THIS PRELIMINARY OFFICIAL STATEMENT AND INFORMATION CONTAINED HEREIN ARE SUBJECT TO CHANGE, COMPLETION, OR AMENDMENT WITHOUT NOTICE. THESE SECURITIES MAY NOT BE SOLD NOR MAY AN OFFER TO BUY BE ACCEPTED BEFORE THE TIME THE OFFICIAL STATEMENT IS DELIVERED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY OFFICIAL STATEMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THESE SECURITIES, IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION, OR SALE WOULD BE UNLAWFUL.

PRELIMINARY OFFICIAL STATEMENT DATED JULY 7, 2026

Book-Entry Only | **Rating: Moody's "A2"**
New Issue – Bank Qualified | **See "RATING" herein**

In the opinion of Bond Counsel for the Series 2026A Bonds, based upon an analysis of laws, regulations, rulings, and court decisions, and assuming continuing compliance with certain covenants made by the City, and subject to the conditions and limitations set out herein under the caption "TAX EXEMPTION," interest on the Series 2026A Bonds is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Series 2026A Bonds is also exempt from Kentucky income tax, and the Series 2026A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

$10,000,000[*]
CITY OF ASHLAND, KENTUCKY
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2026A

Dated: Date of Initial Delivery | **Due: May 1, as shown below**

The interest on the above-captioned bonds (the "Series 2026A Bonds") will be payable from their dated date, on each May 1 and November 1 of each year, commencing November 1, 2026, and the Series 2026A Bonds will mature on each May 1, as shown below:

Year	Amount[*]	Interest Rate	Yield	Price	CUSIP[†]	Year	Amount[*]	Interest Rate	Yield	Price	CUSIP[†]
2027	$ 20,000					2038	$ 310,000				
2028	25,000					2039	320,000				
2029	25,000					2040	325,000				
2030	30,000					2041	1,045,000				
2031	30,000					2042	1,085,000				
2032	35,000					2043	1,130,000				
2033	40,000					2044	1,175,000				
2034	75,000					2045	1,230,000				
2035	280,000					2046	1,280,000				
2036	290,000					2047	955,000				
2037	295,000										

The Series 2026A Bonds are being issued by the City of Ashland, Kentucky (the "City") under a General Bond Ordinance adopted by the Board of Commissioners of the City on January 15, 2004 (the "General Bond Ordinance") and the Series 2026A Bond Ordinance adopted by the Board of Commissioners of the City on June 11, 2026 (the "Series 2026A Bond Ordinance" and, together with the General Bond Ordinance, the "Ordinance"). The Series 2026A Bonds shall be payable from the revenues derived by the City from the operation of its combined water and sewer system (the "System"). The holders of the Series 2026A Bonds shall, on a parity basis with the holders of all bonds and other parity obligations of the City outstanding under the Ordinance (the "Parity Obligations"), have a priority lien on and security interest in the Pledged Receipts (as defined in the Ordinance) of the System. The City reserves the right to issue additional obligations on a parity with the outstanding Parity Obligations, including the Series 2026A Bonds, subject to satisfaction of all the conditions set out in the Ordinance. The Series 2026A Bonds are special and limited obligations of the City and do not constitute a debt, liability, or general obligation of the City within the meaning of the Constitution or laws of the Commonwealth of Kentucky, nor a pledge of the full faith, credit, and taxing power of the City. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2026A BONDS" herein.

The Series 2026A Bonds will be issued as fully-registered bonds, without coupons, in denominations of $5,000 or any integral multiple thereof, and will bear interest at the annual rates shown below. The Series 2026A Bonds will be issued under a book-entry only system, registered in the name of The Depository Trust Company or its nominee. There will be no distribution of the Series 2026A Bonds to the ultimate purchasers. Principal of the Series 2026A Bonds is payable at the principal office of U.S. Bank Trust Company, National Association, Louisville, Kentucky, as Paying Agent and Registrar. Interest payments will be mailed by the Paying Agent and Registrar to each holder of record as of the fifteenth day of the month preceding the date for such interest payment. The Series 2026A Bonds are subject to redemption before maturity as described herein. See "THE SERIES 2026A BONDS" herein.

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

This cover page contains certain information for quick reference only and is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to make an informed decision. The Series 2026A Bonds are offered when, as, and if issued by the City, subject to the approval of the legality thereof by Dinsmore & Shohl LLP, Louisville, Kentucky, as Bond Counsel. Certain legal matters have been passed upon for the City by Dinsmore & Shohl LLP, Louisville, Kentucky, as Disclosure Counsel. The Series 2026A Bonds are expected to be available for delivery on or around August 4, 2026.

R S A
advisors

Dated July __, 2026

[*] Preliminary, subject to change.
[†] See inside cover.

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Water and Sewer System Revenue Bonds, Series 2026A (the "Series 2026A Bonds"), of the City of Ashland, Kentucky (the "City"). No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2026A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion contained herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Upon issuance, the Series 2026A Bonds will not be registered by the City under any federal or state securities laws and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal, or other governmental entity or agency, except the City, will have, at the request of the City, passed upon the accuracy or adequacy of this Official Statement or approved the Series 2026A Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by such financial and other information, will necessarily continue or be repeated in the future. Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources before the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the City preliminary to the sale of the Series 2026A Bonds should be regarded as part of the City's contract with the successful bidder or the holders from time to time of the Series 2026A Bonds.

All references in this Official Statement to any provisions of Kentucky law, whether codified in the Kentucky Revised Statutes or uncodified, or to any provisions of the Kentucky Constitution or the City's ordinances, resolutions, or municipal orders are references to such provisions as they presently exist; but any of such provisions may be amended, repealed, or supplemented from time to time.

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

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. The CUSIP numbers listed above are being provided solely for the convenience of the Holders only at the time of issuance of the Series 2026A Bonds, and the City does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to change after the issuance of the Series 2026A Bonds as a result of various subsequent actions, including, without limitation, a refunding in whole or in part of such maturity or the procurement of any secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2026A Bonds.

CITY OF ASHLAND, KENTUCKY

Mayor
Chuck D. Charles

Board of Commissioners
F. Marty Gute
Richard W. 'Sonny' Martin
Tim Renfroe
David J. 'DJ' Rymer, II

City Manager
Tony D. Grubb

Chief Financial Officer
Tony D. Grubb

Assistant Chief Financial Officer
Michelle Veach

City Clerk
Susan Maddix

City Attorney
Andrew K. Wheeler

BOND COUNSEL
Dinsmore & Shohl LLP
Louisville, Kentucky

MUNICIPAL ADVISOR
RSA Advisors LLC
Lexington, Kentucky

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

TABLE OF CONTENTS

$10,000,000*
CITY OF ASHLAND, KENTUCKY
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2026A

INTRODUCTION

The purpose of this Official Statement, which includes the cover page hereof and appendices hereto, is to provide certain information with respect to the issuance of $10,000,000* aggregate principal amount of Water and Sewer System Revenue Bonds, Series 2026A (the "Series 2026A Bonds") of the City of Ashland, Kentucky, as specified on the cover page hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page hereof and the appendices hereto, and in the documents summarized and described herein. A full review should be made of this entire Official Statement. The offering of the Series 2026A Bonds to potential investors is made only by means of the entire Official Statement.

The Issuer

The Series 2026A Bonds are being issued by the City of Ashland, Kentucky (the "City"), a municipal corporation and political subdivision of the Commonwealth of Kentucky. The City is located in Boyd County in Northeastern Kentucky.

Authority for Issuance

Authority for the issuance of the Series 2026A Bonds is provided by Chapter 58 of the Kentucky Revised Statutes and Sections 96.350 to 96.510, inclusive, of the Kentucky Revised Statutes (collectively, the "Act"), the General Bond Ordinance adopted by the Board of Commissioners of the City on January 15, 2004 (the "General Bond Ordinance"), and the Series 2026A Bond Ordinance adopted by the Board of Commissioners of the City on June 11, 2026 (the "Series 2026A Bond Ordinance" and, together with the General Bond Ordinance, the "Ordinance").

Security and Source of Payment for the Series 2026A Bonds

Under the General Bond Ordinance and the Series 2026A Bond Ordinance, the Series 2026A Bonds, together with any additional bonds and other obligations issued on a parity therewith in accordance with the General Bond Ordinance (the "Parity Obligations" and, together with the Series 2026A Bonds, collectively, the "Bonds"), are payable solely from, and secured by a first lien pledge of, (a) the proceeds of the sale of the Bonds, to the extent not required to be used for the payment of any Notes (as defined in the General Bond Ordinance), (b) Investment Obligations (as defined herein) acquired with proceeds of the Bonds or by the application of any moneys derived from the operation of the City's combined and consolidated water and sewer system (the "System"), (c) the Pledged Receipts (as defined and described herein) of the System, and (d) all Funds established by the General Bond Ordinance (as described herein), including all Accounts, moneys, and securities therein. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2026A BONDS" herein.

THE SERIES 2026A BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY UNDER AND WITHIN THE MEANING OF THE CONSTITUTION OR LAWS OF THE COMMONWEALTH OF KENTUCKY. THE SERIES 2026A BONDS ARE PAYABLE SOLELY FROM THE REVENUES OF THE SYSTEM AND THE OTHER LIMITED SECURITY PLEDGED THEREFOR UNDER THE ORDINANCE, INCLUDING THE STATUTORY MORTGAGE LIEN ON ALL THE PROPERTIES COMPRISING THE SYSTEM. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COMMONWEALTH OF KENTUCKY, OR ANY POLITICAL SUBDIVISION OR TAXING AUTHORITY THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND THE PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2026A BONDS.

Purpose of the Series 2026A Bonds

The proceeds of the Series 2026A Bonds will be used to (i) make a deposit into the Series 2026A Construction and Acquisition Account established by the Series 2026A Bond Ordinance to finance all or a portion of the costs of the construction of additions and improvements to the System, (ii) make a deposit into the Series 2026A Cost of Issuance Account established by the Series 2026A Bond Ordinance to pay all or a portion of the costs of issuance of the Series 2026A Bonds, (iii) pay the costs of credit enhancement for the Series 2026A Bonds, if any, and (iv) fund, to the extent necessary, all or a portion of any required increase to the Debt Service Reserve established by the General Bond Ordinance resulting from the issuance of the Series 2026A Bonds. See "PLAN OF FINANCING" herein.

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* Preliminary, subject to change.

Description of the Series 2026A Bonds

General. The Series 2026A Bonds will be issued in denominations of $5,000 or any integral multiple thereof, will be dated their date of initial issuance and delivery, will mature in the years and in the principal amounts set forth on the cover page hereof, and will bear interest at the rates set forth on the cover page hereof, payable semiannually on each May 1 and November 1, commencing November 1, 2026. Principal of and interest on the Series 2026A Bonds are payable in lawful money of the United States of America. Principal shall be paid upon the surrender of the Series 2026A Bonds by the holders thereof at the designated corporate trust office of U.S. Bank Trust Company, National Association, as Paying Agent and Registrar (the "Paying Agent and Registrar"), in Louisville, Kentucky, and interest on the Series 2026A Bonds shall be paid by check or draft mailed by the Paying Agent and Registrar to the holders thereof, as of the applicable record date, at their addresses appearing on the registration books maintained by the Paying Agent and Registrar. The record dates for each May 1 and November 1 interest payment date shall be the immediately preceding April 15 and October 15, respectively. See "THE SERIES 2026A BONDS – General" herein.

Redemption. The Series 2026A Bonds maturing on or after May 1, 2035 are subject to redemption before their stated maturity on May 1, 2034 or any date thereafter (with less than all of a single maturity to be selected by lot, as provided herein), in whole or in part, at a redemption price equal to the principal amount of the Series 2026A Bonds to be redeemed, plus accrued interest thereon to the date of redemption. [The Series 2026A Bonds maturing on May 1, 20[__] are subject to mandatory sinking fund redemption before maturity commencing on May 1, 20[__].] If any Series 2026A Bonds are called for redemption, notice of such redemption shall be given by mailing a copy of the redemption notice by registered mail, not less than thirty days before the date fixed for such redemption, to the registered owner of each Series 2026A Bond to be redeemed. See "THE SERIES 2026A BONDS – Redemption" herein.

Book-Entry. The Series 2026A Bonds are issuable only as fully registered Series 2026A Bonds, without coupons. The Series 2026A Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2026A Bonds. Purchasers will not receive certificates representing their ownership interests in any Series 2026A Bonds purchased. So long as DTC or its nominee is the registered owner of the Series 2026A Bonds, all payments of the principal, redemption premium (if any), and interest due on the Series 2026A Bonds shall be made directly to DTC by the Paying Agent and Registrar. See "THE SERIES 2026A BONDS – Book-Entry Only System" herein.

Tax Exemption

In the opinion of Bond Counsel, based upon present laws, regulations, rulings, and decisions in effect on the date of the delivery of the Series 2026A Bonds, and assuming continuing compliance with certain covenants made by the City, interest on the Series 2026A Bonds will be excludible from gross income for federal income tax purposes, upon the conditions and subject to the limitations set forth under "TAX EXEMPTION" herein and will not be a specific item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals. Receipt of interest on the Series 2026A Bonds may result in other federal income tax consequences to certain holders of the Series 2026A Bonds. Interest on the Series 2026A Bonds is also exempt from certain taxes in Kentucky. See "TAX EXEMPTION" herein.

The City has designated the Series 2026A Bonds as "qualified tax-exempt obligations" with respect to certain financial institutions under Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"). See Appendix F hereto for the form of the approving legal opinion Bond Counsel proposes to deliver in connection with the Series 2026A Bonds.

Parties to the Issuance of the Series 2026A Bonds

The Paying Agent and Registrar for the Series 2026A Bonds will be U.S. Bank Trust Company, National Association, Louisville, Kentucky. Legal matters incident to the issuance of the Series 2026A Bonds and with regard to the tax-exempt status of the interest thereon are subject to the approving legal opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, Bond Counsel. The Municipal Advisor to the City with respect to the Series 2026A Bonds is RSA Advisors LLC, Lexington, Kentucky.

Offering and Delivery of the Series 2026A Bonds

The Series 2026A Bonds are offered when, as, and if issued by the City. The Series 2026A Bonds will be delivered on or around August 4, 2026, in New York, New York, through the facilities of DTC.

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and continuing disclosure documents of the City are intended to be made available through one or more repositories.

Copies of the basic documentation relating to the Series 2026A Bonds, including the Ordinance and the form of the Series 2026A Bonds, are available from the City.

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

Additional Information

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Series 2026A Bonds, is available from RSA Advisors LLC, 147 East Third Street, Lexington, Kentucky 40508, Attention: Joe Lakofka.

Brief descriptions of the Series 2026A Bonds, the security for the Series 2026A Bonds, the City, the plan of financing, and the General Bond Ordinance are included in this Official Statement. Certain information with respect to the City is included in the appendices attached hereto. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Ordinance. All summaries herein of any documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available from the City.

THE SERIES 2026A BONDS

General

The Series 2026A Bonds are to be issued only as fully registered Bonds in the denomination of $5,000 or any integral multiple thereof. The Series 2026A Bonds will be dated their date of initial issuance and delivery, will bear interest from such date as described herein, payable semiannually on each May 1 and November 1, commencing November 1, 2026, and will mature on May 1 in the years and in the principal amounts set forth on the cover page of this Official Statement.

The principal of and redemption premium (if any) and interest on the Series 2026A Bonds shall be payable in any coin or currency of the United States of America which, at the time of payment, constitutes legal tender for the payment of public or private debts. Principal of and redemption premium (if any) on the Series 2026A Bonds shall be payable at the designated office of the Paying Agent and Registrar in Louisville, Kentucky. Interest on the Series 2026A Bonds shall be payable by check or draft mailed by the Paying Agent and Registrar to the holders of the Series 2026A Bonds as of the applicable record date. The record dates for each May 1 and November 1 interest payment date shall be the preceding April 15 and October 15, respectively.

Each registered Series 2026A Bond shall only be transferable upon the books of the Paying Agent and Registrar at the request of the registered owner thereof or its authorized attorney, upon surrender thereof, together with an assignment satisfactory to the Paying Agent and Registrar duly executed by such registered owner or its duly authorized attorney. Upon the transfer of any Series 2026A Bond, the City shall issue, in the name of the transferee, one or more new registered Series 2026A Bonds of the same aggregate principal amount and maturity as the surrendered Series 2026A Bond. If any Series 2026A Bond is mutilated, lost, stolen, or destroyed, the City shall execute and deliver a new Series 2026A Bond in accordance with the terms set forth in the General Bond Ordinance.

Redemption

Optional Redemption. The Series 2026A Bonds maturing on or after May 1, 2035 are subject to optional redemption before stated maturity on May 1, 2034 or any date thereafter, in whole or in part, in such order of maturity as shall be designated in writing by the City and by lot within any maturity, at the election of the City upon forty-five days' prior written notice to the Paying Agent and Registrar, at a redemption price equal to the principal amount of the Series 2026A Bonds to be redeemed, plus accrued interest thereon to the date of redemption.

[Mandatory Sinking Fund Redemption. The Series 2026A Bonds maturing on May 1, 20[__] are subject to mandatory sinking fund redemption on May 1 of the years, and in the principal amounts, as follows:]

Maturing May 1, 20[__]

Date	Amount
May 1, 20[__]	$[_______]
May 1, 20[__]	$[_______]
May 1, 20[__]*	$[_______]

* Maturity

Selection of Series 2026A Bonds to be Redeemed. In the event of the redemption of less than all of the outstanding Series 2026A Bonds of the same maturity, the City shall assign to each such outstanding Series 2026A Bond a distinctive number for each $5,000 of the principal amount of such Series 2026A Bond and shall select by lot, using such method of selection as it deems proper, in its discretion, as many numbers as, at $5,000 for each number, shall equal the principal amount of such Series 2026A Bonds to be redeemed, and the Series 2026A Bonds to be redeemed shall be the Series 2026A Bonds which were assigned the numbers so selected by the City; provided, however, that only so much of the principal amount of any Series 2026A Bond of a denomination of more than $5,000 shall be redeemed as shall equal $5,000 for each number assigned to it and so selected by the City for redemption.

Notice of Redemption. If any of the Series 2026A Bonds are to be redeemed, the Paying Agent and Registrar shall give notice thereof by mailing, at least thirty days before the applicable redemption date, to the registered owners of the Series 2026A Bonds to be redeemed, at their addresses appearing upon the registration books kept by the Paying Agent and Registrar, a notice of such redemption, identifying the maturities of the Series 2026A Bonds to be redeemed, the redemption date, and the place where amounts due upon such redemption will be payable, and, in the case of any Series 2026A Bonds to be redeemed in part only, the portions of the principal amount thereof to be redeemed, and stating that on the applicable redemption date, there shall become due and payable upon each Series 2026A Bond (or portion thereof) to be redeemed, the redemption price thereof, together with accrued interest thereon to the redemption date, and from and after the redemption date, interest on the Series 2026A Bonds shall cease to accrue and be payable. If any Series 2026A Bonds shall be called for redemption in the manner provided above and, on the applicable redemption date, the City shall cause to be deposited with the Paying Agent and Registrar an amount sufficient to pay such Series 2026A Bonds and any charges thereon, computed to the date of redemption, then such Series 2026A Bonds (i) shall be deemed to have been paid, (ii) shall no longer constitute obligations of the City, (iii) shall no longer be secured by the Ordinance, and (iv) shall cease to bear interest, and thereafter, the registered owners thereof shall look exclusively to the Paying Agent and Registrar for the payment thereof.

Book-Entry Only System

The Series 2026A Bonds shall initially be issued solely in book-entry form, to be held in the book-entry only system maintained by DTC. So long as such book-entry only system is used, only DTC will receive or have the right to receive physical delivery of the Series 2026A Bonds and, except as otherwise provided herein with respect to tenders by beneficial owners of their beneficial ownership interests, beneficial owners will not be or be considered to be, and will not have any rights as, holders of the Series 2026A Bonds. For additional information about DTC and the book-entry only system see “Appendix E – Book-Entry Only System” hereto.

THE INFORMATION IN THIS SECTION AND IN APPENDIX E ATTACHED HERETO REGARDING DTC AND ITS BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THE CITY BELIEVES TO BE RELIABLE, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2026A BONDS

The Series 2026A Bonds are not a general obligation of the City and do not constitute an indebtedness of the City within the meaning of the Constitution of the Commonwealth of Kentucky, and neither the full faith and credit nor the taxing power of the City, the Commonwealth of Kentucky, nor any political subdivision thereof is pledged to the payment of the principal of and premium (if any) and interest on the Series 2026A Bonds. In accordance with the General Bond Ordinance and the Series 2026A Bond Ordinance, the Series 2026A Bonds constitute special and limited obligations of the City and, together with any parity bonds which may be issued from time to time under and in accordance with the General Bond Ordinance (collectively, the “Bonds”), are secured by a first lien pledge on, and are payable solely and only from, the Pledged Receipts derived from the City’s imposition, enforcement, and collection of the rates, rentals, and charges for the water and sewer services rendered by the System, as more particularly defined and described herein.

Pledge of Revenues and Funds

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

Debt Service Reserve

A Debt Service Reserve has also been established by the General Bond Ordinance as further security for the Series 2026A Bonds. The Debt Service Reserve is required to be funded in an amount equal to the Aggregate Debt Service Reserve Requirement, which means the lesser of: (i) the maximum Annual Debt Service Requirement in any bond fiscal year (April 1 to March 31) of the City, or (ii) 125% of the average Annual Debt Service Requirement; provided that not more than 10% of the proceeds of any series of Bonds shall be deposited in the Debt Service Reserve. The Annual Debt Service Requirement is the maximum amount of principal and interest coming due on all Bonds outstanding under the General Bond Ordinance in any bond fiscal year. In lieu of a deposit of funds in the Debt Service Reserve, the City may, subject to certain limitations, obtain a letter of credit, surety bond, or similar arrangement, in an amount at least equal to the Aggregate Debt Service Reserve Requirement. See "SUMMARY OF THE GENERAL BOND ORDINANCE – Debt Service Reserve" herein.

Statutory Mortgage

The Series 2026A Bonds are further secured by a statutory mortgage lien upon all properties of the City comprising the System, including all extensions and appurtenances thereto, granted to and in favor of the registered owners of the Series 2026A Bonds pursuant to Section 96.400 of the Kentucky Revised Statutes. The statutory mortgage lien is not a foreclosable lien, and the properties comprising the System shall remain subject to such lien until the Series 2026A Bonds are no longer outstanding under the General Bond Ordinance.

Rate Covenant

In the General Bond Ordinance, the City has covenanted to establish rates, rentals, and charges for the services rendered and facilities afforded by the City in connection with the System (subject to any regulatory approvals which may be required by law), which are adequate (i) to meet all requirements provided in the General Bond Ordinance, including the accumulation and maintenance of all reserves, as provided therein, (ii) to pay the Operating and Maintenance Costs of the System, and (iii) after the accumulation and maintenance of all of the reserves required under the General Bond Ordinance, the payment of the Operating and Maintenance Costs of the System set forth in the Annual Budget of the System, and the fulfillment of any other contractual obligations of the City relating to such rates, rentals, and charges, to provide (a) 1.25x coverage of the annual principal, interest, and sinking fund requirements on all outstanding Bonds, and (b) 1.00x coverage of the annual principal, interest, and sinking fund requirements on all outstanding Bonds and Subordinated Debt. Subject to required regulatory approvals, such rates, rentals, and charges must be adjusted from time to time to comply with the General Bond Ordinance. Further, the City has covenanted that it will not, at any time, make any reduction in the prevailing schedule of rates, rentals, and charges without first obtaining a written determination of a consulting engineer of national recognition in the field of water and sewer system engineering to the effect that the proposed reduction will not materially affect the City's ability to meet all requirements set out in the General Bond Ordinance.

In addition, the City has also covenanted and agreed that (1) it will not, at any time, make any reduction in the prevailing schedule of rates, rentals, and charges for the services rendered by the System without first obtaining the written determination of a consulting engineer of national recognition in the field of water and sewer system engineering certifying that the proposed reduction will not adversely affect the ability of the City to meet all the requirements and covenants set forth in the General Bond Ordinance, and (2) it will, to the maximum extent authorized by law, enforce and collect the schedule of water and sewer rates, rentals, and charges imposed upon users of the System and will promptly cause service to be terminated and discontinued to any premises where a bill for such services is not paid in full.

Parity Bonds

Under the General Bond Ordinance, the City has the right to issue additional bonds from time to time on a basis of parity with the Series 2026A Bonds, (i) to reconstruct, repair, and improve the facilities of the System, (ii) to make, acquire, construct, and install additions, extensions, betterments, or improvements to the System, (iii) to acquire existing revenue-producing water or sewer systems, or (iv) to refund outstanding bonds. No such additional parity bonds shall be issued unless, among other things, (a) the facilities to be acquired, constructed, reconstructed, or improved with the proceeds of such proposed additional parity bonds shall be made an integral part of the System and the revenues therefrom shall be pledged as additional security for all outstanding Bonds and such proposed additional parity bonds, and (b) the net annual income and revenues of the System are sufficient to meet certain requirements set forth in the General Bond Ordinance. See "SUMMARY OF THE GENERAL BOND ORDINANCE – Issuance of Parity Bonds" and "SUMMARY OF THE GENERAL BOND ORDINANCE – Issuance of Refunding Bonds" herein.

Subordinated Debt

Under the General Bond Ordinance, the City has the right to issue Subordinated Debt (as defined and described herein) secured by, and payable from, the revenues of the System on a basis subordinate and subject to the priority of the Series 2026A

Bonds, subject to the satisfaction of the applicable requirements set forth in the General Bond Ordinance. See "SUMMARY OF THE GENERAL BOND ORDINANCE – Issuance of Subordinated Debt" herein.

GENERAL INFORMATION CONCERNING THE CITY AND THE SYSTEM

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

Existing System

The City has its source of supply at the Ohio River and has a permit to draw as much water as is necessary in connection with the 24 million gallon per day water treatment plant owned and operated by the City. The average daily consumption of the System is 10 million gallons per day with peak daily consumption of 13 million gallons per day. As of June 23, 2026, the System serves approximately 14,042 water customers and 8,694 sewer customers across the Cities of Ashland, Catlettsburg, Flatwoods, and Russell, Kentucky and the Counties of Boyd and Greenup, Kentucky. The System can also serve the City of Kenova, West Virginia. This translates to 100% of the population of the City and 60% of the population of Boyd County for sewer and 100% of the population of both the City and Boyd County for water. The System currently has 240 miles of transmission and distribution lines, 12 storage tanks with capabilities ranging from 150,000 to 3,250,000 gallons and a total capacity of 13,400,000 gallons, and 13 pump stations.

Outstanding Indebtedness

Upon the issuance of the Series 2026A Bonds, (i) the City will have the following obligations outstanding payable from and secured by a first lien pledge of the revenues of the System on a parity with the Series 2026A Bonds: (a) $268,333 principal amount of a Lease Agreement dated July 30, 2013, by and between the City, as lessee, and the Kentucky Bond Corporation, as lessor (the "KBC Lease"), (b) $1,320,000 principal amount of its Water and Sewer System Revenue Bonds, Series 2015, dated March 11, 2015 (the "Series 2015 Bonds"), and (c) $8,780,000 principal amount of its Water and Sewer System Revenue Bonds, Series 2020A, dated July 7, 2020 (the "Series 2020A Bonds" and, together with the KBC Lease, the Series 2015 Bonds, and the Series 2026A Bonds, the "Parity Obligations"), and (ii) the City will have the following obligations outstanding payable from and secured by the revenues of the System on a basis subordinate and subject to the Parity Obligations: (a) $2,805,975 principal amount of an Assistance Agreement (Loan A10-01) dated May 1, 2010, by and between the City and the Kentucky Infrastructure Authority ("KIA"), and (b) $38,326,063 principal amount of an Assistance Agreement (Loan A22-005) dated December 1, 2025, by and between the City and KIA.

Management of the System

Management of the Ashland Water and Sewer Plant is vested with Tony D. Grubb, as City Manager, Barry Adkins, as Director of Engineering, and Mark Hall, as Director of Utilities. The City Manager, the Director of Engineering, and the Director of Utilities are collectively in charge of the management, operation, and maintenance of the System, subject to all rules, regulations, and decisions of the Board of Commissioners of the City. The City currently employs over thirty certified operators for the water system and over twenty certified operators for the sewer system. For additional information concerning the City and the System, see Appendix B and Appendix C hereto.

Future Financings

The City has proposed plans to enter into one or more Assistance Agreements with the Kentucky Infrastructure Authority in an approximate aggregate principal amount of $25,000,000 in order to finance the costs of various extensions, improvements, and betterments to the System, which Assistance Agreements will be payable from and secured by the revenues of the System on a basis subordinate and subject to the pledge of and lien on such revenues with respect to the Series 2026A Bonds.

Outside of the planned financings discussed above, the City has not formal plans to incur any additional indebtedness payable from the revenues of the System.

PLAN OF FINANCING

The proceeds of the Series 2026A Bonds will be used to (i) make a deposit into the Series 2026A Construction and Acquisition Account established by the Series 2026A Bond Ordinance to finance all or a portion of the costs of the construction of additions and improvements to the System, (ii) make a deposit into the Series 2026A Cost of Issuance Account established by the Series 2026A Bond Ordinance to pay all or a portion of the costs of issuance of the Series 2026A Bonds, (iii) pay the costs of credit enhancement for the Series 2026A Bonds, if any, and (iv) fund, to the extent necessary, all or a portion of any required increase to the Debt Service Reserve established by the General Bond Ordinance resulting from the issuance of the Series 2026A Bonds.

SOURCES AND USES OF FUNDS

Sources:		
Principal Amount of the Series 2026A Bonds		$________
[Plus/Less] [Net] Original Issue [Premium/Discount]		________
	Total Sources	$________
Uses:		
Deposit to Series 2026A Construction and Acquisition Account		$________
Deposit to Series 2026A Cost of Issuance Account		________
Deposit to Debt Service Reserve		________
Underwriter's Discount		________
	Total Uses	$________

SUMMARY OF THE GENERAL BOND ORDINANCE

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

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

Bond Proceeds Fund

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

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

Other Funds and Accounts

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

(1) Water and Sewer Revenue Fund

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

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

Water and Sewer Revenue Fund

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

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

(1) Debt Service Fund Interest Account. An amount equal to the interest on all outstanding Bonds accrued and unpaid as of the next interest payment date divided by the number of months preceding the next interest payment date.

(2) Debt Service Fund Principal Account. An amount equal to the amount of the next principal installment divided by the number of months preceding the next principal installment date.

(3) Debt Service Reserve. If the amount on deposit in the Debt Service Reserve is less than the Aggregate Debt Service Reserve Requirement, an amount equal to 1/24th of such deficiency so that the balance in the Debt Service Reserve will equal the Aggregate Debt Service Reserve Requirement in the month that is twenty-four months from the month such deficiency first existed, and any such amount required under Section 506(7) of the General Bond Ordinance.

(4) Operation and Maintenance Fund. The amount required before the tenth day of the next month to pay Operating and Maintenance Costs (as defined below) of the System in accordance with its annual budget, together with such proportionate amounts as will, during the twenty-four months following the issuance of any series of Bonds or any Subordinated Debt, together with sums on deposit in such fund, equal Operation and Maintenance Costs for one month. Operation and Maintenance Costs are defined as expenses incurred by the City in carrying out, administering, operating, and maintaining the System, including salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, upkeep, furnishing, equipment, repair of facilities, insurance premiums, legal, accounting, management, consulting, and banking services and expenses, the fees and expenses of any regulatory agency having jurisdiction over the System, and all other items normally considered operating and maintenance costs under generally accepted accounting principles, but excluding allowances for depreciation and deposits to the Depreciation Fund.

(5) Depreciation Fund. If the amount on deposit in the Depreciation Fund is less than the Depreciation Reserve Requirement, an amount equal to 1/36th of such deficiency so that the balance in the Depreciation Fund will equal the Depreciation Reserve Requirement in the month that is thirty-six months from the month such deficiency first existed. Thereafter, such monthly payments may cease for so long as the required balance in the Depreciation Fund is maintained, and such monthly payments shall resume again if, at any time, such balance is less than the Depreciation Reserve Requirement and shall continue until such balance is established. The Depreciation Reserve Requirement is an amount determined by a firm of consulting engineers to be necessary for unforeseen major repairs or replacements of the System.

(6) Surplus Fund. On a periodic basis, but no less frequently than annually, the revenues remaining in the Water and Sewer Revenue Fund at the end of the month, or, in the case of annual transfers, the preceding calendar year,

after making the payments described above, including any balances to be accrued and maintained, may be transferred to the Surplus Fund.

Debt Service Fund

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

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

Debt Service Reserve

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

Operation and Maintenance Fund

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

Depreciation Fund

The Depreciation Fund is available and is to be utilized to balance depreciation to make unforeseen major repairs and replacements and to pay the cost of construction of additions, extensions, betterments, and improvements of the System which will either increase income and revenues or provide a higher degree of service. In addition to any amounts required by any Series Ordinance and the General Bond Ordinance to be set aside and deposited therein there shall be transferred and deposited to the Depreciation Fund any other moneys (a) received by the City from any other sources and duly ordered to be deposited therein (unless required to be otherwise applied), (b) for which the City has exercised a discretion to so deposit or transfer as permitted in the Ordinance, and (c) ordered to be so deposited from the proceeds of any series of Bonds. All amounts in the Depreciation Fund may be expended and applied by the depository upon written direction of the City only for (i) making up any deficiency in the Debt Service Fund and the Debt Service Reserve, (ii) redeeming Bonds, (iii) paying principal installments of or interest on any Bonds when due, (iv) transferring to the Water and Sewer Revenue Fund, or (v) investing in Investment Obligations. To the extent that other moneys are not available for the payment of principal installments or interest on the Bonds or Subordinated Debt when due, all Investment Obligations credited to, and in, the Depreciation Fund shall be sold and the proceeds thereof shall be deposited in the Debt Service Fund.

Surplus Fund

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

Investment of Funds

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

(a) Obligations of the United States and of its agencies and instrumentalities, including any obligations subject to repurchase agreements, if delivery of such obligations subject to repurchase agreements is taken either directly or through any authorized custodian, which investments may be accomplished through repurchase agreements reached with sources including, without limitation, national or state banks chartered in Kentucky;

(b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including, without limitation:

1. United States Treasury obligations;
2. United States Export-Import Bank notes or guaranteed participation certificates;
3. Farmers Home Administration insured notes;
4. Governmental National Mortgage Corporation obligations; and
5. Merchant Marine bonds;

(c) Obligations of any corporation of the United States government, including, without limitation:

1. the Federal Home Loan Mortgage Corporation;
2. Federal Farm Credit Banks;
3. the Bank for Cooperatives (CoBank);
4. Federal Intermediate Credit Banks;
5. Federal Land Banks;
6. Federal Home Loan Banks;
7. the Federal National Mortgage Association; and
8. the Tennessee Valley Authority;

(d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by Section 41.240(d) of the Kentucky Revised Statutes;

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institutions rated in one of the three highest categories by a competent rating agency;

(f) Bankers' acceptances for banks rated in one of the three highest categories by a competent rating agency;

(g) Commercial paper rated in the highest category by a competent rating agency;

(h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a competent rating agency;

(j) Shares of mutual funds, each of which shall have the following characteristics;

1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;

2. The management company of the investment company shall have been in operation for at least five years; and
3. All of the securities in the mutual fund shall be eligible investments under Section 66.480 of the Kentucky Revised Statutes;

(k) Individual equity securities, if the moneys being invested are managed by a professional investment manager regulated by a federal regulatory agency, provided that the individual equity securities shall be included within the Standard and Poor's 500 Index, and a single sector shall not exceed 25% of the equity allocation; and

(l) Individual high-quality corporate bonds that are managed by a professional investment manager that:

1. Are issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States;
2. Have a standard maturity of no more than ten years; and
3. Are rated in the three highest rating categories by at least two competent credit rating agencies.

Issuance of Notes, Additional Bonds, and Subordinated Debt

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

The General Bond Ordinance provides that the City may issue notes, bonds, and other obligations having such terms and secured by a pledge of such funds as the resolution or ordinance authorizing the issue provides (the "Subordinated Debt"), but any pledge to the holders of such Subordinated Debt of a fund or account created under the General Bond Ordinance is required to be subordinated in all respects to the pledge created under the General Bond Ordinance for the benefit of the holders of Bonds, except that proceeds of the sale of Bonds may be pledged for the payment of Notes issued in anticipation thereof as aforesaid and additional series of Bonds may be issued on a parity with the Series 2026A Bonds and secured equally by the revenues and assets pledged under the General Bond Ordinance and payable equally there from, as herein described.

Issuance of Parity Bonds

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

The City reserves the right to issue additional series of Bonds payable from the Pledged Receipts of the System on a basis of parity and equality with all other parity Bonds authorized to be issued by the General Bond Ordinance to (a) reconstruct, repair, and improve the System, (b) make, acquire, construct, and install any additions, extensions, betterments, or improvements thereto, (c) acquire existing utility facilities and systems from any person, if such waterworks and water distribution systems are revenue producing, and (d) refund any outstanding bonds. No such parity Bonds shall be issued unless: (i) the facility or facilities to be acquired, constructed, reconstructed, or improved from such parity Bond proceeds are made an integral part of the System and revenues therefrom are pledged as additional security for all outstanding Bonds and such additional parity Bonds, (ii) the City is in compliance with all covenants and undertakings in connection with all Bonds then outstanding and payable from the Pledged Receipts, (iii) the net annual income and revenues of the System for a period of twelve consecutive months out of the eighteen months immediately before the issuance of such parity Bonds are certified in writing by an independent firm of state licensed certified public accountants to have been equal to at least 1.25x the maximum Annual Debt Service Requirement coming due in any future twelve month period on all outstanding Bonds, together with the parity Bonds to be issued, and (iv) the net annual income and revenues of the System (defined in the General Bond Ordinance as Pledged Receipts less Operation and Maintenance Costs for such period) for a period of twelve consecutive months of the eighteen months immediately before the issuance of such parity Bonds are certified in writing by an independent firm of state licensed certified public accountants (subject to adjustments as hereinafter provided) to have been equal to at least 1.10x the maximum Annual Debt Service Requirement coming due in any future Bond Fiscal Year on all Bonds and Subordinated Debt outstanding payable from Pledged Receipts, together with the parity Bonds proposed to be issued.

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

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

Issuance of Refunding Bonds

Bonds may also be issued under the General Bond Ordinance to refund any outstanding Bonds, subject to the following provisions and limitations. A series of Refunding Bonds may be delivered only upon the receipt of:

(a) irrevocable instructions to the Paying Agent and Registrar in respect of the Bonds to be refunded to give due notice of redemption of all Bonds to be refunded on a specified redemption date;

(b) irrevocable instructions to the Paying Agent and Registrar in respect of the Bonds to be refunded to give due notice provided for in the General Bond Ordinance to the holders of Bonds being refunded;

(c) either:

(i) moneys in an amount sufficient to effect payment at the applicable redemption price of the Bonds to be refunded, together with accrued interest thereon to the date of redemption, or

(ii) Investment Obligations, the principal of and interest on which, when due, will provide moneys which, together with any moneys deposited with the appropriate depository at the same time, will be sufficient to pay the principal or redemption price of and interest due or to become due on the Bonds to be refunded; and

(d) all other documents required to be delivered to the Paying Agent in respect of the Bonds to be refunded as a condition precedent to delivery of Bonds of any series under the General Bond Ordinance.

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

Issuance of Subordinated Debt

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

The City reserves the right to issue Subordinated Debt payable from the Pledged Receipts of the System and not ranking on a basis of parity and equality with all parity Bonds authorized to be issued by the General Bond Ordinance in order to provide for additions, extensions, betterments, or improvements to the System. No such Subordinated Debt shall be issued unless: (i) such Subordinated Debt is issued in express recognition of the priorities, liens, and rights created and existing for the security, source of payment, and protection of all outstanding parity Bonds authorized and permitted to be issued pursuant to the General Bond Ordinance, (ii) the facilities to be acquired, constructed, reconstructed, or improved from the proceeds of the Subordinated Debt are made an integral part of the System and revenues therefrom are pledged as additional security for all Outstanding Bonds and Subordinated Debt, (iii) the City is in compliance with all of the covenants and undertakings in connection with all Bonds then outstanding and payable from the Pledged Receipts, and (iv) the net annual income and revenues of the System for a period of twelve consecutive months of the eighteen months immediately before the issuance of such Subordinated Debt are certified in writing by an independent firm of state licensed certified public accountants to have been equal to at least 1.00x the maximum annual debt service requirements coming due in any future twelve month period on all Outstanding Bonds and Subordinated Debt, together with the Subordinated Debt proposed to be issued.

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

If Subordinated Debt is issued in the future, the City is required to adjust the monthly deposits into the Debt Service Fund, including the subaccounts therein to be established upon the issuance of Subordinated Debt, in the manner prescribed by the General Bond Ordinance to reflect the annual debt service on the Subordinated Debt.

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

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

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

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

Certain Covenants of the City

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

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

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

(a) make any investment in connection with the System that produces a yield in excess of such applicable maximum yield as may be permitted by the Code, and

(b) invest or direct any depository to invest moneys in any fund or account in Investment Obligations that produce a yield in excess of such applicable maximum yield as may be permitted by the Code.

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

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

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

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

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

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

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

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

Waiver of Laws. The City has covenanted not to insist upon or plead, in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force which may affect any of the covenants and agreements contained in the General Bond Ordinance, any Series Ordinance, any Supplemental Ordinance, or the Bonds, and all benefit or advantage of such law or laws has been expressly waived by the City.

Defaults and Remedies

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

(a) default by the City in the payment of any principal installment or redemption price, if any, of any Bond when due;

(b) default by the City in the payment of any installment of interest on the Bonds when due; or

(c) failure or refusal by the City to comply with the provisions of Chapter 58 or Sections 96.350 through 96.510, inclusive, of the Kentucky Revised Statutes (collectively, the "Act"), or default in the performance or observance of any other covenants, agreements, or conditions contained in the General Bond Ordinance, any Series Ordinance, any Supplemental Ordinance, or the Bonds, and such failure, refusal, or default shall continue for a period of forty-five days after written notice thereof by the Holders of not less than 5% in principal amount of Bonds then outstanding.

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

(a) enforce, by mandamus or other suit, action, or proceedings at law or in equity, all of the rights of the Bondholders, including the right to require the City to enforce, collect, and receive water and sewer rates, rentals, and charges adequate to carry out the covenants and agreements of the City with respect to the production of revenues of the System, and to require the City to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) bring suit upon the Bonds;

(c) require the City, by action or suit in equity, to account as if it were the trustee of an express trust for the Holders of the Bonds;

(d) enjoin, by action or suit in equity, any acts or things that may be unlawful or in violation of the rights of the Holders of the Bonds;

(e) seek, by action or suit in equity, the appointment of a receiver who shall take charge of and administer the affairs of the City;

(f) declare all Bonds due and payable, and if all default shall be made good (excepting any acceleration provisions), then, with the written consent of the Holders of not less than 25% in principal amount of the Bonds then outstanding, to annul such declaration and its consequences; and

(g) if all Bonds are declared due and payable, and a receiver is appointed, to sell all of the Investment Obligations and all other assets of the City (to the extent not theretofore set aside for the redemption of Bonds for which call has been made), and to cause the receiver to take over the System and operate same in the name of the City for the use and benefit of the Bondholders.

No Individual Liability

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

Defeasance

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

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

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

GENERAL LEGAL MATTERS

The issuance of the Series 2026A Bonds and certain legal matters incident to the City's compliance with Section 103(b)(2) and Section 148 of the Code, and regulations thereunder relating to "arbitrage bonds" are subject to the approval of Dinsmore & Shohl LLP, Louisville, Kentucky, Bond Counsel, whose approving legal opinion will be delivered concurrently with the Series 2026A Bonds. Certain legal matters will be passed upon for the City by its counsel, Andrew K. Wheeler, Esq.

Bond Counsel has reviewed the legal matters incident to the sections of this Official Statement entitled "THE SERIES 2026A BONDS," "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2026A BONDS," "SUMMARY OF THE

GENERAL BOND ORDINANCE," and "TAX EXEMPTION" and is of the opinion that the statements contained in such sections are, as to law and legal conclusions, correct and that such sections fairly summarize the contents of documents described therein. Bond Counsel assumes no responsibility for the accuracy or completeness of other statements or financial information contained in this Official Statement.

LITIGATION

There is no controversy or litigation of any nature now pending or threatened, (i) restraining or enjoining the issuance, sale, execution, or delivery of the Series 2026A Bonds, or (ii) contesting or affecting, in any way, (a) the validity of the Series 2026A Bonds, (b) any proceedings of the City taken in connection with the issuance or sale of the Series 2026A Bonds, (c) the pledge or application of any moneys or security provided for the payment of the Series 2026A Bonds, or (d) the due existence or powers of the City.

TAX EXEMPTION

General

In the opinion of Bond Counsel for the Series 2026A Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions in effect as of the date hereof, interest on the Series 2026A Bonds will be excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and will not be a specific item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals (for a discussion of the corporate alternative minimum tax, see "TAX EXEMPTION – Corporate Alternative Minimum Tax" herein). In addition, Bond Counsel is of the opinion that interest on the Series 2026A Bonds is exempt from Kentucky income taxation and that the Series 2026A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the approving legal opinion of Bond Counsel with respect to the Series 2026A Bonds is set forth in Appendix F attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of the interest on certain obligations, such as the Series 2026A Bonds, from gross income for federal income tax purposes. The City has covenanted to comply with certain restrictions designed to ensure that interest on the Series 2026A Bonds will not be includable in gross income for federal income tax purposes. Failure to comply with these covenants could result in the interest on the Series 2026A Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the date of issuance of the Series 2026A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2026A Bonds may adversely affect the tax status of the interest on the Series 2026A Bonds.

Certain requirements and procedures contained or referred to in the Series 2026A Bonds and other relevant documents may be changed, and certain actions (including, without limitation, defeasance of the Series 2026A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion regarding any Series 2026A Bonds or the tax status of the interest thereon if any such change occurs or any such action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that interest on the Series 2026A Bonds will be excludible from gross income for federal and Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2026A Bonds may otherwise affect a Bondholder's federal, state, or local tax liabilities. The nature and extent of these other tax consequences may depend on the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions with respect to any tax consequences other than what is contained in its opinion, and each Bondholder or potential Bondholder is urged to consult with its own tax counsel with respect to the effects of purchasing, holding, or disposing of the Series 2026A Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Series 2026A Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. These effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed under Section 884 of the Code; increasing the federal tax liability of certain insurance companies under Section 832 of the Code; increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code; increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code; and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. The ownership of any Series

2026A Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain taxpayers pursuant to Section 265 of the Code. Finally, the residence of a Bondholder in a state other than Kentucky or a Bondholder being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed on such Bondholder by such states or their political subdivisions based upon the interest or other income from the Series 2026A Bonds.

The City has designated the Series 2026A Bonds as "qualified tax-exempt obligations" under and within the meaning of Section 265 of the Code.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Series 2026A Bonds that bear interest at a rate which is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the "Premium Series 2026A Bonds"). For federal income tax purposes, the amount of the Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining a bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Series 2026A Bonds that must be amortized during any period will be based on the "constant yield" method, using the original Bondholder's basis in such Premium Series 2026A Bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

The Holders of any Premium Series 2026A Bonds should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

The Series 2026A Bonds having a yield that is higher than the interest rate (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at maturity thereon (the "Discount Series 2026A Bonds"). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold under that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for Discount Series 2026A Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the "yield to maturity"). The amount of OID that accrues during each semiannual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Series 2026A Bond at its issue price, the portion of OID that accrues during the period such purchaser owns the Discount Series 2026A Bond is added to such purchaser's tax basis for purposes of determining the gain or loss at the maturity, redemption, sale, or other disposition of that Discount Series 2026A Bond, and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

The Holders of any Discount Series 2026A Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Series 2026A Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

Corporate Alternative Minimum Tax

The Inflation Reduction Act of 2022 imposes a corporate alternative minimum tax equal to 15% of "adjusted financial statement income" of all "applicable corporations" (each as so defined in Section 59(k) of the Code). Generally, an "applicable corporation" includes any corporation (as defined for federal income tax purposes, other than S corporations, regulated investment companies, and real estate investment trusts) with "average annual adjusted financial statement income" of over $1,000,000,000 over any preceding period of three tax years (ending with a tax year ending after December 31, 2021). The corporate alternative minimum tax applies for all tax years beginning after December 31, 2022. Under the Inflation Reduction Act, the interest on tax-exempt bonds, such as interest on the Series 2026A Bonds, is included (i) in the calculation of a corporation's "average annual adjusted financial statement income" to determine whether the corporation is an "applicable corporation," and (ii) in the calculation of an applicable corporation's "adjusted financial statement income" to determine the alternative minimum tax imposed on such corporation pursuant to Section 55 of the Code, regardless of the issue date of such tax-exempt bonds.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals at the federal and state level that, if enacted, could alter or amend the federal and state tax matters discussed above or could adversely affect the market value of the Series 2026A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or, if enacted, whether it would apply to obligations issued before its enactment. In addition, from time to time, regulatory actions are pronounced or proposed and litigation is threatened or commenced, which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2026A Bonds. It cannot be predicted whether any such regulatory action might be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2026A Bonds or the market value thereof would be impacted thereby. Any potential purchasers of the Series 2026A Bonds should consult their own tax advisors as to any pending or proposed legislation, regulatory initiatives, or litigation. The opinions expressed by Bond Counsel with respect to the Series 2026A Bonds are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of the issuance and delivery of the Series 2026A Bonds, and Bond Counsel has expressed no opinions as of any date subsequent thereto with respect to any pending legislation, regulatory initiatives, or litigation.

RATING

Moody's Ratings ("Moody's") has given the Series 2026A Bonds a rating of "A2". Such rating reflects only the view of Moody's. An explanation of the significance of the rating assigned by Moody's may be obtained from Moody's Ratings at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, (212) 553-0300. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely if, in the judgment of Moody's, the circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2026A Bonds.

There can be no assurance that a rating, when assigned, will continue for any given period of time or that it will not be lowered or withdrawn entirely by Moody's if, in its judgment, the circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Series 2026A Bonds.

The City presently expects to furnish Moody's with all information and materials that it may request on any future bond issues. However, the City assumes no obligation to furnish such requested information and materials and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of Moody's ratings on the City's outstanding bonds.

UNDERWRITING

The Series 2026A Bonds are being purchased for reoffering by [________] (the "Underwriter"). The Underwriter has agreed to purchase the Series 2026A Bonds at an aggregate purchase price of $[____] (reflecting the par amount of the Series 2026A Bonds, [plus/less] net original issue [premium/discount] of $[____] and less underwriter's discount of $[____]). The initial public offering prices which produce the yields set forth on the cover page hereof may be changed by the Underwriter, and the Underwriter may offer and sell the Series 2026A Bonds to certain dealers (including dealers depositing Series 2026A Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page.

MUNICIPAL ADVISOR

RSA Advisors, LLC is employed as Municipal Advisor to the City in connection with the issuance of the Series 2026A Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Series 2026A Bonds is contingent upon the issuance and delivery of the Series 2026A Bonds.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12 (the "Rule"), and so long as the Series 2026A Bonds are outstanding, the City will agree, under a continuing disclosure undertaking to be dated as of the date of issuance and delivery of the Series 2026A Bonds (the "Disclosure Undertaking"), to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system, as described in 1934 Act Release No. 59062, or any other similar system acceptable to the Securities and Exchange Commission, certain annual financial information and operating data with respect to the City and the System, including audited financial statements, generally consistent with the information in Appendix B and Appendix D hereto (the "Annual Financial Information"). The Annual Financial Information shall be provided on or before the March 1 following the fiscal year ending the preceding June 30, commencing with the fiscal year ending June 30, 2026, provided that the audited financial statements may not be available by such date, but will be made available immediately upon the delivery thereof by the auditors for the City;

(ii) to the MSRB through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Series 2026A Bonds:

(a) Principal and interest payment delinquencies;
(b) Non-payment related defaults, if material;
(c) Unscheduled draws on debt service reserves reflecting financial difficulties;
(d) Unscheduled draws on credit enhancements reflecting financial difficulties;
(e) Substitution of credit or liquidity providers, or their failure to perform;
(f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or any other material notices or other determinations with respect to the tax status of the Series 2026A Bonds, or any other material events affecting the tax-exempt status of the Series 2026A Bonds;
(g) Modifications to rights of security holders, if material;
(h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
(i) Defeasances;
(j) Release, substitution, or sale of any property securing the repayment of the Series 2026A Bonds, if material;
(k) Rating changes;
(l) Bankruptcy, insolvency, receivership, or similar event of the City (Note – This event is considered to occur upon the occurrence of: the appointment of any receiver, fiscal agent, or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession of such assets or business of the City but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming any plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);
(m) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of any definitive agreement relating to any such actions, other than under its terms, if material;
(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
(o) Incurrence of a Financial Obligation of the City, if material, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
(p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(iii) in a timely manner, to the MSRB through EMMA, notice of a failure (of which the City has knowledge) of the City to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

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

The Disclosure Undertaking provides Bondholders, including beneficial owners of the Series 2026A Bonds, with certain enforcement rights in the event of a failure by the City to comply with the terms thereof; provided, however, that a default under the Disclosure Undertaking does not constitute an event of default under the Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule, as more fully described therein.

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

(a) there are no credit enhancements applicable to the Series 2026A Bonds; and

(b) there are no liquidity providers applicable to the Series 2026A Bonds.

The City has previously entered into certain continuing disclosure undertakings relating to other series of Bonds pursuant to the Rule (collectively, the "Prior Disclosure Undertakings"). The City has materially complied with its obligations under the Rule during the past five years except that:

(i) the City's Audited Financial Statements for the Fiscal Year Ended June 30, 2022 required to be filed by March 1, 2023 were filed late on August 7, 2024, as described in a notice of late filing dated March 2, 2023;

(ii) the City's Audited Financial Statements for the Fiscal Year Ended June 30, 2023 required to be filed by March 1, 2024 were filed late on August 7, 2024, as described in a notice of late filing dated March 4, 2024; and

(iii) the City's Audited Financial Statements for the Fiscal Year Ended June 30, 2024 required to be filed by March 1, 2025 were filed late on September 8, 2025, as described in a notice of late filing dated March 3, 2025.

The City intends to file all future Annual Financial Information within the time requirements specified in the Rule, the Prior Disclosure Undertakings, and the Disclosure Undertaking for the Series 2026A Bonds, and the City has adopted policies and procedures to ensure the timely filing thereof, which policies and procedures are available to the public upon request.

CONCLUDING STATEMENT

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

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

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information, other than that obtained from official records of the City, has not been independently confirmed or verified by the City and its accuracy is not guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Series 2026A Bonds.

This Official Statement has been approved by the City and has been executed and delivered in the name and on behalf of the City by its Mayor as of the date set forth on the cover page hereof.

CITY OF ASHLAND, KENTUCKY

By: /s/______________________________
Mayor

Dated July __, 2026

APPENDIX A

CITY OF ASHLAND, KENTUCKY
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2026A

ESTIMATED AGGREGATE DEBT SERVICE REQUIREMENTS

City of Ashland, Kentucky
Water and Sewer System Revenue Bonds, Series 2026A
Estimated Debt Service

FY Ending June 30	Prior Net Debt Service*	Principal Portion	Interest Portion	Total Payment	Aggregate Total
2026	$1,541,223				$1,541,223
2027	$1,548,598	$20,000	$308,579	$328,579	$1,877,177
2028	$1,545,048	$25,000	$415,462	$440,462	$1,985,510
2029	$1,392,642	$25,000	$414,712	$439,712	$1,832,354
2030	$1,389,192	$30,000	$413,949	$443,949	$1,833,141
2031	$1,099,867	$30,000	$413,010	$443,010	$1,542,877
2032	$1,103,967	$35,000	$412,047	$447,047	$1,551,014
2033	$1,102,767	$40,000	$410,889	$450,889	$1,553,656
2034	$898,990	$75,000	$409,521	$484,521	$1,383,510
2035	$695,013	$280,000	$406,911	$686,911	$1,381,923
2036	$696,738	$290,000	$396,915	$686,915	$1,383,652
2037	$698,125	$295,000	$386,301	$681,301	$1,379,426
2038	$694,175	$310,000	$375,238	$685,238	$1,379,413
2039	$700,000	$320,000	$363,303	$683,303	$1,383,303
2040	$703,750	$325,000	$350,727	$675,727	$1,379,477
2041		$1,045,000	$337,630	$1,382,630	$1,382,630
2042		$1,085,000	$295,307	$1,380,307	$1,380,307
2043		$1,130,000	$250,605	$1,380,605	$1,380,605
2044		$1,175,000	$204,275	$1,379,275	$1,379,275
2045		$1,230,000	$154,103	$1,384,103	$1,384,103
2046		$1,280,000	$100,352	$1,380,352	$1,380,352
2047		$955,000	$42,880	$997,880	$997,880
Totals:	$15,810,095	$10,000,000	$6,862,710	$16,862,710	$32,672,806

Notes: *Estimated, all figures rounded to the nearest dollar*

APPENDIX B

CITY OF ASHLAND, KENTUCKY
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2026A

ADDITIONAL INFORMATION REGARDING THE CITY OF ASHLAND, KENTUCKY'S COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM

APPENDIX B
ADDITIONAL INFORMATION REGARDING THE CITY AND THE SYSTEM

THE SYSTEM

History

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

As the City and surrounding area grew, the plant was modified and expanded to reach a capacity of 5,000,000 gallons per day by the 1950's. The existing Ashland Water Treatment Plant was completed in 1959 to increase capacity to 8,000,000 gallons per day and replace the 1921 era plant. The plant was updated in 1981 to increase capacity to 12,000,000 gallons per day. Construction was completed in 2005 increasing capacity to 20,000,000 gallons per day. Today, the facility has a design capacity of 24,000,000 gallons per day, with an average daily production of approximately 10,000,000 gallons and peak production near 13,000,000 gallons. In recognition of its performance, the Ashland Water Treatment Plant was named Kentucky Water Plant of the Year in 2024.

The system continues to expand monthly. The system serves the City of Ashland, City of Catlettsburg, most of Boyd County, individual customers in Greenup County and can supply the Greenup County cities of Russell and Flatwoods. The system is also connected to the City of Kenova water system in West Virginia. The system currently has 240 miles of transmission and distributions lines including:

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

Storage tanks for treated water have been added over the years including four tanks with a total capacity of 5,000,000 gallons added since 2001. The system has twelve tanks ranging from 150,000 to 3,250,000 gallons with a total capacity of 13,400,000 gallons.

Size	Number of Tanks
❑ 3,250,000 Gallons	1
❑ 3,000,000 Gallons	1
❑ 1,000,000 Gallons	5
❑ 500,000 Gallons	4
❑ 150,000 Gallons	1

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

The City has committed to provide 1,000,000 gallons per day to the East Industrial Park at the completion of the current Ashland Water Treatment Plant expansion and has taken ownership of state installed line, pump station and tanks. As of 2024, the water treatment plant operates at a designed capacity of 24 million gallons per day, with an average 10 million gallons per day and peak approximately 13 million gallons per day.

Existing System

The City has its source of supply at the Ohio River. The City has a permit to draw as much water as necessary. The City owns and operates a 24 million gallon per day water treatment plant. The average daily consumption is 10 million gallons per day with peak daily consumption of 13 million gallons per day. As of June 30, 2024, the City bills approximately 14,000 utility customers monthly across the Cities of Ashland, Catlettsburg, Flatwoods, and Russell, as well as the surrounding counties of Boyd and Greenup. Specific breakdowns by water versus sewer customers are not separately reported in the City's 2024 financial documents.

The City has also served Ceredo Kenova, West Virginia. The System currently has 240 miles of transmission and distribution links, twelve storage tanks with capabilities ranging from 150,000 to 3,250,000 gallons and a total capacity of 13,400,000 gallons, and thirteen pump stations.

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

Outstanding Indebtedness

As of June 30, 2024, the City reported outstanding debt obligations for its utility operations ("The System") consisting of the following: Water and Sewer Revenue Bonds, Series 2015, with $1,795,000 outstanding; Water and Sewer Revenue Bonds, Series 2020, with $9,760,000 outstanding; Kentucky Infrastructure Authority loans totaling $3,741,681; and a financing lease for radio read meters with an outstanding balance of $552,917. The City's Revenue Refunding and Improvement Bonds, Series 2013, were fully repaid during the fiscal year ended June 30, 2024.

In addition to the System debt, the City also has general governmental obligations outstanding, including General Obligation Refunding Bonds, Series 2015 ($1,230,000 outstanding), General Obligation Bonds, Series 2017 for the Ashland Plaza Redevelopment Project ($3,415,000 outstanding), General Obligation Bonds, Series 2013 for the Melody Mountain Phase II lease ($971,667 outstanding), and General Obligation Bonds, Series 2021 for various capital improvements ($8,745,000 outstanding).

The City also serves as a conduit issuer for Industrial Revenue Bonds. As of June 30, 2024, there was one series of Industrial Revenue Bonds outstanding with an aggregate principal balance of approximately $222 million. These bonds are not obligations of the City and are payable solely from payments received under the related financing agreements.

Management of the System

Management of the Ashland Water and Sewer Plant is vested exclusively in the Department of Utilities. Mark Hall is employed by the City Commission as Director of Utilities and has charge of the management, operation, and maintenance of the System, subject to all rules, regulations, and decisions of the Ashland City Commission. The Department is staffed by a team of certified operators for both the water and sewer systems.

Future Financings

As of June 30, 2024, the City has no additional debt authorized. However, the FY2025 budget includes engineering and capital planning for construction of a new Wastewater Treatment Plant estimated at approximately $22.2 million, along with $1.0 million in water line replacements. Proposed Utility Fund water and wastewater projects total about $26.0 million. Future financings may be required to support these projects and other system improvements.

Data on Existing System

A. Water System Components

Capacity and Consumption

Source:	Ohio River
Treatment Plant Capacity:	24,000,000 Gallons Per Day
Average Daily Consumption:	10,000,000 Gallons Per Day
Peak Daily Consumption:	13,000,000 Gallons Per Day
Storage Capacity:	Reservoir (Untreated) 25,000,000 Gallons Tanks (Treated) 13,400,000 Gallons
Water Pressure:	120 PSI Plant

10 Largest Users

	Monthly Usage	*Percent of Annual Billing*
Cannonsburg Water	29,918,250	30.98%
Kings' Daughters Medical Center	20,569,750	21.30%
City of Ashland	19,833,230	20.60%
Air Products	4,655,250	4.82%
Federal Correction Institution	4,646,333	4.81%
Marathon Refinery	4,581,000	4.74%
River Metals Recycling	4,570,545	4.73%
Flatwoods Water District	3,607,500	3.74%
Cintas	2,625,199	2.72%
Hardin Street Marine	1,561,000	1.62%

B. Sewer System Components

Capacity and Treatment

Peak Design Capacity:	33,000,000 Gallons Per Day (11,000,000 gallons per day typical design capacity)
Average Daily Flow:	3,000,000 Gallons Per Day
Type of Treatment:	Extended Aeration
Contractors Treated Effluent:	3,000,000 Gallons Per Day

10 Largest Sewer Customers

	Monthly Usage	*Percent of Annual Billing*
Sanitation District # 4	33,625,182	65.40%
Kings Daughters' Medical Center	6,348,580	12.35%
River Metals Recycling	5,263,000	10.24%
Cintas	1,431,000	2.78%
River Cities Disposal	1,391,000	2.71%
Mammoth Holdings	877,000	1.71%
City of Ashland Water Plant	869,000	1.69%
Providence Hill	634,000	1.23%
Hardin Street Marine	532,000	1.03%
WB Hospitality	440,000	.86%

Rates and Charges

Water Rates

Inside City Limits of Ashland

Metered Water Usage	Monthly Rate (per 1,000 gallons)
0 to 2,000 gallons @	$9.16
2,001 to 10,000 gallons @	$6.89
10,001 to 100,000 gallons @	$5.57
over 100,000 gallons @	$4.50
Minimum Bill	$18.20 / mo
Administrative and Billing Charge	$9.04 / mo

Outside City Limits of Ashland

Metered Water Usage	Monthly Rate (per 1,000 gallons)
0 to 2,000 gallons @	$15.57
2,001 to 10,000 gallons @	$11.66
10,001 to 100,000 gallons @	$9.45
over 100,000 gallons @	$7.65
Minimum Bill	$40.18 / mo
Administrative and Billing Charge	$9.04 / mo

Water District Fees

$3.64 per 1,000 gallons

Tap Fees

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

Sewer Rates

General Rates

$6.89 per 1,000 gallons within City Limits of Ashland

$20.67 per 1,000 gallons outside the City Limits of Ashland

Tap Fees

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

Raw Water Intake

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

Water Treatment Plant

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

Debt Service Coverage

This calculation of debt service requirements as set forth below is based on the maximum annual debt service requirements for the Series 2015 Water & Sewer Revenue Bonds, Series 2020 Water & Sewer Revenue Bonds, Kentucky Infrastructure Authority loans, and the radio meter lease Debt Service Coverage based on net annual income and revenues of the System for the fiscal year ended June 30, 2024 (1.25x coverage is minimum):

Net Annual Income and Revenues	$5,889,789
Estimated Maximum Annual Debt Service Requirement[1]	$1,710,000
Estimated Debt Service Coverage Ratio	3.45x

(1) Based on debt service requirements for the fiscal year ended June 30, 2024.

THE CITY

GOVERNMENT

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

Member	Official Term Began	Current Term Ends
Mayor Chuck D. Charles	01/01/25	12/31/28
Commissioner Josh Blanton	01/01/24	12/31/25
Commissioner Amanda Clark	01/01/24	12/31/25
Commissioner Marty Gute	01/01/24	12/31/25
Commissioner Cheryl Springs	01/01/24	12/31/25

TAXATION

Property Tax and Franchise Taxes

Property assessments in Kentucky are at 100% fair cash value. The assessed valuation of real property located in the City as of January 1, 2024, was $1,143,076,804, with personal property assessed at $82,669,603, for a total of $1,225,746,407. The 2024 City tax rate for real estate was $0.2397 per $100 of assessed valuation, with an additional $0.1056 per $100 valuation applicable to property within the floodwall district. The City of Ashland currently levies an insurance premium tax of 10% on various types of insurance, including fire, casualty, auto, accident, health, and new life policies.

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

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

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

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

APPENDIX C

CITY OF ASHLAND, KENTUCKY
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2026A

DEMOGRAPHIC AND ECONOMIC INFORMATION REGARDING
THE CITY OF ASHLAND, KENTUCKY AND BOYD COUNTY, KENTUCKY

CITY OF ASHLAND, KENTUCKY

Ashalnd, the largest city in Boyd County, has an estimated population of 21, 315. Boyd County is situated on the Ohio River in the Appalachian foothills of the tri-state area of Kentucky, Ohio, and West Virginia, and covers 160 square miles. Ashland is located in northeastern Kentucky and is 137 miles southeast of Louisville, Kentucky; 118 miles east of Lexington, Kentucky, and 190 miles east of Louisville, Kentucky. Boyd County had an estimated population of 47,924 people in 2024.

Historically, the city has relied heavily on the steel and oil industries for its economic vitality. The City of Ashland is currently in the process of diversifying its economy and is experiencing tremendous growth in the medical, office, and retail industries. Healthcare is its leading industry and the King's Daughters Medical Center is its #1 employer. King's Daughters Medical Center (KDMC) is a locally controlled, not-for-profit, 465-bed regional referral center, covering 150-mile radius that includes southern Ohio, eastern Kentucky, and western West Virginia. KDMC offers comprehensive cardiac, medical, surgical, pediatric, rehabilitative, psychiatric, cancer, neurological, pain care, wound care and home care services in one convenient location. Established in 1899, KDMC currently ranks fourth in the state of Kentucky in terms of overall admissions, and with more than 3,118 team members, is the largest employer between Charleston, West Virginia, and Lexington, Kentucky.

ECONOMIC FRAMEWORK

In 2024, Ashland had a labor force of 9,359 people and Boyd County had an unemployment rate of 6.47%. The top five jobs by occupation in Ashland were as follows: Office and Admin Support – 2,550 (11.23%); Executive, Managers, and Administrators – 2,446 (10.77%); Sales – 2,361 (10.40%); Food Prep/Serving –1,671 (7.36%); and Health Diagnosing and Treating Practitioners – 1,536 (6.77%).

LABOR MARKET STATISTICS

Population Growth (in thousands)

	------------------------Estimate Year------------------------			
Description	**2021**	**2022**	**2023**	**2024**
Boyd County	47,859	47,841	48,360	48,063
Ashland	20,954	21,379	21,325	21,481

Source: Kentucky Department of Economic Development

Population Projections

	Estimate Year		
Description	**2030**	**2035**	**2040**
Boyd County	46,111	44,864	43,575

Source: Kentucky Center for Statistics – University of Louisville

Unemployment Statistics

Description	Year Ending December 31 2020	2021	2022	2023	2024
County of Boyd					
Civilian Labor Force	17,365	16,989	17,134	17,030	19,267
Employment	15,948	15,989	16,232	16,077	18,074
Unemployment	1,417	1,000	902	953	1,193
Unemployment Rate	8.20%	5.90%	5.30%	5.60%	6.20%
State of Kentucky:					
Civilian Labor Force	2,005,210	2,010,884	2,030,274	2,026,263	2,093,848
Employment	1,874,863	1,921,355	1,948,312	1,941,994	1,987,643
Unemployment	130,347	89,529	81,962	84,269	106,205
Unemployment Rate	6.50%	4.50%	4.00%	4.20%	5.10%
US Comparable Rate:					
Unemployment Rate	8.10%	5.30%	3.60%	3.60%	4.00%

Source: The Kentucky Department for Employment Services, Not Seasonally Adjusted

LOCAL GOVERNMENT

Structure

Ashland's Government structure consists of a Mayor and six Council Members. The Mayor serves a four-year term while the Council Members serve two-year terms. Boyd County is served by a Judge/Executive and three Magistrates. The Judge Executive and Magistrates are elected to serve a four-year term.

Planning and Zoning

Mandatory state codes enforced–Kentucky Plumbing Code, National Electric Code, Kentucky Boiler Regulations and Standards, Kentucky Building Code (modeled after BOCA code).

Sales and Use Tax

A state sales and use tax is levied at the rate of 6.0% on the purchase or lease price of taxable goods and on utility services. Local sales taxes are not levied in Kentucky.

State and Local Property Taxes

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

The table below lists the assessed property valuation as reported by the City of Ashland:

	Tax Year				
Description	**2019**	**2020**	**2021**	**2022**	**2023**
Real Estate	$905,744,984	$931,133,087	$986,940,334	$1,003,410,558	$1,115,075,426
Personal Property	$106,505,938	$107,337,327	$96,257,681	$92,706,507	$99,894,200
Total	$1,012,250,922	$1,038,470,414	$1,083,198,015	$1,096,117,065	$1,214,969,626

Ten Largest Taxpayers

The following tables list the ten largest real property taxpayers and ten largest tangible property taxpayers of the City in 2022 as reported by the Boyd County Property Valuation Administrator.

Name	Fiscal Year 2022 Assessed Valuation
ATC Glimcher LLC	$29,345,051
Melody Mountain Associates LTD	$14,525,000
Providence Hill Apartments LLC	$13,314,000
WB Hospital	$13,066,100
GCG Ashland LLC & RLG Ashland LLC	$12,694,700
BDB Midtown LLC	$11,300,000
ARG MMASHKY001 LLC	$8,485,870
Wal-Mart	$8,145,830
ASCI Acquisition Co LLC	$4,932,754
CH Ashland KY Landlord LLC	$4,400,266

PROPERTY TAX RATES

	Tax Year 2020			Tax Year 2021			Tax Year 2022			Tax Year 2023			Tax Year 2024		
	Real Estate	Tangible	Motor Vehicle	Real Estate	Tangible	Motor Vehicle	Real Estate	Tangible	Motor Vehicle	Real Estate	Tangible	Motor Vehicle	Real Estate	Tangible	Motor Vehicle
Boyd County-															
Ambulance	$0.0960	$0.0960	$0.0890	$0.0960	$0.0960	$0.0960	$0.0980	$0.0980	$0.0960	$0.0990	$0.0990	$0.0960	$0.1000	$0.1000	$0.0960
Extension Services	$0.0372	$0.0372	$0.0114	$0.0360	$0.03363	$0.0114	$0.0360	$0.0398	$0.0114	$0.0360	$0.0369	$0.0100	$0.0360	$0.0405	$0.0100
General	$0.1740	$0.1740	$0.1000	$0.1690	$0.1690	$0.1000	$0.1680	$0.1680	$0.10000	$0.1640	$0.1640	$0.1000	$0.1620	$0.1620	$0.1000
Health	$0.0600	$0.0600	$0.0600	$0.0600	$0.0600	$0.0600	$0.0600	$0.0600	$0.0600	$0.0600	$0.0600	$0.0600	$0.0600	$0.0600	$0.0600
Library	$0.1200	$0.1200	$0.0460	$0.1160	$0.1171	$0.0460	$0.1170	$0.1170	$0.0460	$0.1120	$0.1120	$0.0460	$0.1100	$0.1100	$0.0460
Totals:	**$0.4872**	**$0.4872**	**$0.3064**	**$0.4770**	**$0.4784**	**$0.3134**	**$0.4790**	**$0.4828**	**$0.3134**	**$0.4710**	**$0.4719**	**$0.3120**	**$0.4680**	**$0.4725**	**$0.3120**
Schools-															
Ashland Independent	$0.7650	$0.7650	$0.5140	$0.7410	$0.7650	$0.5140	$0.7320	$0.7650	$0.5140	$0.7520	$0.7520	$0.5140	$0.7750	$0.7750	$0.5140
Boyd County	$0.6680	$0.6680	$0.5470	$0.6500	$0.6500	$0.5470	$0.6770	$0.6770	$0.5470	$0.6850	$0.6850	$0.5470	$0.7080	$0.7080	$0.5470
City-															
Ashland	$0.2671	$0.2671	$0.2714	$0.2576	$0.2576	$0.2671	$0.2544	$0.2544	$0.2671	$0.2490	$0.2490	$0.2576	$0.2397	$0.2397	$0.2490

APPENDIX D

CITY OF ASHLAND, KENTUCKY
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2026A

AUDITED FINANCIAL STATEMENTS OF THE CITY OF ASHLAND, KENTUCKY
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

CITY OF ASHLAND

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2025

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ashland, Kentucky (the "City") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison schedules for each major fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information, the Schedule of Employer Contributions and Investment Returns, the Schedule of Funding Progress, the Schedule of Changes in Net Pension Liabilities, the Schedule of City's Proportionate Share of the Net Pension and OPEB Liability (Asset) and the Schedule of Pension and OPEB Contributions on pages 4 through 18 and on pages 78 through 93, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statements and schedules contained on pages 94 through 100 and the Financial Data Schedule on pages 101 and 102 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental statements and schedules contained on pages 94 through 100, the Financial Data Schedule contained on pages 101 and 102, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
January 15, 2026

CITY OF ASHLAND
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, 2025. This information should be read in conjunction with the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Government exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by $70.5 million (net position). This amount includes $13.2 million restricted to specific projects by laws, regulations or contractual agreements. A deficit total of ($56.3) million was unrestricted due to GASB No. 68, Accounting and Financial Reporting for Pensions, which was implemented in the fiscal year ended 06/30/2015 and GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB), which was implemented in the fiscal year ended 06/30/2018.

- The Government's total net position increased by $14.2 million, primarily due to changes in the net pension and OPEB liabilities and the related deferred outflows and inflows. Net position of governmental activities decreased by $2.8 million and net position of business-type activities increased by $17.0 million.

- At fiscal year end, the governmental funds reported a combined ending fund balance of $12.5 million. Approximately 2.35% of this total amount, $293,332, is restricted. Assigned special revenue fund balance comprises 20.0% of total fund balance.

- On June 30, 2025, unassigned governmental funds fund balance of $8.5 million is available and may be used to meet the government's ongoing obligations to citizens and creditors.

OVERVIEW OF FINANCIAL STATEMENTS

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

REPORTING THE GOVERNMENT AS A WHOLE

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

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

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

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

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

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

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

Business-type activities - Activities primarily paid for from charges and user fees cover the cost of services that are reported here. This includes water production, sanitary sewer services, Ashland bus system, recreation operating fund, cemetery fund, parking garage fund, conference center fund and Paramount Arts 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, Ashland Cemetery Fund, Parking Garage Fund, Conference Center Fund and Paramount Arts Fund to be its major proprietary funds.

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

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

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

THE GOVERNMENT AS A TRUSTEE

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

THE GOVERNMENT AS A WHOLE

NET POSITION

As of June 30, 2025, the Government as a whole had a net position greater than its liabilities by $70,534,166. Net position of governmental activities was $15,398,197 and decreased by $2,827,033 over the prior year. Total collected for taxes were 99.4% of budget. Occupational license fee receipts excelled again this fiscal year for $15 million in revenue. Of ending Governmental Activities Net Position, $52,183,073 is invested in capital assets net of related debt; $293,332 is restricted for grant programs; and unrestricted net position is ($37,078,208). Although the City's investment in its capital assets is reported net of related debt, it should still be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

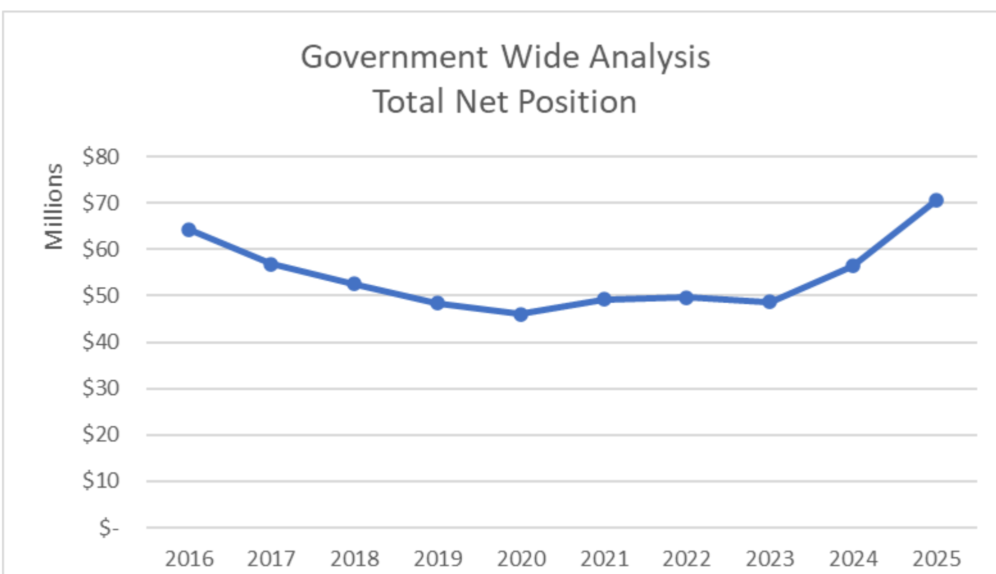
The net position of the Government's business-type activities is $55,135,969 and increased by $17.0 million over the prior year. Residential meter sales city exceeded projections by $242,973. Sewer charges city exceeded projections by $293,807. An increase in Boyd County Sewer charges brought in $1,098,285 of excess funds. A net decrease of $5,539,141 in construction-in-progress was a result of the completion of four water line replacement projects, water plant SCADA project and Geodesic Dome cover project. Of the business-type net position, $61,386,971 is net investment in capital assets and ($19,192,201) is unrestricted. The largest portion of the City's combined net position reflects its investment in capital assets (land, buildings, machinery and equipment), less outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens, and as a result, these assets are not available for future spending. The City's capital asset investment is reported net of related debt, but the resources to pay this debt must be provided from other sources, since the capital assets cannot be used to liquidate the liabilities.

An additional portion of the City's business-type net position, $12,941,199, represents resources that are subject to limitations on their use through legislation adopted by the City or through external restrictions. The largest restricted portion, $10,694,103, is for sewer improvements.

ANALYSIS OF THE CITY'S NET POSITION

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 33,553,929	$ 35,067,900	$ 34,386,319	$ 13,103,106	$ 67,940,248	$ 48,171,006
Capital assets	73,634,622	69,293,976	73,412,557	67,575,846	147,047,179	136,869,822
Total assets	107,188,551	104,361,876	107,798,876	80,678,952	214,987,427	185,040,828
Deferred outflows of resource	11,095,093	11,736,310	4,275,507	4,532,714	15,370,600	16,269,024
Liabilities	22,634,882	22,520,504	20,819,433	8,065,025	43,454,315	30,585,529
Long-term liabilities	65,616,433	59,650,440	30,866,492	32,947,709	96,482,925	92,598,149
Total Liabilities	88,251,315	82,170,944	51,685,925	41,012,734	139,937,240	123,183,678
Deferred inflows of resources	14,634,132	15,702,012	5,252,489	6,062,908	19,886,621	21,764,920
Net position						
Net investment in capital assets	52,183,073	55,922,879	61,386,971	54,336,550	113,570,044	110,259,429
Restricted	293,322	89,541	12,941,199	11,776,059	13,234,521	11,865,600
Unrestricted	(37,078,208)	(37,787,190)	(19,192,201)	(27,976,585)	(56,270,409)	(65,763,775)
Total Net Position	$ 15,398,187	$ 18,225,230	$ 55,135,969	$ 38,136,024	$ 70,534,156	$ 56,361,254

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



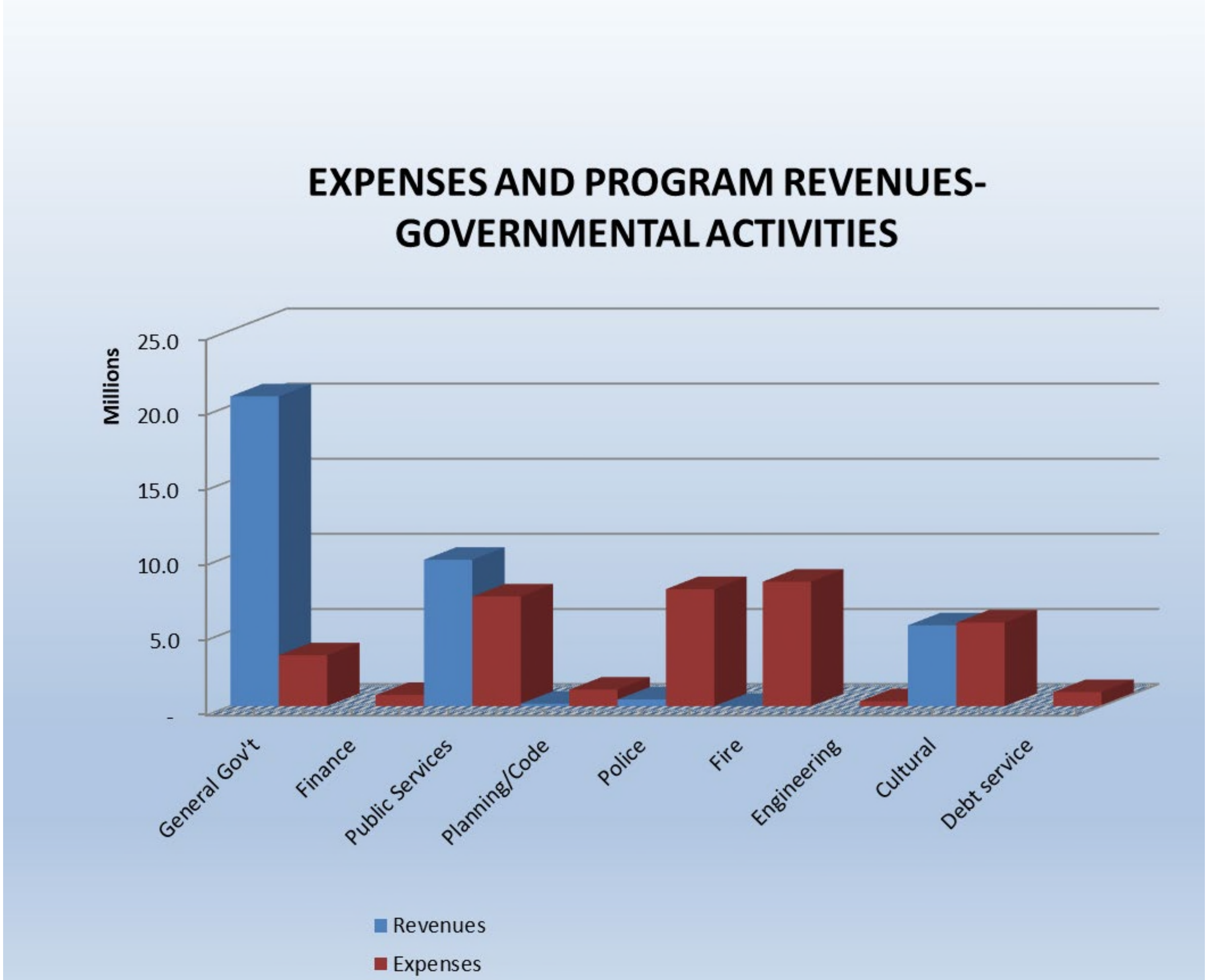
The City's net position decreased significantly in FY 2015 due to the implementation of GASB 68. The City's participation in County Employee Retirement System (CERS) led to the inclusion of an initial noncurrent liability. Net position took another hit in FY 2018 due to the implementation of GASB 75.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

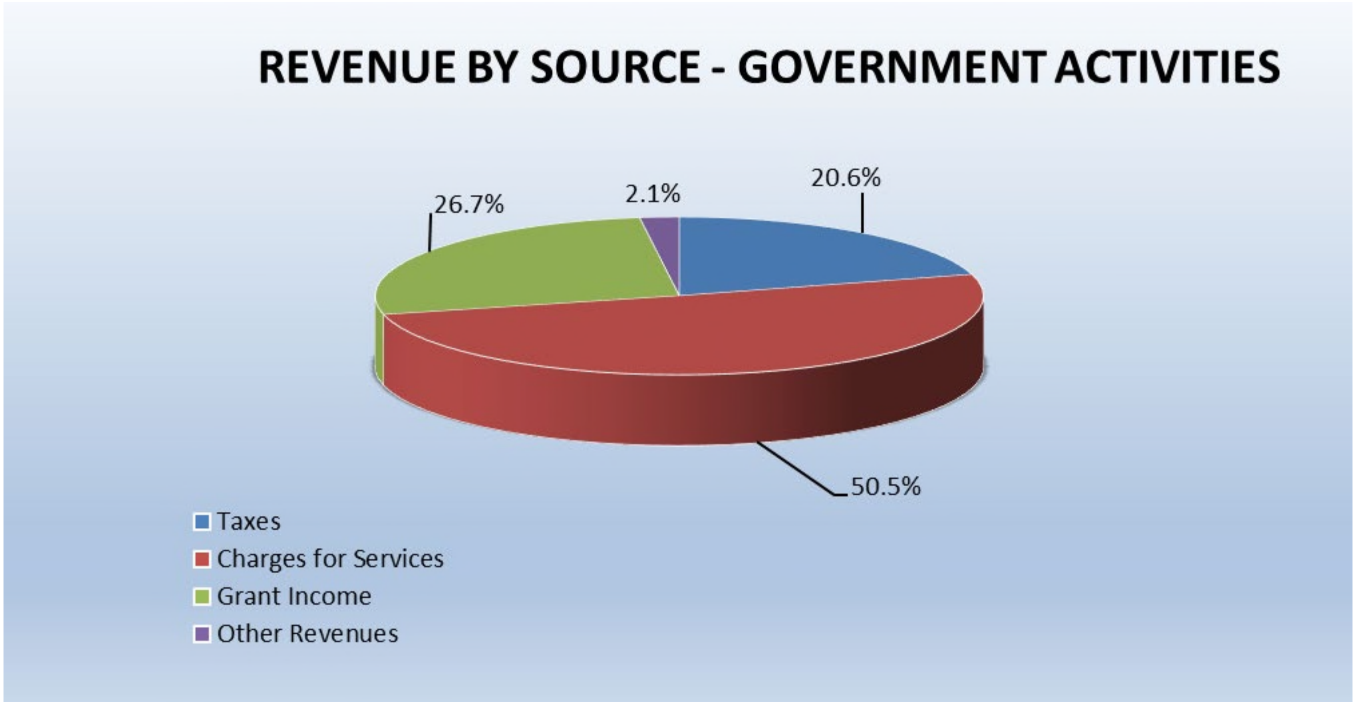
ANALYSIS OF THE CITY'S OPERATIONS

	Governmental Activities		Business-type Activities		Total Primary Government	
Revenues	2025	2024	2025	2024	2025	2024
Taxes	$ 9,699,581	$ 9,185,098	$ -	$ -	$ 9,699,581	$ 9,185,098
Charges for Services	23,753,817	23,111,040	23,711,441	20,291,961	47,465,258	43,403,001
Operating Grants / Contr.	5,987,869	5,797,193	685,784	638,752	6,673,653	6,435,945
Capital Grants / Contr.	6,585,325	5,042,209	1,015,487	1,564,638	7,600,812	6,606,847
Other Income	980,362	1,063,541	1,810,641	1,068,213	2,791,003	2,131,754
Total Revenue	47,006,954	44,199,081	27,223,353	23,563,564	74,230,307	67,762,645

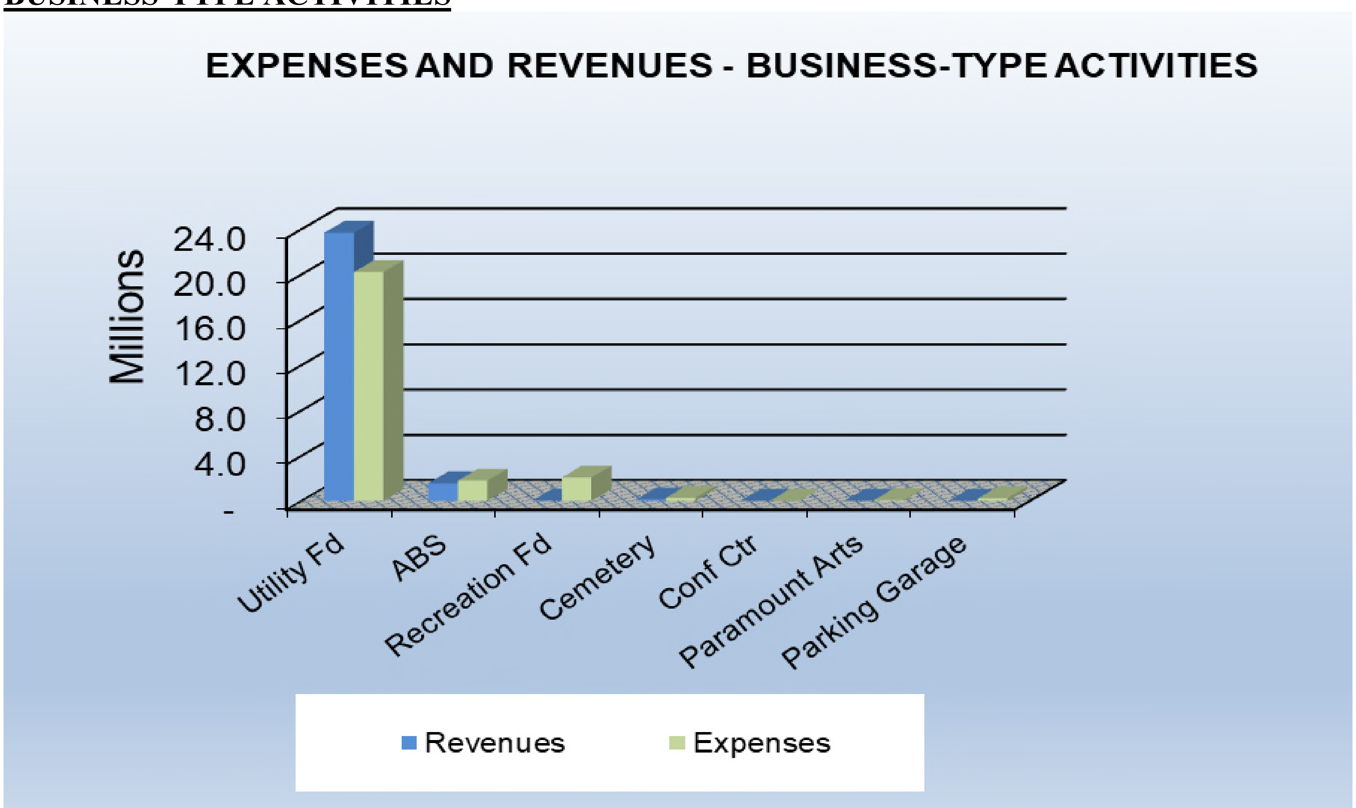
	Governmental Activities		Business-type Activities		Total Primary Government	
Expenses	2025	2024	2025	2024	2025	2024
General Government	3,383,116	3,108,422	-	-	3,383,116	3,108,422
Finance	737,451	809,457	-	-	737,451	809,457
Public Services	7,296,232	8,826,562	-	-	7,296,232	8,826,562
Planning / Code	1,096,071	1,071,224	-	-	1,096,071	1,071,224
Police	7,785,380	7,637,687	-	-	7,785,380	7,637,687
Fire	8,278,331	7,772,100	-	-	8,278,331	7,772,100
Engineering	320,284	293,769	-	-	320,284	293,769
Community / Cultural	5,560,468	5,364,775	-	-	5,560,468	5,364,775
Debt Service	931,738	443,902	-	-	931,738	443,902
Utility Fund	-	-	20,206,059	20,490,921	20,206,059	20,490,921
Ashland Bus System	-	-	1,794,213	1,747,851	1,794,213	1,747,851
Recreation Operating Fund	-	-	2,076,001	1,940,633	2,076,001	1,940,633
Cemetery	-	-	280,428	398,152	280,428	398,152
Parking Garage	-	-	226,259	227,633	226,259	227,633
Conference Center	-	-	9,556	-	9,556	-
Paramount Arts	-	-	75,808	-	75,808	-
Total Expense	35,389,071	35,327,898	24,668,324	24,805,190	60,057,395	60,133,088
Changes before transfers	11,617,883	8,871,183	2,555,029	(1,241,626)	14,172,912	7,629,557
Transfers	(14,444,916)	(2,834,788)	14,444,916	2,834,788	-	-
Change in Net Position	(2,827,033)	6,036,395	16,999,945	1,593,162	14,172,912	7,629,557
Net Position Beg of Year	18,225,230	12,188,835	38,136,024	36,542,862	56,361,254	48,731,697
Net Position End of Year	$ 15,398,197	$ 18,225,230	$ 55,135,969	$ 38,136,024	$ 70,534,166	$ 56,361,254

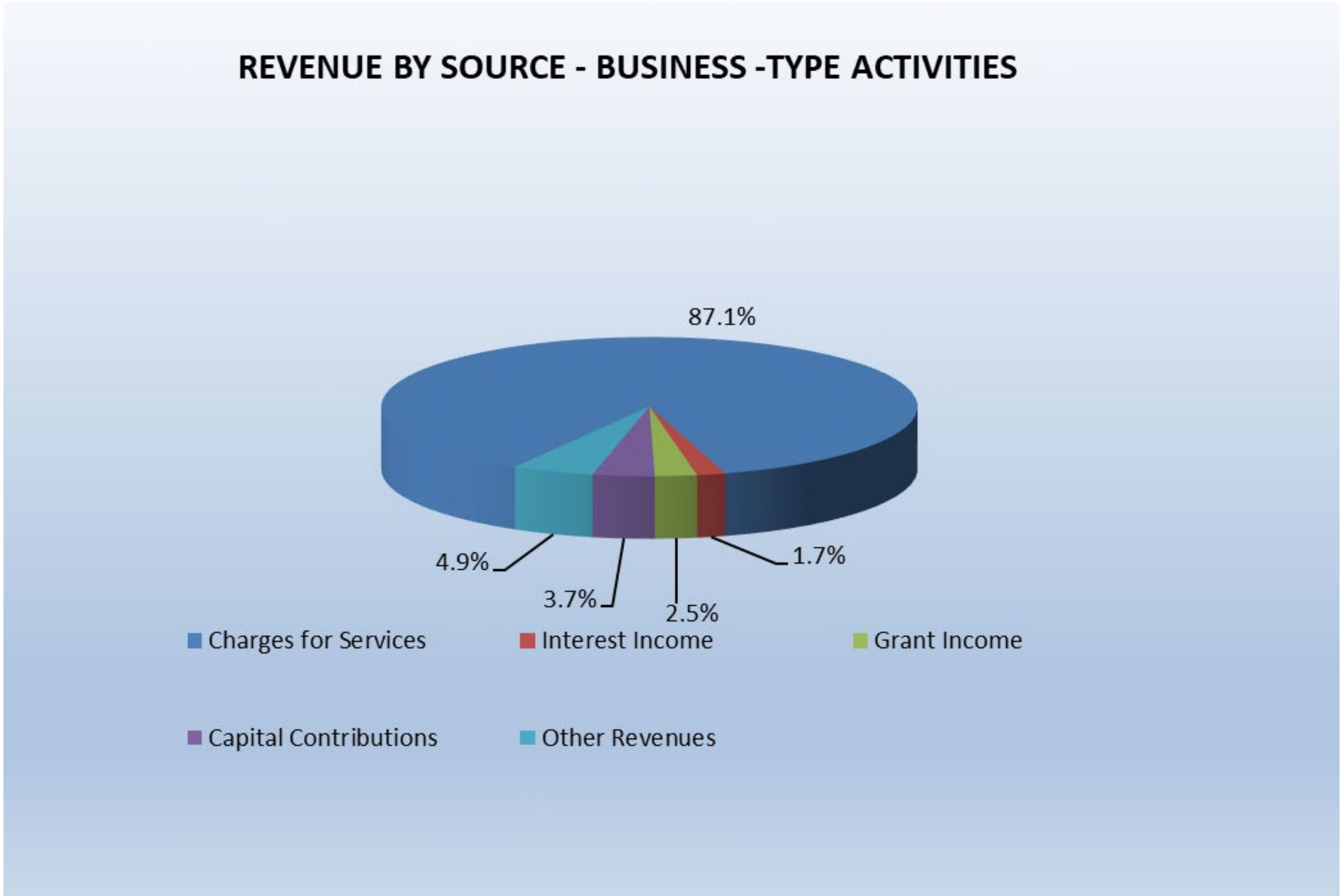
GOVERNMENTAL ACTIVITIES





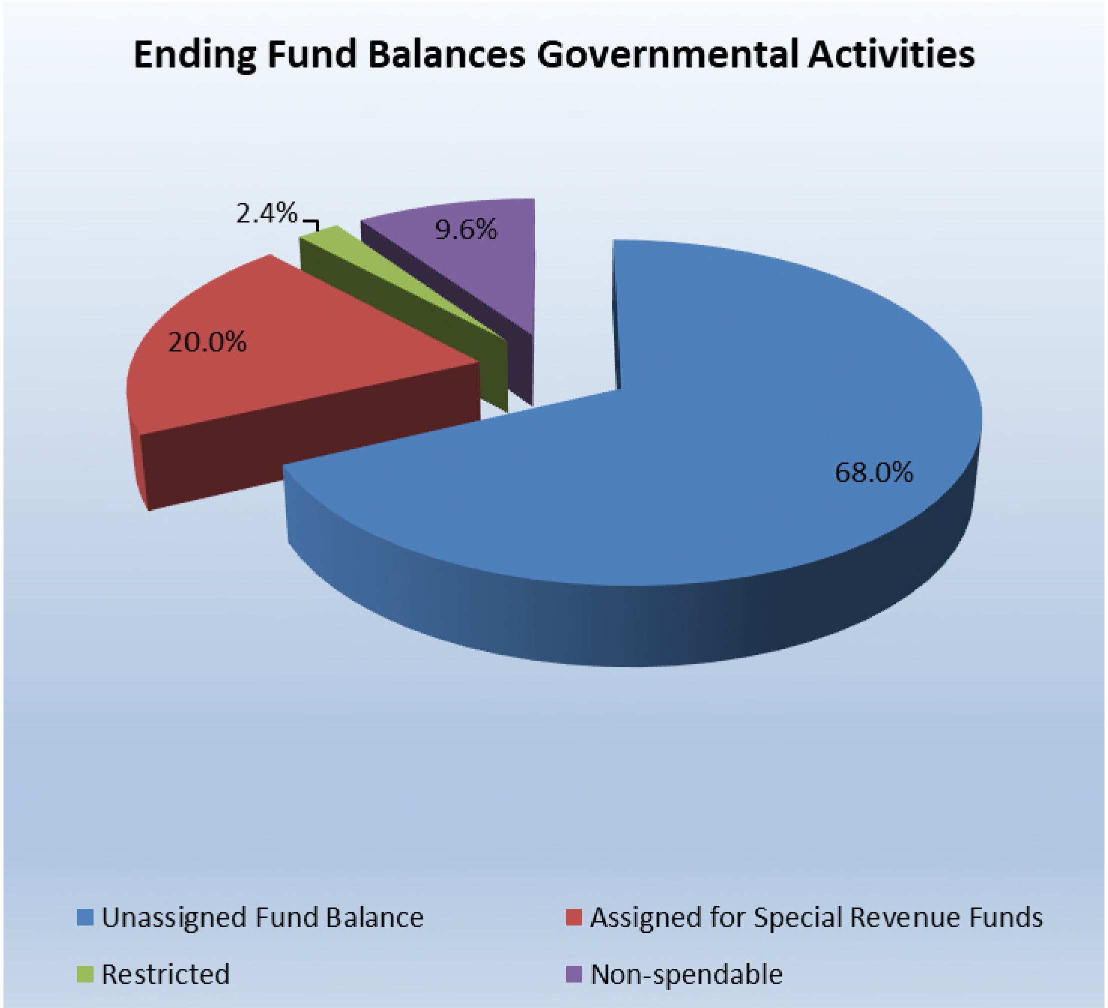
BUSINESS-TYPE ACTIVITIES





FINANCIAL ANALYSIS OF THE CITY'S FUNDS

A. The focus of the City's governmental funds is to provide information on near-term inflows or outflows and balances of spendable resources which are useful in determining the City's financing requirements. Unassigned fund balance serves as a useful measure of the City's net resources available for spending at the end of the fiscal year. At the end of the fiscal year, the City's governmental funds reported combined ending fund balances of $12,478,191. Of this total, $8,487,847 or 68.0%, is unassigned fund balance. The remainder of fund balance is assigned / non-spendable / restricted to indicate it is not available for new spending because it has previously been restricted. Fiscal Year 2025 reports assigned for special revenue funds at $2,496,901, restricted at $293,332 and non-spendable at $1,200,111. Unassigned fund balance increased this year due to Occupational Tax revenue increases. Non-spendable fund balance is a combination of our prepaid property and equipment insurance, general liability insurance, workers compensation insurance and the balances of the inventory accounts at the close of the fiscal year.



MAJOR GOVERNMENTAL FUNDS

For the year ending June 30, 2025, the major governmental funds reported as follows:

The General Fund had revenues of $32,904,423, expenditures of $30,435,082 and net other financing uses of ($3,030,842). The total fund balance is $11,103,958.

The Tax Increment Finance Fund had revenues of $274,292 and expenditures of $299,789. The total fund balance is ($1,297,268). The TIF fund expenditures are the debt service payment. It should be noted that the deficit is a result of revenues not meeting the needs for the debt service payment. A conservative fiscal approach should be applied to the TIF district for future fiscal years.

The State Tax Increment Fund had revenues of $276,738 and expenditures of $0. The total fund balance is $771,746.

The Brownfield Grant Fund had revenues of $158,433 and expenditures of $156,492. The total fund balance is $1,941.

The Municipal Aid Road Fund had revenues of $445,148 and expenditures of $520,453. The total fund balance is $63,635. The focus on paving allowed the City to utilize this fund to its full potential by improving the roads and infrastructure for our citizens.

The Floodwall Operating Fund had revenues of $376,892 and expenditures of $252,555. The total fund balance is $375,517.

The Community Development Fund had revenues of $368,248 and expenditures of $368,248. The total fund balance is $65,437.

The Housing Assistance Fund had revenues of $4,703,694 and expenditures of $4,644,132. The total fund balance is $83,666.

The ARPA Fund had revenues of $2,611,106 and expenditures of $161,211 and net other financing uses of ($2,010,479). The total fund balance is $1,054,591.

The Opioid Settlement Fund had revenues of $313,134 and expenditures of $469,344. The total fund balance is $254,968.

Conference Grant Fund has revenue of $509,600 and expenditures of $0 and net other financing uses of ($509,600). The total fund balance is $0.

The Capital Purchase Improvement Fund had revenues of $4,065,246 and expenditures of $6,259,540 and net other financing uses of $852,893. The total fund balance is $0.

PROPRIETARY FUNDS

The City's proprietary funds, or business-type activities, had a total net position of $55,135,969 for the seven funds. Total increase in net position was $16,999,945.

The Utility Fund, which accounts for water and wastewater services for the City of Ashland and surrounding communities, had a positive net position change of $7,043,115.

The Ashland Bus System accounts for the City's transportation system which is partially subsidized by the Federal Government (Federal Transit Administration). Four buses were purchased this year.

Recreation Operating Fund is the City's park system, swimming pool, concession activities and other recreational activities. Renovations were made to the swimming pool this year.

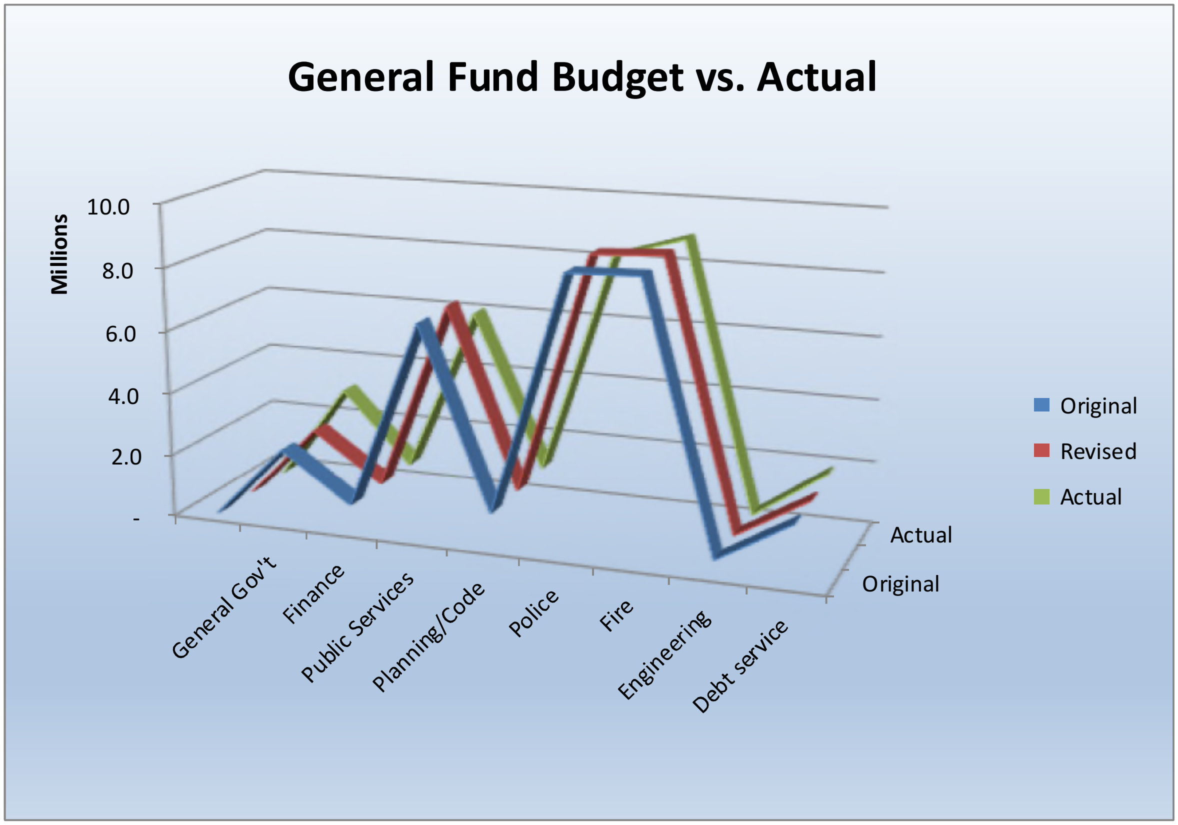
BUDGETARY HIGHLIGHTS

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

- ⇒ $26,211 increase in Street Maintenance expenditures for tree trimming.
- ⇒ $106,677 increase in Police expenditures for payroll ($27,352) and tools / equipment ($79,325).
- ⇒ $163,401 increase in Fire expenditures for travel / training ($71,300), building repairs ($11,690), protective equipment ($50,645), equipment repairs ($12,291) and tools / equipment ($17,475).
- ⇒ $26,211 increase in CED expenditures for payroll ($13,956) and misc. expense ($12,255).
- ⇒ $214 increase in TIF expenditures for professional services.
- ⇒ $48,259 increase in Opioid expenditures for opioid litigation funds.
- ⇒ $88,148 increase in Voucher expenditures for HAPS ($77,171), advertising ($7,446) and travel / training ($3,531).
- ⇒ $42,390 increase in Wastewater Collection expenditures for equipment repairs.
- ⇒ $17,438 increase in Paramount Arts expenditures for professional services ($3,625), insurance ($10,433) and misc. expense ($3,380).
- ⇒ $7,948 increase in Brownfield Grant expenditures for professional services.
- ⇒ $760,636 increase in Ashland Bus System expenditures for operating equipment.
- ⇒ $76,063 increase in transfer to Ashland Bus System.
- ⇒ $561,225 increase in the transfer to Capital Purchase Improvement Fund: $27,470 General Government for office equipment, $533,755 for Police for operating equipment, ($68,611) automotive equipment, ($465,144) for Fire for building improvements.

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 $32,904,423 versus budgeted revenues of $32,637,056. Licenses and permits were $17,046,435 budgeted and actual revenues were $17,961,861 for a variance of $915,426. Finance staff's focus on collection efforts and new business in the City is to be credited for this positive variance. Grant Income was $567,645 budgeted and actual revenues were $458,474 for a variance of ($109,171).



CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for governmental and business-type activities as of June 30, 2025 is $147,047,179 (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.

CITY OF ASHLAND - CAPITAL ASSETS
(NET OF DEPRECIATION)

Asset	Governmental Activities	Business-type Activities	Total
Land	$ 4,463,328	$ 581,460	$ 5,044,788
Buildings and improvements	14,321,917	11,956,186	26,278,103
Automotive equipment	8,468,588	3,469,995	11,938,583
Operating equipment	6,128,385	7,681,483	13,809,868
Office equipment	788,941	796,712	1,585,653
Capital improvements	4,824,719	6,826,930	11,651,649
Right-of-way	15,038,909	-	15,038,909
Infrastructure	59,715,274	-	59,715,274
Utility plant	-	117,127,846	117,127,846
Construction (CIP)	10,444,631	6,578,994	17,023,625
	124,194,692	155,019,606	279,214,298
Less depreciation	(50,560,070)	(81,607,049)	(132,167,119)
Total	$ 73,634,622	$ 73,412,557	$ 147,047,179

Major construction projects in process as of June 30, 2025 include:

Project	Approved Contract	Paid / Accrued to Date	Outstanding Commitment
Winchester Ave. Streetscape & Improvements	$ 8,233,909	$ 7,963,665	$ 270,244
Conference Center	35,432,508	589,306	34,843,202
Turbocompressor system WWTP	1,893,732	-	1,893,732
Generator & Switches WWTP	1,079,190	-	1,079,190
Carr St/Packard. Iroquois Sewer Line Rpl	345,077	-	345,077
55th Tank Renhab	256,050	21,000	235,050
Centrifuge Dewatering Equipment	731,036	-	731,036
Chestnut Dr Main Line Replacement	18,150	-	18,150
Debord Hill Tank rehab	105,680	94,090	11,590
Pollard Mills Improv Proj	421,800	321,762	100,038
Dawes St. Rehab	207,384	157,612	49,772
13th St. Tank Rehab	331,550	109,422	222,128
Backup generator for APD	76,300	-	76,300
Johnson Fork Baugees Dr Fla Dr booster st	2,773,000	207,382	2,565,618
Rbts Dr Screen Replacement	2,928,663	402,909	2,525,754
Safety Action Plan	200,000	59,831	140,169
12 generators	416,107	413,607	2,500
WWTP Expansion	3,992,040	2,367,208	1,624,832
26th St Pump Station	173,300	-	173,300
	$ 59,615,476	$ 12,707,794	$ 46,907,682

DEBT

At the end of fiscal year 2025, the City had governmental activities debt of $24,863,116 compared to $16,854,453 at June 30, 2024, which represents an increase of $8,008,663. Business-type activities had debt of $14,439,988 compared to $15,884,660 at June 30, 2024, which represents a decrease of ($1,444,672). See Note (9) for additional discussion of the City's long term debt. The following chart summarizes governmental and business-type activities debt.

Governmental Activities Debt	Amount
General obligation bond series 2015	$1,065,000
General obligation bond series 2017	3,215,000
General obligation bond series 2021	7,665,000
General obligation bond series 2024	9,920,000
Lease - Melody Mtn Phase II	889,583
Premium on Bonds	997,432
Compensated absences obligation	1,111,101
Total	$ 24,863,116

Business-Type Activities Debt	Amount
Water & Sewer Revenue Bonds 2015	$ 1,560,000
Water & Sewer Revenue Bonds 2020	9,275,000
Lease - Radio Meters	425,833
Kentucky Infrastructure Authority loans	3,149,446
Premium on Bonds	46,551
Discount on Bonds	(16,842)
Total	$ 14,439,988

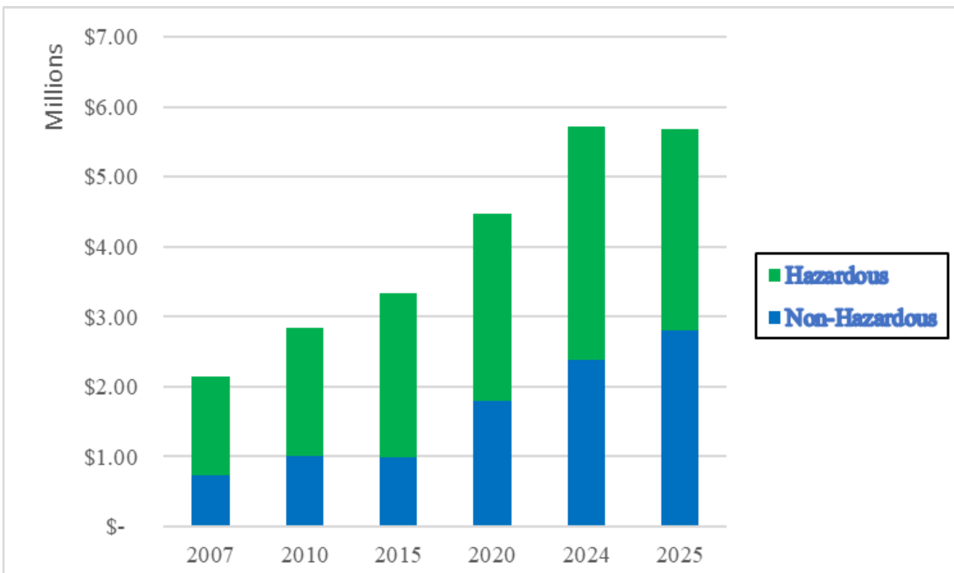
DESCRIPTION OF MUNICIPAL DEBT

- ⇒ General Obligation Refunding Bonds 2015 - $1,065,000.
- ⇒ General Obligation Bonds 2017 Ashland Plaza Redevelopment Project - $3,215,000.
- ⇒ General Obligation Bonds 2013 Melody Mountain Phase II - $889,583.
- ⇒ General Obligation Bonds 2021 for various capital projects - $7,665,000.
- ⇒ General Obligation Bonds 2024 Conference Center - $9,920,000.
- ⇒ Premium on bonds - $997,432.
- ⇒ Employee compensated absences payable after 60 days at $1,111,101.
- ⇒ K.I.A. Loans used to upgrade the utility system and correct CSO - $3,149,446.
- ⇒ KLC lease payable for the purchase of radio read meters - $425,833.
- ⇒ Water & Sewer Revenue Bonds 2015 – water system improvements - $1,560,000.
- ⇒ Water & Sewer Revenue Bonds 2020 – water & wastewater improvements - $9,275,000.
- ⇒ Discount and premium on bonds – ($16,842) and $46,551 respectively.

OTHER POTENTIALLY SIGNIFICANT MATTERS

Over the years, the City's contribution to the Kentucky Retirement System (CERS) has seen a substantial rise in costs that has significantly impacted the City's operating budget. The table and graph below show the actual cost of the City's contributions to CERS for both Non-Hazardous and Hazardous employees for selected fiscal years, 2007, 2010, 2015, 2020, 2024 and 2025.

CERS Employer Contributions						
	Non-Hazardous			Hazardous		
FY	Rate	Amount	% Change	Rate	Amount	% Change
2007	13.19%	$ 726,183		28.21%	$ 1,416,348	
2010	16.16%	$ 1,007,386	38.72%	32.97%	$ 1,842,136	30.06%
2015	17.67%	$ 997,574	-0.97%	34.31%	$ 2,331,987	26.59%
2020	24.06%	$ 1,789,316	79.37%	39.58%	$ 2,685,813	15.17%
2024	23.34%	$ 2,385,000	33.29%	43.69%	$ 3,341,000	24.39%
2025	19.71%	$ 2,796,000	17.23%	38.61%	$ 2,889,000	-13.53%



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Unemployment rate for the City of Ashland as of June 2025 is 5.1%. This rate is higher than the State of Kentucky rate at 4.9% and the national rate of 4.1%.

The following summarizes the 2026 fiscal year budgeted expenses.

- ⇒ General Fund - $33,003,840
- ⇒ Tax Increment Finance Fund - $298,625
- ⇒ State Tax Increment Finance Fund - $195,600
- ⇒ Brownfield Grant - $143,594
- ⇒ Municipal Aid Program - $638,615
- ⇒ Community Development Block Grant Fund - $1,221,539
- ⇒ ARPA Fund - $11,642,455
- ⇒ Conference Center Grant - $12,825,000
- ⇒ Opioid Settlement - $401,770
- ⇒ Section 8 Voucher - $4,533,123
- ⇒ Floodwall Operating Fund - $327,480

⇒ Utility Fund - $47,618,463
⇒ Ashland Bus System - $1,689,822
⇒ Recreation Operating Fund - $1,677,724
⇒ Ashland Cemetery Fund - $227,643
⇒ Parking Garage - $134,335
⇒ Conference Center - $0
⇒ Paramount Arts Center = $15,183
⇒ Capital Purchase Improvement Fund - $1,276,363

Fiscal year 2026 contains several significant budget items. The Utility Fund will continue with the replacement of the aging sewer lines, tank and pump station rehabs, and construction on the Sewer Treatment plant. Infrastructure improvements including paving and sidewalk replacement; and work to begin on the new Conference Center in our downtown area.

REQUEST FOR INFORMATION

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

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

CITY OF ASHLAND
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 5,476,770	$ 9,093,768	$ 14,570,538
Accounts receivable	-	4,581,228	4,581,228
Allowance for uncollectible accounts	-	(242,891)	(242,891)
Taxes receivable	2,560,089	-	2,560,089
Allowance for uncollectible taxes	(520,378)	-	(520,378)
Grants receivable	1,412,298	708,068	2,120,366
Internal balances, net	10,906,839	(10,906,839)	-
Due from fiduciary fund	2,164,481	-	2,164,481
Other receivables	469,595	-	469,595
Allowance for uncollectible accounts	(76,311)	-	(76,311)
Prepaid expenses	909,122	90,553	999,675
Inventories	290,989	2,798,663	3,089,652
Restricted assets -			
Cash and cash equivalents	-	21,082,795	21,082,795
Certificates of deposit	9,505,121	6,822,806	16,327,927
Note receivable	150,000	-	150,000
Nondepreciable capital assets	29,946,868	7,160,454	37,107,322
Depreciable capital assets	94,247,824	147,859,152	242,106,976
Accumulated depreciation	(50,560,070)	(81,607,049)	(132,167,119)
Net OPEB assets	305,314	358,168	663,482
Total assets	107,188,551	107,798,876	214,987,427
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount from refunding bonds	278,257	-	278,257
Deferred outflows - OPEB related	2,559,088	1,075,335	3,634,423
Deferred outflows - pension related	8,257,748	3,200,172	11,457,920
Total deferred outflows of resources	11,095,093	4,275,507	15,370,600

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

CITY OF ASHLAND
STATEMENT OF NET POSITION (CONCLUDED)
JUNE 30, 2025

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Cash overdrafts	$ 3,230,567	$ -	$ 3,230,567
Accounts payable	2,292,832	1,628,780	3,921,612
Line-of-credit	1,700,000	-	1,700,000
Due to Board of Education	120,955	-	120,955
Payable to fiduciary fund	-	4,116,048	4,116,048
Unearned revenue	11,048,783	12,500,000	23,548,783
Other accrued expenses and liabilities	2,438,168	505,539	2,943,707
Deposits	-	389,581	389,581
Matured revenue bonds and notes	-	50,000	50,000
Accrued compensated absences, current	218,577	416,844	635,421
Current portion of long-term debt	1,585,000	1,212,641	2,797,641
Net OPEB liabilities, due in more than one year	1,433,612	-	1,433,612
Net pension liabilities, due in more than one year	40,904,705	17,639,145	58,543,850
Accrued compensated absences, non-current	1,111,101	-	1,111,101
Financing lease obligations, non-current	804,583	291,666	1,096,249
Revenue and Improvement bonds, net of discounts	-	10,129,709	10,129,709
Kentucky Infrastructure Authority loans, non-current	-	2,805,972	2,805,972
General obligation bonds, non-current, plus premiums	21,362,432	-	21,362,432
Total liabilities	88,251,315	51,685,925	139,937,240
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - OPEB related	10,049,854	3,760,937	13,810,791
Deferred inflows - pension related	4,584,278	1,491,552	6,075,830
Total deferred inflows of resources	14,634,132	5,252,489	19,886,621
NET POSITION			
Net investment in capital assets	52,183,073	61,386,971	113,570,044
Restricted			
Debt service	-	1,886,225	1,886,225
Grant programs	293,332	-	293,332
Sewer improvements	-	10,694,103	10,694,103
Other	-	360,871	360,871
Unrestricted	(37,078,208)	(19,192,201)	(56,270,409)
Total net position	$ 15,398,197	$ 55,135,969	$ 70,534,166

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, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	$ 3,383,116	$ 20,595,013	$ 20,586	$ -	$ 17,232,483	$ -	$ 17,232,483
Finance	737,451	-	-	-	(737,451)	-	(737,451)
Public services	7,296,232	2,709,653	444,805	6,585,325	2,443,551	-	2,443,551
Planning and code enforcement	1,096,071	-	158,433	-	(937,638)	-	(937,638)
Police	7,785,380	-	437,888	-	(7,347,492)	-	(7,347,492)
Fire	8,278,331	-	-	-	(8,278,331)	-	(8,278,331)
Engineering	320,284	-	-	-	(320,284)	-	(320,284)
Community and cultural	5,560,468	449,151	4,926,157	-	(185,160)	-	(185,160)
Debt service - interest	931,738	-	-	-	(931,738)	-	(931,738)
Total governmental activities	35,389,071	23,753,817	5,987,869	6,585,325	937,940	-	937,940
Business-Type Activities							
Utilities	20,206,059	23,503,314	-	172,286	-	3,469,541	3,469,541
Recreation	2,076,001	29,483	-	-	-	(2,046,518)	(2,046,518)
Cemetery	280,428	141,142	-	-	-	(139,286)	(139,286)
Parking Garage	226,259	583	-	-	-	(225,676)	(225,676)
Bus	1,794,213	36,919	685,784	843,201	-	(228,309)	(228,309)
Conference Center	9,556	-	-	-	-	(9,556)	(9,556)
Paramount Arts	75,808	-	-	-	-	(75,808)	(75,808)
Total business-type activities	24,668,324	23,711,441	685,784	1,015,487	-	744,388	744,388
Total primary government	$ 60,057,395	$ 47,465,258	$ 6,673,653	$ 7,600,812	937,940	744,388	1,682,328
		General Revenues:					
		Property and other local taxes					
		General property taxes			2,965,795	-	2,965,795
		Vehicle property taxes			501,714	-	501,714
		Insurance premium taxes			5,558,734	-	5,558,734
		Bank franchise and other taxes			673,338	-	673,338
		Interest income			628,263	470,236	1,098,499
		Other revenues			352,099	1,340,405	1,692,504
		Total general revenues			10,679,943	1,810,641	12,490,584
		Transfers			(14,444,916)	14,444,916	-
		Total general revenues and transfers			(3,764,973)	16,255,557	12,490,584
		Change in net position			(2,827,033)	16,999,945	14,172,912
		Net position, June 30, 2024			18,225,230	38,136,024	56,361,254
		Net position, June 30, 2025			$ 15,398,197	$ 55,135,969	$ 70,534,166

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

CITY OF ASHLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

		Special Revenue Funds											
	General	Tax Increment Finance	State Tax Increment Finance	Brownfield Grant	Municipal Aid Road	Community Development	ARPA	Conference Center Grant	Opioid Settlement	Housing Assistance	Floodwall Operating	Capital Projects	Total Governmental Funds
Assets													
Cash	$ 209,459	$ -	$ 771,746	$ 34	$ 29,565	$ 14,589	$ 3,051,893	$ -	$ 277,963	$ 527,809	$ 28,400	$ -	$ 4,911,458
Taxes receivable	2,305,309	-	-	-	-	-	-	-	-	-	254,780	-	2,560,089
Allowance for uncollectible taxes	(487,029)	-	-	-	-	-	-	-	-	-	(33,349)	-	(520,378)
Grants receivable	1,175,809	-	-	13,499	34,272	26,118	-	162,600	-	-	-	-	1,412,298
Due from other funds	17,608,878	-	-	-	-	36,399	-	-	-	-	136,277	278,247	18,059,801
Other receivables	362,804	-	-	-	-	-	30,480	-	-	76,311	-	-	469,595
Allowance for uncollectible accounts	-	-	-	-	-	-	-	-	-	(76,311)	-	-	(76,311)
Investments - certificates of deposit	-	-	-	-	-	-	9,505,121	-	-	-	-	-	9,505,121
Prepaid items	909,122	-	-	-	-	-	-	-	-	-	-	-	909,122
Inventories - supplies	290,989	-	-	-	-	-	-	-	-	-	-	-	290,989
Total assets	$ 22,375,341	$ -	$ 771,746	$ 13,533	$ 63,837	$ 77,106	$ 12,587,494	$ 162,600	$ 277,963	$ 527,809	$ 386,108	$ 278,247	$ 37,521,784
Liabilities and Fund Balances													
Liabilities:													
Cash overdraft	$ 3,230,567	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,230,567
Accounts payable	1,244,395	-	-	11,500	-	5,767	250,179	2,150	21,894	3,018	6,520	278,247	1,823,670
Line-of-credit	1,700,000	-	-	-	-	-	-	-	-	-	-	-	1,700,000
Due to other funds	3,787,779	1,297,268	-	92	202	-	636,926	160,450	1,101	30,881	-	-	5,914,699
Unearned revenue	-	-	-	-	-	-	10,645,798	-	-	402,985	-	-	11,048,783
Due to Board of Education	120,955	-	-	-	-	-	-	-	-	-	-	-	120,955
Accrued compensated absences	212,164	-	-	-	-	3,737	-	-	-	1,646	1,030	-	218,577
Accrued wages and related	975,523	-	-	-	-	2,165	-	-	-	5,613	3,041	-	986,342
Total liabilities	11,271,383	1,297,268	-	11,592	202	11,669	11,532,903	162,600	22,995	444,143	10,591	278,247	25,043,593
Fund Balances:													
Non-spendable	1,200,111	-	-	-	-	-	-	-	-	-	-	-	1,200,111
Restricted	144,229	-	-	-	-	65,437	-	-	-	83,666	-	-	293,332
Assigned for special revenue funds	-	(25,497)	771,746	1,941	63,635	-	1,054,591	-	254,968	-	375,517	-	2,496,901
Unassigned	9,759,618	(1,271,771)	-	-	-	-	-	-	-	-	-	-	8,487,847
Total fund balances	11,103,958	(1,297,268)	771,746	1,941	63,635	65,437	1,054,591	-	254,968	83,666	375,517	-	12,478,191
Total liabilities and fund balances	$ 22,375,341	$ -	$ 771,746	$ 13,533	$ 63,837	$ 77,106	$ 12,587,494	$ 162,600	$ 277,963	$ 527,809	$ 386,108	$ 278,247	$ 37,521,784

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

CITY OF ASHLAND
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total fund balance - total governmental funds		$ 12,478,191
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets of $124,194,692 net of accumulated depreciation of $50,560,070 used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		73,634,622
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds:		
Note receivable	150,000	
Net OPEB assets	305,314	
Deferred amount from refunding bonds	278,257	733,571
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the governmental funds.		(3,817,296)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds:		
Net OPEB liabilities	(1,433,612)	
Net pension liabilities	(40,904,705)	
Bonds payable	(22,862,432)	
Accrued interest payable	(429,458)	
Accrued compensated absences	(1,111,101)	
Financing lease obligations	(889,583)	(67,630,891)
Net position, end of year - governmental activities		$ 15,398,197

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, 2025

		Special Revenue Funds											
	General	Tax Increment Finance	State Tax Increment Finance	Brownfield Grant	Municipal Aid Road	Community Development	ARPA	Conference Center Grant	Opioid Settlement	Housing Assistance	Floodwall Operating	Capital Projects	Total Governmental Funds
Revenues													
Property and other local taxes	$ 9,007,770	$ 39,182	$ 275,838	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 376,791	$ -	$ 9,699,581
Licenses and permits	17,961,861	235,110	-	-	-	-	-	-	-	-	-	-	18,196,971
Charges for services	2,709,653	-	-	-	-	-	-	-	-	-	-	-	2,709,653
Fees, fines and reimbursements	2,398,042	-	-	-	-	-	-	-	-	-	-	-	2,398,042
Grant income	458,474	-	-	158,433	444,805	368,248	2,010,479	509,600	312,101	4,245,808	-	4,065,246	12,573,194
Administration fee income	-	-	-	-	-	-	-	-	-	449,151	-	-	449,151
Interest income	24,596	-	900	-	343	-	600,627	-	1,033	663	101	-	628,263
Other income	344,027	-	-	-	-	-	-	-	-	8,072	-	-	352,099
Total revenues	32,904,423	274,292	276,738	158,433	445,148	368,248	2,611,106	509,600	313,134	4,703,694	376,892	4,065,246	47,006,954
Expenditures													
General government	3,086,995	339	-	-	-	-	-	-	107,036	-	-	8,409	3,202,779
Finance	765,185	-	-	-	-	-	-	-	-	-	-	-	765,185
Public services	6,050,691	-	-	156,492	520,453	-	-	-	-	-	252,555	-	6,980,191
Planning and code enforcement	1,134,517	-	-	-	-	-	-	-	-	-	-	-	1,134,517
Police	8,225,011	-	-	-	-	-	-	-	-	-	-	-	8,225,011
Fire	8,925,903	-	-	-	-	-	-	-	-	-	-	-	8,925,903
Engineering	330,607	-	-	-	-	-	-	-	-	-	-	-	330,607
Community and cultural	-	-	-	-	-	368,248	160,000	-	362,308	4,644,132	-	-	5,534,688
Capital outlay	-	-	-	-	-	-	1,211	-	-	-	-	6,251,131	6,252,342
Debt service:													
Principal retirement	1,327,084	200,000	-	-	-	-	-	-	-	-	-	-	1,527,084
Interest and other charges	589,089	99,450	-	-	-	-	-	-	-	-	-	-	688,539
Total expenditures	30,435,082	299,789	-	156,492	520,453	368,248	161,211	-	469,344	4,644,132	252,555	6,259,540	43,566,846
Excess (deficiency) of revenues over (under) expenditures	2,469,341	(25,497)	276,738	1,941	(75,305)	-	2,449,895	509,600	(156,210)	59,562	124,337	(2,194,294)	3,440,108
Other Financing Sources (Uses)													
Proceeds from the issuance of debt	9,920,000	-	-	-	-	-	-	-	-	-	-	-	9,920,000
Discount on debt issued	(173,112)	-	-	-	-	-	-	-	-	-	-	-	(173,112)
Transfers in	-	-	-	-	-	-	-	-	-	-	-	852,893	852,893
Transfers out	(12,777,730)	-	-	-	-	-	(2,010,479)	(509,600)	-	-	-	-	(15,297,809)
Total other financing sources (uses)	(3,030,842)	-	-	-	-	-	(2,010,479)	(509,600)	-	-	-	852,893	(4,698,028)
Net change in fund balances	(561,501)	(25,497)	276,738	1,941	(75,305)	-	439,416	-	(156,210)	59,562	124,337	(1,341,401)	(1,257,920)
Fund balances beginning of year	11,665,459	(1,271,771)	495,008	-	138,940	65,437	615,175	-	411,178	24,104	251,180	1,341,401	13,736,111
Fund balances end of year	$ 11,103,958	$ (1,297,268)	$ 771,746	$ 1,941	$ 63,635	$ 65,437	$ 1,054,591	$ -	$ 254,968	$ 83,666	$ 375,517	$ -	$ 12,478,191

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, 2025

Net change in fund balances - total governmental funds		$ (1,257,920)
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	7,383,679	
Depreciation expense	(3,043,033)	4,340,646
Generally, expenditures recognized in the fund financial statements are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred for the following:		
Long-term portion of accrued sick leave		23,407
Amortization of deferred savings from refunding bonds		(48,382)
Amortization of bond discounts and premiums		187,734
Accrued interest payable		(382,551)
Governmental funds report pension contributions as expenditures when paid. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and investment experience.		
Net change in Police & Firefighters pension liability	233,078	
CERS pension and OPEB expense	2,296,759	2,529,837
Bond and financing lease payments are recognized as expenditures of current financial resources in the fund financial statements, but are reductions of liabilities in the statement of net position.		1,527,084
Bond and capital lease proceeds, including related premiums and discounts, are recognized as revenues in the fund financial statements, but are increases in liabilities in the statement of net position.		
Bonds issued	(9,920,000)	
Premiums and discounts on bonds	173,112	(9,746,888)
Change in net position of governmental activities		$ (2,827,033)

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

CITY OF ASHLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2025

	Business-Type Activities								Governmental Activity -
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Parking Garage Fund	Conference Center Fund	Paramount Arts Fund	Total	Internal Service Fund
ASSETS									
Unrestricted Assets:									
Cash and cash equivalents	$ 1,716,813	$ 167,627	$ 25,008	$ 17,335	$ 21	$ 7,166,964	$ -	$ 9,093,768	$ 565,312
Accounts receivable	4,521,753	-	-	2,952	-	56,523	-	4,581,228	-
Allowance for doubtful accounts	(242,891)	-	-	-	-	-	-	(242,891)	-
Due from other funds	-	-	-	-	-	2,410,638	-	2,410,638	926,218
Grants receivable	-	708,068	-	-	-	-	-	708,068	-
Prepaid expenses	90,553	-	-	-	-	-	-	90,553	-
Inventories -									
Repair parts and supplies	1,431,140	46,518	11,650	-	-	-	-	1,489,308	-
Lots and vaults	-	-	-	1,309,355	-	-	-	1,309,355	-
Total unrestricted assets	7,517,368	922,213	36,658	1,329,642	21	9,634,125	-	19,440,027	1,491,530
Restricted Assets:									
Cash and cash equivalents	8,411,924	-	-	35,173	-	12,635,698	-	21,082,795	-
Certificates of deposit	6,632,806	-	190,000	-	-	-	-	6,822,806	-
Total restricted assets	15,044,730	-	190,000	35,173	-	12,635,698	-	27,905,601	-
Total current assets	22,562,098	922,213	226,658	1,364,815	21	22,269,823	-	47,345,628	1,491,530
Capital Assets:									
Land and easements	383,225	-	58,223	18,453	-	-	121,559	581,460	-
Utility plant	117,127,846	-	-	-	-	-	-	117,127,846	-
Buildings and improvements	2,912,935	1,604,339	307,070	2,331,842	1,800,000	-	3,000,000	11,956,186	-
Operating equipment	8,506,658	2,223,558	6,998,302	197,436	52,454	-	-	17,978,408	-
Office and computer equipment	758,542	38,170	-	-	-	-	-	796,712	-
Construction in progress	5,989,688	-	-	-	-	589,306	-	6,578,994	-
	135,678,894	3,866,067	7,363,595	2,547,731	1,852,454	589,306	3,121,559	155,019,606	-
Less: Accumulated depreciation	(76,712,973)	(2,270,993)	(1,611,223)	(793,886)	(160,282)	-	(57,692)	(81,607,049)	-
Total capital assets - net	58,965,921	1,595,074	5,752,372	1,753,845	1,692,172	589,306	3,063,867	73,412,557	-
Net OPEB assets	118,514	35,163	151,059	9,172	44,260	-	-	358,168	-
Total noncurrent assets	59,084,435	1,630,237	5,903,431	1,763,017	1,736,432	589,306	3,063,867	73,770,725	-
Total assets	81,646,533	2,552,450	6,130,089	3,127,832	1,736,453	22,859,129	3,063,867	121,116,353	1,491,530
DEFERRED OUTFLOWS OF RESOURCES									
Deferred outflows - OPEB related	823,959	121,474	106,742	14,525	8,635	-	-	1,075,335	-
Deferred outflows - pension related	2,452,085	361,504	317,660	43,224	25,699	-	-	3,200,172	-
Total deferred outflows of resources	3,276,044	482,978	424,402	57,749	34,334	-	-	4,275,507	-

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

CITY OF ASHLAND
STATEMENT OF NET POSITION - PROPRIETARY FUNDS (CONCLUDED)
JUNE 30, 2025

	Business-Type Activities								Governmental Activity -
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Parking Garage Fund	Conference Center Fund	Paramount Arts Fund	Total	Internal Service Fund
LIABILITIES									
Current liabilities (payable from current assets):									
Accounts payable	$ 536,341	$ 789,023	$ 297,846	$ 5,455	$ 115	$ -	$ -	$ 1,628,780	$ 469,162
Due to other funds	8,896,338	949,478	3,885,668	24,452	537,914	-	3,139,675	17,433,525	-
Accrued compensated absences	347,076	33,995	26,907	7,433	1,433	-	-	416,844	-
Unearned revenue	-	-	-	-	-	12,500,000	-	12,500,000	-
Other accrued liabilities	417,795	20,705	28,375	37,603	1,061	-	-	505,539	1,022,368
Matured revenue bonds and notes	50,000	-	-	-	-	-	-	50,000	-
Customer deposits	389,581	-	-	-	-	-	-	389,581	-
Current portion of financing lease obligations	134,167	-	-	-	-	-	-	134,167	-
Current portion of Revenue and Improvement bonds	735,000	-	-	-	-	-	-	735,000	-
Current portion of Kentucky Infrastructure Authority loans	343,474	-	-	-	-	-	-	343,474	-
Total current liabilities	11,849,772	1,793,201	4,238,796	74,943	540,523	12,500,000	3,139,675	34,136,910	1,491,530
Long-term liabilities:									
Financing lease obligations	291,666	-	-	-	-	-	-	291,666	-
Revenue and Improvement bonds, net of discount and premium	10,129,709	-	-	-	-	-	-	10,129,709	-
Kentucky Infrastructure Authority loans	2,805,972	-	-	-	-	-	-	2,805,972	-
Net pension liabilities	14,764,742	1,496,552	1,124,714	238,881	14,256	-	-	17,639,145	-
Total long-term liabilities	27,992,089	1,496,552	1,124,714	238,881	14,256	-	-	30,866,492	-
Total liabilities	39,841,861	3,289,753	5,363,510	313,824	554,779	12,500,000	3,139,675	65,003,402	1,491,530
DEFERRED INFLOWS OF RESOURCES									
Deferred inflows - OPEB related	2,881,763	424,850	373,323	50,798	30,203	-	-	3,760,937	-
Deferred inflows - pension related	1,142,879	168,492	148,057	20,146	11,978	-	-	1,491,552	-
Total deferred inflows of resources	4,024,642	593,342	521,380	70,944	42,181	-	-	5,252,489	-
NET POSITION									
Net investment in capital assets	46,940,335	1,595,074	5,752,372	1,753,845	1,692,172	589,306	3,063,867	61,386,971	-
Restricted for debt service	1,886,225	-	-	-	-	-	-	1,886,225	-
Restricted for sewer improvements	10,694,103	-	-	-	-	-	-	10,694,103	-
Restricted for other purposes	-	-	190,000	35,173	-	135,698	-	360,871	-
Unrestricted	(18,464,589)	(2,442,741)	(5,272,771)	1,011,795	(518,345)	9,634,125	(3,139,675)	(19,192,201)	-
Total net position	$ 41,056,074	$ (847,667)	$ 669,601	$ 2,800,813	$ 1,173,827	$ 10,359,129	$ (75,808)	$ 55,135,969	$ -

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Business-Type Activities								Governmental Activity -
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Parking Garage Fund	Conference Center Fund	Paramount Arts Fund	Total	Internal Service Fund
OPERATING REVENUES									
Residential and commercial meter sales	$ 5,913,839	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,913,839	$ -
Sewer service	11,059,136	-	-	-	-	-	-	11,059,136	-
Industrial meter sales	5,037,092	-	-	-	-	-	-	5,037,092	-
Other municipalities	1,401,962	-	-	-	-	-	-	1,401,962	-
Industrial pretreatment	91,285	-	-	-	-	-	-	91,285	-
Concession sales	-	-	8,180	-	-	-	-	8,180	-
Lot and vault sales	-	-	-	55,630	-	-	-	55,630	-
Opening and closing fees	-	-	-	85,512	-	-	-	85,512	-
Passenger fares	-	36,919	-	-	-	-	-	36,919	-
Admission and parking fees	-	-	21,303	-	583	-	-	21,886	-
Premium charges	-	-	-	-	-	-	-	-	7,101,876
Miscellaneous	1,336,763	-	3,208	400	14	20	-	1,340,405	-
Total operating revenues	24,840,077	36,919	32,691	141,542	597	20	-	25,051,846	7,101,876
OPERATING EXPENSES									
Administration - Director	213,710	-	-	-	-	-	-	213,710	-
Administration - Cashier	1,244,725	-	-	-	-	-	-	1,244,725	-
Water - Production	3,254,812	-	-	-	-	-	-	3,254,812	-
Water - Distribution	5,802,484	-	-	-	-	-	-	5,802,484	-
Sewer - Pretreatment	2,347,988	-	-	-	-	-	-	2,347,988	-
Sewer - Collection	2,300,578	-	-	-	-	-	-	2,300,578	-
Depreciation	2,923,142	160,887	254,086	59,190	55,923	-	57,692	3,510,920	-
Insurance	233,597	33,056	29,585	7,500	15,373	-	10,433	329,544	-
Other operating expenses	1,525,922	548,321	659,628	58,347	47,788	9,556	7,683	2,857,245	39,883
Salaries	-	897,559	824,357	109,930	56,947	-	-	1,888,793	-
Utilities	-	36,369	122,503	13,988	16,891	-	-	189,751	-
Operating supplies	-	118,021	185,842	31,473	33,337	-	-	368,673	-
Premiums and claims	-	-	-	-	-	-	-	-	7,062,687
Total operating expenses	19,846,958	1,794,213	2,076,001	280,428	226,259	9,556	75,808	24,309,223	7,102,570
OPERATING INCOME (LOSS)	4,993,119	(1,757,294)	(2,043,310)	(138,886)	(225,662)	(9,536)	(75,808)	742,623	(694)

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

	Business-Type Activities								Governmental Activity -
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Parking Garage Fund	Conference Center Fund	Paramount Arts Fund	Total	Internal Service Fund
NON-OPERATING REVENUES (EXPENSES)									
Gain (loss) on disposal of assets	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest income	226,332	109	1,756	68	15	241,956	-	470,236	694
Grant income	-	685,784	-	-	-	-	-	685,784	-
Interest on revenue bonds and notes	(359,101)	-	-	-	-	-	-	(359,101)	-
Total non-operating revenues (expenses)	(132,769)	685,893	1,756	68	15	241,956	-	796,919	694
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	4,860,350	(1,071,401)	(2,041,554)	(138,818)	(225,647)	232,420	(75,808)	1,539,542	-
TRANSFERS									
From the General Fund	-	606,126	1,621,944	-	-	-	-	2,228,070	-
Total transfers in	-	606,126	1,621,944	-	-	-	-	2,228,070	-
CAPITAL CONTRIBUTIONS									
Water and sewer tap fees	118,523	-	-	-	-	-	-	118,523	-
From the General Fund	-	79,658	-	-	-	9,617,109	-	9,696,767	-
From the ARPA Fund	2,010,479	-	-	-	-	-	-	2,010,479	-
From the Conference Center Grant Fund	-	-	-	-	-	509,600	-	509,600	-
Federal/state grants	53,763	843,201	-	-	-	-	-	896,964	-
Total capital contributions	2,182,765	922,859	-	-	-	10,126,709	-	13,232,333	-
INCREASE (DECREASE) IN NET POSITION	7,043,115	457,584	(419,610)	(138,818)	(225,647)	10,359,129	(75,808)	16,999,945	-
NET POSITION, JUNE 30, 2024	34,012,959	(1,305,251)	1,089,211	2,939,631	1,399,474	-	-	38,136,024	-
NET POSITION, JUNE 30, 2025	$ 41,056,074	$ (847,667)	$ 669,601	$ 2,800,813	$ 1,173,827	$ 10,359,129	$ (75,808)	$ 55,135,969	$ -

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, 2025

	Business-Type Activities								Governmental Activity -
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Parking Garage Fund	Conference Center Fund	Paramount Arts Fund	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES									
Cash received from customers	$ 22,154,933	$ 36,919	$ 29,483	$ 140,880	$ 583	$ -	$ -	$ 22,362,798	$ -
Cash payments to suppliers for goods and services	(8,232,004)	(619,879)	(929,978)	(50,220)	(125,072)	(9,556)	(18,116)	(9,984,825)	(39,883)
Cash payments to employees	(8,645,753)	(901,999)	(825,291)	(114,251)	(57,362)	-	-	(10,544,656)	-
Other operating revenues	1,336,763	-	3,208	400	14	20	-	1,340,405	-
Payments for internal services	(1,587,461)	(196,625)	(229,125)	(65,000)	-	-	-	(2,078,211)	-
Cash received for internal services	-	-	-	-	-	-	-	-	7,263,619
Payments for premiums and claims	-	-	-	-	-	-	-	-	(6,796,351)
Net cash provided by (used for) operating activities	5,026,478	(1,681,584)	(1,951,703)	(88,191)	(181,837)	(9,536)	(18,116)	1,095,511	427,385
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Grant income	-	1,253,450	-	-	-	-	-	1,253,450	-
Transfers and advances from other funds	17,673	(117,122)	2,614,182	91,576	166,111	7,716,071	3,139,675	13,628,166	-
Net cash provided by (used for) noncapital financing activities	17,673	1,136,328	2,614,182	91,576	166,111	7,716,071	3,139,675	14,881,616	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Acquisition and construction of capital assets	(4,215,731)	(14,380)	(646,019)	-	-	(589,306)	(3,121,559)	(8,586,995)	-
Principal paid on bonds, notes, and lease obligations	(1,439,319)	-	-	-	-	-	-	(1,439,319)	-
Interest paid on bonds, notes, and lease obligations	(359,101)	-	-	-	-	-	-	(359,101)	-
Capital contributions	2,010,479	79,658	-	-	-	-	-	2,090,137	-
Tap fees	118,523	-	-	-	-	-	-	118,523	-
Capital grants received	741,763	588,286	-	-	-	12,500,000	-	13,830,049	-
Net cash provided by (used for) capital and related financing activities	(3,143,386)	653,564	(646,019)	-	-	11,910,694	(3,121,559)	5,653,294	-
CASH FLOWS FROM INVESTING ACTIVITIES									
Withdrawal of investment securities	(179,785)	-	-	-	-	-	-	(179,785)	-
Investment income	226,332	109	1,767	68	15	185,433	-	413,724	694
Net cash provided by (used for) investing activities	46,547	109	1,767	68	15	185,433	-	233,939	694

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

CITY OF ASHLAND
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

	Business-Type Activities								Governmental Activity -
	Utility Fund	Ashland Bus Fund	Recreation Fund	Cemetery Fund	Parking Garage Fund	Conference Center Fund	Paramount Arts Fund	Total	Internal Service Fund
Net increase (decrease) in cash and cash equivalents	$ 1,947,312	$ 108,417	$ 18,227	$ 3,453	$ (15,711)	$ 19,802,662	$ -	$ 21,864,360	$ 428,079
Cash and cash equivalents, June 30, 2024	8,181,425	59,210	6,781	49,055	15,732	-	-	8,312,203	137,233
Cash and cash equivalents, June 30, 2025	$ 10,128,737	$ 167,627	$ 25,008	$ 52,508	$ 21	$ 19,802,662	$ -	$ 30,176,563	$ 565,312
Cash and cash equivalents reported as:									
Unrestricted	$ 1,716,813	$ 167,627	$ 25,008	$ 17,335	$ 21	$ 7,166,964	$ -	$ 9,093,768	$ 565,312
Restricted	8,411,924	-	-	35,173	-	12,635,698	-	21,082,795	-
	$ 10,128,737	$ 167,627	$ 25,008	$ 52,508	$ 21	$ 19,802,662	$ -	$ 30,176,563	$ 565,312
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES									
Operating income (loss)	$ 4,993,119	$ (1,757,294)	$ (2,043,310)	$ (138,886)	$ (225,662)	$ (9,536)	$ (75,808)	$ 742,623	$ (694)
Adjustments:									
Depreciation	2,923,142	160,887	254,086	59,190	55,923	-	57,692	3,510,920	-
Amortization	(5,353)	-	-	-	-	-	-	(5,353)	-
Net pension adjustment	(757,440)	25,273	25,733	18,018	7,982	-	-	(680,434)	-
(Increase) decrease in accounts receivable	(1,024,790)	-	-	(262)	-	-	-	(1,025,052)	-
(Increase) decrease in inventories	120,863	2,042	(8,902)	14,050	-	-	-	128,053	-
(Increase) decrease in prepaid expenses	14,475	-	-	-	-	-	-	14,475	-
(Increase) decrease in due from other funds	-	-	-	-	-	-	-	-	161,743
Increase (decrease) in accounts payable	(420,427)	(18,183)	(93,029)	1,895	(2,087)	-	-	(531,831)	284,521
Increase (decrease) in compensated absences	861	(5,918)	(11,953)	(1,834)	(46)	-	-	(18,890)	-
Increase (decrease) in other accrued liabilities	113,636	1,478	11,019	(2,487)	(369)	-	-	123,277	(18,185)
Increase (decrease) in customer deposits	(323,591)	-	-	-	-	-	-	(323,591)	-
Net cash provided by (used for) operating activities	$ 5,026,478	$ (1,681,584)	$ (1,951,703)	$ (88,191)	$ (181,837)	$ (9,536)	$ (18,116)	$ 1,095,511	$ 427,385

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

CITY OF ASHLAND
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

	Pension Trust Funds
ASSETS	
Cash and cash equivalents	$ -
Accrued interest receivable	10,652
Due from other funds	4,116,048
Investments	
Certificates of deposit	1,196,818
Total assets	5,323,518
LIABILITIES	
Due to other funds	2,164,481
Total liabilities	2,164,481
NET POSITION - RESTRICTED FOR PENSION BENEFITS	$ 3,159,037

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

CITY OF ASHLAND
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Pension Trust Funds
ADDITIONS:	
CONTRIBUTIONS	
Employer	$ 471,485
Total contributions	471,485
INVESTMENT INCOME	
Interest income	48,459
Total investment income	48,459
Total additions	519,944
DEDUCTIONS:	
Benefits	877,115
Administrative expenses	7,840
Total deductions	884,955
NET DECREASE	(365,011)
NET POSITION - RESTRICTED FOR PENSION BENEFITS:	
Beginning of year	3,524,048
End of year	$ 3,159,037

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	$ 9,061,880	$ -	$ 9,061,880	$ 9,007,770	$ (54,110)
Licenses and permits	17,046,435	-	17,046,435	17,961,861	915,426
Charges for services	2,728,175	-	2,728,175	2,709,653	(18,522)
Fees, fines and reimbursements	2,931,475	-	2,931,475	2,398,042	(533,433)
Interest income	31,750	-	31,750	24,596	(7,154)
Grant income	567,645	-	567,645	458,474	(109,171)
Other income	269,696	-	269,696	344,027	74,331
Total revenues	32,637,056	-	32,637,056	32,904,423	267,367
Expenditures					
General government	2,327,598	-	2,327,598	3,086,995	(759,397)
Finance	792,453	-	792,453	765,185	27,268
Public services	6,756,612	26,211	6,782,823	6,050,691	732,132
Planning and code enforcement	1,042,315	26,211	1,068,526	1,134,517	(65,991)
Police	8,626,766	106,677	8,733,443	8,225,011	508,432
Fire	8,697,974	163,401	8,861,375	8,925,903	(64,528)
Engineering	404,419	-	404,419	330,607	73,812
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	437,821	-	437,821	1,327,084	(889,263)
Interest and fiscal charges	1,340,248	-	1,340,248	589,089	751,159
Total expenditures	30,426,206	322,500	30,748,706	30,435,082	313,624
Excess (deficiency) of revenues over (under) expenditures	2,210,850	(322,500)	1,888,350	2,469,341	580,991
Other Financing Sources (Uses)					
Proceeds from the issuance of debt	-	-	-	9,920,000	9,920,000
Discount on debt issued	-	-	-	(173,112)	(173,112)
Transfers in	-	-	-	-	-
Transfers out	(2,210,850)	(637,288)	(2,848,138)	(12,777,730)	(9,929,592)
Total other financing sources (uses)	(2,210,850)	(637,288)	(2,848,138)	(3,030,842)	(182,704)
Net change in fund balance	-	(959,788)	(959,788)	(561,501)	398,287
Fund balance beginning of year	11,665,459	-	11,665,459	11,665,459	-
Fund balance end of year	$ 11,665,459	$ (959,788)	$ 10,705,671	$ 11,103,958	$ 398,287

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
TAX INCREMENT FINANCE FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	$ 19,075	$ -	$ 19,075	$ 39,182	$ 20,107
Licenses and permits	114,347	-	114,347	235,110	120,763
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	133,422	-	133,422	274,292	140,870
Expenditures					
General government	-	214	214	339	(125)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	195,000	-	195,000	200,000	(5,000)
Interest and fiscal charges	104,450	-	104,450	99,450	5,000
Total expenditures	299,450	214	299,664	299,789	(125)
Excess (deficiency) of revenues over (under) expenditures	(166,028)	(214)	(166,242)	(25,497)	140,745
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(166,028)	(214)	(166,242)	(25,497)	140,745
Fund balance beginning of year	(1,271,771)	-	(1,271,771)	(1,271,771)	-
Fund balance end of year	$ (1,437,799)	$ (214)	$ (1,438,013)	$ (1,297,268)	$ 140,745

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STATE TAX INCREMENT FINANCE FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	$ 195,000	$ -	$ 195,000	$ 275,838	$ 80,838
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	1,000	-	1,000	900	(100)
Other income	-	-	-	-	-
Total revenues	196,000	-	196,000	276,738	80,738
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Capital outlay	396,176	-	396,176	-	396,176
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	396,176	-	396,176	-	396,176
Excess (deficiency) of revenues over (under) expenditures	(200,176)	-	(200,176)	276,738	476,914
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(200,176)	-	(200,176)	276,738	476,914
Fund balance beginning of year	495,008	-	495,008	495,008	-
Fund balance end of year	$ 294,832	$ -	$ 294,832	$ 771,746	$ 476,914

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
BROWNFIELD GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2025

	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	137,000	-	137,000	158,433	21,433
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	137,000	-	137,000	158,433	21,433
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	137,000	7,948	144,948	156,492	(11,544)
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	137,000	7,948	144,948	156,492	(11,544)
Excess (deficiency) of revenues over (under) expenditures	-	(7,948)	(7,948)	1,941	9,889
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	(7,948)	(7,948)	1,941	9,889
Fund balance beginning of year	-	-	-	-	-
Fund balance end of year	$ -	$ (7,948)	$ (7,948)	$ 1,941	$ 9,889

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL AID ROAD FUND
FOR THE YEAR ENDED JUNE 30, 2025

	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	520,875	-	520,875	444,805	(76,070)
Administration fee income	-	-	-	-	-
Interest income	50	-	50	343	293
Other income	-	-	-	-	-
Total revenues	520,925	-	520,925	445,148	(75,777)
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	520,925	-	520,925	520,453	472
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	520,925	-	520,925	520,453	472
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(75,305)	(75,305)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	(75,305)	(75,305)
Fund balance beginning of year	138,940	-	138,940	138,940	-
Fund balance end of year	$ 138,940	$ -	$ 138,940	$ 63,635	$ (75,305)

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	1,191,905	-	1,191,905	368,248	(823,657)
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	1,191,905	-	1,191,905	368,248	(823,657)
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	1,191,905	-	1,191,905	368,248	823,657
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	1,191,905	-	1,191,905	368,248	823,657
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	-	-
Fund balance beginning of year	65,437	-	65,437	65,437	-
Fund balance end of year	$ 65,437	$ -	$ 65,437	$ 65,437	$ -

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ARPA FUND
FOR THE YEAR ENDED JUNE 30, 2025

	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	-	-	-	2,010,479	2,010,479
Administration fee income	-	-	-	-	-
Interest income	450,000	-	450,000	600,627	150,627
Other income	-	-	-	-	-
Total revenues	450,000	-	450,000	2,611,106	2,161,106
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	160,000	(160,000)
Capital outlay	12,415,000	-	12,415,000	1,211	12,413,789
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	12,415,000	-	12,415,000	161,211	12,253,789
Excess (deficiency) of revenues over (under) expenditures	(11,965,000)	-	(11,965,000)	2,449,895	14,414,895
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(2,010,479)	(2,010,479)
Total other financing sources (uses)	-	-	-	(2,010,479)	(2,010,479)
Net change in fund balance	(11,965,000)	-	(11,965,000)	439,416	12,404,416
Fund balance beginning of year	615,175	-	615,175	615,175	-
Fund balance end of year	$ (11,349,825)	$ -	$ (11,349,825)	$ 1,054,591	$ 12,404,416

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CONFERENCE CENTER GRANT FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	1,000,000	-	1,000,000	509,600	(490,400)
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	1,000,000	-	1,000,000	509,600	(490,400)
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Capital outlay	1,000,000	-	1,000,000	-	1,000,000
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	1,000,000	-	1,000,000	-	1,000,000
Excess (deficiency) of revenues over (under) expenditures	-	-	-	509,600	509,600
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(509,600)	(509,600)
Total other financing sources (uses)	-	-	-	(509,600)	(509,600)
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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
OPIOID SETTLEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2025

	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	454,330	-	454,330	312,101	(142,229)
Administration fee income	-	-	-	-	-
Interest income	100	-	100	1,033	933
Other income	-	-	-	-	-
Total revenues	454,430	-	454,430	313,134	(141,296)
Expenditures					
General government	430	-	430	107,036	(106,606)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	454,000	48,259	502,259	362,308	139,951
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	454,430	48,259	502,689	469,344	33,345
Excess (deficiency) of revenues over (under) expenditures	-	(48,259)	(48,259)	(156,210)	(107,951)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	(48,259)	(48,259)	(156,210)	(107,951)
Fund balance beginning of year	411,178	-	411,178	411,178	-
Fund balance end of year	$ 411,178	$ (48,259)	$ 362,919	$ 254,968	$ (107,951)

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
HOUSING ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2025

	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	4,040,308	-	4,040,308	4,245,808	205,500
Administration fee income	403,164	-	403,164	449,151	45,987
Interest income	300	-	300	663	363
Other income	-	-	-	8,072	8,072
Total revenues	4,443,772	-	4,443,772	4,703,694	259,922
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	4,543,250	88,148	4,631,398	4,644,132	(12,734)
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	4,543,250	88,148	4,631,398	4,644,132	(12,734)
Excess (deficiency) of revenues over (under) expenditures	(99,478)	(88,148)	(187,626)	59,562	247,188
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	(99,478)	(88,148)	(187,626)	59,562	247,188
Fund balance beginning of year	24,104	-	24,104	24,104	-
Fund balance end of year	$ (75,374)	$ (88,148)	$ (163,522)	$ 83,666	$ 247,188

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

CITY OF ASHLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FLOODWALL OPERATING FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	$ 326,930	$ -	$ 326,930	$ 376,791	$ 49,861
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	-	-	-	-	-
Administration fee income	-	-	-	-	-
Interest income	550	-	550	101	(449)
Other income	-	-	-	-	-
Total revenues	327,480	-	327,480	376,892	49,412
Expenditures					
General government	-	-	-	-	-
Finance	-	-	-	-	-
Public services	327,480	-	327,480	252,555	74,925
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	327,480	-	327,480	252,555	74,925
Excess (deficiency) of revenues over (under) expenditures	-	-	-	124,337	124,337
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	-	124,337	124,337
Fund balance beginning of year	251,180	-	251,180	251,180	-
Fund balance end of year	$ 251,180	$ -	$ 251,180	$ 375,517	$ 124,337

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

(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, 2025 there are no organizations meeting the criteria.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary funds and fiduciary fund financial statements.

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

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

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

The City reports the following major Governmental Funds:

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

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

- Tax Increment Finance Fund - The Tax Increment Finance Fund is used to account for the revenue and expenditures related to the Tax Increment Financing District.
- State Tax Increment Finance Fund - The State Tax Increment Finance Fund is used to account for the Kentucky revenue and expenditures related to the Tax Increment Financing District.
- Brownfield Grant Fund - The Brownfield Grant Fund is used to account for the restricted use of the U.S. Environment Protection Agency Brownfield Grant.
- Municipal Aid Road Fund - The Municipal Aid Road Fund is used to account for state grants restricted for road improvements.
- Community Development Fund - The Community Development Fund is used to account for entitlements to the City under the provisions of Title 1 of the Housing and Development Act of 1974. Resources may only be used for activities which are directed toward developing urban communities and economic opportunities for individuals of low and moderate income.
- ARPA Fund - The ARPA Fund is used to account for the revenue and expenditures related to grants received under the American Rescue Plan Act.
- Conference Center Grant Fund - The Conference Center Grant Fund is used to account for state grants restricted for the construction of a convention center.
- Opioid Settlement Fund - The Opioid Settlement Fund is used to account for the revenue and expenditures related to funds received from the Kentucky Opioid Abatement Advisory Commission. Resources are used for expenditures related to opioid use disorder or any co-occurring substance use disorder or mental health issue, as defined in KRS 15.291.
- Housing Assistance Fund - The Housing Assistance Fund is used to account for grant revenue provided to the City by the U.S. Department of Housing and Urban Development Section 8 rent subsidy program. Resources are used for the payment of rent subsidies to landlords on behalf of qualified tenants.
- Floodwall Operating Fund - The Floodwall Operating Fund is used to account for taxes levied on real estate located within the floodwall. Resources may only be used for the repair and maintenance of the City's floodwall.

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

The City reports the following major Proprietary Funds:

- Utility Fund - The Utility Fund is used to account for water and wastewater (sewer) services for the City and surrounding communities.
- Ashland Bus Fund - This fund is used to account for the City's mass transportation system which is partially subsidized by the Federal government (Department of Transportation).
- Recreation Fund - The Recreation Fund is used to account for the City's swimming pool operations and other vending (concession) activities.
- Cemetery Fund - The Cemetery Fund is used to account for the operation and maintenance of the Ashland Cemetery.
- Parking Garage Fund - The Parking Garage Fund is used to account for the operation and maintenance of the city parking garage.
- Conference Center Fund - The Conference Center Fund is used to account for the operation and maintenance of the Ashland Conference Center.
- Paramount Arts Fund - The Paramount Arts Fund is used to account for the operation and maintenance of the Paramount Arts Center.

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

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

C. Budget and Budgetary Accounting

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

1. Prior to May 1, the City Manager obtains estimates from the department heads in order to prepare the proposed budget.

2. Prior to June 30, the City Manager submits to the City Commission a proposed budget for the fiscal year commencing the following July 1. The proposed budget includes proposed operating and capital expenditures and the means of financing them.

3. Public hearings are conducted at commission meetings in order to review the proposed budget and to obtain comments from taxpayers and other interested parties.

4. Prior to the first day beginning the fiscal year, the budget is legally adopted through the passage of an ordinance for the General Fund, all Special Revenue Funds, Capital Projects Funds and all Enterprise Funds, and a separate budgetary report is prepared for utilization by the City, and for informational purposes for the general public.

5. The City Manager is authorized to transfer budgeted amounts within departments of any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Commission. Therefore, the level of control on budgetary items is maintained at the department level.

6. Budgets for the General, Special Revenue, and Capital Projects Funds are adopted on the modified accrual basis. Budgets for all Enterprise Funds are adopted on the accrual basis. Both methods are consistent with Generally Accepted Accounting Principles (GAAP). Budgeted amounts are as originally adopted, or as amended periodically by the City Commission. Departmental revisions were not material in relation to the original appropriations which were amended. All appropriations lapse at the end of the fiscal year, even if encumbered.

D. Deposits and Investments

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

At June 30, 2025, the City's investments consist of certificate of deposits and money market funds, which are valued at cost.

E. Inventories

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

F. Capital Assets and Depreciation

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

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

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

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

G. Encumbrances

Encumbrance accounting is used by the City whereby purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balances in the General, Special Revenue, Enterprise and Capital Projects Funds, since the encumbrances do not constitute expenditures or liabilities, even though the City intends to honor those commitments. At June 30, 2025, there were no significant encumbrances.

H. Interfund Transactions

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

I. Interfund Receivables and Payables

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

J. Compensated Absences

The City's accrued liabilities for future compensated absences are recorded to the extent the future leave (1) is attributable to employee services already rendered, (2) relates to rights that vest or accumulate, (3) is probable to result in payment, and (4) can be reasonably estimated.

Vacation leave is accrued as a liability as the benefits are earned and the City expects to pay them upon termination or retirement, or through use during employment. Sick leave accumulates; however, for substantially all employees, unused sick leave is not payable upon termination or retirement, is not convertible to other benefits, and is routinely forfeited. Historical utilization has consistently been below annual accruals, resulting in increasing unused balances that are routinely forfeited or are expected to be forfeited. Accordingly, the City has concluded that payment of accumulated sick leave balances is not probable, and no liability for accumulated sick leave is recorded for those employees. Certain employees are eligible for payout of unused sick leave upon retirement. A liability for accumulated sick leave has been recorded for these employees for amounts that are probable and reasonably estimable.

Amounts that normally would be paid with expendable available financial resources are recorded in the Governmental Fund Financial Statements. Amounts paid or payable within 60 days are deemed to be payable from expendable available financial resources. Liabilities for compensated absences are recorded in full in the Government-wide and Proprietary Fund financial statements.

K. Fund Balances

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

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

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

L. Net Position

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

M. Self-Insurance

The City is self-insured for health and accident claims for employees and eligible retirees as more fully described in Note (15).

N. Cash and Cash Equivalents

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

O. Use of Estimates

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

P. Debt Issuance Costs

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

Q. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2025, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

R. Deferred Outflows/Inflows of Resources

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

S. Pension

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

T. Postemployment Benefits Other Than Pensions (OPEB)

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

U. Recent Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* ("GASB 101"), which supersedes the guidance in Statement No. 16, *Accounting for Compensated Absences*, issued in 1992. GASB 101 aligns recognition and measurement guidance for all types of compensated absences under a unified model. It also requires that a liability for specific types of compensated absences not be recognized until the leave is used. Additionally, it establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The City adopted GASB 101 in the current fiscal year. Adoption of this statement did not have a material impact on the financial statements.

In January 2024, the GASB issued Statement No. 102, *Certain Risk Disclosures* ("GASB 102"), which aims to enhance the transparency of financial reporting by requiring disclosures about risks that state and local governments face due to certain concentrations or constraints. A concentration is defined as a lack of diversity in significant inflows or outflows of resources, while a constraint is a limitation imposed by an external party or by the government's highest level of decision-making authority. Governments must disclose information about these risks if they are vulnerable to a substantial impact from them. The disclosures should include the nature of the concentration or constraint, any associated events that could cause a substantial impact, and actions taken to mitigate the risk. The requirements of GASB 102 are effective for fiscal years beginning after June 15, 2024. Adoption of this statement did not have a material impact on the financial statements.

In May 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements* ("GASB 103") with the objective to enhance the effectiveness of the financial reporting model for decision-making and assessing government accountability. The improvements target the following established accounting and financial reporting requirements:

- Management's discussion and analysis;
- Unusual or infrequent items (previously known as extraordinary and special items);
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
- Major component unit information; and
- Budgetary comparison information.

The effective date for GASB 103 is for fiscal years beginning after June 15, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, which enhances financial reporting transparency by requiring separate note disclosures for certain types of capital assets, including a) Lease assets under GASB Statement No. 87, b) Subscription-based information technology arrangements (SBITAs) under GASB Statement No. 96, c) Intangible right-to-use assets under GASB Statement No. 94, d) Other intangible assets not otherwise separately reported, and e) Capital assets held for sale. The provisions of GASB 104 are effective for fiscal years beginning after June 15, 2025. Management is currently evaluating the impact of this Statement on its financial statements.

(3) DEPOSITS AND INVESTMENTS

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

At June 30, 2025, the carrying amounts of the City's deposits held in banks were $49,947,511 and the bank balances were $33,497,100. 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, 2025, the City had the following investments and maturities:

Fund	Investment	Current Value	Maturity	Interest
ARPA Fund	CD	$ 4,505,121	08/24/25	4.25%
ARPA Fund	CD	5,000,000	12/13/25	4.00%
Utility Fund	CD	2,840,094	01/09/26	3.70%
Utility Fund	CD	1,943,950	06/11/26	1.34%
Utility Fund	CD	1,124,163	09/27/25	1.19%
Utility Fund	CD	724,599	10/07/25	1.19%
Recreation Fund	CD	190,000	12/30/25	1.34%
Fiduciary Funds	CD	272,564	10/02/25	1.34%
Fiduciary Funds	CD	924,254	07/08/25	4.59%

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

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

(4) PROPERTY TAX REVENUES AND LICENSE FEES

Property Taxes: 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. Assessed values are established by State Law at 100% of fair value. Per KRS 91.487, the lien date for assessed taxes is January 1 of each fiscal year and 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. The City imposes penalties of 10% and interest of 0.5% per month on taxes not paid within thirty days of mailing tax bills.

Real property and tangible property taxes are recognized as revenue on the modified accrual basis. Public utility 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 2025 assessed value for real property and tangible property was approximately $893,000,000 and $72,000,000 respectively. The tax rate adopted was $.1918 per $100 valuation with an additional $.1056 per $100 valuation for property within the floodwall.

License Fees: The City levies a payroll tax of 2.0% on all individuals who work within the City limits. This tax is withheld by an employee's employer and remitted to the City quarterly. The payroll license fee is recorded in the General Fund and is used to pay the general operations of the City. Additionally, the City levies an occupational license fee of 2.0% on net profits of all companies who do business within the City. Companies are required to report and remit this fee annually. The occupational license fee is recorded in the General Fund and is used to pay the general operations of the City.

(5) GRANTS RECEIVABLE

Grants receivable from other governmental units as of June 30, 2025, are as follows:

General Fund:	
Highway Planning & Construction	$ 1,129,580
Safe Streets and Roads for All	46,229
	1,175,809
Special Revenue Funds:	
Municipal Aid Road Program	34,272
Brownfield Grant	13,499
Community Development Fund, program allocation	26,118
Abandoned Mine Land Reclamation Program	162,600
	236,489
Enterprise Funds:	
Ashland Bus System – FTA Operating	68,086
Ashland Bus System – FTA Capital	569,557
Ashland Bus System – KDOT	70,425
	708,068
	$ 2,120,366

(6) CAPITAL ASSETS

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

Governmental Activities	Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025
Capital Assets, Not Depreciated:				
Land	$ 19,502,237	$ -	$ -	$ 19,502,237
Construction in progress	6,291,532	5,059,898	(906,799)	10,444,631
Capital Assets, Depreciated:				
Buildings	9,514,922	-	-	9,514,922
Building improvements	4,400,415	406,580	-	4,806,995
Automotive equipment	7,955,727	512,861	-	8,468,588
Office furniture and equipment	743,873	45,068	-	788,941
Operating equipment	5,785,887	342,498	-	6,128,385
Capital improvements	4,056,721	767,998	-	4,824,719
Infrastructure	58,559,699	1,155,575	-	59,715,274
Totals	116,811,013	8,290,478	(906,799)	124,194,692
Less: accumulated depreciation				
Buildings	3,688,977	187,082	-	3,876,059
Building improvements	2,577,445	164,186	-	2,741,631
Automotive equipment	5,427,460	535,634	-	5,963,094
Office furniture and equipment	575,158	35,545	-	610,703
Operating equipment	3,447,751	261,228	-	3,708,979
Capital improvements	900,347	179,304	-	1,079,651
Infrastructure	30,899,899	1,680,054	-	32,579,953
Total accumulated depreciation	47,517,037	3,043,033	-	50,560,070
Governmental Activities Capital Assets - Net	$ 69,293,976	$ 5,247,445	$ (906,799)	$ 73,634,622

Business-type Activities	Balance June 30, 2024	Additions	Deductions	Balance June 30, 2025
Capital Assets, Not Depreciated:				
Land	$ 449,401	$ 132,059	$ -	$ 581,460
Construction in progress	12,118,135	3,599,154	(9,138,295)	6,578,994
Capital Assets, Depreciated:				
Buildings	7,374,659	3,000,000	-	10,374,659
Building improvements	1,581,527	-	-	1,581,527
Utility and sewage plants	108,228,879	8,898,967	-	117,127,846
Automotive equipment	2,645,109	824,886	-	3,469,995
Office furniture and equipment	775,888	20,824	-	796,712
Operating equipment	6,311,811	947,084	-	7,258,895
Recreation equipment	389,290	33,298	-	422,588
Capital improvement	5,797,276	1,029,654	-	6,826,930
Totals	145,671,975	18,485,926	(9,138,295)	155,019,606
Less: accumulated depreciation				
Buildings	2,087,368	233,565	-	2,320,933
Building improvements	768,435	92,260	-	860,695
Utility and sewage plants	67,617,705	2,399,711	-	70,017,416
Automotive equipment	2,019,931	182,791	-	2,202,722
Office furniture and equipment	498,609	60,781	-	559,390
Operating equipment	3,951,544	289,477	-	4,241,021
Recreation equipment	285,044	14,203	-	299,247
Capital improvements	867,493	238,132	-	1,105,625
Total accumulated depreciation	78,096,129	3,510,920	-	81,607,049
Business-type Activities Capital Assets - Net	$ 67,575,846	$ 14,975,006	$ (9,138,295)	$ 73,412,557

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

Governmental activities:	
General government	$ 526,462
Finance	1,849
Public services	1,663,266
Planning and code enforcement	1,920
Police	468,622
Fire	327,360
Engineering	3,363
Community and cultural	50,191
	$ 3,043,033
Business-type activities:	
Utilities	$ 2,923,142
Bus	160,887
Recreation	254,086
Cemetery	59,190
Parking garage	55,923
Paramount arts	57,692
	$ 3,510,920

(7) RETIREMENT PLANS

Net pension liabilities of the City as of June 30, 2025 are as follows:

Governmental activities:		
Policemen and Firefighters Pension Fund	$	643,780
County Employees Retirement System		
Nonhazardous		9,870,363
Hazardous		30,390,562
	$	40,904,705
Business-type activities:		
Utility Employees Pension Fund	$	4,591,985
County Employees Retirement System		
Nonhazardous		13,047,160
	$	17,639,145

Single Employer Plans

Plan Descriptions, Contribution Information and Funding Policies

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

Utility Pension Fund (UPF)

The City of Ashland Utilities Employee's Pension Plan provides retirement benefits to City utility department employees in classified positions under civil service. The plan is closed to new participants and at June 30, 2025, there were no active employees participating in UPF. Unless otherwise indicated, UPF information in this Note is provided as of the latest actuarial valuation date, June 30, 2025.

Policemen and Firefighters Pension Fund (PFPF)

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

The plan was frozen effective August 1, 1988. Policemen and firefighters hired after that date are required to participate in CERS. The plan is closed to new participants and at June 30, 2025, there were no active employees participating in PFPF. Unless otherwise indicated, PFPF information in this Note is provided as of the latest actuarial valuation date, June 30, 2024, with an update to roll forward information to June 30, 2025.

Financial Statements

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

STATEMENT OF NET POSITION	PENSION TRUST FUNDS Utility Pension Fund	Policemen & Firefighters Pension Fund	Total
ASSETS			
Cash and cash equivalents	$ -	$ -	$ -
Accrued interest receivable	-	10,652	10,652
Due from other funds	4,116,048	-	4,116,048
Investments, at fair value -			
Certificates of deposit	-	1,196,818	1,196,818
Total assets	4,116,048	1,207,470	5,323,518
LIABILITIES			
Due to other funds	2,000,828	163,653	2,164,481
Total liabilities	2,000,828	163,653	2,164,481
NET POSITION - RESTRICTED FOR PENSION BENEFITS	$ 2,115,220	$ 1,043,817	$ 3,159,037
STATEMENT OF CHANGES IN NET POSITION			
ADDITIONS			
Contributions -			
Employer	$ 471,485	$ -	$ 471,485
Plan members	-	-	-
Total contributions	471,485	-	471,485
Investment income -			
Interest income	2,576	45,883	48,459
Total investment income	2,576	45,883	48,459
Total additions	474,061	45,883	519,944
DEDUCTIONS			
Benefits	664,086	213,029	877,115
Administrative expenses	2,659	5,181	7,840
Total deductions	666,745	218,210	884,955
NET INCREASE (DECREASE)	(192,684)	(172,327)	(365,011)
NET POSITION - RESTRICTED FOR PENSION BENEFITS			
Beginning of year	2,307,904	1,216,144	3,524,048
End of year	$ 2,115,220	$ 1,043,817	$ 3,159,037

Pension Expense

For the year ended June 30, 2025, the City recognized pension expense of ($456,511) and ($233,078) for the Utility Pension Fund and Policemen and Firefighters Pension Fund, respectively. At June 30, 2025, the effect of all changes in assumptions and differences between expected and actual experience were recognized in pension expense due to there being no active employees participating.

Actuarial Methods and Assumptions

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

	Utility Pension Fund	Policemen and Firefighters Pension Fund	
Governing Authority	City Ordinance and KRS	City Ordinance and KRS	
Determination of contribution requirements	Actuarially	Actuarially	
Contribution rates as a percentage of covered payroll:			
Employer	N/A	N/A	
Plan Members	N/A	N/A	
Funding of administrative costs	Investment Earnings	Investment Earnings	
Period required to vest	20	10	
Post retirement benefit increases	As approved by City Commission	As approved by City Commission	
Eligibility for distribution	Age 50, with 20 years	N/A	
Provisions for:			
Disability benefits	Yes	Yes	
Death benefits	Yes	Yes	
Membership of the plans are as follows:			
			Totals
Retirees and beneficiaries currently receiving benefits	16	7	23
Active plan participants:			
Vested	-	-	-
Non-Vested	-	-	-
	16	7	23

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

	Utility Pension Fund	Policemen And Firefighters Pension Fund
Valuation date	06-30-25	06-30-24
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level % of payroll Closed	Level % of payroll Closed
Amortization	20 years	10 years
Actuarial asset valuation method	Fair market value, quoted market prices	Fair market value, quoted market prices
Actuarial assumptions		
Investments		
Rate of return	3.00%	3.00%
Allocation	Allowed by KRS	Allowed by KRS
Projected salary increases	None	None
Post retirement benefit increases	0.00 %	0.00 %
Cost of living adjustments	3.00 %	3.00 %
Discount rate	3.00 %	3.00 %
Mortality	RP-2000 Mortality Table	RP-2000 Mortality Table
Changes of assumptions since prior valuation	Discount rate increased from 2.50% to 3.00%	Discount rate increased from 2.50% to 3.00%

Net Pension Liability

The following represents the components of the net pension liability:

Actuarial Valuation Date	Fiduciary Net Position (a)	Total Pension Liability (TPL) Entry Age (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	NPL as a Percentage of Covered Payroll ((b-a)/c)
UTILITY EMPLOYEES PENSION FUND						
06/30/24	$ 2,307,904	$ 7,827,885	$ 5,519,981	29.5%	**N/A	**N/A
06/30/25	2,115,220	6,707,205	4,591,985	31.5%	**N/A	**N/A
POLICEMEN AND FIREFIGHTERS PENSION FUND						
06/30/24	$ 1,216,144	$ 2,093,002	$ 876,858	58.1%	**N/A	**N/A
06/30/25	1,043,817	1,687,597	643,780	61.9%	**N/A	**N/A

**No active employees or covered payroll.

Changes in Net Pension Liability

The following represents the changes in the net pension liabilities for the year ended June 30, 2025:

UTILITY EMPLOYEES PENSION FUND	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2024	$ 7,827,885	$ 2,307,904	$ 5,519,981
Changes for the year:			
Interest on total pension liability	186,704	-	186,704
Difference in expected and actual experience	(556,333)	-	(556,333)
Effect of changes in assumptions	(247,527)	-	(247,527)
Effect of changes in benefit terms	160,562	-	160,562
Benefit payments	(664,086)	-	(664,086)
Employer contributions	-	471,485	(471,485)
Investment income, net of expenses	-	2,576	(2,576)
Benefit payments	-	(664,086)	664,086
Administrative expenses	-	(2,659)	2,659
Net changes	(1,120,680)	(192,684)	(927,996)
Balance, June 30, 2025	$ 6,707,205	$ 2,115,220	$ 4,591,985

POLICEMEN AND FIREFIGHTERS PENSION FUND	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance, June 30, 2024	$ 2,093,002	$ 1,216,144	$ 876,858
Changes for the year:			
Interest on total pension liability	59,328	-	59,328
Difference in expected and actual experience	(273,057)	-	(273,057)
Effect of changes in assumptions	-	-	-
Effect of changes in benefit terms	21,353	-	21,353
Benefit payments	(213,029)	-	(213,029)
Employer contributions	-	-	-
Investment income, net of expenses	-	45,883	(45,883)
Benefit payments	-	(213,029)	213,029
Administrative expenses	-	(5,181)	5,181
Net changes	(405,405)	(172,327)	(233,078)
Balance, June 30, 2025	$ 1,687,597	$ 1,043,817	$ 643,780

Deferred Outflows of Resources and Deferred Inflows

There are no deferred outflows of resources and deferred inflows related to the Utility Pension Fund and Policemen and Firefighters Pension Fund at June 30, 2025 due to all participants of the Plans being retired.

Discount Rate

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

	1% Decrease (2.00%)	Current discount rate (3.00%)	1% Increase (4.00%)
Utility Pension Fund	$ 5,185,265	$ 4,591,985	$ 4,078,770
Policemen and Firefighters Pension Fund	768,686	643,780	534,422

Reserves

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

Payables

The following represents amounts due to the Utility Pension Fund and the Policemen and Firefighters Pension Fund as of June 30, 2025:

Governmental activities:		
Policemen and Firefighters Pension Fund	$	-
Business-type activities:		
Utility Employees Pension Fund	$	4,116,048

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

Plan description

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

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

Benefits provided

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

Contributions

Funding for CERS is provided by members, who contribute 5.00% nonhazardous and 8.00% hazardous (6.00% and 9.00% for employees hired after September 1, 2008, respectively) of their salary through payroll deductions and by employers of members who contribute 19.71% nonhazardous (19.71% - pension, 0.00% - insurance) and 38.61% hazardous (36.49% - pension, 2.12% - insurance) of the member's salary. During the year ending June 30, 2025, the City contributed $2,360,135 and $3,445,678 to the CERS Nonhazardous and Hazardous Pension Fund, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

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

At June 30, 2025, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2023. An expected total pension liability as of June 30, 2024 was determined using standard roll-forward techniques. The City's proportion of the net pension liability was based on contributions to CERS during the fiscal year ended June 30, 2024. At June 30, 2023, the City's proportion for nonhazardous and hazardous was 0.38321% and 1.18159%, respectively.

For the year ended June 30, 2025, the City recognized pension expense of approximately $2,796,000 and $2,889,000 for nonhazardous and hazardous, respectively. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Nonhazardous		
Differences between expected and actual experience	$ 1,109,250	$ -
Changes of assumptions	-	1,035,422
Net difference between projected and actual earnings on investments	-	1,473,473
Changes in proportion and differences between District contributions and proportionate share of contributions	1,913,537	-
District contributions subsequent to the measurement date	2,360,135	-
	$ 5,382,922	$ 2,508,895
Hazardous		
Differences between expected and actual experience	$ 1,974,699	$ -
Changes of assumptions	-	1,715,188
Net difference between projected and actual earnings on investments	-	1,622,019
Changes in proportion and differences between District contributions and proportionate share of contributions	654,621	229,728
District contributions subsequent to the measurement date	3,445,678	-
	$ 6,074,998	$ 3,566,935

At June 30, 2025, the City reported deferred outflows of resources for City contributions subsequent to the measurement date of $2,360,135 and $3,445,678 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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

Year	Nonhazardous	Hazardous
2026	$ 564,490	$ (511,696)
2027	844,201	303,394
2028	(566,420)	(388,694)
2029	(328,379)	(340,619)
Thereafter	-	-
	$ 513,892	$ (937,615)

Actuarial Methods and Assumptions

The total pension liability for CERS was determined by applying procedures to the actuarial valuation as of June 30, 2023. The financial reporting actuarial valuation as of June 30, 2024, used the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of pay
Payroll Growth	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service, for nonhazardous 3.55% to 19.05%, varies by service, for hazardous
Investment Rate of Return	6.50%, net of pension plan investment expense, including inflation

The mortality table used for active members was a Pub-2010 General Mortality table, for the Nonhazardous System, and the Pub-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%
Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	4.69%

Discount rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.50%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current discount rate (6.50%)	1% Increase (7.50%)
City's proportionate share of the net pension liability			
Nonhazardous	$ 29,544,431	$ 22,917,523	$ 17,418,934
Hazardous	39,124,673	30,390,562	23,259,638

Pension plan fiduciary net position

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

Payables to the pension plan

At June 30, 2025, there was a total payable to CERS of $587,650 for nonhazardous and hazardous, which includes pension and OPEB contributions.

(8) OTHER POSTEMPLOYMENT BENEFIT ("OPEB") PLANS

Net OPEB liabilities (assets) of the City as of June 30, 2025 are as follows:

Governmental activities:	
County Employees Retirement System	
Nonhazardous	$ (305,314)
Hazardous	1,433,612
	$ 1,128,298
Business-type activities:	
Utility Employees Pension Fund	
County Employees Retirement System	
Nonhazardous	$ (358,168)

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

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

CERS allocates a portion of the employer contributions to the health insurance benefit plans. For the year ending June 30, 2025, CERS allocated 0.00% of the 19.71% nonhazardous and 2.12% of the 36.49% hazardous actuarially required contribution rate paid by employers for funding the healthcare benefit. In addition, 1.00% of the contributions by employees hired after September 1, 2008 are allocated to the health insurance plan. During the year ending June 30, 2025, the City contributed $0 and $200,156 to the CERS Nonhazardous and Hazardous Insurance Fund, respectively. The contribution requirements of CERS are established and may be amended by the CERS Board of Trustees.

Implicit Subsidy

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

OPEB Liabilities (Assets), Expense, and Deferred Outflows/Inflows of Resources Related to CERS Insurance Fund

At June 30, 2025, the City reported a liability for its proportionate share of the net OPEB liability (asset). The net OPEB liability (asset) was measured as of June 30, 2024. The total OPEB liability used to calculate the net OPEB liability (asset) was based on an actuarial valuation as of June 30, 2023. An expected total pension liability as of June 30, 2024 was determined using standard roll-forward techniques. City's proportion of the net OPEB liability (asset) was based on contributions to CERS during the fiscal year ended June 30, 2024. At June 30, 2024, the City's proportion for nonhazardous and hazardous was 0.38559% and 1.81848%, respectively.

For the year ended June 30, 2025, the City recognized OPEB expense of approximately ($1,298,000) and ($1,115,000) for nonhazardous and hazardous, respectively, including an implicit subsidy of $180,442 and ($8,277), respectively. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Nonhazardous		
Differences between expected and actual experience	$ 368,092	$ 5,220,288
Changes of assumptions	601,194	468,156
Net difference between projected and actual earnings on investments	-	605,465
Changes in proportion and differences between District contributions and proportionate share of contributions	839,504	32,259
District contributions subsequent to the measurement date	-	-
	$ 1,808,790	$ 6,326,168
Hazardous		
Differences between expected and actual experience	$ 388,214	$ 5,247,348
Changes of assumptions	972,406	1,261,671
Net difference between projected and actual earnings on investments	-	900,864
Changes in proportion and differences between District contributions and proportionate share of contributions	264,857	74,740
District contributions subsequent to the measurement date	200,156	-
	$ 1,825,633	$ 7,484,623

At June 30, 2025, the City reported deferred outflows of resources related to OPEB for City contributions subsequent to the measurement date of $0 and $200,156 for nonhazardous and hazardous, respectively. These contributions will be recognized as a reduction of the net OPEB liability (asset) in the year ended June 30, 2026.

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

Year	Nonhazardous	Hazardous
2026	$ (1,880,890)	$ (1,645,136)
2027	(1,411,554)	(1,261,273)
2028	(1,222,261)	(1,845,446)
2029	(2,673)	(1,187,726)
Thereafter	-	80,435
	$ (4,517,378)	$ (5,859,146)

Actuarial Methods and Assumptions

The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Experience Study	July 1, 2013 - June 30, 2018
Actuarial Cost Method	Entry Age Normal
Payroll Growth Rate	2.00%
Inflation	2.50%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting 7.10% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years.
Post-65	Initial trend starting at 8.00% at January 1, 2026 and gradually decreasing to an ultimate trend rate of 4.25% over a period of 9 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality table, for the Non-Hazardous Systems, and the PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.
Post-retirement (non-disabled)	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Post-retirement (disabled)	PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year 2010

Assumption Changes: The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	50.00%	4.15%
Private Equity	10.00%	9.10%
Fixed Income		
Core Fixed Income	10.00%	2.85%
Specialty Credit	10.00%	3.82%
Cash	0.00%	1.70%

Inflation Protected		
Real Estate	7.00%	4.90%
Real Return	13.00%	5.35%
Total	100.00%	4.69%

Discount rate: The discount rate used to measure the total OPEB liability was 5.99%. The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, each plan's fiduciary net position and future contributions were projected separately and were sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the plan. However, the cost associated with the implicit employer subsidy was not included in the calculation of the plans' actuarially determined contributions, and any cost associated with the implicit subsidy will not be paid out of the plan trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following table presents the City's proportionate share of the collective net OPEB liability (asset) of the System, calculated using the discount rate of 5.99%, as well as what the City's proportionate share of the collective net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.99%) or 1-percentage-point higher (6.99%) than the current rate:

	1% Decrease (4.99%)	Current discount rate (5.99%)	1% Increase (6.99%)
City's proportionate share of the net OPEB liability (asset)			
Nonhazardous	$ 897,101	$ (663,482)	$ (1,975,621)

The following table presents the City's proportionate share of the collective net OPEB liability (asset) of the Hazardous CERS Insurance Fund, calculated using the discount rate of 6.02%, as well as what the City's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.02%) or 1-percentage-point higher (7.02%) than the current rate:

	1% Decrease (5.02%)	Current discount rate (6.02%)	1% Increase (7.02%)
City's proportionate share of the net OPEB liability (asset)			
Hazardous	$ 3,961,834	$ 1,433,612	$ (679,207)

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

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

	1% Decrease	Current trend rate	1% Increase
City's proportionate share of the net OPEB liability (asset)			
Nonhazardous	$ (1,596,255)	$ (663,482)	$ 423,135
Hazardous	(222,239)	1,433,612	3,368,941

OPEB plan fiduciary net position

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

Payables to the OPEB plan

At June 30, 2025, there was a total payable to CERS of $587,650 for nonhazardous and hazardous, which includes pension and OPEB contributions.

(9) LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2025:

Governmental Activities	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
General Obligation Bond Series 2015	$ 1,230,000	$ -	$ 165,000	$ 1,065,000	$ 165,000
General Obligation Bond Series 2017	3,415,000	-	200,000	3,215,000	205,000
General Obligation Bond Series 2021	8,745,000	-	1,080,000	7,665,000	1,130,000
General Obligation Bond Series 2024	-	9,920,000	-	9,920,000	-
Financing lease – Melody Mtn. Phase II	971,667	-	82,084	889,583	85,000
Premium (discount) on bonds	1,358,278	(173,112)	187,734	997,432	-
Compensated absences obligation	1,134,508	-	23,407	1,111,101	-
Total Governmental Activities	$ 16,854,453	$ 9,746,888	$ 1,738,225	$ 24,863,116	$ 1,585,000

Business-type Activities	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
Water & Sewer Revenue Bond Series 2015	$ 1,795,000	$ -	$ 235,000	$ 1,560,000	$ 240,000
Water & Sewer Revenue Bond Series 2020	9,760,000	-	485,000	9,275,000	495,000
Financing lease – Radio Meters	552,917	-	127,084	425,833	134,167
KIA Loan	255,529	-	255,529	-	-
KIA Loan	3,486,152	-	336,706	3,149,446	343,474
Premium on bonds	54,310	-	7,759	46,551	-
Discount on bonds	(19,248)	-	(2,406)	(16,842)	-
Total Business-type Activities	$ 15,884,660	$ -	$ 1,444,672	$ 14,439,988	$ 1,212,641

At June 30, 2025, the City was required to have $1,496,225 for the Revenue and Improvement Bonds, in sinking fund reserve accounts. Additionally, under the KIA loan agreements, the City was required to have $390,000 set aside for the costs of extensions, improvements, renewals and replacements to the sewer system. As of June 30, 2025, the City had reserve funds of $1,886,225.

Governmental Activities

General Obligation Refunding Bond Series 2015

On March 17, 2015, the City issued $2,520,000 in refunding bonds with an average rate of 3.0% to advance refund $2,460,000 of the series 2005 bonds with an average rate of 4.0%. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $103,137. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2030 using the straight-line method. Additionally, the City reduced its total debt service payments over the following 25 years by $269,000 and obtained an economic gain (difference between the present values of the debt service payments of the old and new bonds) of $224,000. Additionally, the 2015 Series bonds were sold at a premium of $89,008, which is being amortized over the life of the bonds.

The annual requirements to amortize the indebtedness at June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 165,000	$ 29,475	$ 194,475
2027	170,000	24,450	194,450
2028	175,000	19,275	194,275
2029	180,000	13,950	193,950
2030	185,000	8,475	193,475
2031	190,000	2,850	192,850
	$ 1,065,000	$ 98,475	$ 1,163,475

General Obligation Bond Series 2017

On October 25, 2017, the City issued $4,490,000 in general obligation bonds with an average rate of 3.0% to fund the Ashland Plaza Redevelopment Project, which is a tax increment finance project. See Note (14) for additional information regarding the tax increment finance district. Additionally, the 2017 Series bonds were sold at a premium of $79,002, which is being amortized over the life of the bonds.

The annual requirements to amortize the indebtedness at June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 205,000	$ 93,375	$ 298,375
2027	210,000	87,150	297,150
2028	220,000	80,700	300,700
2029	225,000	74,025	299,025
2030	230,000	67,200	297,200
2031-2035	1,270,000	225,750	1,495,750
2036-2038	855,000	39,075	894,075
	$ 3,215,000	$ 667,275	$ 3,882,275

General Obligation Bond Series 2021

On June 22, 2021, the City issued $11,170,000 in general obligation bonds with an average rate of 5.0% to terminate the lease agreement with the Kentucky League of Cities Funding Trust for the police station constructed in 2008 and to finance various capital improvements. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $415,059. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2031 using the straight-line method. Additionally, the 2021 Series bonds were sold at a premium of $1,815,487, which is being amortized over the life of the bonds.

The annual requirements to amortize the indebtedness at June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 1,130,000	$ 327,450	$ 1,457,450
2027	1,190,000	270,950	1,460,950
2028	1,245,000	211,450	1,456,450
2029	1,310,000	149,200	1,459,200
2030	1,375,000	83,700	1,458,700
2031	1,415,000	42,450	1,457,450
	$ 7,665,000	$ 1,085,200	$ 8,750,200

General Obligation Bond Series 2024

On November 1, 2024, the City issued $9,920,000 in general obligation bonds with an average rate of 4.0% to finance the construction of a new conference center. Additionally, the 2024 Series bonds were sold at a discount of $173,112, which is being amortized over the life of the bonds.

The annual requirements to amortize the indebtedness at June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ -	$ 576,008	$ 576,008
2027	120,000	396,375	516,375
2028	130,000	391,375	521,375
2029	150,000	385,775	535,775
2030	165,000	379,475	544,475
2031-2035	1,100,000	1,778,875	2,878,875
2036-2040	1,655,000	1,505,775	3,160,775
2041-2045	2,405,000	1,102,975	3,507,975
2046-2050	3,380,000	527,997	3,907,997
2051	815,000	16,809	831,809
	$ 9,920,000	$ 7,061,439	$ 16,981,439

Financing Lease - Melody Mountain Phase II

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

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

Year Ending June 30,	Principal	Interest & Fees	Total
2026	$ 85,000	$ 32,443	$ 117,443
2027	87,083	29,680	116,763
2028	92,083	26,803	118,886
2029	95,000	23,646	118,646
2030	97,083	20,271	117,354
2031-2035	433,334	44,328	477,662
	$ 889,583	$ 177,171	$ 1,066,754

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, 2025, are as follows:

	Accrued Long-Term Obligation	Current Obligation	Total Compensated Absences
General Fund	$ 1,078,498	$ 212,164	$ 1,290,662
Community Development Fund	18,998	3,737	22,735
Housing Assistance Fund	8,368	1,646	10,014
Floodwall Fund	5,237	1,030	6,267
Utility Fund	-	347,076	347,076
Ashland Bus System	-	33,995	33,995
Recreation Fund	-	26,907	26,907
Cemetery Fund	-	7,433	7,433
Parking Garage Fund	-	1,433	1,433
	$ 1,111,101	$ 635,421	$ 1,746,522

Refer to Note (2) for additional information regarding compensated absences.

Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying loan agreements. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2025, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately $213 million.

Business-Type Activities

Water & Sewer Revenue Bonds Series 2015

On March 11, 2015, the City issued $3,620,000 in revenue bonds with interest rates ranging from 3.0% to 3.25%, to finance improvements for the waterworks, water distribution, wastewater treatment and collection facilities. The annual requirements to amortize the indebtedness at June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 240,000	$ 48,175	$ 288,175
2027	250,000	40,975	290,975
2028	255,000	33,475	288,475
2029	265,000	25,825	290,825
2030	550,000	26,975	576,975
	$ 1,560,000	$ 175,425	$ 1,735,425

Water & Sewer Revenue Bonds Series 2020

On July 7, 2020, the City issued $11,500,000 in revenue bonds with interest rates ranging from 2.0% to 2.5%, to finance improvements for the waterworks, water distribution, wastewater treatment and collection facilities. Additionally, the 2020 Series bonds were sold at a discount of $24,060, which is being amortized over the life of the bonds.

The annual requirements to amortize the indebtedness at June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 495,000	$ 201,613	$ 696,613
2027	505,000	191,713	696,713
2028	515,000	181,613	696,613
2029	525,000	171,313	696,313
2030	535,000	160,813	695,813
2031-2035	2,845,000	638,965	3,483,965
2036-2040	3,175,000	317,788	3,492,788
2041	680,000	17,000	697,000
	$ 9,275,000	$ 1,880,818	$ 11,155,818

Financing Lease - Radio Meters

On July 30, 2013, the City entered into an agreement with the Kentucky Bond Corporation to finance the acquisition and installation of radio read meters. Proceeds of the variable rate (4.125% to 4.625%) lease agreement totaled $1,710,000. Future minimum annual lease payments under this agreement are as follows:

Year Ending June 30,	Principal	Interest & Fees	Total
2026	$ 134,167	$ 18,629	$ 152,796
2027	142,083	12,927	155,010
2028	111,667	6,889	118,556
2029	37,916	1,921	39,837
	$ 425,833	$ 40,366	$ 466,199

Kentucky Infrastructure Authority Loan

On November 1, 2004, the City entered into an Assistance Agreement with the Kentucky Infrastructure Authority ("KIA") for a water system renovation project. In accordance with the Agreement, the City received the proceeds from the loan as eligible expenses were incurred. On January 12, 2019, the KIA allowed the City to refinance the agreement to reduce the interest rate from 3.0% to 2.25%. A loan serving fee of 0.025% of the annual outstanding loan balance shall be payable to KIA as a part of each interest payment. The loan was paid off during the fiscal year ending June 30, 2025.

Kentucky Infrastructure Authority Loan

On May 1, 2010, the City entered into an Assistance Agreement with the Kentucky Infrastructure Authority ("KIA") to finance capacity upgrades at the Roberts Drive Pump Station and the Sixth Street Pump Station as part of the CSO abatement projects in the Long-Term Control Plan (See Note 13). The loan bears interest at a rate of 2.0% with a maturity date of December 1, 2033. A loan serving fee of 0.001% of the annual outstanding loan balance shall be payable to KIA as a part of each interest payment. In accordance with the Agreement, the City received the proceeds from the loan as eligible expenses were incurred. The annual requirements to amortize the loan as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Fees	Total
2026	$ 343,474	$ 61,280	$ 6,128	$ 410,882
2027	350,378	54,376	5,438	410,192
2028	357,421	47,334	4,733	409,488
2029	364,605	40,150	4,015	408,770
2030	371,934	32,821	3,282	408,037
2031-2034	1,361,634	55,007	5,501	1,422,142
	$ 3,149,446	$ 290,968	$ 29,097	$ 3,469,511

(10) INTERFUND TRANSACTIONS

Interfund Receivable and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds are eliminated in the Statement of Net Position. The composition of interfund balances as of June 30, 2025 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Ashland Bus System	$ 949,478
General Fund	Utility Fund	4,780,290
General Fund	Recreation Fund	3,885,668
General Fund	Cemetery Fund	24,452
General Fund	Parking Garage	537,914
General Fund	Paramount Arts Fund	3,139,675
General Fund	Tax Increment Fund	1,297,268
General Fund	Brownfield Grant Fund	92
General Fund	Municipal Aid Road Fund	202
General Fund	ARPA	636,926
General Fund	Conference Center Grant	160,450
General Fund	Opioid Settlement	1,101
General Fund	Housing Assistance	30,881
General Fund	Police & Firefighters Pension Fund	163,653
General Fund	Utility Pension Fund	2,000,828
Internal Service Fund	General Fund	926,218
Floodwall Operating Fund	General Fund	136,277
Community Development Fund	General Fund	36,399
Conference Center Fund	General Fund	2,410,638
Capital Project	General Fund	278,247
Utility Pension Fund	Utility Fund	4,116,048
Total		$ 25,512,705

Interfund Transfers

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Operating	General	Ashland Bus System	Matching	$ 685,784
Operating	General	Recreation	Operations & Capital	1,621,944
Capital	General	Conference Center	Capital Purchases	9,617,109
Capital	General	Capital Projects	Capital Purchases	852,893
Capital	ARPA	Utility	Capital Purchases	2,010,479
Capital	Conference Center Grant	Conference Center	Capital Purchases	509,600

(11) LINE OF CREDIT

The City maintains a revolving line of credit agreement with Kentucky Farmers Bank to provide short-term financing for cash flow needs and other lawful purposes. The line of credit is intended to fund temporary cash flow deficiencies and is expected to be repaid from subsequent revenues.

As of June 30, 2025, the City's line of credit had the following terms:

- Maximum principal amount: $3,500,000
- Interest rate: Prime
- Maturity date: June 30, 2025 (Renewed through June 30, 2026)
- Collateral / security: Real Estate Tax Receipts
- Purpose: Short-term financing
- Renewal provisions: Annual renewal
- Debt service requirements: Interest due monthly; principal due at maturity

Interest expense related to the line of credit totaled $35,326 for the fiscal year ended June 30, 2025. The City's weighted average interest rate during the year was approximately 6.00%.

The outstanding balance of $1,700,000 at fiscal year-end is reported as current liability in the General Fund, since it is due within one year and is intended to be repaid from current financial resources. At June 30, 2025, the City had $1,800,000 of unused availability under the line of credit.

(12) CONTINGENCIES

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

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

(13) COMMITMENTS AND CONTINGENCIES

Ashland Bus System

The City is committed to provide financial assistance to the Ashland Bus System (ABS). During the year ended June 30, 2025, the City paid $606,126 to the ABS under this agreement. Remaining operating costs are to be funded through grants from the U.S. Department of Transportation (DOT). The City has estimated that there is no amount due from the DOT for the current year's operating grant. City management does not expect its cost of operating the ABS to decrease in the near future.

Combined Sewer Overflow Improvements

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

On February 18, 2010, the Board of Commissioners approved an additional surcharge for sewer customers of the City to pay for the improvements. Beginning April 1, 2010, sewer customers are charged a $2.50 fee per 1,000 gallons of water used. The charge increased to $3.50 per 1,000 gallons during 2015 and will end in 2035. All monies collected for this surcharge are placed in a separate account and only used for CSO improvements as outlined in the City's Long Term Control Plan. At June 30, 2025, the City has $10,694,103 restricted for the sewer improvements.

Construction Projects

The City is obligated on commitments for various contracts in progress at June 30, 2025. A summary of these commitments is as follows:

Total Approved Contracts	$	70,558,363
Less: Paid or Accrued to Date		(22,750,838)
Outstanding Commitments	$	47,807,525

(14) TAX ABATEMENTS

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

During the year ended June 30, 2018, the City created a tax increment financing ("TIF") district ("Ashland Plaza Redevelopment Project") under the authority granted by Kentucky Revised Statutes (KRS) Chapter 65 and 154.30. The taxes levied on all taxable property within the TIF district on the increase in assessed value of the taxable property is allocated to pay for the cost of improvements in the district, including reimbursing the City's initial investment. The tax increments are allocated until all costs of the TIF district project has been repaid; however, it cannot exceed 20 years. The project developer bears the risk that the increments collected over the life of the TIF district will be less than sufficient to cover all eligible project expenses and the City bears no responsibility to make up any shortfall. The City has one active TIF district in which taxes are passed directly to developers or utilized for debt service payments associated with the district. Because the general property taxes on tax increment districts are allocated to the district, these taxes are not available to the City during the life of the tax increment district. For the year ended June 30, 2025, additional general property taxes of $39,182 and occupational license fees of $235,110 were collected and not available to the City.

(15) RISK MANAGEMENT

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

All full-time employees are eligible to participate in the City's Health Benefit Plan. The claims liability of $469,162 reported in the Internal Service Fund at June 30, 2025, 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 2024 and 2025 were:

Year Ending	Beginning of Fiscal Year Liability	Current Year Claims	Claim Payments	Balance At Fiscal Year End
06/30/24	$ 87,459	$ 4,637,637	$ 4,540,455	$ 184,641
06/30/25	184,641	5,463,378	5,178,857	469,162

The City established a Health Reimbursement Arrangement (HRA) on behalf of employees enrolled in the Health Benefit Plan. Employees are eligible to participate in the HRA on the thirty-first day of employment. Participants enrolled in the Health Benefit Plan with single coverage are credited with $900 per year into their HRA account, while participants enrolled in the Health Benefit Plan with family coverage are credited with $1,800 per year. Participants in the HRA can use their account balances to reimburse the Health Benefit Plan deductibles and co-insurance expenses. Effective January 1, 2021, only members of the City's fire department are eligible to participate in the HRA. However, employees previously eligible to participate may continue to utilize any unused account balance. Amounts charged to Internal Service Fund operating expenses under the provisions of the HRA for the year ended June 30, 2025 totaled $62,889.

(16) NOTE RECEIVABLE

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

(17) FUND DEFICIT

As of June 30, 2025, the Ashland Bus Fund had a negative net position of $847,667. This deficit resulted from the fund's proportionate share of the net pension and OPEB liabilities (assets) recorded in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

As of June 30, 2025, the Tax Increment Financing Fund had a negative fund balance of $1,297,268. This deficit resulted from incremental tax revenue received by the fund during the year being less than the debt service of the related bond. Sufficient revenue is expected to be received in future years to recover these excess costs.

As of June 30, 2025, the Paramount Arts Fund had a negative fund balance of $75,808. This deficit resulted from revenue received by the fund during the year being less than current expenditures. Sufficient revenue is expected to be received in future years to recover these excess costs.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ASHLAND
DEFINED BENEFIT PENSION TRUSTS
SCHEDULE OF EMPLOYER CONTRIBUTIONS AND INVESTMENT RETURNS
JUNE 30, 2025

UTILITY EMPLOYEES PENSION FUND

	Amount Contributed	ADC	Contribution Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll: ARC	Percentage of Covered Payroll: Amount Contributed	Annual* M-W Rate of Return, net
2016	$ 782,736	$ 603,145	$ (179,591)	**N/A	**N/A	**N/A	0.81%
2017	737,240	603,145	(134,095)	**N/A	**N/A	**N/A	0.80%
2018	1,010,604	484,950	(525,654)	**N/A	**N/A	**N/A	1.02%
2019	845,798	484,950	(360,848)	**N/A	**N/A	**N/A	1.76%
2020	604,364	410,659	(193,705)	**N/A	**N/A	**N/A	1.31%
2021	716,227	410,659	(305,568)	**N/A	**N/A	**N/A	0.34%
2022	511,778	380,896	(130,882)	**N/A	**N/A	**N/A	0.10%
2023	509,705	380,896	(128,809)	**N/A	**N/A	**N/A	0.31%
2024	471,485	311,033	(160,452)	**N/A	**N/A	**N/A	0.74%
2025	471,485	311,033	(160,452)	**N/A	**N/A	**N/A	1.70%

POLICEMEN AND FIREFIGHTERS PENSION FUND

	Amount Contributed	ADC	Contribution Deficiency (Excess)	Covered Payroll	Percentage of Covered Payroll: Payroll ARC	Percentage of Covered Payroll: Amount Contributed	Annual* M-W Rate of Return, net
2016	$ 419,610	$ 564,043	$ 144,433	**N/A	**N/A	**N/A	0.53%
2017	419,610	521,302	101,692	**N/A	**N/A	**N/A	0.67%
2018	949,776	521,302	(428,474)	**N/A	**N/A	**N/A	0.96%
2019	521,302	323,671	(197,631)	**N/A	**N/A	**N/A	1.62%
2020	323,671	323,671	-	**N/A	**N/A	**N/A	2.23%
2021	602,874	230,236	(372,638)	**N/A	**N/A	**N/A	0.49%
2022	230,236	230,236	-	**N/A	**N/A	**N/A	0.16%
2023	172,903	160,652	(12,251)	**N/A	**N/A	**N/A	0.69%
2024	-	160,652	160,652	**N/A	**N/A	**N/A	3.51%
2025	-	99,800	99,800	**N/A	**N/A	**N/A	3.89%

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

** No active employees or covered payroll.

CITY OF ASHLAND
DEFINED BENEFIT PENSION TRUSTS
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2025

Actuarial Valuation Date		Fiduciary Net Position (a)	Total Pension Liability (TPL) Entry Age (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	NPL as a Percentage of Covered Payroll ((b-a)/c)
UTILITY EMPLOYEES PENSION FUND							
06/30/16		$ 2,360,136	$ 10,408,243	$ 8,048,107	22.7%	**N/A	**N/A
06/30/17	*	2,373,099	9,804,378	7,431,279	24.2%	**N/A	**N/A
06/30/18		2,737,130	9,139,815	6,402,685	29.9%	**N/A	**N/A
06/30/19	*	2,955,799	9,248,646	6,292,847	32.0%	**N/A	**N/A
06/30/20		2,917,710	8,747,108	5,829,398	33.4%	**N/A	**N/A
06/30/21	*	2,944,978	9,162,270	6,217,292	32.1%	**N/A	**N/A
06/30/22		2,738,825	8,899,419	6,160,594	30.8%	**N/A	**N/A
06/30/23	*	2,531,492	8,010,966	5,479,474	31.6%	**N/A	**N/A
06/30/24		2,307,904	7,827,885	5,519,981	29.5%	**N/A	**N/A
06/30/25	*	2,115,220	6,707,205	4,591,985	31.5%	**N/A	**N/A
POLICEMEN AND FIREFIGHTERS PENSION FUND							
06/30/16	*	$ 522,527	$ 4,919,883	$ 4,397,356	10.6%	**N/A	**N/A
06/30/17		468,574	4,140,203	3,671,629	11.3%	**N/A	**N/A
06/30/18	*	1,029,005	3,872,818	2,843,813	26.6%	**N/A	**N/A
06/30/19		1,221,257	3,557,450	2,336,193	34.3%	**N/A	**N/A
06/30/20	*	1,253,053	3,318,470	2,065,417	37.8%	**N/A	**N/A
06/30/21		1,569,552	2,779,158	1,209,606	56.5%	**N/A	**N/A
06/30/22	*	1,507,303	2,948,487	1,441,184	51.1%	**N/A	**N/A
06/30/23		1,412,596	2,637,495	1,224,899	53.6%	**N/A	**N/A
06/30/24	*	1,216,144	2,093,002	876,858	58.1%	**N/A	**N/A
06/30/25		1,043,817	1,687,597	643,780	61.9%	**N/A	**N/A

*Biannual actuarial valuation performed.

**No active employees or covered payroll.

CITY OF ASHLAND
DEFINED BENEFIT PENSION TRUSTS
SCHEDULE OF CHANGES IN NET PENSION LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2025

UTILITY EMPLOYEES PENSION FUND

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
TOTAL PENSION LIABILITY										
Service cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest on total pension liability	186,704	190,880	191,488	197,456	251,158	266,520	263,270	283,228	400,459	417,961
Effect of changes in benefit terms	160,562	204,402	235,706	-	-	(262,413)	457,843	(274,194)	(265,792)	(312,246)
Difference in expected and actual experience	(556,333)	115,324	(463,572)	253,125	220,253	167,553	4,302	(2,629)	(950,704)	205,645
Effect of changes in assumptions	(247,527)	-	(134,192)	-	636,404	-	55,714	-	944,652	-
Benefit payments	(664,086)	(693,687)	(717,883)	(713,432)	(692,653)	(673,198)	(672,298)	(670,968)	(732,480)	(768,315)
Net change in total pension liability	(1,120,680)	(183,081)	(888,453)	(262,851)	415,162	(501,538)	108,831	(664,563)	(603,865)	(456,955)
Total pension liability, beginning of year	7,827,885	8,010,966	8,899,419	9,162,270	8,747,108	9,248,646	9,139,815	9,804,378	10,408,243	10,865,198
Total pension liability, end of year (a)	6,707,205	7,827,885	8,010,966	8,899,419	9,162,270	8,747,108	9,248,646	9,139,815	9,804,378	10,408,243
FIDUCIARY NET POSITION										
Employer contributions	471,485	471,485	509,705	511,778	716,227	604,364	845,798	1,010,604	737,240	782,736
Member contributions	-	-	-	-	-	-	-	-	-	-
Investment income, net of investment expenses	2,576	3,936	2,489	831	5,971	35,937	47,448	29,588	10,513	10,395
Benefit payments and refund of contributions	(664,086)	(693,687)	(717,727)	(713,432)	(692,653)	(673,198)	(672,298)	(670,968)	(732,480)	(768,315)
Administrative expenses	(2,659)	(5,322)	(1,800)	(5,330)	(2,277)	(5,192)	(2,279)	(5,193)	(2,310)	(5,102)
Net change in plan fiduciary net position	(192,684)	(223,588)	(207,333)	(206,153)	27,268	(38,089)	218,669	364,031	12,963	19,714
Fiduciary net position, beginning of year	2,307,904	2,531,492	2,738,825	2,944,978	2,917,710	2,955,799	2,737,130	2,373,099	2,360,136	2,340,422
Fiduciary net position, end of year (b)	2,115,220	2,307,904	2,531,492	2,738,825	2,944,978	2,917,710	2,955,799	2,737,130	2,373,099	2,360,136
Net pension liability, ending = (a)-(b)	$ 4,591,985	$ 5,519,981	$ 5,479,474	$ 6,160,594	$ 6,217,292	$ 5,829,398	$ 6,292,847	$ 6,402,685	$ 7,431,279	$ 8,048,107

CITY OF ASHLAND
DEFINED BENEFIT PENSION TRUSTS
SCHEDULE OF CHANGES IN NET PENSION LIABILITIES (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

POLICEMEN AND FIREFIGHTERS PENSION FUND

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
TOTAL PENSION LIABILITY										
Service cost	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest on total pension liability	59,328	62,511	69,865	65,516	79,063	101,634	110,730	157,057	186,525	237,867
Effect of changes in benefit terms	21,353	56,034	73,343	-	-	(94,919)	224,367	(106,452)	(124,206)	(136,189)
Difference in expected and actual experience	(273,057)	(332,856)	(170,068)	384,354	(330,454)	(86,978)	(314,821)	(247,741)	(368,001)	(100,203)
Effect of changes in assumptions	-	(77,180)	-	12,099	-	154,488	-	324,422	-	380,261
Benefit payments	(213,029)	(253,002)	(284,132)	(292,640)	(287,921)	(313,205)	(335,644)	(394,671)	(473,998)	(478,260)
Net change in total pension liability	(405,405)	(544,493)	(310,992)	169,329	(539,312)	(238,980)	(315,368)	(267,385)	(779,680)	(96,524)
Total pension liability, beginning of year	2,093,002	2,637,495	2,948,487	2,779,158	3,318,470	3,557,450	3,872,818	4,140,203	4,919,883	5,016,407
Total pension liability, end of year (a)	1,687,597	2,093,002	2,637,495	2,948,487	2,779,158	3,318,470	3,557,450	3,872,818	4,140,203	4,919,883
FIDUCIARY NET POSITION										
Employer contributions	-	-	172,903	230,236	602,874	323,671	521,302	949,776	419,610	419,610
Member contributions	-	-	-	-	-	-	-	-	-	-
Investment income, net of investment expenses	45,883	58,505	14,896	2,120	6,364	23,230	12,563	7,327	5,107	3,994
Benefit payments and refund of contributions	(213,029)	(253,002)	(277,756)	(292,640)	(287,921)	(313,205)	(335,644)	(394,671)	(473,998)	(478,260)
Administrative expenses	(5,181)	(1,955)	(4,750)	(1,965)	(4,818)	(1,900)	(5,969)	(2,001)	(4,672)	(2,027)
Net change in plan fiduciary net position	(172,327)	(196,452)	(94,707)	(62,249)	316,499	31,796	192,252	560,431	(53,953)	(56,683)
Fiduciary net position, beginning of year	1,216,144	1,412,596	1,507,303	1,569,552	1,253,053	1,221,257	1,029,005	468,574	522,527	579,210
Fiduciary net position, end of year (b)	1,043,817	1,216,144	1,412,596	1,507,303	1,569,552	1,253,053	1,221,257	1,029,005	468,574	522,527
Net pension liability, ending = (a)-(b)	$ 643,780	$ 876,858	$ 1,224,899	$ 1,441,184	$ 1,209,606	$ 2,065,417	$ 2,336,193	$ 2,843,813	$ 3,671,629	$ 4,397,356

CITY OF ASHLAND
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2025

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)		2024 (2023)		2023 (2022)		2022 (2021)		2021 (2020)	
	Nonhaz.	**Hazardous**	**Nonhaz.**	**Hazardous**	**Nonhaz.**	**Hazardous**	**Nonhaz.**	**Hazardous**	**Nonhaz.**	**Hazardous**
PENSION										
City's proportion of the net pension liability	0.38321%	1.18159%	0.35547%	1.18686%	0.31562%	1.47733%	0.31782%	1.14696%	0.30887%	1.12199%
City's proportionate share of the net pension liability	$ 22,917,523	$ 30,390,562	$ 22,808,570	$ 31,997,192	$ 22,815,996	$ 35,022,582	$ 20,263,327	$ 30,533,875	$ 23,690,073	$ 33,828,166
City's covered payroll	$ 11,643,693	$ 9,157,254	$ 9,860,316	$ 8,577,926	$ 8,118,460	$ 7,613,901	$ 7,478,171	$ 7,017,066	$ 7,436,891	$ 6,785,778
City's proportionate share of the net pension liability as a percentage of its covered payroll	196.823%	331.874%	231.317%	373.018%	281.038%	459.982%	270.966%	435.137%	318.548%	498.516%
Plan fiduciary net position as a percentage of the total pension liability	61.61%	57.05%	57.48%	52.96%	52.42%	47.11%	57.33%	52.26%	47.81%	44.11%
INSURANCE FUND										
City's proportion of the net OPEB liability/asset	0.38559%	1.81848%	0.35545%	1.18609%	0.31559%	1.47157%	0.31774%	1.14696%	0.30879%	1.12182%
City's proportionate share of the net OPEB liability (asset)	$ (663,482)	$ 1,433,612	$ (490,759)	$ 1,622,838	$ 6,228,231	$ 9,771,320	$ 6,083,012	$ 9,273,820	$ 7,456,315	$ 10,366,782
City's covered payroll	$ 11,643,693	$ 9,157,254	$ 9,860,316	$ 8,577,926	$ 8,118,460	$ 7,613,901	$ 7,478,171	$ 7,017,066	$ 7,436,891	$ 6,785,778
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-5.698%	15.655%	-4.977%	18.919%	76.717%	128.335%	81.344%	132.161%	100.261%	152.772%
Plan fiduciary net position as a percentage of the total OPEB liability	104.89%	93.53%	104.23%	92.27%	60.95%	64.13%	62.91%	66.81%	51.67%	58.84%

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

CITY OF ASHLAND
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION AND OPEB LIABILITY (ASSET) (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

	Reporting Fiscal Year (Measurement Date)									
	2020 (2019)		2019 (2018)		2018 (2017)		2017 (2016)		2016 (2015)	
	Nonhaz.	**Hazardous**	**Nonhaz.**	**Hazardous**	**Nonhaz.**	**Hazardous**	**Nonhaz.**	**Hazardous**	**Nonhaz.**	**Hazardous**
PENSION										
City's proportion of the net pension liability	0.30736%	1.10540%	0.31496%	1.11871%	0.31601%	1.12239%	0.32717%	1.19593%	0.32806%	1.19771%
City's proportionate share of the net pension liability	$ 21,616,977	$ 30,534,523	$ 19,181,719	$ 27,055,399	$ 18,496,978	$ 25,110,923	$ 16,108,362	$ 20,521,406	$ 14,104,958	$ 18,386,060
City's covered payroll	$ 7,115,364	$ 6,506,066	$ 7,019,185	$ 6,513,275	$ 7,086,423	$ 6,630,921	$ 7,781,684	$ 6,198,395	$ 7,627,360	$ 6,041,405
City's proportionate share of the net pension liability as a percentage of its covered payroll	303.807%	469.324%	273.276%	415.389%	261.020%	378.694%	207.004%	331.076%	184.926%	304.334%
Plan fiduciary net position as a percentage of the total pension liability	50.45%	46.63%	53.54%	49.26%	53.30%	49.80%	55.50%	53.95%	59.97%	57.52%
INSURANCE FUND										
City's proportion of the net OPEB liability/asset	0.30746%	1.10545%	0.31499%	1.11901%	0.31601%	1.12239%				
City's proportionate share of the net OPEB liability (asset)	$ 5,171,305	$ 8,178,810	$ 5,592,603	$ 7,978,052	$ 6,352,862	$ 9,278,454				
City's covered payroll	$ 7,115,364	$ 6,506,066	$ 7,019,185	$ 6,513,275	$ 7,086,423	$ 6,630,921				
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	72.678%	125.711%	79.676%	122.489%	89.648%	139.927%				
Plan fiduciary net position as a percentage of the total OPEB liability	60.44%	64.44%	57.62%	64.24%	52.40%	59.00%				

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

CITY OF ASHLAND
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2025

	2025		2024		2023		2022		2021	
	Nonhaz.	**Hazardous**	**Nonhaz.**	**Hazardous**	**Nonhaz.**	**Hazardous**	**Nonhaz.**	**Hazardous**	**Nonhaz.**	**Hazardous**
PENSION										
Contractually required contribution	$ 2,360,135	$ 3,445,678	$ 2,717,638	$ 3,764,547	$ 2,307,314	$ 3,672,210	$ 1,718,678	$ 2,578,067	$ 1,443,287	$ 2,109,330
Contributions in relation to the contractually required contribution	2,360,135	3,445,678	2,717,638	3,764,547	2,307,314	3,672,210	1,718,678	2,578,067	1,443,287	2,109,330
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered payroll	$ 11,974,302	$ 9,442,801	$ 11,643,693	$ 9,157,254	$ 9,860,316	$ 8,577,926	$ 8,118,460	$ 7,613,901	$ 7,478,171	$ 7,017,066
City's contributions as a percentage of its covered payroll	19.71%	36.49%	23.34%	41.11%	23.40%	42.81%	21.17%	33.86%	19.30%	30.06%
INSURANCE FUND										
Contractually required contribution	$ -	$ 200,156	$ -	$ 236,459	$ 334,265	$ 581,583	$ 469,246	$ 797,175	$ 355,962	$ 668,026
Contributions in relation to the contractually required contribution	-	200,156	-	236,459	334,265	581,583	469,246	797,175	355,962	668,026
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
City's covered payroll	$ 11,974,302	$ 9,442,801	$ 11,643,693	$ 9,157,254	$ 9,860,316	$ 8,577,926	$ 8,118,460	$ 7,613,901	$ 7,478,171	$ 7,017,066
City's contributions as a percentage of its covered payroll	0.00%	2.12%	0.00%	2.58%	3.39%	6.78%	5.78%	10.47%	4.76%	9.52%

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

CITY OF ASHLAND
COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF PENSION AND OPEB CONTRIBUTIONS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

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

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

(1) CHANGES OF ASSUMPTIONS

UTILITY EMPLOYEES PENSION FUND

In the 2025 valuation, the expected investment rate of return was increased from 2.50% to 3.00%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

In the 2023 valuation, the expected investment rate of return was increased from 2.25% to 2.50%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

In the 2021 valuation, the expected investment rate of return was reduced from 3.00% to 2.25%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

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

In the 2017 valuation, the expected investment rate of return was reduced from 4.00% to 3.00%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

In the 2015 valuation, the expected investment rate of return was reduced from 5.00% to 4.00%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. Additionally, an estimated ad-hoc cost of living adjustment of 3% was included in the calculation of the total pension liability due to the adjustments being considered "substantively automatic" under the guidelines of GASB No. 67.

POLICEMEN AND FIREFIGHTERS PENSION FUND

In the 2024 valuation, the expected investment rate of return was increased from 2.50% to 3.00%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

In the 2020 valuation, the expected investment rate of return was reduced from 3.00% to 2.50%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

In the 2018 valuation, the expected investment rate of return was reduced from 4.00% to 3.00%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

In the 2016 valuation, the expected investment rate of return was reduced from 5.00% to 4.00%, which was the estimated yield for a 20 year tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher.

In the 2014 valuation update, an estimated ad-hoc cost of living adjustment of 3.00% was included in the calculation of the total pension liability due to the adjustments being considered "substantively automatic" under the guidelines of GASB No. 67.

CERS

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

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

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

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

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

- The assumed salary increase was changed from 4.00% (average) to 3.05%-10.30% for nonhazardous and 3.55% - 19.05% for hazardous (varies by service).
- The mortality table used for pre-retirement is PUB-2010 General Mortality table, for the Non-Hazardous Systems, and PUB-2010 Public Safety Mortality table for the Hazardous Systems, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.
- The mortality table used for post-retirement (non-disabled) is a system specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.
- The mortality table used for post-retirement (disabled) is PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2010.

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020:

- Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2019.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total pension liability was changed to 6.50%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

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

UTILITY EMPLOYEES PENSION FUND

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20 years
Asset Valuation Method	Fair market value, quoted prices
Cost of Living Adjustments	3.0%
Salary Increase	None
Investment Rate of Return	3.00%, net of pension plan investment expense, including inflation

POLICEMEN AND FIREFIGHTERS PENSION FUND

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	10 years
Asset Valuation Method	Fair market value, quoted prices
Cost of Living Adjustments	3.0%
Salary Increase	None
Investment Rate of Return	3.00%, net of pension plan investment expense, including inflation

CERS

The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of that schedule:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	30 years, closed
Payroll Growth	2.00%

Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service for nonhazardous 3.55% to 19.05%, varies by service for hazardous
Investment Rate of Return	6.25%, net of pension plan investment expense, including inflation
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

(3) CHANGES OF BENEFIT TERMS

UTILITY EMPLOYEES PENSION FUND

The most recent valuation was prepared with the assumption of a “substantively automatic” 3% cost of living adjustment. However, the Commissioners elected not to provide a cost of living adjustment for fiscal year 2017, a 2% cost of living adjustment for fiscal year 2019, a 7% cost of living adjustment for fiscal year 2023, a 6.2% cost of living adjustment for fiscal year 2024, and a 4.6% cost of living adjustment for fiscal year 2025.

POLICEMEN AND FIREFIGHTERS PENSION FUND

The most recent valuation was prepared with the assumption of a “substantively automatic” 3% cost of living adjustment. However, the Commissioners elected not to provide a cost of living adjustment for fiscal year 2017, a 2% cost of living adjustment for fiscal year 2019, a 7% cost of living adjustment for fiscal year 2023, a 6.2% cost of living adjustment for fiscal year 2024, and a 4.6% cost of living adjustment for fiscal year 2025.

CERS

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

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021, is determined using these updated benefit provisions.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member's Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

(1) CHANGES OF ASSUMPTIONS

CERS INSURANCE FUND

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

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

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

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

For the June 30, 2020 measurement date, the assumed increase in future health care costs, or trend assumption, is reviewed on an annual basis and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. The assumed impact of the Cadillac Tax (previously a 0.9% load on employer paid non-Medicare premiums for those who became participants prior to July 1, 2003) was removed to reflect its repeal since the prior valuation.

The following change was made by the Board of Trustees and reflected in the valuation performed as of June 30, 2022:

- The single discount rates used to calculate the total OPEB liability increased from 5.34% to 5.70%.

For the valuation performed as of June 30, 2023, demographic and economic assumptions were updated based on the 2022 experience study and the single discount rates used to calculate the total OPEB liability was changed to 5.93%. A 1% increase in the rate of retirement for each of the first two years a nonhazardous member becomes retirement eligible under the age of 65 is assumed to reflect the shift in retirement pattern due to House Bill 506. Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in the future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period as a result of this review.

For the valuation performed as of June 30, 2024, the discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99% for the nonhazardous plan. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2023, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

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

CERS INSURANCE FUND

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2024:

Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Remaining Amortization Period	30 Years, Closed
Payroll Growth Rate	2.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by service for nonhazardous 3.55% to 19.05%, varies by service for hazardous
Investment Rate of Return	6.25%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 6.20% at January 1, 2024, gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Post-65	Initial trend starting at 9.00% at January 1, 2024 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years. The 2023 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Mortality	System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

(3) CHANGES OF BENEFIT TERMS

CERS INSURANCE FUND

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

Senate Bill 169 passed during the 2021 legislative session increased and the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions.

Senate Bill 209 passed during the 2022 legislative session increased the insurance dollar contribution for members hired on or after July 1, 2003 by $5 for each year of service a member attains over certain thresholds, depending on a member's retirement eligibility requirement. This increase in the insurance dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Additionally, it is only payable when the member's applicable insurance fund is at least 90% funded. The increase is first payable January 1, 2023.

House Bill 506 passed during the 2023 legislative session reinstated the Partial Lump Sum Options (PLSO) form of payment for members retiring on or after January 1, 2024. The bill introduced an expansion of the lump-sum payment options, allowing for payouts equal to 48 or 60 times the member’s Basic, or Survivorship 100% monthly retirement allowance. The lifetime monthly retirement allowance is adjusted actuarially to account for the selected lump sum payment option. House Bill 506 additionally modified the minimum separation period required for a retiree to reemploy with a participating employer of the Systems administered by the KPPA while still receiving their retirement allowance. This adjustment standardized the separation period to one month for all scenarios within each plan for retirement dates effective January 1, 2024 and after.

SUPPLEMENTAL INFORMATION

CITY OF ASHLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2025

	Original Budget	Revisions	Revised Budget	Actual	Variance Positive (Negative)
Revenues					
Property and other local taxes	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-
Charges for services	-	-	-	-	-
Fees, fines and reimbursements	-	-	-	-	-
Grant income	3,958,850	-	3,958,850	4,065,246	106,396
Administration fee income	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	-	-	-	-	-
Total revenues	3,958,850	-	3,958,850	4,065,246	106,396
Expenditures					
General government	2,950	-	2,950	8,409	(5,459)
Finance	-	-	-	-	-
Public services	-	-	-	-	-
Planning and code enforcement	-	-	-	-	-
Police	-	-	-	-	-
Fire	-	-	-	-	-
Engineering	-	-	-	-	-
Community and cultural	-	-	-	-	-
Capital outlay	6,337,745	1,824,566	8,162,311	6,251,131	1,911,180
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	6,340,695	1,824,566	8,165,261	6,259,540	1,905,721
Excess (deficiency) of revenues over (under) expenditures	(2,381,845)	(1,824,566)	(4,206,411)	(2,194,294)	2,012,117
Other Financing Sources (Uses)					
Transfers in	-	-	-	852,893	852,893
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	852,893	852,893
Net change in fund balance	(2,381,845)	(1,824,566)	(4,206,411)	(1,341,401)	2,865,010
Fund balance beginning of year	1,341,401	-	1,341,401	1,341,401	-
Fund balance end of year	$ (1,040,444)	$ (1,824,566)	$ (2,865,010)	$ -	$ 2,865,010

CITY OF ASHLAND

GENERAL FUND

BALANCE SHEET

JUNE 30, 2025

ASSETS	
Cash	$ 209,459
Taxes receivable	2,305,309
Allowance for uncollectible taxes	(487,029)
Grants receivable	1,175,809
Due from other funds	17,608,878
Other receivables	362,804
Prepaid items	909,122
Inventories - supplies	290,989
Total assets	$ 22,375,341
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	$ 3,230,567
Accounts payable	1,244,395
Line-of-credit	1,700,000
Due to other funds	3,787,779
Due to Board of Education	120,955
Accrued compensated absences	212,164
Accrued expenses	975,523
Total liabilities	11,271,383
Fund Balance:	
Non-spendable	1,200,111
Restricted	144,229
Unassigned	9,759,618
Total fund balance	11,103,958
Total liabilities and fund balance	$ 22,375,341

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2025

	Budget	Actual	Variance
REVENUES:			
Taxes -			
General property taxes	$ 2,935,440	$ 1,991,648	$ (943,792)
Penalties and interest	18,000	15,400	(2,600)
Tourism taxes	-	144,172	144,172
Delinquent taxes	269,750	266,936	(2,814)
Vehicle property taxes	515,860	501,714	(14,146)
Bank franchise taxes	187,430	170,629	(16,801)
Other franchise taxes	150,150	358,537	208,387
Insurance premium taxes	4,985,250	5,558,734	573,484
Total taxes	9,061,880	9,007,770	(54,110)
Licenses and permits -			
Occupational license fees	13,975,000	15,003,926	1,028,926
Business privilege licenses	2,388,000	2,316,926	(71,074)
Alcoholic beverage licenses	637,950	608,876	(29,074)
Construction permit fees	43,115	29,779	(13,336)
Other licenses and permits	2,370	2,354	(16)
Total licenses and permits	17,046,435	17,961,861	915,426
Charge for services -			
Garbage collection fee	2,630,675	2,639,254	8,579
Greyhound ticket sales	7,500	2,398	(5,102)
Rental revenue	90,000	68,001	(21,999)
Total charges for services	2,728,175	2,709,653	(18,522)
Fees, fines and reimbursements -			
Parking meter fees and fines	530,400	4,510	(525,890)
Taxes collection fees	194,305	189,579	(4,726)
State rebate - District Court	25,260	26,641	1,381
Street lighting franchise	1,211,110	1,239,121	28,011
Telecommunication franchise	289,400	288,106	(1,294)
Other	681,000	650,085	(30,915)
Total fees, fines and reimbursements	2,931,475	2,398,042	(533,433)
Other revenues -			
Police grants and revenue	557,645	437,888	(119,757)
Miscellaneous grants	10,000	20,586	10,586
Coal severance - LGEA	17,500	6,082	(11,418)
Interest earned	31,750	24,596	(7,154)
Other	252,196	337,945	85,749
Total other revenues	869,091	827,097	(41,994)
Total revenues	32,637,056	32,904,423	267,367

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2025

	Budget	Actual	Variance
EXPENDITURES:			
General Government -			
Mayor and Commissioners	94,133	102,935	(8,802)
City Manager	231,722	275,568	(43,846)
City Clerk/Legal	266,712	285,679	(18,967)
Human Resources	251,749	228,891	22,858
Risk Management	214,333	147,948	66,385
Unclassified	1,268,949	2,045,974	(777,025)
	2,327,598	3,086,995	(759,397)
Department of Finance -			
Director of Finance	792,453	765,185	27,268
Data Processing	-	-	-
	792,453	765,185	27,268
Department of Public Services -			
Director of Public Services	192,034	178,858	13,176
Street maintenance	4,131,471	3,336,700	794,771
Sanitation services	1,892,711	1,963,864	(71,153)
Central garage	469,011	469,286	(275)
Animal control	97,596	101,983	(4,387)
	6,782,823	6,050,691	732,132
Department of Planning and Economic Development -			
Planning and Code Enforcement	804,483	871,679	(67,196)
Economic Development	264,043	262,838	1,205
	1,068,526	1,134,517	(65,991)
Department of Police -			
Technical services	3,416,075	3,531,961	(115,886)
Field operations	5,317,368	4,693,050	624,318
	8,733,443	8,225,011	508,432

CITY OF ASHLAND

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2025

	Budget	Actual	Variance
Department of Fire	8,861,375	8,925,903	(64,528)
Department of Engineering	404,419	330,607	73,812
Debt Service	1,778,069	1,916,173	(138,104)
Total expenditures	30,748,706	30,435,082	313,624
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,888,350	2,469,341	580,991
OTHER FINANCING SOURCES (USES):			
Proceeds from issuance of debt	-	9,920,000	9,920,000
Proceeds from issuance of debt - discount	-	(173,112)	(173,112)
Transfer to Capital Projects Fund	(561,225)	(852,893)	(291,668)
Transfer to Conference Center Fund	-	(9,617,109)	(9,617,109)
Transfer to Recreation Fund	(1,700,752)	(1,621,944)	78,808
Transfer to Ashland Bus Fund	(586,161)	(685,784)	(99,623)
Total other financing sources (uses)	(2,848,138)	(3,030,842)	(182,704)
NET CHANGE IN FUND BALANCE	(959,788)	(561,501)	398,287
FUND BALANCE, June 30, 2024	11,665,459	11,665,459	-
FUND BALANCE, June 30, 2025	$ 10,705,671	$ 11,103,958	$ 398,287

CITY OF ASHLAND

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

JUNE 30, 2025

	Land & Buildings	Building Improvements	Automotive Equipment	Operating Equipment	Office Furniture & Equipment	Capital Improvements	Infrastructure	CIP	Total
Dept of General Gov't	$ 3,789,270	$ 2,036,231	$ 61,332	$ 86,741	$ 339,097	$ 339,996	$ 11,955,117	$ 88,855	$ 18,696,639
Dept of Finance	-	-	28,384	56,243	47,120	-	-	-	131,747
Dept of Public Services	16,000,185	747,366	746,138	4,223,073	81,440	4,160,898	46,379,518	9,455,694	81,794,312
Dept of Planning & Community Development	-	-	93,220	6,799	25,339	-	-	-	125,358
Department of Police	4,949,556	273,034	3,550,455	1,019,552	156,656	249,367	-	-	10,198,620
Department of Fire	3,869,126	1,596,541	3,844,539	566,550	33,830	-	-	900,082	10,810,668
Department of Engineering	-	-	89,856	17,135	67,190	74,458	-	-	248,639
Floodwall Operations	15,121	23,453	54,664	152,292	-	-	-	-	245,530
Community Development	243,868	117,420	-	-	18,623	-	1,324,680	-	1,704,591
Housing Assistance Programs	150,033	12,950	-	-	19,646	-	-	-	182,629
Tax Increment Financing	-	-	-	-	-	-	55,959	-	55,959
	$ 29,017,159	$ 4,806,995	$ 8,468,588	$ 6,128,385	$ 788,941	$ 4,824,719	$ 59,715,274	$ 10,444,631	$ 124,194,692

CITY OF ASHLAND

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

JUNE 30, 2025

Land & Buildings	$ 29,017,159
Building Improvements	4,806,995
Automotive Equipment	8,468,588
Operating Equipment	6,128,385
Office Furniture & Equipment	788,941
Capital Improvements	4,824,719
Infrastructure	59,715,274
Construction in progress	10,444,631
Total	$ 124,194,692
Investment in capital assets by source:	
General Fund	67,380,891
Special Revenue Funds	10,709,612
Capital Projects Fund	46,104,189
Total	$ 124,194,692

CITY OF ASHLAND
ASHLAND PLANNING AND CDA (KY142)
ENTITY WIDE BALANCE SHEET SUMMARY
JUNE 30, 2025

	14.871 Housing Choice Vouchers	Total
111 Cash - Unrestricted	$ (3,259)	$ (3,259)
113 Cash - Other Restricted	531,068	531,068
100 Total Cash	527,809	527,809
124 Accounts Receivable - Other Government	-	-
128 Fraud Recovery	76,311	76,311
128.1 Allowance for Doubtful Accounts - Fraud	(76,311)	(76,311)
120 Total Receivables, Net of Allowances for Doubtful Accounts	-	-
150 Total Current Assets	527,809	527,809
162 Buildings	162,983	162,983
164 Furniture, Equipment & Machinery - Administration	19,646	19,646
166 Accumulated Depreciation	(122,482)	(122,482)
160 Total Capital Assets, Net of Accumulated Depreciation	60,147	60,147
180 Total Non-Current Assets	60,147	60,147
200 Deferred Outflow of Resources	-	-
290 Total Assets and Deferred Outflow of Resources	$ 587,956	$ 587,956
312 Accounts Payable <= 90 Days	$ 3,018	$ 3,018
321 Accrued Wage/Payroll Taxes Payable	5,613	5,613
322 Accrued Compensated Absences - Current Portion	1,646	1,646
333 Accounts Payable - Other Government	30,881	30,881
342 Unearned Revenue	402,985	402,985
310 Total Current Liabilities	444,143	444,143
354 Accrued Compensated Absences - Non-Current	8,368	8,368
350 Total Non-Current Liabilities	8,368	8,368
300 Total Liabilities	452,511	452,511
400 Deferred Inflow of Resources	-	-
508.4 Net Investment in Capital Assets	60,147	60,147
511.4 Restricted Net Position	128,083	128,083
512.4 Unrestricted Net Position	(52,785)	(52,785)
513 Total Equity - Net Assets / Position	135,445	135,445
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$ 587,956	$ 587,956

CITY OF ASHLAND

ASHLAND PLANNING AND CDA (KY142)

ENTITY WIDE REVENUE AND EXPENSE SUMMARY

FOR THE YEAR ENDED JUNE 30, 2025

	14.871 Housing Choice Vouchers	Total
70600 HUD PHA Operating Grants	$ 4,694,959	$ 4,694,959
71500 Other Revenue - Unrestricted	8,072	8,072
72000 Investment Income - Restricted	663	663
70000 Total Revenue	4,703,694	4,703,694
91100 Administrative Salaries	247,323	247,323
91200 Auditing Fees	8,919	8,919
91400 Advertising	8,038	8,038
91500 Employee Benefit Contributions - Administrative	45,197	45,197
91800 Travel	6,031	6,031
91900 Other	12,389	12,389
91000 Total Operating - Administrative	327,897	327,897
93800 Other Utilities Expense	2,793	2,793
93000 Total Utilities	2,793	2,793
94200 Ordinary Maintenance and Operations - Materials and Other	38,702	38,702
94000 Total Maintenance	38,702	38,702
96110 Property Insurance	307	307
96120 Liability Insurance	4,800	4,800
96130 Workmen's Compensation	462	462
96140 All Other Insurance	65,519	65,519
96100 Total Insurance Premiums	71,088	71,088
96200 Other General Expenses	12,698	12,698
96210 Compensated Absences	1,086	1,086
96000 Total Other General Expenses	13,784	13,784
96900 Total Operating Expenses	454,264	454,264
97000 Excess of Operating Revenue Over Operating Expenses	4,249,430	4,249,430
97300 Housing Assistance Payments	4,185,152	4,185,152
97350 HAP Portability - In	5,800	5,800
97400 Depreciation Expense	3,001	3,001
90000 Total Expenses	4,648,217	4,648,216
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$ 55,477	$ 55,477
11020 Required Annual Debt Principal Payments	-	-
11030 Beginning Equity	$ 79,968	$ 79,968
11170 Administrative Fee Equity	$ 7,362	$ 7,362
11180 Housing Assistance Payments Equity	$ 128,083	$ 128,083
11190 Unit Months Available	7,572	7,572
11210 Number of Unit Months Leased	6,328	6,328

CITY OF ASHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures	
U.S. Department of HUD					
Direct Programs:					
CDBG Entitlement	14.218		$ 153,764	$ 368,248	
Housing Choice Voucher Program	14.871		-	4,644,132	*
Total U.S. Department of HUD				5,012,380	
U.S. Department of Transportation					
Direct Programs:					
Federal Transit Cluster					
FTA - Operating Assistance Grant	20.507		-	685,784	
FTA - Capital Assistance Grant	20.507		-	805,209	
Total Federal Transit Cluster				1,490,993	
Safe Streets and Roads for All	20.939		-	46,229	
Passed through Kentucky Transportation Cabinet:					
Highway Planning and Construction	20.205	09.00244.00	-	1,964,686	
Highway Planning and Construction	20.205	09.00307.00	-	2,188,811	
				4,153,497	
Dept. of State Police Highway Safety Program	20.600	AL-2022-00-00-03	-	3,775	
Total U.S. Department of Transportation				5,694,494	
U.S. Department of Treasury					
Direct Programs:					
Coronavirus Local Fiscal Recovery Funds	21.027		-	2,010,479	*
Passed through Kentucky Infrastructure Authority					
Coronavirus Local Fiscal Recovery Funds	21.027	22CWW104	-	31,000	*
Total U.S. Department of Treasury				2,041,479	
U.S. Department of Homeland Security					
Passed through Kentucky Department of Homeland Security:					
Disaster Grants - Public Assistance	97.036	DR-4592	-	2,714	
Total U.S. Department of Homeland Security				2,714	
U.S. Department of Interior					
Passed through Kentucky Energy & Environment Cabinet:					
Abandoned Mine Land Reclamation Program	15.252	SC 128 2300000089	-	509,600	
Total U.S. Department of Interior				509,600	

CITY OF ASHLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
U.S. Environmental Protection Agency				
Direct Programs:				
Brownfields Multipurpose Grant	66.818		-	156,492
Total U.S. Environmental Protection Agency				156,492
U.S. Department of Justice				
Passed through Kentucky Department of Local Government:				
Edward Byrne Memorial Justice Assistance Grant	16.738	15PBJA-21	-	37,382
Total U.S. Department of Justice				37,382
Executive Office of the President				
Passed through Laurel County Fiscal Court				
High Intensity Drug Trafficking Areas Program	95.001	G20AP0001A	-	51,988
Total Executive Office of the President				51,988
Total expenditures of Federal awards			$ 153,764	$ 13,506,529

* Denotes major program.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Ashland under the programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Ashland, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE C - INDIRECT COST RATE

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

Kelley Galloway Smith Goolsby, PSC
Certified Public Accountants and Advisors
1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ashland, Kentucky (the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 15, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
January 15, 2026

Kelley Galloway
Smith Goolsby, PSC
Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41105
• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590
• Web www.kgsgcpa.com Member of Allinial GLOBAL

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Ashland, Kentucky's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Cincinnati, OH

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2025-001 to 2025-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Kelley Galloway Smith Goolsby, PSC

Ashland, Kentucky
January 15, 2026

CITY OF ASHLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
❑ Material weakness(es) identified?	_____Yes __X__ No
❑ Significant deficiency(ies) identified?	_____Yes __X__ None reported
Noncompliance material to the financial statements noted?	_____Yes __X__ No

Federal Awards

Internal control over major federal programs:	
❑ Material weakness(es) identified?	_____Yes __X__ No
❑ Significant deficiency(ies) identified?	_____Yes __X__ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	__X__Yes _____ No
Identification of Major Programs:	AL No.
Housing Choice Voucher Program	14.871
Coronavirus Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	_____Yes __X__ No

B. FINANCIAL STATEMENT FINDINGS

None noted in the current year.

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2025-001 FEDERAL COMPLIANCE – WAITING LIST PREFERENCES

Federal Program Name: Housing Choice Voucher Program

Catalog of Federal Domestic Assistance Number: 14.871

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

Compliance Requirement: Special Tests and Provisions

Criteria: According to 24 CFR 982.54(d), the PHA's administrative plan must include procedures for the "Selection and admission of applicants from the PHA waiting list, including any PHA admission preferences, procedures for removing applicant names from the waiting list, and procedures for closing and reopening the PHA waiting list."

Condition: While reviewing applications for acceptance into the program, we noted several preference codes assigned to applicants that did not agree to information contained on the original application.

Effect and Questioned Costs: Inadequate documentation of preference codes assigned to applicants. This could result in individuals improperly being moved to the top of the waiting list and allowed to enter the program before other qualified applicants.

Repeat Finding: Yes, 2024-001

Recommendation: We recommend that the PHA implement procedures to document any changes to the original preference codes assigned to applicants.

Management's Response: The PHA has updated the Administrative Plan. Verification requirements are now explicitly stated, including what documentation is acceptable and what is not acceptable as verification. In addition, as the PHA selects applicants from the legacy waiting list, staff confirm the applicant still qualifies for the claimed preference at the time of selection.

2025-002 FEDERAL COMPLIANCE – TENANT DOCUMENTATION

Federal Program Name: Housing Choice Voucher Program

Catalog of Federal Domestic Assistance Number: 14.871

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

Compliance Requirement: Eligibility and Special Provisions

Criteria: HUD requires Public Housing Authorities (PHA) to properly document the eligibility of tenants, properly calculate benefits based on tenant income and determine rent is reasonable.

Condition: During our testing of compliance with Section 8 requirements, we noted several errors while reviewing 40 tenant files. These include the following:

- Missing or incomplete HQS/inspection documentation (reports, checklists, or proof of passing; some years not uploaded).
- Voucher / Form 50058 (Family Report) missing or incomplete, including support for payment standard/bedroom size used.
- Utility reimbursement (UR) and HAP payment changes not supported with required documentation or clear interim/recert support.
- Rent reasonableness documentation missing or incomplete, including missing conclusion that rent was reasonable.
- Other required file items missing, such as HAP contract, lease pages, eligibility verifications (e.g., birth verification), landlord certification forms, and zero-income forms.

Cause: According to the PHA director, these issues were primarily caused by a server crash with the required documentation being unrecoverable.

Effect and Questioned Costs: Noncompliance with HUD requirements.

Repeat Finding: Yes, 2024-002

Recommendation: We recommend that procedures be implemented to ensure that documentation is maintained in accordance with HUD requirements.

Management's Response: The PHA began forwarding requested documentation to the auditors before the server crash impacted its ability to locate and respond to file requests. Once APD recovered the files in September, the PHA resumed providing recovered documentation to fulfill the auditors' request. To date, the PHA is unable to locate three documents that were originally requested before the crash. The PHA is continuing to sort and review the 12,000+ files that were recovered and will provide any additional responsive documents if they are located.

The PHA has revised its recertification/application intake procedures. If a participant submits a recertification packet/application that is incomplete, the PHA will not accept it for processing. Packets must be submitted complete, including all required supporting documentation, before the staff will move forward.

In addition, the PHA has strengthened documentation controls to improve file integrity and retrieval going forward. These actions include:

- Required intake checklist: The PHA uses a standardized checklist to verify that all required forms and documents are received before a packet is accepted.
- File completeness review: The PHA conducts a second-level review to confirm documentation is present and appropriately filed/scanned before final processing.
- Standardized scanning and labeling: The PHA scans and labels documents consistently to ensure they can be efficiently located and reproduced for monitoring or audit requests.
- Ongoing reconciliation of recovered files: The PHA continues reviewing the 12,000+ recovered files and will provide any additional responsive documents if located, while also using this process to identify and address any gaps in recordkeeping practices.

These measures are intended to reduce missing documentation, strengthen file retention practices, and ensure the timely retrieval of records in the future.

2025-003 FEDERAL COMPLIANCE - DISBURSEMENTS

Federal Program Name: Housing Choice Voucher Program

Catalog of Federal Domestic Assistance Number: 14.871

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

Compliance Requirement: Allowable Costs

Criteria: The City's internal controls require that all disbursements be approved by the finance department prior to payment and that bank reconciliations be performed on all accounts.

Condition: During our audit, we noted several check runs for the Section 8 program that did not include the finance department's approval for payment. Additionally, we noted one check that cleared for an amount other than the amount included on the check register. These errors caused increased difficulty in reconciling the bank statements in a timely manner.

Cause: According to the PHA director, these differences were caused by the check registers being printed by program instead of check number. Therefore, the payment amount for several tenants for a certain check were listed in a separate section. Other errors were due to misfeeds in the check printer.

Effect and Questioned Costs: Reduced effectiveness of internal controls with the possibility of incorrect payments being processed.

Repeat Finding: No

Recommendation: We recommend that the PHA implement procedures to ensure that checks written agree to the check register prior to mailing and the finance department approve all Section 8 check runs. These procedures should include printing the check register by check number and comparing the printed checks to the register prior to mailing. If any differences are noted due to misfeeds in the check printer, the register should be updated to reflect correct information. Furthermore, an updated check register should be provided to the finance department with a memorandum documenting the changes. The City may consider investing in printing equipment that allows check numbers to be printed on the checks instead of utilizing preprinted checks.

Management's Response: Staff will conduct a manual, check-by-check review immediately after each monthly check run and before mailing to confirm that check totals align with supporting reports. In addition, the PHA will investigate and resolve the source of the discrepancy between the HAPPY Program Management Software outputs and the PHA's internal control records to ensure consistent and accurate reporting going forward.

2025-004 FEDERAL COMPLIANCE – WAITING LIST CONTACT

Federal Program Name: Housing Choice Voucher Program

Catalog of Federal Domestic Assistance Number: 14.871

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

Compliance Requirement: Eligibility and Special Provisions

Criteria: Program procedures require sufficient documentation to demonstrate that waiting list selections and outreach were conducted consistently, timely, and in a transparent manner.

Condition: For Section 8 project-specific vouchers, documentation of contact with individuals selected from the waiting list was not consistently maintained. Files lacked evidence of outreach such as letters, emails, call logs, or documentation of responses and outcomes.

Cause: Documentation requirements for waiting list contact were not clearly defined or consistently enforced.

Effect and Questioned Costs: Without documentation of outreach efforts, the program cannot demonstrate that project-specific voucher selections were conducted fairly and in compliance with program requirements, increasing risk of noncompliance or disputes.

Recommendation: Management should implement a standardized process to document and retain all waiting list contact attempts, including method, dates, and outcomes, in project-specific voucher files.

Management's Response: When applicants call or come in to request a change to contact information, the PHA now requires the applicant to provide the updated information in writing (completed by the applicant) rather than staff updating records solely based on a verbal request. This provides documentation for the change and strengthens file integrity.

CITY OF Ashland KENTUCKY

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

Mayor
Chuck Charles

Commissioners
Marty Gute
Sonny Martin
Tim Renfroe
DJ Rymer

Mayor & Commissioner's Office
606-385-3300

City Manager
Tony D Grubb

City Manager's Office
606-385-3303

City Building Main
606-385-3400

Ashland Bus System
606-385-3287

Assisted Housing
606-385-3327

Community & Economic Development
606-385-3317

Engineering & Utilities
606-385-3332

Finance
606-385-3346

Human Resources
606-385-3312

Legal/City Clerk
606-385-3287

Parks and Recreation
606-385-3295

Public Services
606-385-3332

January 15, 2026

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

Dear Sir or Madam:

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

Sincerely,

Tony Grubb
City Manager

CITY OF ASHLAND
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2025

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2025-001	The PHA has updated the Administrative Plan. Verification requirements are now explicitly stated, including what documentation is acceptable and what is not acceptable as verification. In addition, as the PHA selects applicants from the legacy waiting list, staff confirm the applicant still qualifies for the claimed preference at the time of selection.	June 30, 2026	Chris Pullem, Community & Economic Development Director
2025-002	The PHA has revised its recertification/application intake procedures. If a participant submits a recertification packet/application that is incomplete, the PHA will not accept it for processing. Packets must be submitted complete, including all required supporting documentation, before the staff will move forward. In addition, the PHA has strengthened documentation controls to improve file integrity and retrieval going forward. These actions include: • Required intake checklist: The PHA uses a standardized checklist to verify that all required forms and documents are received before a packet is accepted. • File completeness review: The PHA conducts a second-level review to confirm documentation is present and appropriately filed/scanned before final processing. • Standardized scanning and labeling: The PHA scans and labels documents consistently to ensure they can be efficiently located and reproduced for monitoring or audit requests. • Ongoing reconciliation of recovered files: The PHA continues reviewing the 12,000+ recovered files and will provide any additional responsive documents if located, while also using this process to identify and address any gaps in recordkeeping practices.	June 30, 2026	Chris Pullem, Community & Economic Development Director

CITY OF ASHLAND
CORRECTIVE ACTION PLAN (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2025

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2025-003	Staff will conduct a manual, check-by-check review immediately after each monthly check run and before mailing to confirm that check totals align with supporting reports. In addition, the PHA will investigate and resolve the source of the discrepancy between the HAPPY Program Management Software outputs and the PHA's internal control records to ensure consistent and accurate reporting going forward.	June 30, 2026	Chris Pullem, Community & Economic Development Director
2025-004	When applicants call or come in to request a change to contact information, the PHA now requires the applicant to provide the updated information in writing (completed by the applicant) rather than staff updating records solely based on a verbal request. This provides documentation for the change and strengthens file integrity.	June 30, 2026	Chris Pullem, Community & Economic Development Director

CITY OF Ashland KENTUCKY

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Legal/City Clerk
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Parks and Recreation
606-385-3295

Public Services
606-385-3332

January 15, 2026

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

Dear Sir or Madam:

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

Sincerely,

Tony Grubb
City Manager

CITY OF ASHLAND

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2025

Finding Number	Finding/Noncompliance	Status	Responsible Contact Person
2024-001	While reviewing applications for acceptance into the program, we noted several preference codes assigned to applicants that did not agree to information contained on the original application.	Repeated, 2025-001	Chris Pullem, Community & Economic Development Director
2024-002	During our testing of compliance with Section 8 requirements, we noted several errors while reviewing 40 tenant files.	Repeated, 2025-002	Chris Pullem, Community & Economic Development Director

APPENDIX E

CITY OF ASHLAND, KENTUCKY
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2026A

BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

The Series 2026A Bonds shall initially be issued solely in book entry form, to be held within the book-entry only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book entry system is used, only DTC will receive, or have the right to receive, physical delivery of the Series 2026A Bonds and, except as otherwise provided herein with respect to transfers by Beneficial Owners (as defined below) of beneficial ownership interests, the Beneficial Owners will not be or be considered to be, and will not have any rights as, the owners or holders of the Series 2026A Bonds under the Ordinance.

The following information about the book-entry only system applicable to the Series 2026A Bonds has been supplied by DTC. Neither the City nor the Paying Agent and Registrar make any representations, warranties, or guarantees with respect to its accuracy or completeness.

DTC will act as the securities depository for the Series 2026A Bonds. The Series 2026A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2026A Bonds, each in the aggregate principal amount of such maturity, and such certificates will be deposited with DTC.

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

Purchases of Series 2026A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2026A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2026A Bond (each, a "Beneficial Owner") is, in turn, to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing the details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2026A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting for and on behalf of Beneficial Owners. The Beneficial Owners will not receive certificates representing their ownership interests in the Series 2026A Bonds, unless the use of the book-entry system for the Series 2026A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2026A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2026A Bonds with DTC and their registration in the name of Cede & Co. or any other nominee of DTC do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2026A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2026A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

The conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2026A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2026A Bonds, such as any redemptions, tenders, defaults, and proposed amendments to the Series 2026A Bond documents. For example, Beneficial Owners of any Series 2026A Bonds may wish to ascertain that the nominee holding the Series 2026A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2026A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2026A Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to any Series 2026A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy then assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2026A Bonds are credited on the record date (as identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Series 2026A Bonds will be made to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC). DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent and Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2026A Bonds held for the accounts of customers in bearer form, or registered in "street name," and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent and Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. The payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent and Registrar, the disbursement of such payments to Direct Participants will be the responsibility of DTC, and the disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2026A Bonds purchased or tendered, through its Direct or Indirect Participant, to the Paying Agent and Registrar and shall effect delivery of such Series 2026A Bonds by causing the Direct Participant to transfer the Direct or Indirect Participant's interest in such Series 2026A Bonds, on DTC's records, to the Paying Agent and Registrar. The requirement for physical delivery of Series 2026A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2026A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2026A Bonds to the Paying Agent and Registrar's DTC account.

NEITHER THE CITY NOR THE PAYING AGENT AND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT, BENEFICIAL OWNER, OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE PAYING AGENT AND REGISTRAR AS BEING A HOLDER WITH RESPECT TO: (1) THE SERIES 2026A BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED SERIES 2026A BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2026A BONDS; (4) THE DELIVERY BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY NOTICE TO BENEFICIAL OWNERS WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE ORDINANCE TO BE GIVEN TO THE HOLDERS OF THE SERIES 2026A BONDS; (5) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2026A BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE HOLDER OF THE SERIES 2026A BONDS.

Each Beneficial Owner for whom a Direct or Indirect Participant acquires an interest in the Series 2026A Bonds, as its nominee, may desire to make arrangements with such Direct or Indirect Participant (i) to receive a credit balance in the records of such Direct or Indirect Participant, (ii) to have all notices of redemption, elections to tender Series 2026A Bonds, or any other communications to or by DTC that may affect such Beneficial Owner forwarded in writing by such Direct or Indirect Participant, and (iii) to have notification made of all debt service payments on the Series 2026A Bonds.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge which may be imposed in relation to any transfer or exchange of their interests in the Series 2026A Bonds.

The City and the Paying Agent and Registrar cannot, and do not, give any assurances that DTC, any Direct Participants, any Indirect Participants, or others will distribute payments of debt service on the Series 2026A Bonds made to DTC or its nominee as the registered owner thereof, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, any Direct Participants, or any Indirect Participants will serve and act in the manner described in this Official Statement.

DTC may determine to discontinue providing its services as securities depository with respect to the Series 2026A Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. In any such event, the Ordinance provides for the issuance of new, fully-registered Series 2026A Bonds ("Replacement Bonds") directly to the Beneficial Owners of Series 2026A Bonds (other than DTC or its nominee), only if DTC resigns or is removed as the securities depository for the Series 2026A Bonds. Upon the occurrence of any such event, the City and the Paying Agent and Registrar may appoint another qualified securities depository for the Series 2026A Bonds. If the City and the Paying Agent and Registrar fail to appoint a successor securities depository, the Series 2026A Bonds shall be withdrawn from DTC and issued in fully-registered form, whereupon the City shall execute, and the Paying Agent and Registrar, as the authenticating agent, shall authenticate and deliver Replacement Bonds in denominations of $5,000 or integral multiples thereof. The City will pay for all costs and expenses of printing, executing, and authenticating the Replacement Bonds. The transfer and exchange of such Replacement Bonds will be made as provided in the Ordinance.

THE INFORMATION IN THIS APPENDIX CONCERNING DTC AND ITS BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES WHICH THE CITY BELIEVES TO BE RELIABLE, BUT NEITHER THE CITY NOR THE PAYING AGENT AND REGISTRAR TAKES ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

APPENDIX F

CITY OF ASHLAND, KENTUCKY
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2026A

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

The form of the approving legal opinion of Dinsmore & Shohl LLP, as Bond Counsel for the Series 2026A Bonds, is set out below. The actual opinion will be delivered on the date of delivery of the Series 2026A Bonds and may vary from the form set out below to reflect the circumstances, both factual and legal, at the time of such delivery. Any recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in such opinion subsequent to the date of such opinion.

[Date of Delivery]

City of Ashland, Kentucky
Ashland, Kentucky

Ladies and Gentlemen:

We have acted as bond counsel in connection with the authorization, sale, and issuance by the City of Ashland, Kentucky (the "City"), a municipal corporation and political subdivision of the Commonwealth of Kentucky (the "Commonwealth"), acting by and through its Board of Commissioners, as its duly authorized governing body, of $10,000,000* principal amount of City of Ashland, Kentucky Water and Sewer System Revenue Bonds, Series 2026A, dated August 4, 2026 (the "Series 2026A Bonds").

The Series 2026A Bonds have been authorized and issued under Chapter 58 and Sections 96.350 to 96.510, inclusive, of the Kentucky Revised Statutes (collectively, the "Act"), a General Bond Ordinance adopted by the Board of Commissioners of the City on January 15, 2004 (the "General Bond Ordinance"), and a Series 2026A Bond Ordinance adopted by the Board of Commissioners of the City on June 11, 2026 (the "Series Bond Ordinance" and, together with the General Bond Ordinance, the "Ordinance"). Under the General Bond Ordinance and the Series Bond Ordinance, the City has authorized the issuance of the Series 2026A Bonds for the purpose of paying certain costs of the acquisition and construction of extensions, improvements, and additions to the City's combined water and sewer system (the "System"), paying the costs of issuance of the Series 2026A Bonds, and funding a debt service reserve, if necessary, in accordance with the Ordinance.

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

We have also examined records, the transcript of proceedings with respect to the authorization and issuance of the Series 2026A Bonds, including a specimen bond, and other relevant matters, and have also made such investigation as we have deemed necessary for the purposes of such opinions and relied upon certificates of officials of the City as to certain factual matters. Based upon the foregoing, we advise you that in our opinion, under existing law:

1. The Series 2026A Bonds have been duly authorized, executed, and issued by the City in accordance with the Constitution and laws of the Commonwealth, including the Act, and in accordance with the Ordinance, and constitute valid and binding special and limited obligations of the City, payable as to principal, interest, and premium, if any, from, and secured by a pledge of, (i) the Pledged Receipts, as defined in the General Bond Ordinance, (ii) the proceeds of the sale of the Series 2026A Bonds, (iii) Investment Obligations, as defined in the General Bond Ordinance, (iv) all funds created by the Ordinance, including accounts therein and moneys and securities on deposit therein, subject only to the provisions of the Ordinance permitting the use and application thereof for or to the purposes and on the terms and conditions set out in the Ordinance, and (v) a statutory mortgage lien on all properties of the System and all extensions and appurtenances thereto, as provided by Section 96.400 of the Kentucky Revised Statutes and as more specifically described in the Ordinance.

2. Neither the full faith and credit nor the taxing power of the City, the Commonwealth, or any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2026A Bonds, or to the payment of premium, if any.

3. Interest on the Series 2026A Bonds is exempt from Kentucky income taxation, and the Series 2026A Bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

4. In accordance with the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest, including original issue discount, on the Series 2026A Bonds is excludible from gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Further, interest on the Series 2026A Bonds will not be treated as a specific item of tax preference in computing the federal alternative minimum tax imposed on individuals. In rendering

* Preliminary, subject to change.

the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding, or disposing of the Series 2026A Bonds.

5. The City has designated the Series 2026A Bonds as "qualified tax-exempt obligations" under Section 265 of the Code.

This opinion is based upon laws, regulations, rulings, and decisions in effect on the date hereof. In giving this opinion, we have relied upon the covenants and certifications of facts, estimates, and expectations made by the City and others, which we have not independently verified. It is to be understood that the enforceability of the Series 2026A Bonds and the Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium, and other laws in effect from time to time affecting creditors' rights generally, and to the exercise of judicial discretion in accordance with general principles of equity.

Very truly yours,

DINSMORE & SHOHL LLP

APPENDIX G

CITY OF ASHLAND, KENTUCKY
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2026A

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

$10,000,000*
City of Ashland, Kentucky
Water and Sewer System Revenue Bonds, Series 2026A

Notice is hereby given that electronic bids will be received by the City of Ashland, Kentucky (the "City"), until 11:00 a.m. E.T. on July 14, 2026 (or at such later time and date announced at least 48 hours in advance via the BiDCOMP/PARITY® system), for the purchase of approximately $10,000,000* of the City's Water and Sewer System Revenue Bonds, Series 2026A (the "Series 2026A Bonds"). Alternatively, written and sealed or facsimile bids for the Series 2026A Bonds transmitted by the designated time will also be received by the Chief Financial Officer of the City, at 1700 Greenup Avenue, Ashland, Kentucky 41105 (FAX: (606) 327-2055). Electronic bids must be submitted via BiDCOMP/PARITY®, as described herein. Bids submitted via any other provider of electronic bidding services will not be accepted. Bids will be opened and acted upon on July 14, 2026.

STATUTORY AUTHORITY, SECURITY, AND PURPOSE OF ISSUE

The Series 2026A Bonds are authorized pursuant to Chapter 58 and Sections 96.350 to 96.510, inclusive, of the Kentucky Revised Statutes and are being issued in accordance with a General Bond Ordinance duly adopted by the Board of Commissioners of the City on January 15, 2004, and a Series 2026A Bond Ordinance duly adopted by the Board of Commissioners of the City on June 11, 2026 (collectively, the "Ordinance").

The Series 2026A Bonds, together with parity bonds which may be issued from time to time under the Ordinance, are secured by, and payable solely from, a first lien pledge of the Pledged Receipts (as defined therein) derived from the collection of rates, rentals, and charges for the services rendered by the City's combined water and sewer system (the "System"). The City reserves the right (i) to issue additional parity bonds under the General Bond Ordinance from time to time, and (ii) to issue other obligations from time to time payable from, and secured by a pledge of, the revenues of the System on a basis subordinate and subject to the priority of the Series 2026A Bonds and any parity bonds.

THE SERIES 2026A BONDS CONSTITUTE SPECIAL AND LIMITED OBLIGATIONS OF THE CITY AND DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY UNDER OR WITHIN THE MEANING OF THE CONSTITUTION OR LAWS OF THE COMMONWEALTH OF KENTUCKY. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COMMONWEALTH OF KENTUCKY, NOR ANY POLITICAL SUBDIVISION THEREOF ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND THE PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2026A BONDS.

The proceeds of the Series 2026A Bonds will be used to (i) pay the costs of the construction of various additions and improvements to the System, (ii) pay the costs of credit enhancement for the Series 2026A Bonds, if any, (iii) fund any required increase to the Debt Service Reserve pursuant to the Ordinance, and (iv) pay costs incident to the issuance and sale of the Series 2026A Bonds.

BOND MATURITIES AND PAYING AGENT

The Series 2026A Bonds will be dated their date of initial delivery, bearing interest from such date, payable semiannually on each May 1 and November 1, commencing November 1, 2026. The Series 2026A Bonds are scheduled to mature on May 1, in each of the years as follows:

Year	Amount*	Year	Amount*
2027	$ 20,000	2038	$ 310,000
2028	25,000	2039	320,000
2029	25,000	2040	325,000
2030	30,000	2041	1,045,000
2031	30,000	2042	1,085,000
2032	35,000	2043	1,130,000
2033	40,000	2044	1,175,000
2034	75,000	2045	1,230,000
2035	280,000	2046	1,280,000
2036	290,000	2047	955,000
2037	295,000		

* Preliminary, subject to change.

The Series 2026A Bonds maturing on and after May 1, 2035 shall be subject to optional redemption before maturity on May 1, 2034 or any date thereafter, in whole or in part, in such order of maturity as may be selected by the City, and by lot within a maturity, at a redemption price equal to the principal amount of the Series 2026A Bonds to be redeemed, plus accrued interest thereon to the date of redemption.

At least thirty days before the redemption date of any Series 2026A Bonds, the Paying Agent and Registrar shall cause a notice of such redemption either in whole or in part, signed by the Paying Agent and Registrar, to be mailed, first class, postage prepaid, to all registered owners of the Series 2026A Bonds to be redeemed, at their addresses as they appear on the registration books kept by the Paying Agent and Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption of Series 2026A Bonds for which such notice has been sent. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Series 2026A Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive number or letters, if any, of such Series 2026A Bonds to be redeemed.

U.S. Bank Trust Company, National Association, Louisville, Kentucky, has been appointed as the Paying Agent and Registrar for the Series 2026A Bonds.

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Series 2026A Bonds are as follows:

(A) All electronic bids for the Series 2026A Bonds must be submitted through BiDCOMP/PARITY® system, and bids submitted via any other provider of electronic bidding services will not be accepted. Subscription to the BiDCOMP/PARITY® Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For purposes of the bidding process, the time as maintained by BiDCOMP/PARITY® shall constitute the official time with respect to all bids, whether in electronic or written form. To the extent any instructions or directions set out in BiDCOMP/PARITY® conflict with the terms of these Official Terms and Conditions of Bond Sale, these Official Terms and Conditions of Bond Sale shall prevail. All electronic bids made through the facilities of BiDCOMP/PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by BiDCOMP/PARITY®. The use of BiDCOMP/PARITY® facilities are at the sole risk of the prospective bidders.

Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form. Written sealed bids (in a sealed envelope marked "Official Bid for Series 2026A Bonds") or facsimile bids for the Series 2026A Bonds transmitted by the designated time will be received by the Chief Financial Officer of the City at 1700 Greenup Avenue, Ashland, Kentucky 41105 (FAX: (606) 327-2055).

(B) Bidders are required to bid for the entire issue of Series 2026A Bonds, at a minimum price of not less than $9,800,000 (98.0% of par), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.

(C) The interest rates for the Series 2026A Bonds must be in multiples of 1/8 of 1% (0.125%) and/or 1/20 of 1% (0.05%), which rates must be on an ascending scale, in that the rate on any maturity of the Series 2026A Bonds is not less than the rate on any preceding maturity of the Series 2026A Bonds for any preceding maturity, and all Series 2026A Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

(D) The determination of the best bid for the Series 2026A Bonds shall be made on the basis of all bids submitted for exactly $10,000,000 principal amount of Series 2026A Bonds offered for sale hereunder; but the City may adjust the principal amount of Series 2026A Bonds which may be awarded downward by any amount (the "Permitted Adjustment"). In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Series 2026A Bonds will be sold will be the same price per $1,000 of Series 2026A Bonds as the price per $1,000 for the $10,000,000 of Series 2026A Bonds bid.

Although it is the City's intention to sell and issue the approximate par amounts of the Series 2026A Bonds as set forth herein, there is no guarantee that adjustments or revisions may not be necessary in order to properly size the Series 2026A Bonds. Accordingly, the City reserves the right, in its sole discretion, to adjust up or down the original par amount of the Series 2026A Bonds per maturity, even if the issue size of the Series 2026A Bonds does not change. Among other factors the City may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Series 2026A Bonds is the size of individual maturities or sinking fund installments, assuring level debt service, and/or other preferences of the City.

In the event of any such adjustment and/or revision with respect to the Series 2026A Bonds, no rebidding will be permitted, and the portion of such premium and discount (as may have been bid on the Series 2026A Bonds) shall be adjusted in the same proportion as the amount of such revision in the par amount of the Series 2026A Bonds bears to the original par amount of such Series 2026A Bonds offered for sale.

(E) Unless bids for the Series 2026A Bonds are rejected, the Series 2026A Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid results in the lowest true interest cost for the Series 2026A Bonds, to be calculated by computing the total interest payable on the Series 2026A Bonds from the expected date of delivery, through the final maturity date, plus discount or less premium. For purposes of calculating the true interest cost, the principal amount of any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the applicable series of Series 2026A Bonds. If two or more bidders offer to purchase the Series 2026A Bonds at the same lowest true interest rate, the Mayor, with the advice of the Chief Financial Officer and the Municipal Advisor, shall determine (in his sole discretion) which of the bidders shall be awarded the Series 2026A Bonds.

The successful bidder for the Series 2026A Bonds will be notified by no later than 5:00 p.m. E.T. on the sale date of the exact revisions or adjustments required, if any.

(F) Bidders have the option of specifying that any Series 2026A Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of Term Bonds, which Term Bonds (i) shall bear interest at the same per annum rate for the entire term thereof, (ii) shall mature in the latest of such years, and (iii) shall be subject to mandatory sinking fund redemption in each of the years and in the respective principal amounts of such Term Bonds.

(G) The winning bidder for the Series 2026A Bonds will be required to pay the cost of obtaining CUSIP identification numbers for the Series 2026A Bonds. CUSIP numbers will be printed on the Series 2026A Bonds at the expense of the City. Any improper imprintation or the failure to imprint CUSIP numbers on the Series 2026A Bonds shall not constitute cause for a failure or refusal by the purchaser to accept delivery of, and to pay for, such Series 2026A Bonds in accordance with the terms of any accepted proposal for the purchase of such Series 2026A Bonds.

(H) The City will provide the successful purchaser of the Series 2026A Bonds with a Final Official Statement in accordance with Rule 15c2-12 of the Securities and Exchange Commission. The Final Official Statement will be provided to the successful purchaser in electronic form, in sufficient time to meet the delivery requirements of both the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The successful purchaser will be required to pay for the printing of the Final Official Statement.

(I) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder will be required to wire transfer, to the order of the City, an amount equal to 2% of the amount of the principal amount of the Series 2026A Bonds awarded, by no later than the close of business on the day following the award. Such good faith amount will be forfeited as liquidated damages in the event of any failure of the successful bidder to take delivery of such Series 2026A Bonds when ready. Such good-faith amount will be applied (without interest) to the purchase price upon delivery of the Series 2026A Bonds. The successful bidder shall not be required to take delivery and pay for the Series 2026A Bonds unless delivery is made within 45 days from the date the bid is accepted.

(J) The Depository Trust Company ("DTC"), New York, New York, will act as the securities depository for the Series 2026A Bonds. The Series 2026A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered bond certificate will be issued for each maturity of the Series 2026A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Series 2026A Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Series 2026A Bonds upon DTC's records. The ownership interest of each actual purchaser of each Series 2026A Bond (each, a "Beneficial Owner") is, in turn, to be recorded on the records of the Direct Participants or any securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with any Direct Participant (the "Indirect Participants"). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in any Series 2026A Bonds are to be accomplished by entries made on the books of the Direct or Indirect Participants acting for and on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2026A Bonds, except in the event that the use of the book-entry system for the Series 2026A Bonds is discontinued. The successful bidder may also elect to notify the Municipal Advisor within 24 hours of the award that standard bond certificates be issued. In the event that certificated Series 2026A Bonds are to be issued at the election of a successful bidder, the costs of printing such bond certificates shall be borne by such bidder.

(K) The City reserves the right to reject any and all bids or to waive any informality in any bid. The Series 2026A Bonds are offered for sale subject to the principal and interest on the Series 2026A Bonds not being subject to federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, all in accordance with the final approving legal opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, which opinion shall be qualified in accordance with the section hereof on TAX EXEMPTION.

(L) Bidders are advised that RSA Advisors LLC has been employed as Municipal Advisor to the City in connection with the issuance of the Series 2026A Bonds (the "Municipal Advisor"). Their fee for services rendered with respect to the sale of the Series 2026A Bonds is contingent upon the issuance and delivery thereof.

(M) The winning bidder for the Series 2026A Bonds shall assist the City in establishing the issue price of the Series 2026A Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Series 2026A Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A-1 or Exhibit A-2, as applicable, with any such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City, and Bond Counsel. All actions to be taken by the City under these Official Terms and Conditions of Bond Sale to establish the issue price of the Series 2026A Bonds may be taken on behalf of the City by the Municipal Advisor to the City and any notice or report to be provided to the City shall be provided to the City's Municipal Advisor.

The City intends that the provisions of Treasury Regulation § 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Series 2026A Bonds) will apply to the initial sale of each of the Series 2026A Bonds (the "competitive sale requirements") because:

(1) the City shall disseminate these Official Terms and Conditions of Bond Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

(2) all bidders shall have an equal opportunity to bid;

(3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the City expects to award the Series 2026A Bonds to the bidder who submits a firm offer to purchase the Series 2026A Bonds at the lowest true interest cost, as set forth in these Official Terms and Conditions of Bond Sale.

Any bid submitted pursuant to these Official Terms and Conditions of Bond Sale shall be considered a firm offer for the purchase of the Series 2026A Bonds, as specified in the bid.

(N) The City shall advise the winning bidder if the competitive sale requirements are not satisfied. In such case, the City will treat the initial offering price to the public as of the sale date of a maturity of the Series 2026A Bonds as the issue price of that maturity (the "hold-the-offering-price rule"), in each case, applied on a maturity-by-maturity basis (and if different interest rates apply within any maturity of the Series 2026A Bonds, to each separate CUSIP number within that maturity). Bids will not be subject to cancellation if the City determines to apply the hold-the-offering-price rule to a maturity of the Series 2026A Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Series 2026A Bonds will be subject to the hold-the-offering-price rule in order to establish the issue price of the Series 2026A Bonds.

If the competitive sale requirements are not satisfied, the winning bidder shall assist the City in establishing the issue price of the Series 2026A Bonds and shall execute and deliver to the City at closing an "issue price" or similar certificate setting forth the hold-the-offering-price rule as the issue price of each maturity of the Series 2026A Bonds, in each case, applied on a maturity-by-maturity basis (and if different interest rates apply within any maturity of the Series 2026A Bonds, to each separate CUSIP number within that maturity) substantially in the form attached hereto as Exhibit A-2, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City, and Bond Counsel.

(O) The City hereby acknowledges that, in making the representations listed above, the winning bidder will rely upon (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires; (ii) in the event that a selling group has been created in connection with the initial sale of the Series 2026A Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires; and (iii) in the event that an underwriter is a party to a retail distribution agreement which was employed in connection with the initial sale of the Series 2026A Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The City hereby further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Series 2026A Bonds.

(P) By submitting a bid, each bidder effectively confirms that: (i) any agreement among underwriters, any selling group agreement, and each retail distribution agreement (to which such bidder is a party) relating to the initial sale of the Series 2026A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires; and (ii) any agreement among underwriters with respect to the initial sale of the Series 2026A Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Series 2026A Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case, if and for so long as so directed by the winning bidder or by such underwriter and as set forth in the related pricing wires.

(Q) Additional information, including the Preliminary Official Statement, the Official Terms and Conditions of Bond Sale, and the Official Bid Form, may be obtained from the City's Municipal Advisor, RSA Advisors LLC, 147 East Third Street, Lexington, Kentucky 40508, Attention: Joe Lakofka, Telephone: (800) 255-0795, or at http://www.rsamuni.com. Further information regarding BiDCOMP/PARITY® may be obtained from BiDCOMP/PARITY®, 1359 Broadway – 2nd Floor, New York, New York 10018, Telephone: (800) 850-7422.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12 (the "Rule"), and so long as the Series 2026A Bonds are outstanding, the City will agree, under a continuing disclosure undertaking to be dated as of the date of issuance and delivery of the Series 2026A Bonds (the "Disclosure Undertaking"), to cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system, as described in 1934 Act Release No. 59062, or any other similar system acceptable to the Securities and Exchange Commission, certain annual financial information and operating data with respect to the City and the System, including audited financial statements, generally consistent with the information set out in Appendix B and Appendix D to the Official Statement (the "Annual Financial Information"). The Annual Financial Information shall be provided on or before the March 1 following the fiscal year ended the preceding June 30, commencing with the fiscal year ended June 30, 2026, provided that the audited financial statements may not be available by such date, but shall be made available immediately upon the delivery thereof by the auditors for the City;

(ii) to the MSRB through EMMA, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Series 2026A Bonds:

(a) Principal and interest payment delinquencies;
(b) Non-payment related defaults, if material;
(c) Unscheduled draws on debt service reserves reflecting financial difficulties;
(d) Unscheduled draws on credit enhancements reflecting financial difficulties;
(e) Substitution of credit or liquidity providers, or their failure to perform;
(f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or any other material notices or other determinations with respect to the tax status of the Series 2026A Bonds, or any other material events affecting the tax-exempt status of the Series 2026A Bonds;
(g) Modifications to rights of security holders, if material;

(h) Bond calls, if material, and tender offers (except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event);
(i) Defeasances;
(j) Release, substitution, or sale of property securing repayment of the Series 2026A Bonds, if material;
(k) Rating changes;
(l) Bankruptcy, insolvency, receivership, or similar event of the City (Note – This event is considered to occur upon the occurrence of: the appointment of any receiver, fiscal agent, or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City in possession of such assets or business of the City but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming any plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City);
(m) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of any definitive agreement relating to any such actions, other than under its terms, if material;
(n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
(o) Incurrence of a Financial Obligation of the City, if material, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and
(p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(iii) in a timely manner, to the MSRB through EMMA, notice of a failure (of which the City has knowledge) of the City to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

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

The Disclosure Undertaking provides Bondholders, including beneficial owners of the Series 2026A Bonds, with certain enforcement rights in the event of a failure by the City to comply with the terms thereof; provided, however, that a default under the Disclosure Undertaking does not constitute an event of default under the Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule, as more fully described therein.

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

(a) there are no credit enhancements applicable to the Series 2026A Bonds; and

(b) there are no liquidity providers applicable to the Series 2026A Bonds.

TAX EXEMPTION

In the opinion of Bond Counsel for the Series 2026A Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions in effect as of the date hereof, interest on the Series 2026A Bonds will be excludible from gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and will not be a specific item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals. Further, Bond Counsel is of the opinion that interest on the Series 2026A Bonds is exempt from Kentucky income taxation and that the Series 2026A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the approving legal opinion of Bond Counsel with respect to the Series 2026A Bonds is set forth in Appendix F to the Official Statement.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of the interest on certain obligations, such as the Series 2026A Bonds, from gross income for federal income tax purposes. The City has covenanted to comply with certain restrictions designed to ensure that interest on the Series 2026A Bonds will not be includable in gross income for federal income tax purposes. Failure to comply with these covenants could result in the interest on the Series 2026A Bonds being includable in gross income for federal income tax purposes, and such inclusion could be required retroactively to the date of issuance of the Series 2026A Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2026A Bonds may adversely affect the tax status of the interest on the Series 2026A Bonds.

Certain requirements and procedures contained or referred to in the Series 2026A Bonds and other relevant documents may be changed, and certain actions (including, without limitation, defeasance of the Series 2026A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion regarding any Series 2026A Bonds or the tax status of the interest thereon if any such change occurs or any such action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that interest on the Series 2026A Bonds will be excludible from gross income for federal and Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2026A Bonds may otherwise affect a Bondholder's federal, state, or local tax liabilities. The nature and extent of these other tax consequences may depend on the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions with respect to any tax consequences other than what is contained in its opinion, and each Bondholder or potential Bondholder is urged to consult with its own tax counsel with respect to the effects of purchasing, holding, or disposing of the Series 2026A Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Series 2026A Bonds may result in other collateral federal, state, or local tax consequences for certain taxpayers. These effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed under Section 884 of the Code; increasing the federal tax liability of certain insurance companies under Section 832 of the Code; increasing the federal tax liability and affecting the status of certain S Corporations subject to Section 1362 and Section 1375 of the Code; increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code; and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. The ownership of any Series 2026A Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain taxpayers pursuant to Section 265 of the Code. Finally, the residence of a Bondholder in a state other than Kentucky or a Bondholder being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed on such Bondholder by such states or their political subdivisions based upon the interest or other income from the Series 2026A Bonds.

The City has designated the Series 2026A Bonds as "qualified tax-exempt obligations" under and within the meaning of Section 265 of the Code.

/s/ Hon. Chuck D. Charles
Mayor, City of Ashland, Kentucky

EXHIBIT A-1
TO
OFFICIAL TERMS AND CONDITIONS OF BOND SALE

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of at least 3 qualified bids for the Series 2026A Bonds]

ISSUE PRICE CERTIFICATE

Re: $10,000,000[*] City of Ashland, Kentucky Water and Sewer System Revenue Bonds, Series 2026A

The undersigned, on behalf of [Name of Underwriter] ("[Short Name of Underwriter]"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [Short Name of Underwriter] are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [Short Name of Underwriter] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [Short Name of Underwriter] to purchase the Bonds.

(b) [Short Name of Underwriter] was not given the opportunity to review other bids before submitting its bid.

(c) The bid submitted by [Short Name of Underwriter] constituted a firm offer to purchase the Bonds.

2. CUSIP Number. The CUSIP number assigned to the final maturity of the Bonds is [CUSIP Number].

3. Yield on the Bonds. It computed the yield on the Bonds, [Yield%], as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds is the Expected Offering Prices, determined without taking into account issuance expenses and Underwriter's discount.

4. Weighted Average Maturity. The "weighted average maturity" of the Bonds has been calculated to be _____ years. The weighted average maturity is the sum of the products of the respective Expected Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Expected Offering Prices of the Bonds as of the date hereof.

5. Defined Terms.

(a) "Issuer" means the City of Ashland, Kentucky.

(b) "Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "Public" means a person (including an individual, a trust, an estate, a partnership, an association, a company, or a corporation), other than an Underwriter or a related party to an Underwriter. The term "related party," for purposes of this Certificate, generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d) "Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is July 14, 2026.

(e) "Underwriter" means (i) any person that agrees under a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees under a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

[*] Preliminary, subject to change.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [Short Name of Underwriter]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the foregoing tax certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[NAME OF UNDERWRITER]

By: ____
Name: ____
Dated: ____

SCHEDULE A
TO
ISSUE PRICE CERTIFICATE

EXPECTED OFFERING PRICES

(Attached)

SCHEDULE B
TO
ISSUE PRICE CERTIFICATE

COPY OF BID

(Attached)

EXHIBIT A-2
TO
OFFICIAL TERMS AND CONDITIONS OF BOND SALE

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of fewer than 3 qualified bids for the Series 2026A Bonds]

Re: $10,000,000* City of Ashland, Kentucky Water and Sewer System Revenue Bonds, Series 2026A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [Name of Underwriter] ([“[Short Name of Underwriter]”)][, on behalf of itself and [Names of other Underwriters] (together, the “Underwriting Group”),] hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. Sale of the General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. Initial Offering Price of the Hold-the-Offering-Price Maturities.

(a) [Short Name of Underwriter][The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Official Terms and Conditions of Bond Sale, [Short Name of Underwriter] has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Under such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.

3. CUSIP Number. The CUSIP number assigned to the final maturity of the Bonds is [CUSIP NUMBER].

4. Yield on the Bonds. It computed the yield on the Bonds, [YIELD%], as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Bonds is the Initial Offering Prices, determined without taking into account issuance expenses and Underwriter’s discount.

5. Weighted Average Maturity. The “weighted average maturity” of the Bonds has been calculated to be [____] years. The weighted average maturity is the sum of the products of the respective Initial Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Initial Offering Prices of the Bonds as of the date hereof.

6. Defined Terms.

(a) “General Rule Maturities” means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) “Hold-the-Offering-Price” Maturities means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) “Holding Period” means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (July 21, 2026), or (ii) the date on which [Short

* Preliminary, subject to change.

Name of Underwriter][the Underwriting Group] [has][have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) “Issuer” means the City of Ashland, Kentucky.

(e) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) “Official Terms and Conditions of Bond Sale” means the Official Terms and Conditions of Bond Sale for the Bonds set forth in the Preliminary Official Statement for the Bonds dated July 7, 2026.

(g) “Public” means a person (including an individual, a trust, an estate, a partnership, an association, a company, or a corporation), other than an Underwriter or a related party to an Underwriter. The term “related party,” for purposes of this Certificate, generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(h) “Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is July 14, 2026.

(i) “Underwriter” means (i) any person that agrees under a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees under a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [Short Name of Underwriter]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the foregoing tax certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

[NAME OF UNDERWRITER][, as Representative of the Underwriter Group]

By: ______________________________
Name: ______________________________
Dated: ______________________________

SCHEDULE A
TO
ISSUE PRICE CERTIFICATE

SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

(Attached)

SCHEDULE B
TO
ISSUE PRICE CERTIFICATE

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

APPENDIX I

CITY OF ASHLAND, KENTUCKY
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2026A

OFFICIAL BID FORM

OFFICIAL BID FORM

City of Ashland, Kentucky
Water and Sewer System Revenue Bonds, Series 2026A

Subject to the terms and conditions set out in the Official Terms and Conditions of Bond Sale for $10,000,000* Water and Sewer System Revenue Bonds, Series 2026A (the "Series 2026A Bonds") offered for sale by the City of Ashland, Kentucky (the "City"), and in accordance with the Official Terms and Conditions of Bond Sale set out in the Preliminary Official Statement relating to the Series 2026A Bonds dated July 7, 2026, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Series 2026A Bonds.

We hereby bid for the $10,000,000* principal amount of the Series 2026A Bonds maturing on May 1, 2027, and each May 1 thereafter of the years and in the amounts set forth below, the total sum of $______________ (not less than $9,800,000 or more than $10,000,000) plus accrued interest from August 4, 2026, at the following annual rate(s), payable semiannually, commencing November 1, 2026 (rates on ascending scale, number of interest rates unlimited):

Maturity	Amount*	Interest Rate	Maturity	Amount*	Interest Rate
May 1, 2027	$ 20,000	________%	May 1, 2038	$ 310,000	________%
May 1, 2028	25,000	________%	May 1, 2039	320,000	________%
May 1, 2029	25,000	________%	May 1, 2040	325,000	________%
May 1, 2030	30,000	________%	May 1, 2041	1,045,000	________%
May 1, 2031	30,000	________%	May 1, 2042	1,085,000	________%
May 1, 2032	35,000	________%	May 1, 2043	1,130,000	________%
May 1, 2033	40,000	________%	May 1, 2044	1,175,000	________%
May 1, 2034	75,000	________%	May 1, 2045	1,230,000	________%
May 1, 2035	280,000	________%	May 1, 2046	1,280,000	________%
May 1, 2036	290,000	________%	May 1, 2047	955,000	________%
May 1, 2037	295,000	________%			

PURCHASER'S OPTION – The Purchaser of the Series 2026A Bonds may specify to the City that any Series 2026A Bonds may be combined with immediately succeeding sequential maturities into one or more Term Bonds, bearing a single rate of interest, with the maturities set forth above (or as such may be adjusted as provided herein) comprising mandatory sinking fund redemption amounts for such Term Bond(s).

The amounts indicated above maturing in the following years: ______________ are sinking fund redemption amounts for Term Bonds due _______________.

The amounts indicated above maturing in the following years: ______________ are sinking fund redemption amounts for Term Bonds due _______________.

Completed bid forms may be submitted via hand delivery or facsimile to the offices of the Chief Financial Officer of the City, 1700 Greenup Avenue, Ashland, Kentucky 41105 (Fax: (606) 327-2055). Neither the City nor the Municipal Advisor assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel or equipment are available to accept all telephonic transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone. Bids may be submitted electronically via PARITY® under this notice until the appointed date and time, but no bid will be received after such time.

We understand that this bid may be accepted with variations in maturing amounts at the same price per $1,000 of the Series 2026A Bonds, with the variation in such amount occurring in any maturity or all maturities, such variations to be determined by the City at the time of acceptance of the best bid.

It is understood that concurrently with the delivery of the Series 2026A Bonds, the City will furnish the final, approving legal opinion of Dinsmore & Shohl LLP, Louisville, Kentucky, as Bond Counsel to the City.

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* Preliminary, subject to change.

We understand that no certified or bank cashier's check will be required to accompany this bid, but that if we are the successful bidder, we will be required to wire transfer a good faith amount equal to 2.0% of the amount of Series 2026A Bonds awarded by the close of business on the day following the award. Such good faith amount will be applied (without interest) to the purchase price when the Series 2026A Bonds are tendered to us for delivery.

If we are the successful bidder, we agree to accept and make payment for the Series 2026A Bonds in immediately available funds within forty-five days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

____
Bidder

____
Address

____
Signature

Total interest cost from date of delivery (estimated to be August 4, 2026) to final maturity	$________________
(Less Premium) or Plus discount, if any	$________________
Total interest cost plus discount	$________________
True interest cost (TIC)	________________%

The above computation of true interest cost and of true interest rate or cost is submitted for information only and is not a part of this Bid.

Accepted this July 14, 2026 by the City of Ashland, Kentucky for $_________________ principal amount of Series 2026A Bonds at the price of $_______________ as follows:

Maturity Date	**Principal Amount**	**Interest Rate**	**Maturity Date**	**Principal Amount**	**Interest Rate**
May 1, 2027	$____________	______%	May 1, 2038	$____________	______%
May 1, 2028	$____________	______%	May 1, 2039	$____________	______%
May 1, 2029	$____________	______%	May 1, 2040	$____________	______%
May 1, 2030	$____________	______%	May 1, 2041	$____________	______%
May 1, 2031	$____________	______%	May 1, 2042	$____________	______%
May 1, 2032	$____________	______%	May 1, 2043	$____________	______%
May 1, 2033	$____________	______%	May 1, 2044	$____________	______%
May 1, 2034	$____________	______%	May 1, 2045	$____________	______%
May 1, 2035	$____________	______%	May 1, 2046	$____________	______%
May 1, 2036	$____________	______%	May 1, 2047	$____________	______%
May 1, 2037	$____________	______%			

____
Mayor
City of Ashland, Kentucky