



City of Ashland
Kentucky



Comprehensive Annual
Financial Report
Fiscal Year Ended
June 30, 2010

CITY OF ASHLAND, KENTUCKY
FOR THE FISCAL YEAR July 1, 2009 to June 30, 2010

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT**



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

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INTRODUCTORY SECTION

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



December 30, 2010

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

To the Mayor, City Commission and City Manager:

The Department of Finance is pleased to present the Comprehensive Annual Financial Report of the City of Ashland, Kentucky, for the fiscal year ended June 30, 2010. This report was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and the reporting standards of the Governmental Accounting Standards Board (GASB). The Comprehensive Annual Financial Report (CAFR) includes all funds of the Government. The City management is responsible for the accuracy of the data and for the completeness and fairness of the presentation. To the best of our knowledge and belief, the enclosed data presents the financial position and results of the various activities of the City.

Kelley, Galloway and Company, PSC, have issued an unqualified opinion that the financial statements for the fiscal year ended June 30, 2010 are presented fairly in conformity with GAAP. The independent auditors' report is presented as the first component in the financial section of this report.

Immediately following the independent auditors' report is the section, Management's Discussion and Analysis (MD&A) that provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it. The City of Ashland's MD&A begins on page 14.

Profile of the Government

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

The City of Ashland, Kentucky

Post Office Box 1839

Ashland, KY 41105-1839

(606) 327-2009 Fax: (606) 327-2010

For Hearing Impaired TDD: (606) 327-2097

The City of Ashland has 321 authorized full-time positions. Of these positions, our largest department is Engineering & Utilities comprising 25% of the employees. The Engineering & Utilities department consists of seven different divisions ranging from engineering to meter services. The next largest department is our public works department at 20% with 63 total employees.

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

The Department of Finance includes the divisions of director of finance, data processing, utility cashier, assisted housing and mass transit. The department is responsible for the custody, investment and disbursement of all funds, debt management, pension fund administration, administration of the occupational license fee, coordination of the annual financial audit, compilation of the budget, and providing various types of financial information to city management and elected officials. The finance department has committed themselves to doing the job right the first time with knowledgeable, efficient and effective service. The department ensures integrity by directing, coordinating and monitoring all service functions and assures progress by developing new and improved techniques and procedures. Finance bills approximately 14,500 utility customers a month and is accountable for the semi-annual billing of property tax customers. The Ashland Bus System (A.B.S.) is the public transportation system of the City and is funded by the Federal Transit Authority (F.T.A.), Kentucky Department of Transportation and the City. The bus system served approximately 157,000 passengers this past year and received \$58,475 in passenger fares. The housing voucher program, also known as Section 8, provides rental assistance to approximately 500 families throughout Boyd County. The goal of the program is to provide low-income families with decent, safe, and sanitary rental housing through rental assistance payments. The voucher program is funded by Housing and Urban Development's public housing funds.

The Department of Public Works is the 2nd largest department in the City. This department performs a wide range of services including the divisions of director of public works, streets, solid waste, fleet maintenance, animal control, municipal aid road program, and floodwall. The street department used 9,800 tons of asphalt to pave and patch the City streets and poured over 51,000 square feet of concrete sidewalks during the fiscal year. This division acquired a new aerial truck, backhoe and dump truck this fiscal year using lease purchase options. Garbage collection is required of all residents within the City and our solid waste division collects on a weekly basis. The recycling program was implemented last fiscal year with 20 recycling bins placed in 4 locations throughout the City. The City recycled 415 tons of waste in fiscal year 2010. The streets division purchased a new crew cab truck this fiscal year.

The Department of Engineering & Utilities, our largest department, is comprised of director of engineering / utilities, engineering, water distribution, water production, meter services, industrial pretreatment, wastewater collection and wastewater treatment. This department also conducts the development, planning and implementation of the combined sewer overflows. The engineering division is an integral part of the Engineering & Utilities department. This division maintains right of way records, keeps City maps current, prepares plans and drawings for projects, assigning addresses within the City, reviews building plans prior to permits being issued, and completes all the surveys for City projects. The City owns and operates its own water distribution system. The water plant averages over 11 million gallons per day with a capacity of 24 million gallons. In addition to the water produced for the Ashland distribution system, some water produced at the plant is sold to neighboring systems. Water distribution is the largest division in Engineering & Utilities in number of employees. The tasks of the division include the installation and maintenance of water and sanitary sewer mains. Water is distributed using a series of holding tanks and water pump stations. Wastewater is collected using sewer pump stations and forced mains to get it to the treatment plant. Wastewater from outside the City is pumped through the City's collection system to the treatment plant. The treatment plant processes all wastewater pumped in through the collection system. The treated water is tested and must meet all state and federal standards before being released into the Ohio River. The plant is monitored by government agencies, which regulate its operating permit. In 2010, we treated approximately 2.2 billion gallons of wastewater. The water distribution division purchased a new heavy-duty truck this fiscal year using the lease purchase option.

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

The Ashland Police Department strives to identify and respond to the needs of the community; take the lead in solving community problems; instill a professional attitude and enhance the overall quality of life through mutual trust, respect, and the fair enforcement of the laws while carefully safeguarding the self-respect of all. The Ashland Police Department was organized in the late 1800's with the first executive officer being a town Marshall who was elected. Today's police department has an authorized strength of 55, with 49 sworn officers. There are two civilian employees serving administrative support roles and four parapolice assigned to handle tasks not requiring the services of a sworn officer, e.g., parking enforcement, information center, records management, and property control. They have completed the

construction of the new police station. The new station was dedicated in May and has a value of \$ 5 million dollars.

The Ashland Fire Department is a full time professional fire department with 56 full time employees. The Department has two functions, fire suppression and fire prevention. The fire suppression division is responsible for all fire suppression, rescue services and hazardous materials response. The fire prevention division conducts semi-annual life safety inspections of all multi family and commercial occupancies. The Fire Department was founded in 1856 as a volunteer fire department and became a full time paid fire department in 1885. The principles the Ashland Fire Department were founded upon, and continues to strive to meet are dedication, determination, courage, excellence, teamwork, pride, leadership, commitment and honor. In fiscal year 2010 the department completed 2,204 fire and EMS runs.

The Parks and Recreation Department provides many opportunities for recreational activities for families. The park system consists of the following parks: Central Park, Southside Park, Riverfront Park, Oliverio Park, Linear Park, Dawson Park and Municipal Pool, Spring Park, and Pollard Mills Park. The parks add charm and beauty to our City and offer many various activities including: Winter Wonderland of Lights, Summer Motion, Easter Egg Hunt, summer concerts at the bandstand, Bluegrass Festival, Halloween Trick or Treat/Haunted Trail, Brass Band, picnics and cookouts. The activity room in the Round House and Log Cabin hosts various events from weddings to family reunions, including Santa after the annual Christmas parade. Ice skating is also available from November through mid-March. The City of Ashland acquired the Ashland Cemetery Company in September 2009 and is under the Parks and Recreation Department. The cemetery transferred to the City for \$ 1 and has a fixed asset and inventory value of over \$ 5 million dollars. Ashland Cemetery Company is a historic treasure in the community. The first burial took place prior to the Civil War and the first rustic memorial still graces the landscape that has become the Ashland Cemetery. The Cemetery holds a Revolutionary War Memorial of two members of our founding fathers' in Ashland, General John Poage and Colonel George Poage. The Ashland Cemetery is a unique part of our community and was officially established in 1870. Since then the Cemetery has been serving the families of our City.

Internal Control

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

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

As a part of the City's single audit, tests are made to determine the adequacy of the internal control system, including those controls related to federal programs, as well as to determine that the City has complied with applicable laws and regulations. The result of the City's single audit for the fiscal year ended June 30, 2010, provided no instances of material weaknesses in the internal control system.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned

functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. The City had seven findings this fiscal year. Two of the seven deficiencies concerning property taxes deal with exoneration and classification procedures. Procedures were in place, but a management staff member did not follow them. Two other deficiencies involve our internal control structure concerning cash. Supervisor over the cashier's office did not follow procedures of taking money to the bank on time and ensuring adequate documentation for petty cash disbursements. One finding noted that utility adjustments were not being reconciled to the general ledger. Supervisor over the cashier's office and staff did not follow procedures in place to reconcile these. There were two federal compliance findings. One was an issue with federal compliance on our Community Development Block Grant dealing with performance reporting. The seventh deficiency was for the Section 8 Housing Choice Voucher program and a lack of a depository agreement. We have implemented more controls and detailed specifics of responsibilities in personnel and added an additional supervisor in this area.

Demographics

Ashland is located on the Ohio River and is part of the metro "triangle" comprised of Ironton, Ohio, Huntington, West Virginia and Ashland, Kentucky. This location makes Ashland a major river port and manufacturing town. Ashland is Eastern Kentucky's largest urban area and a center for health care, commerce, banking and recreational activities. The City currently encompasses 17.02 sq. miles. We continue to expand in the areas of art, entertainment and cultural events while maintaining an aggressive nature to progress and grow. The population of Ashland was 21,981 according to the 2000 census and experienced a decline between 1990 and 2000 that is projected to continue in the future. The rate of decline appears to be slowing significantly as opposed to the rate between 1980 and 1990. The City lost 12.53% of its population between 1980 and 1990 versus a loss of 6.95% between 1990 and 2000.

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

Significant Events

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

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

The annual *Repair Affair* is a one day event of home repairs for low income, disabled, and elderly homeowners. This year we completed 45 projects with the help of over 250 volunteers. Home repairs consist of yard work, exterior painting, porch replacements, handicap ramp construction and many other repairs.

The City of Ashland was awarded over \$10 million from the Kentucky Transportation Cabinet for the *Ashland Riverfront Project* regarding Federal Highway Administration SAFETEA-LU funds. The purpose of this project is to create a unique waterfront that will serve as a legacy for current and future generations of residents and visitors to the City. It will incorporate existing assets such as the historical Depot building, brick roadways, flood wall murals and allow for commercial activity in a park setting with views of the river and will be able to accommodate festivals and events, such as Summer Motion. The riverfront project has completed the design phase and has entered into the construction phase. At the end of the fiscal year the construction in progress was in excess of \$ 10.4 million. The riverfront Phase I is completed and Phase II has been begun.

The construction of the new police station has been completed this year and the relocation of the police department was a smooth transition. The new building, funded by the Kentucky League of Cities bond pool, is a 17,400 sq. ft. two story brick building located directly across the street from the City Building. The new police station allows citizens a more convenient and faster means to services. The security was a major priority in the design of the entire building. Amenities such as a sally port, secured corridors, separate entrances for the public and police personnel, private interview offices and secured records storage are all included to ensure the highest level of safety. The citizen's investment in the City's infrastructure has been greatly enhanced by the construction of the new police station.

The Engineering & Utilities division has begun construction on the *Combined Sewer Overflow (CSO)* initiative. Initial planning and engineering for this \$ 7.2 million project began in September of 2007. This project will improve water quality of the Ohio River by reducing the frequency, duration and volume of CSO discharges from the Ashland combined sewer system. The City received a loan from the Clean Water State Revolving Fund as provided for in the American Recovery and Reinvestment Act for replacement of the sanitary sewer lines along Putnam Street from Belmont to Moore Street. This portion of the initiative was completed this fiscal year for \$ 248,479. The next phase of the CSO project is the Sixth Street Pump Station and Force Main Extension Project, and the Roberts Drive Pump Station and Force Main Upgrade Project. The Division of Water gave the City entitlement to receive priority funding from the Clean Water State Revolving Fund also.

Local Economy

The City of Ashland is at the epicenter of an unparalleled industrial and technological region. Health care is our leading industry and the King's Daughters Medical Center is our #1 employer. King's Daughters Medical Center (KDMC) is a locally controlled, not-for-profit, 465-bed regional referral center, covering a 150-mile radius that includes southern Ohio, eastern Kentucky and western West Virginia. KDMC offers comprehensive cardiac, medical, surgical, pediatric, rehabilitative, psychiatric, cancer, neurological, pain care, wound care and home care services in one convenient location. Established in 1899, KDMC currently ranks fourth in the state of Kentucky in terms of overall admissions, and, with more than 4,200 team members, is the largest employer between Charleston, W.Va. and Lexington, Ky. King's Daughters also has one of the busiest Emergency Departments in the state of Kentucky. KDMC is honored to be named one of the nation's 100 Top Hospitals by Thomson Reuters®, the leading source of healthcare information products, for five consecutive years. Additionally, KDMC has been named among the "Best Places to Work in Kentucky" by the Kentucky Society for Human Resource Management State Council, in conjunction with the Kentucky Chamber of Commerce. King's Daughters is the only employer in Boyd, Greenup and Carter counties to receive the award.

Wal-Mart Stores, Inc. remains our #2 employer again this year. However, their employment dropped 1% from last year. Wal-Mart's purpose is to save people money so they can live better. Wal-Mart is the anchor store in the Melody Mountain area retailers. Melody Mountain is annexed land that was

developed in 2005. Overlooking the city to the west, it is bounded by 6th Street, US 23, and a CSX spur. Initial plans were to include a Wal-Mart, Home Depot, O'Charley's, Fire Mountain and Outback Steakhouse, although Fire Mountain and Home Depot later dropped out of the project. Chick-Fil-A was later added to the project. The \$30 million Melody Mountain project was destined to be completed in 2005, however, Phase I opened in early 2006. It was financed partially by \$3 million in bonds issued by the city.

Education in Ashland is another rung in our local economy. There are eight public schools and two private schools in Ashland. All public schools within city limits are operated by the Ashland Independent School District, our 3rd largest employer employing 750 citizens. The two private schools serving the Ashland area are the Holy Family School and Rose Hill Christian School. Holy Family is affiliated with Holy Family Catholic Church and currently offers K-8 education. Rose Hill is affiliated with the Rose Hill Baptist Church and offers K-12. Post-secondary educational opportunities include Ashland Community and Technical College, which has multiple campuses within the city. Morehead State University also has a satellite campus located in Ashland.

The City is also a major manufacturing town encompassing the # 4 employer AK Steel. AK Steel produces flat-rolled carbon, stainless and electrical steel products, as well as carbon and stainless tubular steel products, for automotive, appliance, construction and manufacturing markets. Located along the Ohio River this manufacturer covers almost 700 acres with dock and rail facilities. Ashland Works was scheduled to be idle for 2009. However, the union passed a contract containing new language, which allows the company flexibility in operating the Ashland Works to meet market conditions while committing significant capital investments in the steelmaking plant, in particular the blast furnace. The new agreement extends the existing contract to September 1, 2013.

Financial Policies / Planning

In Fiscal Year 2011, we completed projects that have been in the planning stages for many years as we dedicated the Ashland Riverfront Park and the Police Department building. We have begun the remodeling of our current city building with plans to complete renovations over the next several fiscal years as revenues allow. The remaining of Fiscal Year 2011 and 2012 will focus on cost containment and expanding the customer base of our Utility system for additional revenue sources. AK Steel, which is one of the city's largest employers and top ten utility customers, is scheduled to shut down their Coke plant operations in April 2011. This closing will have a large financial impact on our Utility Fund and local economy. The city will have to be proactive in managing costs.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ashland, Kentucky for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the 3rd consecutive year that the government has achieved this prestigious award. The award was previously received in 1993, 2007 and 2008. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

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

Sincerely,

A handwritten signature in cursive script that reads "Tony D. Grubb".

Tony D. Grubb
Finance Director, CGFM

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Ashland
Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, appearing to be "J. Emer".

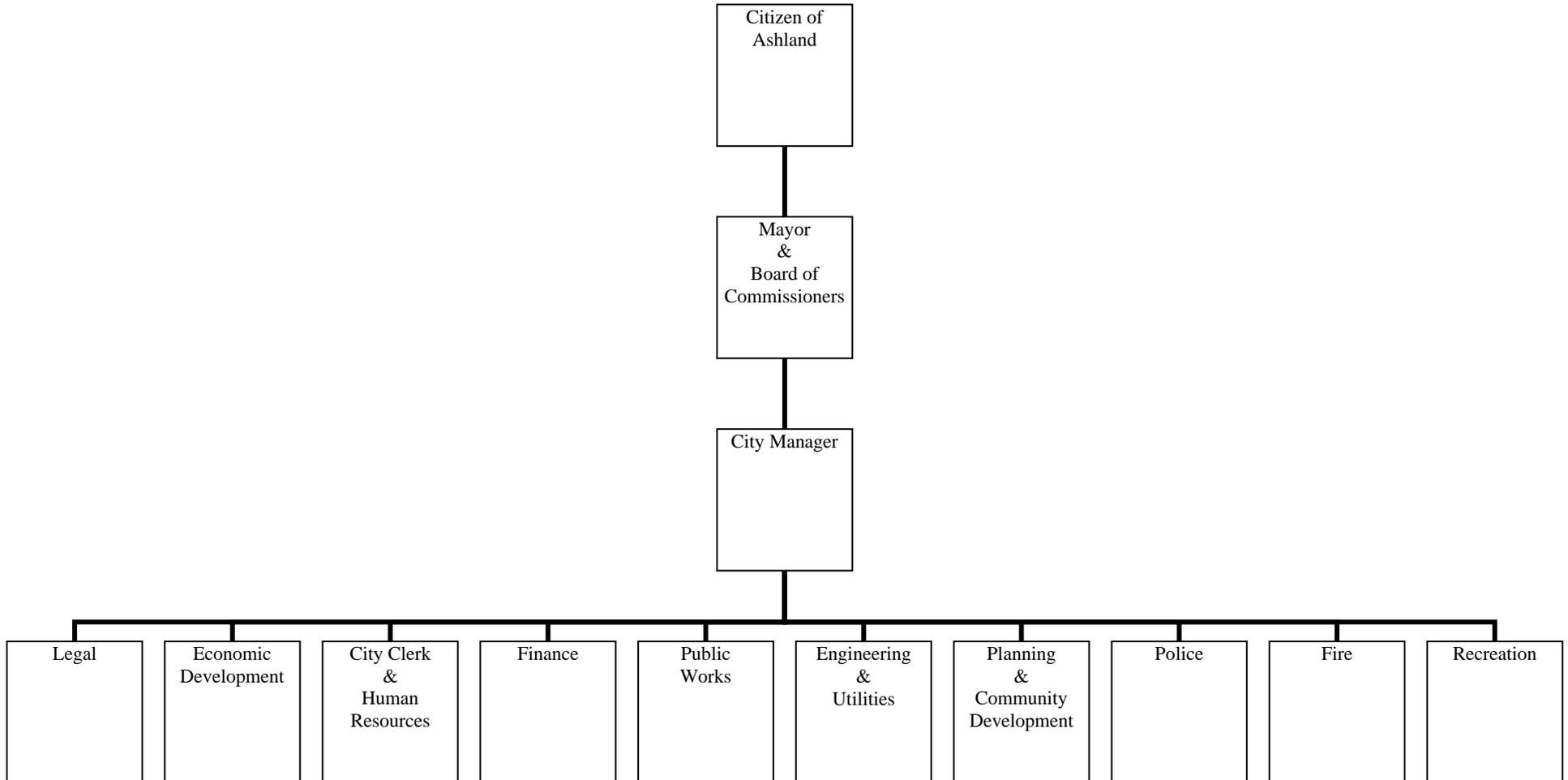
President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director



City of Ashland Departmental Organizational Chart



LIST OF ELECTED AND APPOINTED OFFICIALS

MAYOR

Thomas E. Kelley

COMMISSIONERS

Larry Brown

Kevin Gunderson

Marty Gute

Cheryl Spriggs

CITY MANAGER

Stephen W. Corbitt

FINANCE DIRECTOR

Tony D. Grubb, CGFM

CORPORATION COUNSEL

Richard W. Martin

FINANCIAL SECTION

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- Management's Discussion and Analysis
- Basic Financial Statements
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 - ⇒ City of Ashland Housing Authority (HUD Schedules)
 - ⇒ Schedule of Expenditures of Federal Awards





Kelley,
Galloway &
Company, PSC

CERTIFIED PUBLIC ACCOUNTANTS

- 1200 BATH AVENUE ▪ P. O. BOX 990 ▪ ASHLAND, KENTUCKY 41105-0990 ▪
- Phone (606) 329-1811 ▪ Fax (606) 329-8756 ▪ E-mail contact@kelleygalloway.com ▪ Web site www.kelleygalloway.com ▪

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

INDEPENDENT AUDITOR'S REPORT

Thomas E. Kelley, Mayor
City Commissioners and City Manager
City of Ashland
Ashland, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ashland, Kentucky as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the City of Ashland's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, and each major fund of the City of Ashland, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Special Revenue Funds for the year then ended, in conformity with accounting principles generally accepted the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010 on our consideration of the City of Ashland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis information and Schedules of Employer Contributions on pages 14 through 24 and page 64, is not a required part of the basic financial statements but is supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ashland's basic financial statements. The supplemental information contained on pages 53 through 60, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Additionally, the accompanying schedule of expenditures of federal awards contained on pages 61 and 62 is presented for purposes of additional analysis as required by *U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Kelley, Ballouay + Company, PC

December 30, 2010

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, 2010. This information should be read in conjunction with the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS

- ⇒ The assets of the Government exceeded its liabilities at the end of the fiscal year by \$101,749,074 (net assets). Governmental activities’ unrestricted net assets were \$5,299,076. Business type activities’ unrestricted net assets were \$1,677,050.
- ⇒ The Government’s total net assets increased by \$9,837,873. Net assets of governmental activities increased by \$5,093,455, and net assets of business-type activities increased by \$4,744,418.
- ⇒ At June 30, 2010, the governmental activities had \$77,687,557 in assets and \$15,005,985 in liabilities. Business type activities had \$54,696,766 in assets and \$15,629,264 in liabilities.

OVERVIEW OF FINANCIAL STATEMENTS

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

REPORTING THE GOVERNMENT AS A WHOLE

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

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

Government-wide financial statements include the Statement of Net Assets 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 Assets presents information on all the Government’s assets and liabilities as of June 30, 2010. The net assets are the differences between assets and liabilities. Over time an increase or decrease in net assets is one indicator of whether financial health is improving or deteriorating. Information on other factors such as changes in the revenue structure and the condition of the Government’s assets is also needed to assess the overall financial position of the Government.

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

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

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

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

THE GOVERNMENT AS A TRUSTEE

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

ANALYSIS OF THE GOVERNMENT AS A WHOLE

NET ASSETS

As of June 30, 2010, the Government as a whole had net assets greater than its liabilities by \$101,749,074. Net assets of governmental activities were \$62,681,572 and increased by \$5,093,455 over the prior year. This increase was due to the continuance of the Riverfront Project and the completion of the new Police Station. Of ending Governmental Activities Net Assets, \$56,102,556, or 90%, is invested in capital assets net of related debt, \$1,279,940, or 2%, is restricted assets and unrestricted net assets are \$5,299,076 or 8%.

The net assets of the Government's business-type activities are \$39,067,502 and increased by \$4,744,418 over the prior year. Of these net assets, \$36,235,091 is invested in capital assets net of related debt, \$1,155,361 is restricted and \$1,677,050 is unrestricted. The largest portion of the City's combined net assets (93%) reflects its investment in capital assets (i.e., land, buildings, machinery and equipment) less outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens and as a result, these assets are not available for future spending. The City's capital asset investment is reported net of related debt, but the resources to pay this debt must be provided from other sources, since the capital assets cannot be used to liquidate the liabilities.

An additional portion of City net assets, \$2,435,301 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$6,976,126 may be used to meet the City's ongoing obligation to citizens and creditors.

At the end of this fiscal year, June 30, 2010, the City has positive unrestricted net assets in its business-type activities. The City raised the utility rates in all rate classes again this fiscal year and acquired the Ashland Cemetery. These factors brought the business-type activities to a positive unrestricted net asset position.

ANALYSIS OF THE CITY'S NET ASSETS

	Governmental Activities 2010	2009	Business- type Activities 2010	2009	Total Primary Government 2010	2009
Current and other assets	12,390,284	18,782,993	7,308,522	4,587,000	19,698,806	23,369,993
Capital assets	65,297,273	53,700,510	47,388,244	45,121,856	112,685,517	98,822,366
Total Assets	<u>77,687,557</u>	<u>72,483,503</u>	<u>54,696,766</u>	<u>49,708,856</u>	<u>132,384,323</u>	<u>122,192,359</u>
Liabilities	5,129,332	4,762,844	5,323,969	4,589,150	10,453,301	9,351,994
Long-term liabilities	9,876,653	10,132,542	10,305,295	10,796,622	20,181,948	20,929,164
Total Liabilities	<u>15,005,985</u>	<u>14,895,386</u>	<u>15,629,264</u>	<u>15,385,772</u>	<u>30,635,249</u>	<u>30,281,158</u>
Net assets						
Invested in capital assets net of related debt	56,102,556	44,135,871	36,235,091	33,535,573	92,337,647	77,671,444
Restricted	1,279,940	6,444,960	1,155,361	662,246	2,435,301	7,107,206
Unrestricted	5,299,076	7,007,286	1,677,050	125,265	6,976,126	7,132,551
Total Net Assets	<u>62,681,572</u>	<u>57,588,117</u>	<u>39,067,502</u>	<u>34,323,084</u>	<u>101,749,074</u>	<u>91,911,201</u>

ANALYSIS OF THE CITY'S OPERATIONS

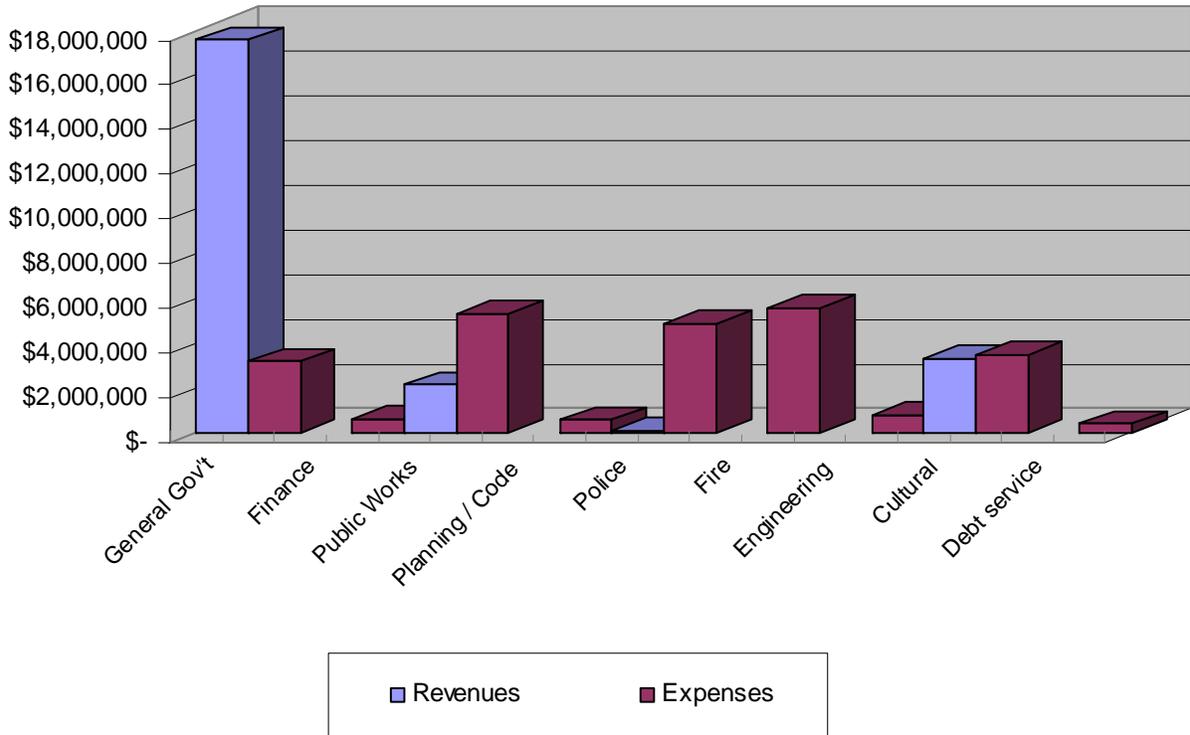
Revenues	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Taxes	7,477,238	8,006,100			7,477,238	8,006,100
Charges for Services	12,800,729	12,230,447	12,481,908	11,334,963	25,282,637	23,565,410
Operating Grants / Contr.	3,948,811	4,858,020	511,674	238,528	4,460,485	5,096,548
Capital Grants / Contr.	6,246,734		5,685,682	425,071	11,932,416	425,071
Other Income	522,703	702,153	588,649	989,251	1,111,352	1,691,404
Total Revenue	30,996,215	25,796,720	19,267,913	12,987,813	50,264,128	38,784,533

Expenses	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
General Government	3,151,310	6,668,670			3,151,310	6,668,670
Finance	597,665	572,342			597,665	572,342
Public Services	5,254,674	5,252,264			5,254,674	5,252,264
Planning / Code	528,934	438,336			528,934	438,336
Police	4,819,508	4,272,709			4,819,508	4,272,709
Fire	5,549,443	4,803,590			5,549,443	4,803,590
Engineering	729,305	140,193			729,305	140,193
Community / Cultural	3,472,659	3,036,757			3,472,659	3,036,757
Debt Service	360,075	269,507			360,075	269,507
Utility Fund			13,320,805	12,562,956	13,320,805	12,562,956
Ashland Bus System			1,387,173	1,084,078	1,387,173	1,084,078
Recreation Operating Fund			960,621	1,002,994	960,621	1,002,994
Cemetery			294,083		294,083	
Total Expense	24,463,573	25,454,368	15,962,682	14,650,028	40,426,255	40,104,396

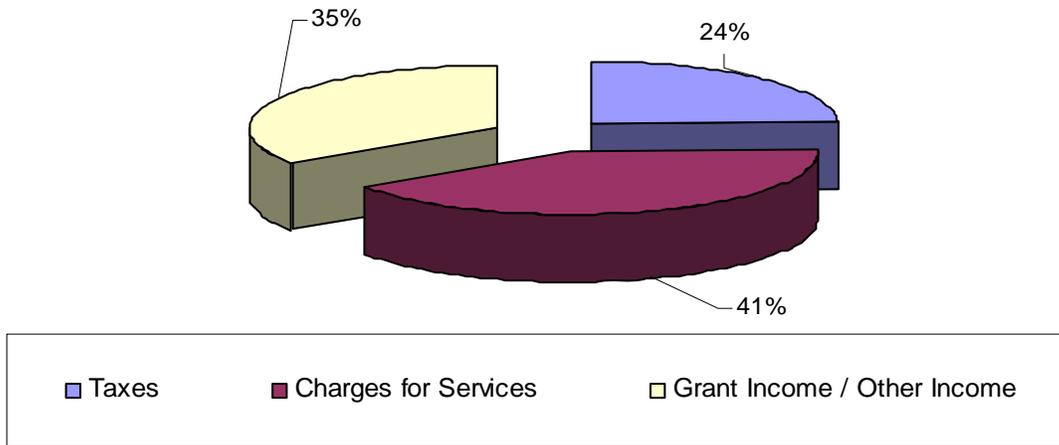
Changes before transfers	6,532,642	342,352	3,305,231	(1,662,215)	9,837,873	(1,319,863)
Transfers	(1,439,187)	(1,049,464)	1,439,187	1,049,464	-	-
Change in Net Assets	5,093,455	(707,112)	4,744,418	(612,751)	9,837,873	(1,319,863)
Net Assets Beginning of Yr	57,588,117	58,295,229	34,323,084	34,935,835	91,911,201	93,231,064
Net Assets End of Year	62,681,572	57,588,117	39,067,502	34,323,084	101,749,074	91,911,201

GOVERNMENTAL ACTIVITIES

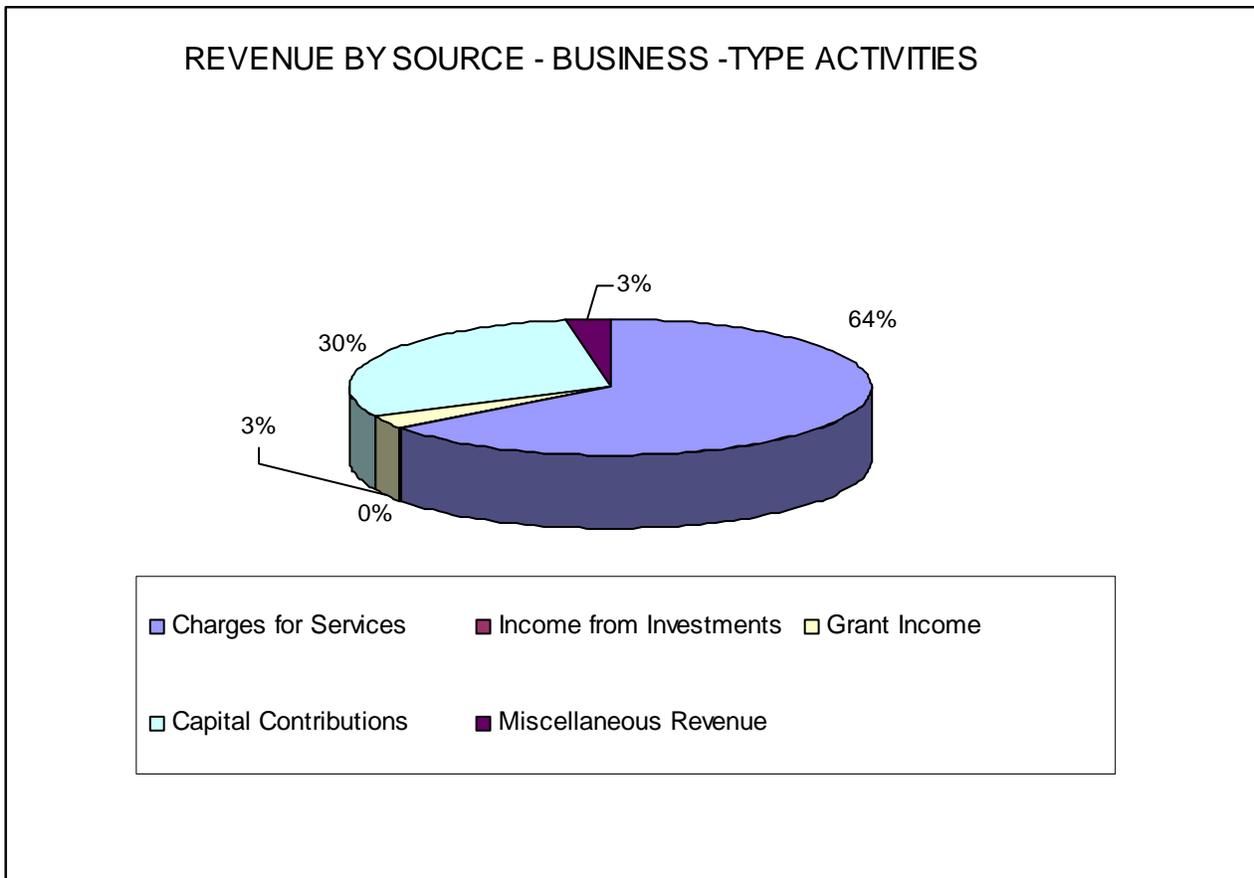
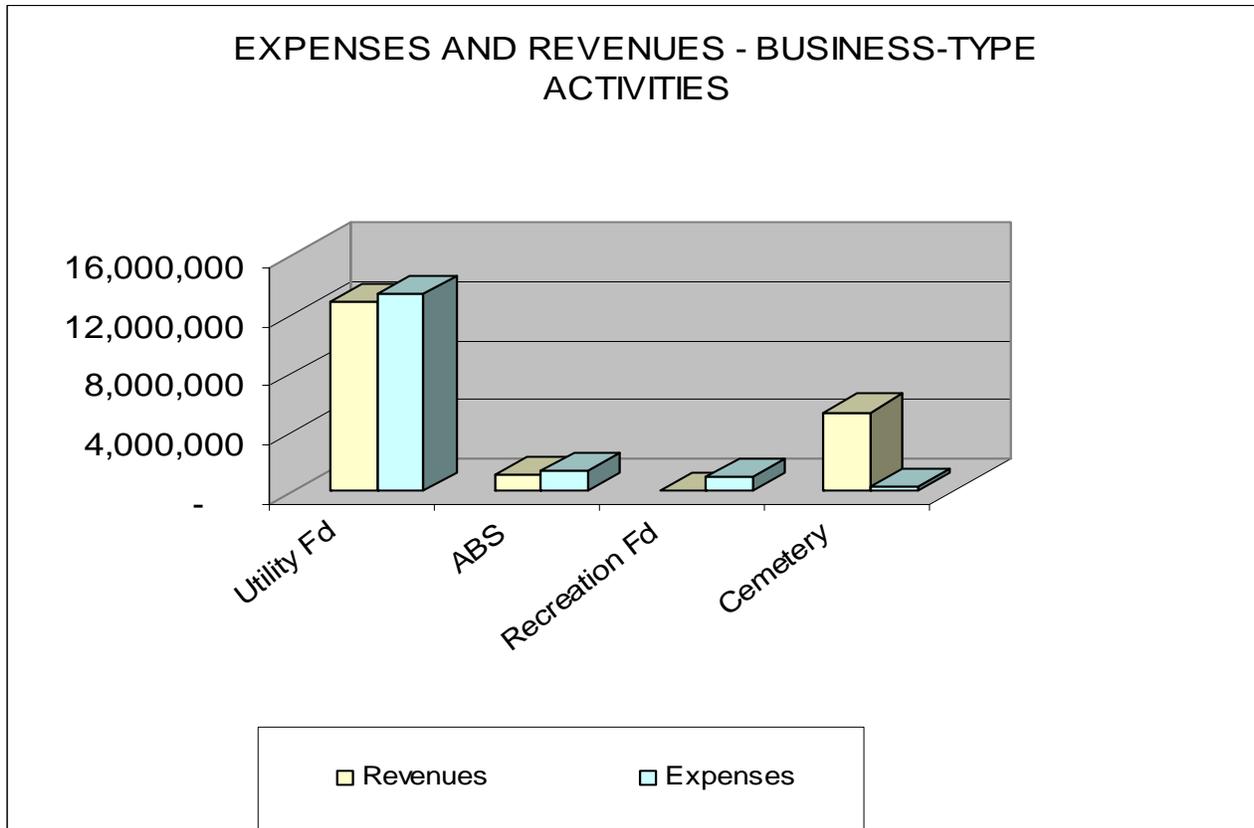
EXPENDITURES AND PROGRAM REVENUES-GOVERNMENTAL ACTIVITIES



REVENUE BY SOURCE - GOVERNMENT ACTIVITIES

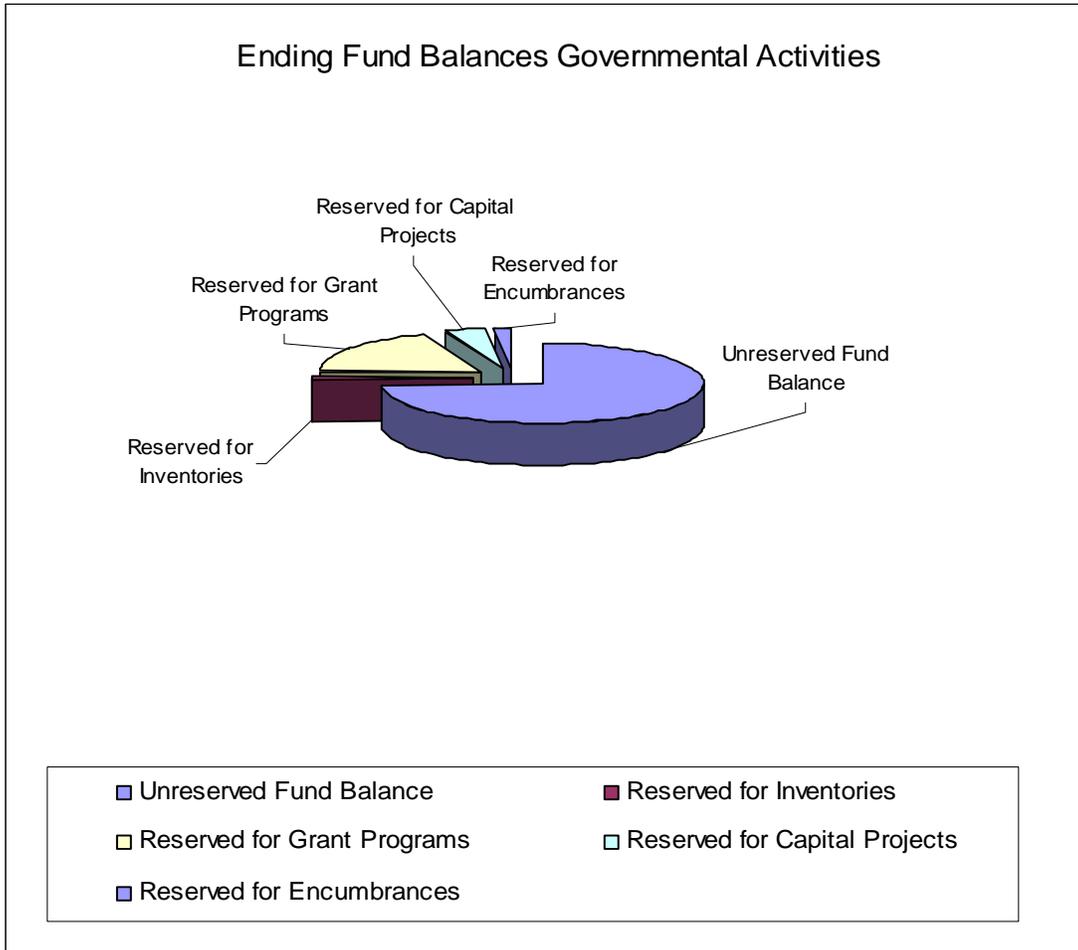


BUSINESS-TYPE ACTIVITIES



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. Unreserved 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 \$5,636,057. Of this total, \$4,186,533, or 74%, is unreserved fund balance. The remainder of fund balance is reserved to indicate it is not available for new spending because it has already been committed for inventories @ \$77,236, grant programs @ \$1,043,585, encumbrances @ \$92,348 and capital projects @ \$236,355. The significant decrease in the governmental funds reserve for capital projects is the completion of the police station that was funded in Fiscal Year 2009.



MAJOR GOVERNMENTAL FUNDS

For the year ending June 30, 2010, the major governmental funds reported as follows:

The General Fund had revenues of \$27,326,383 and expenditures of \$22,217,358. The total fund balance was \$5,217,326.

The Municipal Aid Road Fund had revenues of \$430,049 and expenditures of \$575,234. The total fund balance was \$34,393.

The Floodwall Operating Fund had revenues of \$181,235 and expenditures of \$148,667. The total fund balance was \$35,205.

The Community Development Fund had revenues of \$618,673 and expenditures of \$618,673. The total fund balance was \$65,043.

The Housing Assistance Fund had revenues of \$2,664,504 and expenditures of \$2,840,704. The total fund balance was \$284,090.

The Capital Purchase Improvement Fund had revenues of \$74,368, other financing sources of \$5,078,915, and expenditures of \$5,153,283. The total fund balance was \$0.

PROPRIETARY FUNDS

The City's proprietary funds, or business-type activities, had total assets of \$58,288,859 and total liabilities of \$19,221,357, leaving net assets of \$39,067,502. Of the total proprietary fund's net assets, the Utility Fund had \$(613,160) in unrestricted net assets, the Ashland Bus Fund had \$(217,392) in unrestricted net assets, the Recreation Fund had \$(109,485) in unrestricted net assets and the Ashland Cemetery Fund had \$2,617,087 in unrestricted net assets. All proprietary funds are considered major funds. Total growth in unrestricted net assets for the four proprietary funds was \$1,551,785.

BUDGETARY HIGHLIGHTS

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

- ⇒ \$1,025,725 increase in net expenditures of the General Fund. This increase was for various grants awarded after the beginning of the fiscal year, a transfer to the Recreation fund for a new dump truck, transfers to the Capital Purchase Improvement Fund for the FEMA Grant for fire and the JAG Byrne Grant for police, new fire vehicle, city building equipment, and multiple police vehicles.

The net increase in appropriations and transfers were taken from various line item reductions, grant awards and available fund balance.

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 \$27,326,383 versus budgeted revenues of \$29,436,516. This was due to the Riverfront Project not being completed. Projected Riverfront revenues were \$8,290,918 and actual revenues were \$6,246,734 for a variance of \$2,044,184. Net Profit Revenue & Occupational Tax Revenue had a positive budget variance of \$1,025,245 which was accomplished by continued focus on enforcing compliance and growth. Insurance premium taxes had a negative budget variance of \$410,949. Budget projections exceeded actual insurance policies sold in the City. Real, delinquent and vehicle property taxes had a positive budget variance of \$82,577 due to a concentrated effort of collection of delinquent taxes.
- ⇒ General Fund significant expenditure variances include the Riverfront grant budgeted expenditures of \$9,983,647, and actual expenditures of \$7,809,706, which is a budget variance of \$2,090,441 in the General Government department due to the timing of construction completion. Also in this division, the Hearth Grant was budgeted at \$436,000 and actual expenditures of \$195,369 for a variance of \$240,630 and the Home Program grant with a variance of \$265,032. A lack of participation in the Home Program contributed to the variance. The Public Works budget was \$3,528,873, and actual expenditures were \$3,798,313, for a negative budget variance of \$(269,440), or 7.64%. This was attributed to the recognition of the lease proceeds and expense for a new packer truck and higher health insurance costs than projected.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for governmental and business-type activities as of June 30, 2010 is \$112,685,517 (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, 2010 include:

<u>Project</u>	<u>Cost</u>	<u>Outstanding Balance</u>	<u>Amount Expended</u>
Transportation Center	\$ 228,375	\$ 91,133	\$ 137,242
Riverfront Development	8,528,857	145,814	8,383,043
	<u>\$ 8,757,232</u>	<u>\$ 236,947</u>	<u>\$ 8,520,285</u>

CITY OF ASHLAND - CAPITAL ASSETS (NET OF DEPRECIATION)

<u>Asset</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total 2010</u>
Land	\$ 3,904,381	\$ 378,087	\$ 4,282,468
Buildings and improvements	8,410,666	3,617,546	12,028,212
Automotive equipment	1,046,973	699,369	1,746,342
Operating equipment	1,649,039	1,066,978	2,716,017
Office equipment	168,736	109,762	278,498
Capital improvements	386,635	371,784	758,419
Right-of-way	15,038,909	-	15,038,909
Infrastructure	24,087,098	-	24,087,098
Utility plant	-	40,902,763	40,902,763
Construction (CIP)	10,604,836	202,313	10,807,149
Recreation	-	39,642	39,642
Total	<u>\$ 65,297,273</u>	<u>\$ 47,388,244</u>	<u>\$ 112,685,517</u>

DEBT

At the end of fiscal year 2010, the City had governmental activities debt of \$10,439,225 compared to \$10,644,779 at June 30, 2009, which represents a decrease of \$205,554. Business-type activities had debt of \$11,068,153 compared to \$11,501,283 at June 30, 2009, which represents a decrease of \$433,130. See Note (8) for additional discussion of the City's long term debt. The following chart summarizes governmental and business-type activities debt.

<u>Governmental Activities Debt</u>	<u>Amount</u>
General obligation bond series 2005	\$ 2,965,000
Capital lease - fire station	875,000
Capital leases - equipment	553,272
Capital leases - police station	4,801,445
Accrued expenses	318,614
Compensated absences obligation	925,894
Total	<u>\$ 10,439,225</u>

<u>Business-Type Activities Debt</u>	<u>Amount</u>
Utility bonds 04	\$ 5,950,000
Kentucky infrastructure authority loans	4,767,684
Note payable	196,335
Capital leases - equipment	<u>154,134</u>
Total	<u>\$ 11,068,153</u>

DESCRIPTION OF MUNICIPAL DEBT

- ⇒ General Obligation Bonds 2005 Melody Mountain \$2,965,000.
- ⇒ Capital Lease to construct Central Fire station at \$875,000.
- ⇒ Capital Leases for 3 packer trucks @ \$156,248, a street sweeper @ \$66,458, a rescue fire pumper @ \$134,564, a backhoe @ \$35,923, an aerial truck @ \$44,867, a dump truck @ \$41,321 and a phone system @ \$73,891, totaling \$553,272.
- ⇒ Capital Lease to construct Police station at \$4,801,445.
- ⇒ Employee compensated absences payable after 60 days at \$925,894
- ⇒ Accrued expenses for overtime for firefighters incentive pay at \$338,614.
- ⇒ Utility Revenue bond issue 2004 for phase II upgrade of the water plant \$5,950,000.
- ⇒ K.I.A. Loans used to upgrade the utility system at \$4,767,684
- ⇒ Capital Leases for a backhoe @ \$42,757, 2 heavy duty utility trucks @ \$84,087, and a phone system @ \$27,290, totaling \$154,134.
- ⇒ Ashland Cemetery note payable for mausoleum construction \$196,335.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Unemployment rate for the City of Ashland as of June 2010 is 7.7%. This rate is lower than the State of Kentucky rate at 10.0% and the national rate of 9.5%.

The following table summarizes the 2011 fiscal year budgeted expenses.

- ⇒ General Fund - \$24,344,357
- ⇒ Municipal Aid Program - \$410,775
- ⇒ Community Development Block Grant Fund - \$1,190,368
- ⇒ Section 8 Voucher - \$2,899,624
- ⇒ Floodwall Operating Fund - \$159,976
- ⇒ Utility Fund - \$20,274,328
- ⇒ Ashland Bus System - \$1,151,851
- ⇒ Recreation Operating Fund - \$938,066
- ⇒ Ashland Cemetery Fund - \$218,510
- ⇒ Capital Purchase Improvement Fund - \$696,750

Fiscal year 2011 contains one significant budget item. The Utility Fund has begun work on the first phase of construction pertaining to the Combined Sewer Overflow decree from the EPA.

REQUEST FOR INFORMATION

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

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

CITY OF ASHLAND
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,359,271	\$ 292,969	\$ 1,652,240
Accounts receivable	259,833	2,185,415	2,445,248
Allowance for uncollectible accounts	-	(86,101)	(86,101)
Taxes receivable	3,058,173	-	3,058,173
Allowance for uncollectible taxes	(382,571)	-	(382,571)
Grants receivable	935,149	511,841	1,446,990
Internal balances, net	3,592,093	(3,592,093)	-
Receivable from fiduciary fund	58,462	-	58,462
Program receivables	48,386	-	48,386
Allowance for uncollectible accounts	(42,086)	-	(42,086)
Other receivables	360,981	-	360,981
Allowance for uncollectible accounts	(63,818)	-	(63,818)
Prepaid expenses	685,353	-	685,353
Inventories	77,236	3,267,999	3,345,235
Restricted assets -			
Cash and cash equivalents	236,355	2,592,431	2,828,786
Net pension asset	2,207,467	2,024,553	4,232,020
Nondepreciable capital assets	29,548,126	580,400	30,128,526
Depreciable capital assets	81,546,094	89,629,058	171,175,152
Accumulated depreciation	(45,796,947)	(42,821,214)	(88,618,161)
Deferred bond issuance costs	-	111,508	111,508
Total assets	77,687,557	54,696,766	132,384,323
LIABILITIES			
Cash Overdraft	630,512	-	630,512
Accounts payable	2,019,064	488,393	2,507,457
Due to Board of Education	21,993	-	21,993
Payable to Fiduciary Fund	74,710	2,086,303	2,161,013
Other accrued expenses and liabilities	1,618,338	509,693	2,128,031
Deposits	-	1,048,368	1,048,368
Matured revenue bonds and notes	-	85,000	85,000
Accrued compensated absences, current	182,143	343,354	525,497
Current portion of long-term debt	582,572	762,858	1,345,430
Accrued expenses, non-current	338,614	-	338,614
Accrued compensated absences, non-current	925,894	-	925,894
Capital lease obligations, non-current	5,742,145	107,622	5,849,767
Notes payable, non-current	-	186,731	186,731
Revenue & Improvement bond	-	5,515,000	5,515,000
Kentucky Infrastructure Authority loan, non-current	-	4,495,942	4,495,942
General obligation bonds, non-current	2,870,000	-	2,870,000
Total liabilities	15,005,985	15,629,264	30,635,249
NET ASSETS			
Invested in capital assets, net of related debt	56,102,556	36,235,091	92,337,647
Restricted			
Capital projects	236,355	-	236,355
Debt service	-	662,246	662,246
Grant programs	1,043,585	-	1,043,585
Other	-	493,115	493,115
Unrestricted	5,299,076	1,677,050	6,976,126
Total net assets	\$ 62,681,572	\$ 39,067,502	\$ 101,749,074

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, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 3,151,310	\$ 10,785,309	\$ 526,760	\$ 6,246,734	\$ 14,407,493	\$ -	\$ 14,407,493
Finance	597,665	-	-	-	(597,665)	-	(597,665)
Public services	5,254,674	1,684,139	421,945	-	(3,148,590)	-	(3,148,590)
Planning and code enforcement	528,934	-	-	-	(528,934)	-	(528,934)
Police	4,819,508	-	49,518	-	(4,769,990)	-	(4,769,990)
Fire	5,549,443	-	-	-	(5,549,443)	-	(5,549,443)
Engineering	729,305	-	-	-	(729,305)	-	(729,305)
Community and cultural	3,472,659	331,281	2,950,588	-	(190,790)	-	(190,790)
Debt service - interest	360,075	-	-	-	(360,075)	-	(360,075)
Total governmental activities	<u>24,463,573</u>	<u>12,800,729</u>	<u>3,948,811</u>	<u>6,246,734</u>	<u>(1,467,299)</u>	<u>-</u>	<u>(1,467,299)</u>
Business-Type Activities							
Utilities	13,320,805	12,250,268	-	-	-	(1,070,537)	(1,070,537)
Recreation	960,621	54,682	-	-	-	(905,939)	(905,939)
Cemetery	294,083	118,483	-	5,171,752	-	4,996,152	4,996,152
Bus	1,387,173	58,475	511,674	513,930	-	(303,094)	(303,094)
Total business-type activities	<u>15,962,682</u>	<u>12,481,908</u>	<u>511,674</u>	<u>5,685,682</u>	<u>-</u>	<u>2,716,582</u>	<u>2,716,582</u>
Total primary government	<u>\$ 40,426,255</u>	<u>\$ 25,282,637</u>	<u>\$ 4,460,485</u>	<u>\$ 11,932,416</u>	<u>\$ (1,467,299)</u>	<u>\$ 2,716,582</u>	<u>\$ 1,249,283</u>
General Revenues:							
Property and other local taxes					\$ 7,477,238	\$ -	\$ 7,477,238
Interest income					22,438	63,915	86,353
Other revenues					500,265	524,734	1,024,999
Total general revenues					7,999,941	588,649	8,588,590
Transfers					(1,439,187)	1,439,187	-
Total general revenues and transfers					6,560,754	2,027,836	8,588,590
Change in net assets					5,093,455	4,744,418	9,837,873
Net assets, June 30, 2009					57,588,117	34,323,084	91,911,201
Net assets, June 30, 2010					<u>\$ 62,681,572</u>	<u>\$ 39,067,502</u>	<u>\$ 101,749,074</u>

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

**CITY OF ASHLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue Funds						Total Governmental Funds
	General	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	
Assets							
Cash	\$ 657,619	\$ 10,485	\$ 7,265	\$ 157,110	\$ 283,118	\$ -	\$ 1,115,597
Taxes receivable	2,922,464	-	135,709	-	-	-	3,058,173
Allowance for uncollectible taxes	(362,049)	-	(20,522)	-	-	-	(382,571)
Grants receivable	738,714	39,408	-	157,027	-	-	935,149
Due from other funds	3,991,709	-	-	-	-	146,716	4,138,425
Program receivables	48,386	-	-	-	-	-	48,386
Allowance for uncollectible accounts	(42,086)	-	-	-	-	-	(42,086)
Other receivables	272,611	-	-	-	88,370	-	360,981
Allowance for uncollectible accounts	-	-	-	-	(63,818)	-	(63,818)
Prepaid expenses	685,353	-	-	-	-	-	685,353
Inventories - supplies	77,236	-	-	-	-	-	77,236
Total assets	\$ 8,989,957	\$ 49,893	\$ 122,452	\$ 314,137	\$ 307,670	\$ 146,716	\$ 9,930,825
Liabilities and Fund Balances							
Liabilities:							
Cash Overdraft	\$ 190,907	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,907
Accounts payable	1,509,098	10,451	835	2,202	2,861	146,716	1,672,163
Due to other funds	1,451,712	5,049	82,450	240,676	12,979	-	1,792,866
Due to Board of Education	21,993	-	-	-	-	-	21,993
Accrued compensated absences	179,089	-	840	1,417	797	-	182,143
Accrued expenses	399,051	-	3,122	4,799	6,943	-	413,915
Deferred revenue	20,781	-	-	-	-	-	20,781
Total liabilities	3,772,631	15,500	87,247	249,094	23,580	146,716	4,294,768
Fund Balances:							
Reserved for capital projects	236,355	-	-	-	-	-	236,355
Reserved for inventories	77,236	-	-	-	-	-	77,236
Reserved for encumbrances	92,348	-	-	-	-	-	92,348
Reserved for grant programs	759,495	-	-	-	284,090	-	1,043,585
Unreserved/undesignated, reported in:							
General fund	4,051,892	-	-	-	-	-	4,051,892
Special revenue funds	-	34,393	35,205	65,043	-	-	134,641
Capital projects fund	-	-	-	-	-	-	-
Total fund balances	5,217,326	34,393	35,205	65,043	284,090	-	5,636,057
Total liabilities and fund balances	\$ 8,989,957	\$ 49,893	\$ 122,452	\$ 314,137	\$ 307,670	\$ 146,716	\$ 9,930,825

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 ASSETS
JUNE 30, 2010

Total fund balance - total governmental funds	\$ 5,636,057
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets of \$111,094,220 net of accumulated depreciation of \$45,796,947 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	65,297,273
Net pension asset of \$2,207,467 reported in the statement of net assets is not a financial resource and therefore is not reported in the governmental funds.	2,207,467
Internal service fund is used by management to charge the costs of certain activities to individual funds. Assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	-
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(10,459,225)</u>
Net assets, end of year - Governmental Activities	<u><u>\$ 62,681,572</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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds						Total Governmental Funds
	General	Municipal Aid Road	Floodwall Operating	Community Development	Housing Assistance	Capital Projects	
Revenues							
Property and other local taxes	\$ 7,595,006	\$ -	\$ 181,229	\$ -	\$ -	\$ -	\$ 7,776,235
Licenses and permits	10,007,066	-	-	-	-	-	10,007,066
Charges for services	1,684,139	-	-	-	-	-	1,684,139
Fees, fines and reimbursements	778,243	-	-	-	-	-	778,243
Grant income	6,823,012	421,945	-	618,673	2,331,915	-	10,195,545
Administration fee income	-	-	-	-	331,281	-	331,281
Interest income	21,933	126	6	-	373	-	22,438
Other income	416,984	7,978	-	-	935	74,368	500,265
Total revenues	27,326,383	430,049	181,235	618,673	2,664,504	74,368	31,295,212
Expenditures							
General government	11,106,834	-	-	-	-	1,299	11,108,133
Finance	602,790	-	-	-	-	-	602,790
Public services	3,798,313	575,234	148,667	-	-	-	4,522,214
Planning and code enforcement	520,260	-	-	-	-	-	520,260
Police	4,734,396	-	-	-	-	-	4,734,396
Fire	5,226,734	-	-	-	-	-	5,226,734
Engineering	727,338	-	-	-	-	-	727,338
Community and cultural	-	-	-	618,673	2,840,704	-	3,459,377
Capital outlay	-	-	-	-	-	4,732,709	4,732,709
Debt service:							
Principal retirement	205,864	-	-	-	-	354,029	559,893
Interest charges	294,829	-	-	-	-	65,246	360,075
Total expenditures	27,217,358	575,234	148,667	618,673	2,840,704	5,153,283	36,553,919
Excess of Revenues Over (Under) Expenditures	109,025	(145,185)	32,568	-	(176,200)	(5,078,915)	(5,258,707)
Other Financing Sources (Uses)							
Proceeds from the issuance of debt	189,971	-	-	-	-	-	189,971
Transfers in	-	-	-	-	-	5,078,915	5,078,915
Transfers out	(6,518,102)	-	-	-	-	-	(6,518,102)
Total other financing sources (uses)	(6,328,131)	-	-	-	-	5,078,915	(1,249,216)
Net change in fund balances	(6,219,106)	(145,185)	32,568	-	(176,200)	-	(6,507,923)
Fund balances beginning of year	11,436,432	179,578	2,637	65,043	460,290	-	12,143,980
Fund balances end of year	\$ 5,217,326	\$ 34,393	\$ 35,205	\$ 65,043	\$ 284,090	\$ -	\$ 5,636,057

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, 2010

Net change in fund balances - total governmental funds \$ (6,507,923)

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	13,856,649	
Depreciation expense	<u>(2,191,847)</u>	11,664,802

Bond and capital lease proceeds are recognized as revenues in the fund financial statement, but are increases in liabilities in the statement of net assets. (189,971)

Generally, expenditures recognized in this fund financial statement 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	154,246	
Long-term accrued expenses	<u>(338,614)</u>	(184,368)

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 assets. 559,893

Expenditures relating to the net pension asset in the statement of activities are not provided by current financial resources and therefore are not reported in the fund financial statements. 118,058

Internal service fund is used by management to charge the costs of certain activities to individual funds. Net revenue of the internal service fund is included in governmental activities in the statement of activities. -

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes		(298,997)
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Losses on disposal of capital assets are not recognized in the fund financial statements. However, in the statement of activities, these losses are recognized (68,039)

Change in net assets of governmental activities \$ 5,093,455

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

CITY OF ASHLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 7,915,092	\$ -	\$ 7,915,092	\$ 7,595,006	\$ (320,086)
Licenses and permits	9,028,365	-	9,028,365	10,007,066	978,701
Charges for services	1,625,340	-	1,625,340	1,684,139	58,799
Fees, fines and reimbursements	940,370	-	940,370	778,243	(162,127)
Interest income	67,500	-	67,500	21,933	(45,567)
Grant income	9,184,843	390,866	9,575,709	6,823,012	(2,752,697)
Other income	199,460	84,680	284,140	416,984	132,844
Total revenues	28,960,970	475,546	29,436,516	27,326,383	(2,110,133)
Expenditures					
General government	13,567,011	486,000	14,053,011	11,106,834	2,946,177
Finance	576,305	-	576,305	602,790	(26,485)
Public services	3,518,873	10,000	3,528,873	3,798,313	(269,440)
Planning and code enforcement	491,440	-	491,440	520,260	(28,820)
Police	4,605,940	(75,980)	4,529,960	4,734,396	(204,436)
Fire	5,009,746	(8,500)	5,001,246	5,226,734	(225,488)
Engineering	799,807	15,092	814,899	727,338	87,561
Debt service:					
Principal retirement	205,864	-	205,864	205,864	-
Interest and fiscal charges	321,005	-	321,005	294,829	26,176
Total expenditures	29,095,991	426,612	29,522,603	27,217,358	2,305,245
Excess of Revenues Over (Under) Expenditures	(135,021)	48,934	(86,087)	109,025	195,112
Other Financing Sources (Uses)					
Proceeds from issuance of debt	3,450,290	-	3,450,290	189,971	(3,260,319)
Transfers in	-	-	-	-	-
Transfers out	(5,646,998)	(600,113)	(6,247,111)	(6,518,102)	(270,991)
Total other financing sources (uses)	(2,196,708)	(600,113)	(2,796,821)	(6,328,131)	(3,531,310)
Net change in fund balance	(2,331,729)	(551,179)	(2,882,908)	(6,219,106)	(3,336,198)
Fund balance beginning of year	11,436,432	-	11,436,432	11,436,432	-
Fund balance end of year	<u>\$ 9,104,703</u>	<u>\$ (551,179)</u>	<u>\$ 8,553,524</u>	<u>\$ 5,217,326</u>	<u>\$ (3,336,198)</u>

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

CITY OF ASHLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL AID ROAD FUND
FOR THE YEAR ENDED JUNE 30, 2010

	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	378,093	-	378,093	421,945	43,852
Administration fee income	-	-	-	-	-
Interest income	175	-	175	126	(49)
Other income	14,000	-	14,000	7,978	(6,022)
Total revenues	392,268	-	392,268	430,049	37,781
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	540,270	-	540,270	575,234	(34,964)
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	500	-	500	-	500
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	540,770	-	540,770	575,234	(34,464)
Excess of Revenues Over (Under) Expenditures	(148,502)	-	(148,502)	(145,185)	3,317
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(148,502)	-	(148,502)	(145,185)	3,317
Fund balance beginning of year	179,578	-	179,578	179,578	-
Fund balance end of year	\$ 31,076	\$ -	\$ 31,076	\$ 34,393	\$ 3,317

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

CITY OF ASHLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2010

	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	688,137	283,556	971,693	618,673	(353,020)
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	688,137	283,556	971,693	618,673	(353,020)
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	688,137	283,556	971,693	618,673	353,020
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	688,137	283,556	971,693	618,673	353,020
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	65,043	-	65,043	65,043	-
Fund balance end of year	<u>\$ 65,043</u>	<u>\$ -</u>	<u>\$ 65,043</u>	<u>\$ 65,043</u>	<u>\$ -</u>

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

CITY OF ASHLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
HOUSING ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	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	2,025,018	257,217	2,282,235	2,331,915	49,680
Administration fee income	319,881	5,500	325,381	331,281	5,900
Interest income	750	-	750	373	(377)
Other income	-	-	-	935	935
Total revenues	2,345,649	262,717	2,608,366	2,664,504	56,138
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	2,901,766	262,717	3,164,483	2,840,704	323,779
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	2,901,766	262,717	3,164,483	2,840,704	323,779
Excess of Revenues Over (Under) Expenditures	(556,117)	-	(556,117)	(176,200)	379,917
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(556,117)	-	(556,117)	(176,200)	379,917
Fund balance beginning of year	460,290	-	460,290	460,290	-
Fund balance end of year	<u>\$ (95,827)</u>	<u>\$ -</u>	<u>\$ (95,827)</u>	<u>\$ 284,090</u>	<u>\$ 379,917</u>

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

CITY OF ASHLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FLOODWALL OPERATING FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	\$ 144,245	\$ -	\$ 144,245	\$ 181,229	\$ 36,984
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	125	-	125	6	(119)
Other income	-	-	-	-	-
Total revenues	144,370	-	144,370	181,235	36,865
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	250,785	-	250,785	148,667	102,118
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	250,785	-	250,785	148,667	102,118
Excess of Revenues Over (Under) Expenditures	(106,415)	-	(106,415)	32,568	138,983
Other Financing Sources (Uses)					
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(106,415)	-	(106,415)	32,568	138,983
Fund balance beginning of year	2,637	-	2,637	2,637	-
Fund balance end of year	<u>\$ (103,778)</u>	<u>\$ -</u>	<u>\$ (103,778)</u>	<u>\$ 35,205</u>	<u>\$ 138,983</u>

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

CITY OF ASHLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2010

	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	-	55,840	55,840	74,368	18,528
Total revenues	-	55,840	55,840	74,368	18,528
Expenditures					
General government	-	-	-	1,299	(1,299)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Other	-	-	-	-	-
Capital Outlay	3,807,328	576,834	4,384,162	4,732,709	(348,547)
Debt service:					
Principal retirement	362,216	-	362,216	354,029	8,187
Interest and fiscal charges	52,902	-	52,902	65,246	(12,344)
Total expenditures	4,222,446	576,834	4,799,280	5,153,283	(354,003)
Excess of Revenues Over (Under) Expenditures	(4,222,446)	(520,994)	(4,743,440)	(5,078,915)	(335,475)
Other Financing Sources (Uses)					
Transfers in	4,222,446	520,994	4,743,440	5,078,915	335,475
Total other financing sources (uses)	4,222,446	520,994	4,743,440	5,078,915	335,475
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	-	-	-	-	-
Fund balance end of year	\$ -	\$ -	\$ -	\$ -	\$ -

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

**CITY OF ASHLAND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010**

	Business-Type Activities				Total	Governmental
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		Activity - Internal Service Fund
ASSETS						
Unrestricted Assets:						
Cash and cash equivalents	\$ 194,160	\$ 39,222	\$ 8,327	\$ 51,260	\$ 292,969	\$ 480,029
Accounts receivable	2,182,952	-	2,463	-	2,185,415	259,833
Allowance for doubtful accounts	(86,101)	-	-	-	(86,101)	-
Due from other funds	-	-	-	-	-	1,230,286
Grants receivable - capital	-	267,129	-	-	267,129	-
Grants receivable - operating	-	244,712	-	-	244,712	-
Inventories -						
Repair parts and supplies	418,742	30,843	14,634	-	464,219	-
Lots and vaults	-	-	-	2,803,780	2,803,780	-
Total unrestricted assets	2,709,753	581,906	25,424	2,855,040	6,172,123	1,970,148
Restricted Assets:						
Cash and cash equivalents	2,127,274	-	190,000	275,157	2,592,431	-
Total restricted assets	2,127,274	-	190,000	275,157	2,592,431	-
Total current assets	4,837,027	581,906	215,424	3,130,197	8,764,554	1,970,148
Capital Assets:						
Land and easements	353,911	-	5,723	18,453	378,087	-
Utility plant	79,307,291	-	-	-	79,307,291	-
Buildings and improvements	662,733	1,431,111	100,529	2,293,809	4,488,182	-
Operating equipment	3,550,115	1,014,131	747,277	58,530	5,370,053	-
Office and computer equipment	418,398	39,815	5,319	-	463,532	-
Construction in progress	202,313	-	-	-	202,313	-
	84,494,761	2,485,057	858,848	2,370,792	90,209,458	-
Less: Accumulated depreciation	(41,556,514)	(804,894)	(421,475)	(38,331)	(42,821,214)	-
Total capital assets - net	42,938,247	1,680,163	437,373	2,332,461	47,388,244	-
Other Assets:						
Net pension asset	2,024,553	-	-	-	2,024,553	-
Deferred bond issuance costs	111,508	-	-	-	111,508	-
Total other assets	2,136,061	-	-	-	2,136,061	-
Total noncurrent assets	45,074,308	1,680,163	437,373	2,332,461	49,524,305	-
Total assets	\$ 49,911,335	\$ 2,262,069	\$ 652,797	\$ 5,462,658	\$ 58,288,859	\$ 1,970,148

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

**CITY OF ASHLAND
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010**

	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):						
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 439,605
Accounts payable	425,947	26,230	31,776	4,440	488,393	346,901
Due to other funds	4,573,151	704,815	203,282	197,148	5,678,396	-
Accrued compensated absences	255,926	27,654	59,774	-	343,354	-
Other accrued liabilities	402,652	40,599	30,077	36,365	509,693	1,183,642
Customer deposits	132,481	-	-	-	132,481	-
Total current liabilities (payable from current assets)	5,790,157	799,298	324,909	237,953	7,152,317	1,970,148
Current liabilities (payable from restricted assets):						
Matured revenue bonds and notes	85,000	-	-	-	85,000	-
Customer deposits	915,887	-	-	-	915,887	-
Current portion of capital lease obligations	44,012	1,250	1,250	-	46,512	-
Current portion of notes payable	-	-	-	9,604	9,604	-
Current portion of Revenue and Improvement bond	435,000	-	-	-	435,000	-
Current portion of Kentucky Infrastructure Authority loan	271,742	-	-	-	271,742	-
Total current liabilities (payable from restricted assets)	1,751,641	1,250	1,250	9,604	1,763,745	-
Total current liabilities	7,541,798	800,548	326,159	247,557	8,916,062	1,970,148
Long-term liabilities:						
Capital lease obligations	100,138	3,714	3,770	-	107,622	-
Notes Payable	-	-	-	186,731	186,731	-
Revenue & Improvement bond	5,515,000	-	-	-	5,515,000	-
Kentucky Infrastructure Authority loan	4,495,942	-	-	-	4,495,942	-
Total long-term liabilities	10,111,080	3,714	3,770	186,731	10,305,295	-
Total liabilities	17,652,878	804,262	329,929	434,288	19,221,357	1,970,148
NET ASSETS						
Invested in capital assets, net of related debt	31,991,413	1,675,199	432,353	2,136,126	36,235,091	-
Restricted for debt payment	662,246	-	-	-	662,246	-
Other	217,958	-	-	275,157	493,115	-
Unrestricted	(613,160)	(217,392)	(109,485)	2,617,087	1,677,050	-
Total net assets	\$ 32,258,457	\$ 1,457,807	\$ 322,868	\$ 5,028,370	\$ 39,067,502	\$ -

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

**CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Business-Type Activities				Total	Governmental
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		Activity - Internal Service Fund
OPERATING REVENUES						
Residential and commercial meter sales	\$ 3,381,998	\$ -	\$ -	\$ -	\$ 3,381,998	\$ -
Sewer service	4,222,500	-	-	-	4,222,500	-
Industrial meter sales	3,346,372	-	-	-	3,346,372	-
Other municipalities	1,130,822	-	-	-	1,130,822	-
Industrial pretreatment	95,698	-	-	-	95,698	-
Water and sewer taps	72,878	-	-	-	72,878	-
Concession sales	-	-	34,888	-	34,888	-
Lot and vault sales	-	-	-	49,710	49,710	-
Opening and closing fees	-	-	-	68,773	68,773	-
Passenger fares	-	58,475	-	-	58,475	-
Admission fees	-	-	19,794	-	19,794	-
Premium charges	-	-	-	-	-	5,261,912
Miscellaneous	503,598	327	15,521	24,909	544,355	100
Total operating revenues	<u>12,753,866</u>	<u>58,802</u>	<u>70,203</u>	<u>143,392</u>	<u>13,026,263</u>	<u>5,262,012</u>
OPERATING EXPENSES						
Administration - Director	224,565	-	-	-	224,565	-
Administration - Cashier	581,314	-	-	-	581,314	-
Administration - Customer Service	455,853	-	-	-	455,853	-
Water - Production	2,171,875	-	-	-	2,171,875	-
Water - Distribution	2,720,940	-	-	-	2,720,940	-
Sewer - Pretreatment	1,550,627	-	-	-	1,550,627	-
Sewer - Collection	1,467,815	-	-	-	1,467,815	-
Depreciation	2,021,480	134,290	33,364	38,331	2,227,465	-
Insurance	258,980	11,388	28,281	35,683	334,332	-
Other operating expenses	1,465,677	435,301	350,228	93,980	2,345,186	3,544
Salaries	-	542,365	393,812	91,395	1,027,572	-
Utilities	-	17,545	81,028	-	98,573	-
Operating supplies	-	246,284	73,908	16,868	337,060	-
Premiums and claims	-	-	-	-	-	5,259,961
Total operating expenses	<u>12,919,126</u>	<u>1,387,173</u>	<u>960,621</u>	<u>276,257</u>	<u>15,543,177</u>	<u>5,263,505</u>
OPERATING INCOME (LOSS)	<u>(165,260)</u>	<u>(1,328,371)</u>	<u>(890,418)</u>	<u>(132,865)</u>	<u>(2,516,914)</u>	<u>(1,493)</u>
NON-OPERATING REVENUES (EXPENSES)						
Gain(loss) on disposal of assets	-	(19,621)	-	-	(19,621)	-
Interest income	54,113	22	2,471	7,309	63,915	1,493
Grant income	-	511,674	-	-	511,674	-
Interest on revenue bonds and notes	(401,679)	-	-	(17,826)	(419,505)	-
Total non-operating revenues (expenses)	<u>(347,566)</u>	<u>492,075</u>	<u>2,471</u>	<u>(10,517)</u>	<u>136,463</u>	<u>1,493</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>(512,826)</u>	<u>(836,296)</u>	<u>(887,947)</u>	<u>(143,382)</u>	<u>(2,380,451)</u>	<u>-</u>
OPERATING TRANSFERS						
From General Fund	-	517,552	907,401	-	1,424,953	-
Total operating transfers in	<u>-</u>	<u>517,552</u>	<u>907,401</u>	<u>-</u>	<u>1,424,953</u>	<u>-</u>
CAPITAL CONTRIBUTIONS						
Federal/state grants	-	513,930	-	-	513,930	-
City of Ashland	-	14,234	-	-	14,234	-
Other, (Note 14)	-	-	-	5,171,752	5,171,752	-
Total capital contributions	<u>-</u>	<u>528,164</u>	<u>-</u>	<u>5,171,752</u>	<u>5,699,916</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(512,826)</u>	<u>209,420</u>	<u>19,454</u>	<u>5,028,370</u>	<u>4,744,418</u>	<u>-</u>
NET ASSETS, JUNE 30, 2009	<u>32,771,283</u>	<u>1,248,387</u>	<u>303,414</u>	<u>-</u>	<u>34,323,084</u>	<u>-</u>
NET ASSETS, JUNE 30, 2010	<u>\$ 32,258,457</u>	<u>\$ 1,457,807</u>	<u>\$ 322,868</u>	<u>\$ 5,028,370</u>	<u>\$ 39,067,502</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, 2010**

	Business-Type Activities				Total	Governmental
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund		Activity - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$ 11,941,029	\$ 58,475	\$ 58,388	\$ 118,483	\$ 12,176,375	\$ -
Cash payments to suppliers for goods and services	(5,819,837)	(325,118)	(452,944)	85,702	(6,512,197)	(3,544)
Cash payments to employees	(2,565,451)	(558,688)	(387,737)	(84,041)	(3,595,917)	-
Other operating revenues	503,598	327	15,521	24,909	544,355	100
Payments for internal services	(1,145,839)	(133,002)	(126,738)	(31,729)	(1,437,308)	-
Cash received for internal services	-	-	-	-	-	4,338,918
Payments for premiums and claims	-	-	-	-	-	(5,111,088)
Net cash provided by (used for) operating activities	<u>2,913,500</u>	<u>(958,006)</u>	<u>(893,510)</u>	<u>113,324</u>	<u>1,175,308</u>	<u>(775,614)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Grant Income	-	275,772	-	-	275,772	-
Transfers from other funds	-	517,552	907,401	-	1,424,953	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>793,324</u>	<u>907,401</u>	<u>-</u>	<u>1,700,725</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from sale of assets	-	8,315	-	-	8,315	-
Acquisition and construction of capital assets	(1,728,157)	(371,578)	(41,278)	(14,855)	(2,155,868)	-
Principal paid on bonds, notes, and lease obligations	(639,449)	-	-	(30,311)	(669,760)	-
Interest paid on bonds, notes, and lease obligations	(401,679)	-	-	(17,826)	(419,505)	-
Capital contributions	-	14,234	-	268,776	283,010	-
Capital grants received	-	529,216	-	-	529,216	-
Net cash provided by (used for) capital and related financing activities	<u>(2,769,285)</u>	<u>180,187</u>	<u>(41,278)</u>	<u>205,784</u>	<u>(2,424,592)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from maturity of investment	-	-	-	-	-	-
Investment income	54,113	22	2,471	7,309	63,915	1,493
Net cash provided by investing activities	<u>54,113</u>	<u>22</u>	<u>2,471</u>	<u>7,309</u>	<u>63,915</u>	<u>1,493</u>
Net increase (decrease) in cash and cash equivalents	198,328	15,527	(24,916)	326,417	515,356	(774,121)
Cash and cash equivalents, June 30, 2009	<u>2,123,106</u>	<u>23,695</u>	<u>223,243</u>	<u>-</u>	<u>2,370,044</u>	<u>814,545</u>
Cash and cash equivalents, June 30, 2010	<u>\$ 2,321,434</u>	<u>\$ 39,222</u>	<u>\$ 198,327</u>	<u>\$ 326,417</u>	<u>\$ 2,885,400</u>	<u>\$ 40,424</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES						
Operating income (loss)	\$ (165,260)	\$ (1,328,371)	\$ (890,418)	\$ (132,865)	\$ (2,516,914)	\$ (1,493)
Adjustments:						
Depreciation	2,021,480	134,290	33,364	38,331	2,227,465	-
Amortization	8,160	-	-	-	8,160	-
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	(356,347)	-	3,706	-	(352,641)	(164,217)
(Increase) decrease in inventories	(42,970)	(7,403)	(4,878)	-	(55,251)	-
(Increase) decrease in due from other funds	-	-	-	-	-	(758,777)
(Increase) decrease in pension asset	(285,021)	-	-	-	(285,021)	-
Increase (decrease) in accounts payable	31,666	(46,569)	(14,997)	3,356	(26,544)	72,334
Increase (decrease) in due to other funds	1,619,144	306,370	(26,362)	197,148	2,096,300	-
Increase (decrease) in compensated absences	5,823	(19,733)	131	-	(13,779)	-
Increase (decrease) in other accrued liabilities	29,717	3,410	5,944	7,354	46,425	76,539
Increase (decrease) in customer deposits	47,108	-	-	-	47,108	-
Net cash provided by (used for) operating activities	<u>\$ 2,913,500</u>	<u>\$ (958,006)</u>	<u>\$ (893,510)</u>	<u>\$ 113,324</u>	<u>\$ 1,175,308</u>	<u>\$ (775,614)</u>
Noncash capital and related financing activities						
Net capital assets contributed	\$ -	\$ -	\$ -	\$ 4,902,976	\$ 4,902,976	\$ -
Capital leases	86,203	4,964	5,020	-	96,187	-
Net noncash capital and related financing activities	<u>\$ 86,203</u>	<u>\$ 4,964</u>	<u>\$ 5,020</u>	<u>\$ 4,902,976</u>	<u>\$ 4,999,163</u>	<u>\$ -</u>

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

**CITY OF ASHLAND
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010**

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,165,712
Accrued interest receivable	7,093
Due from other funds	2,161,013
Investments, at fair value	
U.S. Government obligations	<u>1,367,396</u>
 Total assets	 <u>4,701,214</u>
 LIABILITIES	
Due to other funds	<u>58,462</u>
 Total liabilities	 <u>58,462</u>
 NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	 <u><u>\$ 4,642,752</u></u>

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

**CITY OF ASHLAND
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Pension Trust Funds</u>
ADDITIONS:	
CONTRIBUTIONS	
Employer	\$ 1,057,227
Plan members	<u>3,432</u>
Total contributions	<u>1,060,659</u>
INVESTMENT INCOME	
Net appreciation in fair value of investments	2,403
Interest income	<u>95,928</u>
Total investment income	<u>98,331</u>
Total additions	<u>1,158,990</u>
DEDUCTIONS:	
Benefits	1,297,150
Administrative expenses	<u>16,039</u>
Total deductions	<u>1,313,189</u>
NET DECREASE	(154,199)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	<u>4,796,951</u>
End of year	<u><u>\$ 4,642,752</u></u>

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

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CITY OF ASHLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

(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, 2010 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 assets 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.

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 (DOT).

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

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

C. Budget and Budgetary Accounting

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

1. Prior to May 1, the City Manager obtains estimates from the department heads in order to prepare the proposed budget.
2. Prior to June 30, the City Manager submits to the City Commission a proposed budget for the fiscal year commencing the following July 1. The proposed budget includes proposed operating and capital expenditures and the means of financing them.
3. Public hearings are conducted at commission meetings in order to review the proposed budget and to obtain comments from taxpayers and other interested parties.

4. Prior to the first day beginning the fiscal year, the budget is legally adopted through the passage of an ordinance for the General Fund, all Special Revenue Funds, Capital Projects Funds and all Enterprise Funds, and a separate budgetary report is prepared for utilization by the City, and for informational purposes for the general public.
5. The City Manager is authorized to transfer budgeted amounts within departments of any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Commission. Therefore, the level of control on budgetary items is maintained at the department level.
6. Budgets for the General, Special Revenue and Capital Projects Funds are adopted on the modified accrual basis. Budgets for all Enterprise Funds are adopted on the accrual basis. Both methods are consistent with Generally Accepted Accounting Principles (GAAP). Budgeted amounts are as originally adopted, or as amended periodically by the City Commission. Departmental revisions were not material in relation to the original appropriations which were amended. All appropriations lapse at the end of the fiscal year, even if encumbered.

D. Deposits and Investments

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

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

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. 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 assets 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 assets 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 fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Utility plants in service	5-50 years
Buildings and improvements	5-20 years
Operating equipment	3-10 years

Automotive equipment	3-7 years
Office furniture and equipment	3-20 years
Bus system equipment	5-10 years
Recreation equipment	5-25 years
Infrastructure	20-30 years

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

G. Encumbrances

Encumbrance accounting is used by the City whereby purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balances or retained earnings in the General, Special Revenue, Enterprise and Capital Projects Funds, since the encumbrances do not constitute expenditures or liabilities, even though the City intends to honor those commitments. At June 30, 2010, there were General Fund encumbrances outstanding of \$92,348.

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 City's fund balances classified as reserved reflects the portion that is legally restricted to a specific future use or is not available for appropriation or expenditure.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of governments.

M. Self-Insurance

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

N. Cash and Cash Equivalents

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

O. Use of Estimates

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

P. Reclassifications

Certain reclassifications have been made to June 30, 2009 information to conform with the 2010 presentation.

Q. Recent Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has recently issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* which the City will be required to implement in the fiscal year beginning July 1, 2010. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, as well as clarifying the definitions of the various governmental fund types. The City does not anticipate that the adoption of GASB Statement No. 54 will have a material impact on its future financial statements.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement addresses whether and when intangible assets should be considered capital assets for financial reporting purposes. It requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. It also provides guidance on recognizing internally generated computer software as an intangible asset. This Statement also establishes guidance on amortization of intangible assets. The provisions of this Statement generally are required to be applied retroactively. GASB Statement No. 51 is required to be effective for the City's fiscal year ending June 30, 2010. The adoption of this Statement had no impact on the City's financial statements.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement defines derivative instruments and requires governmental entities to measure most derivative instruments at fair value and report them on the financial statements as assets or liabilities. Changes in the fair value of derivative instruments would be reported in the financial statements as investment gains and losses, unless certain criteria are met for investing the derivative instrument as a hedge, in which case a deferred inflow or outflow would be reported on the statement of net assets. This statement also requires note disclosure that includes summary information about derivative instruments used as hedges and investments, and disclosure of the risk exposures resulting from the derivative instruments. GASB Statement No. 53 is required to be effective for the City's fiscal year ending June 30, 2010. The adoption of this statement had no impact on the City's 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, 2010, the carrying amounts of the City's deposits were \$5,011,176 and the bank balances were \$7,729,538. 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, 2010, the City had the following investments and maturities included in Fiduciary Funds:

Investment Type -	Investment Maturities (in years)				
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Government Securities	\$ 1,367,396	\$ -	\$ 1,367,396	-	-

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

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

(4) PROPERTY TAX REVENUES

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

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

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

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

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

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

The 2010 assessed value for real property was \$807,905,514. The tax rate adopted was \$.3474 per \$100 valuation.

(5) GRANTS RECEIVABLE

Grants receivable from other governmental units as of June 30, 2010, are as follows:

General Fund -		
Kentucky State Police Grant	\$	5,208
Kentucky Transportation Cabinet		730,296
HEARTH Grant		3,210
		<u>738,714</u>
Special Revenue Funds -		
Municipal Aid Road Fund		39,408
Community Development Fund, program allocation		157,027
		<u>196,435</u>
Enterprise Funds -		
Ashland Bus System - FTA operations		244,712
Ashland Bus System - FTA capital		250,480
Ashland Bus System - FTA DOT capital		16,649
		<u>511,841</u>
	\$	<u>1,446,990</u>

(6) CAPITAL ASSETS

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

	June 30, 2009	Increases	Decreases	June 30, 2010
<u>Governmental Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 18,943,290	\$ -	\$ -	\$ 18,943,290
Construction in progress	3,850,537	7,984,603	(1,230,304)	10,604,836
Capital Assets, Depreciated:				
Buildings	3,937,171	4,996,977	(61,541)	8,872,607
Building improvements	2,029,175	270,757	-	2,299,932
Automotive equipment	3,860,924	260,370	(78,338)	4,042,956
Office furniture and equipment	603,724	110,805	-	714,529
Operating equipment	3,302,578	311,941	(14,093)	3,600,426
Capital improvements	395,068	82,867	-	477,935
Infrastructure	<u>60,469,076</u>	<u>1,068,633</u>	<u>-</u>	<u>61,537,709</u>
Totals	<u>97,391,543</u>	<u>15,086,953</u>	<u>(1,384,276)</u>	<u>111,094,220</u>
Accumulated Depreciation:				
Buildings	1,090,980	79,477	-	1,170,457
Building improvements	1,559,453	31,963	-	1,591,416
Automotive equipment	2,850,819	218,961	(73,797)	2,995,983
Office furniture and equipment	521,237	24,556	-	545,793
Operating equipment	1,781,934	181,589	(12,136)	1,951,387
Capital improvements	73,824	17,476	-	91,300
Infrastructure	<u>35,812,786</u>	<u>1,637,825</u>	<u>-</u>	<u>37,450,611</u>
Totals	<u>43,691,033</u>	<u>2,191,847</u>	<u>(85,933)</u>	<u>45,796,947</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 53,700,510</u>	<u>\$ 12,895,106</u>	<u>\$ (1,298,343)</u>	<u>\$ 65,297,273</u>
<u>Business-type Activities</u>				
Capital Assets, Not Depreciated:				
Land	\$ 311,634	\$ 66,453	\$ -	\$ 378,087
Construction in progress	130,851	99,340	(27,878)	202,313
Capital Assets, Depreciated:				
Buildings	1,552,704	2,293,809	-	3,846,513
Building improvements	577,503	64,166	-	641,669
Utility and sewage plants	78,343,743	963,548	-	79,307,291
Automotive equipment	1,883,192	259,686	(308,297)	1,834,581
Office furniture and equipment	434,617	28,915	-	463,532
Operating equipment	2,127,489	704,893	(19,633)	2,812,749
Capital improvement	358,222	60,058	-	418,280
Recreation equipment	<u>295,644</u>	<u>8,799</u>	<u>-</u>	<u>304,443</u>
Totals	<u>86,015,599</u>	<u>4,549,667</u>	<u>(355,808)</u>	<u>90,209,458</u>

Accumulated Depreciation:				
Buildings	490,660	81,597	-	572,257
Building improvements	267,285	31,094	-	298,379
Utility and sewage plants	36,538,445	1,866,083	-	38,404,528
Automotive equipment	1,297,475	118,098	(280,361)	1,135,212
Office furniture and equipment	332,198	21,572	-	353,770
Operating equipment	1,681,785	83,619	(19,633)	1,745,771
Capital improvements	23,224	23,272	-	46,496
Recreation equipment	262,671	2,130	-	264,801
Totals	<u>40,893,743</u>	<u>2,227,465</u>	<u>(299,994)</u>	<u>42,821,214</u>

Business-type Activities

Capital Assets, Net	<u>\$ 45,121,856</u>	<u>\$ 2,322,202</u>	<u>\$ (55,814)</u>	<u>\$ 47,388,244</u>
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Depreciation expense was allocated to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 48,109
Public services	1,821,902
Planning and code enforcement	10,420
Police	122,932
Fire	164,581
Engineering	8,746
Community and cultural	15,157
	<u>\$ 2,191,847</u>
Business-type activities:	
Utilities	\$ 2,021,480
Recreation	33,364
Bus	134,290
Cemetery	38,331
	<u>\$ 2,227,465</u>

(7) RETIREMENT PLANS
Single Employer Plans

Plan Descriptions, Contribution Information and Funding Policies

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

Utility Pension Fund (UPF):

The City of Ashland Utilities Employee's Pension Plan provides retirement benefits to City utility department employees in classified positions under civil service. The plan is closed to new participants. Unless otherwise indicated, UPF information in this Note is provided as of the latest actuarial valuation, July 1, 2009.

Police and Firefighters Pension Fund (PFPF):

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

The plan was frozen effective August 1, 1988. Policemen and firefighters hired after that date are required to participate in CERS. The plan is closed to new participants and at June 30, 2010, there were no active employees participating in PFPF. Unless otherwise indicated, PFPF information in this note is provided as of the latest actuarial valuation, July 1, 2008.

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

	<u>PENSION TRUST FUNDS</u>		<u>Total</u>
	<u>Utility Pension Fund</u>	<u>Policemen & Firefighters Pension Fund</u>	
ASSETS			
Cash and cash equivalents	\$ 474,548	\$ 691,164	\$ 1,165,712
Accrued interest receivable	3,063	4,030	7,093
Due from other funds	2,086,303	74,710	2,161,013
Investments, at fair value -			
U.S. Government obligations	<u>362,283</u>	<u>1,005,113</u>	<u>1,367,396</u>
Total assets	<u>2,926,197</u>	<u>1,775,017</u>	<u>4,701,214</u>
LIABILITIES			
Due to other funds	<u>58,462</u>	<u>-</u>	<u>58,462</u>
Total liabilities	<u>58,462</u>	<u>-</u>	<u>58,462</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 2,867,735</u>	<u>\$ 1,775,017</u>	<u>\$ 4,642,752</u>
ADDITIONS			
Contributions -			
Employer	\$ 608,977	\$ 448,250	\$ 1,057,227
Plan members	<u>3,432</u>	<u>-</u>	<u>3,432</u>
Total contributions	<u>612,409</u>	<u>448,250</u>	<u>1,060,659</u>
Investment income -			
Net (depreciation) appreciation in fair value of investments	(3,664)	6,067	2,403
Interest income	<u>40,154</u>	<u>55,774</u>	<u>95,928</u>
Total investment income	<u>36,490</u>	<u>61,841</u>	<u>98,331</u>
Total additions	<u>648,899</u>	<u>510,091</u>	<u>1,158,990</u>
DEDUCTIONS			
Benefits	657,123	640,027	1,297,150
Administrative expenses	<u>6,324</u>	<u>9,715</u>	<u>16,039</u>
Total deductions	<u>663,447</u>	<u>649,742</u>	<u>1,313,189</u>
NET INCREASE (DECREASE)	(14,548)	(139,651)	(154,199)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:			
Beginning of year	<u>2,882,283</u>	<u>1,914,668</u>	<u>4,796,951</u>
End of year	<u>\$ 2,867,735</u>	<u>\$ 1,775,017</u>	<u>\$ 4,642,752</u>

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

	<u>Utility Pension Fund</u>	<u>Police and Firefighters Pension Fund</u>
	City Ordinance and KRS	City Ordinance and KRS
Governing Authority		
Determination of contribution requirements	Actuarially	Actuarially
Contribution rates as a percentage of covered payroll:		
Employer	553.35 %	N/A
Plan Members	8.00 %	N/A
Funding of administrative costs	Investment Earnings	Investment Earnings
Period required to vest	20	10
Post retirement benefit increases	As approved by City Commission	As approved by City Commission

Eligibility for distribution	Age 50, with 20 years	N/A	
Provisions for:			
Disability benefits	Yes	Yes	
Death benefits	Yes	Yes	
Membership of the plans are as follows:			
Retirees and beneficiaries currently receiving benefits	29	38	<u>Totals</u> 67
Active plan participants:			
Vested	-	-	-
Non-Vested	<u>1</u>	<u>-</u>	<u>1</u>
	<u>30</u>	<u>38</u>	<u>68</u>

Annual Required Contributions

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

	Utility Employees Pension Plan	Policemen And Firefighters Pension Plan
Valuation date	7-1-09	7-1-08
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level % of payroll Closed	Level % of payroll Closed
Amortization	30 years	20 years
Actuarial asset valuation method	Fair market value, quoted market prices	Fair market value, quoted market prices
Actuarial assumptions		
Investment rate of return	5.00 %	5.00 %
Projected salary increases	5.00 %	None
Post retirement benefit increases	0.00 %	0.00 %

Annual Pension Cost, Net Pension Obligation, and Reserves

Current annual pension cost for the UPF and PFPF retirement plans are shown in the trend information below, as well as the percentage contributed and the net pension obligation, if any, for each plan. The City follows GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employees" in accounting for pension costs and other required disclosure information.

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

	Utility Pension Fund	Police and Firefighters Pension Fund
Employer contributions made for fiscal year	<u>\$608,977</u>	<u>\$448,250</u>
Employer required annual contribution	309,647	267,002
Interest on net pension asset	(87,579)	(104,470)
Adjustment to annual contribution requirement	<u>101,888</u>	<u>167,660</u>
Annual pension cost	<u>323,956</u>	<u>330,192</u>
Increase (decrease) in net pension asset	285,021	118,058
Net pension asset, June 30, 2009	<u>1,739,532</u>	<u>2,089,409</u>
Net pension asset, June 30, 2010	<u>\$ 2,024,553</u>	<u>\$ 2,207,467</u>

Reserves

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

Trend Information

Utility Pension Fund			Police and Firefighters Pension Fund				
Year	Annual Pension Cost	Percent Contributed	Net Pension Obligation (NPO)	Year	Annual Pension Cost	Percent Contributed	Net Pension Obligation (NPO)
2008	\$ 343,585	147 %	\$ (1,394,781)	2008	\$ 351,923	101%	\$(1,933,328)
2009	339,515	202 %	(1,739,532)	2009	325,472	148%	(2,089,409)
2010	323,956	188 %	(2,024,553)	2010	330,192	136%	(2,207,467)

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

UTILITY EMPLOYEES PENSION PLAN

* Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As A Percentage Of Covered Payroll (b-a/c)
7/1/05	\$ 3,094,984	\$ 8,027,969	\$ 4,932,985	38.6%	\$ 72,829	\$ 6,773.4%
7/1/07	2,832,267	7,978,693	5,146,426	35.5%	40,408	12,736.2%
7/1/09	2,882,283	7,776,949	4,894,666	37.1%	43,264	11,313.5%

POLICEMEN AND FIREFIGHTERS PENSION PLAN

7/1/04	3,105,371	6,799,386	3,694,015	45.7%	** N/A	** N/A
7/1/06	2,412,459	6,253,647	3,841,188	38.6%	** N/A	** N/A
7/1/08	2,005,460	5,499,260	3,493,800	36.5%	** N/A	** N/A

*Actuarial valuations performed bi-annually

**No active employees or covered payroll.

Cost - Sharing, Multiple Employer Plan

Plan Description, Contribution Information and Funding Policies

The City contributes to the County Employee's Retirement System ("CERS"), a cost-sharing, multiple-employer defined benefit pension plan administered by the Kentucky General Assembly. It covers substantially all regular full-time members employed in hazardous and non-hazardous duty positions of each county and school board, and any additional eligible local agencies electing to participate in the CERS. CERS provides for retirement, disability, and death benefits to plan members. Cost of living adjustments are provided at the discretion of the State legislature.

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

Plan members in non-hazardous positions are required to contribute 5% of their annual creditable compensation, and the City is required to contribute 16.16% of the employee's total compensation. Plan members in hazardous positions are required to contribute 8% of their annual creditable compensation, and the City is required to contribute 32.97% of the employees' compensation.

Additionally, plan members hired on or after September 1, 2008 contribute an additional 1% non-refundable health insurance contribution. The contribution requirements of CERS members and the City are established and may be amended by the CERS Board of Trustees. The City's contributions to CERS for the years ending June 30, 2010, 2009, and 2008 were \$2,908,402, \$2,426,729, and \$2,731,809, respectively, equal to the required contributions for the year.

(8) DEBT

The following is a summary of changes in long-term debt (including current portions) of the City for the year ended June 30, 2010:

<u>Governmental Activities</u>	Balance June 30, 2009	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2010
General Obligation Bond Series 2005	\$ 3,055,000	\$ -	\$ 90,000	\$ 2,965,000
Capital lease - Fire station	995,000	-	120,000	875,000
Capital leases - Equipment	597,330	189,971	234,029	553,272
Capital lease - Police Station	4,917,309	-	115,864	4,801,445
Accrued Expenses	-	338,614	-	338,614
Compensated absences obligation	<u>1,080,140</u>	<u>1,125</u>	<u>155,371</u>	<u>925,894</u>
Total Governmental Activities	<u>\$ 10,644,779</u>	<u>\$ 529,710</u>	<u>\$ 715,264</u>	<u>\$ 10,459,225</u>
	Balance June 30, 2009	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2010
<u>Business-type Activities</u>				
Revenue & Improvement Bond Series 2004	\$ 6,365,000	\$ -	\$ 415,000	\$ 5,950,000
Capital leases - Equipment	105,585	96,187	47,638	154,134
Note payable	-	226,646	30,311	196,335
Kentucky Infrastructure Authority Loan	1,652,269	-	95,705	1,556,564
Kentucky Infrastructure Authority Loan	<u>3,378,429</u>	<u>-</u>	<u>167,309</u>	<u>3,211,120</u>
Total Business-type Activities	<u>\$ 11,501,283</u>	<u>\$ 322,833</u>	<u>\$ 755,963</u>	<u>\$ 11,068,153</u>

At June 30, 2010, the City was required to have \$662,246 for the Revenue and Improvement Bonds of 2004, in sinking fund reserve accounts. As of June 30, 2010, the City had bond reserve funds of \$1,680,236.

Governmental Activities

Capital Lease - Fire Station

On December 30, 1996, the City entered into an agreement with the Kentucky League of Cities Funding Trust Program to finance the construction of a central fire station. Proceeds of the variable rate (3.92% at June 30, 2010) lease agreement totaled \$2,200,000.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 130,000	\$ 34,580	\$ 164,580
2012	135,000	29,291	164,291
2013	140,000	23,566	163,566
2014	150,000	17,758	167,758
2015	155,000	11,603	166,603
2016	165,000	5,147	170,147
	<u>\$ 875,000</u>	<u>\$ 121,945</u>	<u>\$ 996,945</u>

Capital Lease - Police Station

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest and fees</u>	<u>Total</u>
2011	\$ 131,005	\$ 181,629	\$ 312,634
2012	135,866	176,628	312,494
2013	140,978	171,371	312,349
2014	146,259	165,939	312,198
2015	151,760	160,283	312,043
2016-2020	848,324	709,334	1,557,658
2021-2025	1,019,604	533,172	1,552,776
2026-2030	1,225,438	321,470	1,546,908
2031-2034	1,002,211	76,508	1,078,719
	<u>\$ 4,801,445</u>	<u>\$ 2,496,334</u>	<u>\$ 7,297,779</u>

Capital Leases - Equipment

The City entered into capital lease agreements with financing companies to purchase equipment. The interest rate on the leases vary between 3.99% - 5.04%.

Capital assets include the following under capital leases:

Operating equipment	\$ 1,094,820
Less accumulated depreciation	(138,539)
	<u>\$ 956,281</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 226,567	\$ 33,122	\$ 259,689
2012	220,284	19,036	239,320
2013	70,738	8,514	79,252
2014	22,982	3,781	26,763
2015	12,701	691	13,392
	<u>\$ 553,272</u>	<u>\$ 65,144</u>	<u>\$ 618,416</u>

General Obligation Bond Series 2005

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

The annual requirements to amortize the indebtedness at June 30, 2010, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 95,000	\$ 120,985	\$ 215,985
2012	95,000	117,803	212,803
2013	100,000	114,438	214,438
2014	105,000	110,588	215,588
2015	110,000	106,288	216,288
2016-2020	600,000	462,438	1,062,438

2021-2025	760,000	323,463	1,083,463
2026-2030	895,000	148,571	1,043,571
2031-2032	205,000	4,613	209,613
	<u>\$ 2,965,000</u>	<u>\$ 1,509,187</u>	<u>\$ 4,474,187</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, 2010, are as follows:

Compensated	Accrued	Current	Total
	Long-Term		
	Obligation	Obligation	Absences
General Fund	\$ 910,372	\$ 179,089	\$ 1,089,461
Community Development Fund	7,201	1,417	8,618
Housing Assistance Fund	4,050	797	4,847
Utility Fund	-	255,926	255,926
Ashland Bus System	-	27,654	27,654
Recreation Fund	-	59,774	59,774
Floodwall Fund	4,271	840	5,111
	<u>\$ 925,894</u>	<u>\$ 525,497</u>	<u>\$ 1,451,391</u>

Refer to Note 2 for additional information regarding compensated absences.

Other Accrued Expenses

On October 19, 2010, the Kentucky Labor Cabinet notified the City of additional amounts due to the City fire department employees for overtime on firefighters incentive pay. This was a result of a ruling by the Jefferson Circuit Court that overruled the Secretary of Labor's position of calculating overtime. This amount is not expected to be paid in fiscal year 2011. Therefore, the City has accrued \$338,614 in the government-wide financial statements to provide back-pay to those affected.

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, 2010, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$40 million.

Business-Type Activities

Utility Revenue Bonds

During 2001, the City appropriated \$3,225,000 to fully retire all outstanding revenue bonds prior to scheduled maturity. At June 30, 2010, \$35,000 of bonds called have not been presented for payment and are included in matured revenue bonds, notes and interest payable in the accompanying financial statements.

Kentucky Infrastructure Authority Loan

On October 1, 2001, the City entered into an Assistance Agreement with the Kentucky Infrastructure Authority (“KIA”) for a water system renovation project. The loan bears interest at a rate of 3.8% with a maturity date of December 1, 2022. A loan serving fee of 0.025% of the annual outstanding loan balance shall be payable to KIA as a part of each interest payment. In accordance with the Agreement, the City received the proceeds from the loan as eligible expenses were incurred.

The annual requirements to amortize the loan as of June 30, 2010 are as follows:

Year ending June 30,	Principal	Interest	Fees	Total
2011	\$ 99,376	\$ 58,214	\$ 3,830	\$ 161,420
2012	103,188	54,402	3,579	161,169
2013	107,146	50,444	3,319	160,909
2014	111,257	46,333	3,048	160,638
2015	115,522	42,066	2,767	160,355
2016-2020	647,596	140,354	9,234	797,184
2021-2023	372,479	21,498	1,414	395,391
	<u>\$ 1,556,564</u>	<u>\$ 413,311</u>	<u>\$ 27,191</u>	<u>\$ 1,997,066</u>

Kentucky Infrastructure Authority Loan

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

The annual requirements to amortize the indebtedness at June 30, 2010, are as follows:

Year ending June 30,	Principal	Interest	Fees	Total
2011	\$ 172,366	\$ 95,050	\$ 7,921	\$ 275,337
2012	177,576	89,841	7,485	274,902
2013	182,943	84,473	7,039	274,455
2014	188,473	78,944	6,579	273,996
2015	194,169	73,247	6,104	273,520
2016-2020	1,062,508	274,576	22,881	1,359,965
2021-2025	1,233,085	104,000	8,667	1,345,752
	<u>\$ 3,211,120</u>	<u>\$ 800,131</u>	<u>\$ 66,676</u>	<u>\$ 4,077,927</u>

Capital Leases - Equipment

The City entered into capital lease agreements with a financing companies to purchase equipment. The interest rate on the lease is 5.04%.

Capital assets include the following under the capital lease:

Operating equipment	\$ 229,548
Less accumulated depreciation	(37,679)
	<u>\$ 191,869</u>

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

Year ending June 30,	Principal	Interest	Total
2011	\$ 46,512	\$ 11,402	\$ 57,914
2012	52,800	6,392	59,192
2013	43,083	3,381	46,464
2014	7,082	1,391	8,473
2015	4,657	256	4,913
	<u>\$ 154,134</u>	<u>\$ 22,822</u>	<u>\$ 176,956</u>

Revenue Refunding and Improvement Bonds Series 2004

On February 1, 2004, the City issued \$8,220,000 in revenue bonds with interest rates ranging from 2.0% to 4.125%, to pay off the capital lease agreement with the Kentucky Municipal Finance Corporation, and to finance improvements for the waterworks, water distribution, wastewater treatment and collection facilities.

The annual requirements to amortize the indebtedness at June 30, 2010, are as follows:

Year ending June 30,	Principal	Interest	Total
2011	\$ 435,000	\$ 225,296	\$ 660,296
2012	450,000	212,246	662,246
2013	320,000	198,071	518,071
2014	335,000	187,351	522,351
2015	350,000	175,794	525,794
2016-2020	2,025,000	668,891	2,693,891
2021-2024	2,035,000	215,208	2,250,208
	<u>\$ 5,950,000</u>	<u>\$ 1,882,857</u>	<u>\$ 7,832,857</u>

Note Payable

As part of the transfer of assets and liabilities from the Ashland Cemetery Company (See Note 14), the City assumed the outstanding mortgage held by PNC Bank against the mausoleum. The interest rate on the note is 8.75%.

The annual requirements to amortize the loan as of June 30, 2010 are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 9,604	\$ 16,796	\$ 26,400
2012	186,731	4,065	190,796
	<u>\$ 196,335</u>	<u>\$ 20,861</u>	<u>\$ 217,196</u>

(9) INTERFUND TRANSACTIONS

Interfund Receivable and Payables

The composition of interfund balances as of June 30, 2010 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Ashland Bus System	\$ 704,815
General Fund	Municipal Aid Fund	5,049
General Fund	Utility Fund	2,486,848
General Fund	Recreation Fund	203,282
General Fund	Community Development	240,676
General Fund	Floodwall Operating Fund	82,450
General Fund	Housing Assistance Fund	12,979
General Fund	Utility Pension Fund	58,462
General Fund	Cemetery Fund	197,148
Capital Project	General Fund	146,716
Internal Service Fund	General Fund	1,230,286
Utility Pension Fund	Utility Fund	2,086,303
Police and Fire Fighters Pension	General Fund	74,710
Total		<u>\$ 7,529,724</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	\$ 531,786
Operating	General	Recreation	Operations	907,401
Operating	General	Capital Projects	Capital Purchases	5,078,915

(10) LEGAL CONTINGENCIES

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

(11) COMMITMENTS

Ashland Bus System

The City is committed to provide financial assistance to the Ashland Bus System (ABS). During the year ended June 30, 2010, the City paid \$525,908 to the ABS under this agreement. Remaining operating costs are to be funded through grants from the U.S. Department of Transportation (DOT). The City has estimated it is due \$238,832 from DOT for the current year's operating grant. It is management's opinion that all operating grants due from DOT will be received in full. City management does not expect its cost of operating the ABS to decrease in the near future.

Combined Sewer Overflow Improvements

In 2007, the City entered into an agreement with the Kentucky Energy and Environment Cabinet to comply with federal Clean Water Act standards that are applicable to the City's sewer system. The City's system is considered a combined sewer system due to the sewers collecting rainwater, runoff, domestic sewage and industrial wastewater. During heavy rains or melting snow, the system can create Combined Sewer Overflow (CSO), when waste and storm water overflow from the sewer system into local bodies of water and the Ohio River. Under the agreement, the City is required to create a Long Term Control Plan to reduce the number of overflows and complete improvements to the sewer system by December 26, 2017. The improvements are expected to cost approximately \$60 million. At June 30, 2010, the City has incurred costs of \$296,597 in relation to the required sewer improvements.

On February 18, 2010, the Board of Commissioners approved an additional surcharge for sewer customers of the City to pay for the improvements. Beginning April 1, 2010, sewer customers are charged a \$2.50 fee per 1,000 gallons of water used. The charge will increase to \$3.50 per 1,000 gallons in 2015 and end in 2035. All monies collected for this surcharge are placed in a separate account and only used for CSO improvements as outlined in the City's Long Term Control Plan. At June 30, 2010, the City has \$217,958 restricted for the sewer improvements.

Additionally, the City has obtained two loans from the Kentucky Infrastructure Authority approximating \$6.25 million to finance a portion of the improvements. As of June 30, 2010, the City has not drawdown any funds under the agreements.

Construction Projects

The City is obligated on commitments for various contracts in progress at June 30, 2010. A summary of these commitments is as follows:

<u>Fund</u>	<u>Project Description</u>	<u>Total Approved Contract</u>	<u>Paid or Accrued to Date</u>	<u>Out- standing Commitment</u>
General Fund	Transportation Center	\$ 228,375	\$ 137,242	\$ 91,133
General Fund	Riverfront Project	8,528,857	8,383,043	145,814
		<u>\$ 8,757,232</u>	<u>\$ 8,520,285</u>	<u>\$ 236,947</u>

(12) RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has established an employee's health insurance fund (an internal service fund) to account for and finance its uninsured risk of loss. Under this program, the employees health insurance fund provides coverage up to a maximum of \$85,000 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 \$346,901 reported in the Internal Service fund at June 30, 2010, 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 2009 and 2010 were:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance At Fiscal Year End</u>
2009	\$ 336,417	\$ 3,944,971	\$ 4,006,821	\$ 274,567
2010	274,567	4,936,418	4,864,084	346,901

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, 2010 totaled \$395,877.

(13) OTHER POST EMPLOYMENT BENEFITS

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

Currently four retirees and eligible survivors meet the eligibility requirements. The City pays claims up to \$85,000 per individual. Funding is provided by billings to retirees. Expenditures for post retirement health care benefits are recognized as retirees report claims. Management has no knowledge of unreported claims incurred for which a liability has not been recognized. During the year, expenditures of \$126,810 were recognized for post retirement health care.

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

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

As of June 30, 2009, the date of the latest actuarial valuation, the plan had 93,481 active plan participants.

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

The unfunded medical benefit obligation of the CERS, based upon the entry age normal cost method, as of June 30, 2009 was as follows:

Total medical benefit obligation	<u>000's omitted</u> \$ 4,663,934
Net assets available for benefits at actuarial value unfunded medical benefit obligation	 (1,867,763)
	<u>\$ 2,796,171</u>

(14) ASHLAND CEMETERY

On September 18, 2009, the City entered into an agreement with the Ashland Cemetery Company (“the Cemetery”) to transfer the assets of the Cemetery to the City. In consideration of the transfer of assets, the City assumed all liabilities of the Cemetery and agreed to operate and maintain the cemetery in perpetuity for the benefit of the community and current and future lot owners. Additionally, the City agreed to assume the full-time employees of the Cemetery as employees of the City.

The City created the Cemetery Fund to record the assets acquired and liabilities assumed based upon fair values determined by management’s estimates and third-party inquiries. A summary of the fair values assigned are as follows:

Current assets	\$ 2,804,554
Property, plant and equipment	2,355,937
Other assets	<u>268,003</u>
Total assets	<u>5,428,494</u>
Current liabilities	30,096
Long-term debt	<u>226,646</u>
Total liabilities	<u>256,742</u>
Net assets contributed	<u>\$ 5,171,752</u>

(15) SUBSEQUENT EVENT

On December 28, 2010, AK Steel, a major employer within the City, announced that it will permanently close its Ashland Coke Plant, a move that will result in the loss of 263 hourly and salaried jobs. The Coke Plant is also a large utility customer of the City. City management is currently evaluating the impact the plant closing will have on its future finances.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF ASHLAND
 DEFINED BENEFIT PENSION TRUSTS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 JUNE 30, 2010**

	UTILITY EMPLOYEES PENSION PLAN			POLICE AND FIREFIGHTERS PENSION PLAN		
	<u>Amount Contributed</u>	<u>ARC</u>	Percent of ARC <u>Contributed</u>	<u>Amount Contributed</u>	<u>ARC</u>	Percent of ARC <u>Contributed</u>
2004	\$ 608,668	\$ 329,604	185%	\$ 402,291	\$ 270,976	148%
2005	369,028	329,604	112%	288,463	282,302	102%
2006	410,483	316,858	130%	288,463	282,302	102%
2007	410,483	316,858	130%	288,463	293,551	98%
2008	504,621	325,015	155%	355,128	293,551	121%
2009	684,266	325,025	211%	481,553	267,003	180%
2010	608,977	309,647	197%	448,250	267,003	168%

CITY OF ASHLAND

GENERAL FUND

BALANCE SHEET

JUNE 30, 2010

ASSETS

Cash	\$ 657,619
Taxes receivable	2,922,464
Allowance for uncollectible taxes	(362,049)
Grants receivable	738,714
Due from other funds	3,991,709
Other receivables	320,997
Allowance for uncollectible accounts	(42,086)
Inventories - supplies	77,236
Prepaid expenses	<u>685,353</u>
 Total assets	 <u>\$ 8,989,957</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Cash overdraft	\$ 190,907
Accounts payable	1,509,098
Due to other funds	1,451,712
Due to Board of Education	21,993
Accrued compensated absences	179,089
Accrued expenses	399,051
Deferred revenue	<u>20,781</u>
 Total liabilities	 <u>3,772,631</u>
 Fund Balance:	
Reserved for capital projects	236,355
Reserved for inventories	77,236
Reserved for encumbrances	92,348
Reserved for grant programs	759,495
Unreserved/undesignated	<u>4,051,892</u>
Total fund balance	<u>5,217,326</u>
 Total liabilities and fund balance	 <u>\$ 8,989,957</u>

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
Taxes -			
General property taxes	\$ 2,965,550	\$ 2,962,623	\$ (2,927)
Penalties and interest	35,050	18,687	(16,363)
Bank franchise taxes	100,900	105,430	4,530
Other franchise taxes	150,250	154,006	3,756
Delinquent taxes	155,620	176,765	21,145
Vehicle property taxes	405,052	485,774	80,722
Insurance premiums taxes	<u>4,102,670</u>	<u>3,691,721</u>	<u>(410,949)</u>
Total taxes	<u>7,915,092</u>	<u>7,595,006</u>	<u>(320,086)</u>
Licenses and permits -			
Occupational license fees	7,235,000	8,260,245	1,025,245
Business privilege licenses	1,200,600	1,103,549	(97,051)
Alcoholic beverage licenses	531,885	541,127	9,242
Construction permit fees	57,930	101,144	43,214
Other licenses and permits	<u>2,950</u>	<u>1,001</u>	<u>(1,949)</u>
Total licenses and permits	<u>9,028,365</u>	<u>10,007,066</u>	<u>978,701</u>
Charge for services -			
Garbage collection fee	1,591,915	1,650,220	58,305
Rental revenue	<u>33,425</u>	<u>33,919</u>	<u>494</u>
Total charges for services	<u>1,625,340</u>	<u>1,684,139</u>	<u>58,799</u>
Fees, fines and reimbursements -			
Parking meter fees and fines	48,500	41,147	(7,353)
Taxes collection fees	91,500	94,925	3,425
State rebate - District Court	48,000	20,289	(27,711)
Street lighting franchise	62,500	62,886	386
Telecommunication franchise	230,160	220,443	(9,717)
Other	<u>459,710</u>	<u>338,553</u>	<u>(121,157)</u>
Total fees, fines and reimbursements	<u>940,370</u>	<u>778,243</u>	<u>(162,127)</u>
Other revenues -			
Police grants	109,554	49,518	(60,036)
Homeless shelter grant	100,000	62,000	(38,000)
Miscellaneous grants	1,075,237	464,759	(610,478)
Riverfront appropriation	8,290,918	6,246,734	(2,044,184)
Coal severance - LGEA	35,610	40,368	4,758
Interest earned	67,500	21,933	(45,567)
Other	<u>248,530</u>	<u>376,617</u>	<u>128,087</u>
Total other revenues	<u>9,927,349</u>	<u>7,261,929</u>	<u>(2,665,420)</u>
Total revenues	<u>29,436,516</u>	<u>27,326,383</u>	<u>(2,110,133)</u>

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
General Government -			
Mayor and Commissioners	100,216	113,133	(12,917)
City Manager	119,244	128,069	(8,825)
Legal	134,349	146,916	(12,567)
Economic Development	121,748	131,176	(9,428)
City Clerk/ABC Administrator	179,818	192,139	(12,321)
Grants and projects	11,126,984	8,502,588	2,624,396
Unclassified	<u>2,270,652</u>	<u>1,892,813</u>	<u>377,839</u>
	<u>14,053,011</u>	<u>11,106,834</u>	<u>2,946,177</u>
Department of Finance -			
Director of Finance	550,565	574,287	(23,722)
Data Processing	<u>25,740</u>	<u>28,503</u>	<u>(2,763)</u>
	<u>576,305</u>	<u>602,790</u>	<u>(26,485)</u>
Department of Public Services -			
Director of Public Services	153,533	152,826	707
Street maintenance	1,605,908	1,708,300	(102,392)
Sanitation services	1,340,991	1,314,948	26,043
Central garage	315,939	392,978	(77,039)
Animal control	112,502	117,581	(5,079)
Equipment lease purchase	<u>-</u>	<u>111,680</u>	<u>(111,680)</u>
	<u>3,528,873</u>	<u>3,798,313</u>	<u>(269,440)</u>
Department of Planning and Code Enforcement			
	<u>491,440</u>	<u>520,260</u>	<u>(28,820)</u>
Department of Police -			
Technical services	1,340,487	1,339,370	1,117
Field operations	<u>3,189,473</u>	<u>3,395,026</u>	<u>(205,553)</u>
	<u>4,529,960</u>	<u>4,734,396</u>	<u>(204,436)</u>

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Department of Fire	<u>5,001,246</u>	<u>5,226,734</u>	<u>(225,488)</u>
Department of Engineering	<u>814,899</u>	<u>727,338</u>	<u>87,561</u>
Debt Service	<u>526,869</u>	<u>500,693</u>	<u>26,176</u>
Total expenditures	<u>29,522,603</u>	<u>27,217,358</u>	<u>2,305,245</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(86,087)</u>	<u>109,025</u>	<u>195,112</u>
OTHER FINANCING SOURCES (USES):			
Transfer to Capital Projects Fund	(4,743,440)	(5,078,915)	(335,475)
Transfer to Recreation Fund	(992,194)	(907,401)	84,793
Transfer to Ashland Bus Fund	(405,062)	(531,786)	(126,724)
Transfer to Floodwall Fund	(106,415)	-	106,415
Proceeds from long-term debt	<u>3,450,290</u>	<u>189,971</u>	<u>(3,260,319)</u>
Total other financing sources (uses)	<u>(2,796,821)</u>	<u>(6,328,131)</u>	<u>(3,531,310)</u>
NET CHANGE IN FUND BALANCE	(2,882,908)	(6,219,106)	(3,336,198)
FUND BALANCE, June 30, 2009	<u>11,436,432</u>	<u>11,436,432</u>	<u>-</u>
FUND BALANCE, June 30, 2010	<u>\$ 8,553,524</u>	<u>\$ 5,217,326</u>	<u>\$ (3,336,198)</u>

CITY OF ASHLAND

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

JUNE 30, 2010

	Land & Buildings	Building Improvements	Automotive Equipment	Operating Equipment	Office Furniture & Equip	Capital Improvements	Infrastructure	CIP	Total
Dept of General Gov't	\$ 2,822,024	\$ 1,075,821	\$ 48,000	\$ 144,317	\$ 296,993	\$ 39,275	\$ -	\$ 174,896	\$ 4,601,326
Dept of Finance	-	-	-	64,920	13,520	-	-	-	78,440
Dept of Public Services	15,978,343	682,840	861,582	2,497,034	6,299	374,853	60,865,073	10,429,940	91,695,964
Dept of Planning & Community Development	-	13,033	87,637	6,799	-	-	-	-	107,469
Department of Police	4,949,556	246,711	1,028,676	560,240	190,538	19,350	-	-	6,995,071
Department of Fire	3,655,959	160,369	1,914,126	201,424	53,246	-	-	-	5,985,124
Department of Engineering	-	-	48,104	-	86,230	44,457	561,783	-	740,574
Floodwall Operations	15,121	5,150	42,241	125,692	-	-	-	-	188,204
Community Development	244,861	103,058	-	-	18,623	-	110,853	-	477,395
Housing Assistance Programs	150,033	12,950	12,590	-	49,080	-	-	-	224,653
	<u>\$ 27,815,897</u>	<u>\$ 2,299,932</u>	<u>\$ 4,042,956</u>	<u>\$ 3,600,426</u>	<u>\$ 714,529</u>	<u>\$ 477,935</u>	<u>\$ 61,537,709</u>	<u>\$ 10,604,836</u>	<u>\$ 111,094,220</u>

CITY OF ASHLAND

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

JUNE 30, 2010

Land and buildings	\$ 27,815,897
Building improvements	2,299,932
Automotive equipment	4,042,956
Operating equipment	3,600,426
Office furniture and equipment	714,529
Capital improvements	477,935
Infrastructure	61,537,709
Construction in progress	<u>10,604,836</u>
Total	<u>\$ 111,094,220</u>
Investment in capital assets by source	
General Fund	\$ 87,780,710
Special Revenue Funds	4,664,055
Capital Projects Fund	<u>18,649,455</u>
Total	<u>\$ 111,094,220</u>

CITY OF ASHLAND HOUSING AUTHORITY

STATEMENT OF NET ASSETS

JUNE 30, 2010

	<u>Rental Vouchers</u>
ASSETS	
Cash - unrestricted	\$ 37,931
Cash - restricted	245,187
Accounts receivable - HUD	24,552
Building and equipment, net	<u>118,913</u>
Total assets	<u>\$ 426,583</u>
 LIABILITIES AND NET ASSETS	
LIABILITIES:	
Accounts payable	\$ 2,861
Accrued expenses	6,943
Other governmental payable	9,020
Accrued compensated absences - current	797
Accrued compensated absences - noncurrent	<u>4,050</u>
Total liabilities	<u>23,671</u>
 NET ASSETS:	
Invested in capital assets	118,913
Unrestricted	38,812
Restricted	<u>245,187</u>
	<u>402,912</u>
Total liabilities and net assets	<u>\$ 426,583</u>

CITY OF ASHLAND HOUSING AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Rental Vouchers</u>
REVENUES	
Housing assistance payments	\$ 2,331,915
Administrative fee revenue	331,281
Interest income	373
Other income	935
Total revenues	<u>2,664,504</u>
EXPENDITURES	
Administrative salaries	171,890
Audit	5,969
Employee benefit contributions	24,618
Travel	1,467
Other administrative	13,196
Utilities	2,913
Maintenance	16,714
Property insurance	466
General liability insurance	2,083
Workers compensation	610
Other insurance	63,621
Other general	17,556
Compensated absences	(50)
Housing assistance payments	2,515,642
Depreciation	9,265
Total expenditures	<u>2,845,960</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (181,456)</u>

CITY OF ASHLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2010

	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of HUD</u>			
Direct Programs -			
CDBG Entitlement	14.218	B08MC2-10003	\$ 349,049
CDBG Entitlement	14.218	B09MC2-10003	184,407
ARRA, CDBG Entitlement	14.218	B09MC2-10003	85,217
Housing Choice Voucher Program	14.871	KY142VO	2,836,745
Pass through Kentucky Housing Corporation -			
Kentucky Emergency Shelter Grants Program	14.231	ES07-0001-01	62,000
ARRA, Homeless Prevention and Rapid Rehousing Program	14.257	KH09-0001-01	184,868
Home Investment Partnership Program	14.239	HM281	<u>87,113</u>
Total U.S. Department of HUD			<u>3,789,399</u>
<u>U.S. Department of Transportation</u>			
Direct Programs -			
Federal Transit Cluster			
FTA - Operating Assistance Grant	20.507	KY-90-X168	85,517
FTA - Operating Assistance Grant	20.507	KY-90-X179	398,000
FTA - Operating Assistance Grant	20.507	KY-90-X190	22,278
FTA - Capital Assistance Grant	20.507	KY-90-X145	170,284
FTA - Capital Assistance Grant	20.507	KY-90-X168	1,509
FTA - Capital Assistance Grant	20.507	KY-90-X179	31,329
FTA - Capital Assistance Grant	20.507	KY-90-X190	122,810
ARRA, FTA - Capital Assistance Grant	20.500	KY-96-X006	<u>169,156</u>
			1,000,883
Passed through Kentucky Transportation Cabinet -			
SAFETEA-LU	20.205	79495 01 C	6,246,734
TEA-21 - Transportation Enhancement	20.205	C-04672426	<u>79,965</u>
			6,326,699
Passed through Kentucky Department of State Police			
Department of State Police Highway Safety Program	20.600	AL-09-09	<u>6,202</u>
Total U.S. Department of Transportation			<u>7,333,784</u>
<u>U.S. Department of Homeland Security</u>			
Direct Programs -			
Assistance to Firefighters Grant	97.044	EMW-2008-FO-11793	50,878
Pass through Kentucky Homeland Security			
Hazard Mitigation Grant	97.039	FEMA-DR-1818-KY	<u>69,535</u>
Total U.S. Department of Homeland Security			<u>120,413</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 11,243,596</u>

CITY OF ASHLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2010

Notes to Schedule of Expenditures of Federal Awards

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ashland's programs of the federal government for the year ended June 30, 2010. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Because the schedule presents only a selected portion of operations of the City, it is not and does not present the financial position, changes in net assets or cash flows of the City.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

STATISTICAL SECTION

➤ Financial Trends

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

➤ Revenue Capacity

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

➤ Debt Capacity

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

➤ Economic and Demographic Information

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

➤ Operating Information

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

CITY OF ASHLAND
Net Assets by Component
(Unaudited)

Last Eight Fiscal Years (accrual basis of accounting)

	<u>2010</u>	<u>2009</u>	<u>2008*</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>	<u>2004*</u>	<u>2003*</u>
Governmental activities								
Invested in Capital Assets, Net of Related Debt	56,102,556	44,135,871	46,766,694	49,741,383	50,818,069	52,297,266	7,759,961	6,569,802
Restricted	1,279,940	6,444,960	4,398,775	4,115,665	3,933,528	-	119,303	-
Unrestricted	5,299,076	7,007,286	7,129,760	2,323,346	1,372,104	3,701,885	3,825,813	3,909,658
Total governmental activities net assets	<u>62,681,572</u>	<u>57,588,117</u>	<u>58,295,229</u>	<u>56,180,394</u>	<u>56,123,701</u>	<u>55,999,151</u>	<u>11,705,077</u>	<u>10,479,460</u>
Business-type activities								
Invested in Capital Assets, Net of Related Debt	36,235,091	33,535,573	34,348,519	34,704,680	35,946,204	36,045,539	34,194,796	37,168,327
Restricted	1,155,361	662,246	662,246	662,246	662,246	731,162	561,344	436,350
Unrestricted	1,677,050	125,265	(74,930)	(226,819)	(595,508)	964,985	5,535,405	3,254,299
Total business-type activities net assets	<u>39,067,502</u>	<u>34,323,084</u>	<u>34,935,835</u>	<u>35,140,107</u>	<u>36,012,942</u>	<u>37,741,686</u>	<u>40,291,545</u>	<u>40,858,976</u>
Primary government								
Invested in Capital Assets, Net of Related Debt	92,337,647	77,671,444	81,115,213	84,446,063	86,764,273	88,342,805	41,954,757	43,738,129
Restricted	2,435,301	7,107,206	5,061,021	4,777,911	4,595,774	731,162	680,647	436,350
Unrestricted	6,976,126	7,132,551	7,054,830	2,096,527	776,596	4,666,870	9,361,218	7,163,957
Total primary government net assets	<u>101,749,074</u>	<u>91,911,201</u>	<u>93,231,064</u>	<u>91,320,501</u>	<u>92,136,643</u>	<u>93,740,837</u>	<u>51,996,622</u>	<u>51,338,436</u>

*Restated for prior period adjustments.

- (1) The additional increase in net assets for governmental activities in 2005 was due to the adoption of GASB 34's provision for general infrastructure assets.
- (2) The riverfront construction project had amounts not capitalized due to the uncertainty of the project continuing in fiscal year 2008. The 2009 construction in process related to the project included these amounts.
- (3) The City of Ashland implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

CITY OF ASHLAND
Change in Net Assets
(Unaudited)

Last Eight Fiscal Years (accrual basis of accounting)

	<u>2010</u>	<u>2009</u>	<u>2008*</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>	<u>2004*</u>	<u>2003*</u>
Expenses								
Governmental activities:								
General government	3,151,310	6,668,670	2,442,331	3,113,316	2,737,485	2,042,116	2,157,236	2,310,530
Finance	597,665	572,342	568,660	531,656	497,390	473,809	420,957	403,372
Public works	5,254,674	5,252,264	6,381,288	6,104,848	7,000,885	5,212,400	4,813,553	4,573,331
Planning and code enforcement	528,934	438,336	438,445	635,512	537,919	295,742	306,381	271,547
Police	4,819,508	4,272,709	4,150,927	4,518,328	3,973,678	3,907,563	3,606,062	3,335,274
Fire	5,549,443	4,803,590	5,059,304	4,927,766	4,461,805	4,374,029	4,185,765	3,973,609
Engineering	729,305	140,193	152,156	152,325	123,426	121,776	118,317	110,447
Community and cultural	3,472,659	3,036,757	2,495,250	2,802,714	2,708,838	3,294,299	3,554,958	4,916,710
Premiums and claims	-	-	-	(169,904)	312,624	272,249	122,947	2,843,553
Capital outlay	-	-	-	280,505	967,171	366,714	39,010	2,426
Debt service - interest	360,075	269,507	259,095	220,224	195,881	302,695	260,011	320,836
Loss on sale of assets	-	-	108,539	-	32,244	918	267,436	95,758
Other	-	-	-	15,938	51,780	1,290	1,081	97,709
Total governmental activities expenses	<u>24,463,573</u>	<u>25,454,368</u>	<u>22,055,995</u>	<u>23,133,228</u>	<u>23,601,126</u>	<u>20,665,600</u>	<u>19,853,714</u>	<u>23,255,102</u>
Business-type activities:								
Utilities	13,320,805	12,562,956	12,042,313	11,820,723	11,784,287	11,682,659	10,213,792	8,854,484
Recreation	960,621	1,002,994	931,995	844,372	168,977	186,755	201,817	155,332
Bus	1,387,173	1,084,078	993,610	887,907	843,006	777,293	743,351	740,704
Cemetery	294,083	-	-	-	-	-	-	-
Total business-type activities expenses	<u>15,962,682</u>	<u>14,650,028</u>	<u>13,967,918</u>	<u>13,553,002</u>	<u>12,796,270</u>	<u>12,646,707</u>	<u>11,158,960</u>	<u>9,750,520</u>
Total primary government expenses	<u>40,426,255</u>	<u>40,104,396</u>	<u>36,023,913</u>	<u>36,686,230</u>	<u>36,397,396</u>	<u>33,312,307</u>	<u>31,012,674</u>	<u>33,005,622</u>

*Restated for prior period adjustments.

CITY OF ASHLAND
Change in Net Assets
(Unaudited)

Last Eight Fiscal Years (accrual basis of accounting)

	<u>2010</u>	<u>2009</u>	<u>2008*</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>	<u>2004*</u>	<u>2003*</u>
Program Revenues								
Governmental activities:								
Charges for services:								
General government	10,785,309	10,385,365	9,826,921	-	-	-	-	-
Public works	1,684,139	1,594,264	1,542,664	1,471,184	1,374,612	1,254,323	1,258,927	1,266,292
Community and cultural	331,281	250,818	291,464	274,606	285,219	282,876	287,319	290,232
Premiums and claims	-	-	-	-	-	-	109,356	2,942,638
Operating grants and contributions:								
General government	526,760	-	-	-	-	-	-	-
Public works	421,945	1,769,058	1,143,679	853,098	589,552	374,400	349,511	352,465
Police	49,518	9,114	77,485	36,407	255,885	369,855	40,981	25,583
Fire	-	-	-	292,157	-	-	-	-
Community and cultural	2,950,588	3,079,848	3,708,417	3,610,811	4,003,847	3,528,953	2,704,873	3,373,435
Capital grants and contributions:								
General government	6,246,734	-	-	-	-	-	1,300,000	-
Capital outlay	-	-	-	-	-	-	100,000	141,627
Total governmental program revenues	<u>22,996,274</u>	<u>17,088,467</u>	<u>16,590,630</u>	<u>6,538,263</u>	<u>6,509,115</u>	<u>5,810,407</u>	<u>6,150,967</u>	<u>8,392,272</u>
Business-type activities:								
Charges for services:								
Utilities	12,250,268	11,204,613	10,638,285	10,335,931	9,435,963	8,621,158	8,621,158	8,621,158
Recreation	54,682	68,302	74,494	73,036	48,540	56,916	56,916	56,916
Bus	58,475	62,048	60,670	52,660	55,009	51,887	51,887	51,887
Cemetery	118,483	-	-	-	-	-	-	-
Operating grants and contributions:								
Bus	511,674	238,528	362,017	302,670	283,354	248,164	248,164	248,164
Capital grants and contributions:								
Utilities	-	-	200,000	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-
Bus	513,930	425,071	334,369	312,565	236,985	287,388	287,388	287,388
Cemetery	5,171,752	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>18,679,264</u>	<u>11,998,562</u>	<u>11,669,835</u>	<u>11,076,862</u>	<u>10,059,851</u>	<u>9,265,513</u>	<u>9,265,513</u>	<u>9,265,513</u>
Total primary government program revenues	<u>41,675,538</u>	<u>29,087,029</u>	<u>28,260,465</u>	<u>17,615,125</u>	<u>16,568,966</u>	<u>15,075,920</u>	<u>15,416,480</u>	<u>17,657,785</u>

CITY OF ASHLAND
Change in Net Assets
(Unaudited)

Last Eight Fiscal Years (accrual basis of accounting)

	<u>2010</u>	<u>2009</u>	<u>2008*</u>	<u>2007*</u>	<u>2006*</u>	<u>2005*</u>	<u>2004*</u>	<u>2003*</u>
Net (Expense) Revenue								
Governmental activities	(1,467,299)	(8,365,901)	(5,465,365)	(16,594,965)	(17,092,011)	(14,855,193)	(13,702,747)	(14,862,830)
Business-type activities	<u>2,716,582</u>	<u>(2,651,466)</u>	<u>(2,298,083)</u>	<u>(2,476,140)</u>	<u>(2,736,419)</u>	<u>(3,381,194)</u>	<u>(1,893,447)</u>	<u>(485,007)</u>
Total primary government net expense	<u><u>1,249,283</u></u>	<u><u>(11,017,367)</u></u>	<u><u>(7,763,448)</u></u>	<u><u>(19,071,105)</u></u>	<u><u>(19,828,430)</u></u>	<u><u>(18,236,387)</u></u>	<u><u>(15,596,194)</u></u>	<u><u>(15,347,837)</u></u>
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Property and other local taxes	7,477,238	8,006,100	8,127,228	8,109,826	8,040,454	7,873,372	7,873,372	7,873,372
Licenses and permits	-	-	-	8,408,948	7,965,545	7,098,740	7,098,740	7,098,740
Fees, fines and reimbursements	-	-	-	853,106	1,222,715	565,835	565,835	565,835
Interest income	22,438	71,307	176,492	192,741	114,543	52,248	52,248	52,248
Gain on sale of assets	-	-	-	69,613	-	-	-	-
Other revenues	500,265	630,846	535,806	78,586	299,987	140,626	140,626	140,626
Transfers	<u>(1,439,187)</u>	<u>(1,049,464)</u>	<u>(1,259,326)</u>	<u>(1,061,162)</u>	<u>(426,683)</u>	<u>(400,083)</u>	<u>(400,083)</u>	<u>(400,083)</u>
Total governmental activities general revenues and other changes in net assets	<u><u>6,560,754</u></u>	<u><u>7,658,789</u></u>	<u><u>7,580,200</u></u>	<u><u>16,651,658</u></u>	<u><u>17,216,561</u></u>	<u><u>15,330,738</u></u>	<u><u>15,330,738</u></u>	<u><u>15,330,738</u></u>
Business-type activities:								
Interest income	63,915	77,135	116,337	130,735	113,258	74,147	74,147	74,147
Other revenues	524,734	912,116	718,148	411,408	467,734	357,104	357,104	357,104
Transfers	<u>1,439,187</u>	<u>1,049,464</u>	<u>1,259,326</u>	<u>1,061,162</u>	<u>426,683</u>	<u>400,083</u>	<u>400,083</u>	<u>400,083</u>
Total business-type activities general revenues and other changes in net assets	<u><u>2,027,836</u></u>	<u><u>2,038,715</u></u>	<u><u>2,093,811</u></u>	<u><u>1,603,305</u></u>	<u><u>1,007,675</u></u>	<u><u>831,334</u></u>	<u><u>831,334</u></u>	<u><u>831,334</u></u>
Total primary government general revenues and other changes in net assets	<u><u>8,588,590</u></u>	<u><u>9,697,504</u></u>	<u><u>9,674,011</u></u>	<u><u>18,254,963</u></u>	<u><u>18,224,236</u></u>	<u><u>16,162,072</u></u>	<u><u>16,162,072</u></u>	<u><u>16,162,072</u></u>
Changes in Net Assets								
Governmental activities	5,093,455	(707,112)	2,114,835	56,693	124,550	475,545	1,627,991	467,908
Business-type activities	<u>4,744,418</u>	<u>(612,751)</u>	<u>(204,272)</u>	<u>(872,835)</u>	<u>(1,728,744)</u>	<u>(2,549,860)</u>	<u>(1,062,113)</u>	<u>346,327</u>
Total primary government, change in net assets	<u><u>9,837,873</u></u>	<u><u>(1,319,863)</u></u>	<u><u>1,910,563</u></u>	<u><u>(816,142)</u></u>	<u><u>(1,604,194)</u></u>	<u><u>(2,074,315)</u></u>	<u><u>565,878</u></u>	<u><u>814,235</u></u>

**The City of Ashland implemented GASB 34 for the fiscal year ended June 30, 2003. Information prior to the implementation of GASB 34 is not available.

CITY OF ASHLAND
Fund Balances, Governmental Funds
(Unaudited)

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Fund										
Reserved	1,165,434	7,017,313	4,046,016	3,920,907	3,784,386	70,232	2,221,074	2,235,486	2,216,529	2,225,550
Unreserved	4,051,892	4,419,119	5,498,555	4,807,346	3,926,837	1,467,341	1,923,420	1,219,423	1,263,870	1,620,140
Total general fund	<u>5,217,326</u>	<u>11,436,432</u>	<u>9,544,571</u>	<u>8,728,253</u>	<u>7,711,223</u>	<u>1,537,573</u>	<u>4,144,494</u>	<u>3,454,909</u>	<u>3,480,399</u>	<u>3,845,690</u>
All other governmental funds										
Reserved	284,090	460,290	444,999	366,757	219,747	1,586,210	1,587,609	2,677,024	4,010,122	5,014,106
Unreserved, reported in:										
Special revenue funds	134,641	247,258	238,374	192,533	217,817	223,996	287,826	178,191	231,546	288,930
Capital projects funds	-	-	(4,200)	(4,200)	50,000	120,000	120,000	235,816	-	-
	<u>418,731</u>	<u>707,548</u>	<u>679,173</u>	<u>555,090</u>	<u>487,564</u>	<u>1,930,206</u>	<u>1,995,435</u>	<u>3,091,031</u>	<u>4,241,668</u>	<u>5,303,036</u>

*Restated for prior period adjustments.

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

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues										
Property and other local taxes	7,776,235	7,707,103	8,127,228	8,109,826	8,040,454	7,873,372	7,979,323	7,521,363	6,802,412	6,981,437
Licenses and permits	10,007,066	9,430,244	8,836,831	8,408,948	7,965,545	7,098,740	6,681,686	5,752,676	5,965,613	6,160,649
Charges for services	1,684,139	1,594,264	1,542,664	1,471,184	1,374,612	1,254,323	1,258,927	1,266,292	1,266,627	1,266,600
Fees, fines and reimbursements	778,243	955,121	990,090	853,106	1,222,715	565,835	526,379	486,230	479,885	475,127
Grant income	10,195,545	4,858,020	4,834,482	4,605,436	4,849,284	3,822,131	2,996,804	3,691,116	3,459,650	6,334,563
Administration fee income	331,281	250,818	291,464	274,606	285,219	282,876	287,319	290,232	265,038	230,306
Program income	-	-	95,100	95,535	-	59,968	38,978	17,773	62,646	192,584
Interest income	22,438	71,307	176,144	192,123	113,751	49,614	18,516	40,475	149,707	279,987
Other income	500,265	630,846	535,806	282,908	319,657	532,712	194,126	262,862	434,562	407,095
Total revenues	<u>31,295,212</u>	<u>25,497,723</u>	<u>25,429,809</u>	<u>24,293,672</u>	<u>24,171,237</u>	<u>21,539,571</u>	<u>19,982,058</u>	<u>19,329,019</u>	<u>18,886,140</u>	<u>22,328,348</u>
Expenditures										
General government	11,108,133	7,770,993	3,658,157	3,015,441	2,691,637	1,996,403	2,095,239	2,234,817	2,198,493	2,487,626
Finance	602,790	574,583	566,952	535,622	494,912	471,319	417,182	398,819	384,417	338,085
Public works	4,522,214	4,539,582	4,216,986	4,185,765	5,004,446	4,969,584	4,745,701	4,415,097	4,384,098	4,013,049
Planning and code enforcement	520,260	428,075	477,918	636,790	537,419	295,480	306,415	271,441	214,950	190,181
Police	4,734,396	4,168,260	4,444,074	4,207,464	3,829,661	3,789,096	3,489,446	3,180,095	3,049,733	2,934,308
Fire	5,226,734	4,678,186	4,941,826	4,557,245	4,295,511	4,192,082	3,999,706	3,769,606	3,552,573	3,398,412
Engineering	727,338	139,846	147,027	139,343	118,652	116,137	114,128	105,752	126,949	114,974
Community and cultural	3,459,377	3,084,399	2,716,501	2,786,908	2,685,786	3,271,356	3,518,514	3,558,952	4,878,935	7,198,403
Capital outlay	4,732,709	1,400,662	1,925,217	1,360,323	1,726,029	1,499,170	599,061	1,503,200	717,876	2,714,571
Debt service:										
Principal retirement	559,893	810,460	395,000	485,000	385,000	2,642,834	528,141	520,107	418,562	476,691
Interest charges	360,075	269,507	151,018	220,224	195,881	302,695	260,011	320,836	322,554	297,107
Other	-	-	-	15,938	9,563	1,290	1,081	11,440	2,901	1,735
Total expenditures	<u>36,553,919</u>	<u>27,864,553</u>	<u>23,640,676</u>	<u>22,146,063</u>	<u>21,974,497</u>	<u>23,547,446</u>	<u>20,074,625</u>	<u>20,290,162</u>	<u>20,252,041</u>	<u>24,165,142</u>
Excess (deficiency) of revenues over expenditures	(5,258,707)	(2,366,830)	1,789,133	2,147,609	2,196,740	(2,007,875)	(92,567)	(961,143)	(1,365,901)	(1,836,794)

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

Last Ten Fiscal Years (accrual basis of accounting)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007*</u>	<u>2006*</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Other financing sources (uses)										
Transfers in	5,078,915	1,763,591	730,841	448,209	2,545,061	1,066,325	990,085	347,013	807,814	2,222,190
Transfers out	(6,518,102)	(2,813,055)	(1,990,167)	(1,509,371)	(3,283,576)	(1,730,600)	(1,403,529)	(703,624)	(1,107,835)	(2,505,651)
Local contributions	-	-	-	-	-	-	100,000	141,627	239,263	254,044
Debt issuance	189,971	5,336,530	410,594	-	-	-	-	-	-	-
Bond proceeds	-	-	-	-	3,272,783	-	-	-	-	-
Total other financing sources (uses)	<u>(1,249,216)</u>	<u>4,287,066</u>	<u>(848,732)</u>	<u>(1,061,162)</u>	<u>2,534,268</u>	<u>(664,275)</u>	<u>(313,444)</u>	<u>(214,984)</u>	<u>(60,758)</u>	<u>(29,417)</u>
Net change in fund balances	<u>(6,507,923)</u>	<u>1,920,236</u>	<u>940,401</u>	<u>1,086,447</u>	<u>4,731,008</u>	<u>(2,672,150)</u>	<u>(406,011)</u>	<u>(1,176,127)</u>	<u>(1,426,659)</u>	<u>(1,866,211)</u>
Debt Service as a percentage of noncapital expenditures	2.89%	4.08%	2.51%	3.39%	2.87%	13.36%	4.05%	4.48%	3.79%	3.61%

*Restated for prior period adjustments.

CITY OF ASHLAND
Assessed and Taxable Property Value
(Unaudited)

Last Ten Fiscal Years

Fiscal Year	Assessed Value			Total Direct Tax Rate	Percentage Taxable	
	Real Estate	Personal Property	Total		Real Estate	Personal Property
2001	622,127,235	83,998,463	706,125,698	0.3055	88.10%	11.90%
2002	632,718,021	76,071,312	708,789,333	0.3055	89.27%	10.73%
2003	647,219,693	75,588,869	722,808,562	0.3124	89.54%	10.46%
2004	668,900,615	82,292,078	751,192,693	0.3190	89.05%	10.95%
2005	686,274,035	99,911,068	786,185,103	0.3245	87.29%	12.71%
2006	727,781,091	92,203,624	819,984,715	0.3295	88.76%	11.24%
2007	755,592,391	93,740,910	849,333,301	0.3372	88.96%	11.04%
2008	793,565,014	105,075,190	898,640,204	0.3389	88.31%	11.69%
2009	800,261,684	102,452,548	902,714,232	0.3513	88.65%	11.35%
2010	807,905,514	102,979,300	910,884,814	0.3474	88.69%	11.31%

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

CITY OF ASHLAND
Property Tax Levies and Collections
(Unaudited)

Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	2,174,637	1,948,540	89.60%	218,131	2,166,671	99.63%
2001	2,157,223	1,976,350	91.62%	171,704	2,148,054	99.57%
2002	2,165,360	1,969,624	90.96%	185,937	2,155,561	99.55%
2003	2,258,055	2,148,503	95.15%	93,281	2,241,784	99.28%
2004	2,396,559	2,256,893	94.17%	119,285	2,376,178	99.15%
2005	2,551,182	2,331,402	91.39%	190,088	2,521,490	98.84%
2006	2,701,860	2,521,704	93.33%	147,754	2,669,458	98.80%
2007	2,863,952	2,640,508	92.20%	187,783	2,828,291	98.75%
2008	3,045,731	2,846,057	93.44%	150,002	2,996,059	98.37%
2009	3,171,235	2,928,798	92.36%	121,687	3,050,485	96.19%

*Data supplied by City of Ashland Finance Department.

CITY OF ASHLAND
Principal Property Tax Payers
(Unaudited)

2009

Taxpayer	Assessment	Rank	Taxes Paid	Percentage of Total Taxes Paid
Glimcher Ashland Venture LLC	29,000,000	1	101,877	1.25%
Melody Mountain Associates LTD	22,000,000	2	77,286	0.95%
Providence Hill LLC	13,564,000	3	47,650	0.59%
AK Steel Corporation	12,746,400	4	44,778	0.55%
Gateway Van Buren Inc.	12,500,000	5	43,912	0.54%
Wal-Mart Stores East LP	8,689,055	6	30,219	0.37%
Ashland Speciality Co. Inc.	5,708,016	7	19,852	0.24%
JC Penney	5,180,399	8	18,017	0.22%
Giant Real Estate of Ashland LLC	4,699,000	9	18,736	0.23%
SKPR-KY 2 LLC	4,633,647	10	16,278	0.20%
	<u>118,720,517</u>		<u>418,605</u>	<u>5.23%</u>

2000

Taxpayer	Assessment	Rank	Taxes Paid	Percentage of Total Taxes Paid
Glimcher Ashland Venture LLC	29,052,000	1	98,517	1.21%
AK Steel Corporation	13,192,864	2	40,304	0.50%
Caterpillar Financial Service	8,800,635	3	26,886	0.33%
Bradley Operating Limited PTR	7,000,000	4	21,385	0.26%
State Property Building Commision	5,600,000	5	17,108	0.21%
Wal-Mart Stores East LP	4,946,233	6	15,111	0.19%
Progress Metal Reclamation	3,775,361	7	11,534	0.14%
First American Bank	3,701,000	8	11,307	0.14%
Third National Bank	3,497,000	9	10,683	0.13%
Parisian, Inc.	3,209,249	10	9,804	0.12%
	<u>82,774,342</u>		<u>262,639</u>	<u>3.52%</u>

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

2009

Taxpayer	Taxable Wages	Rank	Taxes Paid	Percentage of Total Taxable Wages
Kings Daughters' Medical Center	162,316,712	1	2,434,756	31.05%
AK Steel Corporation	21,867,920	2	330,696	4.18%
Ashland Inc. Board of Education	17,860,044	3	267,906	3.42%
Kentucky Heart & Vascular Physicians	17,833,175	4	267,498	3.41%
City of Ashland	12,078,037	5	181,171	2.31%
Graycor Industrial Contractors, Inc.	10,626,441	6	159,386	2.03%
Wal-Mart Stores East, LP	10,497,840	7	157,468	2.01%
Tri-State Radiology, PSC	7,978,875	8	119,683	1.53%
Kentucky Community & Tech. College	7,771,088	9	116,566	1.49%
Commonwealth of Kentucky	5,964,359	10	89,465	1.14%
	<u>274,794,491</u>		<u>4,124,595</u>	<u>50.94%</u>

2000

Taxpayer	Taxable Wages	Rank	Taxes Paid	Percentage of Total Taxable Wages
Kings Daughters' Medical Center	56,778,450	1	851,322	10.86%
AK Steel Corporation	26,219,533	2	393,293	5.02%
Ashland Inc. Board of Education	12,487,460	3	187,309	2.39%
City of Ashland	7,629,966	4	111,694	1.46%
Kentucky Community & Tech. College	5,752,551	5	86,288	1.10%
Wal-Mart Associates, Inc.	5,230,383	6	78,455	1.00%
Pathways, Inc.	4,114,381	7	61,716	0.79%
Mansbach Metal Co.	4,068,853	8	61,031	0.78%
Commonwealth of Kentucky	3,457,049	9	51,856	0.66%
Cumberland Cardiology PSC	3,441,966	10	51,629	0.66%
	<u>129,180,592</u>		<u>1,934,593</u>	<u>34.26%</u>

CITY OF ASHLAND
Principal Water and Sewer Customers
(Unaudited)

2009

Water Revenue

<u>Customer</u>	<u>Average Monthly Amount</u>	<u>Average Monthly Usage</u>
Cannonsburg Water	\$ 72,850	36,632,000
Ashland Oil Refinery	89,386	25,890,000
A K Steel Coke Plant	29,123	15,066,000
A K Steel West Works	43,685	12,800,000
Flatwoods Water	18,867	9,724,000
Federal Corrections	25,931	7,681,000
Air Products	8,263	2,361,000
City of Ashland - Catlettsburg Sewer	7,875	2,322,000
Kings Daughters' Medical Center	13,007	2,255,000
Cintas	7,290	932,000
	<u>\$ 316,277</u>	<u>115,663,000</u>

Sewer Revenue

<u>Customer</u>	<u>Average Monthly Amount</u>	<u>Average Monthly Usage</u>
Sanitation District # 4	106,307	34,229,000
A K Steel Coke Plant	\$ 56,712	17,659,000
Kings Daughters' Medical Center	12,764	2,155,000
Cintas	5,921	902,000
Ashland Oil Marine Terminal	6,896	712,000
Ashland Municipal Housing	3,297	576,000
Providence Hill	3,223	538,000
Texas Roadhouse	2,436	409,000
Cheddars	2,268	379,000
Woodland Oaks	2,321	340,000
	<u>\$ 202,145</u>	<u>57,899,000</u>

*Data obtained from City of Ashland Utility Billing records.

CITY OF ASHLAND
Interest Earned - All Funds
(Unaudited)

Last Ten Fiscal Years

Fiscal Year	Governmental Funds			Proprietary Funds		Fiduciary Funds	Total All Funds
	General Fund	Special Revenue Funds	Capital Project Funds	Enterprise Funds	Internal Service Fund	Pension Trust Funds	
2001	86,018	190,072	3,897	472,177	18,335	265,189	1,035,688
2002	64,201	84,322	1,184	213,588	2,864	261,187	627,346
2003	-	38,784	1,691	129,545	1,848	250,566	422,434
2004	-	18,192	324	105,573	1,362	224,222	349,673
2005	36,324	13,180	110	74,147	2,634	254,240	380,635
2006	111,630	2,119	2	113,258	792	189,265	417,066
2007	188,307	3,615	1	130,735	618	219,081	542,357
2008	173,834	2,310	-	116,337	348	165,481	458,310
2009	69,814	1,493	-	77,135	835	155,512	304,789
2010	21,933	505	-	63,915	1,493	95,928	183,774

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

<u>Fiscal Year</u>	<u>Governmental Debt</u>	<u>Business Debt</u>	<u>Total</u>	<u>Percentage of Governmental Debt to Total Debt</u>	<u>Percentage of Business Debt to Total Debt</u>	<u>Personal Income (Thousands)</u>	<u>Percentage of Personal Income</u>
2001	6,627,452	2,333,930	8,961,382	73.96%	26.04%	1,243,706	0.72%
2002	6,208,890	3,931,878	10,140,768	61.23%	38.77%	1,318,823	0.77%
2003	5,981,183	3,673,968	9,655,151	61.95%	38.05%	1,369,908	0.70%
2004	5,454,704	14,476,588	19,931,292	27.37%	72.63%	1,339,313	1.49%
2005	2,748,513	14,450,728	17,199,241	15.98%	84.02%	1,362,618	1.26%
2006	5,612,784	13,849,880	19,462,664	28.84%	71.16%	1,466,777	1.33%
2007	5,172,725	13,231,385	18,404,110	28.11%	71.89%	1,498,155	1.23%
2008	5,038,569	12,050,267	17,088,836	29.48%	70.52%	1,557,583	1.10%
2009	9,564,639	11,501,283	21,065,922	45.40%	54.60%	*	*
2010	9,194,717	11,068,153	20,262,870	45.38%	54.62%	*	*

*Information not available.

**Property taxes are not restricted revenues.

CITY OF ASHLAND
Governmental Activities Debt Percentage
(Unaudited)

<u>Fiscal Year</u>	<u>Floating Indebtness</u>	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Total</u>	<u>Population</u>	<u>General Bonded Debt per Capita</u>	<u>Total Debt per Capita</u>	<u>Personal Income (Thousands)</u>	<u>Percentage of Personal Income</u>
2001	2,540,585	2,245,000	1,841,867	6,627,452	21,924	102	302	1,243,706	0.53%
2002	2,455,569	2,010,000	1,743,321	6,208,890	21,867	92	284	1,318,823	0.47%
2003	2,364,664	1,760,000	1,856,519	5,981,183	21,810	81	274	1,369,908	0.44%
2004	2,267,834	1,495,000	1,691,870	5,454,704	21,753	69	251	1,339,313	0.41%
2005	-	1,220,000	1,528,513	2,748,513	21,696	56	127	1,362,618	0.20%
2006	-	4,250,000	1,362,784	5,612,784	21,639	196	259	1,466,777	0.38%
2007	-	3,870,000	1,302,725	5,172,725	21,582	179	240	1,498,155	0.35%
2008	-	3,475,000	1,563,569	5,038,569	21,525	161	234	1,557,583	0.32%
2009	-	3,055,000	6,509,639	9,564,639	21,346	143	448	*	*
2010	-	2,965,000	6,229,717	9,194,717	21,287	139	432	*	*

*Information not available.

**Property taxes are not restricted revenues.

CITY OF ASHLAND
Business Activities Debt Percentage
(Unaudited)

<u>Fiscal Year</u>	<u>Utility Bonds</u>	<u>Capital Lease</u>	<u>Note Payable</u>	<u>Utility Pension Liability</u>	<u>KIA Loans</u>	<u>Total</u>	<u>Population</u>	<u>Total Debt per Capita</u>	<u>Personal Income (Thousands)</u>	<u>Percentage of Personal Income</u>
2001	-	1,155,000	-	1,178,930	-	2,333,930	21,924	106	1,243,706	0.19%
2002	-	1,080,000	-	858,011	1,993,867	3,931,878	21,867	180	1,318,823	0.30%
2003	-	1,000,000	-	517,316	2,156,652	3,673,968	21,810	168	1,369,908	0.27%
2004	8,220,000	-	-	576,293	5,680,295	14,476,588	21,753	665	1,339,313	1.08%
2005	7,910,000	-	-	539,717	6,001,011	14,450,728	21,696	666	1,362,618	1.06%
2006	7,540,000	-	-	539,717	5,770,163	13,849,880	21,639	640	1,466,777	0.94%
2007	7,160,000	-	-	539,717	5,531,668	13,231,385	21,582	613	1,498,155	0.88%
2008	6,765,000	-	-	-	5,285,267	12,050,267	21,525	560	1,557,583	0.77%
2009	6,365,000	105,585	-	-	5,030,698	11,501,283	21,346	539	*	*
2010	5,950,000	154,134	196,335	-	4,767,684	11,068,153	21,287	520	*	*

*Information not available.

CITY OF ASHLAND

Demographic and Economic Statistics

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
1999	22,057	1,166,644	23,419	5.2
2000	21,981	1,216,029	24,486	5.2
2001	21,924	1,243,706	25,092	5.2
2002	21,867	1,318,823	26,675	5.9
2003	21,810	1,369,908	27,678	5.9
2004	21,753	1,339,313	27,226	5.2
2005	21,696	1,362,618	27,848	4.5
2006	21,639	1,466,777	30,090	4.8
2007	21,582	1,498,155	30,848	4.3
2008	21,525	1,557,583	32,067	4.1

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

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

CITY OF ASHLAND
Principal Employers
(Unaudited)

2009			
Employer	Rank	Number of Employees	Percentage of Total City Employment
Kings Daughters' Medical Center	1	3,967	15.94%
Wal-Mart Associates, Inc.	2	717	2.88%
Ashland Board of Education	3	750	3.01%
AK Steel Corporation	4	427	1.72%
JC Penney	5	435	1.75%
Texas Roadhouse	6	341	1.37%
Kentucky Community & Technological College	7	394	1.58%
City of Ashland	8	367	1.47%
Cheddar's - Ashland, LLC	9	331	1.33%
Graycor Industrial Contractors, Inc.	10	903	3.63%
		8,632	34.68%

2000			
Employer	Rank	Number of Employees	Percentage of Total City Employment
Kings Daughters' Medical Center	1	2,528	11.10%
Ashland Board of Education	3	752	3.30%
Wal-Mart Associates, Inc.	2	642	2.82%
AK Steel Corporation	4	587	2.58%
Kentucky Community & Technological College	7	464	2.04%
Texas Roadhouse	6	338	1.48%
City of Ashland	8	326	1.43%
Woodland Oaks, Inc.	5	259	1.14%
Pathways, Inc.	10	255	1.12%
Ashland Plaza Hotel	9	246	1.08%
		6,397	28.09%

*Total number of City employees in 2009 was 24,894. Total number of City employees in 2000 was 22,771.
 Data received from City of Ashland Occupational License Fee Division.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Full-Time Employees										
General government	24	11	10	12	11	11	12	13	13	11
Finance	34	30	22	22	23	23	22	22	22	22
Public works	63	63	63	63	75	75	78	78	78	73
Planning and code enforcement	8	8	12	12	14	16	14	13	13	12
Police	55	54	55	56	56	56	56	56	56	57
Fire	56	56	56	56	56	56	56	56	56	55
Engineering	-	-	-	4	4	4	4	4	4	4
Engineering & Utilities*	81	77	75	74	76	76	72	71	71	74
Bus**	-	-	6	6	6	6	6	6	6	6
Recreation***	-	11	11	11	-	-	-	-	-	-
Total full-time employees	<u>321</u>	<u>310</u>	<u>310</u>	<u>316</u>	<u>321</u>	<u>323</u>	<u>320</u>	<u>319</u>	<u>319</u>	<u>314</u>

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

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

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

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

Citizen's information	
City commision meetings	23
CSO presentation meetings	2
Neighborhood Watch	20
General government	
Job applicants	501
Positions filled	23
Liability claims investigated	120
CPR classes held	3
Finance	
Utility bills processed	171,811
Vendors paid	3,619
Tax bills mailed	21,207
Active business licenses	2,682
Public works	
Parking meter repairs	264
Stop / traffic signs changed	300
Debris hauled to landfill (tons)	1,091
Road / curb paint (gallons)	1,260
Planning and code enforcement	
Building / zonings permits issued	394
Code fees / fines	87
Police	
Crimes reported	2,412
Closed cases	1,037
Citations issued	2,717
Calls for service	26,159
Fire	
Fires extinguished	359
Fire alarms investigated	514
Smoke detectors installed	35
Calls for service	1,760
Engineering	
75 / 25 Sidewalk contracts	13
Minor / major subdivision reviews	40
Engineering & Utilities	
Pipe installed (feet)	1,468
Catch basins	15
Bus	
Paratransit service calls	13,369
Recreation	
Commission approved events	45
Weddings at Central Park	55
Ballgames / practices	1,830
Dawson pool visitors	8,895
Cemetery	
Burials	128
Graves / Crypts / Niches sold	33

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

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

Public works	
Streets (miles)	200
Sidewalks (miles)	325
Floodwall (miles)	3
Police	
Stations	1
Vehicles	32
Fire	
Stations	3
Fire trucks	8
Administration vehicles	5
Rescue boat	1
Engineering & Utilities	
Lift stations	12
Booster stations	20
Water plant	1
Sewer plant	1
Bus	
Transportation center	1
Bus shelters	9
Buses / trolley	10
Recreation	
Parks	9
Pool	1
Sidewalk around park (miles)	1
Cemetery	
Acreage	31
Mausoleums	3

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