	<u>1,258,820</u>
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-	-	-
City's covered payroll	\$7,115,364	\$6,506,066	\$7,019,185	\$6,513,275	\$7,086,423	\$6,630,921	\$7,781,684	\$6,198,395	\$7,627,360	\$6,041,405	\$7,271,891	\$5,782,361
City's contributions as a percentage of its covered payroll	16.22%	24.86%	14.48%	22.20%	13.95%	21.71%	12.42%	20.26%	12.75%	20.73%	13.74%	21.77%
<b>INSURANCE FUND</b>												
Contractually required contribution	\$ 374,311	\$ 681,680	\$ 329,818	\$ 609,123	\$ 334,812	\$ 619,902						
Contributions in relation to the contractually required contribution	<u>374,311</u>	<u>681,680</u>	<u>329,818</u>	<u>609,123</u>	<u>334,812</u>	<u>619,902</u>						
Contribution deficiency (excess)	-	-	-	-	-	-						
City's covered payroll	\$7,115,364	\$6,506,066	\$7,019,185	\$6,513,275	\$7,086,423	\$6,630,921						
City's contributions as a percentage of its covered payroll	5.26%	10.47%	4.70%	9.35%	4.73%	9.35%						

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

## CITY OF ASHLAND

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

#### FOR THE YEAR ENDED JUNE 30, 2019

##### (1) CHANGES OF ASSUMPTIONS

###### UTILITY EMPLOYEES PENSION FUND

In the 2019 valuation, a mortality assumption for disabled lives was no longer considered necessary since there are no retirees remaining who retired due to disability.

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

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

###### POLICEMEN AND FIREFIGHTERS PENSION FUND

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

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

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

###### CERS

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

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

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

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

**CITY OF ASHLAND**

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

**FOR THE YEAR ENDED JUNE 30, 2019**

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

UTILITY EMPLOYEES PENSION FUND

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

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

POLICEMEN AND FIREFIGHTERS PENSION FUND

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

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

CERS

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

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	27 years, closed
Payroll Growth	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

**CITY OF ASHLAND**

**NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION – PENSION PLANS (CONCLUDED)**

**FOR THE YEAR ENDED JUNE 30, 2019**

**(3) CHANGES OF BENEFIT TERMS**

UTILITY EMPLOYEES PENSION FUND

The most recent valuation was prepared with the assumption of a “substantively automatic” 3% cost of living adjustment. However, the Commissioners elected not to provide a cost of living adjustment for fiscal year 2017 and 2% cost of living adjustment for fiscal year 2018.

POLICEMEN AND FIREFIGHTERS PENSION FUND

The most recent valuation was prepared with the assumption of a “substantively automatic” 3% cost of living adjustment. However, the Commissioners elected not to provide a cost of living adjustment for fiscal year 2017 and 2% cost of living adjustment for fiscal year 2018.

CERS

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

**CITY OF ASHLAND**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – OPEB PLANS**

**FOR THE YEAR ENDED JUNE 30, 2019**

**(1) CHANGES OF ASSUMPTIONS**

CERS INSURANCE FUND

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

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

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

CERS INSURANCE FUND

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2018:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	27 Years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Post-65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

**(3) CHANGES OF BENEFITS**

CERS INSURANCE FUND

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

## **SUPPLEMENTAL INFORMATION**



**CITY OF ASHLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	621,500	621,500
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>621,500</b>	<b>621,500</b>
<b>Expenditures</b>					
General government	715	-	715	937	(222)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	1,524,427	840,882	2,365,309	1,711,533	653,776
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
<b>Total expenditures</b>	<b>1,525,142</b>	<b>840,882</b>	<b>2,366,024</b>	<b>1,712,470</b>	<b>653,554</b>
Excess of Revenues Over (Under) Expenditures	<u>(1,525,142)</u>	<u>(840,882)</u>	<u>(2,366,024)</u>	<u>(1,090,970)</u>	<u>1,275,054</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	725,142	715,913	1,441,055	1,611,918	170,863
<b>Total other financing sources (uses)</b>	<b>725,142</b>	<b>715,913</b>	<b>1,441,055</b>	<b>1,611,918</b>	<b>170,863</b>
Net change in fund balance	(800,000)	(124,969)	(924,969)	520,948	1,445,917
Fund balance beginning of year	1,204,052	-	1,204,052	1,204,052	-
Fund balance end of year	<u>\$ 404,052</u>	<u>\$ (124,969)</u>	<u>\$ 279,083</u>	<u>\$ 1,725,000</u>	<u>\$ 1,445,917</u>

**CITY OF ASHLAND**

**GENERAL FUND**

**BALANCE SHEET**

**JUNE 30, 2019**

**ASSETS**

Cash	\$ 3,569,464
Taxes receivable	3,053,700
Allowance for uncollectible taxes	(489,186)
Grants receivable	4,219
Due from other funds	5,163,283
Other receivables	450,534
Allowance for uncollectible accounts	(36,137)
Prepaid items	631,099
Inventories - supplies	182,839
	<hr/>
Total assets	<u><u>\$ 12,529,815</u></u>

**LIABILITIES AND FUND BALANCE**

Liabilities:

Accounts payable	\$ 977,597
Due to other funds	4,631,436
Due to Board of Education	24,353
Accrued compensated absences	103,327
Accrued expenses	780,718
	<hr/>
Total liabilities	<u>6,517,431</u>

Fund Balance:

Non-spendable	813,938
Restricted for grant programs	4,219
Committed	-
Unassigned	5,194,227
	<hr/>
Total fund balance	<u>6,012,384</u>

Total liabilities and fund balance	<u><u>\$ 12,529,815</u></u>
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**CITY OF ASHLAND**

**GENERAL FUND**

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

**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES:</b>			
Taxes -			
General property taxes	\$ 2,699,425	\$ 2,793,097	\$ 93,672
Penalties and interest	24,800	25,815	1,015
Delinquent taxes	159,250	110,849	(48,401)
Vehicle property taxes	436,350	411,932	(24,418)
Bank franchise taxes	98,500	111,190	12,690
Other franchise taxes	131,000	207,673	76,673
Insurance premiums taxes	4,150,725	4,084,582	(66,143)
Total taxes	<u>7,700,050</u>	<u>7,745,138</u>	<u>45,088</u>
Licenses and permits -			
Occupational license fees	9,544,055	9,786,427	242,372
Business privilege licenses	1,545,750	1,543,470	(2,280)
Alcoholic beverage licenses	550,000	577,371	27,371
Construction permit fees	35,000	52,217	17,217
Other licenses and permits	3,021	6,133	3,112
Total licenses and permits	<u>11,677,826</u>	<u>11,965,618</u>	<u>287,792</u>
Charge for services -			
Garbage collection fee	2,105,000	2,127,372	22,372
Central garage revenue	8,213	8,213	-
Greyhound ticket sales	10,000	6,299	(3,701)
Rental revenue	94,750	93,624	(1,126)
Total charges for services	<u>2,217,963</u>	<u>2,235,508</u>	<u>17,545</u>
Fees, fines and reimbursements -			
Parking meter fees and fines	7,750	4,055	(3,695)
Taxes collection fees	149,000	153,429	4,429
State rebate - District Court	22,850	23,710	860
Street lighting franchise	1,053,000	1,033,387	(19,613)
Telecommunication franchise	262,500	277,945	15,445
Other	400,420	427,505	27,085
Total fees, fines and reimbursements	<u>1,895,520</u>	<u>1,920,031</u>	<u>24,511</u>
Other revenues -			
Police grants and revenue	80,501	129,162	48,661
Miscellaneous grants	83,200	117,963	34,763
Coal severance - LGEA	7,750	24,477	16,727
Interest earned	2,250	10,338	8,088
Other	122,365	159,311	36,946
Total other revenues	<u>296,066</u>	<u>441,251</u>	<u>145,185</u>
Total revenues	<u>23,787,425</u>	<u>24,307,546</u>	<u>520,121</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES:</b>			
<b>General Government -</b>			
Mayor and Commissioners	98,126	94,268	3,858
City Manager	179,036	139,883	39,153
City Clerk/Legal	199,573	153,039	46,534
Human Resources	241,887	285,271	(43,384)
Unclassified	2,076,026	2,546,951	(470,925)
	<u>2,794,648</u>	<u>3,219,412</u>	<u>(424,764)</u>
<b>Department of Finance -</b>			
Director of Finance	610,836	604,410	6,426
Data Processing	37,282	37,225	57
	<u>648,118</u>	<u>641,635</u>	<u>6,483</u>
<b>Department of Public Services -</b>			
Director of Public Services	70,967	52,604	18,363
Street maintenance	3,006,594	2,692,254	314,340
Sanitation services	1,449,447	1,493,031	(43,584)
Central garage	340,597	415,362	(74,765)
Animal control	76,373	79,398	(3,025)
	<u>4,943,978</u>	<u>4,732,649</u>	<u>211,329</u>
<b>Department of Planning and Economic Development -</b>			
Planning and Code Enforcement	562,103	562,533	(430)
Economic Development	181,419	187,153	(5,734)
	<u>743,522</u>	<u>749,686</u>	<u>(6,164)</u>
<b>Department of Police -</b>			
Technical services	1,544,702	1,501,243	43,459
Field operations	3,637,091	3,760,420	(123,329)
	<u>5,181,793</u>	<u>5,261,663</u>	<u>(79,870)</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, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Fire	6,141,215	6,219,113	(77,898)
Department of Engineering	214,990	195,441	19,549
Debt Service	658,015	627,726	30,289
Total expenditures	<u>21,326,279</u>	<u>21,647,325</u>	<u>(321,046)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,461,146</u>	<u>2,660,221</u>	<u>199,075</u>
OTHER FINANCING SOURCES (USES):			
Transfer to Capital Projects Fund	(1,448,055)	(1,611,918)	(163,863)
Transfer to Tax Increment Finance Fund	(297,225)	-	297,225
Transfer to Recreation Fund	(1,127,973)	(1,187,498)	(59,525)
Transfer to Ashland Bus Fund	(436,442)	(501,388)	(64,946)
Transfer to Ashland Cemetery Fund	<u>(27,068)</u>	<u>(55,253)</u>	<u>(28,185)</u>
Total other financing sources (uses)	<u>(3,336,763)</u>	<u>(3,356,057)</u>	<u>(19,294)</u>
NET CHANGE IN FUND BALANCE	(875,617)	(695,836)	179,781
FUND BALANCE, June 30, 2018	<u>6,708,220</u>	<u>6,708,220</u>	<u>-</u>
FUND BALANCE, June 30, 2019	<u>\$ 5,832,603</u>	<u>\$ 6,012,384</u>	<u>\$ 179,781</u>

**CITY OF ASHLAND**

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

**JUNE 30, 2019**

	Land & Buildings	Building Improvements	Automotive Equipment	Operating Equipment	Office Furniture & Equipment	Capital Improvements	Infrastructure	CIP	Total
Dept of General Gov't	\$ 3,443,524	\$ 1,890,775	\$ 61,331	\$ 86,742	\$ 172,014	\$ 164,928	\$ 11,834,515	\$ -	\$ 17,653,829
Dept of Finance	-	-	28,384	56,243	39,712	-	-	-	124,339
Dept of Public Services	15,940,184	763,433	354,677	3,259,290	70,580	840,128	69,295,338	561,713	91,085,343
Dept of Planning & Community Development	-	-	93,220	6,799	15,740	-	-	-	115,759
Department of Police	4,949,556	246,711	1,352,741	620,182	129,051	19,350	-	-	7,317,591
Department of Fire	3,869,126	208,777	2,538,154	511,750	53,245	-	-	-	7,181,052
Department of Engineering	-	-	89,856	11,595	63,430	74,458	-	-	239,339
Floodwall Operations	15,121	5,150	86,511	147,218	-	-	-	-	254,000
Community Development	237,868	103,058	-	-	18,623	-	380,085	91,598	831,232
Housing Assistance Programs	150,033	12,950	-	-	19,646	-	-	-	182,629
	<u>\$ 28,605,412</u>	<u>\$ 3,230,854</u>	<u>\$ 4,604,874</u>	<u>\$ 4,699,819</u>	<u>\$ 582,041</u>	<u>\$ 1,098,864</u>	<u>\$ 81,509,938</u>	<u>\$ 653,311</u>	<u>\$ 124,985,113</u>

**CITY OF ASHLAND**

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

**JUNE 30, 2019**

Land and buildings	\$ 28,605,412
Building improvements	3,230,854
Automotive equipment	4,604,874
Operating equipment	4,699,819
Office furniture and equipment	582,041
Capital improvements	1,098,864
Infrastructure	81,509,938
Construction in progress	<u>653,311</u>
Total	<u>\$ 124,985,113</u>
Investment in capital assets by source	
General Fund	\$ 93,590,351
Special Revenue Funds	8,178,181
Capital Projects Fund	<u>23,216,581</u>
Total	<u>\$ 124,985,113</u>

**CITY OF ASHLAND HOUSING AUTHORITY**

**STATEMENT OF NET POSITION**

**JUNE 30, 2019**

	<u>Rental Vouchers</u>
<b>ASSETS</b>	
Cash – unrestricted	\$ 52,582
Cash – restricted	51,045
Accounts receivable	3,745
Building and equipment, net	<u>80,058</u>
Total assets	<u>\$ 187,430</u>
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES:</b>	
Accounts payable	\$ 7,933
Accounts payable - other governmental	25,802
Accrued expenses	6,453
Accrued compensated absences - current	2,092
Accrued compensated absences - noncurrent	<u>10,636</u>
Total liabilities	<u>52,916</u>
<b>NET POSITION:</b>	
Invested in capital assets	80,058
Unrestricted	3,411
Restricted	<u>51,045</u>
	<u>134,514</u>
Total liabilities and net position	<u>\$ 187,430</u>



**CITY OF ASHLAND HOUSING AUTHORITY**  
**STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Rental Vouchers</u>
<b>REVENUES</b>	
Housing assistance payments	\$ 2,683,779
Administrative fee revenue	261,727
Interest income	559
Other income	<u>5</u>
Total revenues	<u>2,946,070</u>
<b>EXPENSES</b>	
Administrative salaries	154,902
Audit	4,237
Employee benefit contributions	28,861
Travel	1,938
Other administrative	13,013
Utilities	2,488
Maintenance	16,197
Property insurance	137
General liability insurance	3,207
Workers compensation	296
Other insurance	38,715
Other general	24,736
Compensated absences	4,058
Housing assistance payments	2,586,589
Housing assistance payments – VASH	71,327
Depreciation	<u>4,431</u>
Total expenses	<u>2,955,132</u>
<b>EXCESS OF EXPENSES OVER REVENUES</b>	<u>\$ (9,062)</u>

**CITY OF ASHLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of HUD</u>				
Direct Programs:				
CDBG Entitlement	14.218	-	\$ 89,173	\$ 333,749
Housing Choice Voucher Program	14.871	-	-	2,946,641 *
Total U.S. Department of HUD				<u>3,280,390</u>
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Federal Transit Cluster				
FTA - Operating Assistance Grant	20.507	-	-	319,526
FTA - Capital Assistance Grant	20.507	-	-	280,526
				<u>600,052</u>
Passed through Kentucky Transportation Cabinet:				
Highway Planning and Construction	20.205	PO2-628-1500002940	-	4,908
Dept of State Police Highway Safety Program	20.600	PT-2019-08	-	4,979
Dept of State Police Highway Safety Program	20.600	PT-2018-06	-	2,540
				<u>12,427</u>
Total U.S. Department of Transportation				<u>612,479</u>
<u>U.S. Department of Homeland Security</u>				
Passed through Kentucky Department of Homeland Security:				
Public Assistance Program	97.036	DR-4361	-	63,069
Homeland Security Grant Program	97.067	17-016	-	6,412
Total U.S. Department of Homeland Security				<u>69,481</u>
Total expenditures of Federal awards				<u>\$ 3,962,350</u>

\* Denotes major program.

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

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ashland under the programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Ashland, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE C - INDIRECT COST RATE**

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

# 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>2019</u>	<u>2018</u>	<u>2017*</u>	<u>2016</u>	<u>2015*</u>	<u>2014*</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Governmental activities</b>										
Net Investment in Capital Assets	48,057,346	47,056,359	51,767,907	50,917,007	51,170,584	51,833,182	54,881,112	56,286,542	57,272,690	56,102,556
Restricted	1,794,311	1,272,291	1,328,056	425,337	204,332	499,125	300,240	537,747	714,917	1,279,940
Unrestricted	(33,573,966)	(27,256,018)	(26,274,899)	(18,421,408)	(17,638,277)	4,931,810	3,415,661	2,560,801	4,019,779	5,299,076
<b>Total governmental activities net position</b>	<u>16,277,691</u>	<u>21,072,632</u>	<u>26,821,064</u>	<u>32,920,936</u>	<u>33,736,639</u>	<u>57,264,117</u>	<u>58,597,013</u>	<u>59,385,090</u>	<u>62,007,386</u>	<u>62,681,572</u>
<b>Business-type activities</b>										
Net Investment in Capital Assets	39,952,083	38,815,146	36,594,780	32,498,757	31,115,457	34,536,655	35,003,440	35,212,492	35,983,988	36,235,091
Restricted	7,636,469	6,586,421	7,738,541	7,937,674	7,388,882	5,156,782	4,964,195	3,967,088	2,536,674	1,155,361
Unrestricted	(15,428,391)	(13,927,397)	(14,313,048)	(9,065,437)	(9,757,271)	3,415,592	1,271,712	1,310,597	1,507,342	1,677,050
<b>Total business-type activities net position</b>	<u>32,160,161</u>	<u>31,474,170</u>	<u>30,020,273</u>	<u>31,370,994</u>	<u>28,747,068</u>	<u>43,109,029</u>	<u>41,239,347</u>	<u>40,490,177</u>	<u>40,028,004</u>	<u>39,067,502</u>
<b>Primary government</b>										
Net Investment in Capital Assets	88,009,429	85,871,505	88,362,687	83,415,764	82,286,041	86,369,837	89,884,552	91,499,034	93,256,678	92,337,647
Restricted	9,430,780	7,858,712	9,066,597	8,363,011	7,593,214	5,655,907	5,264,435	4,504,835	3,251,591	2,435,301
Unrestricted	(49,002,357)	(41,183,415)	(40,587,947)	(27,486,845)	(27,395,548)	8,347,402	4,687,373	3,871,398	5,527,121	6,976,126
<b>Total primary government net position</b>	<u>48,437,852</u>	<u>52,546,802</u>	<u>56,841,337</u>	<u>64,291,930</u>	<u>62,483,707</u>	<u>100,373,146</u>	<u>99,836,360</u>	<u>99,875,267</u>	<u>102,035,390</u>	<u>101,749,074</u>

\*Restated for prior period adjustments.

- (1) Implementation of GASB Statement No. 68 restated balance of unrestricted net position previously recorded as of June 30, 2014.
- (2) Error correction on the implementation of GASB Statement No. 68 as amended by GASB Statement No. 71 as of June 30, 2015.
- (3) Duplication error in the Cemetery Fund's inventory balances.
- (4) Implementation of GASB Statement No. 75 restated balance of net position previously recorded as of June 30, 2017.

**CITY OF ASHLAND**  
**Change in Net Position**  
**(Unaudited)**

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2019</u>	<u>2018</u>	<u>2017*</u>	<u>2016</u>	<u>2015*</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Expenses</b>										
Governmental activities:										
General government	2,638,860	2,222,981	2,608,336	3,097,166	2,839,164	4,413,420	2,644,407	3,108,207	2,288,370	3,151,310
Finance	688,925	760,728	680,224	652,648	584,936	572,332	587,010	624,375	616,850	597,665
Public services	7,007,676	6,456,885	6,026,093	5,890,739	5,957,303	6,159,143	6,188,734	6,460,927	6,472,277	5,254,674
Planning and code enforcement	838,185	912,064	816,974	675,281	580,683	611,647	605,205	616,724	586,302	528,934
Police	7,142,676	6,759,240	5,744,758	6,074,675	4,939,354	5,174,548	5,528,981	5,501,952	5,435,091	4,819,508
Fire	8,518,282	8,103,647	6,811,004	7,104,407	5,777,552	5,959,857	5,822,585	7,234,173	5,797,256	5,549,443
Engineering	216,630	146,723	211,252	212,573	227,162	125,481	244,377	210,484	627,371	729,305
Community and cultural	4,576,745	6,828,989	3,495,752	3,321,283	3,127,002	3,594,394	2,943,475	3,333,805	3,501,176	3,472,659
Debt service - interest	373,683	346,466	269,266	284,471	303,489	273,717	285,947	291,216	339,571	360,075
Total governmental activities expenses	<u>32,001,662</u>	<u>32,537,723</u>	<u>26,663,659</u>	<u>27,313,243</u>	<u>24,336,645</u>	<u>26,884,539</u>	<u>24,850,721</u>	<u>27,381,863</u>	<u>25,664,264</u>	<u>24,463,573</u>
Business-type activities:										
Utilities	16,719,013	15,775,239	15,345,611	14,920,959	15,183,490	14,358,868	14,618,138	14,187,824	13,882,611	13,320,805
Recreation	1,099,626	1,046,238	985,140	1,093,886	1,049,693	1,092,294	1,078,408	1,023,425	1,131,949	960,621
Bus	1,274,145	1,355,883	1,201,653	1,196,534	1,042,285	1,118,102	1,483,318	1,585,686	1,344,854	1,387,173
Cemetery	269,615	309,053	313,839	274,980	289,624	266,840	312,684	372,091	378,031	294,083
Total business-type activities expenses	<u>19,362,399</u>	<u>18,486,413</u>	<u>17,846,243</u>	<u>17,486,359</u>	<u>17,565,092</u>	<u>16,836,104</u>	<u>17,492,548</u>	<u>17,169,026</u>	<u>16,737,445</u>	<u>15,962,682</u>
Total primary government expenses	<u>51,364,061</u>	<u>51,024,136</u>	<u>44,509,902</u>	<u>44,799,602</u>	<u>41,901,737</u>	<u>43,720,643</u>	<u>42,343,269</u>	<u>44,550,889</u>	<u>42,401,709</u>	<u>40,426,255</u>

\*Restated for prior period adjustments.

**CITY OF ASHLAND**  
**Change in Net Position**  
**(Unaudited)**

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2019</u>	<u>2018</u>	<u>2017*</u>	<u>2016</u>	<u>2015*</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	13,886,513	14,286,479	13,663,487	13,771,619	13,836,062	13,212,804	11,398,530	11,308,826	10,863,132	10,785,309
Public services	2,235,508	2,214,055	2,206,121	2,227,692	2,184,730	2,070,567	1,954,179	1,857,995	1,787,289	1,684,139
Community and cultural	261,727	260,827	273,087	264,106	243,104	219,647	233,945	251,707	313,203	331,281
Operating grants and contributions:										
General government	117,963	10,950	27,999	38,538	14,596	40,774	49,088	386,749	362,042	526,760
Public services	442,627	438,437	838,563	683,098	513,194	517,386	554,022	517,971	476,559	421,945
Police	129,162	67,031	65,147	30,894	16,767	34,331	110,181	86,506	79,804	49,518
Fire	-	-	22,700	-	-	-	-	-	-	-
Engineering	-	-	-	8,539	-	-	-	-	-	-
Community and cultural	3,017,528	3,102,847	3,205,884	3,001,322	2,875,966	3,179,905	2,637,160	3,112,639	3,165,698	2,950,588
Capital grants and contributions:										
General government	621,500	-	-	-	-	-	-	3,704	749,903	6,246,734
Fire	-	-	-	-	191,018	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	986,676	-	-
Total governmental program revenues	<u>20,712,528</u>	<u>20,380,626</u>	<u>20,302,988</u>	<u>20,025,808</u>	<u>19,875,437</u>	<u>19,275,414</u>	<u>16,937,105</u>	<u>18,512,773</u>	<u>17,797,630</u>	<u>22,996,274</u>
Business-type activities:										
Charges for services:										
Utilities	16,690,257	16,789,603	16,848,289	16,725,888	16,795,819	15,647,750	14,976,626	14,282,119	14,408,152	12,250,268
Recreation	44,212	54,268	57,692	55,835	58,447	57,341	71,160	66,639	72,130	54,682
Bus	53,927	56,260	57,221	56,356	55,199	61,760	78,595	72,483	66,026	58,475
Cemetery	93,500	95,595	129,940	122,174	151,907	98,344	130,850	163,753	133,733	118,483
Operating grants and contributions:										
Recreation	-	-	1,000	41,607	30,164	-	-	-	-	-
Bus	319,526	277,595	260,406	336,732	320,873	300,148	526,336	489,967	386,357	511,674
Capital grants and contributions:										
Utilities	-	-	-	-	-	-	-	-	128,503	-
Bus	322,381	211,869	275,650	422,164	228,737	216,430	220,040	117,922	318,016	513,930
Cemetery	-	-	-	-	-	-	-	-	-	5,171,752
Total business-type activities program revenues	<u>17,523,803</u>	<u>17,485,190</u>	<u>17,630,198</u>	<u>17,760,756</u>	<u>17,641,146</u>	<u>16,381,773</u>	<u>16,003,607</u>	<u>15,192,883</u>	<u>15,512,917</u>	<u>18,679,264</u>
Total primary government program revenues	<u>38,236,331</u>	<u>37,865,816</u>	<u>37,933,186</u>	<u>37,786,564</u>	<u>37,516,583</u>	<u>35,657,187</u>	<u>32,940,712</u>	<u>33,705,656</u>	<u>33,310,547</u>	<u>41,675,538</u>

**CITY OF ASHLAND**  
**Change in Net Position**  
**(Unaudited)**

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2019</u>	<u>2018</u>	<u>2017*</u>	<u>2016</u>	<u>2015*</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Net (Expense) Revenue</b>										
Governmental activities	(11,289,134)	(12,157,097)	(6,360,671)	(7,287,435)	(4,461,208)	(7,609,125)	(7,913,616)	(8,869,090)	(7,866,634)	(1,467,299)
Business-type activities	(1,838,596)	(1,001,223)	(216,045)	274,397	76,054	(454,331)	(1,488,941)	(1,976,143)	(1,224,528)	2,716,582
Total primary government net expense	<u>(13,127,730)</u>	<u>(13,158,320)</u>	<u>(6,576,716)</u>	<u>(7,013,038)</u>	<u>(4,385,154)</u>	<u>(8,063,456)</u>	<u>(9,402,557)</u>	<u>(10,845,233)</u>	<u>(9,091,162)</u>	<u>1,249,283</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property and other local taxes	8,042,133	7,837,931	8,248,971	7,720,589	7,386,199	7,615,613	8,479,163	7,650,814	8,150,028	7,477,238
Interest income	12,406	3,874	2,494	2,081	3,703	3,197	3,066	4,054	4,469	22,438
Other revenues	183,793	134,013	423,061	236,159	217,885	247,952	167,210	307,812	526,103	500,265
Transfers	(1,744,139)	(1,567,153)	(1,538,299)	(1,487,097)	(1,482,443)	(1,590,533)	(1,523,900)	(1,715,886)	(1,488,152)	(1,439,187)
Total governmental activities general revenues and other changes in net position	<u>6,494,193</u>	<u>6,408,665</u>	<u>7,136,227</u>	<u>6,471,732</u>	<u>6,125,344</u>	<u>6,276,229</u>	<u>7,125,539</u>	<u>6,246,794</u>	<u>7,192,448</u>	<u>6,560,754</u>
Business-type activities:										
Interest income	66,910	41,748	39,030	24,270	32,465	32,735	30,260	34,987	46,715	63,915
Other revenues	713,538	846,219	786,863	838,162	897,185	700,745	683,951	687,443	650,163	524,734
Transfers	1,744,139	1,567,153	1,538,299	1,487,097	1,482,443	1,590,533	1,523,900	1,715,886	1,488,152	1,439,187
Total business-type activities general revenues and other changes in net position	<u>2,524,587</u>	<u>2,455,120</u>	<u>2,364,192</u>	<u>2,349,529</u>	<u>2,412,093</u>	<u>2,324,013</u>	<u>2,238,111</u>	<u>2,438,316</u>	<u>2,185,030</u>	<u>2,027,836</u>
Total primary government general revenues and other changes in net position	<u>9,018,780</u>	<u>8,863,785</u>	<u>9,500,419</u>	<u>8,821,261</u>	<u>8,537,437</u>	<u>8,600,242</u>	<u>9,363,650</u>	<u>8,685,110</u>	<u>9,377,478</u>	<u>8,588,590</u>
<b>Changes in Net Position</b>										
Governmental activities	(4,794,941)	(5,748,432)	775,556	(815,703)	1,664,136	(1,332,896)	(788,077)	(2,622,296)	(674,186)	5,093,455
Business-type activities	685,991	1,453,897	2,148,147	2,623,926	2,488,147	1,869,682	749,170	462,173	960,502	4,744,418
Total primary government, change in net position	<u>(4,108,950)</u>	<u>(4,294,535)</u>	<u>2,923,703</u>	<u>1,808,223</u>	<u>4,152,283</u>	<u>536,786</u>	<u>(38,907)</u>	<u>(2,160,123)</u>	<u>286,316</u>	<u>9,837,873</u>

**CITY OF ASHLAND**  
**Fund Balances, Governmental Funds**  
**(Unaudited)**

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Fund										
Non-spendable	813,938	829,137	887,542	120,016	122,935	124,369	217,894	81,508	236,137	169,584
Restricted for grant programs	4,219	2,576	226,131	15,981	22,121	227,636	41,545	216,233	248,858	759,495
Assigned for capital projects	-	-	-	-	-	-	-	-	172,712	236,355
Committed	-	-	-	-	350,000	600,000	-	-	-	-
Unassigned	5,194,227	5,876,507	4,726,995	5,421,637	4,231,243	2,711,361	1,348,970	876,058	2,289,059	4,051,892
Total general fund	<u>6,012,384</u>	<u>6,708,220</u>	<u>5,840,668</u>	<u>5,557,634</u>	<u>4,726,299</u>	<u>3,663,366</u>	<u>1,608,409</u>	<u>1,173,799</u>	<u>2,946,766</u>	<u>5,217,326</u>
All other governmental funds										
Restricted for grant programs	65,092	65,663	86,692	48,284	71,718	75,264	258,695	318,373	293,347	284,090
Assigned for capital projects	1,725,000	1,204,052	1,015,233	361,072	110,493	196,225	16,968	3,141	-	-
Assigned for special revenue funds	227,828	1,739,859	277,763	531,029	181,532	372,491	326,558	125,572	69,865	134,641
Unassigned	(292,482)	-	-	-	-	-	-	-	-	-
	<u>1,725,438</u>	<u>3,009,574</u>	<u>1,379,688</u>	<u>940,385</u>	<u>363,743</u>	<u>643,980</u>	<u>602,221</u>	<u>447,086</u>	<u>363,212</u>	<u>418,731</u>



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

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015*</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Revenues</b>										
Property and other local taxes	8,042,133	7,837,931	8,248,971	7,720,589	7,386,199	7,615,613	8,479,163	7,650,814	8,150,028	7,776,235
Licenses and permits	11,966,482	12,345,544	11,745,526	12,062,385	12,043,205	11,421,296	9,696,723	9,688,773	9,977,092	10,007,066
Charges for services	2,235,508	2,214,055	2,206,121	2,227,692	2,184,730	2,070,567	1,954,179	1,857,995	1,787,289	1,684,139
Fees, fines and reimbursements	1,920,031	1,940,935	1,917,961	1,709,234	1,792,857	1,791,508	1,701,807	1,620,053	886,040	778,243
Grant income	3,707,280	3,619,265	4,160,293	3,762,391	3,611,541	3,772,396	3,350,451	5,094,245	4,834,006	10,195,545
Administration fee income	261,727	260,827	273,087	264,106	243,104	219,647	233,945	251,707	313,203	331,281
Program income	-	-	-	-	-	-	-	-	-	-
Interest income	12,406	3,874	2,494	2,081	3,703	3,197	3,066	4,054	4,469	22,438
Other income	805,293	134,013	423,061	236,159	217,885	247,952	167,210	307,812	376,103	500,265
Total revenues	<u>28,950,860</u>	<u>28,356,444</u>	<u>28,977,514</u>	<u>27,984,637</u>	<u>27,483,224</u>	<u>27,142,176</u>	<u>25,586,544</u>	<u>26,475,453</u>	<u>26,328,230</u>	<u>31,295,212</u>
<b>Expenditures</b>										
General government	3,220,349	2,499,025	2,755,970	2,574,763	2,515,556	3,539,216	2,237,904	2,767,313	4,074,854	11,108,133
Finance	641,635	648,561	621,850	605,840	603,051	574,984	588,758	624,750	624,865	602,790
Public services	5,657,319	5,329,474	5,886,661	5,024,264	5,419,820	4,984,933	4,793,825	5,168,264	5,281,430	4,522,214
Planning and code enf.	749,686	780,052	746,064	623,160	597,784	606,052	598,623	609,254	577,943	520,260
Police	5,261,663	5,104,937	5,126,462	5,222,557	5,235,588	4,995,959	5,350,620	5,362,642	5,188,702	4,734,396
Fire	6,219,113	5,950,500	6,078,866	6,152,534	6,266,069	5,842,158	5,683,338	5,839,753	5,951,147	5,226,734
Engineering	195,441	143,576	146,719	147,025	180,383	132,685	201,685	432,705	592,275	727,338
Community and cultural	4,605,003	6,717,258	3,451,142	3,289,018	3,123,147	3,583,223	2,931,352	3,399,198	3,501,433	3,459,377
Capital outlay	1,711,533	1,005,434	1,275,238	728,055	538,827	202,835	241,884	1,315,814	528,862	4,732,709
Debt service:										
Principal retirement	545,804	366,522	358,320	437,821	514,853	429,165	558,963	637,751	2,180,075	559,893
Interest charges	379,147	315,516	269,586	284,526	268,878	273,717	285,947	291,216	339,571	360,075
Total expenditures	<u>29,186,693</u>	<u>28,860,855</u>	<u>26,716,878</u>	<u>25,089,563</u>	<u>25,263,956</u>	<u>25,164,927</u>	<u>23,472,899</u>	<u>26,448,660</u>	<u>28,841,157</u>	<u>36,553,919</u>
Excess (deficiency) of revenues over expenditures	(235,833)	(504,411)	2,260,636	2,895,074	2,219,268	1,977,249	2,113,645	26,793	(2,512,927)	(5,258,707)

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

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015*</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Other financing sources (uses)</b>										
Transfers in	1,611,918	1,312,326	1,930,115	973,928	262,286	428,269	315,323	310,469	595,760	5,078,915
Transfers out	(3,356,057)	(2,879,479)	(3,468,414)	(2,461,025)	(1,744,729)	(2,018,802)	(1,839,223)	(2,026,355)	(2,083,912)	(6,518,102)
Issuance of Debt	-	4,569,002	-	-	2,609,008	1,710,000	-	-	1,675,000	189,971
Pmt to refund bond escrow age	-	-	-	-	(2,563,137)	-	-	-	-	-
Total other financing sources (uses)	<u>(1,744,139)</u>	<u>3,001,849</u>	<u>(1,538,299)</u>	<u>(1,487,097)</u>	<u>(1,436,572)</u>	<u>119,467</u>	<u>(1,523,900)</u>	<u>(1,715,886)</u>	<u>186,848</u>	<u>(1,249,216)</u>
Net change in fund balances	<u><u>(1,979,972)</u></u>	<u><u>2,497,438</u></u>	<u><u>722,337</u></u>	<u><u>1,407,977</u></u>	<u><u>782,696</u></u>	<u><u>2,096,716</u></u>	<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>
Debt Service as a percentage of noncapital expenditures	3.54%	2.54%	2.64%	3.09%	3.30%	2.89%	3.71%	3.67%	9.75%	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
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%
2014	838,362,243	110,948,997	949,311,240	838,362,243	0.2891	88.31%	11.69%
2015	848,811,892	111,317,166	960,129,058	848,811,892	0.2876	88.41%	11.59%
2016	874,574,783	111,238,153	985,812,936	874,574,783	0.2898	88.72%	11.28%
2017	889,786,675	108,783,431	998,570,106	889,786,675	0.2853	89.11%	10.89%
2018	894,843,783	103,481,315	998,325,098	894,843,783	0.2834	89.63%	10.37%
2019	905,744,984	106,505,938	1,012,250,922	905,744,984	0.2714	89.48%	10.52%

\*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
2010	3,171,878	2,941,046	92.72%	211,032	3,152,078	99.38%
2011	3,250,611	3,144,088	96.72%	84,110	3,228,198	99.31%
2012	3,278,384	3,170,115	96.70%	81,748	3,251,863	99.19%
2013	3,306,870	3,085,671	93.31%	190,856	3,276,527	99.08%
2014	2,744,463	2,674,930	97.47%	41,156	2,716,086	98.97%
2015	2,761,331	2,683,202	97.17%	42,251	2,725,453	98.70%
2016	2,856,886	2,769,909	96.96%	41,710	2,811,619	98.42%
2017	2,848,925	2,683,086	94.18%	110,279	2,793,365	98.05%
2018	2,829,255	2,684,013	94.87%	70,412	2,754,425	97.36%
2019	2,818,411	2,568,070	91.12%	-	2,568,070	91.12%

\*Data supplied by City of Ashland Finance Department.

**CITY OF ASHLAND**  
**Principal Property Tax Payers**  
**(Unaudited)**

2018				
Taxpayer	Assessment	Rank	Taxes Paid	Percentage of Total Taxes Paid
ATC Glimcher LLC	29,250,000	1	82,895	2.94%
Melody Mountain Associates LTD	14,525,000	2	41,164	1.46%
Fred Burns	13,468,000	3	38,168	1.35%
Verit Mt Ashland KY LLC	12,000,000	4	34,008	1.21%
BDB Midtown LLC	11,300,000	5	32,024	1.14%
GCG Ashland LLC	10,045,500	6	28,469	1.01%
JC Penney	9,343,450	7	26,479	0.94%
Wal-Mart	8,161,897	8	23,131	0.82%
AK Steel Corporation	5,788,000	9	16,403	0.58%
CRHC Mansback Metal	4,691,058	10	13,294	0.47%
	<u>118,572,905</u>		<u>336,035</u>	<u>11.92%</u>

2009				
Taxpayer	Assessment	Rank	Taxes Paid	Percentage of Total Taxes Paid
Glimcher Ashland Venture LLC	29,000,000	1	101,877	3.21%
Melody Mountain Associates LTD	22,000,000	2	77,286	2.44%
Providence Hill LLC	13,564,000	3	47,650	1.50%
AK Steel Corporation	12,746,400	4	44,778	1.41%
Gateway Van Buren Inc.	12,500,000	5	43,912	1.38%
Wal-Mart Stores East LP	8,689,055	6	30,219	0.95%
Ashland Speciality Co. Inc.	5,708,016	7	19,852	0.63%
JC Penney	5,180,399	8	18,017	0.57%
Giant Real Estate of Ashland LLC	4,699,000	9	18,736	0.59%
SKPR-KY 2 LLC	4,633,647	10	16,278	0.51%
	<u>118,720,517</u>		<u>418,605</u>	<u>13.19%</u>

\*Data supplied by City of Ashland Finance Department.

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

2018				
Taxpayer	Taxable Wages	Rank	Taxes Paid	Percentage of Total Taxable Wages
Kings Daughters' Medical Center	125,335,501	1	2,508,112	25.50%
King's Daughter's Medical Specialties	49,449,157	2	988,983	10.05%
Ashland Inc. Board of Education	21,019,526	3	420,397	4.27%
City of Ashland	14,418,231	4	288,367	2.93%
Wal-Mart Stores East, LP #1426	10,916,759	5	218,337	2.22%
Pathways, Inc.	8,345,590	6	166,912	1.70%
Commonwealth of Kentucky	6,383,350	7	127,667	1.30%
Kentucky Community & Tech. College	5,984,559	8	119,691	1.22%
Cintas Corporation	5,801,078	9	116,014	1.18%
Ashland Radiology Associates, PSC	5,236,207	10	104,724	1.06%
	<u>252,889,958</u>		<u>5,059,204</u>	<u>51.43%</u>

2009				
Taxpayer	Taxable Wages	Rank	Taxes Paid	Percentage of Total Taxable Wages
Kings Daughters' Medical Center	162,316,712	1	2,434,756	29.80%
AK Steel Corporation (KIRA Credit \$273,759.74)	21,867,920	2	330,696	4.05%
Ashland Inc. Board of Education	17,860,044	3	267,906	3.28%
Kentucky Heart & Vascular Physicians	17,833,175	4	267,498	3.27%
City of Ashland	12,078,037	5	181,171	2.22%
Graycor Industrial	10,625,512	6	159,386	1.95%
Wal-Mart Associates, Inc.	10,497,840	7	157,468	1.93%
Tri-State Radiology, PSC	7,978,875	8	119,683	1.47%
Kentucky Community & Tech. College	7,771,088	9	116,566	1.43%
Commonwealth of Kentucky	5,964,359	10	89,465	1.10%
	<u>274,793,562</u>		<u>4,124,594</u>	<u>50.50%</u>

\*Data supplied by City of Ashland Finance Department.

\*\*Total taxes paid in 2018 was \$9,837,546.

\*\*\*Total taxes paid in 2009 was \$8,169,277.

**CITY OF ASHLAND**  
**Principal Water and Sewer Customers**  
**(Unaudited)**

Customer	2019 Water Revenue	
	Average Monthly Amount	Average Monthly Usage
	Cannonsburg Water	\$ 88,401
AK Steel Corp	55,721	9,976,000
Big Sandy Water District	21,339	9,743,000
City of Ashland	36,984	7,564,000
Ashland Oil Refinery	40,460	7,089,000
Kings Daughters' Medical Center	53,225	5,893,000
Federal Correctional Institution	25,507	4,907,000
Cintas	28,579	4,705,000
Air Products	23,179	4,194,000
Flatwoods Water District	10,248	3,447,000
	\$ 383,643	87,605,000

Customer	Sewer Revenue	
	Average Monthly Amount	Average Monthly Usage
	Sanitation District # 4	\$ 187,586
Kings Daughters' Medical Center	43,847	3,724,000
Cintas	26,122	1,690,000
River Cities Disposal	51,958	1,515,000
City of Ashland Water Plant	8,480	804,000
Hardin Street Marine LLC	6,723	621,000
Woodland Oaks Health Care	5,020	402,000
Texas Roadhouse	4,760	377,000
Providence Hill Apartments	4,653	337,000
Ashland Municipal Housing	3,176	262,000
	\$ 342,325	45,685,000

\*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	
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
2014	2,900	297	-	32,735	141	11,098	47,171
2015	3,412	291	-	32,465	152	8,357	44,677
2016	1,886	195	-	24,270	332	14,389	41,072
2017	2,235	259	-	39,030	202	15,620	57,346
2018	3,549	325	-	41,748	757	36,915	83,294
2019	10,338	2,068	-	66,910	3,552	60,011	142,879



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

<u>Fiscal Year</u>	<u>Governmental Debt</u>	<u>Business Debt</u>	<u>Total</u>	<u>Percentage of Governmental Debt to Total Debt</u>	<u>Percentage of Business Debt to Total Debt</u>	<u>Legal Debt Margin</u>	<u>Personal Income (Thousands)</u>	<u>Percentage of Personal Income</u>
2010	9,194,717	11,068,153	20,262,870	45.38%	54.62%	91,088,481	1,632,765	1.24%
2011	8,689,642	13,536,357	22,225,999	39.10%	60.90%	91,309,332	1,650,655	1.35%
2012	8,051,891	15,942,953	23,994,844	33.56%	66.44%	92,270,717	1,656,617	1.45%
2013	7,492,928	15,172,793	22,665,721	33.06%	66.94%	92,950,856	1,647,318	1.38%
2014	8,773,763	16,222,823	24,996,586	35.10%	64.90%	94,931,124	1,703,600	1.47%
2015	8,403,746	18,879,606	27,283,352	30.80%	69.20%	96,012,906	1,745,792	1.56%
2016	7,960,362	17,593,327	25,553,689	31.15%	68.85%	98,581,294	1,728,065	1.48%
2017	7,596,478	15,493,100	23,089,578	32.90%	67.10%	99,857,011	1,773,022	1.30%
2018	11,790,761	14,258,082	26,048,843	45.26%	54.74%	99,832,510	*	*
2019	11,235,444	12,996,054	24,231,498	46.37%	53.63%	101,225,092	*	*

\*Information not available.

\*\*Property taxes are not restricted revenues.

**CITY OF ASHLAND**  
**Governmental Activities Debt Percentage**  
**(Unaudited)**

<u>Fiscal Year</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>Legal Debt Margin</u>	<u>Personal Income (Thousands)</u>	<u>Percentage of Personal Income</u>
2010	2,965,000	6,229,717	9,194,717	21,684	0.37%	137	424	91,088,481	1,632,765	0.56%
2011	2,870,000	5,819,642	8,689,642	21,616	0.35%	133	402	91,309,332	1,650,655	0.53%
2012	2,775,000	5,276,891	8,051,891	21,499	0.34%	129	375	92,270,717	1,656,617	0.49%
2013	2,675,000	4,817,928	7,492,928	21,310	0.32%	126	352	92,950,856	1,647,318	0.45%
2014	2,570,000	6,203,763	8,773,763	21,238	0.31%	121	413	94,931,124	1,703,600	0.52%
2015	2,520,000	5,883,746	8,403,746	21,046	0.30%	120	399	96,012,906	1,745,792	0.48%
2016	2,395,000	5,565,362	7,960,362	20,871	0.27%	115	381	98,581,294	1,728,065	0.46%
2017	2,265,000	5,331,478	7,596,478	20,576	0.25%	110	369	99,857,011	1,773,022	0.43%
2018	6,625,000	5,165,761	11,790,761	20,382	0.74%	325	578	99,832,510	*	*
2019	6,325,000	4,910,444	11,235,444	20,188	0.71%	313	557	101,225,092	*	*

\*Information not available.

\*\*Property taxes are not restricted revenues.

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

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

**CITY OF ASHLAND**  
**Business Activities Debt Percentage**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>Utility Bonds</u>	<u>Capital Lease</u>	<u>Note Payable</u>	<u>KIA Loans</u>	<u>Total</u>	<u>Population</u>	<u>Total Debt per Capita</u>	<u>Legal Debt Margin</u>	<u>Personal Income (Thousands)</u>	<u>Percentage of Personal Income</u>
2010	5,950,000	154,134	196,335	4,767,684	11,068,153	21,684	510	91,088,481	1,632,765	0.68%
2011	5,515,000	22,912	184,264	7,814,181	13,536,357	21,616	626	91,309,332	1,650,655	0.82%
2012	5,065,000	17,780	-	10,860,173	15,942,953	21,499	742	92,270,717	1,656,617	0.96%
2013	4,590,954	11,756	-	10,570,083	15,172,793	21,310	712	92,950,856	1,647,318	0.92%
2014	4,463,299	1,625,099	-	10,134,425	16,222,823	21,238	764	94,931,124	1,703,600	0.95%
2015	7,805,403	1,525,417	-	9,548,786	18,879,606	21,046	897	96,012,906	1,745,792	1.08%
2016	7,215,611	1,430,417	-	8,947,299	17,593,327	20,871	843	98,581,294	1,728,065	1.02%
2017	6,605,820	1,333,333	-	7,553,947	15,493,100	20,576	753	99,857,011	1,773,022	0.87%
2018	5,981,028	1,231,249	-	7,045,805	14,258,082	20,382	700	99,832,510	*	*
2019	5,346,236	1,126,250	-	6,523,568	12,996,054	201,822	64	101,225,092	*	*

\*Information not available.

**CITY OF ASHLAND**

**Demographic and Economic Statistics  
(Unaudited)**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2010	21,684	1,632,765	32,914	9.2
2011	21,616	1,650,655	33,403	9.5
2012	21,499	1,656,617	33,635	8.7
2013	21,310	1,647,318	33,683	8.7
2014	21,238	1,703,600	34,881	7.3
2015	21,046	1,745,792	35,991	6.7
2016	20,871	1,728,065	35,855	6.7
2017	20,576	1,773,022	36,954	6.5
2018	20,382	*	*	6.1
2019	20,188	*	*	6.1

\*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 Cities and Towns Statistical Local Area.

\*Information not available.

**CITY OF ASHLAND**  
**Principal Employers**  
**(Unaudited)**

2018			
Employer	Rank	Number of Employees	Percentage of Total City Employment
King's Daughters' Medical Center	1	3,189	14.67%
Ashland Independent Board of Education	2	766	3.52%
Wal-Mart Stores East, LP #1426	3	579	2.66%
City of Ashland	4	415	1.91%
Texas Roadhouse of Ashland, LLC	5	356	1.64%
Kentucky Community & Technical College	6	351	1.62%
JC Penney Co., Inc. 2387-9	7	297	1.37%
Pathways, Inc.	8	291	1.34%
Woodland Oaks Operations, LLC	9	254	1.17%
Commonwealth of Kentucky	10	242	1.11%
		6,740	31.01%

2009			
Employer	Rank	Number of Employees	Percentage of Total City Employment
Kings Daughters' Medical Center	1	3,967	16.37%
Graycor Industrial	2	908	3.75%
Ashland Inc. Board of Education	3	750	3.10%
Wal-Mart Stores East, LP #1426	4	717	2.96%
JCPenney Co., Inc. 2527-0	5	435	1.80%
AK Steel Corporation	6	427	1.76%
Kentucky Community & Technical College	7	394	1.63%
City of Ashland	8	367	1.51%
Texas Roadhouse of Ashland, LLC	9	341	1.41%
Cheddar's-Ashland, LLC	10	331	1.37%
		8,637	35.65%

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

\*\*Total number of City employees in 2018 was 21,733. Total number of City employees in 2009 was 24,226

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Full-Time Employees</b>										
General government	24	24	23	24	24	24	24	27	26	24
Finance	27	28	29	23	23	23	32	34	34	34
Public services	55	56	56	65	65	63	57	60	63	63
Community and Economic Development	12	11	12	8	8	8	8	7	8	8
Police	53	53	53	52	52	52	52	54	54	55
Fire	53	53	53	53	53	53	54	56	56	56
Engineering	5	-	-	-	-	-	-	-	-	-
Engineering & Utilities*	<u>70</u>	<u>74</u>	<u>74</u>	<u>71</u>	<u>71</u>	<u>71</u>	<u>71</u>	<u>77</u>	<u>80</u>	<u>81</u>
<b>Total full-time employees</b>	<u><u>299</u></u>	<u><u>299</u></u>	<u><u>300</u></u>	<u><u>296</u></u>	<u><u>296</u></u>	<u><u>294</u></u>	<u><u>298</u></u>	<u><u>315</u></u>	<u><u>321</u></u>	<u><u>321</u></u>

\*The department of Engineering & Utilities was combined in Fiscal Year 2008 and separated out again in Fiscal Year 2011

\*Economic Development (part of General Government) combined with Planning and Code in Fiscal Year 2017 to form Community and Economic Development.

\*Ashland Assisted Housing moved from the Finance division to Community and Economic Development in Fiscal Year 2017.

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

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Citizen's information</b>										
City commission meetings	30	22	33	22	25	29	22	22	22	23
CSO presentation meetings	-	-	-	-	-	-	-	-	1	2
Neighborhood Watch	8	11	18	11	12	12	11	12	12	20
<b>General government</b>										
Job applicants	563	637	559	409	420	506	434	299	525	501
Positions filled	110	84	43	40	26	19	17	17	21	23
Liability claims investigated	138	94	91	95	44	89	111	127	154	120
CPR classes held	1	2	-	1	-	-	4	-	3	3
<b>Finance</b>										
Utility bills processed	166,733	167,428	170,897	167,172	168,205	169,056	169,552	170,535	169,077	171,811
Vendors paid	833	885	844	800	662	670	706	704	732	329
Tax bills mailed	19,754	19,650	19,971	18,433	19,892	20,985	20,741	20,989	20,334	21,207
Active business licenses	2,456	2,438	2,574	2,514	2,535	2,754	2,537	2,583	2,606	2,682
<b>Public Services</b>										
Parking meter repairs	-	-	91	121	170	162	227	230	162	264
Stop / traffic signs changed	493	260	296	131	245	347	459	660	602	300
Debris hauled to landfill (tons)	11,236	10,043	10,080	10,041	8,935	10,433	1,014	1,100	1,160	1,091
Road / curb paint (gallons)	156	332	689	330	902	1,290	1,300	1,200	950	1,260
<b>Community and Economic Development</b>										
Building / zonings permits issued	332	342	290	285	289	323	283	384	327	394
Code fees / fines	3,378	2,926	2,232	3,684	3,269	2,821	2,211	1,055	686	87
<b>Police</b>										
Crimes reported	1,804	2,078	1,675	1,859	1,974	1,681	1,902	1,983	1,962	2,412
Closed cases	565	690	598	523	649	592	667	744	743	1,037
Citations issued	6,277	4,983	4,049	4,924	4,234	5,606	5,550	3,554	2,979	2,717
Calls for service	26,014	31,898	29,543	26,605	25,230	26,919	27,030	26,265	26,306	26,159
<b>Fire</b>										
Fires extinguished	152	268	240	322	299	204	261	302	323	359
Fire alarms investigated	224	190	111	217	141	162	189	561	286	514
Smoke detectors installed	332	139	468	118	159	139	106	170	508	35
Training hours	10,557	11,042	10,023	3,059	12,949	11,616	5,000	4,843	11,769	15,629
Calls for service	1,989	2,190	1,500	1,827	1,820	1,816	2,184	2,922	2,760	1,760
<b>Engineering &amp; Utilities</b>										
75 / 25 Sidewalk contracts	-	10	6	26	15	13	10	2	6	13
Minor / major subdivision reviews	10	6	11	11	11	10	17	17	15	40
Pipe installed (feet)	8,385	7,898	8,350	3,885	8,100	9,563	3,942	19,935	1,646	1,468
Catch basins	26	30	26	30	21	33	31	22	27	15
<b>Bus</b>										
Paratransit service calls	12,004	14,417	11,656	10,947	10,787	14,781	16,785	16,830	15,091	13,369
<b>Recreation</b>										
Commission approved events	24	38	37	31	32	50	43	44	42	45
Weddings at Central Park	29	32	30	40	35	51	45	60	60	55
Ballgames / practices	3,050	3,050	3,050	3,050	3,050	3,100	3,050	3,152	1,950	1,830
Dawson pool visitors	9,989	10,373	10,590	10,684	10,684	8,577	11,000	10,974	11,300	8,895
<b>Cemetery</b>										
Burials	79	93	97	94	90	73	100	100	95	128
Graves / Crypts / Niches sold	28	43	30	16	57	33	45	52	53	33

\*Parking meters removed from service in 2018.  
\*\*Data received from City of Ashland departments.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Public Services</b>										
Streets (miles)	200	200	200	200	200	200	200	200	200	200
Sidewalks (miles)	325	325	325	325	325	325	325	325	325	325
Floodwall (miles)	3	3	3	3	3	3	3	3	3	3
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	45	44	36	30	30	30	35	38	37	37
<b>Fire</b>										
Stations	3	3	3	3	3	3	3	3	3	3
Fire trucks	7	7	7	7	7	7	9	9	9	8
Administration vehicles	4	4	6	7	7	7	6	6	5	5
Rescue boat	1	1	1	1	1	1	1	1	1	1
<b>Engineering &amp; Utilities</b>										
Lift stations	14	14	14	14	14	13	12	12	12	12
Booster stations	20	20	20	20	20	20	20	20	20	20
Water plant	1	1	1	1	1	1	1	1	1	1
Sewer plant	1	1	1	1	1	1	1	1	1	1
<b>Bus</b>										
Transportation center	1	1	1	1	1	1	1	1	1	1
Bus shelters	13	13	13	13	13	13	13	13	9	9
Buses / trolley	11	11	10	12	10	10	10	10	10	10
<b>Recreation</b>										
Parks	10	10	10	10	10	10	10	10	10	9
Pool	1	1	1	1	1	1	1	1	1	1
Sidewalk around park (miles)	1	1	1	1	1	1	1	1	1	1
<b>Cemetery</b>										
Acreage	31	31	31	31	31	31	31	31	31	31
Mausoleums	3	3	3	3	3	3	3	3	3	3

\*\*Data received from City of Ashland departments.



**APPENDIX E**

**CITY OF ASHLAND, KENTUCKY  
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2020A**

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**BOOK ENTRY ONLY SYSTEM**

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## **BOOK-ENTRY-ONLY SYSTEM**

The Bonds initially will be issued solely in book entry form to be held in the book-entry only system maintained by DTC, New York, NY. So long as such book entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to Beneficial Owners (as defined below) of beneficial ownership interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the applicable Bond Ordinance.

The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. Neither the City nor the Registrar and Paying Agent make any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond for each maturity will be issued and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except if use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial

Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and Paying Agent and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Registrar and Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by the Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Registrar and Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Registrar and Paying Agent and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Registrar and Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Registrar and Paying Agent's DTC account.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable but neither the City nor the Registrar and Paying Agent take any responsibility for the accuracy thereof.

**NEITHER THE CITY NOR THE REGISTRAR AND PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE REGISTRAR AND PAYING AGENT AS BEING A HOLDER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESPECTIVE BOND ORDINANCE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.**

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, elections to tender Bonds or other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Bonds.

The City and the Registrar and Paying Agent cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Bonds made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

DTC may determine to discontinue providing its service as securities depository with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. In such event, the applicable Bond Ordinance provides for issuance of fully registered Bonds (“Replacement Bonds”) directly to the Beneficial Owners of Bonds, other than DTC or its nominee, only if DTC resigns or is removed as the securities depository for the Bonds. Upon the occurrence of this event, the City and the Registrar and Paying Agent may appoint another qualified depository. If the City and the Registrar and Paying Agent fail to appoint a successor depository, the Bonds shall be withdrawn from DTC and issued in fully registered form, whereupon the City shall execute and the Registrar and Paying Agent, as authenticating agent, shall authenticate and deliver Replacement Bonds in the denomination of \$5,000 or integral multiples thereof. The City will pay for all costs and expenses of printing, executing and authenticating the Replacement Bonds. Transfer and exchange of such Replacement Bonds will be made as provided in the applicable Bond Ordinance.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC’S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE ISSUER BELIEVES TO BE RELIABLE, BUT THE ISSUER TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

**APPENDIX F**

**CITY OF ASHLAND, KENTUCKY  
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2020A**

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**FORM OF BOND COUNSEL OPINION**

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*Upon delivery of the Series 2020A Bonds, Dinsmore & Shohl, LLP, Bond Counsel to the City, proposes to issue its approving opinion in substantially the following form, dated the date of such delivery.*

[Date of Delivery]

City of Ashland, Kentucky  
Ashland, Kentucky

Ladies and Gentlemen:

We have acted as bond counsel in connection with the authorization, sale and issuance by City of Ashland, Kentucky (the “City”), a municipal corporation and political subdivision of the Commonwealth of Kentucky, acting by and through its Board of Commissioners as its duly authorized governing body, of \$11,500,000\* principal amount of City of Ashland, Kentucky Water and Sewer System Revenue Bonds, Series 2020A, dated July 22, 2020 (the “Series 2020A Bonds”).

The Series 2020A Bonds have been authorized and issued pursuant to Chapter 58 and Sections 96.350 through 96.510, inclusive, of the Kentucky Revised Statutes (collectively, the “Act”), a certain General Bond Ordinance adopted by the City on January 15, 2004 (the “General Bond Ordinance”) and a certain Series 2020A Bond Ordinance authorizing the Series 2020A Bonds adopted on April 24, 2020 (the “Series Bond Ordinance” and together with the General Bond Ordinance, the “Ordinance”). Pursuant to the General Bond Ordinance and the Series Bond Ordinance, the City has authorized the issuance of the Series 2020A Bonds for the purpose of paying certain costs of the acquisition and construction of extensions, improvements, and additions to the City’s combined water and sewer system (the “System”), paying the costs of issuance of the Series 2020A Bonds, and funding a debt service reserve, if necessary, in accordance with the Ordinance.

We have examined such portions of the Constitution and Statutes of the United States, the Constitution and Statutes of the Commonwealth of Kentucky, and such applicable court decisions, regulations, rulings, and opinions as we have deemed necessary or relevant for the purposes of the opinions set forth below.

We have also examined records, and the transcript of proceedings relating to the authorization and issuance of the Series 2020A Bonds, including a specimen bond, and other relevant matters. We have also made such investigation as we have deemed necessary for the purposes of such opinions, and relied upon certificates of officials of the City as to certain factual matters. Based upon the foregoing, we advise you that in our opinion under existing law:

1. The Series 2020A Bonds have been duly authorized, executed and issued by the City in accordance with the Constitution and Statutes of the Commonwealth, including the Act, and in accordance with the General Bond Ordinance and the Series Bond Ordinance, and constitute valid and binding special obligations of the City, payable as to principal, interest, and premium, if any, from and secured by a pledge of (i) the Pledged Receipts, as defined in the Ordinance, (ii) the proceeds of the sale of the Series 2020A Bonds, (iii) Investment Obligations, as defined in the Ordinance, (iv) all funds established by the Ordinance, including accounts thereof and monies and securities therein, subject only to the provisions of the Ordinance permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Ordinance and (v) a statutory mortgage lien on all properties of the System and all extensions and appurtenances thereto, as provided by Section 96.400 of the Kentucky Revised Statutes and as more specifically described in the Ordinance.

2. Neither the faith and credit nor the taxing power of the City, the Commonwealth, or any political subdivision thereof, nor the faith and credit of the City is pledged to the payment of the principal of or interest on the Series 2020A Bonds, or to the payment of premium, if any.

3. Interest on the Series 2020A Bonds is exempt from income taxation by the Commonwealth of Kentucky, and the Series 2020A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

4. Interest on the Series 2020A Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the “Code”). Furthermore, interest on the Series 2020A Bonds will not be treated as a specific item of tax preference, under § 57(a)(5) of the Code, in computing the alternative minimum tax. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to

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\* Preliminary, subject to change.



meet the requirements of § 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Series 2020A Bonds.

5. The City has not designated the Series 2020A Bonds as “qualified tax exempt obligations” under Section 265 of the Code.

This opinion is based upon laws, regulations, rulings, and decisions in effect on the date hereof. In giving this opinion, we have relied upon covenants and certifications of facts, estimates and expectations made by the City and others which we have not independently verified. It is to be understood that the enforceability of the Series 2020A Bonds and the Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws in effect from time to time affecting creditors’ rights, and to exercise of judicial discretion in accordance with general principles of equity.

Very truly yours,

DINSMORE & SHOHL LLP

**APPENDIX G**

**CITY OF ASHLAND, KENTUCKY  
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2020A**

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**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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**APPENDIX H**

**CITY OF ASHLAND, KENTUCKY  
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2020A**

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**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**



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## OFFICIAL TERMS AND CONDITIONS OF BOND SALE

**\$11,500,000\***

**City of Ashland, Kentucky**

**Water and Sewer System Revenue Bonds, Series 2020A**

Notice is hereby given that electronic bids will be received by the City of Ashland, Kentucky (the "City"), until 1:00 p.m., local time on July 7, 2020, (or at such later time and date announced at least forty-eight hours in advance via the BiDCOMP™/PARITY™ system) for the purchase of approximately \$11,500,000\* of the City's Water and Sewer System Revenue Bonds, Series 2020A (the "Series 2020A Bonds"). Alternatively, written sealed or facsimile bids for the Series 2020A Bonds by the designated time will be received by the Director of Finance, City of Ashland, Kentucky, 1700 Greenup Avenue, Ashland, Kentucky 41105 (FAX: (606) 327-2055). Electronic bids must be submitted through BiDCOMP™/PARITY™ as described herein and no other provider of electronic bidding services will be accepted. Bids will be opened and acted upon later that same day.

### STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

The Series 2020A Bonds are authorized pursuant to Chapter 58 of the Kentucky Revised Statutes, Section 96.190 of the Kentucky Revised Statutes and Sections 96.350 to 96.510, inclusive of the Kentucky Revised Statutes and are being issued in accordance with a General Bond Ordinance adopted by the City on January 15, 2004 and a Series 2020A Bond Ordinance (collectively, the "Bond Ordinance") adopted by the City on May 7, 2020

The Series 2020A Bonds, together with parity bonds which may be issued from time to time, pursuant to the Ordinance, are secured by and payable solely from the Pledged Receipts derived from the collection of rates, rentals and charges for the services rendered by the City's combined water and sewer system (the "System").

The proceeds of the Series 2020A Bonds will be used to provide funds to (i) pay the costs of the construction of additions and improvements to the System, and (ii) pay costs incident to the issuance and sale of the Series 2020A Bonds.

### BOND MATURITIES AND PAYING AGENT

The Series 2020A Bonds will be dated their date of initial delivery, bearing interest from such date, payable on each on April 1<sup>st</sup> and October 1<sup>st</sup>, commencing with April 1, 2020.

The Series 2020A Bonds are scheduled to mature on April 1<sup>st</sup>, in each of the years as follows:

<b>Year</b>	<b>Amount*</b>	<b>Year</b>	<b>Amount*</b>
2021	\$340,000	2032	\$550,000
2022	470,000	2033	565,000
2023	475,000	2034	575,000
2024	480,000	2035	590,000
2025	490,000	2036	605,000
2026	495,000	2037	620,000
2027	505,000	2038	635,000
2028	510,000	2039	650,000
2029	520,000	2040	670,000
2030	530,000	2041	685,000
2031	540,000		

The Series 2020A Bonds maturing on and after April 1, 2029 shall be subject to optional redemption prior to their maturity on any date on or after April 1, 2028, in whole or in part, in such order of maturity as may be selected by the City and by lot within a maturity at a redemption price equal to the principal amount of Series 2020A Bonds to be redeemed, plus accrued interest to the date of redemption.

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\* Preliminary, subject to change.

At least thirty days before the redemption date of any Series 2020A Bonds, the Paying Agent and Registrar shall cause a notice of such redemption either in whole or in part, signed by the Paying Agent and Registrar, to be mailed, first class, postage prepaid, to all registered owners of the Series 2020A Bonds to be redeemed at their addresses as they appear on the registration books kept by the Paying Agent and Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption of Series 2020A Bonds for which such notice has been sent. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Series 2020A Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive number or letters, if any, of such Series 2020A Bonds to be redeemed.

U.S. Bank National Association, Louisville, Kentucky, has been appointed Paying Agent and Registrar for the Series 2020A Bonds.

### **BIDDING CONDITIONS AND RESTRICTIONS**

The terms and conditions of the sale of the Series 2020A Bonds are as follows:

- (A) Electronic bids for the Series 2020A Bonds must be submitted through BiDCOMP™/PARITY™ system and no other provider of electronic bidding services will be accepted. Subscription to the BiDCOMP™/PARITY™ Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by BiDCOMP™/PARITY™ shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in BiDCOMP™/PARITY™ conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Bond Sale shall prevail. Electronic bids made through the facilities of BiDCOMP™/PARITY™ shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of the prospective bidders. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form. Written sealed bids (in a sealed envelope marked “Official Bid for Bonds”) or facsimile bids for the Series 2020A Bonds by the designated time will be received by the Director of Finance, City of Ashland, Kentucky, 1700 Greenup Avenue, Ashland, Kentucky 41105 (FAX: (606) 327-2055).
- (B) Bidders are required to bid for the entire issue of Series 2020A Bonds at a minimum price of not less than \$11,270,000 (98.0% of par) and not more than \$12,650,000 (110% of par) (excluding original issue discount, if applicable), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.
- (C) Interest rates for the Series 2020A Bonds must be in multiples of one-eighth of one percent (0.125%) and/or one-twentieth of one percent (0.05%), which rates must be on an ascending scale, in that the rate on the applicable series of Series 2020A Bonds in any maturity is not less than the rate on the applicable series of Series 2020A Bonds for any preceding maturity and all Series 2020A Bonds of the same maturity and all Series 2020A Bonds of the same maturity and series shall bear the same and a single interest rate from the date thereof to maturity.
- (D) The determination of the best purchase bid for the Series 2020A Bonds shall be made on the basis of all bids submitted for exactly \$11,500,000 principal amount of Series 2020A Bonds offered for sale hereunder; but the City may adjust the principal amount of Series 2020A Bonds which may be awarded to such best bidder upward by \$50,000 or downward by any amount (the “Permitted Adjustment”). In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price of which such adjusted principal amount of Series 2020A Bonds will be sold will be the same price per \$1,000 of Series 2020A Bonds as the price per \$1,000 for the \$11,500,000 of Series 2020A Bonds bid.

While it is the City’s intention to sell and issue the approximate par amounts of the Series 2020A Bonds as set forth herein, there is no guarantee that adjustments or revisions may not be necessary in order to properly size the Series 2020A Bonds. Accordingly, the City reserves the right in its sole discretion to adjust up or

down the original par amount of the Series 2020A Bonds per maturity, even if the issue size of the Series 2020A Bonds does not change. Among other factors the City may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Series 2020A Bonds, is the size of individual maturities or sinking fund installments, assuring level debt service, and/or other preferences of the City.

- (E) In the event of any such adjustment and/or revision with respect to the Series 2020A Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid on the Series 2020A Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Series 2020A Bonds bears to the original par amount of such Series 2020A Bonds offered for sale.

Unless bids for the Series 2020A Bonds are rejected, the Series 2020A Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid result in the lowest true interest costs for each of the series of Series 2020A Bonds, to be calculated by computing the total interest payable on the applicable series of Series 2020A Bonds from the expected date of delivery, through the final maturity date, plus discount or less premium. For purposes of calculating the true interest cost, the principal amount of any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the applicable series of Series 2020A Bonds. In the event that two or more bidders offer to purchase the respective series of Series 2020A Bonds at the same lowest true interest rate, the Mayor, upon the advice of the Director of Finance, shall determine (in his sole discretion) which of the bidders shall be awarded the respective series of Series 2020A Bonds.

The successful bidder for the Series 2020A Bonds will be notified by no later than 5:00 p.m. (Eastern Daylight Savings Time), on the sale date of the exact revisions or adjustment required, if any.

- (F) Bidders have the option of specifying that Series 2020A Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of Series 2020A Bonds scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such term bonds scheduled in the year of maturity of the term bonds, which principal amount shall mature in that year.
- (G) The CUSIP Service Bureau charge for the assignment of such numbers shall be the responsibility of and shall be paid for by the successful bidder or bidders. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Series 2020A Bonds in accordance with the terms of any accepted proposal for the purchase of the Series 2020A Bonds.
- (H) The City will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.
- (I) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder will be required to wire transfer to the order of the City an amount equal to 2.0% of the amount of the principal amount of Series 2020A Bonds awarded by the close of business on the day following the award. Said good faith amount will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Series 2020A Bonds when ready. The good-faith amount will be applied (without interest) to the purchase price upon delivery of the Series 2020A Bonds. The successful bidder shall not be required to take delivery and pay for the Series 2020A Bonds unless delivery is made within forty-five days from the date the bid is accepted.
- (J) Unless the successful bidder elects to notify the Financial Advisor within twenty-four hours of the award that standard bond certificates be issued, the Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2020A Bonds. They will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2020A Bond certificate will be issued for each maturity of the Series 2020A Bonds of each series, each in

the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Series 2020A Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the “Direct Participants”), which will receive a credit for the Series 2020A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2020A Bond (a “Beneficial Owner”) is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the “Indirect Participants”). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2020A Bonds, except in the event that use of the book-entry system for the Series 2020A Bonds is discontinued. The successful bidder may also elect to notify the Financial Advisor within twenty-four hours of the award that standard bond certificates be issued. In the event that certificated Series 2020A Bonds are to be issued at the election of a successful bidder, the costs of printing such Bond Certificates shall be borne by such bidder.

- (K) The City reserves the right to reject any and all bids or to waive any informality in any bid. The Series 2020A Bonds are offered for sale subject to the principal and interest on the Series 2020A Bonds not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, all in accordance with the final approving legal opinions of Dinsmore & Shohl LLP, Louisville, Kentucky, which opinions will be qualified in accordance with the section hereof on TAX EXEMPTION.
- (L) Bidders are advised that RSA Advisors LLC has been employed as Financial Advisor in connection with the issuance of the Series 2020A Bonds. Their fee for services rendered with respect to the sale of the Series 2020A Bonds is contingent upon the issuance and delivery thereof. They may submit a bid for the purchase of the Series 2020A Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Series 2020A Bonds.
- (M) The winning bidder for the Series 2020A Bonds shall assist the City in establishing the issue price of the Series 2020A Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Series 2020A Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A-1, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under these Official Terms and Conditions of Bond Sale to establish the issue price of the Series 2020A Bonds may be taken on behalf of the City by the City’s financial advisor identified herein and any notice or report to be provided to the City shall be provided to the City’s Financial Advisor.

The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Series Bonds) will apply to the initial sale of each of the Series 2020A Bonds (the “competitive sale requirements”) because:

- (1) the City shall disseminate these Official Terms and Conditions of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the Series 2020A Bonds to the bidder who submits a firm offer to purchase the Series 2020A Bonds at the lowest true interest cost, as set forth in these Official Terms and Conditions of Bond Sale.

Any bid submitted pursuant to these Official Terms and Conditions of Bond Sale shall be considered a firm offer for the purchase of the Series 2020A Bonds, as specified in the bid.

- (N) In the event that the competitive sale requirements are not satisfied, the City shall so advise the applicable winning bidder. The City will treat the initial offering price to the public as of the sale date of any maturity of the Series 2020A Bonds as the issue price of that maturity (the “hold-the-offering-price rule”), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). Bids will not be subject to cancellation in the event that the City determines to apply the hold-the-offering-price rule to any maturity of the Series 2020A Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Series 2020A Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Series 2020A Bonds.

If the competitive sale requirements are not satisfied, the winning bidder for the Series 2020A Bonds shall assist the City in establishing the issue price of the Series 2020A Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate setting forth the hold-the-offering-price rule as the issue price of that maturity, in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity) substantially in the form attached hereto as Exhibit A-2, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel.

- (O) The City acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Series 2020A Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Series 2020A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Series 2020A Bonds.
- (P) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Series 2020A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Series 2020A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Series 2020A Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.
- (Q) Additional information, including the Preliminary Official Statement, the Official Terms and Conditions of Bond Sale and the Official Bid Form, may be obtained from the City’s Financial Advisor, RSA Advisors LLC, 325 West Main Street, Suite 300, Lexington, Kentucky, Attention Mr. Joe Lakofka (800) 255-0795 or at <http://www.rsamuni.com>. Further information regarding BiDCOMP™/PARITY™ may be obtained from BiDCOMP™/PARITY™, 1359 Broadway - 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: (800) 850-7422.

## CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”) the City (the “Obligated Person”) will agree pursuant to a Continuing Disclosure Undertaking dated as of the date of issuance and delivery of the Series 2020A Bonds (the “Disclosure Undertaking”), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board (“MSRB”), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in “Appendix A” and “Appendix B” (“Financial Data”) of the Official Statement; such information shall be provided on or before the March 1<sup>st</sup> succeeding the end of the fiscal year ending June 30<sup>th</sup>, commencing with the fiscal year ending June 30, 2020, provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditor to the Obligated Person; and
- (ii) to the MSRB, notice of the occurrence of the following events, if material, with respect to the Series 2020A Bonds:
  - (a) Principal and interest payment delinquencies;
  - (b) Non-payment related defaults;
  - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (e) Substitution of credit or liquidity providers, or their failure to perform;
  - (f) Adverse tax opinions or events affecting the tax-exempt status of the security;
  - (g) Modifications to rights of security holders;
  - (h) Series 2020A Bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;
  - (i) Defeasances;
  - (j) Release, substitution or sale of property securing repayment of the securities;
  - (k) Rating changes; and
  - (l) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);
  - (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
  - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

- (o) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
  - (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer or obligated person, any of which reflect financial difficulties.
- (iii) in a timely manner, to the MSRB, notice of a failure (of which the Obligated Persons have knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

“Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Series 2020A Bonds, with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Bond Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to material events as defined under the Rule:

- (a) there are no debt service reserve funds applicable to the Series 2020A Bonds;
- (b) there are no credit enhancements applicable to the Series 2020A Bonds;
- (c) there are no liquidity providers applicable to the Series 2020A Bonds; and
- (d) there is no property securing the Series 2020A Bonds.

#### **TAX EXEMPTION**

In the opinion of Bond Counsel for the Series 2020A Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series 2020A Bonds will be excludable from gross income for Federal income tax purposes. Bond Counsel for the Series 2020A Bonds is also of the opinion that interest on the Series 2020A Bonds will not be a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the “Code”) for purposes of the Federal minimum tax. Furthermore, Bond Counsel for the Series 2020A Bonds is of the opinion that interest on the Series 2020A Bonds is exempt from income taxation and the Series 2020A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Series 2020A Bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Series 2020A Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Series 2020A Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Series 2020A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2020A Bonds may adversely affect the tax status of the interest on the Series 2020A Bonds.

Certain requirements and procedures contained or referred to in the Series 2020A Bond documents and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2020A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2020A Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of Bond Counsel other than Dinsmore & Shohl LLP.



Although Bond Counsel for the Series 2020A Bonds is of the opinion that interest on the Series 2020A Bonds will be excludible from gross income for Federal income tax purposes and that interest on the Series 2020A Bonds is excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2020A Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Series 2020A Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership or disposition of the Series 2020A Bonds may result in other collateral federal, state or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Series 2020A Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Series 2020A Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series 2020A Bonds.

The City has not designated the Series 2020A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

*/s/ Hon. Steve Gilmore*

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Mayor, City of Ashland, Kentucky

**EXHIBIT A-1**  
**TO**  
**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**  
**FORM OF ISSUE PRICE CERTIFICATE**

*[In case of receipt of at least 3 qualified bids for the Bonds]*

**ISSUE PRICE CERTIFICATE**

Re: \$11,500,000\* City of Ashland, Kentucky Water and Sewer System Revenue Bonds, Series 2020A

The undersigned, on behalf of [Name of Underwriter] (“[Short Name of Underwriter]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

**1. Reasonably Expected Initial Offering Price.**

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [Short Name of Underwriter] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [Short Name of Underwriter] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [Short Name of Underwriter] to purchase the Bonds.

(b) [Short Name of Underwriter] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [Short Name of Underwriter] constituted a firm offer to purchase the Bonds.

**2. CUSIP Number.** The CUSIP number assigned to the final maturity of the Bonds is [CUSIP Number].

**3. Yield on the Bonds.** It computed the yield on the Bonds, [Yield%], as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds is the Expected Offering Prices, determined without taking into account issuance expenses and Underwriter’s discount.

**4. Weighted Average Maturity.** The “weighted average maturity” of the Bonds has been calculated to be \_\_\_\_ years. The weighted average maturity is the sum of the products of the respective Expected Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Expected Offering Prices of the Bonds as of the date hereof.

**5. Defined Terms.**

(a) “City” means the City of Ashland, Kentucky.

(b) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is July 7, 2020.

(e) “Underwriter” means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph

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\* Preliminary, subject to change.

to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [Short Name of Underwriter]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations set forth in the foregoing tax certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G and other federal income tax advice that it may give to the City from time to time relating to the Bonds.

[NAME OF UNDERWRITER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: July 22, 2020.

**SCHEDULE A  
TO  
ISSUE PRICE CERTIFICATE  
EXPECTED OFFERING PRICES**

(Attached)

**SCHEDULE B  
TO  
ISSUE PRICE CERTIFICATE**

**COPY OF BID**

(Attached)

**EXHIBIT A-2**  
**TO**  
**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**  
**FORM OF ISSUE PRICE CERTIFICATE**

*[In case of receipt of less than 3 qualified bids for the Bonds]*

Re: \$11,500,000\* City of Ashland, Kentucky Water and Sewer System Revenue Bonds, Series 2020A

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of [Name of Underwriter] ([“[Short Name of Underwriter]”]), on behalf of itself and [Names of other Underwriters] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

**1. Sale of the General Rule Maturities.** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

**2. Initial Offering Price of the Hold-the-Offering-Price Maturities.**

(a) [Short Name of Underwriter][The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Official Terms and Conditions of Bond Sale, [Short Name of Underwriter] has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

**3. CUSIP Number.** The CUSIP number assigned to the final maturity of the Bonds is [CUSIP NUMBER].

**4. Yield on the Bonds.** It computed the yield on the Bonds, [YIELD%], as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds is the Initial Offering Prices, determined without taking into account issuance expenses and Underwriter’s discount.

**5. Weighted Average Maturity.** The “weighted average maturity” of the Bonds has been calculated to be [\_\_\_\_] years. The weighted average maturity is the sum of the products of the respective Initial Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Initial Offering Prices of the Bonds as of the date hereof.

**6. Defined Terms.**

(a) “General Rule Maturities” means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) “Hold-the-Offering-Price” Maturities means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

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\* Preliminary, subject to change.

(c) “Holding Period” means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (July 14, 2020), or (ii) the date on which [Short Name of Underwriter][the Underwriting Group] [has][have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) “Issuer” means the City of Ashland, Kentucky.

(e) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is July 7, 2020.

(h) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [Short Name of Underwriter]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the foregoing tax certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[NAME OF UNDERWRITER][as Representative of the Underwriter Group]

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Dated: July 22, 2020.

**SCHEDULE A  
TO  
ISSUE PRICE CERTIFICATE**

**SALE PRICES OF THE GENERAL RULE MATURITIES AND  
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

(Attached)



**SCHEDULE B  
TO  
ISSUE PRICE CERTIFICATE  
PRICING WIRE OR EQUIVALENT COMMUNICATION**

(Attached)

**APPENDIX I**

**CITY OF ASHLAND, KENTUCKY  
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2020A**

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**OFFICIAL BID FORM**

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**OFFICIAL BID FORM**

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$11,500,000\* Water and Sewer System Revenue Bonds, Series 2020A (the "Series 2020A Bonds") offered for sale by the City of Ashland, Kentucky (the "City"), and in accordance with the Official Terms and Conditions of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Series 2020A Bonds.

We hereby bid for the \$11,500,000\* principal amount of the Bonds maturing on April 1, 2020, and each April 1<sup>st</sup> thereafter of the years and in the amounts set forth below, the total sum of \$\_\_\_\_\_ (not less than \$11,270,000 or more than \$12,650,000) plus accrued interest from July 22, 2020, at the following annual rate(s), payable semiannually, commencing April 1, 2021 (rates on ascending scale, number of interest rates unlimited):

<b>Maturity</b>	<b>Amount*</b>	<b>Interest Rate</b>	<b>Maturity</b>	<b>Amount*</b>	<b>Interest Rate</b>
April 1, 2021	\$340,000	_____%	April 1, 2032	\$550,000	_____%
April 1, 2022	470,000	_____%	April 1, 2033	565,000	_____%
April 1, 2023	475,000	_____%	April 1, 2034	575,000	_____%
April 1, 2024	480,000	_____%	April 1, 2035	590,000	_____%
April 1, 2025	490,000	_____%	April 1, 2036	605,000	_____%
April 1, 2026	495,000	_____%	April 1, 2037	620,000	_____%
April 1, 2027	505,000	_____%	April 1, 2038	635,000	_____%
April 1, 2028	510,000	_____%	April 1, 2039	650,000	_____%
April 1, 2029	520,000	_____%	April 1, 2040	670,000	_____%
April 1, 2030	530,000	_____%	April 1, 2041	685,000	_____%
April 1, 2031	540,000	_____%			

**PURCHASER’S OPTION** - The Purchaser of the Bonds may specify to the City that any Bonds may be combined with immediately succeeding sequential maturities into a Term Bond or Term Bonds, bearing a single rate of interest, with the maturities set forth above (or as such may be adjusted as provided herein) comprising mandatory sinking fund redemption amounts for such Term Bond(s).

The amounts indicated above maturing in the following years: \_\_\_\_\_ are sinking fund redemption amounts for term bonds due \_\_\_\_\_.

The amounts indicated above maturing in the following years: \_\_\_\_\_ are sinking fund redemption amounts for term bonds due \_\_\_\_\_.

Completed bid forms may be submitted via facsimile to the offices of the Director of Finance, City of Ashland, Kentucky, 1700 Greenup Avenue, Ashland, Kentucky 41105 (Fax: (606) 327-2055). Neither the City nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel or equipment are available to accept all telephonic transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone. Bids may be submitted electronically via PARITY® pursuant to this Notice until the appointed date and time, but no bid will be received after such time.

It is understood that the City will furnish the final, approving Legal Opinion of Dinsmore & Shohl LLP, Bond Counsel to the City. We understand that no certified or bank cashier’s check will be required to accompany the bid, but that if we are the successful bidder, we shall be required to wire transfer an amount equal to two percent (2.0%) of the amount of Bonds awarded by the close of business on the day following the award. Said amount will be applied (without interest) to the purchase price when the Bonds are tendered to us for delivery.

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\* Preliminary, subject to change.

If we are the successful bidder, we agree to accept and make payment for the Bonds in immediately available funds within forty-five days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

\_\_\_\_\_  
Bidder

\_\_\_\_\_

\_\_\_\_\_  
Address

By: \_\_\_\_\_  
Signature

Total interest cost from date of delivery (estimated to be July 22, 2020) to final maturity	\$ _____
(Less Premium) or Plus discount, if any	\$ _____
Total interest cost plus discount	\$ _____
True interest cost (TIC)	_____ %

The above computation of true interest cost and of true interest rate or cost is submitted for information only and is not a part of this Bid.

Accepted this July 7, 2020 by the City of Ashland, Kentucky for \$ \_\_\_\_\_ principal amount of Bonds at the price of \$ \_\_\_\_\_ as follows:

April 1, 2021	\$ _____	_____ %	April 1, 2032	\$ _____	_____ %
April 1, 2022	\$ _____	_____ %	April 1, 2033	\$ _____	_____ %
April 1, 2023	\$ _____	_____ %	April 1, 2034	\$ _____	_____ %
April 1, 2024	\$ _____	_____ %	April 1, 2035	\$ _____	_____ %
April 1, 2025	\$ _____	_____ %	April 1, 2036	\$ _____	_____ %
April 1, 2026	\$ _____	_____ %	April 1, 2037	\$ _____	_____ %
April 1, 2027	\$ _____	_____ %	April 1, 2038	\$ _____	_____ %
April 1, 2028	\$ _____	_____ %	April 1, 2039	\$ _____	_____ %
April 1, 2029	\$ _____	_____ %	April 1, 2040	\$ _____	_____ %
April 1, 2030	\$ _____	_____ %	April 1, 2041	\$ _____	_____ %
April 1, 2031	\$ _____	_____ %			

\_\_\_\_\_  
Mayor  
City of Ashland, Kentucky