

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 15, 2021

**Book-Entry Only
New Issue
Not Bank Qualified**

**Rating: Moody's "A2"
See "Rating" herein**

In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludible from gross income of the holders thereof for purposes of federal income taxation, (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax, and (iii) interest on the Bonds is exempt from income taxation by the Commonwealth of Kentucky, all subject to the qualifications described herein under the heading "LEGAL MATTERS - Tax Treatment." The Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky.

\$12,750,000*
CITY OF ASHLAND, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021A

Dated: Date of Delivery

Due: January 1st, as shown below

The 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 Bonds will be payable semiannually on January 1st and July 1st, commencing January 1, 2022, and the Bonds will mature on January 1st of each year, as shown below.

Year	Amount*	Interest Rate	Price	Yield	CUSIP #†
2022	\$625,000	___%	___%	___%	_____
2023	1,285,000				
2024	1,300,000				
2025	1,310,000				
2026	1,325,000				
2027	1,345,000				
2028	1,355,000				
2029	1,380,000				
2030	1,400,000				
2031	1,425,000				

Depository Trust Company ("DTC") or its nominee. There will be no distribution of Bonds to owners of book entry interests. DTC will receive all payments of principal and interest with respect to the Bonds from U.S. Bank National Association, Louisville, Kentucky, as Paying Agent and Bond Registrar. DTC is required by its rules and procedures to remit such payments to participants in DTC for subsequent disbursement to the owners of book entry interests. So long as DTC or its nominee is the registered owner of the Bonds, references herein to the Bondholders or registered owners (other than under the captions "LEGAL MATTERS - Tax Treatment" and "CONTINUING DISCLOSURE") shall mean DTC or its nominee, and not the owners of book entry interests in the Bonds. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof.

The Bonds are subject to redemption prior to maturity as described herein.

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, subject to the approval of legality and tax exemption by Dinsmore & Shohl LLP, Bond Counsel, Louisville, Kentucky. Certain legal matters have been passed upon for the City by James H. Moore, III, City Attorney. The Bonds are expected to be available for delivery on or about July 7, 2021.



* Preliminary, subject to change as set out in the Official Terms and Conditions of Bond Sale.

† CUSIP Numbers have been assigned by an independent company not affiliated with the City, the Financial Advisor, Bond Counsel, or the Underwriter and are included solely for the convenience of the owners of the bonds. Neither the City, the Financial Advisor, Bond Counsel, nor the Underwriter are responsible for the selection or uses of these CUSIP Numbers, and no representation is made as to their correction on the bonds or as indicated above. The CUSIP Number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, without limitation, a refunding in whole or in part of such maturity, tender and remarketing, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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 offers 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 prior to registration or qualification under the securities laws of any such jurisdiction.

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds. 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 authorized 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 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. 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.

Upon issuance, the Bonds will not be registered by the City under any federal or state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal, or other governmental entity or agency except the City will have, at the request of the City, passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, 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 is shown by that financial and other information, will necessarily continue or be repeated in the future.

Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the City preliminary to sale of the Bonds should be regarded as part of the City's contract with the holders of the Bonds.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes ("KRS") or uncodified, or to the provisions of the Kentucky Constitution or the City's ordinances or resolutions, are references to such provisions as they presently exist. Any of these provisions may from time to time be amended, repealed or supplemented.

As used in this Official Statement, "debt service" means principal of, interest and any premium on, the obligations referred to; "City" means the City of Ashland, Kentucky; and "Kentucky" or "Commonwealth" means the Commonwealth of Kentucky.

CITY OF ASHLAND, KENTUCKY

Mayor

Matt Perkins

Board of Commissioners

Josh Blanton

Amanda Clark

F. Marty Gute

Cheryl Wooten Spriggs

City Manager

Michael Graese

Finance Director

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

TABLE OF CONTENTS

Page

INTRODUCTION.....	1
The City.....	1
Sources of Payment for the Bonds	1
Purpose of the Bonds.....	1
Description of the Bonds.....	1
Interest.....	1
Redemption	1
Book Entry	2
Tax Treatment	2
Parties to the Issuance of the Bonds	2
Authority for Issuance.....	2
Offering and Delivery of the Bonds	2
COVID-19 Pandemic	3
Disclosure Information.....	3
Additional Information.....	3
DESCRIPTION OF THE BONDS.....	3
General	3
Book Entry Only System.....	3
Redemption Provisions.....	3
Security and Source of Payment for Bonds.....	4
Statutory Lien.....	5
THE PROJECTS	5
SOURCES AND USES OF FUNDS	5
INVESTMENT CONSIDERATIONS	6
Limitation on Enforcement of Remedies.....	6
Risk of Bankruptcy.....	6
Suitability of Investment	7
Additional Debt	7
General Economic Conditions.....	7
Market for the Bonds.....	7
Bond Rating.....	7
Tax Implications.....	7
Impact of the COVID-19 Pandemic	7
PROFILE OF THE CITY AND SURROUNDING AREA	8
CITY GOVERNMENT.....	8
Elected and Appointed Officials	8
Financial Matters.....	9

Financial Management	9
Financial Reports and Examinations of Accounts	9
Budgeting and Appropriations Procedures	10
Investment Policies	10
Debt Limitation	11
Tax Limitation	12
Bond Anticipation Notes	12
Future Borrowings of the City	12
Employee Retirement and Health Obligations	12
LEGAL MATTERS	14
General Information	14
Transcript and Closing Certificates	14
Litigation	14
Tax Treatment	14
Original Issue Premium	15
Original Issue Discount	15
RATING	16
CONTINUING DISCLOSURE	16
UNDERWRITING	18
FINANCIAL ADVISOR	18
MISCELLANEOUS	18
APPENDICES:	
APPENDIX A - Demographic, Economic, and Financial Data	
APPENDIX B - Audited Financial Statements of the City of Ashland, Kentucky for the Fiscal Year Ending June 30, 2020	
APPENDIX C - Statement of Indebtedness	
APPENDIX D - Form of Approving Opinion of Bond Counsel	
APPENDIX E - Book Only Entry System	
APPENDIX F - Official Terms and Conditions of Bond Sale	
APPENDIX G - Official Bid Form	

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 \$12,750,000* aggregate principal amount of General Obligation Bonds, Series 2021A (the “Bonds”) of the City of Ashland, Kentucky (the “City”) as specified on the cover page hereof.

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 Bonds to potential investors is made only by means of the entire Official Statement.

The City

The Bonds are being issued by the City of Ashland, Kentucky, a municipal corporation and political subdivision of the Commonwealth of Kentucky. The City is in Boyd County in Central Kentucky.

Sources of Payment for the Bonds

The Bonds are general obligation debt of the City. The basic security for the Bonds is the City’s ability to levy an annual tax to pay the interest on and principal of the Bonds as and when the same become due and payable. (See “DESCRIPTION OF THE BONDS - Security and Source of Payment for the Bonds,” herein.)

Purpose of the Bonds

The Bonds are being issued for the purposes of (i) paying all or a portion of the costs of acquiring, constructing, equipping, and installing various municipal capital improvements to City-owned property within the City, including without limitation repairs to, renovations of, and improvements to (a) pavement and road surfaces, (b) traffic lights and related equipment and facilities, (c) sidewalks, crosswalks, and associated lighting, and (d) various City-owned buildings and public park facilities, (ii) refunding in advance of maturity all or a portion of the City’s obligations with respect to a General Obligation Lease Agreement dated as of December 23, 2008, and amended and supplemented as of December 10, 2015, by and between the City and the Kentucky League of Cities Funding Trust, including any interest rate hedge termination fees associated therewith, (iii) paying capitalized interest on the Bonds, if any, (iv) paying the costs of credit enhancement, if any, for the Bonds, and (v) paying all or a portion of the costs of issuance of the Bonds.

Description of the Bonds

The Bonds will mature as set forth on the cover page hereof. The Bonds are being offered in denominations of \$5,000 or any integral multiple thereof.

Interest

The Bonds will bear interest at the rates set forth on the cover page hereof, payable semi-annually on January 1st and July 1st, beginning January 1, 2022. The record dates for all interest payment dates for the Bonds will be the fifteenth day of the month immediately preceding any interest payment date.

Redemption

The Bonds maturing on or after January 1, 2030 are subject to redemption prior to stated maturity on any date falling on or after January 1, 2029 (less than all of a single maturity to be selected by lot), in whole or in part, at a redemption price equal to the principal amount redeemed, plus accrued interest to the date of redemption. See “DESCRIPTION OF THE BONDS - Redemption Provisions - Optional Redemption” herein).

[The Bonds maturing on January 1, 20[___] are subject to mandatory sinking fund redemption commencing January 1, 20[___]. See “DESCRIPTION OF THE BONDS - Redemption Provisions- Mandatory Sinking Fund Redemption,” herein.]

* Preliminary, subject to change as set out in the Official Terms and Conditions of Bond Sale.

If any Bonds are called for redemption, notice shall be given by mailing a copy of the redemption notice at least thirty days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed (see “DESCRIPTION OF THE BONDS - Redemption Provisions - Notice of Redemption,” herein).

Book Entry

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

Tax Treatment

Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest, including original issue discount, if any, on the 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 Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. In rendering the opinions in this paragraph, Bond Counsel has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds. Interest on the Bonds is also exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The City has not designated the Bonds as “qualified tax-exempt obligations” with respect to certain financial institutions under Section 265 of the Code.

See “APPENDIX D - Form of Legal Approving Opinion of Bond Counsel” hereto for the form of the opinion of Bond Counsel to be delivered in connection with the Bonds.

Parties to the Issuance of the Bonds

The Registrar and Paying Agent is U.S. Bank National Association, Louisville, Kentucky. Legal matters incident to the issuance of the Bonds and with regard to the tax treatment status of the interest on the Bonds are subject to the approving legal opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, Bond Counsel. The Underwriter is identified under the heading “UNDERWRITER.” The Financial Advisor to the City is RSA Advisors, LLC.

Authority for Issuance

Authority for the issuance of the Bonds is provided by Sections 66.011 through 66.171 of the Kentucky Revised Statutes and an ordinance for the Bonds adopted by the Board of Commissioners of the City on May 27, 2021 (the “Bond Ordinance”).

Further, under Kentucky law, the City may not issue bonds which, together with all other net indebtedness of the City plus the principal amount of any outstanding self-supporting obligations, is in excess of ten percent (10.0%) of the value of the taxable property therein, as determined by the next preceding certified assessment. As described in “APPENDIX C - Statement of Indebtedness”, the issuance of the Bonds and the City’s other outstanding obligations is in compliance with this requirement. See “CITY GOVERNMENT - Debt Limitation” herein for additional information.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued by the City. The Bonds will be delivered on or about July 7, 2021 in New York, New York through DTC.

COVID-19 Pandemic

On March 6, 2020, the Commonwealth of Kentucky declared a state of emergency in regards to the outbreak of COVID-19 (the “COVID-19 Pandemic”) and the United States subsequently declared a national emergency on March 13, 2020. The long term effects of the COVID-19 pandemic may be significant and are undetermined at this time. (See “INVESTMENT CONSIDERATIONS - Impact of the COVID-19 Pandemic” herein).

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 to the 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. Copies of the basic documentation relating to the Bonds, including the authorizing ordinance are available from the City.

Additional Information

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Bonds, is available from RSA Advisors, LLC, 325 West Main Street, Suite 300, Lexington, Kentucky 40507, telephone: (859) 977-6600.

DESCRIPTION OF THE BONDS

General

The Bonds are dated their date of initial issuance and delivery and bear interest from their dated date at the rates set forth on the cover page of this Official Statement, calculated on the basis of a 360 day year with 30 day months. The Bonds are being issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

The Bonds will bear interest at the rates set forth on the cover page hereof, payable semi-annually on January 1st and July 1st, beginning January 1, 2022.

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. 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.”

Redemption Provisions

Optional Redemption

The Bonds maturing on or after January 1, 2030 are subject to redemption prior to stated maturity on any date falling on or after January 1, 2029 (less than all of a single maturity to be selected by lot), in whole or in part, at a redemption price equal to the principal amount redeemed, plus accrued interest to the date of redemption.

[Mandatory Sinking Fund Redemption

The Bonds maturing on the dates set forth below are subject to mandatory sinking fund redemption prior to maturity at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the redemption date, on the dates, in the years and in the principal amounts as follows:

Maturing January 1, 20[]

Date	Amount
January 1, 20[]	\$[]
January 1, 20[]*	\$[]
* Maturity]	

Notice of Redemption

If less than all Bonds that are payable by their terms on the same date are to be called, the particular Bonds or portions of Bonds payable on such same date and to be redeemed shall be selected by lot by the Registrar and Paying Agent, in such manner as the Registrar and Paying Agent in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof, and that, in selecting Bonds for redemption, the Registrar and Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

At least thirty days before the redemption date of any Bonds the Registrar and Paying Agent shall cause a notice of such redemption either in whole or in part, signed by the Registrar and Paying Agent, to be mailed, postage prepaid, to all registered owners of Bonds to be redeemed in whole or in part at their addresses as they appear on the registration books kept by the Registrar and Paying Agent, but failure so to mail any such notice to any owner shall not affect the validity of the proceedings for such redemption with respect to any other owner. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive numbers or letters, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In case any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall state also that on or after the redemption date upon surrender of such Bonds, a new Bond in principal amount equal to the unredeemed portion of such Bonds will be issued.

On the date so designated for redemption, notice having been sent in the manner and under the conditions hereinabove provided and moneys for payment of the redemption price being held in separate accounts by the Registrar and Paying Agent for the holders of the Bonds or portions thereof to be redeemed, the Bonds or portions of Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, and the holders of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and to receive Bonds for any unredeemed portions of Bonds.

If at the time of mailing of notice of any optional redemption there shall not have been deposited with the Paying Agent and Registrar moneys in an amount sufficient to redeem all the Bonds called for redemption, such notice shall state that it is conditional in that it is subject to the deposit of such moneys with the Paying Agent and Registrar not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

In case part but not all of an outstanding Bond shall be selected for redemption, the registered owner thereof or his attorney or legal representative shall present and surrender such Bond to the Registrar and Paying Agent for payment of the principal amount hereof so called for redemption, and the City shall execute and the Registrar and Paying Agent shall authenticate and deliver to or upon the order of such registered owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a Bond of the same maturity and bearing interest at the same rate.

Security and Source of Payment for Bonds

The Bonds are general obligations of the City and the full faith, credit, and taxing power of the City is irrevocably pledged to the payment of principal of and interest on the Bonds when due. Authority for the issuance of the Bonds is provided by Sections 66.011 through 66.171 of the Kentucky Revised Statutes and the Bond Ordinance.

The basic security for the general obligation debt of the City, including the Bonds, is the City's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the Bonds as and when the same become due and payable. The tax must be levied in sufficient amount to pay, as the same become due, the principal of and interest on the

Bonds as well as the principal of and interest on all outstanding general obligation bonds of the City. The Constitution of the Commonwealth mandates the collection of a tax sufficient to pay the interest on an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. The Bond Ordinance levies such annual tax which shall be collected to the extent other lawfully available monies of the City are not provided. The Bond Ordinance also creates or requires the maintenance of a sinking fund into which the proceeds of such tax or other lawfully available monies of the City are to be deposited for payment of the interest on and principal of the Bonds authorized by the Bond Ordinance and shall not be used for any other purpose.

Chapter 9 of the Federal Bankruptcy Code contains provisions relating to the adjustment of debts of a state’s political subdivisions, public agencies and instrumentalities (“eligible entity”), such as the City. Under the Bankruptcy Code and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without prior notice to or consent of its creditors, which proceedings may result in material and adverse modification or alteration of the rights of its secured and unsecured creditors, including holders of its bonds and notes.

Section 66.400 of the Kentucky Revised Statutes permits a political subdivision, such as the City, for the purpose of enabling such subdivision to take advantage of the provisions of the Bankruptcy Code, and for that purpose only, to file a petition stating that the subdivision is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan for the composition or readjustment of its debts, and to take such further proceedings as are set forth in the Bankruptcy Code as they relate to such subdivision. In addition, the City does not need the approval or permission of the State Local Debt Officer or any other governmental authority before availing itself of the bankruptcy process.

Statutory Lien

In April 2019, the Kentucky General Assembly enacted amendments to KRS Chapter 58 via Senate Bill 192 (the “2019 Amendments”) to provide a statutory lien on tax revenues pledged for the benefit of general obligation debt.

The 2019 Amendments creating the statutory lien, provide, among other things, that the tax revenues pledged for the repayment of principal of, premium and interest on all general obligation bonds and notes, whether or not the pledge is stated in the bonds and notes or in the proceedings authorizing the issue and the pledge constitutes a first lien on such tax revenues. In addition, the legislation creates a statutory lien on annual appropriations for the payment of obligations subject to annual renewal, including without limitation leases entered into under KRS Chapter 58 and KRS Chapter 65.

The validity and priority of the statutory lien have not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

THE PROJECTS

The Bonds are being issued for the purposes of (i) paying all or a portion of the costs of acquiring, constructing, equipping, and installing various municipal capital improvements to City-owned property within the City, including without limitation (1) repairs to, renovations of, and improvements to (a) pavement and road surfaces, (b) traffic lights and related equipment and facilities, (c) sidewalks, crosswalks, and associated lighting, and (d) various City-owned buildings and public park facilities, and (2) demolition and other improvements to certain City-owned properties, (ii) refunding in advance of maturity all or a portion of the City’s obligations with respect to a General Obligation Lease Agreement dated as of December 23, 2008, and amended and supplemented as of December 10, 2015, by and between the City and the Kentucky League of Cities Funding Trust, including any interest rate hedge termination fees associated therewith, (iii) paying capitalized interest on the Bonds, if any, (iv) paying the costs of credit enhancement, if any, for the Bonds, and (v) paying all or a portion of the costs of issuance of the Bonds.

SOURCES AND USES OF FUNDS

Sources:

Par amount of Bonds	\$[_____]
[Plus][Less] original issue [premium][discount]	[_____]
Total Sources	\$[_____]

Uses:

Deposit to Construction Fund	\$[_____]
Deposit to sinking funds for the refunded obligation	[_____]
Credit enhancement costs	[_____]
Costs of issuance	[_____]
Total Uses	\$[_____]

INVESTMENT CONSIDERATIONS

The following is a discussion of certain investment considerations for investors to consider of risks that could affect payments to be made with respect to the Bonds. Such discussion is not exhaustive and should be read in conjunction with all other parts of this Official Statement, and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein, copies of which are available as described in this Official Statement.

Limitation on Enforcement of Remedies

Enforcement of the remedies applicable to the Bonds under their authorizing Bond Ordinance may be limited or restricted by laws relating to bankruptcy and insolvency, and rights of creditors under application of general principles of equity, and may be substantially delayed in the event of litigation or statutory remedy procedures. All legal opinions delivered in connection with the Bonds relating to enforceability contain an exception relating to the limitations that may be imposed by bankruptcy and insolvency laws, and the rights of creditors under general principals of equity.

Risk of Bankruptcy

The obligations of the City under the Bonds and the Bond Ordinance are general obligations of the City and are secured only by the pledge to the bondholders of the City’s full faith, credit, and taxing power, any monies held in the City’s Debt Sinking Fund (on a parity with other general obligation debt), the Bond Payment Fund established under the authorizing Bond Ordinance (the “Bond Payment Fund”), and the statutory lien provided by KRS 66.400. A bondholder’s enforcement of any remedies provided under an applicable Bond Ordinance may be limited or delayed in the event of application of federal bankruptcy laws or other laws affecting creditors’ rights and may be substantially delayed and subject to judicial discretion in the event of litigation or the required use of statutory remedial procedures. The validity and priority of the statutory lien provided under KRS 66.400 have not been adjudicated in any Chapter 9 bankruptcy proceeding or otherwise.

KRS 66.400 permits the City to file a petition for relief under Chapter 9 of Title 11 of the United States Code (the “Bankruptcy Code”) without the prior approval of any official or department of state government. If the City were to file such a petition, the filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against the City and any interest in monies contained in the sinking fund, applicable Payment Fund, the City’s general fund revenues or the City’s taxing power. However, the petition does not stay the application of pledged special revenues as defined by the Bankruptcy Code.

During its bankruptcy, the City could use its property, including its tax receipts and proceeds thereof, but excluding pledged special revenues, for the benefit of the City’s bankruptcy estate despite the claims of its creditors. Notwithstanding the foregoing, it is possible that pledged special revenues could also be used by the City post-petition to pay certain operating expenses.

In a Chapter 9 proceeding under the Bankruptcy Code, only the City, and not any other creditor or party in interest, could file a proposed plan of adjustment. The plan is the vehicle for satisfying, and provides for the comprehensive treatment of, all claims against the City, and could result in the modification of rights of any class of creditors, secured or unsecured, and which modification of rights could be contrary to state law. To confirm a plan of adjustment, with one exception discussed below, it must be approved by the vote of each class of impaired creditors. A class approves a plan if, of those who vote, those holding more than one-half in number and at least two-thirds in amount vote in favor of a plan. If fewer than all of the impaired classes accept the plan, the plan may nevertheless be confirmed by the bankruptcy court, and all claims and interests would be bound thereby regardless of whether or how they voted. For this “cramdown” to occur, at least one of the impaired classes must vote to accept the plan and the bankruptcy court must determine that the plan does not “discriminate unfairly”

and is “fair and equitable” with respect to the non-consenting class or classes. To be confirmed, the bankruptcy court must also determine that the plan, among other requirements, is proposed in good faith and is in the best interest of creditors such that the plan represents a reasonable effort by the City to satisfy its debts that is a better alternative than dismissal of the bankruptcy case. Unlike in Chapter 11, in Chapter 9 this standard does not include use of a liquidation analysis.

Generally speaking, the City would likely receive a discharge after (1) the plan is confirmed; (2) the City deposits any consideration to be distributed under the plan with a disbursing agent appointed by the bankruptcy court; and (3) the bankruptcy court determines that the securities deposited with the disbursing agent will constitute valid and legal obligations of the City and that any provision made to pay or secure payment of such obligations is valid.

Prospective bondholders should consult their legal counsel regarding the impact of a bankruptcy filing by the City on the payment and security of the Bonds.

Suitability of Investment

An investment in the Bonds involves a certain degree of risk. The interest rates borne by the Bonds is intended to compensate the investor for assuming this element of risk. Prospective investors should carefully examine this Official Statement, including the Appendices hereto, and assess their ability to bear the economic risk of such an investment and determine whether or not the Bonds are an appropriate investment for them.

Additional Debt

The City may from time to time issue additional general obligation bonds or notes. Such issuances of general obligation bonds or notes would increase debt service requirements and could adversely affect debt service coverage on the Bonds. See “DESCRIPTION OF THE BONDS - Security and Source of Payment for Bonds”.

General Economic Conditions

Adverse general economic conditions may result in, among other adverse circumstances, reduction in occupational license fee and general tax revenues or declines in investment portfolio values, resulting in increased funding requirements; negatively impacting the results of operations and the overall financial condition of the City.

Market for the Bonds

There is presently no secondary market for the Bonds and no assurance that a secondary market will develop. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

Bond Rating

There can be no assurance that the rating assigned to the Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Bonds. See the information under the heading “RATING” herein for more information.

Tax Implications

Prospective purchasers of the Bonds may need to consult their own tax advisors before any purchase of the Bonds as to the impact of the Internal Revenue Code of 1986, as amended (the “Code”), upon their acquisition, holding, or disposition of the Bonds.

Impact of the COVID-19 Pandemic

General. The outbreak of a novel strain of coronavirus that can result in a severe respiratory disease, referred to as COVID-19, was first detected in China in December 2019. COVID-19 has since spread across the world, resulting in the death of more than 3,000,000 people internationally and more than 550,000 people in the United States. In March 2020, the outbreak of COVID-19 was declared a pandemic (the “COVID-19 Pandemic”) by the World Health Organization, as well as a U.S. national emergency and a statewide emergency in the Commonwealth. The responses of governments, business, and individuals to the COVID-19 Pandemic have caused widespread and significant changes in economic activity. Certain sectors of the global, national, and local economies are experiencing negative effects due to reduced consumer spending and increased

unemployment, as well as government mandated and voluntary responses to mitigate the COVID-19 Pandemic, including school and business closures, event cancellations, and reduced travel. Unemployment in the United States and in the Commonwealth has increased as a result of the COVID-19 Pandemic.

In late March of 2020, the United States enacted the “Coronavirus Aid, Relief, and Economic Security Act” (the “CARES Act”), a \$2.2 trillion economic stimulus bill aimed at mitigating the economic and health effects of COVID-19. The CARES Act provided money and support to individuals in the form of increased unemployment and direct payments and provided money and support to many different businesses and governmental entities. On May 1, 2021, a second \$1.9 trillion economic stimulus bill was passed, which will provide additional direct payments to individuals and another round of funding for various different businesses including an additional \$350 billion in relief to state, local, and tribal governments.

In December of 2020, the first COVID-19 vaccine, developed by Pfizer-BioNTech, began distribution in the United States and a subsequent vaccine, developed by Moderna, began distribution in late December. A third vaccine, developed by Johnson & Johnson, began distribution in late February of 2021. As of March 10, 2021, nearly 20% of the total United States population had received at least one dose of a vaccine, and 10% of the population is considered fully vaccinated. For the United States population over the age of 65, the percentages are approximately 60% and 30%, respectively.

There can be no assurances as to the continuing materiality, severity, or duration of the negative economic conditions caused by the COVID-19 Pandemic.

Impact on the Commonwealth. On March 18, 2020, pursuant to an executive order issued by the Governor of the Commonwealth, Andy Beshear, all businesses that encourage public congregation, such as entertainment, recreational, and sporting event facilities, were required to cease operations. In response to increases in new cases of COVID-19 in late June and early July 2020, Governor Beshear signed an executive order mandating masks in most public places for thirty days—and which executive order has been renewed and is ongoing.

On April 21, 2020, Governor Beshear announced the “Healthy at Work” initiative, a phased plan to reopen the economy of the Commonwealth, based on criteria set by public health experts and advice from industry experts, with progress to be monitored by the Kentucky Department for Public Health. The Healthy at Work initiative set out minimum requirements for all businesses, such as social distancing, face coverings, hand-washing, proper sanitation, and temperature checks. Additionally, the Healthy at Work initiative provides industry-specific guidance with additional rules and requirements for certain types of businesses.

As of April 5, 2021, all persons age 16 and older are eligible to receive the COVID-19 vaccine. As of April 26, 2021, approximately 1.7 million Kentuckians have been immunized.

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 and the Participants, either directly or indirectly.

With regard to the risk involved in a lowering of the City’s bond rating, see “RATING” herein. With regard to creditors’ rights, see “DESCRIPTION OF THE BONDS – Security and Source of Payment for Bonds” herein.

PROFILE OF THE CITY AND SURROUNDING AREA

Demographic, economic, and financial information with respect to the City and the surrounding area are set forth in “APPENDIX A - Demographic, Economic, and Financial Data” attached hereto.

CITY GOVERNMENT

Elected and Appointed Officials

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

<u>Member</u>	<u>Original Term Began</u>	<u>Current Term Ends</u>
Matt Perkins	January 1, 2021	December 31, 2024
Josh Blanton	January 1, 2021	December 31, 2022

Amanda Clark	January 1, 2015	December 31, 2022
F. Marty Gute	January 1, 2009	December 31, 2022
Cheryl Wooten Spriggs	January 1, 2021	December 31, 2022

The current appointed City officials who serve at the pleasure of Board of Commissioners are:

City Manager	Michael Graese
City Clerk	Susan Maddix
Finance Director	Tony D. Grubb
City Attorney	James H. Moore III

The day-to-day activities of City government are managed by a professional staff, led by a City Manager. The management staff consists of nine department heads who report directly to the City Manager and comprise the executive management team. These department heads average eighteen years each of local government work experience including tenure with the city organization ranging from two to twenty-nine years.

Financial Matters

The Finance Director is the fiscal officer of the City, and is appointed by and serves at the pleasure of the Board of Commissioners. The Finance Director is responsible for the accounting, collection, custody and disbursement of the funds of the City. The Finance Director serves the Board of Commissioners and the City Manager as financial advisor in connection with City affairs, and performs such other duties as the Board of Commissioners or request.

The City's fiscal year commences July 1st and ends the following June 30th.

The administrative functions of the City are performed by or under the supervision of the following:

1. Establishment of overall financial policy, the Board of Commissioners.
2. Planning and development, the Board of Commissioners.
3. Assessment of real and personal property, the Boyd County Property Valuation Administrator.
4. Financial control functions, the Board of Commissioners.
5. Inspection and supervision of the accounts and reports of the City as required by law, by independent certified public accountants.

Financial Management

The Board of Commissioners is responsible for appropriating the funds used to support the various City activities. The Board of Commissioners exercises its legislative powers by budgeting, appropriating, levying taxes, issuing bonds and notes, and letting contracts for public works and services to provide this financial management.

Financial Reports and Examinations of Accounts

Each city in the Commonwealth is required to keep its accounting records and render financial reports in such a way as to: (a) determine compliance with statutory provisions; (b) determine fairly and with full disclosure the financial operations of consistent funds and account groups of the city in conformity with generally accepted governmental accounting principles; and (c) readily provide such financial data as may be required by the federal revenue sharing program.

Municipal accounting systems are required to be organized and operated on a fund basis. The City maintains its accounts and other fiscal records on an appropriation and modified accrual basis in accordance with the procedures established and prescribed by the Kentucky Department for Local Government.

As required by law, financial reports are prepared annually by the City and filed with the Kentucky Department of Local Government. Audits are required to be completed by the February 1st immediately following the fiscal year being audited.

The accounting procedures prescribed by the Kentucky Department of Local Government are generally applicable to all cities in Kentucky and may be different from generally accepted government accounting principles as presented and recommended in the National Council on Governmental Accounting publication "Governmental Accounting Auditing and

Financial Reporting,” and the Industry Audit Guide of the American Institute of Certified Public Accountants, entitled “Audits of State and Local Governmental Units.” Those publications, among other things, provide for a modified accrual basis of accounting for the general fund, all special revenue funds and the debt service fund, and for a full accrual basis of accounting for all other funds, and further provide for the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances.

Budgeting and Appropriations Procedures

Detailed provisions for City budgeting, tax levies and appropriations are made in the Kentucky Revised Statutes. Cities are required to operate under an annual budget ordinance and no City may expend any moneys from a governmental or proprietary fund except in accordance with such budget. A budget proposal must be submitted to the City’s legislative body no later than thirty days prior to the beginning of the fiscal year covered by the budget. No budget ordinance may be adopted which provides for appropriations to exceed revenues in a fiscal year. The full amount estimated to be required for debt service during the budget year must be appropriated.

Investment Policies

Section 66.480 of the Kentucky Revised Statutes sets forth the requirements and limitations for investments of the state’s political subdivisions, including the City. Under that Section, the City must adopt an investment policy and may invest its funds only in the classifications of obligations which are eligible for investment, which are as follows:

- (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; and
- (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 this section.
- (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.

The City's current investment policy permits all investments permitted by the laws of the Commonwealth.

Debt Limitation

Kentucky Constitution Section 158 provides that cities having a population of fifteen thousand or more shall not incur indebtedness to an amount exceeding ten percent of the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness.

The foregoing limitation does not apply to the issue of renewal bonds, bonds to fund the floating indebtedness of the City, or bonds issued in the case of an emergency, when the public health or safety should so require. Subject to the limits and conditions set forth in that section and elsewhere in the Constitution, the General Assembly has the power to establish additional limits on indebtedness and conditions under which debt may be incurred by the City.

KRS 66.041 provides the same limitations as are set forth in the Constitution, describing that the limitations apply to "net indebtedness." In calculating "net indebtedness," KRS 66.031 provides that certain obligations are not to be considered in the calculation, including self-supporting obligations, revenue bonds, and special assessment debt. (For a complete list of exempt debt see the Statement of Indebtedness attached in "APPENDIX C - Statement of Indebtedness.")

"APPENDIX C - Statement of Indebtedness" of this Official Statement is a Statement of Indebtedness for the City, calculating the amount of the outstanding obligations of the City (including the Bonds) that are subject to the total direct debt limit (10.0% limit). The total principal amount of general obligation debt that could be issued by the City, subject to the 10.0% total direct debt limitation is \$93,129,028 and the City's net debt subject to such limitation presently outstanding (including the Bonds) is \$19,979,046* leaving a balance of \$73,149,982* borrowing capacity issuable within such limitation.

However, as described below, the City's ability to incur debt in these amounts may be restricted by tax limitations. In the case of general obligation debt, both the debt limitations and tax limitations must be met.

* Preliminary, subject to change.

Tax Limitation

The Kentucky Constitution Section 157 indirectly imposes a debt limitation on general obligation indebtedness of cities having a population of fifteen thousand or more by limiting the tax rates such cities may impose upon the value of taxable property to one dollar and fifty cents (\$1.50) on each hundred dollars of assessed valuation.

Section 159 of the Kentucky Constitution requires the adoption, at the time indebtedness is authorized, of an annual tax sufficient to pay the interest on contracted indebtedness and to retire indebtedness over a period not exceeding forty years. If the maximum tax rate will not result in the collection of sufficient taxes to pay indebtedness at the time the indebtedness is authorized, the two constitutional provisions operate as a limit on general obligation debt. Because this indirect debt limit results from tax limitations and the requirement to levy taxes to pay indebtedness, it has application only to debts which are payable from taxes either initially or in the event other pledged non-tax revenues prove to be insufficient. It does not have any application where the type of debt being issued does not pledge the credit of the City or when the debt is payable solely out of the revenues of non-tax sources, such as utility income. The tax rate limit also does not apply if the indebtedness was legally incurred (within both the direct and indirect limits) but a tax rate above the one dollar and fifty cent (\$1.50) limit becomes necessary to pay the indebtedness.

Bond Anticipation Notes

Under Kentucky law, notes, including renewal notes, issued in anticipation of and payable from the proceeds of general obligation bonds (or renewal notes) may be issued from time to time upon the same terms and conditions as bonds. The ability of the City to retire bond anticipation notes from the proceeds of the sale of either renewal notes or bonds will be dependent upon the marketability of such renewal notes or bonds under market conditions then prevailing when the bonds are issued or the notes are renewed.

Future Borrowings of the City

The City reserves the right to issue additional general obligation bonds in the future, although no such additional general obligation debt is presently contemplated.

Employee Retirement and Health Obligations

County Employees Retirement System

The Kentucky Retirement System (“KRS”) is a state-operated and managed employee pension system comprised of three separate retirement systems: (i) the Kentucky Employees Retirement System established in 1956 to serve state employees (“KERS”); (ii) the County Employees Retirement System (“CERS”) established in 1958 to serve local government employees and classified school board employees; and (iii) the State Police Retirement System established in 1958 to serve uniformed Kentucky state police officers (“SPRS”).

The City’s employees are served by CERS. Chapter 78 of the Kentucky Revised Statutes and administrative regulations found in Chapter 105 of the Kentucky Administrative Regulations govern the operation of CERS, including standards requiring participant eligibility, vesting, and benefits. The authority to establish and amend benefit provisions rests with the Kentucky Legislature. Information regarding CERS is available online from KRS at www.kyret.ky.gov and in the footnotes to the City’s audited financial statements for the fiscal year ended June 30, 2020 attached hereto as Appendix B.

Benefits available to CERS participants depend on their individual dates of participation. Benefits are calculated by multiplying a participant’s average salary (as determined in accordance with plan rules) by a benefit factor and the individual’s years of service. The benefit factors applicable to participants entering CERS on or after January 1, 2014 are determined using less favorable benefit factors than earlier participants. Individuals who became participants on or after January 1, 2014, however, receive benefits from a cash balance plan, which has characteristics of both a defined benefit and defined contribution plan. Information regarding the benefits available to participants within CERS is available online from KRS at www.kyret.ky.gov and in the footnotes to the City’s audited financial statements for the fiscal year ended June 30, 2020 attached hereto as Appendix B.

CERS is funded through employee and employer contributions. Different contribution rates apply depending on whether an employee is classified as hazardous or nonhazardous. Certain of the City’s police and firefighters are classified as hazardous participants. All of the City’s remaining participating employees are classified as nonhazardous. Nonhazardous

employees who became eligible to participate in CERS before September 1, 2008 must contribute 5% of their creditable compensation to CERS. Nonhazardous employees who became eligible on or after September 1, 2008 must contribute 6% of their creditable compensation. For this latter group, 5% of their contribution is deposited to their individual account and the other 1% is deposited in the KRS Insurance Fund.

Hazardous employees who became eligible to participate in CERS before September 1, 2008 must contribute 8% of their creditable compensation to CERS. Hazardous employees who became eligible on or after September 1, 2008 must contribute 9% of their creditable compensation. For this latter group, 8% of their contribution is deposited to their individual account and the other 1% is deposited in the KRS Insurance Fund.

Employer contributions made by the City for pension benefits change annually as determined by the Board of Trustees of KRS. Employer contribution rates for hazardous and nonhazardous employees for the plan fiscal years ending June 30th were as follows:

<u>Plan Year Ended June 30</u>	<u>Employer Contribution Rate As Percentage of Credible Compensation (Nonhazardous)</u>	<u>Employer Contribution Rate As Percentage of Credible Compensation (Hazardous)</u>
2021	26.95%	44.33%
2020	24.06%	39.58%
2019	21.48%	35.34%
2018	19.18%	31.55%
2017	18.68%	31.06%

Effective April 14, 2018, the Kentucky legislature has capped CERS employer contribution rate increases to a maximum of 12% per year over the prior fiscal year for the period beginning on and including July 1, 2018 and ending on and including June 30, 2028.

The City has made all of its required payments of employer contributions to CERS that are due and payable as of the date of this Official Statement. The amount of employer contributions paid by the City to CERS for hazardous and nonhazardous pension benefits during the City's five most recently completed fiscal years for were:

<u>Fiscal Year Ended June 30</u>	<u>Employer Contribution</u>
2020	\$5,426,361
2019	\$5,016,453
2018	\$4,810,277
2017	\$4,080,020
2016	\$4,007,940

KRS is considered by some to be among the least funded state pension systems in the nation. Over the past several years the Kentucky Governor and the Kentucky legislature have debated changes to KRS, including CERS, in order to improve its perceived funding deficit. In 2018, the Kentucky Legislature passed, and the Governor signed, legislation making changes to KRS (including CERS). In December 2018, however, the Kentucky Supreme Court struck down the legislation as a result of the procedural means used by the Kentucky Legislature to achieve its passage late in the 2018 Legislative Session. The City can make no representation regarding the potential for future changes or reforms by the Kentucky Legislature to CERS or KRS. Moreover, the City can make no representation regarding the impact any such changes or reforms would have on the City's operation, finances, or employees.

Post-Employment Health Insurance

The Insurance Fund described above was established by the Kentucky Legislature to provide medical insurance for members receiving benefits from KERS, CERS, and SPRS. The Insurance Fund is a cost-sharing multiple-employer defined benefit post-employment health care plan administered by KRS. A portion of the employer and employee contributions described above include contributions to the Insurance Fund. For employees who became eligible on or after September 1, 2008, 1% of their employee contribution is deposited in the Insurance Fund for retiree health insurance benefits. In addition,

a portion of the employer contribution rates described above is allocated to the Insurance Fund. The Insurance Fund pays a prescribed contribution for whole or partial payments of required premiums to purchase hospital and medical insurance, based on years of service, for retirees and certain eligible beneficiaries. The authority to establish and amend benefit provisions rests with the Kentucky Legislature. Information regarding the benefits available to participants within CERS is available online from KRS at www.kyret.ky.gov and in the footnotes to the City's audited financial statements for the fiscal year ended June 30, 2020 attached hereto as Appendix B.

LEGAL MATTERS

General Information

Legal matters incident to the issuance of the Bonds and with regard to the tax treatment of the same are subject to the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel. Upon delivery of the Bonds the Bonds will be accompanied by an approving opinion dated the date of such delivery, rendered by Dinsmore & Shohl LLP. A draft of the legal opinion is attached in "APPENDIX D - Form of Legal Approving Opinion of Bond Counsel".

Bond Counsel has performed certain functions to assist the City in the preparation by the City of this Official Statement. However, Bond Counsel assumes no responsibility for, and will express no opinion regarding the accuracy or completeness of this Official Statement or any other information relating to the City or the Bonds that may be made available by the City or others.

The engagement of Bond Counsel is limited to the preparation of certain of the documents contained in the transcript of proceedings related to the Bonds, and an examination of such transcript of proceedings incident to rendering its legal opinion. Bond Counsel has reviewed the information in this Official Statement under Sections entitled "INTRODUCTION," "DESCRIPTION OF THE BONDS," "THE PROJECTS," "CITY GOVERNMENT - Debt Limitation," "LEGAL MATTERS - General Information," and "LEGAL MATTERS - Tax Treatment," which review did not include any independent verification of financial statements and statistical data included therein, if any.

Transcript and Closing Certificates

A complete transcript of proceedings, a no-litigation certificate, and other appropriate closing documents will be delivered by the City when the Bonds are delivered to their respective original purchasers. The City will also provide to the original purchaser of the Bonds, at the time of such delivery, a certificate from the Mayor relating to the accuracy and completeness of this Official Statement.

Litigation

To the knowledge of the City, no litigation or administrative action or proceeding is pending or threatened directly affecting the Bonds, the security for the Bonds, or the improvements being refinanced from the proceeds of the Bonds. A No-Litigation Certificate to that effect will be delivered to the purchaser at the time of the delivery of the Bonds.

Tax Treatment

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Bonds will be excludible from gross income for Federal income tax purposes. Bond Counsel for the Bonds is also of the opinion that interest on the 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 Bonds is of the opinion that interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The City has not designated the Bonds as "qualified tax-exempt obligations" with respect to certain financial institutions under Section 265 of the Code.

A copy of the opinion of Bond Counsel for the Bonds is set forth in "APPENDIX D - Form of Legal Approving Opinion of Bond Counsel," attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the qualification of the Bonds as so-called "tax-exempt" bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on

the Bonds will not be includable in income for federal income tax purposes. Failure to comply with these covenants could result in the Bonds not qualifying as “tax-exempt bonds,” and thus interest on the Bonds being includable in the gross income of the holders thereof for federal income tax purposes. Such failure to qualify and the resulting inclusion of interest could be required retroactively to the date of issuance of the 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 Bonds may adversely affect either the federal or Kentucky tax status of the Bonds.

Certain requirements and procedures contained or referred to in the Bond Ordinance and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 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 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 Bonds is of the opinion that interest on the Bonds will be excludable from gross income for Federal income tax purposes and that interest on the Bonds is excludable from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the 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 Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the 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 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 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 Bonds.

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 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 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 Holder’s adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining the Holder’s taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the “constant yield” method, using the original Holder’s basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium 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 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 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. The amount accrued will be based on a single rate of interest, compounded semiannually (the “yield to maturity”) and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID accrued during the period that an initial purchaser of a Discount Bond at its issue price owns it is added to the purchaser’s tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond. In practical effect, accrued OID is treated as stated interest is treated, that is, as excludible from gross income for federal income tax purposes.

In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

RATING

Moody’s Investors Service, Inc. (“Moody’s”) has given the Bonds the 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 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 Bonds.

The City presently expects to furnish such rating agency with information and material that it may request on future general obligation 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 general obligation bonds.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the “Rule”) and so long as the Bonds are outstanding, the City agrees pursuant to an Undertaking (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 A” and “Appendix B” of this Official Statement (the “Financial Data”). The annual financial information shall be provided within 210 days after the end of the fiscal year ending June 30th, commencing with the fiscal year ending June 30, 2021; 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 City;
- (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 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 City has knowledge) of the City 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 Bonds, with certain enforcement rights in the event of a failure by the City to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Bond Ordinance for the Bonds. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule, accompanied with an opinion of nationally recognized bond counsel, as more fully described therein.

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

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds;
- (c) there are no liquidity providers applicable to the Bonds; and
- (d) there is no property securing the repayment of the Bonds.

The City has materially complied with the requirements of the Rule during the past five years.

UNDERWRITING

The Bonds are being purchased for reoffering by [____] (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$[____] (reflecting the par amount of the Bonds, plus original issue premium of \$[____], 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 Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page hereof.

FINANCIAL ADVISOR

RSA Advisors, LLC (“RSA”), Lexington, Kentucky, has been employed by the City to serve as Financial Advisor. Certain information relative to the location, economy and finances of the City is found in the Preliminary Official Statement, in final form, and the Official Statement, in final form. All such data, as is the case for other information herein contained, was prepared for and with the assistance of the City under the direction of RSA. While not guaranteed as to completeness or accuracy, the Preliminary Official Statement, in final form, and the Official Statement, in final form, are believed to be correct as of their respective dates. As the Financial Advisor for this transaction, RSA has reviewed the information in the Preliminary Official Statement and the Official Statement, in final form, in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction; but RSA does not guarantee the accuracy or completeness of such information.

RSA will receive a fee, payable from bond proceeds, for their services as Financial Advisor, contingent upon the issuance and sale of the Bonds. In this capacity, RSA has compiled certain data relating to the Bonds that is contained in this Official Statement. RSA is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. RSA is an independent financial advisory firm and is not engaged in the business of underwriting, trading, or distributing securities.

MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

[Signature page to follow]

[SIGNATURE PAGE TO OFFICIAL STATEMENT]

This Official Statement has been duly executed and delivered for and on behalf of the City of Ashland, Kentucky, by its Mayor.

Dated _____, 2021

CITY OF ASHLAND, KENTUCKY

By: _____
Mayor

APPENDIX A

**CITY OF ASHLAND, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021A**

DEMOGRAPHIC, ECONOMIC, AND FINANCIAL DATA

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CITY OF ASHLAND, KENTUCKY

LOCATION

Ashland, the largest city in Boyd County had an estimated 2020 population of 20,092. 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 46,767 persons in 2020.

Historically the city has relied heavily on the steel and oil industries for its economic vitality. The City of Ashland is currently in the process of diversifying its economy and is experiencing tremendous growth in the medical, office and retail industries. Healthcare is our leading industry and the King's Daughters Medical Center is our #1 employer. King's Daughters Medical Center (KDMC) is a locally controlled, not-for-profit, 465-bed regional referral center, covering 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 3,118 team members, is the largest employer between Charleston, West Virginia and Lexington Kentucky.

POPULATION

Ashland has a population of approximately 20,092 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	47,498
2018	20,421	47,746
2017	20,544	46,990
2016	20,981	48,128
2015	21,648	49,007

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.

MANUFACTURING AND COMMERCE

Below are the largest manufacturing companies located within the city limits of Ashland, Kentucky.

<u>Company</u>	<u>Product</u>	<u>Employees</u>
Air Products & Chemicals, Inc.	Industrial Oxygen, nitrogen & liquid argon gases	8
Area Advertising	Textile screen printing	15
Ashland Fabrication & Welding	Steel fabricating	15
Ashland Office Supply Inc.	Offset, letter press	43
Ashland Prosthetics & Orthotics Services	Prosthetic & orthotic devices	5
Boyd County Glass Inc.	Machine shop, auto glass	4
Contech Engineering Solutions	Corrugated steel culvert pipe	7
DTR Inc.	Tire recycling	4
Fairchild Machine Shop	Machine shop	4
Flowserve Corporation	Pumps, valves, seals, automation	25
Gallaher's Inc.	Commercial offset & letterpress	20
Pathways Inc.	Corporate Office	76
R & D Associates, Inc.	Inland river shipyard, barge & boat repair, dry dock service, new construction, small barges & stern wheel boats, arc welding	10
RPM Inc.	Industrial pump repair & replace	45
Riggs Machine & Fabricating Inc.	Machine Shop	35
SWVA Kentucky, LLC dba Kentucky Electric Steel	Merchant bar rolling mill	50
The Daily Independent	Newspaper publishing	63
The Hyland Co. Inc.	Pet Food	21
The Wells Group LLC	Ready-mixed concrete	15
UPS	Small package distribution	51
Young Signs Inc.	Wooden, plastic, neon, vinyl lettered & electrical signs	8

Source: Kentucky Cabinet for Economic Development (1/7/2020)

EMPLOYMENT INFORMATION

Description	-----Year Ending December 31-----				
	2016	2017	2018	2019	2020
County of Boyd					
Civilian Labor Force	18,548	18,308	17,944	17,882	17,643
Employment	17,036	16,990	16,882	16,869	16,135
Unemployment	1,512	1,318	1,062	1,013	1,508
Unemployment Rate	8.20%	7.20%	5.90%	5.70%	8.50%
State of Kentucky:					
Civilian Labor Force	2,015,160	2,053,074	2,057,791	2,072,586	1,998,456
Employment	1,911,978	1,952,513	1,968,611	1,983,577	1,861,208
Unemployment	103,182	100,561	89,180	89,009	137,248
Unemployment Rate	5.10%	4.90%	4.30%	4.30%	5.90%
US Comparable Rate:					
Unemployment Rate	4.90%	4.40%	3.90%	3.70%	8.10%

**Not Seasonally Adjusted*

Source: Kentucky Center for Education and Workforce Statistics

PENSION PLANS

Current and retired employees of the City are covered under the County Employees Retirement System (CERS).

CERS provides coverage for approximately 90% present employees of the City. Currently, hazardous duty employees contribute to CERS at the statutory rate of 5-6 % and non-hazardous duty employees contribute at the rate of 8-9 % of earnable salary or compensation. The City currently contributes at the rate of 39.58% for hazardous duty employees and 24.06% for non-hazardous duty employees of the same base.

The City's annual contribution, which totaled \$5,426,361 for the fiscal year ended June 30, 2020, is treated as a current expense and is included in its operating expenditures.

CERS is not presently subject to the funding and vesting requirements of the Federal Employee Retirement Income Security Act of 1974. However, these pension funds are complying with certain reporting requirements under that Act. From time to time Federal legislation regulating pension funds for public bodies and governments is considered.

Property Taxes Collections

Year	Amount Billed	Amount Collected	Percent Collected
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.

Description	----- Tax Year -----				
	2015	2016	2017	2018	2019
Residential	\$446,529,052	\$457,875,252	\$466,941,430	\$466,249,197	\$566,591,734
Farm	\$68,400	\$68,400	\$68,400	\$90,000	\$1,076,900
Commercial	\$293,413,041	\$308,433,231	\$315,776,145	\$323,927,096	\$363,621,653
Total	\$740,010,493	\$766,376,883	\$782,785,975	\$787,266,293	\$931,290,287

Top Ten Largest Corporate Taxpayers:

<u>Name</u>	<u>Fiscal Year 2019 Assessed Valuation</u>
ATC Glimcher LLC	\$29,025,000
Melody Mountain Associates LTD	\$14,525,000
Fred Burns	\$13,468,000
WB Hospital	\$10,551,000
BDB Midtown LLC	\$11,300,000
GCG Ashland LLC	\$10,045,500
JC Penney	\$7,846,865
Wal-Mart	\$9,091,930
CRHC Mansback Metal	\$5,556,854

PROPERTY TAX RATES

	-----Tax Year 2016-----			-----Tax Year 2017-----			-----Tax Year 2018-----			-----Tax Year 2019-----			-----Tax Year 2020-----		
	Real Estate	Motor Tangible	Motor Vehicle	Real Estate	Motor Tangible	Motor Vehicle	Real Estate	Motor Tangible	Motor Vehicle	Real Estate	Motor Tangible	Motor Vehicle	Real Estate	Motor Tangible	Motor Vehicle
County-															
Ambulance	\$0.0850	\$0.0850	\$0.0830	\$0.0890	\$0.0890	\$0.0850	\$0.9300	\$0.0930	\$0.0890	\$0.0940	\$0.0940	\$0.0890	\$0.0960	\$0.0960	\$0.0890
Extension Services	\$0.0383	\$0.0383	\$0.0114	\$0.0384	\$0.0406	\$0.0114	\$0.0387	\$0.0443	\$0.0114	\$0.0377	\$0.0377	\$0.0114	\$0.0372	\$0.0372	\$0.0114
General	\$0.1730	\$0.1730	\$0.1000	\$0.1800	\$0.1800	\$0.1000	\$0.1810	\$0.1810	\$0.1000	\$0.1760	\$0.1760	\$0.1000	\$0.1740	\$0.1740	\$0.1000
Health	\$0.0600	\$0.0600	\$0.0600	\$0.0600	\$0.0600	\$0.0600	\$0.0600	\$0.0600	\$0.0600	\$0.0600	\$0.0600	\$0.0600	\$0.0600	\$0.0600	\$0.0600
Library	\$0.1230	\$0.1230	\$0.0460	\$0.1240	\$0.1240	\$0.0460	\$0.1240	\$0.1240	\$0.0460	\$0.1210	\$0.1210	\$0.0460	\$0.1200	\$0.1200	\$0.0460
Totals:	\$0.4793	\$0.4793	\$0.3004	\$0.4914	\$0.4936	\$0.3024	\$0.4967	\$0.5023	\$0.3064	\$0.4887	\$0.4887	\$0.3064	\$0.4872	\$0.4872	\$0.3064
Schools-															
Ashland Independent	\$0.6580	\$0.6580	\$0.6790	\$0.6800	\$0.6800	\$0.5140	\$0.7610	\$0.7610	\$0.5140	\$0.7600	\$0.7600	\$0.5140	\$0.7650	\$0.7650	\$0.5140
Boyd County	\$0.6240	\$0.6240	\$0.5470	\$0.6570	\$0.6570	\$0.5470	\$0.6570	\$0.6570	\$0.5470	\$0.6740	\$0.6740	\$0.5470	\$0.6680	\$0.6680	\$0.5470
City-															
Ashland	\$0.2898	\$0.2898	\$0.2876	\$0.2853	\$0.2853	\$0.2898	\$0.2834	\$0.2834	\$0.2853	\$0.2714	\$0.2714	0.2834	\$0.2671	\$0.2671	\$0.2714

APPENDIX B
CITY OF ASHLAND, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021A

**AUDITED FINANCIAL STATEMENTS OF THE CITY OF ASHLAND, KENTUCKY FOR THE FISCAL
YEAR ENDING JUNE 30, 2020**

Note: The entire audited financial statements and accompanying supplemental information for the City's fiscal year ending June 30, 2020 is included in this Appendix B. Potential purchasers of the Bonds are reminded that the Bonds are secured solely by, and payable solely from, the tax revenues of the City as described in the forepart of this Official Statement and that revenues described in the enclosed audited financial statements for funds other than the City's general fund have not been pledged and are not legally required to be available to pay debt service on the Bonds.

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CITY OF ASHLAND

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2020

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

TABLE OF CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT 1-2

MANAGEMENT'S DISCUSSION AND ANALYSIS 3-16

BASIC FINANCIAL STATEMENTS:

Government-wide Financial Statements-

Statement of Net Position..... 17-18
Statement of Activities 19

Fund Financial Statements -

Balance Sheet - Governmental Funds..... 20
Reconciliation of the Balance Sheet - Governmental
Funds to the Statement of Net Position..... 21
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds..... 22
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities 23
Statement of Net Position - Proprietary Funds 24-25
Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Funds 26
Statement of Cash Flows - Proprietary Funds 27
Statement of Net Position - Fiduciary Funds..... 28
Statement of Changes in Net Position - Fiduciary Funds 29
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund 30
Statements of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Special Revenue Funds..... 31-35

Notes to Financial Statements 36-68

REQUIRED SUPPLEMENTARY INFORMATION:

Defined Benefit Pension Trusts:

Schedule of Employer Contributions and Investment Returns 69
Schedule of Funding Progress..... 70
Schedule of Changes in Net Pension Liabilities..... 71-72

County Employees Retirement System:

Schedule of City's Proportionate Share of the Net Pension and OPEB Liability 73
Schedule of Pension and OPEB Contributions..... 74
Notes to Required Supplementary Information - Pension Plans..... 75-77
Notes to Required Supplementary Information - OPEB Plans 78-79

SUPPLEMENTAL INFORMATION - COMBINING, INDIVIDUAL AND OTHER STATEMENTS AND SCHEDULES:

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Capital Projects Fund..... 80

General Fund:
Balance Sheet 81
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual 82-84

Capital Assets Used in the Operations of Governmental Funds:	
Schedule of Capital Assets Used in the Operation of Governmental Funds by Function and Activity	85
Schedule of Capital Assets Used in the Operation of Governmental Funds by Source.....	86
City of Ashland Housing Authority	
Entity Wide Balance Sheet Summary.....	87
Entity Wide Revenue and Expense Summary.....	88
Schedule of Expenditures of Federal Awards	89-90

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	91-92
--	-------

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	93-94
---	-------

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	95-97
--	-------

CORRECTIVE ACTION PLAN	98-99
-------------------------------------	-------

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	100-101
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Kentucky (the "City") as of and for the year ended June 30, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information, the Schedule of Employer Contributions and Investment Returns, the Schedule of Funding Progress, the Schedule of Changes in Net Pension Liabilities, the Schedule of City's Proportionate Share of the Net Pension and OPEB Liability and the Schedule of Pension and OPEB Contributions on pages 3 through 16 and on pages 69 through 79, 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 80 through 86 and the Financial Data Schedule on pages 87 and 88 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 80 through 86, the Financial Data Schedule contained on pages 87 and 88 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2021, 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.



Ashland, Kentucky
April 9, 2021

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, 2020. This information should be read in conjunction with the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Government exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by \$46.0 million (net position). This amount includes \$10.6 million restricted to specific projects by laws, regulations or contractual agreements. A deficit total of (\$60.1) million was unrestricted due to GASB No. 68, Accounting and Financial Reporting for Pensions, which was implemented in the fiscal year ended 06/30/2015 and GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB), which was implemented in the fiscal year ended 06/30/2018.
- The Government’s total net position decreased by (\$2.3) million, primarily due to changes in the net pension and OPEB liabilities and the related deferred outflows and inflows. Net position of governmental activities decreased by (\$6.0) million and net position of business-type activities increased by \$3.6 million.
- At fiscal year end, the governmental activities reported a combined ending fund balance of \$3.7 million. Approximately 47% of this total amount, \$1.7 million, is restricted or committed for grant programs. Assigned fund balance comprises 25% of total fund balance; the majority of which is set aside for capital improvements.
- At June 30, 2020, unassigned General Fund fund balance of \$994 thousand is available and may be used to meet the government’s ongoing obligations to citizens and creditors.

OVERVIEW OF FINANCIAL STATEMENTS

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

REPORTING THE GOVERNMENT AS A WHOLE

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

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

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

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

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

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

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

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

THE GOVERNMENT AS A TRUSTEE

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

THE GOVERNMENT AS A WHOLE

NET POSITION

As of June 30, 2020, the Government as a whole had a net position greater than its liabilities by \$46,085,331. Net position of governmental activities was \$10,265,327 and decreased by (\$6,012,364) over the prior year. Total collected for taxes were 99.9% of budget, however, the budget amount was revised due to COVID. On March 6, 2020, Governor Beshear declared a State of Emergency. This changed many things for the City including the postponement by the PVA of our tax valuations. The valuations were received after the end of the fiscal year so property tax billings were delayed. Occupational license fee receipts excelled again this fiscal year despite the pandemic, for \$470,272 in additional revenue. The City also received Cares Relief funds to offset the police and fire payroll costs during the pandemic for \$1.4 million. Other revenues such as rental revenue, coal severance, recycling permit fees only brought in approximately 50% of projections. Unbudgeted items included a Community Center and its playground and the Broadway Square construction came in overbudget by \$858 thousand. Professional Services in the Community and Economic Development Department exceeded budget parameters for a comprehensive plan, demolitions and Roger Brooks Fast Track by \$52 thousand. Of ending Governmental Activities Net Position, \$51,659,502 is invested in capital assets net of related debt; \$1,725,320 is restricted for capital projects and grant programs; and unrestricted net position is (\$43,119,495). Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

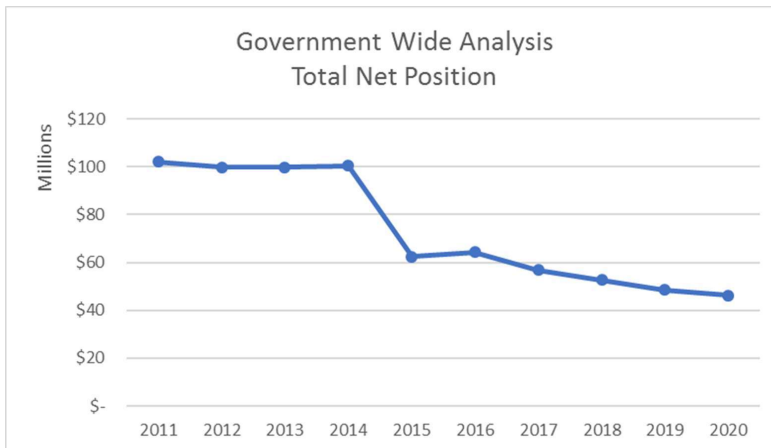
The net position of the Government's business-type activities is \$35,820,004 and increased by \$3,659,843 over the prior year. Residential and commercial meter sales exceeded projections by \$266,983 due to the continuation of commercial meter replacements that exceeded useful life and were registering reads at lower accuracy and AK Steel stayed operating longer than anticipated. An increase in the volume of hauled waste and its treatment brought in \$122,904 of excess funds. Interest rates were up this fiscal year and produced unanticipated revenue totaling \$57,999. Utility Fund rates in all classes increased by the CPI this year effective January 1st. A net reduction of \$644,223 in construction-in-progress was a result of the completion of the construction of the Water Distribution building, beginning the Underdrain project at the Water Treatment Plant and the CSO engineering for Wastewater Treatment Plant. Of the business-type net position, \$43,974,450 is net investment in capital assets and (\$17,028,739) 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, \$8,874,293, represents resources that are subject to limitations on their use through legislation adopted by the City or through external restrictions. The largest restricted portion, \$7,506,050, is for sewer improvements.

ANALYSIS OF THE CITY'S NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 8,312,630	\$ 13,318,134	\$ 13,067,478	\$ 14,278,900	\$ 21,380,108	\$ 27,597,034
Capital assets	62,259,475	59,222,313	55,644,516	52,890,386	117,903,991	112,112,699
Total assets	70,572,105	72,540,447	68,711,994	67,169,286	139,284,099	139,709,733
Deferred outflows of resources	12,186,249	11,924,890	3,436,263	3,323,612	15,622,512	15,248,502
Liabilities	5,094,763	6,052,739	3,337,620	4,725,976	8,432,383	10,778,715
Long-term liabilities	63,261,423	59,209,936	31,467,780	32,152,449	94,729,203	91,362,385
Total Liabilities	68,356,186	65,262,675	34,805,400	36,878,425	103,161,586	102,141,100
Deferred inflows of resources	4,136,841	2,924,971	1,522,853	1,454,312	5,659,694	4,379,283
Net position						
Net investment in capital assets	51,659,502	48,057,346	43,974,450	39,952,083	95,633,952	88,009,429
Restricted	1,725,320	1,794,311	8,874,293	7,636,469	10,599,613	9,430,780
Unrestricted	(43,119,495)	(33,573,966)	(17,028,739)	(15,428,391)	(60,148,234)	(49,002,357)
Total Net Position	\$ 10,265,327	\$ 16,277,691	\$ 35,820,004	\$ 32,160,161	\$ 46,085,331	\$ 48,437,852

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



The City's net position decreased significantly in FY 2015 due to the implementation of GASB 68. The City's participation in County Employee Retirement System (CERS) led to the inclusion of an initial noncurrent liability. Net position took another hit in FY 2018 due to the implementation of GASB 75. The City's participation in the Kentucky Retirement Systems Insurance Fund generated a noncurrent liability for other post-employment benefits. Annual adjustments to these liabilities continue to drive net position down in FY 2019 and FY 2020.

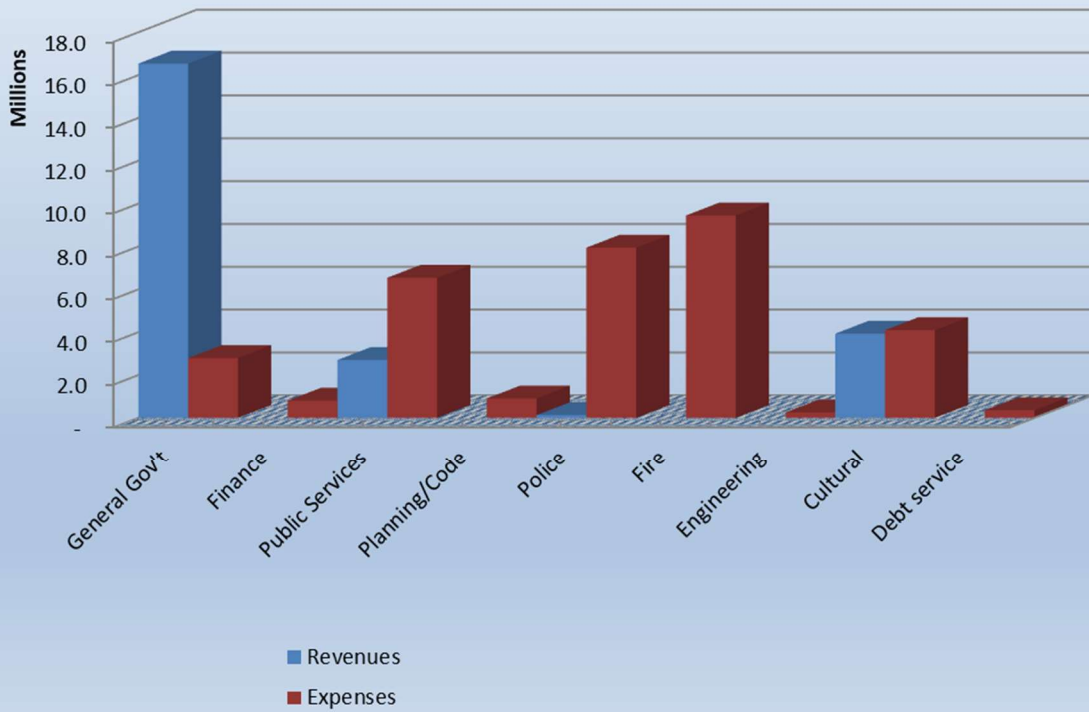
ANALYSIS OF THE CITY'S OPERATIONS

Revenues	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Taxes	\$ 5,267,843	\$ 8,042,133	\$ -	\$ -	\$ 5,267,843	\$ 8,042,133
Charges for Services	17,064,839	16,383,748	17,488,662	16,881,896	34,553,501	33,265,644
Operating Grants / Contr.	6,216,866	3,707,280	323,851	319,526	6,540,717	4,026,806
Capital Grants / Contr.	20,000	621,500	2,488,069	322,381	2,508,069	943,881
Other Income	214,248	196,199	653,719	780,448	867,967	976,647
Total Revenue	28,783,796	28,950,860	20,954,301	18,304,251	49,738,097	47,255,111

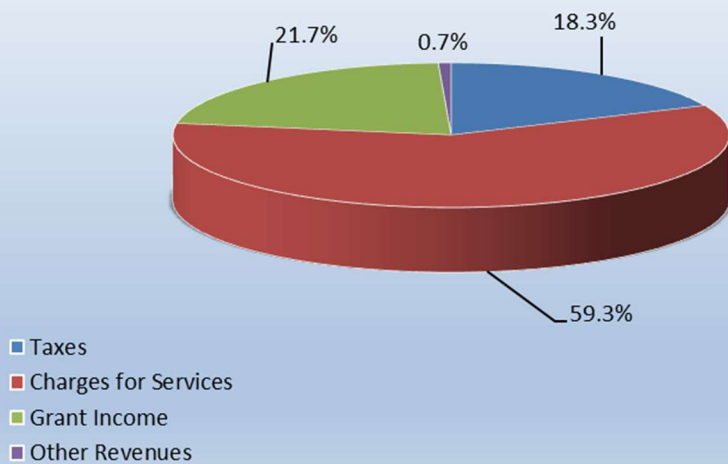
Expenses	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
General Government	2,791,896	2,638,860	-	-	2,791,896	2,638,860
Finance	803,819	688,925	-	-	803,819	688,925
Public Services	6,541,436	7,007,676	-	-	6,541,436	7,007,676
Planning / Code	905,463	838,185	-	-	905,463	838,185
Police	7,946,663	7,142,676	-	-	7,946,663	7,142,676
Fire	9,447,894	8,518,282	-	-	9,447,894	8,518,282
Engineering	256,770	216,630	-	-	256,770	216,630
Community / Cultural	4,098,731	4,576,745	-	-	4,098,731	4,576,745
Debt Service	355,228	373,683	-	-	355,228	373,683
Utility Fund	-	-	16,151,545	16,719,013	16,151,545	16,719,013
Ashland Bus System	-	-	1,435,441	1,274,145	1,435,441	1,274,145
Recreation Operating Fund	-	-	1,076,103	1,099,626	1,076,103	1,099,626
Cemetery	-	-	279,629	269,615	279,629	269,615
Total Expense	33,147,900	32,001,662	18,942,718	19,362,399	52,090,618	51,364,061
Changes before transfers	(4,364,104)	(3,050,802)	2,011,583	(1,058,148)	(2,352,521)	(4,108,950)
Transfers	(1,648,260)	(1,744,139)	1,648,260	1,744,139	-	-
Change in Net Position	(6,012,364)	(4,794,941)	3,659,843	685,991	(2,352,521)	(4,108,950)
Net Position Beg of Year	16,277,691	21,072,632	32,160,161	31,474,170	48,437,852	52,546,802
Net Position End of Year	\$ 10,265,327	\$ 16,277,691	\$ 35,820,004	\$ 32,160,161	\$ 46,085,331	\$ 48,437,852

GOVERNMENTAL ACTIVITIES

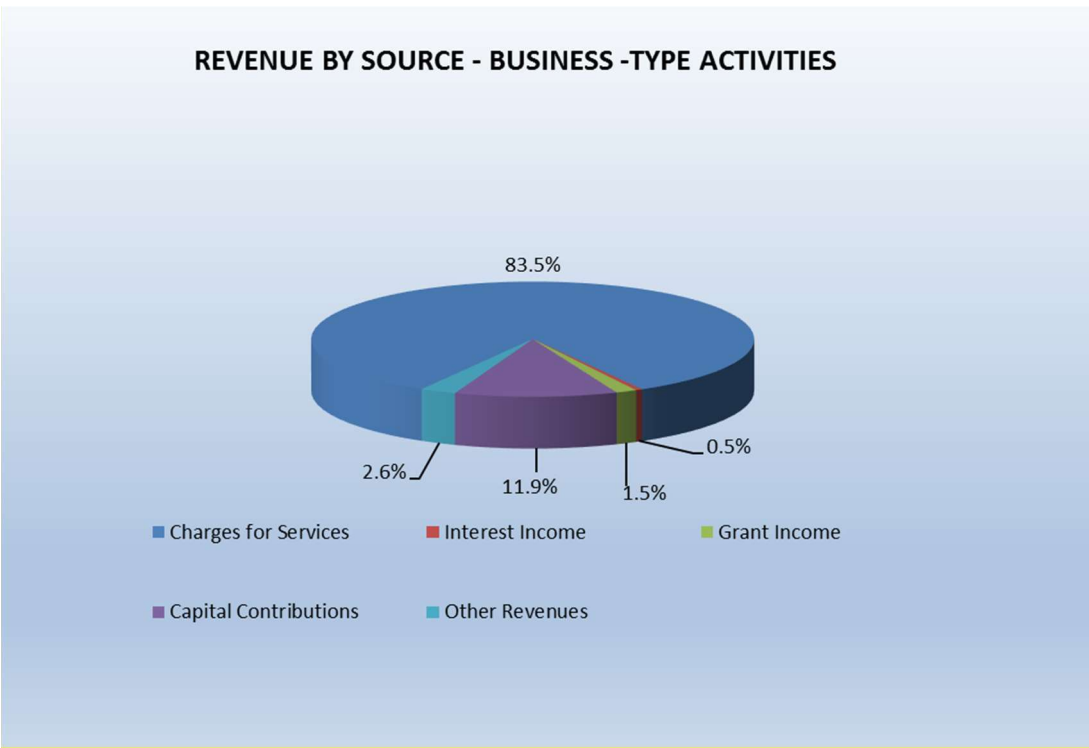
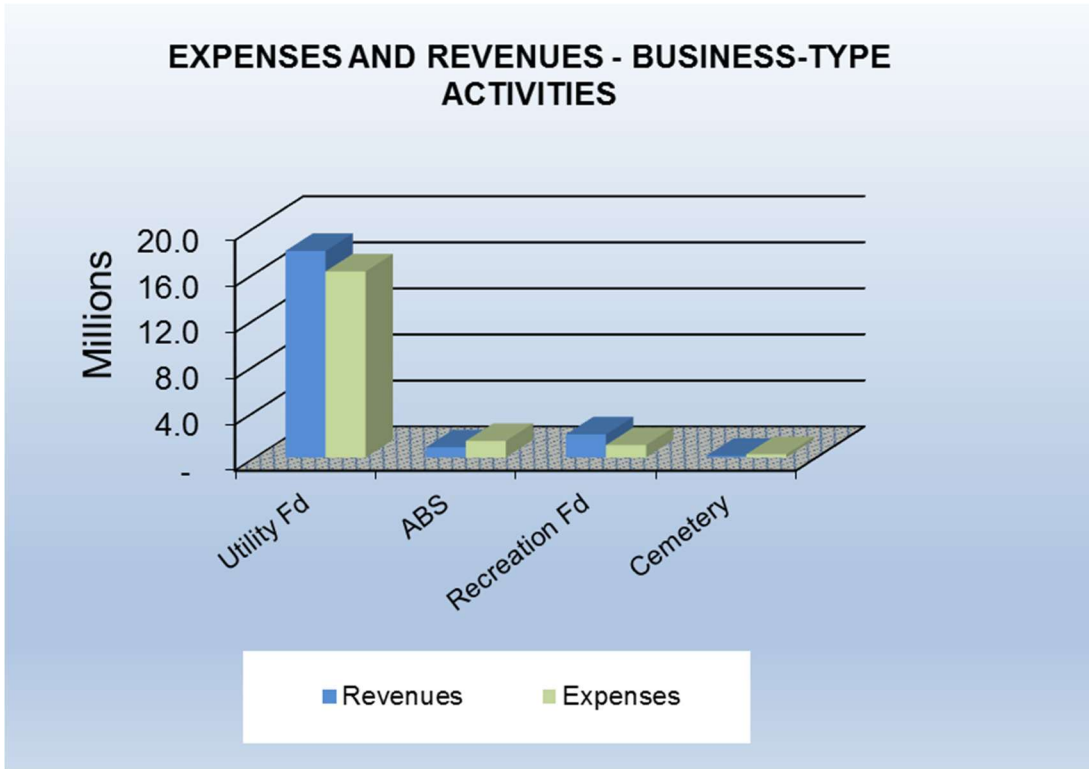
**EXPENSES AND PROGRAM REVENUES-
GOVERNMENTAL ACTIVITIES**



REVENUE BY SOURCE - GOVERNMENT ACTIVITIES

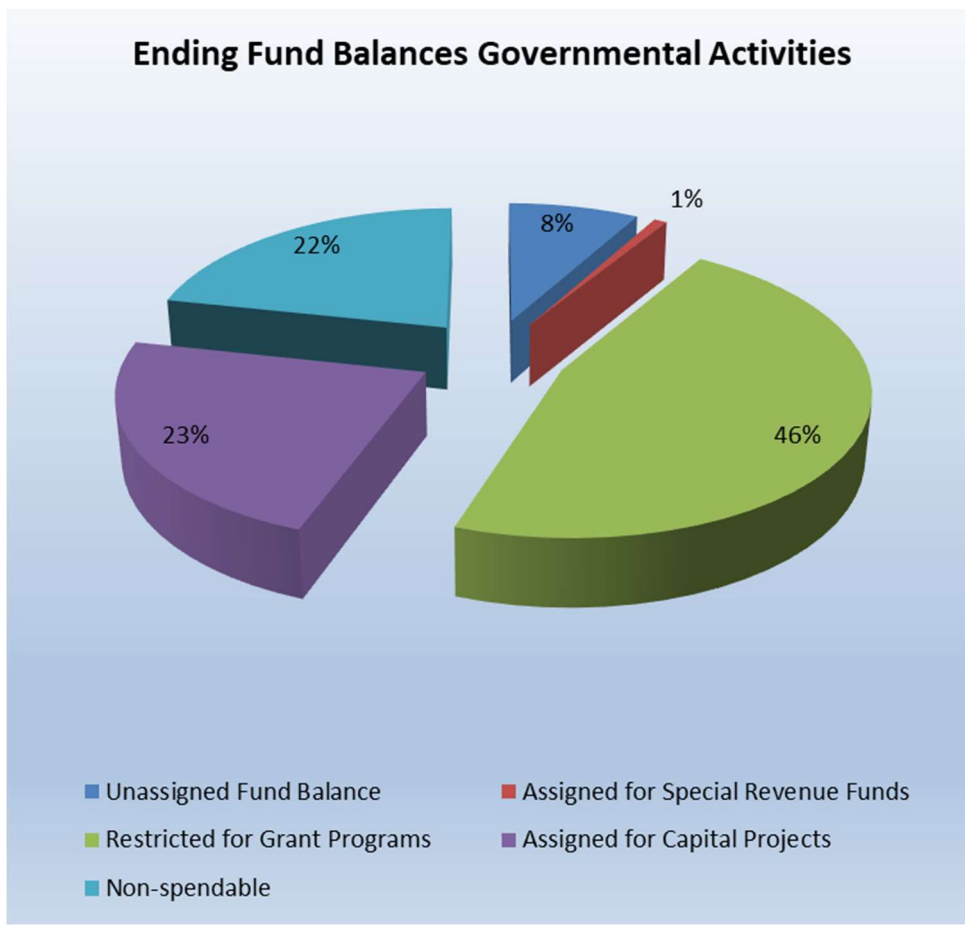


BUSINESS-TYPE ACTIVITIES



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 \$3,706,309. Of this total, \$263,534, or 7%, 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 2020 reports assigned for special revenue funds at \$65,437, restricted for grant programs at \$1,725,320, non-spendable at \$802,018 and assigned for capital projects at \$850,000. The governmental funds assigned for capital projects is for the continuation of our Streetscape Improvements. Unassigned fund balance 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.



MAJOR GOVERNMENTAL FUNDS

For the year ending June 30, 2020, the major governmental funds reported as follows:

The General Fund had revenues of \$24,290,386, expenditures of \$22,033,230 and net other financing uses of \$(4,759,459). The total fund balance was \$3,510,081. Fund balance decreased this fiscal year as a result of a delayed billing for property taxes due to COVID, unbudgeted items in the Community and Economic Development Department and Broadway Square construction change orders. These items are extraordinary in nature and are anticipated to be non-recurring.

The Tax Increment Finance Fund had revenues of \$67,778 and expenditures of \$470,709. The total fund balance was \$(695,413). The TIF fund expenditures are the final redevelopment assistance payment 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 \$424,703 and expenditures of \$424,703. 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 \$49,870 and expenditures of \$247,790. The total fund balance was \$(35,529). Fund balance has a deficit balance this fiscal year as a result of delayed billing for property taxes due to COVID.

The Community Development Fund had revenues of \$689,379 and expenditures of \$689,379. The total fund balance was \$65,437.

The Housing Assistance Fund had revenues of \$3,241,680 and expenditures of \$3,295,039. The total fund balance was \$11,733. The net change in fund balance was due to the unspent COVID admin fees being classified as unearned revenue.

The Capital Purchase Improvement Fund had revenues of \$20,000, other financing sources of \$3,111,199 and expenditures of \$4,006,199. The total fund balance was \$850,000. Fund balance is restricted for Streetscape Improvements.

PROPRIETARY FUNDS

The City's proprietary funds, or business-type activities, had a total net position of \$35,820,004 for the four funds. Total increase in net position was \$3,659,843. 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 2.4% and operating revenues included a 2.0% decrease. Sales to Big Sandy have been reduced as they are purchasing water from another Utility. Turn fees and late payment charges were down due to COVID and the Governor's order to not complete turn offs or charge late fees. Utility rate modifications were effective beginning January 1, 2020.

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

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

BUDGETARY HIGHLIGHTS

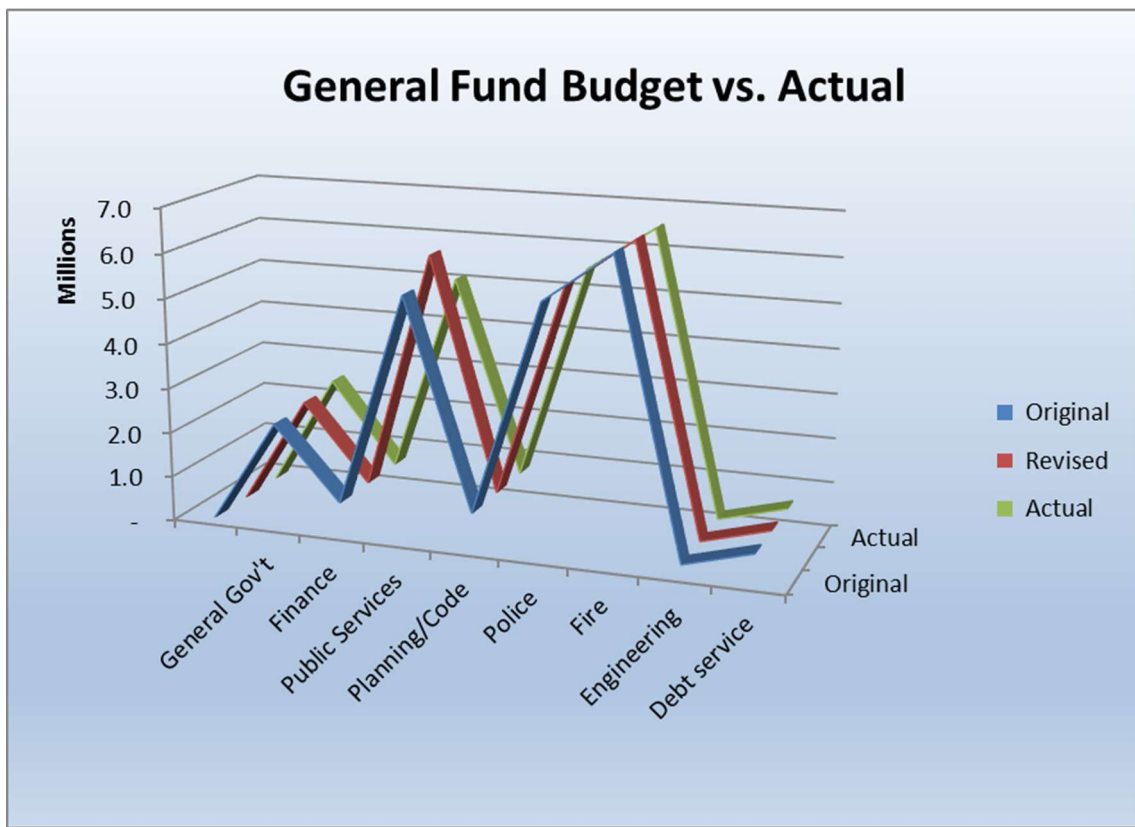
The General Fund budget was amended during the year to reflect the following:

- ⇒ \$2,156,262 decrease in budgeted revenues for the General Fund. This decrease includes \$2,680,055 for delayed billing of property taxes, \$520,000 for the discretionary paving grant and \$3,793 for insurance claims.

- ⇒ \$95,689 increase in Unclassified for Debord Assessment, broadcast commission meetings and payback to HUD for ineligible activities.
- ⇒ \$562,022 increase in Public Services for Street Repairs (\$15,530 for check valves and \$520,000 for discretionary paving grant), general supplies (\$29,801 for traffic paint) and a reduction in repairs and general supplies for the overage in a truck purchase (\$3,309).
- ⇒ \$12,243 increase in police expenditures for task force related overtime, equipment purchases and vehicle damage repairs.
- ⇒ \$25,674 increase in the transfer to the Recreation Fund to purchase flag poles to place at the Riverfront.
- ⇒ Increase in the transfer to Capital Purchase Improvement Fund: \$23,927 for Public Services vehicles; \$560,294 for Police vehicles and equipment; \$82,671 for a replacement boat motor for Fire (reduced from operating Fire budget) and rescue truck that exceeded the original budget estimate.

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 \$24,290,386 versus budgeted revenues of \$22,378,658. Licenses / Permits was \$12,144,175 budgeted and actual revenues were \$12,605,940 for a variance of \$461,765. 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 \$1,555,470. Part of this surplus was for the award of the Cares Relief grant.
- ⇒ The General Fund had a positive variance concerning expenditures this fiscal year. The variance can be attributed to the temporary reduction in staffing associated with COVID in preparation for the offset of revenue. Two divisions that passed their operating parameters were General Government and Police. General Government is where the PPE supplies were expensed which was paid for by FEMA funds. The Police payroll was above the budget and it was paid for by the Cares Relief grant.



CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for governmental and business-type activities as of June 30, 2020 is \$117,903,991 (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, 2020 include:

Project	Approved Contract	Paid / Accrued to Date	Outstanding Commitment
CIPP Lining	\$ 64,500	\$ 24,960	\$ 39,540
Pollard Mills	421,800	169,022	252,778
SCADA	251,110	198,255	52,855
WWTP Expansion	535,990	123,209	412,781
Waterline Replacement	218,290	180,820	37,470
Pollard Mills Storm Water	447,877	304,305	143,572
CIPP Lining Rehabilitation	550,785	88,688	462,097
	\$ 2,490,352	\$ 1,089,259	\$ 1,401,093

CITY OF ASHLAND - CAPITAL ASSETS (NET OF DEPRECIATION)

Asset	Governmental Activities	Business-type Activities	Total
Land	\$ 4,463,328	\$ 449,401	\$ 4,912,729
Buildings and improvements	12,403,274	6,575,987	18,979,261
Automotive equipment	6,467,399	2,738,507	9,205,906
Operating equipment	5,122,964	4,795,358	9,918,322
Office equipment	728,396	553,509	1,281,905
Capital improvements	1,166,553	3,262,098	4,428,651
Right-of-way	15,038,909	-	15,038,909
Infrastructure	82,874,945	-	82,874,945
Utility plant	-	101,322,475	101,322,475
Construction (CIP)	2,314,726	1,732,766	4,047,492
	130,580,494	121,430,101	252,010,595
Less depreciation	(68,321,019)	(65,785,585)	(134,106,604)
Total	\$ 62,259,475	\$ 55,644,516	\$ 117,903,991

DEBT

At the end of fiscal year 2020, the City had governmental activities debt of \$11,544,861 compared to \$11,782,256 at June 30, 2019, which represents a decrease of \$237,395. Business-type activities had debt of \$11,700,880 compared to \$12,996,054 at June 30, 2019, which represents a decrease of

\$1,295,174. See Note (9) for additional discussion of the City’s long term debt. The following chart summarizes governmental and business-type activities debt.

<u>Governmental Activities Debt</u>		<u>Amount</u>
General obligation bond series 2015		\$ 1,860,000
General obligation bond series 2017		4,155,000
Capital lease - police station		3,247,252
Capital lease - Melody Mtn Phase II		1,275,834
Premium on bonds		125,488
Compensated absences obligation		881,287
	Total	\$ 11,544,861

<u>Business-Type Activities Debt</u>		<u>Amount</u>
Revenue & Improvement Bonds 2013		\$ 1,945,000
Water & Sewer Revenue Bonds 2015		2,670,000
Capital lease - Radio Meters		1,019,167
Kentucky Infrastructure Authority loans		5,990,269
Discount on bonds		(8,900)
Premium on bonds		85,344
	Total	\$ 11,700,880

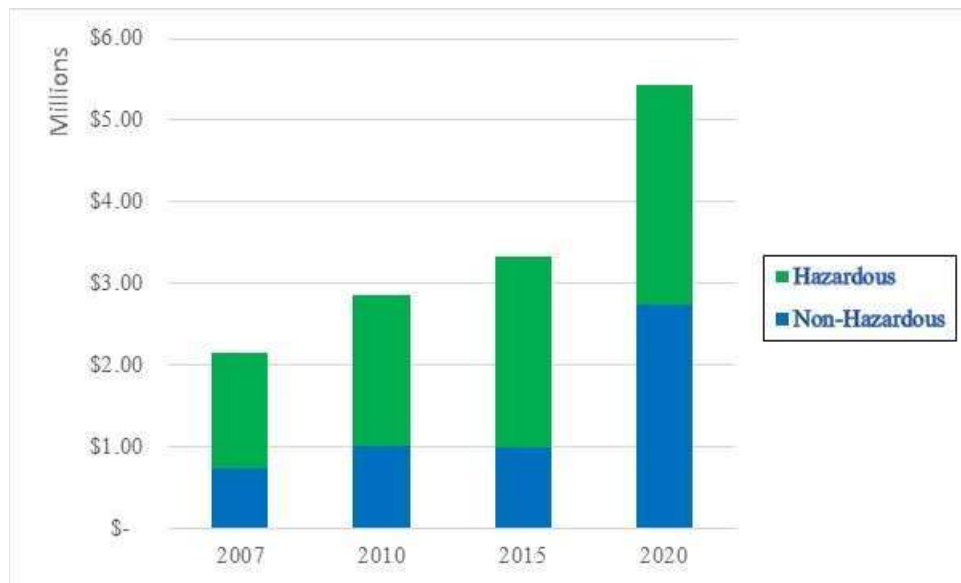
DESCRIPTION OF MUNICIPAL DEBT

- ⇒ General Obligation Refunding Bonds 2015 - \$1,860,000.
- ⇒ General Obligation Bonds 2017 Ashland Plaza Redevelopment Project - \$4,155,000.
- ⇒ General Obligation Bonds 2013 Melody Mountain Phase II - \$1,275,834.
- ⇒ Premium on bonds - \$125,488.
- ⇒ Capital Lease - Police station - \$3,247,252.
- ⇒ Employee compensated absences payable after 60 days at \$881,287.
- ⇒ Utility Revenue bond issue 2013 for phase II upgrade of the water plant - \$1,945,000.
- ⇒ K.I.A. Loans used to upgrade the utility system and correct CSO - \$5,990,269.
- ⇒ KLC lease payable for the purchase of radio read meters - \$1,019,167.
- ⇒ Water & Sewer Revenue Bonds 2015 – water system improvements - \$2,670,000.
- ⇒ Discount on bonds - (\$8,900).
- ⇒ Premium on bonds - \$85,344.

OTHER POTENTIALLY SIGNIFICANT MATTERS

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

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



ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

Unemployment rate for the City of Ashland as of June 2020 is 5.9%. This rate is higher than the State of Kentucky rate at 5.0% and lower than the national rate of 11.2%.

The following summarizes the 2021 fiscal year budgeted expenses.

- ⇒ General Fund - \$24,497,021
- ⇒ Tax Increment Finance Fund - \$298,450
- ⇒ Municipal Aid Program - \$383,290
- ⇒ Community Development Block Grant Fund - \$1,624,753
- ⇒ Section 8 Voucher - \$3,417,048
- ⇒ Floodwall Operating Fund - \$436,903
- ⇒ Utility Fund - \$28,415,442
- ⇒ Ashland Bus System - \$2,634,475
- ⇒ Recreation Operating Fund - \$955,106
- ⇒ Ashland Cemetery Fund - \$136,740
- ⇒ Capital Purchase Improvement Fund - \$1,029,742

Fiscal year 2021 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, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,044,664	\$ 431,084	\$ 3,475,748
Accounts receivable	259,923	2,838,169	3,098,092
Allowance for uncollectible accounts	-	(145,693)	(145,693)
Taxes receivable	562,344	-	562,344
Allowance for uncollectible taxes	(562,344)	-	(562,344)
Grants receivable	1,881,324	158,712	2,040,036
Internal balances, net	1,614,768	(1,614,768)	-
Due from fiduciary fund	51,437	-	51,437
Program receivables	-	-	-
Allowance for uncollectible accounts	-	-	-
Other receivables	572,314	-	572,314
Allowance for uncollectible accounts	(63,818)	-	(63,818)
Prepaid expenses	615,948	88,377	704,325
Inventories	186,070	2,437,304	2,623,374
Restricted assets -			
Cash and cash equivalents	-	3,182,355	3,182,355
Certificates of deposit	-	5,691,938	5,691,938
Note receivable	150,000	-	150,000
Nondepreciable capital assets	21,251,024	2,182,167	23,433,191
Depreciable capital assets	109,329,470	119,247,934	228,577,404
Accumulated depreciation	(68,321,019)	(65,785,585)	(134,106,604)
 Total assets	 <u>70,572,105</u>	 <u>68,711,994</u>	 <u>139,284,099</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred savings from refunding bonds	63,601	80,814	144,415
Deferred outflows - OPEB related	3,958,426	1,043,415	5,001,841
Deferred outflows - pension related	8,164,222	2,312,034	10,476,256
 Total deferred outflows of resources	 <u>12,186,249</u>	 <u>3,436,263</u>	 <u>15,622,512</u>

CITY OF ASHLAND
STATEMENT OF NET POSITION (CONCLUDED)
JUNE 30, 2020

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	1,551,237	701,399	2,252,636
Due to Board of Education	40,632	-	40,632
Payable to fiduciary fund	-	154,162	154,162
Other accrued expenses and liabilities	2,748,237	527,963	3,276,200
Deposits	-	319,574	319,574
Matured revenue bonds and notes	-	50,000	50,000
Accrued compensated absences, current	173,369	252,843	426,212
Current portion of long-term debt	581,288	1,331,679	1,912,967
Net OPEB liabilities, due in more than one year	10,296,240	3,053,874	13,350,114
Net pension liabilities, due in more than one year	42,001,610	18,044,705	60,046,315
Accrued compensated absences, non-current	881,287	-	881,287
Capital lease obligations, non-current	4,261,797	907,084	5,168,881
Revenue and Improvement bonds, net of discounts	-	4,016,444	4,016,444
Kentucky Infrastructure Authority loans, non-current	-	5,445,673	5,445,673
General obligation bonds, non-current, plus premiums	5,820,489	-	5,820,489
	<u>68,356,186</u>	<u>34,805,400</u>	<u>103,161,586</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - OPEB related	3,012,196	1,089,514	4,101,710
Deferred inflows - pension related	1,124,645	433,339	1,557,984
	<u>4,136,841</u>	<u>1,522,853</u>	<u>5,659,694</u>
NET POSITION			
Net investment in capital assets	51,659,502	43,974,450	95,633,952
Restricted			
Debt service	-	1,138,163	1,138,163
Grant programs	1,725,320	-	1,725,320
Sewer improvements	-	7,506,050	7,506,050
Other	-	230,080	230,080
Unrestricted	<u>(43,119,495)</u>	<u>(17,028,739)</u>	<u>(60,148,234)</u>
	<u>\$ 10,265,327</u>	<u>\$ 35,820,004</u>	<u>\$ 46,085,331</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, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 2,791,896	\$ 14,505,416	\$ 2,013,308	\$ 20,000	\$ 13,746,828	\$ -	\$ 13,746,828
Finance	803,819	-	-	-	(803,819)	-	(803,819)
Public services	6,541,436	2,278,644	424,445	-	(3,838,347)	-	(3,838,347)
Planning and code enforcement	905,463	-	-	-	(905,463)	-	(905,463)
Police	7,946,663	-	129,162	-	(7,817,501)	-	(7,817,501)
Fire	9,447,894	-	-	-	(9,447,894)	-	(9,447,894)
Engineering	256,770	-	-	-	(256,770)	-	(256,770)
Community and cultural	4,098,731	280,779	3,649,951	-	(168,001)	-	(168,001)
Debt service - interest	355,228	-	-	-	(355,228)	-	(355,228)
Total governmental activities	<u>33,147,900</u>	<u>17,064,839</u>	<u>6,216,866</u>	<u>20,000</u>	<u>(9,846,195)</u>	<u>-</u>	<u>(9,846,195)</u>
Business-Type Activities							
Utilities	16,151,545	17,303,919	7,815	-	-	1,160,189	1,160,189
Recreation	1,076,103	20,681	-	1,974,521	-	919,099	919,099
Cemetery	279,629	122,831	-	-	-	(156,798)	(156,798)
Bus	1,435,441	41,231	316,036	513,548	-	(564,626)	(564,626)
Total business-type activities	<u>18,942,718</u>	<u>17,488,662</u>	<u>323,851</u>	<u>2,488,069</u>	<u>-</u>	<u>1,357,864</u>	<u>1,357,864</u>
Total primary government	<u>\$ 52,090,618</u>	<u>\$ 34,553,501</u>	<u>\$ 6,540,717</u>	<u>\$ 2,508,069</u>	<u>\$ (9,846,195)</u>	<u>\$ 1,357,864</u>	<u>\$ (8,488,331)</u>
General Revenues:							
Property and other local taxes							
General property taxes				\$ 381,004	\$ -	\$ 381,004	
Vehicle property taxes				386,501	-	386,501	
Insurance premium taxes				4,188,278	-	4,188,278	
Bank franchise and other taxes				312,060	-	312,060	
Interest income				7,531	101,737	109,268	
Other revenues				206,717	551,982	758,699	
Total general revenues				<u>5,482,091</u>	<u>653,719</u>	<u>6,135,810</u>	
Transfers				<u>(1,648,260)</u>	<u>1,648,260</u>	<u>-</u>	
Total general revenues and transfers				<u>3,833,831</u>	<u>2,301,979</u>	<u>6,135,810</u>	
Change in net position				<u>(6,012,364)</u>	<u>3,659,843</u>	<u>(2,352,521)</u>	
Net position, June 30, 2019				<u>16,277,691</u>	<u>32,160,161</u>	<u>48,437,852</u>	
Net position, June 30, 2020				<u>\$ 10,265,327</u>	<u>\$ 35,820,004</u>	<u>\$ 46,085,331</u>	

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

**CITY OF ASHLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

Special Revenue Funds

	General	Tax Increment Finance	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	Total Governmental Funds
Assets								
Cash	\$ 1,721,784	\$ -	\$ 130,817	\$ 19,478	\$ 3,866	\$ 332,629	\$ -	\$ 2,208,574
Taxes receivable	531,902	-	-	30,442	-	-	-	562,344
Allowance for uncollectible taxes	(531,902)	-	-	(30,442)	-	-	-	(562,344)
Grants receivable	1,713,587	-	33,886	-	133,851	-	-	1,881,324
Due from other funds	2,638,401	-	-	-	-	21,192	1,639,231	4,298,824
Other receivables	504,230	-	-	-	-	68,084	-	572,314
Allowance for uncollectible accounts	-	-	-	-	-	(63,818)	-	(63,818)
Prepaid items	615,948	-	-	-	-	-	-	615,948
Inventories - supplies	186,070	-	-	-	-	-	-	186,070
Total assets	\$ 7,380,020	\$ -	\$ 164,703	\$ 19,478	\$ 137,717	\$ 358,087	\$ 1,639,231	\$ 9,699,236
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 311,275	\$ -	\$ -	\$ 2,323	\$ 34,168	\$ 8,364	\$ 789,231	\$ 1,145,361
Due to other funds	2,491,614	695,413	164,703	48,603	32,414	-	-	3,432,747
Unearned revenue	-	-	-	-	-	330,503	-	330,503
Due to Board of Education	40,632	-	-	-	-	-	-	40,632
Accrued compensated absences	168,538	-	-	1,385	1,134	2,312	-	173,369
Accrued wages and related expenditures	857,880	-	-	2,696	4,564	5,175	-	870,315
Total liabilities	3,869,939	695,413	164,703	55,007	72,280	346,354	789,231	5,992,927
Fund Balances:								
Non-spendable	802,018	-	-	-	-	-	-	802,018
Restricted for grant programs	1,713,587	-	-	-	-	11,733	-	1,725,320
Assigned for capital projects	-	-	-	-	-	-	850,000	850,000
Assigned for special revenue funds	-	-	-	-	65,437	-	-	65,437
Unassigned	994,476	(695,413)	-	(35,529)	-	-	-	263,534
Total fund balances	3,510,081	(695,413)	-	(35,529)	65,437	11,733	850,000	3,706,309
Total liabilities and fund balances	\$ 7,380,020	\$ -	\$ 164,703	\$ 19,478	\$ 137,717	\$ 358,087	\$ 1,639,231	\$ 9,699,236

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, 2020

Total fund balance - total governmental funds		\$ 3,706,309
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets of \$130,580,494 net of accumulated depreciation of \$68,321,019 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		62,259,475
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	63,601	213,601
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.		7,985,807
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	(10,296,240)	
Net pension liabilities	(42,001,610)	
Bonds payable	(6,140,489)	
Accrued interest payable	(57,154)	
Accrued compensated absences	(881,287)	
Capital lease obligations	(4,523,085)	(63,899,865)
Net position, end of year - Governmental Activities		\$ 10,265,327

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, 2020

	Special Revenue Funds						Capital Projects	Total Governmental Funds
	General	Tax Increment Finance	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance		
Revenues								
Property and other local taxes	\$ 5,185,735	\$ 32,486	\$ -	\$ 49,622	\$ -	\$ -	\$ -	\$ 5,267,843
Licenses and permits	12,605,940	35,292	-	-	-	-	-	12,641,232
Charges for services	2,278,644	-	-	-	-	-	-	2,278,644
Fees, fines and reimbursements	1,864,184	-	-	-	-	-	-	1,864,184
Grant income	2,142,470	-	424,445	-	689,379	2,960,572	-	6,216,866
Administration fee income	-	-	-	-	-	280,779	-	280,779
Interest income	6,696	-	258	248	-	329	-	7,531
Other income	206,717	-	-	-	-	-	20,000	226,717
Total revenues	24,290,386	67,778	424,703	49,870	689,379	3,241,680	20,000	28,783,796
Expenditures								
General government	2,499,914	-	-	-	-	-	1,503	2,501,417
Finance	668,606	-	-	-	-	-	-	668,606
Public services	5,115,011	-	424,703	247,790	-	-	-	5,787,504
Planning and code enforcement	785,556	-	-	-	-	-	-	785,556
Police	5,569,454	-	-	-	-	-	-	5,569,454
Fire	6,554,339	-	-	-	-	-	-	6,554,339
Engineering	214,411	-	-	-	-	-	-	214,411
Community and cultural	-	173,509	-	-	689,379	3,295,039	-	4,157,927
Capital outlay	-	-	-	-	-	-	4,004,696	4,004,696
Debt service:								
Principal retirement	392,356	170,000	-	-	-	-	-	562,356
Interest charges	233,583	127,200	-	-	-	-	-	360,783
Total expenditures	22,033,230	470,709	424,703	247,790	689,379	3,295,039	4,006,199	31,167,049
Excess (deficiency) of Revenues Over (Under) Expenditures	2,257,156	(402,931)	-	(197,920)	-	(53,359)	(3,986,199)	(2,383,253)
Other Financing Sources (Uses)								
Transfers in	-	-	-	-	-	-	3,111,199	3,111,199
Transfers out	(4,759,459)	-	-	-	-	-	-	(4,759,459)
Total other financing sources (uses)	(4,759,459)	-	-	-	-	-	3,111,199	(1,648,260)
Net change in fund balances	(2,502,303)	(402,931)	-	(197,920)	-	(53,359)	(875,000)	(4,031,513)
Fund balances beginning of year	6,012,384	(292,482)	-	162,391	65,437	65,092	1,725,000	7,737,822
Fund balances end of year	<u>\$ 3,510,081</u>	<u>\$ (695,413)</u>	<u>\$ -</u>	<u>\$ (35,529)</u>	<u>\$ 65,437</u>	<u>\$ 11,733</u>	<u>\$ 850,000</u>	<u>\$ 3,706,309</u>

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

CITY OF ASHLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds \$ (4,031,513)

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	5,633,677	
Depreciation expense	<u>(2,596,515)</u>	3,037,162

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		(334,475)
Amortization of deferred savings from refunding bonds		(6,876)
Amortization of bond discounts and premiums		9,514
Accrued interest payable		2,917

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	270,776	
CERS pension expense	(4,864,438)	
CERS OPEB expense	<u>(657,787)</u>	(5,251,449)

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.

562,356

Change in net position of governmental activities \$ (6,012,364)

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

CITY OF ASHLAND
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Business-Type Activities				Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		
ASSETS						
Unrestricted Assets:						
Cash and cash equivalents	\$ 270,383	\$ 24,154	\$ 5,132	\$ 131,415	\$ 431,084	\$ 836,090
Accounts receivable	2,835,065	-	948	2,156	2,838,169	259,923
Allowance for doubtful accounts	(145,693)	-	-	-	(145,693)	-
Due from other funds	-	-	-	31,063	31,063	800,128
Grants receivable - capital	-	150,897	-	-	150,897	-
Grants receivable - operating	7,815	-	-	-	7,815	-
Prepaid expenses	88,377	-	-	-	88,377	-
Inventories -						
Repair parts and supplies	933,863	70,668	3,293	-	1,007,824	-
Lots and vaults	-	-	-	1,429,480	1,429,480	-
Total unrestricted assets	3,989,810	245,719	9,373	1,594,114	5,839,016	1,896,141
Restricted Assets:						
Cash and cash equivalents	3,142,275	-	-	40,080	3,182,355	-
Investments -						
Certificates of deposit	5,501,938	-	190,000	-	5,691,938	-
Total restricted assets	8,644,213	-	190,000	40,080	8,874,293	-
Total current assets	12,634,023	245,719	199,373	1,634,194	14,713,309	1,896,141
Capital Assets:						
Land and easements	372,725	-	58,223	18,453	449,401	-
Utility plant	101,322,475	-	-	-	101,322,475	-
Buildings and improvements	2,587,960	1,567,726	100,529	2,319,771	6,575,986	-
Operating equipment	5,625,598	1,468,211	3,636,005	66,150	10,795,964	-
Office and computer equipment	510,019	38,170	5,320	-	553,509	-
Construction in progress	1,732,766	-	-	-	1,732,766	-
	112,151,543	3,074,107	3,800,077	2,404,374	121,430,101	-
Less: Accumulated depreciation	(62,644,608)	(1,759,741)	(827,498)	(553,738)	(65,785,585)	-
Total capital assets - net	49,506,935	1,314,366	2,972,579	1,850,636	55,644,516	-
Total noncurrent assets	49,506,935	1,314,366	2,972,579	1,850,636	55,644,516	-
Total assets	62,140,958	1,560,085	3,171,952	3,484,830	70,357,825	1,896,141
DEFERRED OUTFLOWS OF RESOURCES						
Deferred savings from refunding bonds	80,814	-	-	-	80,814	-
Deferred outflows - OPEB related	789,839	158,677	80,547	14,352	1,043,415	-
Deferred outflows - pension related	1,750,151	351,602	178,479	31,802	2,312,034	-
Total deferred outflows of resources	2,620,804	510,279	259,026	46,154	3,436,263	-

CITY OF ASHLAND
STATEMENT OF NET POSITION (CONCLUDED)
PROPRIETARY FUNDS
JUNE 30, 2020

	Business-Type Activities				Total	Governmental
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		Activity - Internal Service Fund
LIABILITIES						
Current liabilities (payable from current assets):						
Accounts payable	\$ 605,577	\$ 74,625	\$ 18,505	\$ 2,692	\$ 701,399	\$ 405,876
Due to other funds	882,750	338,027	579,216	-	1,799,993	-
Accrued compensated absences	211,500	24,449	9,289	7,605	252,843	-
Other accrued liabilities	372,161	97,446	11,819	46,537	527,963	1,490,265
Total current liabilities (payable from current assets)	<u>2,071,988</u>	<u>534,547</u>	<u>618,829</u>	<u>56,834</u>	<u>3,282,198</u>	<u>1,896,141</u>
Current liabilities (payable from restricted assets):						
Matured revenue bonds and notes	50,000	-	-	-	50,000	-
Customer deposits	319,574	-	-	-	319,574	-
Current portion of capital lease obligations	112,083	-	-	-	112,083	-
Current portion of Revenue and Improvement bonds	675,000	-	-	-	675,000	-
Current portion of Kentucky Infrastructure Authority loans	544,596	-	-	-	544,596	-
Total current liabilities (payable from restricted assets)	<u>1,701,253</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,701,253</u>	<u>-</u>
Total current liabilities	<u>3,773,241</u>	<u>534,547</u>	<u>618,829</u>	<u>56,834</u>	<u>4,983,451</u>	<u>1,896,141</u>
Long-term liabilities:						
Capital lease obligations	907,084	-	-	-	907,084	-
Revenue and Improvement bonds, net of discount and premium	4,016,444	-	-	-	4,016,444	-
Kentucky Infrastructure Authority loans	5,445,673	-	-	-	5,445,673	-
Net OPEB liabilities	2,435,243	329,961	221,929	66,741	3,053,874	-
Net pension liabilities	15,395,068	1,391,469	1,033,668	224,500	18,044,705	-
Total long-term liabilities	<u>28,199,512</u>	<u>1,721,430</u>	<u>1,255,597</u>	<u>291,241</u>	<u>31,467,780</u>	<u>-</u>
Total liabilities	<u>31,972,753</u>	<u>2,255,977</u>	<u>1,874,426</u>	<u>348,075</u>	<u>36,451,231</u>	<u>1,896,141</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows - OPEB related	824,735	165,687	84,106	14,986	1,089,514	-
Deferred inflows - pension related	328,026	65,900	33,452	5,961	433,339	-
Total deferred inflows of resources	<u>1,152,761</u>	<u>231,587</u>	<u>117,558</u>	<u>20,947</u>	<u>1,522,853</u>	<u>-</u>
NET POSITION						
Net investment in capital assets	37,836,869	1,314,366	2,972,579	1,850,636	43,974,450	-
Restricted for debt service	1,138,163	-	-	-	1,138,163	-
Restricted for sewer improvements	7,506,050	-	-	-	7,506,050	-
Other	-	-	190,000	40,080	230,080	-
Unrestricted	<u>(14,844,834)</u>	<u>(1,731,566)</u>	<u>(1,723,585)</u>	<u>1,271,246</u>	<u>(17,028,739)</u>	<u>-</u>
Total net position	<u>\$ 31,636,248</u>	<u>\$ (417,200)</u>	<u>\$ 1,438,994</u>	<u>\$ 3,161,962</u>	<u>\$ 35,820,004</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, 2020

	Business-Type Activities				Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		
OPERATING REVENUES						
Residential and commercial meter sales	\$ 4,621,553	\$ -	\$ -	\$ -	\$ 4,621,553	\$ -
Sewer service	7,582,146	-	-	-	7,582,146	-
Industrial meter sales	3,363,371	-	-	-	3,363,371	-
Other municipalities	1,512,144	-	-	-	1,512,144	-
Industrial pretreatment	128,737	-	-	-	128,737	-
Water and sewer taps	95,968	-	-	-	95,968	-
Concession sales	-	-	7,184	-	7,184	-
Lot and vault sales	-	-	-	50,470	50,470	-
Opening and closing fees	-	-	-	72,361	72,361	-
Passenger fares	-	41,231	-	-	41,231	-
Admission fees	-	-	13,497	-	13,497	-
Premium charges	-	-	-	-	-	5,952,709
Miscellaneous	522,314	10,745	4,552	14,371	551,982	-
Total operating revenues	<u>17,826,233</u>	<u>51,976</u>	<u>25,233</u>	<u>137,202</u>	<u>18,040,644</u>	<u>5,952,709</u>
OPERATING EXPENSES						
Administration - Director	174,367	-	-	-	174,367	-
Administration - Cashier	1,014,911	-	-	-	1,014,911	-
Water - Production	2,364,525	-	-	-	2,364,525	-
Water - Distribution	3,787,376	-	-	-	3,787,376	-
Sewer - Pretreatment	1,928,219	-	-	-	1,928,219	-
Sewer - Collection	1,545,106	-	-	-	1,545,106	-
Depreciation	2,697,195	156,401	73,111	51,211	2,977,918	-
Insurance	192,569	29,186	19,651	6,111	247,517	-
Other operating expenses	2,106,359	553,469	449,080	90,813	3,199,721	6,160
Salaries	-	535,899	334,764	59,414	930,077	-
Utilities	-	27,313	111,593	13,654	152,560	-
Operating supplies	-	133,173	87,904	58,426	279,503	-
Premiums and claims	-	-	-	-	-	5,947,804
Total operating expenses	<u>15,810,627</u>	<u>1,435,441</u>	<u>1,076,103</u>	<u>279,629</u>	<u>18,601,800</u>	<u>5,953,964</u>
OPERATING INCOME (LOSS)	<u>2,015,606</u>	<u>(1,383,465)</u>	<u>(1,050,870)</u>	<u>(142,427)</u>	<u>(561,156)</u>	<u>(1,255)</u>
NON-OPERATING REVENUES						
(EXPENSES)						
Interest income	97,999	269	3,242	227	101,737	1,255
Grant income	7,815	316,036	-	-	323,851	-
Interest on revenue bonds and notes	(340,918)	-	-	-	(340,918)	-
Total non-operating revenues (expenses)	<u>(235,104)</u>	<u>316,305</u>	<u>3,242</u>	<u>227</u>	<u>84,670</u>	<u>1,255</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>1,780,502</u>	<u>(1,067,160)</u>	<u>(1,047,628)</u>	<u>(142,200)</u>	<u>(476,486)</u>	<u>-</u>
TRANSFERS						
From General Fund	-	574,833	952,781	120,646	1,648,260	-
Total transfers in	<u>-</u>	<u>574,833</u>	<u>952,781</u>	<u>120,646</u>	<u>1,648,260</u>	<u>-</u>
CAPITAL CONTRIBUTIONS						
Local contributions	-	-	1,974,521	-	1,974,521	-
Federal/state grants	-	513,548	-	-	513,548	-
Total capital contributions	<u>-</u>	<u>513,548</u>	<u>1,974,521</u>	<u>-</u>	<u>2,488,069</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION	<u>1,780,502</u>	<u>21,221</u>	<u>1,879,674</u>	<u>(21,554)</u>	<u>3,659,843</u>	<u>-</u>
NET POSITION, JUNE 30, 2019	<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>
NET POSITION, JUNE 30, 2020	<u>\$ 31,636,248</u>	<u>\$ (417,200)</u>	<u>\$ 1,438,994</u>	<u>\$ 3,161,962</u>	<u>\$ 35,820,004</u>	<u>\$ -</u>

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

**CITY OF ASHLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Business-Type Activities				Total	Governmental Activity - Internal Service Fund
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 16,990,328	\$ 41,231	\$ 20,681	\$ 120,675	\$ 17,172,915	\$ -
Cash payments to suppliers for goods and services	(10,882,405)	(966,766)	(188,306)	(115,527)	(12,153,004)	(6,160)
Cash payments to employees	(4,026,781)	(416,466)	(261,167)	(37,101)	(4,741,515)	-
Other operating revenues	522,314	10,745	4,552	14,371	551,982	-
Payments for internal services	(1,764,889)	(153,256)	(165,258)	(34,160)	(2,117,563)	-
Cash received for internal services	-	-	-	-	-	6,891,807
Payments for premiums and claims	-	-	-	-	-	(6,366,738)
Net cash provided by (used for) operating activities	<u>838,567</u>	<u>(1,484,512)</u>	<u>(589,498)</u>	<u>(51,742)</u>	<u>(1,287,185)</u>	<u>518,909</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grant income	-	635,562	-	-	635,562	-
Transfers from other funds	-	574,833	952,781	120,646	1,648,260	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>1,210,395</u>	<u>952,781</u>	<u>120,646</u>	<u>2,283,822</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(2,901,118)	(469,966)	(386,442)	-	(3,757,526)	-
Proceeds from sale of assets	-	-	-	-	-	-
Principal paid on bonds, notes, and lease obligations	(1,290,382)	-	-	-	(1,290,382)	-
Interest paid on bonds, notes, and lease obligations	(340,918)	-	-	-	(340,918)	-
Capital grants received	-	610,531	-	-	610,531	-
Net cash provided by (used for) capital and related financing activities	<u>(4,532,418)</u>	<u>140,565</u>	<u>(386,442)</u>	<u>-</u>	<u>(4,778,295)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Withdrawal of investment securities	(2,558,269)	-	-	-	(2,558,269)	-
Investment income	97,999	269	2,466	227	100,961	1,255
Net cash provided by investing activities	<u>(2,460,270)</u>	<u>269</u>	<u>2,466</u>	<u>227</u>	<u>(2,457,308)</u>	<u>1,255</u>
Net increase (decrease) in cash and cash equivalents	(6,154,121)	(133,283)	(20,693)	69,131	(6,238,966)	520,164
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>
Cash and cash equivalents, June 30, 2020	<u>\$ 3,412,658</u>	<u>\$ 24,154</u>	<u>\$ 5,132</u>	<u>\$ 171,495</u>	<u>\$ 3,613,439</u>	<u>\$ 836,090</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Operating income (loss)	\$ 2,015,606	\$ (1,383,465)	\$ (1,050,870)	\$ (142,427)	\$ (561,156)	\$ (1,255)
Adjustments:						
Depreciation	2,697,195	156,401	73,111	51,211	2,977,918	-
Amortization	22,145	-	-	-	22,145	-
Net OPEB adjustment	20,666	(2,839)	3,425	1,164	22,416	-
Net pension adjustment	337,397	109,132	91,420	20,390	558,339	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(24,294)	-	-	(2,156)	(26,450)	(93,982)
(Increase) decrease in inventories	226,800	4,236	4,179	45,999	281,214	-
(Increase) decrease in prepaid expenses	(6,959)	-	-	-	(6,959)	-
(Increase) decrease in due from other funds	-	-	-	(25,424)	(25,424)	1,033,080
Increase (decrease) in accounts payable	(1,080,991)	28,458	(48,911)	(1,258)	(1,102,702)	(555,162)
Increase (decrease) in due to other funds	(3,123,421)	(409,575)	359,396	-	(3,173,600)	-
Increase (decrease) in compensated absences	40,224	1,654	(11,362)	(25)	30,491	-
Increase (decrease) in other accrued liabilities	3,496	11,486	(9,886)	784	5,880	136,228
Increase (decrease) in customer deposits	(289,297)	-	-	-	(289,297)	-
Net cash provided by (used for) operating activities	<u>\$ 838,567</u>	<u>\$ (1,484,512)</u>	<u>\$ (589,498)</u>	<u>\$ (51,742)</u>	<u>\$ (1,287,185)</u>	<u>\$ 518,909</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, 2020**

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ -
Accrued interest receivable	4,454
Due from other funds	154,162
Investments, at fair value	
Certificates of deposit	<u>4,063,584</u>
 Total assets	 <u>4,222,200</u>
LIABILITIES	
Due to other funds	<u>51,437</u>
 Total liabilities	 <u>51,437</u>
 NET POSITION - RESTRICTED FOR PENSION BENEFITS	 <u><u>\$ 4,170,763</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, 2020**

	<u>Pension Trust Funds</u>
ADDITIONS:	
CONTRIBUTIONS	
Employer	<u>\$ 928,035</u>
Total contributions	<u>928,035</u>
INVESTMENT INCOME	
Interest income	<u>59,167</u>
Total investment income	<u>59,167</u>
Total additions	<u>987,202</u>
DEDUCTIONS:	
Benefits	986,403
Administrative expenses	<u>7,092</u>
Total deductions	<u>993,495</u>
NET DECREASE	(6,293)
NET POSITION - RESTRICTED FOR PENSION BENEFITS:	
Beginning of year	<u>4,177,056</u>
End of year	<u><u>\$ 4,170,763</u></u>

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 7,870,345	\$ (2,680,055)	\$ 5,190,290	\$ 5,185,735	\$ (4,555)
Licenses and permits	12,144,175	-	12,144,175	12,605,940	461,765
Charges for services	2,313,000	-	2,313,000	2,278,644	(34,356)
Fees, fines and reimbursements	1,989,535	-	1,989,535	1,864,184	(125,351)
Interest income	5,500	-	5,500	6,696	1,196
Grant income	67,000	520,000	587,000	2,142,470	1,555,470
Other income	145,365	3,793	149,158	206,717	57,559
Total revenues	<u>24,534,920</u>	<u>(2,156,262)</u>	<u>22,378,658</u>	<u>24,290,386</u>	<u>1,911,728</u>
Expenditures					
General government	2,291,677	95,689	2,387,366	2,499,914	(112,548)
Finance	679,744	-	679,744	668,606	11,138
Public services	5,390,548	562,022	5,952,570	5,115,011	837,559
Planning and code enforcement	786,815	-	786,815	785,556	1,259
Police	5,489,334	12,243	5,501,577	5,569,454	(67,877)
Fire	6,597,103	(9,600)	6,587,503	6,554,339	33,164
Engineering	204,544	-	204,544	214,411	(9,867)
Debt service:					
Principal retirement	437,821	-	437,821	392,356	45,465
Interest and fiscal charges	188,110	-	188,110	233,583	(45,473)
Total expenditures	<u>22,065,696</u>	<u>660,354</u>	<u>22,726,050</u>	<u>22,033,230</u>	<u>692,820</u>
Excess of Revenues Over (Under) Expenditures	<u>2,469,224</u>	<u>(2,816,616)</u>	<u>(347,392)</u>	<u>2,257,156</u>	<u>2,604,548</u>
Other Financing Sources (Uses)					
Transfers out	<u>(2,469,224)</u>	<u>(875,139)</u>	<u>(3,344,363)</u>	<u>(4,759,459)</u>	<u>(1,415,096)</u>
Total other financing sources (uses)	<u>(2,469,224)</u>	<u>(875,139)</u>	<u>(3,344,363)</u>	<u>(4,759,459)</u>	<u>(1,415,096)</u>
Net change in fund balance	-	(3,691,755)	(3,691,755)	(2,502,303)	1,189,452
Fund balance beginning of year	<u>6,012,384</u>	-	<u>6,012,384</u>	<u>6,012,384</u>	-
Fund balance end of year	<u>\$ 6,012,384</u>	<u>\$ (3,691,755)</u>	<u>\$ 2,320,629</u>	<u>\$ 3,510,081</u>	<u>\$ 1,189,452</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, 2020

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 66,796	\$ -	\$ 66,796	\$ 32,486	\$ (34,310)
Licenses and permits	63,703	-	63,703	35,292	(28,411)
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	25	-	25	-	(25)
Other income	-	-	-	-	-
Total revenues	<u>130,524</u>	<u>-</u>	<u>130,524</u>	<u>67,778</u>	<u>(62,746)</u>
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	7,000	69,002	76,002	173,509	(97,507)
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	170,000	-	170,000	170,000	-
Interest and fiscal charges	127,200	-	127,200	127,200	-
Total expenditures	<u>304,200</u>	<u>69,002</u>	<u>373,202</u>	<u>470,709</u>	<u>(97,507)</u>
Excess of Revenues Over (Under) Expenditures	<u>(173,676)</u>	<u>(69,002)</u>	<u>(242,678)</u>	<u>(402,931)</u>	<u>(160,253)</u>
Other Financing Sources (Uses)					
Proceeds from the issuance of debt	-	-	-	-	-
Transfers in	-	69,002	69,002	-	(69,002)
Total other financing sources (uses)	<u>-</u>	<u>69,002</u>	<u>69,002</u>	<u>-</u>	<u>(69,002)</u>
Net change in fund balance	(173,676)	-	(173,676)	(402,931)	(229,255)
Fund balance beginning of year	<u>(292,482)</u>	<u>-</u>	<u>(292,482)</u>	<u>(292,482)</u>	<u>-</u>
Fund balance end of year	<u>\$ (466,158)</u>	<u>\$ -</u>	<u>\$ (466,158)</u>	<u>\$ (695,413)</u>	<u>\$ (229,255)</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, 2020

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	442,200	-	442,200	424,445	(17,755)
Administration fee income	-	-	-	-	-
Interest income	15	-	15	258	243
Other income	-	-	-	-	-
Total revenues	442,215	-	442,215	424,703	(17,512)
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	442,215	-	442,215	424,703	17,512
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	442,215	-	442,215	424,703	17,512
Excess of Revenues Over (Under) Expenditures	-	-	-	-	-
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	-	-	-	-	-
Fund balance end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	1,560,286	-	1,560,286	689,379	(870,907)
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	1,560,286	-	1,560,286	689,379	(870,907)
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	1,560,286	(16,513)	1,543,773	689,379	854,394
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	1,560,286	(16,513)	1,543,773	689,379	854,394
Excess of Revenues Over (Under) Expenditures	-	16,513	16,513	-	(16,513)
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	16,513	16,513	-	(16,513)
Fund balance beginning of year	65,437	-	65,437	65,437	-
Fund balance end of year	<u>\$ 65,437</u>	<u>\$ 16,513</u>	<u>\$ 81,950</u>	<u>\$ 65,437</u>	<u>\$ (16,513)</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, 2020

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	2,703,370	-	2,703,370	2,960,572	257,202
Administration fee income	259,900	-	259,900	280,779	20,879
Interest income	260	-	260	329	69
Other income	-	-	-	-	-
Total revenues	2,963,530	-	2,963,530	3,241,680	278,150
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	2,963,530	-	2,963,530	3,295,039	(331,509)
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	2,963,530	-	2,963,530	3,295,039	(331,509)
Excess of Revenues Over (Under) Expenditures	-	-	-	(53,359)	(53,359)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	(53,359)	(53,359)
Fund balance beginning of year	65,092	-	65,092	65,092	-
Fund balance end of year	<u>\$ 65,092</u>	<u>\$ -</u>	<u>\$ 65,092</u>	<u>\$ 11,733</u>	<u>\$ (53,359)</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, 2020

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 237,125	\$ (145,174)	\$ 91,951	\$ 49,622	\$ (42,329)
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	150	-	150	248	98
Other income	-	-	-	-	-
Total revenues	237,275	(145,174)	92,101	49,870	(42,231)
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	261,909	-	261,909	247,790	14,119
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	261,909	-	261,909	247,790	14,119
Excess of Revenues Over (Under) Expenditures	(24,634)	(145,174)	(169,808)	(197,920)	(28,112)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(24,634)	(145,174)	(169,808)	(197,920)	(28,112)
Fund balance beginning of year	162,391	-	162,391	162,391	-
Fund balance end of year	<u>\$ 137,757</u>	<u>\$ (145,174)</u>	<u>\$ (7,417)</u>	<u>\$ (35,529)</u>	<u>\$ (28,112)</u>

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

CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(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, 2020 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, 2020, 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, 2020, 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. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

R. Deferred Outflows/Inflows of Resources

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

S. Pension

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

T. Postemployment Benefits Other Than Pensions (OPEB)

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

U. Recent Accounting Pronouncements

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

fiduciary resources. GASB 84 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 June 2017, the GASB issued Statement No. 87, *Leases* (“GASB 87”), which establishes standards of accounting and financial reporting for leases by lessees and lessors. GASB 87 (1) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract; and (2) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Additionally, under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB 87 will be effective for the City beginning with its year ending June 30, 2022 and will be applied retroactively by restating financial statements. Management is currently evaluating the impact of this Statement on its financial statements.

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

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

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

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

(3) DEPOSITS AND INVESTMENTS

Deposits

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

At June 30, 2020, the carrying amounts of the City's deposits held in banks were \$16,409,075 and the bank balances were \$17,503,507. 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, 2020, the City had the following investments and maturities:

Investment Type -	Investment Maturities (in years)				
	Balance	Less than 1	1 - 5	6 - 10	More than 10
Utility Fund					
Certificates of Deposit	\$ 5,501,938	\$ 5,501,938	\$ -	\$ -	\$ -
Recreation Fund					
Certificates of Deposit	190,000	190,000	-	-	-
Fiduciary Funds					
Certificates of Deposit	4,063,584	4,063,584	-	-	-

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 2020 assessed value for real property and tangible property was \$946,000,926 and \$105,834,944 respectively. The tax rate adopted was \$.2671 per \$100 valuation.

(5) GRANTS RECEIVABLE

Grants receivable from other governmental units as of June 30, 2020, are as follows:

General Fund -	
Kentucky Transportation Cabinet	\$ 1,561
COVID Relief Funds	1,465,597
FEMA grant	244,526
Police grant	1,903
	<u>1,713,587</u>
Special Revenue Funds -	
Municipal Aid Road Fund	33,886
Community Development Fund, program allocation	133,851
	<u>167,737</u>
Enterprise Funds -	
Utility Fund - FEMA grant	7,815
Ashland Bus System - FTA capital	102,036
Ashland Bus System - Capital	48,861
	<u>158,712</u>
	<u>\$ 2,040,036</u>

(6) CAPITAL ASSETS

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

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
<u>Governmental Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 18,936,298	\$ -	\$ -	\$ 18,936,298
Construction in progress	653,311	1,751,383	(89,968)	2,314,726
Capital Assets, Depreciated:				
Buildings	9,669,114	6,000	-	9,675,114
Building improvements	3,230,854	63,245	-	3,294,099
Automotive equipment	4,604,874	1,900,821	(38,296)	6,467,399
Office furniture and equipment	582,041	146,355	-	728,396
Operating equipment	4,699,819	423,145	-	5,122,964
Capital improvements	1,098,864	67,689	-	1,166,553
Infrastructure	81,509,938	1,365,007	-	82,874,945
Totals	<u>124,985,113</u>	<u>5,723,645</u>	<u>(128,264)</u>	<u>130,580,494</u>
Less: accumulated depreciation				
Buildings	2,776,056	174,792	-	2,950,848
Building improvements	2,225,617	92,105	-	2,317,722
Automotive equipment	3,182,255	296,741	(38,296)	3,440,700
Office furniture and equipment	478,065	36,849	-	514,914
Operating equipment	2,921,327	236,927	-	3,158,254
Capital improvements	368,892	42,527	-	411,419
Infrastructure	53,810,588	1,716,574	-	55,527,162
Total accumulated depreciation	<u>65,762,800</u>	<u>2,596,515</u>	<u>(38,296)</u>	<u>68,321,019</u>
Governmental Activities				
Capital Assets - Net	<u>\$ 59,222,313</u>	<u>\$ 3,127,130</u>	<u>\$ (89,968)</u>	<u>\$ 62,259,475</u>
<u>Business-type Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 449,401	\$ -	\$ -	\$ 449,401
Construction in progress	2,376,989	1,110,197	(1,754,420)	1,732,766
Capital Assets, Depreciated:				
Buildings	3,846,513	1,739,853	-	5,586,366
Building improvements	769,970	219,650	-	989,620
Utility and sewage plants	100,227,701	1,094,774	-	101,322,475
Automotive equipment	2,290,649	447,860	-	2,738,509
Office furniture and equipment	360,300	193,209	-	553,509
Operating equipment	4,165,051	319,962	-	4,485,013
Recreation equipment	310,344	-	-	310,344
Capital improvement	901,135	2,360,963	-	3,262,098
Totals	<u>115,698,053</u>	<u>7,486,468</u>	<u>(1,754,420)</u>	<u>121,430,101</u>
Less: accumulated depreciation				
Buildings	1,379,802	118,644	-	1,498,446
Building improvements	545,387	37,240	-	582,627
Utility and sewage plants	55,842,215	2,291,485	-	58,133,700
Automotive equipment	1,497,921	219,915	-	1,717,836
Office furniture and equipment	185,799	54,032	-	239,831
Operating equipment	2,811,745	189,296	-	3,001,041
Recreation equipment	239,292	7,457	-	246,749
Capital improvements	305,506	59,849	-	365,355
Total accumulated depreciation	<u>62,807,667</u>	<u>2,977,918</u>	<u>-</u>	<u>65,785,585</u>
Business-type Activities				
Capital Assets - Net	<u>\$ 52,890,386</u>	<u>\$ 4,508,550</u>	<u>\$ (1,754,420)</u>	<u>\$ 55,644,516</u>

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

Governmental activities:	
General government	\$ 483,045
Finance	5,343
Public services	1,577,949
Planning and code enforcement	10,316
Police	275,947
Fire	216,800
Engineering	6,562
Community and cultural	20,553
	<u>\$ 2,596,515</u>
Business-type activities:	
Utilities	\$ 2,697,195
Bus	156,401
Recreation	73,111
Cemetery	51,211
	<u>\$ 2,977,918</u>

(7) RETIREMENT PLANS

Net pension liabilities of the City as of June 30, 2020 are as follows:

Governmental activities:	
Policemen and Firefighters Pension Fund	\$ 2,065,417
County Employees Retirement System	
Nonhazardous	9,401,670
Hazardous	30,534,523
	<u>\$ 42,001,610</u>
Business-type activities:	
Utility Employees Pension Fund	\$ 5,829,398
County Employees Retirement System	
Nonhazardous	12,215,307
	<u>\$ 18,044,705</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, 2020, 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, 2019, with an update to roll forward information to June 30, 2020.

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

Financial Statements

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

STATEMENT OF NET POSITION	PENSION TRUST FUNDS		Total
	Utility Pension Fund	Policemen & Firefighters Pension Fund	
ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ -
Accrued interest receivable	2,605	1,849	4,454
Due from other funds	154,162	-	154,162
Investments, at fair value -			
Certificates of deposit	2,760,943	1,302,641	4,063,584
Total assets	<u>2,917,710</u>	<u>1,304,490</u>	<u>4,222,200</u>
LIABILITIES			
Due to other funds	-	51,437	51,437
Total liabilities	<u>-</u>	<u>51,437</u>	<u>51,437</u>
NET POSITION - RESTRICTED FOR PENSION BENEFITS	<u>\$ 2,917,710</u>	<u>\$ 1,253,053</u>	<u>\$ 4,170,763</u>
STATEMENT OF CHANGES IN NET POSITION			
ADDITIONS			
Contributions -			
Employer	\$ 604,364	\$ 323,671	\$ 928,035
Plan members	-	-	-
Total contributions	<u>604,364</u>	<u>323,671</u>	<u>928,035</u>
Investment income -			
Interest income	35,937	23,230	59,167
Total investment income	<u>35,937</u>	<u>23,230</u>	<u>59,167</u>
Total additions	<u>640,301</u>	<u>346,901</u>	<u>987,202</u>
DEDUCTIONS			
Benefits	673,198	313,205	986,403
Administrative expenses	5,192	1,900	7,092
Total deductions	<u>678,390</u>	<u>315,105</u>	<u>993,495</u>
NET INCREASE (DECREASE)	(38,089)	31,796	(6,293)
NET POSITION - RESTRICTED FOR PENSION BENEFITS:			
Beginning of year	<u>2,955,799</u>	<u>1,221,257</u>	<u>4,177,056</u>
End of year	<u>\$ 2,917,710</u>	<u>\$ 1,253,053</u>	<u>\$ 4,170,763</u>

Pension Expense

For the year ended June 30, 2020, the City recognized pension expense of \$140,915 and \$52,895 for the Utility Pension Fund and Policemen and Firefighters Pension Fund, respectively. At June 30, 2020, the effect of all changes in assumptions and differences between expected and actual experience were recognized in pension expense due to there being no active employees participating.

Actuarial Methods and Assumptions

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

	Utility Pension Fund	Policemen and Firefighters Pension Fund	
Governing Authority	<u>City Ordinance and KRS</u>	<u>City Ordinance and KRS</u>	
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	13	<u>Totals</u> 36
Active plan participants:			
Vested	-	-	-
Non-Vested	-	-	-
	<u>23</u>	<u>13</u>	<u>36</u>

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

	<u>Utility Pension Fund</u>	<u>Policemen And Firefighters Pension Fund</u>
Valuation date	06-30-19	06-30-20
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level % of payroll Closed	Level % of payroll Closed
Amortization	20 years	10 years
Actuarial asset valuation method	Fair market value, quoted market prices	Fair market value, quoted market prices
Actuarial assumptions		
Investments		
Rate of return	3.00%	2.50%
Allocation	Allowed by KRS	Allowed by KRS
Projected salary increases	None	None
Post retirement benefit increases	0.00 %	0.00 %
Cost of living adjustments	3.00 %	3.00 %
Discount rate	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 3.00% to 2.50%

Net Pension Liability

The following represents the components of the net pension liability:

<u>Date</u>	<u>Fiduciary Net Position (a)</u>	<u>Total Pension Liability (TPL) Entry Age (b)</u>	<u>Net Pension Liability (NPL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>NPL As A Percentage Of Covered Payroll (b-a)/c)</u>
<u>Utility Pension Fund</u>						
06/30/19	\$ 2,955,799	\$ 9,248,646	\$ 6,292,847	32.0%	\$ ** N/A	** N/A
06/30/20	2,917,710	8,747,108	5,829,398	33.4%	** N/A	** N/A
<u>Policemen and Firefighters Pension Fund</u>						
06/30/19	\$ 1,221,257	\$ 3,557,450	\$ 2,336,193	34.3%	\$ ** N/A	** N/A
06/30/20	1,253,053	3,318,470	2,065,417	37.8%	** N/A	** N/A

**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, 2020:

<u>Utility Pension Fund</u>			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2019	\$ 9,248,646	\$ 2,955,799	\$ 6,292,847
Changes for the year:			
Interest on total pension liability	266,520	-	266,520
Difference in expected and actual experience	167,553	-	167,553
Effect of changes in assumptions	-	-	-
Effect of changes in benefit terms	(262,413)	-	(262,413)
Benefit payments	(673,198)	-	(673,198)
Employer contributions	-	604,364	(604,364)
Investment income, net of expenses	-	35,937	(35,937)
Benefit payments	-	(673,198)	673,198
Administrative expenses	-	(5,192)	5,192
Net changes	(501,538)	(38,089)	(463,449)
Balance, June 30, 2020	\$ 8,747,108	\$ 2,917,710	\$ 5,829,398
<u>Policemen and Firefighters Pension Fund</u>			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2019	\$ 3,557,450	\$ 1,221,257	\$ 2,336,193
Changes for the year:			
Interest on total pension liability	101,634	-	101,634
Difference in expected and actual experience	(86,978)	-	(86,978)
Effect of changes in assumptions	154,488	-	154,488
Effect of changes in benefit terms	(94,919)	-	(94,919)
Benefit payments	(313,205)	-	(313,205)
Employer contributions	-	323,671	(323,671)
Investment income, net of expenses	-	23,230	(23,230)
Benefit payments	-	(313,205)	313,205
Administrative expenses	-	(1,900)	1,900
Net changes	(238,980)	31,796	(270,776)
Balance, June 30, 2020	\$ 3,318,470	\$ 1,253,053	\$ 2,065,417

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, 2020 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	\$ 6,672,261	\$ 5,829,398	\$ 5,105,719
	1% Decrease (1.50%)	Current discount rate (2.50%)	1% Increase (3.50%)
Policemen and Firefighters Pension Fund	\$ 2,388,443	\$ 2,065,417	\$ 2,391,319

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, 2020:

Governmental activities:		
Policemen and Firefighters Pension Fund	\$	-
Business-type activities:		
Utility Pension Fund	\$	154,162

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

Plan description

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

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

Benefits provided

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

Contributions

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

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

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

At June 30, 2020, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 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, 2019. At June 30, 2019, the City's proportion for nonhazardous and hazardous was 0.307363% and 1.105404%, respectively.

For the year ended June 30, 2020, the City recognized pension expense of approximately \$3,391,626 and \$5,969,727 for nonhazardous and hazardous, respectively. At June 30, 2020, 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	\$ 551,946	\$ 91,337
Changes of assumptions	2,187,883	-
Net difference between projected and actual earnings on investments	-	348,475
Changes in proportion and differences between City contributions and proportionate share of contributions	-	342,725
City contributions subsequent to the measurement date	1,435,320	-
	<u>\$ 4,175,149</u>	<u>\$ 782,537</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ 1,297,341	\$ -
Changes of assumptions	2,963,961	-
Net difference between projected and actual earnings on investments	-	432,143
Changes in proportion and differences between City contributions and proportionate share of contributions	-	343,304
City contributions subsequent to the measurement date	2,039,805	-
	<u>\$ 6,301,107</u>	<u>\$ 775,447</u>

At June 30, 2020, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of \$1,435,320 and \$2,039,805 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2021	\$ 1,326,991	\$ 2,352,532
2022	429,802	822,241
2023	175,777	283,560
2024	24,722	27,522
	<u>\$ 1,957,292</u>	<u>\$ 3,485,855</u>

Actuarial Methods and Assumptions

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2018. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions:

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

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2019 actuarial valuation. These assumptions are fully documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018.”

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth		
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%

Specialty Credit/High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%
Cash	1.00%	0.20%
Diversifying Strategies		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	15.00%	4.10%
Total	<u>100.00%</u>	3.89%

Discount rate

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

Sensitivity of net pension liability to changes in the discount rate

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

	<u>1% Decrease (5.25%)</u>	<u>Current discount rate (6.25%)</u>	<u>1% Increase (7.25%)</u>
City's proportionate share of the net pension liability			
Nonhazardous	\$ 27,036,707	\$ 21,616,977	\$ 17,099,684
Hazardous	30,534,524	30,534,523	24,270,430

Pension plan fiduciary net position

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

Payables to the pension plan

At June 30, 2020, there was a total payable to CERS of \$423,910 for nonhazardous and hazardous, which includes pension and OPEB contributions.

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

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

Plan description

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

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

Benefits provided

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

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

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

Contributions

CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2020, CERS allocated 4.76% of the 24.06% nonhazardous and 9.52% of the 39.58% hazardous actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2020, the City contributed \$353,996 and \$646,008 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, 2020, the City reported a liability for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019. The total OPEB liability used to calculate the net OPEB liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 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, 2019. At June 30, 2019, the City's proportion for nonhazardous and hazardous was 0.307458% and 1.105454%, respectively.

For the year ended June 30, 2020, the City recognized OPEB expense of \$533,145 and \$1,228,131 for nonhazardous and hazardous, respectively, including an implicit subsidy of \$89,931 and (\$20,203),

respectively. At June 30, 2020, 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	\$ -	\$ 1,560,302
Changes of assumptions	1,530,237	10,233
Net difference between projected and actual earnings on investments	-	229,686
Changes in proportion and differences between City contributions and proportionate share of contributions	-	167,260
City contributions subsequent to the measurement date	353,996	-
	<u>\$ 1,884,233</u>	<u>\$ 1,967,481</u>
<u>Hazardous</u>		
Differences between expected and actual experience	\$ -	\$ 1,521,526
Changes of assumptions	2,471,600	15,486
Net difference between projected and actual earnings on investments	-	470,228
Changes in proportion and differences between City contributions and proportionate share of contributions	-	126,989
City contributions subsequent to the measurement date	646,008	-
	<u>\$ 3,117,608</u>	<u>\$ 2,134,229</u>

At June 30, 2020, the City reported deferred outflows of resources related to OPEB for City contributions subsequent to the measurement date of \$353,996 and \$646,008 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

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

<u>Year</u>	<u>Nonhazardous</u>	<u>Hazardous</u>
2021	\$ (72,517)	\$ 479,457
2022	(72,517)	44,450
2023	510	(204,162)
2024	(139,308)	17,626
2025	(128,869)	-
Thereafter	(24,543)	-
	<u>\$ (437,244)</u>	<u>\$ 337,371</u>

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019

Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	24 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Post-65	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010
Post-retirement (non- disabled)	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010

As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdrawal rates, and rates of disablement were updated for the 2019 actuarial valuation. These assumptions are fully documented in the report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018.”

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Growth		
US Equity	18.75%	4.30%
Non US Equity	18.75%	4.80%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	2.60%
Liquidity		
Core Bonds	13.50%	1.35%

Cash	1.00%	0.20%
Diversifying Strategies		
Real Estate	5.00%	4.85%
Opportunistic	3.00%	2.97%
Real Return	<u>15.00%</u>	4.10%
Total	<u>100.00%</u>	3.89%

Discount rate

The discount rate used to measure the total OPEB liability was 5.68% for nonhazardous and 5.69% for hazardous. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the KRS' actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the KRS' trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the City's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.68%, 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 (4.68%) or 1-percentage-point higher (6.68%) than the current rate:

	<u>1% Decrease (4.68%)</u>	<u>Current discount rate (5.68%)</u>	<u>1% Increase (6.68%)</u>
City's proportionate share of the net OPEB liability			
Nonhazardous	\$ 6,927,421	\$ 5,171,305	\$ 3,724,382

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 5.69%, 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 (4.69%) or 1-percentage-point higher (6.69%) than the current rate:

	<u>1% Decrease (4.69%)</u>	<u>Current discount rate (5.69%)</u>	<u>1% Increase (6.69%)</u>
City's proportionate share of the net OPEB liability			
Hazardous	\$ 11,411,087	\$ 8,178,810	\$ 5,555,139

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	\$ 3,724,382	\$ 5,171,305	\$ 6,778,484
Hazardous	5,690,939	8,178,810	11,213,876

OPEB plan fiduciary net position

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

Payables to the OPEB plan

At June 30, 2020, there was a total payable to CERS of \$423,910 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, 2020:

<u><i>Governmental Activities</i></u>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
General Obligation Bond Series 2015	\$ 2,000,000	\$ -	\$ 140,000	\$ 1,860,000	\$ 145,000
General Obligation Bond Series 2017	4,325,000	-	170,000	4,155,000	175,000
Capital lease - Police Station	3,429,608	-	182,356	3,247,252	189,204
Capital lease – Melody Mtn. Phase II	1,345,834	-	70,000	1,275,834	72,084
Premium on bonds	135,002	-	9,514	125,488	-
Compensated absences obligation	<u>546,812</u>	<u>334,475</u>	<u>-</u>	<u>881,287</u>	<u>-</u>
Total Governmental Activities	<u>\$ 11,782,256</u>	<u>\$ 334,475</u>	<u>\$ 571,870</u>	<u>\$ 11,544,861</u>	<u>\$ 581,288</u>
<u><i>Business-type Activities</i></u>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One Year</u>
Revenue & Improvement Bond Series 2013	\$ 2,390,000	\$ -	\$ 445,000	\$ 1,945,000	\$ 465,000
Water & Sewer Revenue Bond Series 2015	2,875,000	-	205,000	2,670,000	210,000
Capital lease - Radio Meters	1,126,250	-	107,083	1,019,167	112,083
KIA Loan	1,450,822	-	228,483	1,222,339	233,653
KIA Loan	5,072,746	-	304,816	4,767,930	310,943
Premium on bonds	93,103	-	7,759	85,344	-
Discount on bonds	<u>(11,867)</u>	<u>-</u>	<u>(2,967)</u>	<u>(8,900)</u>	<u>-</u>
Total Business-type Activities	<u>\$ 12,996,054</u>	<u>\$ -</u>	<u>\$ 1,295,174</u>	<u>\$ 11,700,880</u>	<u>\$ 1,331,679</u>

At June 30, 2020, 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 \$333,000 set aside for the costs of extensions, improvements, renewals and replacements to the sewer system. As of June 30, 2020, 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, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	165,000	34,425	199,425
2026-2030	875,000	95,625	970,625
2031	190,000	2,850	192,850
	<u>\$ 1,860,000</u>	<u>\$ 318,600</u>	<u>\$ 2,178,600</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, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	200,000	99,450	299,450
2026-2030	1,090,000	402,450	1,492,450
2031-2035	1,270,000	225,750	1,495,750
2036-2038	855,000	39,075	894,075
	<u>\$ 4,155,000</u>	<u>\$ 1,221,975</u>	<u>\$ 5,376,975</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 & Fees</u>	<u>Total</u>
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	219,188	90,931	310,119
2026-2030	1,225,437	321,469	1,546,906
2031-2034	1,002,211	76,509	1,078,720
	<u>\$ 3,247,252</u>	<u>\$ 931,149</u>	<u>\$ 4,178,401</u>

Capital Lease - Melody Mountain Phase II

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest & Fees</u>	<u>Total</u>
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	82,084	35,110	117,194
2026-2030	456,249	132,843	589,092
2031-2035	433,333	44,328	477,661
	<u>\$ 1,275,834</u>	<u>\$ 377,856</u>	<u>\$ 1,653,690</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, 2020, are as follows:

	<u>Accrued Long-Term Obligation</u>	<u>Current Obligation</u>	<u>Total Compensated Absences</u>
General Fund	\$ 856,735	\$ 168,538	\$ 1,025,273
Community Development Fund	5,763	1,134	6,897
Housing Assistance Fund	11,751	2,312	14,063
Floodwall Fund	7,038	1,385	8,423

Ashland Bus System	-	24,449	24,449
Recreation Fund	-	9,289	9,289
Cemetery Fund	-	7,605	7,605
Utility Fund	-	211,500	211,500
	<u>\$ 881,287</u>	<u>\$ 426,212</u>	<u>\$ 1,307,499</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, 2020, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$214 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, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,945,000</u>	<u>\$ 106,740</u>	<u>\$ 2,051,740</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, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	235,000	55,225	290,225
2026-2030	1,280,000	166,325	1,446,325
2031	280,000	9,100	289,100
	<u>\$ 2,670,000</u>	<u>\$ 518,150</u>	<u>\$ 3,188,150</u>

Capital Lease - Radio Meters

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest & Fees</u>	<u>Total</u>
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	127,083	24,030	151,113
2026-2028	425,835	40,366	466,201
	<u>\$ 1,019,167</u>	<u>\$ 206,048</u>	<u>\$ 1,225,215</u>

Kentucky Infrastructure Authority Loan

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

The annual requirements to amortize the indebtedness at June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Fees</u>	<u>Total</u>
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>\$ 1,222,339</u>	<u>\$ 76,902</u>	<u>\$ 6,835</u>	<u>\$ 1,306,076</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, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Fees	Total
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	336,707	68,048	6,805	411,560
2026-2030	1,787,812	235,961	23,596	2,047,369
2031-2034	1,361,635	55,007	5,501	1,422,143
	<u>\$ 4,767,930</u>	<u>\$ 696,258</u>	<u>\$ 69,626</u>	<u>\$ 5,533,814</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, 2020 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ashland Bus System	\$ 338,027
General Fund	Recreation Fund	579,216
General Fund	Utility Fund	728,588
General Fund	Municipal Aid Road Fun	164,703
General Fund	Floodwall Operating Fund	48,603
General Fund	Community Development	32,414
General Fund	Tax Increment Fund	695,413
General Fund	Police and Fire Fighters Pension	51,437
Housing Assistance	General Fund	21,192
Capital Project	General Fund	1,639,231
Internal Service Fund	General Fund	800,128
Cemetery Fund	General Fund	31,063
Utility Pension Fund	Utility Fund	154,162
Total		<u>\$ 5,284,177</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	\$ 574,833
Operating	General	Recreation	Operations	952,781
Operating	General	Capital Projects	Capital Purchases	3,111,199
Operating	General	Cemetery	Operations	120,646

(11) LEGAL CONTINGENCIES

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

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

(12) COMMITMENTS AND CONTINGENCIES

Ashland Bus System

The City is committed to provide financial assistance to the Ashland Bus System (ABS). During the year ended June 30, 2020, the City paid \$574,833 to the ABS under this agreement. Remaining operating costs are to be funded through grants from the U.S. Department of Transportation (DOT). The City has estimated that there is no amount due from the DOT for the current year's operating grant. City management does not expect its cost of operating the ABS to decrease in the near future.

Combined Sewer Overflow Improvements

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

On February 18, 2010, the Board of Commissioners approved an additional surcharge for sewer customers of the City to pay for the improvements. Beginning April 1, 2010, sewer customers are charged a \$2.50 fee per 1,000 gallons of water used. The charge increased to \$3.50 per 1,000 gallons during 2015 and will end in 2035. All monies collected for this surcharge are placed in a separate account and only used for CSO improvements as outlined in the City's Long Term Control Plan. At June 30, 2020, the City has \$7,143,998 restricted for the sewer improvements.

Construction Projects

The City is obligated on commitments for various contracts in progress at June 30, 2020. 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	\$ 64,500	\$ 24,960	\$ 39,540
Utility Fund	Pollard Mills	421,800	169,022	252,778
Utility Fund	SCADA	251,110	198,255	52,855
Utility Fund	WWTP Expansion	535,990	123,209	412,781
Utility Fund	Waterline Replacement	218,290	180,820	37,470
Utility Fund	Pollard Mills Storm Water	447,877	304,305	143,572
Utility Fund	CIPP Lining Rehabilitation	550,785	88,688	462,097
		<u>\$ 2,490,352</u>	<u>\$ 1,089,259</u>	<u>\$ 1,401,093</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, 2020, additional general property taxes of \$35,486 and occupational license fees of \$35,292 were collected and not available to the City.

(14) RISK MANAGEMENT

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

All full-time employees are eligible to participate in the City’s Health Benefit Plan. The claims liability of \$405,876 reported in the Internal Service Fund at June 30, 2020, 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 2019 and 2020 were:

	Beginning of Fiscal Year Liability	Current Year Claims	Claim Payments	Balance At Fiscal Year End
2019	\$ 569,376	\$ 6,472,162	\$ 6,080,500	\$ 961,038
2020	961,038	5,178,132	5,733,294	405,876

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, 2020 totaled \$488,043.

(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, 2020, the Ashland Bus Fund had a negative net position of \$417,200. This deficit resulted from the fund's proportionate share of the net pension and OPEB liabilities recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

As of June 30, 2020, the Tax Increment Financing Fund had a negative fund balance of \$695,413. 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, 2020**

UTILITY EMPLOYEES
PENSION FUND

POLICEMEN AND
FIREFIGHTERS
PENSION FUND

	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
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%
2020	604,364	410,659	(193,705)	**N/A	**N/A	**N/A	1.31%	323,671	323,671	-	**N/A	**N/A	**N/A	2.23%

* 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, 2020**

Actuarial Valuation Date	Fiduciary Net Position (a)	Total Pension Liability (TPL) Entry Age (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	NPL As A Percentage Of Covered Payroll ((b-a)/c)
UTILITY EMPLOYEES PENSION FUND						
06/30/11	* \$ 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
06/30/20	2,917,710	8,747,108	5,829,398	33.4%	**N/A	**N/A
POLICEMEN AND FIREFIGHTERS PENSION FUND						
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
06/30/20	* 1,253,053	3,318,470	2,065,417	37.8%	**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, 2020**

UTILITY EMPLOYEES
PENSION FUND

	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY							
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	266,520	263,270	283,228	400,459	417,961	482,003	353,293
Effect of changes in benefit terms	(262,413)	457,843	(274,194)	(265,792)	(312,246)	-	848,025
Difference in expected and actual experience	167,553	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>(673,198)</u>	<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	(501,538)	108,831	(664,563)	(603,865)	(456,955)	3,041,939	360,890
Total pension liability, beginning of year	<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>	<u>7,462,369</u>
Total pension liability, end of year (a)	<u>8,747,108</u>	<u>9,248,646</u>	<u>9,139,815</u>	<u>9,804,378</u>	<u>10,408,243</u>	<u>10,865,198</u>	<u>7,823,259</u>
FIDUCIARY NET POSITION							
Employer contributions	\$ 604,364	\$ 845,798	\$ 1,010,604	\$ 737,240	\$ 782,736	\$ 728,300	\$ 650,912
Member contributions	-	-	-	-	-	-	-
Investment income, net of investment expenses	35,937	47,448	29,588	10,513	10,395	4,570	879
Benefit payments and refund of contributions	(673,198)	(672,298)	(670,968)	(732,480)	(768,315)	(753,040)	(731,999)
Administrative expenses	<u>(5,192)</u>	<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	(38,089)	218,669	364,031	12,963	19,714	(22,382)	(86,568)
Fiduciary net position, beginning of year	<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>	<u>2,449,372</u>
Fiduciary net position, end of year (b)	<u>2,917,710</u>	<u>2,955,799</u>	<u>2,737,130</u>	<u>2,373,099</u>	<u>2,360,136</u>	<u>2,340,422</u>	<u>2,362,804</u>
Net pension liability, ending = (a)-(b)	<u>\$ 5,829,398</u>	<u>\$ 6,292,847</u>	<u>\$ 6,402,685</u>	<u>\$ 7,431,279</u>	<u>\$ 8,048,107</u>	<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, 2020**

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

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

**CITY OF ASHLAND
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020**

	Reporting Fiscal Year (Measurement Date)											
	2020 (2019)		2019 (2018)		2018 (2017)		2017 (2016)		2016 (2015)		2015 (2014)	
	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous
PENSION												
City's proportion of the net pension liability	0.30736%	1.10540%	0.31496%	1.11871%	0.31601%	1.12239%	0.32717%	1.19593%	0.32806%	1.19771%	0.32000%	1.15000%
City's proportionate share of the net pension liability	\$ 21,616,977	\$ 30,534,523	\$ 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	\$ 7,115,364	\$ 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 proportionate share of the net pension liability as a percentage of its covered payroll	303.807%	469.324%	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	50.45%	46.63%	53.54%	49.26%	53.30%	49.80%	55.50%	53.95%	59.97%	57.52%	66.80%	63.46%
INSURANCE FUND												
City's proportion of the net OPEB liability	0.30746%	1.10545%	0.31499%	1.11901%	0.31601%	1.12239%						
City's proportionate share of the net OPEB liability	\$ 5,171,305	\$ 8,178,810	\$ 5,592,603	\$ 7,978,052	\$ 6,352,862	\$ 9,278,454						
City's covered payroll	\$ 7,115,364	\$ 6,506,066	\$ 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	72.678%	125.711%	79.676%	122.489%	89.648%	139.927%						
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	64.44%	57.62%	64.24%	52.40%	59.00%						

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

**CITY OF ASHLAND
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2020**

	2020		2019		2018		2017		2016		2015		2014	
	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous	Nonhaz.	Hazardous
PENSION														
Contractually required contribution	\$1,435,320	\$2,039,805	\$1,154,112	\$1,617,408	\$1,016,378	\$1,445,947	\$ 988,556	\$1,439,573	\$ 966,485	\$1,255,795	\$ 972,488	\$1,252,383	\$ 999,158	\$1,258,820
Contributions in relation to the contractually required contribution	<u>1,435,320</u>	<u>2,039,805</u>	<u>1,154,112</u>	<u>1,617,408</u>	<u>1,016,378</u>	<u>1,445,947</u>	<u>988,556</u>	<u>1,439,573</u>	<u>966,485</u>	<u>1,255,795</u>	<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	\$7,436,891	\$6,785,778	\$7,115,364	\$6,506,066	\$7,019,185	\$6,513,275	\$7,086,423	\$6,630,921	\$7,781,684	\$6,198,395	\$7,627,360	\$6,041,405	\$7,271,891	\$5,782,361
City's contributions as a percentage of its covered payroll	19.30%	30.06%	16.22%	24.86%	14.48%	22.20%	13.95%	21.71%	12.42%	20.26%	12.75%	20.73%	13.74%	21.77%
INSURANCE FUND														
Contractually required contribution	\$ 353,996	\$ 646,008	\$ 374,311	\$ 681,680	\$ 329,818	\$ 609,123	\$ 334,812	\$ 619,902						
Contributions in relation to the contractually required contribution	<u>353,996</u>	<u>646,008</u>	<u>374,311</u>	<u>681,680</u>	<u>329,818</u>	<u>609,123</u>	<u>334,812</u>	<u>619,902</u>						
Contribution deficiency (excess)	-	-	-	-	-	-	-	-						
City's covered payroll	\$7,436,891	\$6,785,778	\$7,115,364	\$6,506,066	\$7,019,185	\$6,513,275	\$7,086,423	\$6,630,921						
City's contributions as a percentage of its covered payroll	4.76%	9.52%	5.26%	10.47%	4.70%	9.35%	4.73%	9.35%						

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

CITY OF ASHLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLANS

FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

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

CERS

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

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

CITY OF ASHLAND

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

FOR THE YEAR ENDED JUNE 30, 2020

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

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

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

- The assumed salary increase was changed from 4.00% (average) to 3.05%-10.30% for nonhazardous and 3.55% - 19.05% for hazardous (varies by service).

(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	2.5%, net of pension plan investment expense, including inflation

CITY OF ASHLAND

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

FOR THE YEAR ENDED JUNE 30, 2020

CERS _____

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

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	26 years, closed
Payroll growth	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service, for nonhazardous 3.05% to 18.55%, varies by service, for hazardous
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	RP-2000 Combined Mortality Table, projected to 2013 with Scale BB (set back 1 year for females)

(3) CHANGES OF BENEFIT TERMS

UTILITY EMPLOYEES PENSION FUND

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

POLICEMEN AND FIREFIGHTERS PENSION FUND

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

CERS

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

CITY OF ASHLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLANS

FOR THE YEAR ENDED JUNE 30, 2020

(1) CHANGES OF ASSUMPTIONS

CERS INSURANCE FUND

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

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

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

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

(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, 2019:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	26 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service, for nonhazardous 3.05% to 18.55%, varies by service, for hazardous
Investment Rate of Return	6.25%

CITY OF ASHLAND

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION - OPEB PLANS (CONCLUDED)**

FOR THE YEAR ENDED JUNE 30, 2020

Healthcare Trend Rates

Pre-65

Initial trend starting at 7.25% 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% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 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, 2019, is determined using these updated benefit provisions.

SUPPLEMENTAL INFORMATION

CITY OF ASHLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	20,000	20,000
Total revenues	-	-	-	20,000	20,000
Expenditures					
General government	1,000	-	1,000	1,503	(503)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	2,708,425	980,463	3,688,888	4,004,696	(315,808)
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	2,709,425	980,463	3,689,888	4,006,199	(316,311)
Excess of Revenues Over (Under) Expenditures	(2,709,425)	(980,463)	(3,689,888)	(3,986,199)	(296,311)
Other Financing Sources (Uses)					
Transfers in	984,425	780,463	1,764,888	3,111,199	1,346,311
Total other financing sources (uses)	984,425	780,463	1,764,888	3,111,199	1,346,311
Net change in fund balance	(1,725,000)	(200,000)	(1,925,000)	(875,000)	1,050,000
Fund balance beginning of year	1,725,000	-	1,725,000	1,725,000	-
Fund balance end of year	\$ -	\$ (200,000)	\$ (200,000)	\$ 850,000	\$ 1,050,000

CITY OF ASHLAND

GENERAL FUND

BALANCE SHEET

JUNE 30, 2020

ASSETS

Cash	\$ 1,721,784
Taxes receivable	531,902
Allowance for uncollectible taxes	(531,902)
Grants receivable	1,713,587
Due from other funds	2,638,401
Other receivables	504,230
Prepaid items	615,948
Inventories - supplies	186,070
	<hr/>
Total assets	\$ 7,380,020
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 311,275
Due to other funds	2,491,614
Due to Board of Education	40,632
Accrued compensated absences	168,538
Accrued expenses	857,880
	<hr/>
Total liabilities	3,869,939
	<hr/>

Fund Balance:

Non-spendable	802,018
Restricted for grant programs	1,713,587
Unassigned	994,476
	<hr/>
Total fund balance	3,510,081
	<hr/>

Total liabilities and fund balance	\$ 7,380,020
	<hr/> <hr/>

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Taxes -			
General property taxes	\$ 116,150	\$ 116,315	\$ 165
Penalties and interest	25,250	30,808	5,558
Delinquent taxes	190,000	151,773	(38,227)
Vehicle property taxes	436,350	386,501	(49,849)
Bank franchise taxes	111,190	165,608	54,418
Other franchise taxes	185,725	146,452	(39,273)
Insurance premium taxes	4,125,625	4,188,278	62,653
Total taxes	<u>5,190,290</u>	<u>5,185,735</u>	<u>(4,555)</u>
Licenses and permits -			
Occupational license fees	9,965,000	10,435,272	470,272
Business privilege licenses	1,546,500	1,402,621	(143,879)
Alcoholic beverage licenses	569,650	592,303	22,653
Construction permit fees	59,175	174,092	114,917
Other licenses and permits	3,850	1,652	(2,198)
Total licenses and permits	<u>12,144,175</u>	<u>12,605,940</u>	<u>461,765</u>
Charge for services -			
Garbage collection fee	2,204,765	2,222,616	17,851
Greyhound ticket sales	6,685	3,777	(2,908)
Rental revenue	101,550	52,251	(49,299)
Total charges for services	<u>2,313,000</u>	<u>2,278,644</u>	<u>(34,356)</u>
Fees, fines and reimbursements -			
Parking meter fees and fines	4,500	2,995	(1,505)
Taxes collection fees	162,350	161,048	(1,302)
State rebate - District Court	22,850	9,581	(13,269)
Street lighting franchise	1,080,250	982,808	(97,442)
Telecommunication franchise	278,650	280,267	1,617
Other	440,935	427,485	(13,450)
Total fees, fines and reimbursements	<u>1,989,535</u>	<u>1,864,184</u>	<u>(125,351)</u>
Other revenues -			
Police grants and revenue	67,000	86,587	19,587
Miscellaneous grants	520,000	2,055,883	1,535,883
Coal severance - LGEA	10,000	6,778	(3,222)
Interest earned	5,500	6,696	1,196
Other	139,158	199,939	60,781
Total other revenues	<u>741,658</u>	<u>2,355,883</u>	<u>1,614,225</u>
Total revenues	<u>22,378,658</u>	<u>24,290,386</u>	<u>1,911,728</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, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
General Government -			
Mayor and Commissioners	85,010	82,043	2,967
City Manager	175,493	165,131	10,362
City Clerk/Legal	207,711	194,932	12,779
Human Resources	279,318	261,836	17,482
Unclassified	1,639,834	1,795,972	(156,138)
	<u>2,387,366</u>	<u>2,499,914</u>	<u>(112,548)</u>
Department of Finance -			
Director of Finance	641,938	622,563	19,375
Data Processing	37,806	46,043	(8,237)
	<u>679,744</u>	<u>668,606</u>	<u>11,138</u>
Department of Public Services -			
Director of Public Services	21,953	19,452	2,501
Street maintenance	3,991,269	3,123,821	867,448
Sanitation services	1,504,988	1,508,374	(3,386)
Central garage	354,711	384,726	(30,015)
Animal control	79,649	78,638	1,011
	<u>5,952,570</u>	<u>5,115,011</u>	<u>837,559</u>
Department of Planning and Economic Development -			
Planning and Code Enforcement	594,462	573,552	20,910
Economic Development	192,353	212,004	(19,651)
	<u>786,815</u>	<u>785,556</u>	<u>1,259</u>
Department of Police -			
Technical services	1,542,726	1,706,234	(163,508)
Field operations	3,958,851	3,863,220	95,631
	<u>5,501,577</u>	<u>5,569,454</u>	<u>(67,877)</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, 2020

	Budget	Actual	Variance
Department of Fire	6,587,503	6,554,339	33,164
Department of Engineering	204,544	214,411	(9,867)
Debt Service	625,931	625,939	(8)
Total expenditures	22,726,050	22,033,230	692,820
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(347,392)	2,257,156	2,604,548
OTHER FINANCING SOURCES (USES):			
Transfer to Capital Projects Fund	(1,764,888)	(3,111,199)	(1,346,311)
Transfer to Tax Increment Finance Fund	(69,002)	-	69,002
Transfer to Recreation Fund	(978,201)	(952,781)	25,420
Transfer to Ashland Bus Fund	(471,231)	(574,833)	(103,602)
Transfer to Ashland Cemetery Fund	(61,041)	(120,646)	(59,605)
Total other financing sources (uses)	(3,344,363)	(4,759,459)	(1,415,096)
NET CHANGE IN FUND BALANCE	(3,691,755)	(2,502,303)	1,189,452
FUND BALANCE, June 30, 2019	6,012,384	6,012,384	-
FUND BALANCE, June 30, 2020	\$ 2,320,629	\$ 3,510,081	\$ 1,189,452

CITY OF ASHLAND

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

JUNE 30, 2020

	Land & Buildings	Building Improvements	Automotive Equipment	Operating Equipment	Office Furniture & Equipment	Capital Improvements	Infrastructure	CIP	Total
Dept of General Gov't	\$ 3,443,524	\$ 1,909,042	\$ 61,331	\$ 86,742	\$ 310,369	\$ 232,617	\$ 11,834,515	\$ -	\$ 17,878,140
Dept of Finance	-	-	28,384	56,243	39,712	-	-	-	124,339
Dept of Public Services	15,940,184	802,531	470,437	3,389,787	339,171	840,128	70,660,345	2,018,632	94,461,215
Dept of Planning & Community Development	-	-	93,220	6,799	15,740	-	-	-	115,759
Department of Police	4,949,556	246,711	2,467,405	620,182	137,050	19,350	-	-	8,440,254
Department of Fire	3,869,126	208,777	3,170,255	521,350	61,445	-	-	-	7,830,953
Department of Engineering	-	-	89,856	11,595	63,430	74,458	-	-	239,339
Floodwall Operations	15,121	11,030	86,511	153,476	-	-	-	-	266,138
Community Development	243,868	103,058	-	-	18,623	-	380,085	296,094	1,041,728
Housing Assistance Programs	150,033	12,950	-	-	19,646	-	-	-	182,629
	<u>\$ 28,611,412</u>	<u>\$ 3,294,099</u>	<u>\$ 6,467,399</u>	<u>\$ 4,846,174</u>	<u>\$ 1,005,186</u>	<u>\$ 1,166,553</u>	<u>\$ 82,874,945</u>	<u>\$ 2,314,726</u>	<u>\$ 130,580,494</u>

CITY OF ASHLAND

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

JUNE 30, 2020

Land and buildings	\$ 28,611,412
Building improvements	3,294,099
Automotive equipment	6,467,399
Operating equipment	4,846,174
Office furniture and equipment	1,005,186
Capital improvements	1,166,553
Infrastructure	82,874,945
Construction in progress	<u>2,314,726</u>
Total	<u>\$ 130,580,494</u>
Investment in capital assets by source	
General Fund	\$ 94,531,210
Special Revenue Funds	8,388,526
Capital Projects Fund	<u>27,660,758</u>
Total	<u>\$ 130,580,494</u>

CITY OF ASHLAND
ASHLAND PLANNING AND CDA (KY142)
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2020

	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Total
111 Cash - Unrestricted	\$ 12,129	\$ -	\$ 12,129
113 Cash - Other Restricted	270,941	49,559	320,500
100 Total Cash	<u>283,070</u>	<u>49,559</u>	<u>332,629</u>
124 Accounts Receivable - Other Government	21,192	-	21,192
128 Fraud Recovery	68,084	-	68,084
128.1 Allowance for Doubtful Accounts - Fraud	<u>(63,818)</u>	<u>-</u>	<u>(63,818)</u>
120 Total Receivables, Net of Allowances for Doubtful Accounts	<u>25,458</u>	<u>-</u>	<u>25,458</u>
150 Total Current Assets	<u>308,528</u>	<u>49,559</u>	<u>358,087</u>
162 Buildings	162,983	-	162,983
164 Furniture, Equipment & Machinery - Administration	19,646	-	19,646
166 Accumulated Depreciation	<u>(107,003)</u>	<u>-</u>	<u>(107,003)</u>
160 Total Capital Assets, Net of Accumulated Depreciation	<u>75,626</u>	<u>-</u>	<u>75,626</u>
180 Total Non-Current Assets	<u>75,626</u>	<u>-</u>	<u>75,626</u>
200 Deferred Outflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>
290 Total Assets and Deferred Outflow of Resources	<u>384,154</u>	<u>49,559</u>	<u>433,713</u>
312 Accounts Payable <= 90 Days	8,364	-	8,364
321 Accrued Wage/Payroll Taxes Payable	5,175	-	5,175
322 Accrued Compensated Absences - Current Portion	2,312	-	2,312
342 Unearned Revenue	280,944	49,559	330,503
310 Total Current Liabilities	<u>296,795</u>	<u>49,559</u>	<u>346,354</u>
354 Accrued Compensated Absences - Non Current	11,751	-	11,751
350 Total Non-Current Liabilities	<u>11,751</u>	<u>-</u>	<u>11,751</u>
300 Total Liabilities	<u>308,546</u>	<u>49,559</u>	<u>358,105</u>
400 Deferred Inflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>
508.4 Net Investment in Capital Assets	75,626		75,626
511.4 Restricted Net Position	-	-	-
512.4 Unrestricted Net Position	<u>(18)</u>	<u>-</u>	<u>(18)</u>
513 Total Equity - Net Assets / Position	<u>75,608</u>	<u>-</u>	<u>75,608</u>
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	<u>\$ 384,154</u>	<u>\$ 49,559</u>	<u>\$ 433,713</u>

CITY OF ASHLAND
ASHLAND PLANNING AND CDA (KY142)
ENTITY WIDE REVENUE AND EXPENSE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2020

	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	Total
70600 HUD PHA Operating Grants	\$ 3,235,600	\$ 5,751	\$ 3,241,351
71100 Investment Income - Unrestricted	329	-	329
70000 Total Revenue	<u>3,235,929</u>	<u>5,751</u>	<u>3,241,680</u>
91100 Administrative Salaries	150,047	-	150,047
91200 Auditing Fees	4,086	-	4,086
91500 Employee Benefit contributions - Administrative	30,986	-	30,986
91800 Travel	2,770	-	2,770
91900 Other	14,171	5,751	19,922
91000 Total Operating - Administrative	<u>202,060</u>	<u>5,751</u>	<u>207,811</u>
93800 Other Utilities Expense	2,738	-	2,738
93000 Total Utilities	<u>2,738</u>	<u>-</u>	<u>2,738</u>
94200 Ordinary Maintenance and Operations - Materials and Other	17,473	-	17,473
94000 Total Maintenance	<u>17,473</u>	<u>-</u>	<u>17,473</u>
96110 Property Insurance	131	-	131
96120 Liability Insurance	3,887	-	3,887
96130 Workmen's Compensation	266	-	266
96140 All Other Insurance	35,595	-	35,595
96100 Total Insurance Premiums	<u>39,879</u>	<u>-</u>	<u>39,879</u>
96200 Other General Expenses	25,124	-	25,124
96210 Compensated Absences	1,115	-	1,115
96000 Total Other General Expenses	<u>26,239</u>	<u>-</u>	<u>26,239</u>
96900 Total Operating Expenses	<u>288,389</u>	<u>5,751</u>	<u>294,140</u>
97000 Excess of Operating Revenue over Operating Expenses	2,947,540	-	2,947,540
97300 Housing Assistance Payments	3,002,014	-	3,002,014
97400 Depreciation Expense	4,432	-	4,432
90000 Total Expenses	<u>3,294,835</u>	<u>5,751</u>	<u>3,300,586</u>
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (58,906)	\$ -	\$ (58,906)
11020 Required Annual Debt Principal Payments	-	-	-
11030 Beginning Equity	\$ 134,514	\$ -	\$ 134,514
11170 Administrative Fee Equity	\$ 75,608	\$ -	\$ 75,608
11180 Housing Assistance Payments Equity	\$ -	\$ -	\$ -
11190 Unit Months Available	7,572	-	7,572
11210 Number of Unit Months Leased	6,001	-	6,001

CITY OF ASHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>U.S. Department of HUD</u>				
Direct Programs:				
CDBG Entitlement	14.218	-	\$ 102,602	\$ 689,379
Housing Choice Voucher Program	14.871	-	-	3,289,288
HCV CARES Act Funding	14.HCC	-	-	5,751
Total U.S. Department of HUD				<u>3,984,418</u>
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Federal Transit Cluster				
FTA - Operating Assistance Grant	20.507	-	-	316,036
FTA - Capital Assistance Grant	20.507	-	-	303,653
				<u>619,689</u> *
Highway Planning and Construction	20.205	-	-	<u>152,833</u>
Passed through Kentucky Transportation Cabinet:				
State and Community Highway Safety	20.600	PT-2019-08	-	2,993
National Priority Safety Programs	20.616	M5HVE-2020-01	-	5,930
				<u>8,923</u>
Total U.S. Department of Transportation				<u>781,445</u>
<u>U.S. Department of Homeland Security</u>				
Passed through Kentucky Department of Homeland Security:				
Public Assistance Program	97.036	DR-4428	-	202,289
COVID-19 Public Assistance Program	97.036	DR-4497	-	75,470
Total U.S. Department of Homeland Security				<u>277,759</u>
<u>U.S. Department of the Treasury</u>				
Passed through Department of Local Government				
COVID-19 Coronavirus Relief Fund	21.019	C216-01	-	1,465,597
Total U.S. Department of the Treasury				<u>1,465,597</u> *
<u>Executive Office of the President</u>				
Passed through Laurel County Fiscal Court				
High Intensity Drug Trafficking Areas Program	95.001	G20AP0001A	-	16,189
Total Executive Office of the President				<u>16,189</u>
Total expenditures of Federal awards				<u>\$ 6,525,408</u>

* Denotes major program.

CITY OF ASHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Ashland, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ashland, Kentucky (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 9, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

The City's Response to Findings

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

Purpose of this Report

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

Kelley Gallaway Smith Goodley, PSC

Ashland, Kentucky
April 9, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Ashland, Kentucky's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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

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

Kelley Gallaway Smith Gooldy, PSC

Ashland, Kentucky

April 9, 2021

CITY OF ASHLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes No
- Significant deficiency(ies) identified? Yes _____ None reported

Noncompliance material to the

- financial statements noted? Yes _____ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes No
- Significant deficiency(ies) identified? _____ Yes None reported

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

Unmodified

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

Yes _____ No

Identification of Major Programs:
COVID-19 Coronavirus Relief Fund
Federal Transit Cluster

CFDA No.
21.019
20.507

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

\$750,000

Auditee qualified as low risk auditee?

Yes _____ No

CITY OF ASHLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2020

B. FINANCIAL STATEMENT FINDINGS

2020-001 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) COMPLIANCE

Condition: During our review of CDBG program disbursements, we noted one instance where a construction contract was executed prior to HUD approving the Request for Release of Funds (RROF). The contract was executed on December 13, 2019 and stated that payment thereunder was “to be paid for by Community Development Block Grant (CDBG) Funds.” However, the RROF was not approved by HUD until January 31, 2020.

Criteria: In accordance with HUD’s environmental regulations in 24 CFR 58.22, a recipient may not commit HUD assistance under any program (such as the CDBG Program) listed in 24 CFR 58.1(b) on an activity or project until HUD has approved the recipient’s RROF. This prohibition extends to any non-HUD funds that may potentially be committed to the activity. Moreover, under the statute authorizing the CDBG Program, HUD may release funds for a project only if the RROF is submitted to HUD prior to any commitment of CDBG funds for the project (42 U.S.C. 5304(g)(2)).

Cause: Procedures were not in place to ensure the RROF was approved by HUD prior to committing CDBG funds.

Effect: Noncompliance with HUD environmental regulations.

Recommendation: We recommend that the City implement procedures to ensure an environmental review and approved RROF have been obtained, when required, prior to committing HUD funds.

Management’s Response: The City believes that it did not commit funds prior to contract adoption due to provisions outlined in our bidding documentation which allows the City to suspend or cancel any project without compensation to the contractor. However, the City understands that it did not use best practices in this instance.

Because the City of Ashland’s programs vary in terms of applicant type, the scope of program activities and geography, a standard set of review documents and procedures have been designed to produce a consistent programmatic environmental review that provides for the greatest protection and accountability across all HUD related activities.

It is the City’s goal to ensure compliance with all federal regulations as outlined in Title 24 Part 58, Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities. To ensure the City’s compliance with HUD regulations going forward, we have developed and implemented the following policies, procedures, and best practices as they relate to the Environmental Review process.

1. All City staff associated with the execution of the CDBG Action Plan will participate in continued training on environmental review procedures, WISER (Web-Based Instructional System for Environmental Reviews) system, and lead-based paint hazards.

CITY OF ASHLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2020

2. CDBG administrative staff and Certifying Officer will work closely with the Department of Housing & Urban Development Regional Environmental Review Officer and the City of Ashland Certifying Officer ensuring compliance with all regulations in relation to environmental review procedures.
3. The City of Ashland's CDBG Grants Coordinator created a "Project Checklist" which contains the required steps for Environmental Review, Request for Release of Funds, and Authorization to Use Grant Funds.
4. A completed checklist, along with the AUGF, will be submitted to the City's CDBG Certifying Officer for review and approval prior to submission for approval of any associated contracts to the Ashland Board of City Commissioners. CDBG administrative staff will have the final responsibility to ensure no funds are expended on any project until appropriate HUD approval and release of funds approval are received.
5. The City of Ashland will implement the model HUD Environmental Review Handbook provided by Ramona. This will include policies and procedures, forms, resource materials, and model letters for our City.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2020-002 REQUEST FOR RELEASE OF FUNDS

Federal Program Information: Community Development Block Grant (CDBG), Federal Catalog No. 14.218, U.S. Department of Housing and Urban Development (HUD).

Condition: The noncompliance identified at Finding 2020-001 applies to this grant.

Context: The amount identified as questioned costs represents the amount expended under the construction contract during the year.

Questioned Costs: \$128,647



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

Mayor

Matt Perkins

April 9, 2021

Commissioners

Josh Blanton
Amanda Clark
Marty Gute
Cheryl Spriggs

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

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

Dear Sir or Madam:

City Manager
Michael S. Graese

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

City Manager's Office
606-385-3303

City Building Main
606-385-3400

Sincerely,

Ashland BusSystem
606-385-3287

Assisted Housing
606-385-3327

Michael Graese
City Manager

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

Engineering & Utilities
606-385-3332

Finance
606-385-3346

Human Resources
606-385-3312

Legal/City Clerk
606-385-3287

Parks and Recreation
606-385-3295

Public Services
606-385-3332

CITY OF ASHLAND

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED JUNE 30, 2020

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001 and 2020-002	<p>It is the City’s goal to ensure compliance with all federal regulations as outlined in Title 24 Part 58, Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities. To ensure the City’s compliance with HUD regulations going forward, we have developed and implemented the following policies, procedures, and best practices as they relate to the Environmental Review process.</p> <ol style="list-style-type: none"> 1. All City staff associated with the execution of the CDBG Action Plan will participate in continued training on environmental review procedures, WISER (Web-Based Instructional System for Environmental Reviews) system, and lead-based paint hazards. 2. CDBG administrative staff and Certifying Officer will work closely with the Department of Housing & Urban Development Regional Environmental Review Officer and the City of Ashland Certifying Officer ensuring compliance with all regulations in relation to environmental review procedures. 3. The City of Ashland’s CDBG Grants Coordinator created a “Project Checklist” which contains the required steps for Environmental Review, Request for Release of Funds, and Authorization to Use Grant Funds. 4. A completed checklist, along with the AUGF, will be submitted to the City’s CDBG Certifying Officer for review and approval prior to submission for approval of any associated contracts to the Ashland Board of City Commissioners. CDBG administrative staff will have the final responsibility to ensure no funds are expended on any project until appropriate HUD approval and release of funds approval are received. 5. The City of Ashland will implement the model HUD Environmental Review Handbook provided by Ramona. This will include policies and procedures, forms, resource materials, and model letters for our City. 	June 30, 2021	Chris Pullem, Community & Economic Development Director



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

Mayor

Matt Perkins

April 9, 2021

Commissioners

Josh Blanton
Amanda Clark
Marty Gute
Cheryl Spriggs

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

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

Dear Sir or Madam:

City Manager
Michael S. Graese

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

City Manager's Office
606-385-3303

City Building Main
606-385-3400

Sincerely,

Ashland BusSystem
606-385-3287

Assisted Housing
606-385-3327

Michael Graese
City Manager

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606-385-3317

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Public Services
606-385-3332

CITY OF ASHLAND

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2020

Finding Number	Finding/Noncompliance	Status	Responsible Contact Person
2019-001	City has policies and procedures in place for compliance with City policy and KRS 424.260, city staff needs to follow established procurement code policies.	Resolved	Michael Graese, City Manager
2019-002	100% Inventory counts are being completed quarterly by Central Garage and reconciled by Finance. Utility Director is looking at inventory software systems to adequately track inventory. Management will reinforce with employees the importance of inventory count accuracy and safeguarding city's assets by following procurement policies and conducting accurate counts.	Resolved	Michael Graese, City Manager
2019-003	These employees have been reviewed and appropriate action will be taken to rectify. An ordinance was already approved by the City Commission to approve the 5 employees that exceeded the pay scale. Employees given raise in probationary period won't occur in future without having the Board of Commissioners formal approval. Any employee whose regular rate of pay is below the minimum rate of pay established by the pay and compensation plan for the applicable class will be adjusted accordingly.	Resolved	Michael Graese, City Manager

APPENDIX C

**CITY OF ASHLAND, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021A**

STATEMENT OF INDEBTEDNESS

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STATEMENT OF INDEBTEDNESS
KY CONST. §§157 and 158
KRS §66.041

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF BOYD)

The undersigned Finance Director of the City of Ashland, Commonwealth of Kentucky, does hereby certify that the following statements concerning the financial condition of the City are true and correct as they appear from records of the City:

1. The assessed valuation of all the taxable property in the City as estimated on the last certified assessment is:	\$931,290,287
2. The current population of the City is:	20,626
3. The total of all bonds, notes and other obligations currently issued and outstanding, including the estimated issue of the Bonds:	\$41,441,386
4. Bonds and Bond Anticipation Notes, notes and other obligations excluded from the calculation of net indebtedness are as follows:	
(a) Obligations issued in anticipation of the levy or collection of special assessments which are payable solely from those assessments or are otherwise self-supporting obligations:	-0
(b) Obligations issued in anticipation of the collection of current taxes or revenues for the fiscal year which are payable within that fiscal year:	-0
(c) Obligations, which are not self-supporting obligations, issued after July 15, 1996 by any instrumentality of the City created for the purpose of financing public projects for which there has been no pledge to the payment of debt charges of any tax of the City or for which there is no covenant by the City to collect or levy tax to pay debt charges:	-0
(d) Self-supporting obligations and other obligations for which there has been no pledge to the payment of debt charges of any tax of the City or for which there is no covenant by the City to collect or levy a tax to pay debt charges:	21,462,340
(e) Obligations issued to pay costs of public projects to the extent they are issued in anticipation of the receipt of, and are payable as to principal from, federal or state grants within that fiscal year:	-0
(f) Leases entered into under KRS 65.940 to 65.956 after July 15, 1996 which are not tax-supported leases:	-0
(g) Bonds and Bond Anticipation Notes issued in the case of an emergency, when the public health or safety should so require:	-0
(h) Bonds and Bond Anticipation Notes issued to fund a floating indebtedness:	<u> </u> -0
TOTAL EXEMPT OBLIGATIONS	\$21,462,340

5. The total of Bonds and Bond Anticipation Notes, notes and other obligations subject to the debt limitation set forth in KRS 66.041 (line 3 minus line 4) is \$19,979,046
6. The total of Bonds and Bond Anticipation Notes, notes and other obligations subject to the debt limitation set forth in KRS 66.041 as computed in line 5 above, does not exceed 10.0% of the assessed valuation of all the taxable property in the City.
7. The current tax rate of the City, for other than school purposes, upon the value of the taxable property therein is \$0.2714 per \$100 of assessed valuation for real and tangible property, which does not exceed the maximum permissible tax rate for the City as set forth in Section 157 of the Kentucky Constitution.
8. The issuance of the Bonds and Bond Anticipation Notes, notes or other obligations set forth in line 3 hereof will not cause the tax rate set forth in line 7 hereof to increase in an amount which would exceed the maximum permissible tax rate for the City as set forth in Section 157 of the Kentucky Constitution.

IN WITNESS WHEREOF, I have hereunto set my hand this July 7, 2021.

/s/ _____
Finance Director

APPENDIX D

**CITY OF ASHLAND, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021A**

FORM OF APPROVING OPINION OF BOND COUNSEL

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The form of the legal approving opinion of Dinsmore & Shohl LLP, bond counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds referred to therein and may vary from the form set forth to reflect circumstances both factual and legal at the time of its delivery. Recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in the opinion after the date of the opinion.

[Date of delivery]

Ladies and Gentlemen:

We have examined the transcript submitted relating to the issue of \$12,750,000* General Obligation Bonds, Series 2021A (the "Bonds") of the City of Ashland, Kentucky (the "City"), dated the date of their initial delivery, numbered R-1 upward and of the denomination of \$5,000 and any integral multiple thereof. The Bonds mature, bear interest, and are subject to mandatory and optional redemption upon the terms set forth therein. We have also examined a specimen Bond.

Based on this examination, we are of the opinion, based upon laws, regulations, rulings, and decisions in effect on the date hereof, that:

1. The Bonds constitute valid obligations of the City in accordance with their terms, which unless paid from other sources, are payable from taxes to be levied by the City without limitation as to rate.

2. Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest on the 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 Bonds will not be treated as a specific item of tax preference, under Section 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 meet the requirements of Section 103 of the Code. We express no other opinion as to the federal or state tax consequences of purchasing, holding, or disposing of the Bonds.

3. The interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky, and the Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

The City has not designated the Bonds as "qualified tax-exempt obligations" with respect to investments by certain financial institutions under Section 265 of the Code.

In giving this opinion, we have relied upon covenants and certifications of facts, estimates, and expectations made by officials of the City and others contained in the transcript which we have not independently verified. It is to be understood that the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws in effect from time to time affecting creditors' rights, and to the exercise of judicial discretion.

Very truly yours,

* Preliminary, subject to change as set out in the Official Terms and Condition of Bond Sale.

APPENDIX E

**CITY OF ASHLAND, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021A**

BOOK ONLY ENTRY SYSTEM

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APPENDIX E

CITY OF ASHLAND, KENTUCKY GENERAL OBLIGATION BONDS, SERIES 2021A

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.

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 CITY BELIEVES TO BE RELIABLE, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

APPENDIX F

**CITY OF ASHLAND, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021A**

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

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OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$12,750,000*

**CITY OF ASHLAND, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021A**

Notice is hereby given that electronic bids will be received by the City of Ashland, Kentucky (the “City”), until 11:00 A.M., ET, on June 22, 2021, (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 \$12,750,000* of the City’s General Obligation Bonds, Series 2021A (the “Bonds”). Bids must be submitted through BiDCOMP™/PARITY™ as described herein and no other provider of bidding services will be accepted. Bids will be opened and acted upon later that same day.

STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

These Bonds are authorized pursuant to Sections 66.011 to 66.181, inclusive, of the Kentucky Revised Statutes and are being issued in accordance with a Bond Ordinance (the “Bond Ordinance”) adopted by the City on May 27, 2021. The Bonds are general obligation bonds and constitute a direct indebtedness of the City.

The Bonds are secured by the City’s ability to levy and its pledge to levy an ad valorem tax on all property within the City in a sufficient amount to pay the principal of and interest on the Bonds when due.

The Bonds are being issued the purposes of (i) paying all or a portion of the costs of acquiring, constructing, equipping, and installing various municipal capital improvements to City-owned property within the City, including without limitation (1) repairs to, renovations of, and improvements to (a) pavement and road surfaces, (b) traffic lights and related equipment and facilities, (c) sidewalks, crosswalks, and associated lighting, and (d) various City-owned buildings and public park facilities, and (2) demolition and other improvements to certain City-owned properties, (ii) refunding in advance of maturity all or a portion of the City’s obligations with respect to a General Obligation Lease Agreement dated as of December 23, 2008, and amended and supplemented as of December 10, 2015, by and between the City and the Kentucky League of Cities Funding Trust, including any interest rate hedge termination fees associated therewith, (iii) paying capitalized interest on the Bonds, if any, (iv) paying the costs of credit enhancement, if any, for the Bonds, and (v) paying all or a portion of the costs of issuance of the Bonds.

BOND MATURITIES AND PAYING AGENT

The Bonds will be dated their date of initial delivery, bearing interest from such date, payable on each on January 1st and July 1st, commencing with January 1, 2022.

The Bonds are scheduled to mature on January 1st, in each of the years as follows:

MATURITIES

Maturity	Amount*
2022	\$625,000
2023	1,285,000
2024	1,300,000
2025	1,310,000
2026	1,325,000
2027	1,345,000
2028	1,355,000
2029	1,380,000
2030	1,400,000
2031	1,425,000

The Bonds maturing on and after January 1, 2030 shall be subject to optional redemption prior to their maturity on any date on or after January 1, 2029, 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 Bonds to be redeemed, plus accrued interest to the date of redemption.

At least thirty days before the redemption date of any 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 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 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 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 Bonds to be redeemed.

U.S. Bank National Association, Louisville, Kentucky, has been appointed Paying Agent and Registrar for the Bonds.

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Bonds are as follows:

(A) Bids for the Bonds must be submitted through BiDCOMP™/PARITY™ system and no other provider of 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. 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.

(B) Bidders are required to bid for the entire issue of Bonds at a minimum price of not less than \$12,495,000 (98% of par) (excluding original issue discount, if applicable), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.

(C) Interest rates for the Bonds must be in multiples of one-eighth of one percent (0.125%) and/or one-twentieth of one percent (0.05%), and all Bonds of the same maturity and all Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

(D) The determination of the best bid will be made on the basis of the lowest true interest cost ("TIC") of all bids submitted for exactly \$12,750,000 of Bonds as offered for sale under the terms and conditions herein specified. The City will accept or reject such best bid, provided, however, the City reserves the right to increase or decrease the total amount of Bonds sold to such best bidder (in \$5,000 denominations). In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required. If two or more bidders offer bids at the same lowest true interest cost and the City wishes to award the Bonds, the City shall determine by lot which bidder will be awarded such Bonds.

The Bonds are subject to a permitted adjustment increasing the principal amount of the Bonds awarded to the purchaser thereof by up to \$1,275,000 or decreasing the principal amount of the Bonds awarded to the Purchaser thereof by any amount. The City also has the right to adjust individual principal maturity amounts of the par amounts designated herein, even if the total amount of the Bonds does not change, in order to promote desired annual debt service levels. If the principal amount of any maturity of the Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. "Underwriter's Discount" shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid.

(E) In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid on the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

Unless bids for the Bonds are rejected, the 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 the Bonds, to be calculated by computing the total interest payable

on the 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 Bonds. If two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the Mayor, the Finance Director, or the City Clerk, upon the advice of the City's Financial Advisor (as identified herein) shall determine (in his or her sole discretion) which of the bidders shall be awarded the Bonds.

The successful bidder for the Bonds will be notified by no later than 5:00 p.m. (Eastern Time), on the sale date of the exact revisions and/or adjustment required, if any.

(F) Bidders have the option of specifying that 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 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 Bonds in accordance with the terms of any accepted proposal for the purchase of the 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 Bonds awarded by the close of business on the day following the award. The good faith amount will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good-faith amount will be applied (without interest) to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take delivery and pay for the 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 Bonds. They will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the 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 Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 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 Bonds, except if use of the book-entry system for the 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. If certificated 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 Bonds are offered for sale subject to the principal and interest on the 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 opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, which opinion 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 Bonds. Their fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. They may submit a bid for the purchase of the 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 Bonds.

(M) The winning bidder for the Bonds shall assist the City in establishing the issue price of the 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 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 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 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 Bonds to the bidder who submits a firm offer to purchase the 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 Bonds, as specified in the bid.

(N) If 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 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 if the City determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Bonds.

If the competitive sale requirements are not satisfied, the winning bidder for the Bonds shall assist the City in establishing the issue price of the 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 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) if an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the 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 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 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 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 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 40507, telephone: (859) 977-6600 (the "Financial Advisor"). Further information regarding BiDCOMP™/PARITY™ may be obtained from BiDCOMP™/PARITY™, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422.

(R) At the election and cost of the purchaser of the Bonds, one or more maturities of the Bonds may be insured under a municipal bond insurance policy. In such event, the City agrees to cooperate with the purchaser to qualify the Bonds for bond insurance; however the City will not assume any of the expenses incident to the issuance of such a bond insurance policy, other than the costs for securing a rating of the Bonds.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") the City will agree pursuant to a Continuing Disclosure Undertaking dated as of the date of issuance and delivery of the Bonds (the "Disclosure Undertaking"), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board ("MSRB"), for each fiscal year of the City, certain annual financial information and operating data, including audited financial statements, generally consistent with the information contained in "Appendix A" and "Appendix B" of the Official Statement (the "Financial Data"). The annual financial information shall be provided within 210 days following the end of the fiscal year ending June 30th, commencing with the fiscal year ending June 30, 2021; 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 City; and
- (ii) to the MSRB, notice of the occurrence of the following events, if material, with respect to the 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) 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;
 - (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) 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; 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, notice of a failure (of which the City has knowledge) of the City 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 Bonds, with certain enforcement rights in the event of a failure by the City 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 Bonds;
- (b) there are no credit enhancements applicable to the Bonds;
- (c) there are no liquidity providers applicable to the Bonds; and
- (d) there is no property securing the Bonds.

TAX EXEMPTION

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds will be excludable from gross income for Federal income tax purposes. Bond Counsel for the Bonds is also of the opinion that interest on the 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 Bonds is of the opinion that interest on the Bonds is exempt from income taxation and the 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 Bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of 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 Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the 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 Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bond documents and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 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 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 Bonds is of the opinion that interest on the Bonds will be excludible from gross income for Federal income tax purposes and that interest on the 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 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 Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership or disposition of the 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 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 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 Bonds.

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

/s/ Hon. Matt Perkins
Mayor, City of Ashland, Kentucky

EXHIBIT A-1

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of at least three qualified bids for the Bonds]

* * * * *

ISSUE PRICE CERTIFICATE

\$12,750,000* City of Ashland, Kentucky General Obligation Bonds, Series 2021A

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 [WAM] 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 June 22, 2021.

(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

* Preliminary, subject to change as set forth herein.

(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 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 7, 2021

**SCHEDULE A
TO
ISSUE PRICE CERTIFICATE
EXPECTED OFFERING PRICES**

(Attached)

**SCHEDULE B
TO
ISSUE PRICE CERTIFICATE**

COPY OF BID

(Attached)

EXHIBIT A-2

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of less than three qualified bids for the Bonds]

* * * * *

ISSUE PRICE CERTIFICATE

\$12,750,000* City of Ashland, Kentucky General Obligation Bonds, Series 2021A

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 [WAM] 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.”

* Preliminary, subject to change as set forth herein.

(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 (June 29, 2021), 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 June 22, 2021.

(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 7, 2021

**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 G
CITY OF ASHLAND, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2021A

OFFICIAL BID FORM

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OFFICIAL BID FORM

Subject to the terms and conditions set forth in the Ordinance adopted by the City of Ashland, Kentucky (the "City") on May 27, 2021, providing for the sale of \$12,750,000* of its General Obligation Bonds, Series 2021A (the "Bonds"), 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 Bonds.

We hereby bid for the \$12,750,000* principal amount of the Bonds maturing on January 1, 2021, and each January 1st thereafter of the years and in the amounts set forth below, the total sum of \$_____ (not less than \$12,750,000 plus accrued interest from July 7, 2021, at the following annual rate(s), payable semiannually, commencing January 1, 2022 (number of interest rates unlimited):

Maturity	Amount*	Interest Rate
January 1, 2022	\$625,000	_____ %
January 1, 2023	1,285,000	_____ %
January 1, 2024	1,300,000	_____ %
January 1, 2025	1,310,000	_____ %
January 1, 2026	1,325,000	_____ %
January 1, 2027	1,345,000	_____ %
January 1, 2028	1,355,000	_____ %
January 1, 2029	1,380,000	_____ %
January 1, 2030	1,400,000	_____ %
January 1, 2031	1,425,000	_____ %

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 _____.

Neither the City nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/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. Bids must 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. The amount will be applied (without interest) to the purchase price when the Bonds are tendered to us for delivery.

* Preliminary, subject to change as set forth in the Official Terms and Conditions of Bond Sale.

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 July 7, 2021, to final maturity	\$ _____
Plus discount or less premium, if any	\$ _____
True interest cost (i.e. TIC)	\$ _____
True interest rate (%)	_____ %

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 June 22, 2021 by the City of Ashland, Kentucky, as follows:

Maturity	Amount	Interest Rate
January 1, 2022	\$ _____	_____ %
January 1, 2023	\$ _____	_____ %
January 1, 2024	\$ _____	_____ %
January 1, 2025	\$ _____	_____ %
January 1, 2026	\$ _____	_____ %
January 1, 2027	\$ _____	_____ %
January 1, 2028	\$ _____	_____ %
January 1, 2029	\$ _____	_____ %
January 1, 2030	\$ _____	_____ %
January 1, 2031	\$ _____	_____ %

Mayor
City of Ashland, Kentucky