

City of Ashland
Ashland County, Ohio

Basic Financial Statements

For the Year Ended
December 31, 2015

City of Ashland
Ashland County, Ohio

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May 31, 2016

Mayor and Members of Council
City of Ashland
Ashland, OH

Management is responsible for the accompanying basic financial statements of City of Ashland, as of and for the year ended December 31, 2015 and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The management's discussion and analysis and the net pension liability schedules on pages 5 - 15 and 67 - 69, respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America.

This information is the representation of management. The information was subject to our compilation engagement; however, we have not audited or reviewed the information and, accordingly, do not express an opinion, a conclusion, nor provide any assurance on such information.

Rea & Associates, Inc.

New Philadelphia, Ohio

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City of Ashland
Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

The discussion and analysis of the City of Ashland's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2015. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2015 are as follows:

- In total, net position increased \$7,299,476, which represents a 16 percent increase from 2014. Net position of governmental activities increased \$6,397,175. Net position of business-type activities increased \$902,301.
- Total capital assets increased \$4,032,311 in 2015. Capital assets of governmental activities increased \$5,054,160 and capital assets of business-type activities decreased \$1,021,849.
- Outstanding debt decreased from \$12,788,033 to \$11,639,765 due to principal payments made during the year.
- The City implemented GASB 68, which reduced beginning net position as previously reported by \$11,044,771 and \$1,973,795 for governmental and business-type activities, respectively.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City of Ashland as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2015 and how they affected the operations of the City as a whole.

Reporting the City of Ashland as a Whole

Statement of Net Position and the Statement of Activities

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City of Ashland, the general fund and street maintenance and repair fund are by far the most significant funds. Business-type funds consist of the water, sewer, sanitation, stormwater management, golf course and swimming pool funds.

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A question typically asked about the City's finances "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources and liabilities and deferred inflows of resources* (excluding fiduciary funds) using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net position* and *changes in net position*. This change in net position is important because it tells the reader that, for the City as a whole, the *financial position* of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, and other factors.

In the Statement of Net Position and the Statement of Activities, the City is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community and economic development, leisure time activities and transportation.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, sanitation, stormwater management, golf course and swimming pool funds are reported as business-type activities.

Reporting the City of Ashland's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund and the street maintenance and repair fund.

Governmental Funds Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance future services. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

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Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

The City of Ashland as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2015 compared to 2014:

Table 1
Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2015 | Restated 2014 | 2015 | Restated 2014 | 2015 | Restated 2014 |
| Assets | | | | | | |
| Current and Other Assets | \$ 9,389,016 | \$ 8,674,024 | \$ 10,034,862 | \$ 9,208,064 | \$ 19,423,878 | \$ 17,882,088 |
| Net Pension Asset | 7,954 | 2,167 | 5,998 | 1,635 | 13,952 | 3,802 |
| Capital Assets | 24,143,080 | 19,088,920 | 35,766,451 | 36,788,300 | 59,909,531 | 55,877,220 |
| <i>Total Assets</i> | <u>33,540,050</u> | <u>27,765,111</u> | <u>45,807,311</u> | <u>45,997,999</u> | <u>79,347,361</u> | <u>73,763,110</u> |
| Deferred Outflows of Resources | | | | | | |
| Deferred Charges on Refunding | 30,423 | 34,348 | 103,823 | 117,219 | 134,246 | 151,567 |
| Pension | 1,790,268 | 1,176,073 | 418,089 | 289,490 | 2,208,357 | 1,465,563 |
| <i>Total Deferred Outflows of Resource.</i> | <u>1,820,691</u> | <u>1,210,421</u> | <u>521,912</u> | <u>406,709</u> | <u>2,342,603</u> | <u>1,617,130</u> |
| Liabilities | | | | | | |
| Long-Term Liabilities: | | | | | | |
| Due Within One Year | 188,182 | 271,310 | 823,897 | 897,972 | 1,012,079 | 1,169,282 |
| Due in More Than One Year | | | | | | |
| Net Pension Liability | 12,879,469 | 12,223,011 | 2,317,259 | 2,264,920 | 15,196,728 | 14,487,931 |
| Other Amounts | 1,972,007 | 2,112,407 | 9,504,389 | 10,352,350 | 11,476,396 | 12,464,757 |
| Other Liabilities | 421,494 | 980,082 | 147,753 | 298,381 | 569,247 | 1,278,463 |
| <i>Total Liabilities</i> | <u>15,461,152</u> | <u>15,586,810</u> | <u>12,793,298</u> | <u>13,813,623</u> | <u>28,254,450</u> | <u>29,400,433</u> |
| Deferred Inflows of Resources | | | | | | |
| Property Taxes and Other | 1,078,490 | 1,021,199 | 0 | 0 | 1,078,490 | 1,021,199 |
| Pension | 56,401 | 0 | 42,539 | 0 | 98,940 | 0 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,134,891</u> | <u>1,021,199</u> | <u>42,539</u> | <u>0</u> | <u>1,177,430</u> | <u>1,021,199</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 22,716,236 | 17,422,128 | 25,687,775 | 25,785,110 | 48,404,011 | 43,207,238 |
| Restricted | 4,753,974 | 4,154,526 | 0 | 0 | 4,753,974 | 4,154,526 |
| Unrestricted | (8,705,512) | (9,209,131) | 7,805,611 | 6,805,975 | (899,901) | (2,403,156) |
| <i>Total Net Position</i> | <u>\$ 18,764,698</u> | <u>\$ 12,367,523</u> | <u>\$ 33,493,386</u> | <u>\$ 32,591,085</u> | <u>\$ 52,258,084</u> | <u>\$ 44,958,608</u> |

During 2015, the City adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension.

City of Ashland
Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension asset/liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension asset/liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension asset/liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the City is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$23,412,294 to \$12,367,523 for governmental activities and from \$34,564,880 to \$32,591,085 for business-type activities.

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At year end, capital assets represented 76 percent of total assets. Capital assets include land, buildings and improvements, equipment, vehicles, streets, bridges, street lighting, infrastructure and construction in progress. Net investment in capital assets was \$48,404,011 at December 31, 2015, with \$22,716,236 in governmental activities and \$25,687,775 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$4,753,974 or 9 percent represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a negative balance of \$899,901, which is primarily caused by the implementation of GASB 68 and 71.

Current assets of governmental activities increased \$714,992 due to an increase in receivables related to several CDBG grants as well as public transit grants. Other liabilities decreased \$558,588 mainly due to the reduction in accrued wages and contracts payables. The decrease in accrued wages is due to less number of days of wages in 2015 being accrued.

Long term liabilities increased \$432,930. This decrease is mainly due to GASB 68.

Business type activities/enterprise funds saw an increase of \$826,798 in current assets. This increase is primarily due to increasing cash balances. Rate increases in recent years have allowed the City to accumulate money for major planned capital improvements. Long term liabilities decreased \$869,697 due to the payment of debt.

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Management's Discussion and Analysis
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(Unaudited)

Table 2 shows the changes in net position for fiscal year 2015 and 2014.

Table 2
Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Revenues | | | | | | |
| <i>Program Revenues:</i> | | | | | | |
| Charges for Services | \$ 2,829,485 | \$ 2,623,125 | \$ 9,977,906 | \$ 10,286,798 | \$ 12,807,391 | \$ 12,909,923 |
| Operating Grants | 2,281,600 | 1,787,826 | 251 | 0 | 2,281,851 | 1,787,826 |
| Capital Grants | 6,233,097 | 1,180,004 | 0 | 82,089 | 6,233,097 | 1,262,093 |
| <i>General Revenues:</i> | | | | | | |
| Property Taxes | 990,421 | 1,085,428 | 0 | 0 | 990,421 | 1,085,428 |
| Income Taxes | 9,606,783 | 8,795,942 | 0 | 0 | 9,606,783 | 8,795,942 |
| Other Taxes | 6,925 | 6,157 | 0 | 0 | 6,925 | 6,157 |
| Grants and Entitlements | 434,638 | 442,197 | 0 | 0 | 434,638 | 442,197 |
| Gain on Sale of Capital Assets | 162,151 | 0 | 0 | 0 | 162,151 | 0 |
| Investment Earnings | 5,378 | 7,869 | 0 | 0 | 5,378 | 7,869 |
| Miscellaneous | 188,127 | 345,660 | 4,990 | 240,756 | 193,117 | 586,416 |
| <i>Total Revenues</i> | <u>22,738,605</u> | <u>16,274,208</u> | <u>9,983,147</u> | <u>10,609,643</u> | <u>32,721,752</u> | <u>26,883,851</u> |
| Program Expenses | | | | | | |
| General Government | 4,100,811 | 4,551,037 | 0 | 0 | 4,100,811 | 4,551,037 |
| Security of Persons and Property | 7,968,424 | 7,529,505 | 0 | 0 | 7,968,424 | 7,529,505 |
| Public Health | 302,764 | 300,114 | 0 | 0 | 302,764 | 300,114 |
| Leisure Time Services | 868,634 | 939,238 | 0 | 0 | 868,634 | 939,238 |
| Community Development | 353,745 | 634,148 | 0 | 0 | 353,745 | 634,148 |
| Transportation | 2,527,069 | 2,322,553 | 0 | 0 | 2,527,069 | 2,322,553 |
| Interest and Fiscal Charges | 50,464 | 60,821 | 0 | 0 | 50,464 | 60,821 |
| <i>Enterprise Operations:</i> | | | | | | |
| Water | 0 | 0 | 3,421,921 | 3,303,647 | 3,421,921 | 3,303,647 |
| Sewer | 0 | 0 | 2,965,673 | 3,082,994 | 2,965,673 | 3,082,994 |
| Sanitation | 0 | 0 | 1,588,917 | 1,522,213 | 1,588,917 | 1,522,213 |
| Stormwater Management | 0 | 0 | 593,830 | 322,162 | 593,830 | 322,162 |
| Golf Course | 0 | 0 | 590,723 | 562,131 | 590,723 | 562,131 |
| Swimming Pool | 0 | 0 | 89,301 | 76,797 | 89,301 | 76,797 |
| <i>Total Program Expenses</i> | <u>16,171,911</u> | <u>16,337,416</u> | <u>9,250,365</u> | <u>8,869,944</u> | <u>25,422,276</u> | <u>25,207,360</u> |
| <i>Increase (Decrease) in Net Position</i> | 6,566,694 | (63,208) | 732,782 | 1,739,699 | 7,299,476 | 1,676,491 |
| Transfers | <u>(169,519)</u> | <u>(180,399)</u> | <u>169,519</u> | <u>180,399</u> | <u>0</u> | <u>0</u> |
| <i>Change in Net Position</i> | <u>\$ 6,397,175</u> | <u>\$ (243,607)</u> | <u>\$ 902,301</u> | <u>\$ 1,920,098</u> | <u>\$ 7,299,476</u> | <u>\$ 1,676,491</u> |

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,465,563 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,552,048. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|---------------|
| Total 2015 program expenses under GASB 68 | \$ 16,171,911 | \$ 9,250,365 | \$ 25,422,276 |
| Pension expense under GASB 68 | (1,296,051) | (255,997) | (1,552,048) |
| 2015 contractually required contribution | 1,203,174 | 294,081 | 1,497,255 |
| Adjusted 2015 program expenses | 16,079,034 | 9,288,449 | 25,367,483 |
| Total 2014 program expenses under GASB 27 | 16,337,416 | 8,869,944 | 25,207,360 |
| Increase (Decrease) in program expenses not related to pension | \$ (258,382) | \$ 418,505 | \$ 160,123 |

Governmental Activities

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and charges for services.

The City's income tax is at a rate of 1.5 percent. Both residents of the City and non-residents who work inside the City are subject to the income tax. However, if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 1 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

Governmental revenue is comprised of program revenue and general revenue. General revenues include grants and entitlements, such as local government funds. Governmental activities are primarily funded with the combination of property tax, income tax and intergovernmental revenues. The City monitors its sources of revenues very closely for fluctuations.

The City saw a \$5,053,093 increase in capital grant revenue in 2015. This is largely due to an increase in grants from ODOT for the bridge removal at Route 42 and 250. Operating grants also increased due to additional money from CDBG and public transit grants.

Police and fire represent the largest expense of the governmental activities. This expense of \$7,968,424 represents 49 percent of the total governmental activities expenses. These two departments operate primarily out of the general fund.

The City's street maintenance and repair department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled \$2,527,069, representing 16 percent of total governmental activities expenses, during 2015.

The City also maintains a health department (public health) and a park (leisure time services) within the City. These areas had expenses of \$1,171,398 in 2015 equaling 7 percent of the total governmental activities expenses.

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Business-Type Activities

Business-type activities include water, sewer, sanitation, stormwater management, golf course and swimming pool operations. The revenues are generated primarily from charges for services. In 2015, charges for services of \$9,977,906 accounted for almost 100 percent of the business type revenues. The total expenses for the utilities were \$9,250,365 thus leaving an increase in net position of \$732,782 (before transfers) for the business-type activities.

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 18. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$16,348,756 and expenditures of \$15,748,832. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for year end 2015 was an increase of \$436,427.

The street maintenance and repair fund's net change in fund balance for year end 2015 was a decrease of \$153,682.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for the business-type activities, but in more detail.

Unrestricted net position of the water fund at the end of the year amounted to \$640,984, unrestricted net position of the sanitation fund was \$1,358,751 and the unrestricted net position of the sewer fund was \$5,347,254. The water fund showed a decrease in net position of \$110,257. The total growth in net position for sanitation and sewer funds was \$172,623 and \$973,953, respectively. Factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of 2015, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the Director of Finance. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

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For the general fund, the actual budget basis revenue was \$10,453,638, representing an increase of \$119,910 over the final budget estimate of \$10,333,728. Most of this difference was attributable to an underestimation of charges for services. The final budget revenues were \$783,000 higher than original budget revenues of \$9,550,728. Estimates were adjusted as income tax receipts were higher than originally anticipated.

Final expenditure appropriations of \$10,410,271 were \$461,347 higher than the actual expenditures of \$9,948,924 as cost savings were recognized for general government and security of persons and property throughout the year. Final expenditure appropriations were \$262,392 less than the original budget appropriations of \$10,147,879.

There were no significant variances to discuss within other financing sources and uses.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2015, the City had \$59,909,531 invested in capital assets. A total of \$24,143,080 of this was for governmental activities and \$35,766,451 being attributable to business-type activities. Table 3 shows fiscal year 2015 balances compared with 2014.

Table 3
Capital Assets at December 31
(Net of Depreciation)

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 7,000,545 | \$ 7,079,045 | \$ 3,615,141 | \$ 3,630,627 | \$ 10,615,686 | \$ 10,709,672 |
| Construction in Progress | 7,337,221 | 1,137,503 | 0 | 0 | 7,337,221 | 1,137,503 |
| Buildings and Improvement: | 4,327,372 | 4,577,613 | 7,028,220 | 7,271,881 | 11,355,592 | 11,849,494 |
| Equipment | 799,209 | 860,813 | 1,197,745 | 1,394,916 | 1,996,954 | 2,255,729 |
| Vehicles | 1,494,197 | 1,700,588 | 920,256 | 784,692 | 2,414,453 | 2,485,280 |
| Streets | 1,933,609 | 2,353,009 | 0 | 0 | 1,933,609 | 2,353,009 |
| Bridges | 443,194 | 505,836 | 0 | 0 | 443,194 | 505,836 |
| Street Lighting | 807,733 | 874,513 | 0 | 0 | 807,733 | 874,513 |
| Infrastructure | 0 | 0 | 23,005,089 | 23,706,184 | 23,005,089 | 23,706,184 |
| <i>Total</i> | <u>\$ 24,143,080</u> | <u>\$ 19,088,920</u> | <u>\$ 35,766,451</u> | <u>\$ 36,788,300</u> | <u>\$ 59,909,531</u> | <u>\$ 55,877,220</u> |

The \$5,054,160 increase in capital assets of governmental activities was attributable to current year additional purchases exceeding depreciation and disposals exceeding additional purchases. The majority of the increase was in construction in progress due to the ODOT project for the removal of the Route 42 and 250 bridge. The \$1,021,849 decrease in capital assets of business-type activities is due to current year depreciation and disposals exceeding additional purchases. See Note 9 for additional information about the capital assets of the City.

City of Ashland
Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Debt

The outstanding debt for the City as of December 31, 2015 was \$11,639,765. See Note 14 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|---------------------|--------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| General Obligation Bonds | \$ 1,445,000 | \$ 1,610,000 | \$ 10,025,000 | \$ 10,910,000 | \$ 11,470,000 | \$ 12,520,000 |
| Premium on Bonds | 12,267 | 13,850 | 157,498 | 176,893 | 169,765 | 190,743 |
| ODOT Loans | 0 | 77,290 | 0 | 0 | 0 | 77,290 |
| <i>Total</i> | <u>\$ 1,457,267</u> | <u>\$ 1,701,140</u> | <u>\$ 10,182,498</u> | <u>\$ 11,086,893</u> | <u>\$ 11,639,765</u> | <u>\$ 12,788,033</u> |

Economic Factors

In 2015 the City of Ashland continued to see its local economy recover. Unemployment leveled off just below 5 percent. Property tax values increased slightly for 2016 by \$2,137,410 to a new total value of \$300,946,820.

Income tax collection increased in all categories over the previous year's collection period. Individual tax collection increased by 7.8 percent, Withholding tax collection increased by 4.5 percent, while business profit taxes collection increased by 32 percent. Overall income tax collection increased by \$810,841 over the previous year's collections and exceeded projections by 7 percent. The City anticipates enacted legislation by the state legislature will impacted this collect in 2017.

City's operations continue to be reviewed for productivity and efficiencies while experiencing increased demand for services. In 2015 the City placed a quarter percent income tax initiative for road repairs and maintenance before the voters for their consideration. That tax initiative was turned down by the voters. At the time of this writing the City is considering placing another income tax initiative before the voters for their consideration but no definitive action has been taken as of yet.

All other operating funds of the City continued to produce according to projections with modest gains in cash balances. During the year the City continued to retire debt in accordance with its schedules and commitments. This discipline allowed the City to retire several of its shorter term obligations. Annually the City retires approximately a million dollars in long-term debt. This program benefits the community by developing a strong and sound financial plan for debt retirement, while establishing a solid cash flow. The City continues to maintain an Aaa1 rating level and because of this strong rating the City continues to enjoy a substantial savings in interest cost.

The Government Accounting Standards Board (GASB) implemented rules concerning the accounting for and disclosure of public pensions by local governments. This rule identifies the financial condition of the state's pension funds but is not a representation of the City's actual Financial Condition. It is a requirement that this information be reported.

During the year the City replaced several storm sewer catch basins and culverts throughout the City.

City of Ashland
Ashland County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

The City also continued to work with the Ohio Department of Transportation to complete a multi-million dollar replacement of the outdated U.S. Route 42, State Route 96, and U.S. Route 250 Bridge with a state of the art ground level intersection.

The City completed the installation of a new waterline at the Industrial Park to enhance service and water pressure to that area. The City continues to proactively enhance, develop and promote the Industrial Park. The Industrial Park has several well run and managed companies that provide reliable and solid jobs for our community. An example of this is that for the last eight years our community has supported the local United Way by helping it meet its goal of over a million dollars with the generous support of the community and our employers.

Looking to the future the City continues to be challenged to meet the needs of our community, our stakeholders and our employees while operating with the limited resources. We are thankful and blessed to have good leadership, employees, stakeholders and citizens who have faithfully supported and helped us over the years. Our task remains the same to provide the best possible services with the revenues we receive. We are determined to make the right choices with a disciplined but compassionate approach in controlling or reducing costs where possible, while exploring possible new sources of revenue.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Larry Paxton, Director of Finance, 206 Claremont Avenue, Ashland, Ohio 44805 or email paxton.larry@ashland-ohio.com

City of Ashland
Ashland County, Ohio
Statement of Net Position
December 31, 2015

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Equity in Pooled Cash and Investments | \$ 4,132,807 | \$ 8,741,910 | \$ 12,874,717 |
| Cash and Investments in Segregated Accounts | 0 | 1,131 | 1,131 |
| Accounts Receivable | 374,512 | 1,057,757 | 1,432,269 |
| Intergovernmental Receivable | 1,245,954 | 251 | 1,246,205 |
| Taxes Receivable | 3,302,464 | 0 | 3,302,464 |
| Prepaid Items | 137,256 | 55,422 | 192,678 |
| Materials and Supplies Inventory | 196,023 | 178,391 | 374,414 |
| Net Pension Asset (See Note 12) | 7,954 | 5,998 | 13,952 |
| Non-Depreciable Capital Assets | 14,337,766 | 3,615,141 | 17,952,907 |
| Depreciable Capital Assets, Net | 9,805,314 | 32,151,310 | 41,956,624 |
| <i>Total Assets</i> | <u>33,540,050</u> | <u>45,807,311</u> | <u>79,347,361</u> |
| Deferred Outflow of Resources | | | |
| Deferred Charges on Refunding Pension | 30,423 | 103,823 | 134,246 |
| | 1,790,268 | 418,089 | 2,208,357 |
| <i>Total Deferred Outflow of Resources</i> | <u>1,820,691</u> | <u>521,912</u> | <u>2,342,603</u> |
| Liabilities | | | |
| Accounts Payable | 92,996 | 34,325 | 127,321 |
| Accrued Wages | 108,071 | 36,667 | 144,738 |
| Intergovernmental Payable | 176,933 | 48,191 | 225,124 |
| Accrued Interest Payable | 3,377 | 28,570 | 31,947 |
| Accrued Vacation Leave Payable | 37,404 | 0 | 37,404 |
| Matured Compensated Absences Payable | 2,713 | 0 | 2,713 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 188,182 | 823,897 | 1,012,079 |
| Due in More Than One Year: | | | |
| Net Pension Liability (See Note 12) | 12,879,469 | 2,317,259 | 15,196,728 |
| Other Amonts Due in More Than One Year | 1,972,007 | 9,504,389 | 11,476,396 |
| <i>Total Liabilities</i> | <u>15,461,152</u> | <u>12,793,298</u> | <u>28,254,450</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes Levied for the Next Year | 1,078,490 | 0 | 1,078,490 |
| Pension | 56,401 | 42,539 | 98,940 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,134,891</u> | <u>42,539</u> | <u>1,177,430</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 22,716,236 | 25,687,775 | 48,404,011 |
| Restricted For: | | | |
| Debt Service | 400,528 | 0 | 400,528 |
| Capital Outlay | 537,028 | 0 | 537,028 |
| Roads and Bridges | 1,243,324 | 0 | 1,243,324 |
| Parks and Recreation | 370,818 | 0 | 370,818 |
| Police and Fire | 305,337 | 0 | 305,337 |
| Public Transportation | 393,071 | 0 | 393,071 |
| Municipal Court Programs | 855,585 | 0 | 855,585 |
| Community Development | 459,683 | 0 | 459,683 |
| Other Purposes | 188,600 | 0 | 188,600 |
| Unrestricted | (8,705,512) | 7,805,611 | (899,901) |
| <i>Total Net Position</i> | <u>\$ 18,764,698</u> | <u>\$ 33,493,386</u> | <u>\$ 52,258,084</u> |

See accompanying notes and accountant's compilation report.

City of Ashland
Ashland County, Ohio
Statement of Activities
For the Year Ended December 31, 2015

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|----------------------|--------------------------------------|---|--|--|-----------------------------|----------------------|
| | Expenses | Charges for Services and Sales | Operating Grants, Contributions and Interest | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities | | | | | | | |
| General Government | \$ 4,100,811 | \$ 828,098 | \$ 492,832 | \$ 0 | \$ (2,779,881) | \$ 0 | \$ (2,779,881) |
| Security of Persons and Property | 7,968,424 | 1,743,374 | 221,650 | 33,379 | (5,970,021) | 0 | (5,970,021) |
| Public Health | 302,764 | 168,653 | 0 | 0 | (134,111) | 0 | (134,111) |
| Leisure Time Services | 868,634 | 68,246 | 20,064 | 0 | (780,324) | 0 | (780,324) |
| Community Development | 353,745 | 0 | 436,555 | 0 | 82,810 | 0 | 82,810 |
| Transportation | 2,527,069 | 21,114 | 1,110,499 | 6,199,718 | 4,804,262 | 0 | 4,804,262 |
| Interest and Fiscal Charges | 50,464 | 0 | 0 | 0 | (50,464) | 0 | (50,464) |
| <i>Total Governmental Activities</i> | <u>16,171,911</u> | <u>2,829,485</u> | <u>2,281,600</u> | <u>6,233,097</u> | <u>(4,827,729)</u> | <u>0</u> | <u>(4,827,729)</u> |
| Business-Type Activities | | | | | | | |
| Water | 3,421,921 | 3,313,754 | 0 | 0 | 0 | (108,167) | (108,167) |
| Sewer | 2,965,673 | 3,939,375 | 251 | 0 | 0 | 973,953 | 973,953 |
| Sanitation | 1,588,917 | 1,761,540 | 0 | 0 | 0 | 172,623 | 172,623 |
| Stormwater Management | 593,830 | 517,591 | 0 | 0 | 0 | (76,239) | (76,239) |
| Golf Course | 590,723 | 384,741 | 0 | 0 | 0 | (205,982) | (205,982) |
| Swimming Pool | 89,301 | 60,905 | 0 | 0 | 0 | (28,396) | (28,396) |
| <i>Total Business-Type Activities</i> | <u>9,250,365</u> | <u>9,977,906</u> | <u>251</u> | <u>0</u> | <u>0</u> | <u>727,792</u> | <u>727,792</u> |
| <i>Total Primary Government</i> | <u>\$ 25,422,276</u> | <u>\$ 12,807,391</u> | <u>\$ 2,281,851</u> | <u>\$ 6,233,097</u> | <u>(4,827,729)</u> | <u>727,792</u> | <u>(4,099,937)</u> |
| General Revenues: | | | | | | | |
| Property Taxes Levied for: | | | | | | | |
| General Purposes | | | | | 497,827 | 0 | 497,827 |
| Police and Fire Pension | | | | | 154,981 | 0 | 154,981 |
| Park and Recreation | | | | | 124,054 | 0 | 124,054 |
| Debt Service | | | | | 213,559 | 0 | 213,559 |
| Income Taxes Levied for: | | | | | | | |
| General Purposes | | | | | 8,412,684 | 0 | 8,412,684 |
| Street Maintenance and Repair | | | | | 574,086 | 0 | 574,086 |
| Park and Recreation | | | | | 620,013 | 0 | 620,013 |
| Hotel Lodging Tax | | | | | 6,925 | 0 | 6,925 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 434,638 | 0 | 434,638 |
| Gain on Sale of Capital Assets | | | | | 162,151 | 0 | 162,151 |
| Investment Earnings | | | | | 5,378 | 0 | 5,378 |
| Miscellaneous | | | | | 188,127 | 4,990 | 193,117 |
| <i>Total General Revenues</i> | | | | | <u>11,394,423</u> | <u>4,990</u> | <u>11,399,413</u> |
| Transfers | | | | | (169,519) | 169,519 | 0 |
| <i>Change in Net Position</i> | | | | | <u>6,397,175</u> | <u>902,301</u> | <u>7,299,476</u> |
| <i>Net Position Beginning of Year Restated, See Note 2S</i> | | | | | <u>12,367,523</u> | <u>32,591,085</u> | <u>44,958,608</u> |
| <i>Net Position End of Year</i> | | | | | <u>\$ 18,764,698</u> | <u>\$ 33,493,386</u> | <u>\$ 52,258,084</u> |

See accompanying notes and accountant's compilation report.

City of Ashland
Ashland County, Ohio
Balance Sheet
Governmental Funds
December 31, 2015

| | General | Street Maintenance and Repair | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------------------|-----------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Investments | \$ 809,583 | \$ 498,077 | \$ 2,825,147 | \$ 4,132,807 |
| Accounts Receivable | 305,804 | 0 | 68,708 | 374,512 |
| Intergovernmental Receivable | 183,299 | 378,294 | 684,361 | 1,245,954 |
| Taxes Receivable | 2,463,417 | 134,865 | 704,182 | 3,302,464 |
| Prepaid Items | 107,612 | 15,321 | 14,323 | 137,256 |
| Materials and Supplies Inventory | 0 | 196,023 | 0 | 196,023 |
| <i>Total Assets</i> | <u>\$ 3,869,715</u> | <u>\$ 1,222,580</u> | <u>\$ 4,296,721</u> | <u>\$ 9,389,016</u> |
| Liabilities | | | | |
| Accounts Payable | \$ 19,806 | \$ 414 | \$ 72,776 | \$ 92,996 |
| Accrued Wages | 91,052 | 10,587 | 6,432 | 108,071 |
| Intergovernmental Payable | 152,764 | 13,704 | 10,465 | 176,933 |
| Matured Compensated Absences Payable | 2,713 | 0 | 0 | 2,713 |
| <i>Total Liabilities</i> | <u>266,335</u> | <u>24,705</u> | <u>89,673</u> | <u>380,713</u> |
| Deferred Inflows of Resources | | | | |
| Property Taxes Levied for the Next Year | 552,232 | 0 | 526,258 | 1,078,490 |
| Unavailable Revenue | 1,286,393 | 314,686 | 623,122 | 2,224,201 |
| <i>Total Deferred Inflows of Resources</i> | <u>1,838,625</u> | <u>314,686</u> | <u>1,149,380</u> | <u>3,302,691</u> |
| Fund Balances | | | | |
| Nonspendable | 107,612 | 211,344 | 14,323 | 333,279 |
| Restricted | 0 | 671,845 | 2,323,015 | 2,994,860 |
| Committed | 0 | 0 | 720,330 | 720,330 |
| Assigned | 1,419,439 | 0 | 0 | 1,419,439 |
| Unassigned | 237,704 | 0 | 0 | 237,704 |
| <i>Total Fund Balances</i> | <u>1,764,755</u> | <u>883,189</u> | <u>3,057,668</u> | <u>5,705,612</u> |
| <i>Total Liabilities, Deferred Inflows of of Resources and Fund Balances</i> | <u>\$ 3,869,715</u> | <u>\$ 1,222,580</u> | <u>\$ 4,296,721</u> | <u>\$ 9,389,016</u> |

See accompanying notes and accountant's compilation report.

City of Ashland
Ashland County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2015

| | | |
|--|---------------------|---------------------------------|
| Total Governmental Fund Balances | | \$ 5,705,612 |
| <i>Amounts reported for governmental activities in the statement of net position are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 24,143,080 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds: | | |
| Property Taxes | \$ 66,129 | |
| Income Tax | 1,089,453 | |
| Intergovernmental | 880,383 | |
| Charges for Services | <u>188,236</u> | 2,224,201 |
| Accrued interest payable is not due and payable in the current period and therefore not reported in the funds. | | (3,377) |
| Unamortized balances of bond related transactions are not recorded in the funds. | | |
| Unamortized deferred charges on refundings | | 30,423 |
| The net pension liability is not due and payable in the current period, and the net pension asset is not available for spending in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds. | | |
| Net Pension Asset | 7,954 | |
| Deferred Outflows - Pension | 1,790,268 | |
| Deferred Inflows - Pension | (56,401) | |
| Net Pension Liability | <u>(12,879,469)</u> | (11,137,648) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| General Obligation Bonds | (1,445,000) | |
| Unamortized Bond Premium | (12,267) | |
| Accrued Vacation Leave Payable | (37,404) | |
| Compensated Absences | <u>(702,922)</u> | <u>(2,197,593)</u> |
| <i>Net Position of Governmental Activities</i> | | <u><u>\$ 18,764,698</u></u> |

See accompanying notes and accountant's compilation report.

City of Ashland
Ashland County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

| | General | Street Maintenance and Repair | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------------------|-----------------------------------|--------------------------------|
| Revenues | | | | |
| Property Taxes | \$ 522,082 | \$ 0 | \$ 515,795 | \$ 1,037,877 |
| Income Taxes | 8,368,232 | 570,892 | 616,564 | 9,555,688 |
| Other Local Taxes | 6,925 | 0 | 0 | 6,925 |
| Special Assessments | 0 | 0 | 358 | 358 |
| Charges for Services | 818,603 | 14,994 | 495,085 | 1,328,682 |
| Licenses and Permits | 54,541 | 0 | 0 | 54,541 |
| Fines and Forfeitures | 634,909 | 6,120 | 569,209 | 1,210,238 |
| Intergovernmental | 403,721 | 874,756 | 1,534,603 | 2,813,080 |
| Interest | 5,378 | 4,417 | 359 | 10,154 |
| Rent | 0 | 0 | 68,091 | 68,091 |
| Contributions and Donations | 789 | 0 | 74,206 | 74,995 |
| Other | 125,310 | 36,405 | 26,412 | 188,127 |
| <i>Total Revenues</i> | <u>10,940,490</u> | <u>1,507,584</u> | <u>3,900,682</u> | <u>16,348,756</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 3,224,577 | 0 | 695,326 | 3,919,903 |
| Security of Persons and Property | 6,313,468 | 0 | 1,191,118 | 7,504,586 |
| Public Health | 301,819 | 0 | 3,060 | 304,879 |
| Leisure Time Services | 0 | 0 | 775,495 | 775,495 |
| Community Development | 203,967 | 0 | 149,163 | 353,130 |
| Transportation | 0 | 1,650,331 | 173,289 | 1,823,620 |
| Capital Outlay | 13,148 | 10,935 | 751,090 | 775,173 |
| Debt Service: | | | | |
| Principal Retirement | 0 | 0 | 242,290 | 242,290 |
| Interest and Fiscal Charges | 0 | 0 | 49,756 | 49,756 |
| <i>Total Expenditures</i> | <u>10,056,979</u> | <u>1,661,266</u> | <u>4,030,587</u> | <u>15,748,832</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>883,511</u> | <u>(153,682)</u> | <u>(129,905)</u> | <u>599,924</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Sale of Capital Assets | 30,525 | 0 | 292,450 | 322,975 |
| Transfers In | 0 | 0 | 306,000 | 306,000 |
| Transfers Out | (477,609) | 0 | 0 | (477,609) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(447,084)</u> | <u>0</u> | <u>598,450</u> | <u>151,366</u> |
| <i>Net Change in Fund Balance</i> | 436,427 | (153,682) | 468,545 | 751,290 |
| <i>Fund Balance Beginning of Year</i> | <u>1,328,328</u> | <u>1,036,871</u> | <u>2,589,123</u> | <u>4,954,322</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 1,764,755</u> | <u>\$ 883,189</u> | <u>\$ 3,057,668</u> | <u>\$ 5,705,612</u> |

See accompanying notes and accountant's compilation report.

City of Ashland
Ashland County, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2015*

| | | |
|--|--------------------|-------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 751,290 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| 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 as depreciation expense. | | |
| Capital Asset Additions | \$ 6,534,022 | |
| Current Year Depreciation | <u>(1,319,038)</u> | 5,214,984 |
| Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. | | |
| | | (160,824) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Property Taxes | (47,457) | |
| Income Taxes | 51,095 | |
| Charges for Services | 167,575 | |
| Intergovernmental | <u>299,726</u> | 470,939 |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| General Obligation Bonds | 165,000 | |
| ODOT Loan | <u>77,290</u> | 242,290 |
| Premiums on bonds and deferred charges related to the refunding of bonds are amortized over the life of the issuance in the statement of activities. | | |
| Premiums on Bonds | 1,583 | |
| Deferred Charges on Refundings | <u>(3,925)</u> | (2,342) |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| | | 1,203,174 |
| Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | |
| | | (1,296,051) |
| In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. | | |
| | | 1,634 |
| Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Accrued Vacation Leave Payable | (7,574) | |
| Compensated Absences | <u>(20,345)</u> | <u>(27,919)</u> |
| <i>Change in Net Position of Governmental Activities</i> | \$ | <u><u>6,397,175</u></u> |

See accompanying notes and accountant's compilation report.

City of Ashland
Ashland County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Property Taxes | \$ 524,674 | \$ 524,674 | \$ 522,082 | \$ (2,592) |
| Income Taxes | 6,977,400 | 7,760,400 | 7,810,910 | 50,510 |
| Other Local Taxes | 0 | 6,157 | 6,925 | 768 |
| Charges for Services | 706,850 | 706,850 | 886,629 | 179,779 |
| Licenses and Permits | 43,067 | 43,067 | 54,541 | 11,474 |
| Fines and Forfeitures | 679,221 | 679,221 | 628,855 | (50,366) |
| Intergovernmental | 419,096 | 412,939 | 407,352 | (5,587) |
| Interest | 8,500 | 8,500 | 5,378 | (3,122) |
| Contributions and Donations | 589 | 589 | 789 | 200 |
| Other | 191,331 | 191,331 | 130,177 | (61,154) |
| <i>Total Revenues</i> | <u>9,550,728</u> | <u>10,333,728</u> | <u>10,453,638</u> | <u>119,910</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 3,173,360 | 3,228,807 | 2,916,727 | 312,080 |
| Security of Persons and Property | 6,512,002 | 6,654,212 | 6,518,376 | 135,836 |
| Public Health | 301,684 | 317,865 | 308,722 | 9,143 |
| Community Development | 160,833 | 209,387 | 205,099 | 4,288 |
| <i>Total Expenditures</i> | <u>10,147,879</u> | <u>10,410,271</u> | <u>9,948,924</u> | <u>461,347</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(597,151)</u> | <u>(76,543)</u> | <u>504,714</u> | <u>581,257</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Sale of Capital Assets | 0 | 0 | 30,525 | 30,525 |
| Transfers Out | (141,000) | (487,609) | (487,609) | 0 |
| <i>Net Change in Fund Balance</i> | <u>(738,151)</u> | <u>(564,152)</u> | <u>47,630</u> | <u>611,782</u> |
| <i>Fund Balance Beginning of Year</i> | <u>761,954</u> | <u>761,954</u> | <u>761,954</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 23,803</u> | <u>\$ 197,802</u> | <u>\$ 809,584</u> | <u>\$ 611,782</u> |

See accompanying notes and accountant's compilation report.

City of Ashland
Ashland County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Maintenance and Repair Fund
For the Year Ended December 31, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---------------------------------------|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Income Taxes | \$ 501,250 | \$ 557,500 | \$ 561,129 | \$ 3,629 |
| Charges for Services | 21,692 | 21,692 | 22,582 | 890 |
| Fines and Forfeitures | 6,500 | 6,500 | 6,120 | (380) |
| Intergovernmental | 887,007 | 887,007 | 877,078 | (9,929) |
| Interest | 4,346 | 4,346 | 4,417 | 71 |
| Other | 46,500 | 46,500 | 36,405 | (10,095) |
| <i>Total Revenues</i> | <u>1,467,295</u> | <u>1,523,545</u> | <u>1,507,731</u> | <u>(15,814)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Transportation | 2,123,778 | 2,131,903 | 1,720,513 | 411,390 |
| <i>Net Change in Fund Balance</i> | (656,483) | (608,358) | (212,782) | 395,576 |
| <i>Fund Balance Beginning of Year</i> | <u>703,195</u> | <u>703,195</u> | <u>703,195</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$ 46,712</u> | <u>\$ 94,837</u> | <u>\$ 490,413</u> | <u>\$ 395,576</u> |

See accompanying notes and accountant's compilation report.

City of Ashland
Ashland County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2015

| | Enterprise Funds | | | | Total |
|---|----------------------|----------------------|---------------------|---------------------------------|----------------------|
| | Water | Sewer | Sanitation | Nonmajor Enterprise Funds | |
| Assets | | | | | |
| <i>Current Assets:</i> | | | | | |
| Equity in Pooled Cash and Investments | \$ 985,424 | \$ 5,497,373 | \$ 1,639,483 | \$ 619,630 | \$ 8,741,910 |
| Cash and Investments in Segregated Accounts | 0 | 0 | 0 | 1,131 | 1,131 |
| Accounts Receivable | 455,950 | 564,389 | 30,053 | 7,365 | 1,057,757 |
| Intergovernmental Receivable | 0 | 251 | 0 | 0 | 251 |
| Prepaid Items | 21,806 | 22,377 | 11,239 | 0 | 55,422 |
| Materials and Supplies Inventory | 104,972 | 0 | 0 | 73,419 | 178,391 |
| <i>Total Current Assets</i> | <u>1,568,152</u> | <u>6,084,390</u> | <u>1,680,775</u> | <u>701,545</u> | <u>10,034,862</u> |
| <i>Non-Current Assets:</i> | | | | | |
| Net Pension Asset (See Note 12) | 2,472 | 1,973 | 873 | 680 | 5,998 |
| Non-Depreciable Capital Assets | 2,729,023 | 77,708 | 73,374 | 735,036 | 3,615,141 |
| Depreciable Capital Assets, Net | 10,995,467 | 17,715,515 | 442,220 | 2,998,108 | 32,151,310 |
| <i>Total Non-Current Assets</i> | <u>13,726,962</u> | <u>17,795,196</u> | <u>516,467</u> | <u>3,733,824</u> | <u>35,772,449</u> |
| <i>Total Assets</i> | <u>15,295,114</u> | <u>23,879,586</u> | <u>2,197,242</u> | <u>4,435,369</u> | <u>45,807,311</u> |
| Deferred Outflow of Resources | | | | | |
| Deferred Charges on Refunding Pension | 67,810 | 36,013 | 0 | 0 | 103,823 |
| | 172,296 | 137,505 | 60,868 | 47,420 | 418,089 |
| <i>Total Deferred Outflow of Resources</i> | <u>240,106</u> | <u>173,518</u> | <u>60,868</u> | <u>47,420</u> | <u>521,912</u> |
| Liabilities | | | | | |
| <i>Current Liabilities:</i> | | | | | |
| Accounts Payable | 7,846 | 11,604 | 14,875 | 0 | 34,325 |
| Accrued Wages | 15,468 | 12,014 | 5,890 | 3,295 | 36,667 |
| Intergovernmental Payable | 20,340 | 15,990 | 7,229 | 4,632 | 48,191 |
| Accrued Interest Payable | 8,935 | 19,635 | 0 | 0 | 28,570 |
| Compensated Absences Payable | 6,862 | 6,682 | 5,091 | 262 | 18,897 |
| General Obligation Bonds Payable | 450,000 | 355,000 | 0 | 0 | 805,000 |
| <i>Total Current Liabilities</i> | <u>509,451</u> | <u>420,925</u> | <u>33,085</u> | <u>8,189</u> | <u>971,650</u> |
| <i>Long-Term Liabilities:</i> | | | | | |
| Compensated Absences Payable - Net of Current Portion | 70,003 | 34,575 | 7,127 | 15,186 | 126,891 |
| General Obligation Bonds Payable - Net of Current Portion | 3,244,851 | 6,132,647 | 0 | 0 | 9,377,498 |
| Net Pension Liability (See Note 12) | 954,952 | 762,123 | 337,360 | 262,824 | 2,317,259 |
| <i>Total Long-Term Liabilities</i> | <u>4,269,806</u> | <u>6,929,345</u> | <u>344,487</u> | <u>278,010</u> | <u>11,821,648</u> |
| <i>Total Liabilities</i> | <u>4,779,257</u> | <u>7,350,270</u> | <u>377,572</u> | <u>286,199</u> | <u>12,793,298</u> |
| Deferred Inflows of Resources | | | | | |
| Pension | 17,531 | 13,991 | 6,193 | 4,824 | 42,539 |
| <i>Total Deferred Inflows of Resources</i> | <u>17,531</u> | <u>13,991</u> | <u>6,193</u> | <u>4,824</u> | <u>42,539</u> |
| Net Position | | | | | |
| Net Investment in Capital Assets Unrestricted | 10,097,448 | 11,341,589 | 515,594 | 3,733,144 | 25,687,775 |
| | 640,984 | 5,347,254 | 1,358,751 | 458,622 | 7,805,611 |
| <i>Total Net Position</i> | <u>\$ 10,738,432</u> | <u>\$ 16,688,843</u> | <u>\$ 1,874,345</u> | <u>\$ 4,191,766</u> | <u>\$ 33,493,386</u> |

See accompanying notes and accountant's compilation report.

City of Ashland
Ashland County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2015

| | Enterprise Funds | | | | Total |
|---|----------------------|----------------------|---------------------|---------------------------------|----------------------|
| | Water | Sewer | Sanitation | Nonmajor Enterprise Funds | |
| Operating Revenues | | | | | |
| Charges for Services | \$ 3,313,754 | \$ 3,939,375 | \$ 1,761,540 | \$ 963,237 | \$ 9,977,906 |
| Other | 0 | 0 | 0 | 4,990 | 4,990 |
| <i>Total Operating Revenues</i> | <u>3,313,754</u> | <u>3,939,375</u> | <u>1,761,540</u> | <u>968,227</u> | <u>9,982,896</u> |
| Operating Expenses | | | | | |
| Personal Services | 1,510,616 | 1,442,117 | 774,647 | 500,822 | 4,228,202 |
| Contractual Services | 185,166 | 60,409 | 558,377 | 52,905 | 856,857 |
| Materials and Supplies | 787,031 | 259,667 | 164,182 | 376,510 | 1,587,390 |
| Utilities | 253,662 | 218,871 | 13,252 | 32,549 | 518,334 |
| Depreciation | 546,953 | 743,310 | 78,459 | 114,683 | 1,483,405 |
| Other | 8,286 | 353 | 0 | 58,638 | 67,277 |
| <i>Total Operating Expenses</i> | <u>3,291,714</u> | <u>2,724,727</u> | <u>1,588,917</u> | <u>1,136,107</u> | <u>8,741,465</u> |
| <i>Operating Income (Loss)</i> | <u>22,040</u> | <u>1,214,648</u> | <u>172,623</u> | <u>(167,880)</u> | <u>1,241,431</u> |
| Non-Operating Revenues (Expense) | | | | | |
| Intergovernmental | 0 | 251 | 0 | 0 | 251 |
| Loss on Sale of Capital Assets | (15,586) | 0 | 0 | (137,747) | (153,333) |
| Interest and Fiscal Charges | (114,621) | (240,946) | 0 | 0 | (355,567) |
| <i>Total Non-Operating Revenues (Expense)</i> | <u>(130,207)</u> | <u>(240,695)</u> | <u>0</u> | <u>(137,747)</u> | <u>(508,649)</u> |
| <i>Income (Loss) Before Capital Contributions and Transfers</i> | <u>(108,167)</u> | <u>973,953</u> | <u>172,623</u> | <u>(305,627)</u> | <u>732,782</u> |
| Transfers In | 0 | 0 | 0 | 171,609 | 171,609 |
| Transfers Out | (2,090) | 0 | 0 | 0 | (2,090) |
| <i>Change in Net Position</i> | <u>(110,257)</u> | <u>973,953</u> | <u>172,623</u> | <u>(134,018)</u> | <u>902,301</u> |
| <i>Net Position Beginning of Year Restated, See Note 2S</i> | <u>10,848,689</u> | <u>15,714,890</u> | <u>1,701,722</u> | <u>4,325,784</u> | <u>32,591,085</u> |
| <i>Net Position End of Year</i> | <u>\$ 10,738,432</u> | <u>\$ 16,688,843</u> | <u>\$ 1,874,345</u> | <u>\$ 4,191,766</u> | <u>\$ 33,493,386</u> |

See accompanying notes and accountant's compilation report.

City of Ashland
Ashland County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2015

| | Enterprise Funds | | | | Totals |
|---|-------------------|---------------------|---------------------|---------------------------------|---------------------|
| | Water | Sewer | Sanitation | Nonmajor Enterprise Funds | |
| Cash Flows from Operating Activities | | | | | |
| Cash Received from Customers | \$ 3,328,341 | \$ 3,948,893 | \$ 1,751,979 | \$ 961,980 | \$ 9,991,193 |
| Cash Received from Other Operating Receipts | 0 | 0 | 0 | 4,990 | 4,990 |
| Cash Payments to Suppliers for Goods and Services | (778,349) | (262,510) | (164,182) | (383,673) | (1,588,714) |
| Cash Payments to Employees for Services and Benefits | (1,574,813) | (1,510,274) | (800,267) | (515,967) | (4,401,321) |
| Cash Payments for Contractual Services | (435,980) | (278,760) | (563,124) | (85,454) | (1,363,318) |
| Other Cash Payments | (8,286) | (353) | 0 | (58,638) | (67,277) |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | <u>530,913</u> | <u>1,896,996</u> | <u>224,406</u> | <u>(76,762)</u> | <u>2,575,553</u> |
| Cash Flows from Noncapital Financing Activities | | | | | |
| Transfers In | 0 | 0 | 0 | 171,609 | 171,609 |
| Cash Flows from Capital and Related Financing Activities | | | | | |
| Payment for Capital Acquisitions | (114,908) | (382,166) | (25,067) | (128,354) | (650,495) |
| Principal Payments on Debt | (435,000) | (450,000) | 0 | 0 | (885,000) |
| Interest Payments on Debt | (115,700) | (247,616) | 0 | 0 | (363,316) |
| <i>Net Cash (Used for) Capital and Related Financing Activities</i> | <u>(665,608)</u> | <u>(1,079,782)</u> | <u>(25,067)</u> | <u>(128,354)</u> | <u>(1,898,811)</u> |
| <i>Net Increase (Decrease) in Cash and Investments</i> | (134,695) | 817,214 | 199,339 | (33,507) | 848,351 |
| <i>Cash and Investments Beginning of Year</i> | <u>1,120,119</u> | <u>4,680,159</u> | <u>1,440,144</u> | <u>654,268</u> | <u>7,894,690</u> |
| <i>Cash and Investments End of Year</i> | <u>\$ 985,424</u> | <u>\$ 5,497,373</u> | <u>\$ 1,639,483</u> | <u>\$ 620,761</u> | <u>\$ 8,743,041</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities | | | | | |
| Operating Income (Loss) | \$ 22,040 | \$ 1,214,648 | \$ 172,623 | \$ (167,880) | \$ 1,241,431 |
| Adjustments: | | | | | |
| Depreciation | 546,953 | 743,310 | 78,459 | 114,683 | 1,483,405 |
| (Increase) Decrease in Assets: | | | | | |
| Accounts Receivable | 14,587 | 9,518 | (9,561) | (1,257) | 13,287 |
| Prepaid Items | 2,848 | 520 | (1,504) | 0 | 1,864 |
| Net Pension Asset | (1,798) | (1,435) | (635) | (495) | (4,363) |
| Deferred Outflows - Pension | (52,996) | (42,295) | (18,722) | (14,586) | (128,599) |
| Materials and Supplies Inventory | 12,139 | 0 | 0 | (5,486) | 6,653 |
| Increase (Decrease) in Liabilities: | | | | | |
| Accounts Payable | (3,457) | (2,843) | 10,009 | (1,677) | 2,032 |
| Accrued Wages | (34,906) | (28,946) | (11,616) | (8,018) | (83,486) |
| Net Pension Liability | 21,569 | 17,214 | 7,620 | 5,936 | 52,339 |
| Deferred Inflows - Pension | 17,531 | 13,991 | 6,193 | 4,824 | 42,539 |
| Compensated Absences Payable | 4,496 | (14,151) | (3,981) | (4,005) | (17,641) |
| Intergovernmental Payable | (18,093) | (12,535) | (4,479) | 1,199 | (33,908) |
| <i>Net Cash Provided by (Used for) Operating Activities</i> | <u>\$ 530,913</u> | <u>\$ 1,896,996</u> | <u>\$ 224,406</u> | <u>\$ (76,762)</u> | <u>\$ 2,575,553</u> |

Noncash Capital Financing Activities:

The City purchased \$33,516 of capital assets on account in 2014.

See accompanying notes and accountant's compilation report.

City of Ashland
Ashland County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

| | Private Purpose Trust | Agency Funds |
|---|--------------------------|--------------|
| Assets | | |
| Equity in Pooled Cash and Investments | \$ 4,616 | \$ 40,090 |
| Cash and Investments in Segregated Accounts | 0 | 96,336 |
| <i>Total Assets</i> | 4,616 | \$ 136,426 |
| Liabilities | | |
| Undistributed Monies | 0 | \$ 136,426 |
| <i>Total Liabilities</i> | 0 | \$ 136,426 |
| Net Position | | |
| Held in Trust for Private Purposes | \$ 4,616 | |

See accompanying notes and accountant's compilation report.

City of Ashland
Ashland County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2015

| | Private Purpose Trust |
|--|--------------------------|
| Additions | |
| Interest | \$ 7 |
| Deductions | |
| Payments in Accordance with Trust Agreements | 500 |
| <i>Change in Net Position</i> | (493) |
| <i>Net Position Beginning of Year</i> | 5,109 |
| <i>Net Position End of Year</i> | \$ 4,616 |

See accompanying notes and accountant's compilation report.

City of Ashland
Ashland County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1: REPORTING ENTITY

The City of Ashland (the “City”) is a municipal corporation, established under the laws of the State of Ohio. The City operates under a Council-Mayor form of government. The Mayor, five Council members, Finance Director, and Law Director are elected.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. A primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government of the City includes City departments and agencies that provide the following services: police and fire protection, emergency medical, public transportation, water, sewer and sanitation services, golf course, parks and recreation, planning, zoning, street maintenance and repair, and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization’s governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization’s resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the levying of taxes or the issuance of debt. The City does not have any component units.

The City is involved with the Wooster-Ashland Regional Council of Governments, the Ashland Community Improvement Corporation and the Ashland Area Council for Economic Development, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 17.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

City of Ashland
Ashland County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

Government-wide Financial Statements The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The effect of interfund services provided and used between activities are not eliminated on the statement of activities. The statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

City of Ashland
Ashland County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

Street Maintenance and Repair Fund – The street maintenance and repair special revenue fund is used to account for the costs associated with maintaining the streets and public roads. The street maintenance and repair fund receives revenue from income taxes, interest, grants and other miscellaneous sources.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the City's proprietary fund type:

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds.

Water Fund – The water fund accounts for the provision of water service to the residents and commercial users located within the City.

Sewer Fund – The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Sanitation Fund – The sanitation fund accounts for revenues generated from charges for sanitation services and the costs associated with providing those services.

The other enterprise funds of the City account for the operations of the storm water management, golf course and swimming pool.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's trust fund is a private-purpose trust fund established to account for the funds used for the purpose of presenting free concerts at the Myers Memorial Bandshell. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for court collections that are distributed to various other City funds.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

City of Ashland
Ashland County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary fund activities. Trust funds also use the flow of economic resources focus. Agency funds do not report a measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of the year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. (See Note 8.) Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 6.) Revenue from grants, entitlements, and donations is recognized in the 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 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

City of Ashland
Ashland County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and entitlements, and rentals.

Deferred Inflows of Resources and Deferred Outflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, intergovernmental grants and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12)

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Cash and Investments

To improve cash management, all cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and investments."

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

During 2015, investments were limited to certificates of deposit and interest in STAR Ohio (the State Treasury Asset Reserve of Ohio).

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STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2015.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2015 amounted to \$5,378, which includes \$5,014 assigned from other City funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the City are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments." See Note 4, Deposits and Investments.

F. Prepaid Items

Prepayments made to vendors for services that will benefit periods beyond December 31, 2015 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

G. Materials and Supplies Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories consist of expendable supplies.

H. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 for its capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

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| Description | Governmental Activities Estimated Lives | Business-Type Activities Estimated Lives |
|----------------------------|---|--|
| Buildings and Improvements | 15 - 70 Years | 15 - 70 Years |
| Equipment | 3 - 20 Years | 3 - 20 Years |
| Infrastructure | 10 - 75 Years | 10 - 80 Years |
| Vehicles | 3 - 20 Years | 3 - 20 Years |

The City’s infrastructure consists of streets, bridges, lighting systems, sewer systems, and water systems.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year end taking into consideration any limits specified in the City’s termination policy. The City records a liability for all accumulated unused vacation time when earned for all employees. The City records a liability for accumulated unused sick leave for employees with seven or more years of accumulated service.

The entire compensated absence liability is reported on the government-wide financial statements.

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the funds from which the employee will be paid.

J. Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net position liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and long-term loans are recognized as a liability on the government fund financial statements when due.

K. Pensions

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

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets 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 constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2015, none of the City's net position balances were restricted by enabling legislation.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

M. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or is imposed by law through constitutional provisions.

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Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. City Council has by resolution authorized the Finance Director to assign fund balance. City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and sanitation services, as well as charges related to the City's storm water management, golf course, and swimming pool. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

O. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Transfers between governmental funds and transfers between enterprise funds are eliminated on the government-wide financial statements. All transfers were in compliance with Ohio Revised Code Sections 5704.14, 5705.15 and 5706.16.

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Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are generally not presented on the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level (personal services and other) within each department in the general fund and at the object level (personal services and other) for all other funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Finance Director. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were enacted by Council.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

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S. Implementation of New Accounting Principles and Restatement of Net Position

For the year ended December 31, 2015, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

| | Governmental Activities | Business-Type Activities | | | | Total |
|--|----------------------------|--------------------------|----------------------|---------------------|---------------------|----------------------|
| | | Water | Sewer | Sanitation | Nonmajor | |
| Net Position December 31, 2014 | \$ 23,412,294 | \$ 11,662,098 | \$ 16,364,051 | \$ 1,989,078 | \$ 4,549,653 | \$ 34,564,880 |
| Adjustments: | | | | | | |
| Net Pension Asset | 2,167 | 674 | 538 | 238 | 185 | 1,635 |
| Net Pension Liability | (12,223,011) | (933,383) | (744,909) | (329,740) | (256,888) | (2,264,920) |
| Deferred Outflow - Payments | | | | | | |
| Subsequent to Measurement Date | 1,176,073 | 119,300 | 95,210 | 42,146 | 32,834 | 289,490 |
| Restated Net Position, January 1, 2015 | <u>\$ 12,367,523</u> | <u>\$ 10,848,689</u> | <u>\$ 15,714,890</u> | <u>\$ 1,701,722</u> | <u>\$ 4,325,784</u> | <u>\$ 32,591,085</u> |

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

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The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and the street maintenance and repair fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditure/expenses (budget) rather than as assigned, committed or restricted fund balance (GAAP).
4. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the street maintenance and repair fund.

Net Change in Fund Balance

| | General Fund | Street Maintenance and Repair Fund |
|----------------------------|-----------------|--|
| GAAP Basis | \$ 436,427 | \$ (153,682) |
| Revenue Accruals | (65,207) | 147 |
| Expenditure Accruals | (318,242) | (51,583) |
| Encumbrances | 0 | (7,664) |
| Funds Budgeted Elsewhere** | (5,348) | 0 |
| Budget Basis | \$ 47,630 | \$ (212,782) |

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the City maintenance fund and the City income tax fund.

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NOTE 4: DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active monies are public deposits necessary to meet the demands on the treasury. Such monies must be maintained either as cash by the City, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and any other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus).

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7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2015, the City and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

At year-end, the carrying amount of the City's deposits was \$10,590,207, which includes \$5,090 cash on hand. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosure*, as of December 31, 2015, \$9,866,123 of the City's bank balance of \$11,393,084 was exposed to custodial credit risk as discussed above, while \$1,526,961 was covered by Federal Deposit Insurance Corporation.

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Investments

As of December 31, 2015, the City had the following investment and maturity:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>6 Months or Less</u> | <u>Percent of Total</u> |
|------------------------|-------------------|-------------------------|-------------------------|
| STAR Ohio | \$ 2,426,683 | \$ 2,426,683 | 100.00% |

Interest Rate Risk The City’s investment policy limits investment maturities to less than five years.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. The weighted average of maturity of the portfolio held by STAR Ohio as of December 31, 2015, is 49 days.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial credit risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk Standard & Poor’s has assigned STAR Ohio an AAA rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk The City places no limit on the amount that may be invested in any one issuer. The percentage to total investment is listed in the table above.

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NOTE 6: PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2015 for real and public utility property taxes represents collections of the 2014 taxes.

2015 real property taxes were levied after October 1, 2015 on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015 was \$3.90 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2015 property tax receipts were based are as follows:

| <u>Category</u> | <u>Assessed Value</u> |
|-----------------------------|-----------------------|
| Real Property | \$ 288,175,680 |
| Public Utilities - Personal | <u>12,771,140</u> |
| Total Assessed Value | <u>\$ 300,946,820</u> |

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 7: RECEIVABLES

Receivables at December 31, 2015 consisted of taxes, accounts (billed and unbilled user charged services), and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are deemed collectible in full.

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Notes To The Basic Financial Statements
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NOTE 8: INCOME TAX

The City levies a municipal income tax of 1.5 percent on gross salaries, wages and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a credit up to 1.0 percent for taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax revenues are distributed among the General Fund, Street Maintenance and Repair Special Revenue Fund and the Park and Recreation Special Revenue Fund. The distribution was determined by City ordinance.

NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2015 follows:

| | Balance 1/1/2015 | Additions | Transfers | Deletions | Balance 12/31/2015 |
|--|----------------------|----------------------|-----------------|---------------------|-----------------------|
| Governmental Activities: | | | | | |
| <i>Capital Assets Not Being Depreciated:</i> | | | | | |
| Land | \$ 7,079,045 | \$ 0 | \$ 0 | \$ (78,500) | \$ 7,000,545 |
| Construction in Progress | 1,137,503 | 6,199,718 | 0 | 0 | 7,337,221 |
| <i>Total Capital Assets, Not Being Depreciated</i> | <u>8,216,548</u> | <u>6,199,718</u> | <u>0</u> | <u>(78,500)</u> | <u>14,337,766</u> |
| <i>Capital Assets, Being Depreciated:</i> | | | | | |
| Buildings and Improvements | 9,444,596 | 0 | 0 | (325,120) | 9,119,476 |
| Equipment | 3,325,651 | 135,522 | 0 | (316,090) | 3,145,083 |
| Vehicles | 5,797,905 | 196,692 | 20,904 | (391,743) | 5,623,758 |
| Streets | 23,963,522 | 0 | 0 | (140,105) | 23,823,417 |
| Bridges | 2,526,671 | 0 | 0 | 0 | 2,526,671 |
| Street Lighting | 1,564,227 | 0 | 0 | (47,589) | 1,516,638 |
| <i>Total Capital Assets, Being Depreciated</i> | <u>46,622,572</u> | <u>332,214</u> | <u>20,904</u> | <u>(1,220,647)</u> | <u>45,755,043</u> |
| <i>Less Accumulated Depreciation:</i> | | | | | |
| Buildings and Improvements | (4,866,983) | (200,746) | 0 | 275,625 | (4,792,104) |
| Equipment | (2,464,838) | (190,529) | 0 | 309,493 | (2,345,874) |
| Vehicles | (4,097,317) | (378,941) | (18,814) | 365,511 | (4,129,561) |
| Streets | (21,610,513) | (419,400) | 0 | 140,105 | (21,889,808) |
| Bridges | (2,020,835) | (62,642) | 0 | 0 | (2,083,477) |
| Street Lighting | (689,714) | (66,780) | 0 | 47,589 | (708,905) |
| <i>Total Accumulated Depreciation</i> | <u>(35,750,200)</u> | <u>(1,319,038) *</u> | <u>(18,814)</u> | <u>1,138,323</u> | <u>(35,949,729)</u> |
| <i>Total Capital Assets Being Depreciated, Net</i> | <u>10,872,372</u> | <u>(986,824)</u> | <u>2,090</u> | <u>(82,324)</u> | <u>9,805,314</u> |
| <i>Total Governmental Activity Capital Assets, Net</i> | <u>\$ 19,088,920</u> | <u>\$ 5,212,894</u> | <u>\$ 2,090</u> | <u>\$ (160,824)</u> | <u>\$ 24,143,080</u> |

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*Depreciation expense was charge to governmental functions as follows:

| | | |
|----------------------------------|--------|---------------|
| General Government | \$ | 201,967 |
| Leisure Time Services | | 94,998 |
| Community Development | | 1,262 |
| Security of Persons and Property | | 311,654 |
| Transportation | | 709,157 |
| | | 709,157 |
| Total | \$ | 1,319,038 |

| | Balance 1/1/2015 | Additions | Transfers | Deletions | Balance 12/31/2015 |
|--|----------------------|---------------------|-------------------|---------------------|-----------------------|
| Business-Type Activities: | | | | | |
| <i>Capital Assets Not Being Depreciated:</i> | | | | | |
| Land | \$ 3,630,627 | \$ 100 | \$ 0 | \$ (15,586) | \$ 3,615,141 |
| <i>Capital Assets, Being Depreciated:</i> | | | | | |
| Buildings and Improvements | 13,595,375 | 10,600 | 0 | 0 | 13,605,975 |
| Equipment | 3,505,590 | 41,357 | 0 | (21,749) | 3,525,198 |
| Vehicles | 2,136,334 | 425,827 | (20,904) | (215,615) | 2,325,642 |
| Infrastructure | 41,503,182 | 139,095 | 0 | (147,905) | 41,494,372 |
| <i>Total Capital Assets, Being Depreciated</i> | <i>60,740,481</i> | <i>616,879</i> | <i>(20,904)</i> | <i>(385,269)</i> | <i>60,951,187</i> |
| <i>Less Accumulated Depreciation:</i> | | | | | |
| Buildings and Improvements | (6,323,494) | (254,261) | 0 | 0 | (6,577,755) |
| Equipment | (2,110,674) | (238,528) | 0 | 21,749 | (2,327,453) |
| Vehicles | (1,351,642) | (288,173) | 18,814 | 215,615 | (1,405,386) |
| Infrastructure | (17,796,998) | (702,443) | 0 | 10,158 | (18,489,283) |
| <i>Total Accumulated Depreciation</i> | <i>(27,582,808)</i> | <i>(1,483,405)</i> | <i>18,814</i> | <i>247,522</i> | <i>(28,799,877)</i> |
| <i>Total Capital Assets Being Depreciated, Net</i> | <i>33,157,673</i> | <i>(866,526)</i> | <i>(2,090)</i> | <i>(137,747)</i> | <i>32,151,310</i> |
| <i>Total Business-Type Capital Assets, Net</i> | <i>\$ 36,788,300</i> | <i>\$ (866,426)</i> | <i>\$ (2,090)</i> | <i>\$ (153,333)</i> | <i>\$ 35,766,451</i> |

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NOTE 10: 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 contracts with private carriers for property and fleet insurance, liability insurance and inland marine coverage. Coverage provided is as follows:

| <u>Company</u> | <u>Type of Coverage</u> | <u>Period</u> |
|---|------------------------------|-----------------|
| Westfield Insurance/The Buren Insurance Group, Inc. | Property | 8/30/15-8/30/16 |
| St. Paul Travelers/Boales Insurance | Commercial General Liability | 8/30/15-8/30/16 |
| | Law Enforcement Liability | 8/30/15-8/30/16 |
| | Automobile Liability | 8/30/15-8/30/16 |
| | Umbrella Policy | 8/30/15-8/30/16 |
| | Basic Errors and Omissions | 8/30/15-8/30/16 |
| Public Entities Pool of Ohio | Commercial General Liability | 2/28/15-2/28/16 |

Settlement claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

NOTE 11: OTHER EMPLOYEE BENEFITS

A. Compensated Absences

City employees generally earn vacation ranging from two to five weeks per year based on length of service. Accumulated vacation leave cannot be carried over from one year to another without express written authorization of the appointing authority. Sick leave is generally earned at the rate of 4.6 hours for every 80 hours worked and employees may accumulate on a continuing basis. Sick leave is fully vested when earned. 25 percent of unused sick leave, up to the following maximums for employees who complete ten years of service plus any accumulated vacation leave, is paid at retirement or death. Sick leave accumulates up to a maximum of 800 hours for members of the Northern Ohio Patrolmen's Benevolent Association, 894 hours for members of The International Association of Fire Fighters Local 1386, AFL-CIO, 688 hours for all non-union City employees and 520 hours for AFSCME employees. As of December 31, 2015, the total liability for unpaid compensated absences was \$848,710.

B. Additional Insurance

The City provides life insurance to all employees. The policy is in the amount of \$20,000. The City contracts with Medical Mutual Insurance Group to provide health insurance to employees. The City and the employees share the cost of the total monthly premiums of \$487.59 single health care, \$1,014.29 employee and spouse health care, \$805.12 employee and child health care and \$1,331.82 family health care. Premiums and co-payments are paid from the same funds that pay the employee's salaries.

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NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Asset/Liability

The net pension asset/liability reported on the statement of net position represents an asset/liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension asset/liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension asset/liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension asset/liability. Resulting adjustments to the net pension asset/liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension asset/liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional and combined plans; therefore, the following disclosure focuses on these two plans.

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OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

| Group A | Group B | Group C |
|---|---|---|
| Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Members not in other Groups and members hired on or after January 7, 2013 |
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 | Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

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| | State and Local |
|--|--------------------|
| 2015 Statutory Maximum Contribution Rates | |
| Employer | 14.00 % |
| Employee | 10.00 % |
| 2015 Actual Contribution Rates | |
| Employer: | |
| Pension | 12.00 % |
| Post-employment Health Care Benefits | 2.00 |
| Total Employer | 14.00 % |
| Employee | 10.00 % |

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$683,978 for 2015. Of this amount, \$70,421 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member’s average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before after July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

| | Police | Firefighters |
|--|---------|--------------|
| 2015 Statutory Maximum Contribution Rates | | |
| Employer | 19.50 % | 24.0 % |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015 through December 31, 2015 | 12.25 % | 12.25 % |
| 2015 Actual Contribution Rates | | |
| Employer: | | |
| Pension | 19.00 % | 23.50 % |
| Post-employment Health Care Benefits | 0.50 | 0.50 |
| Total Employer | 19.50 % | 24.00 % |
| Employee: | | |
| January 1, 2015 through July 1, 2015 | 11.50 % | 11.50 % |
| July 2, 2015 through December 31, 2015 | 12.25 % | 12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$813,277 for 2015. Of this amount \$74,779 is reported as an intergovernmental payable.

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

The net pension asset/liability for OPERS was measured as of December 31, 2014, and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension asset/liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

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| | OPERS Traditional Plan | OPERS Combined Plan | OPF | Total |
|--|---------------------------|------------------------|--------------|---------------|
| Proportionate Share of the Net Pension Asset | \$ 0 | \$ 13,952 | \$ 0 | \$ 13,952 |
| Proportionate Share of the Net Pension Liability | \$ 5,389,510 | \$ 0 | \$ 9,807,218 | \$ 15,196,728 |
| Proportion of the Net Pension Asset/Liability | 0.04468500% | 0.03623600% | 0.18931330% | |
| Pension Expense | \$ 586,250 | \$ 9,150 | \$ 956,648 | \$ 1,552,048 |

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | OPERS Traditional Plan | OPERS Combined Plan | OPF | Total |
|--|---------------------------|------------------------|---------------------|---------------------|
| Deferred Outflows of Resources | | | | |
| Net difference between projected and actual earnings on pension plan investments | \$ 287,568 | \$ 852 | \$ 422,682 | \$ 711,102 |
| City contributions subsequent to the measurement date | 667,113 | 16,865 | 813,277 | 1,497,255 |
| Total Deferred Outflows of Resources | <u>\$ 954,681</u> | <u>\$ 17,717</u> | <u>\$ 1,235,959</u> | <u>\$ 2,208,357</u> |
| Deferred Inflows of Resources | | | | |
| Differences between expected and actual experience | <u>\$ 94,683</u> | <u>\$ 4,257</u> | <u>\$ 0</u> | <u>\$ 98,940</u> |

\$1,497,255 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or addition of the net pension asset in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | OPERS Traditional Plan | OPERS Combined Plan | OPF | Total |
|--------------------------|---------------------------|------------------------|-------------------|-------------------|
| 2016 | \$ 28,205 | \$ (293) | \$ 105,671 | \$ 133,583 |
| 2017 | 28,205 | (293) | 105,671 | 133,583 |
| 2018 | 64,583 | (293) | 105,671 | 169,961 |
| 2019 | 71,892 | (293) | 105,669 | 177,268 |
| 2020 | 0 | (506) | 0 | (506) |
| Thereafter | 0 | (1,727) | 0 | (1,727) |
| | <u>\$ 192,885</u> | <u>\$ (3,405)</u> | <u>\$ 422,682</u> | <u>\$ 612,162</u> |

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension asset/liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| <u>Actuarial Information</u> | <u>Traditional Pension Plan</u> | <u>Combined Pension Plan</u> |
|--|---|--|
| Wage Inflation | 3.75 percent | 3.75 percent |
| Future Salary Increases, including inflation | 4.25 percent to 10.05 percent, including wage inflation | 4.25 percent to 8.05 percent, including wage inflation |
| COLA or Ad Hoc COLA | 3.00 percent, simple | 3.00 percent |
| Investment Rate of Return | 8.00 percent | 8.00 percent |
| Actuarial Cost Method | Individual Entry Age | Individual Entry Age |

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

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| Asset Class | Target Allocation | Weighted Average Long-Term Expected Real Rate of Return (Arithmetic) |
|------------------------|----------------------|--|
| Fixed Income | 23.00 % | 2.31 % |
| Domestic Equities | 19.90 | 5.84 |
| Real Estate | 10.00 | 4.25 |
| Private Equity | 10.00 | 9.25 |
| International Equities | 19.10 | 7.40 |
| Other Investments | 18.00 | 4.59 |
| Total | 100.00 % | 5.28 % |

Discount Rate The discount rate used to measure the total pension asset/liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

Sensitivity of the City's Proportionate Share of the Net Pension Asset/Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension asset/liability calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

| City's proportionate share of the net pension (asset)/liability: | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|---|------------------------|-------------------------------------|------------------------|
| Traditional Plan | \$ 9,915,155 | \$ 5,389,510 | \$ 1,577,827 |
| Combined Plan | 1,812 | (13,952) | (26,452) |

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

| | |
|----------------------------|-------------------------------|
| Valuation Date | January 1, 2014 |
| Actuarial Cost Method | Entry Age Normal |
| Investment Rate of Return | 8.25 percent |
| Projected Salary Increases | 4.25 percent to 11.00 percent |
| Payroll Increases | 3.75 percent |
| Inflation Assumptions | 3.25 percent |
| Cost of Living Adjustments | 2.60 percent and 3.00 percent |

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|-----------------------------|----------------------|---|
| Cash and Cash Equivalents | 0.00 % | (0.25) % |
| Domestic Equity | 16.00 | 4.47 |
| Non-US Equity | 16.00 | 4.47 |
| Core Fixed Income* | 20.00 | 1.62 |
| Global Inflation Protected* | 20.00 | 1.33 |
| High Yield | 15.00 | 3.39 |
| Real Estate | 12.00 | 3.93 |
| Private Markets | 8.00 | 6.98 |
| Timber | 5.00 | 4.92 |
| Master Limited Partnerships | 8.00 | 7.03 |
| Total | 120.00 % | |

* levered 2x

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OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

| | 1% Decrease (7.25%) | Current Discount Rate (8.25%) | 1% Increase (9.25%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share of the net pension liability: | \$ 13,564,867 | \$ 9,807,218 | \$ 6,625,633 |

NOTE 13: POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

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In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Postemployment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2014 CAFR details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible benefit recipients. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0 percent of earnable salary and Public Safety and Law Enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 percent.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$113,996, \$116,135 and \$53,716, respectively. For 2015, 89.7 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

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B. Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OPF. OPF provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OPF provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OPF issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OPF, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OPF's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OPF Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to health care was 0.5 percent of covered payroll from January 1, 2015 through December 31, 2015. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

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For the Year Ended December 31, 2015

The City's contributions to OPF, which were allocated to fund post-employment health care benefits, for police and firefighters were \$8,828 and \$10,166 for the year ended December 31, 2015, \$17,425 and \$34,218 for the year ended December 31, 2014, and \$44,641 and \$47,437 for the year ended December 31, 2013. 90.9 percent has been contributed for police and 90.7 percent has been contributed for firefighters for 2015. The full amount has been contributed for 2014 and 2013.

NOTE 14: LONG-TERM OBLIGATIONS

| Debt Issue | Interest Rate | Original Issue Amount | Date of Maturity |
|---|------------------|--------------------------|------------------|
| Governmental Activities | | | |
| 2005 ODOT Loan - US Route 250 | 3.00% | \$ 462,010 | 11/28/2015 |
| 2013 General Obligation Refunding Bonds | Various | 1,790,000 | 12/1/2023 |
| Business-Type Activities | | | |
| General Obligation Bonds: | | | |
| 2010 Various Sewer Projects Bonds | 2.00 - 3.00% | 485,000 | 12/1/2015 |
| 2010 EQ Basin Bonds | 2.00 - 5.00% | 5,380,000 | 12/1/2035 |
| 2010 New Water Projects Bonds | 2.00 - 4.25% | 770,000 | 12/1/2020 |
| 2013 General Obligation Refunding Bonds | Various | 3,985,000 | 12/1/2023 |
| 2013 General Obligation Refunding Bonds | Various | 2,115,000 | 12/1/2023 |

Changes in the long-term obligations of the City during 2015 were as follows:

| | Restated Principal Balance 1/1/2015 | Additions | (Reductions) | Principal Balance 12/31/2015 | Due in One Year |
|---|--|------------------|-------------------|------------------------------------|-----------------------|
| Governmental Activities: | | | | | |
| ODOT Loan | \$ 77,290 | \$ 0 | \$ (77,290) | \$ 0 | \$ 0 |
| 2013 General Obligation Refunding Bonds | 1,610,000 | 0 | (165,000) | 1,445,000 | 165,000 |
| Premium on 2013 General Obligation Refunding Bonds | 13,850 | 0 | (1,583) | 12,267 | 0 |
| Total Governmental Activities Long-Term Debt | 1,701,140 | 0 | (243,873) | 1,457,267 | 165,000 |
| Net Pension Liability: | | | | | |
| OPERS | 3,002,859 | 0 | 69,392 | 3,072,251 | 0 |
| OPF | 9,220,152 | 0 | 587,066 | 9,807,218 | 0 |
| Total Net Pension Liabilities | 12,223,011 | 0 | 656,458 | 12,879,469 | 0 |
| Other Long-Term Obligations: | | | | | |
| Compensated Absences | 682,577 | 60,086 | (39,741) | 702,922 | 23,182 |
| Total Governmental Activities | \$ 14,606,728 | \$ 60,086 | \$ 372,844 | \$ 15,039,658 | \$ 188,182 |

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For the Year Ended December 31, 2015

| | Restated Principal Balance 1/1/2015 | Additions | (Reductions) | Principal Balance 12/31/2015 | Due in One Year |
|--|--|-----------------|---------------------|------------------------------------|-----------------------|
| Business-Type Activities: | | | | | |
| 2010 General Obligation Bonds | \$ 5,420,000 | \$ 0 | \$ (330,000) | \$ 5,090,000 | \$ 235,000 |
| Premium on 2010 General Obligation Bonds | 129,869 | 0 | (14,020) | 115,849 | 0 |
| 2013 General Obligation Refunding Bonds | 5,490,000 | 0 | (555,000) | 4,935,000 | 570,000 |
| Premium on 2013 General Obligation Refunding Bonds | 47,024 | 0 | (5,375) | 41,649 | 0 |
| Total Business-Type Activities Long-Term Debt | 11,086,893 | 0 | (904,395) | 10,182,498 | 805,000 |
| Net Pension Liability - OPERS: | | | | | |
| Sewer | 744,909 | 0 | 17,214 | 762,123 | 0 |
| Water | 933,383 | 0 | 21,569 | 954,952 | 0 |
| Sanitation | 329,740 | 0 | 7,620 | 337,360 | 0 |
| Golf Course | 178,547 | 0 | 4,126 | 182,673 | 0 |
| Swimming Pool | 32,501 | 0 | 751 | 33,252 | 0 |
| Stormwater | 45,840 | 0 | 1,059 | 46,899 | 0 |
| Total Net Pension Liabilities | 2,264,920 | 0 | 52,339 | 2,317,259 | 0 |
| Other Long-Term Obligations: | | | | | |
| Compensated Absences | 163,429 | 2,698 | (20,339) | 145,788 | 18,897 |
| Total Business-Type Activities | \$ 13,515,242 | \$ 2,698 | \$ (872,395) | \$ 12,645,545 | \$ 823,897 |

The general obligation bonds in the business-type activities will be paid from user charges of the water and sewer funds. The general obligation bonds and the ODOT loan in the governmental activities will be repaid with charges for services and grant revenues. Compensated absences will primarily be paid from the general, street maintenance and repair, park and recreation, municipal probation, community corrections, water, sewer, sanitation and stormwater funds.

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment.

The City pays obligations related to employee compensation from the fund benefitting from their service.

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For the Year Ended December 31, 2015

A summary of annual requirements to pay principal and interest on debt outstanding at December 31, 2015 is as follows:

| | Governmental Activities | |
|-----------|-------------------------|------------|
| | 2013 General Obligation | |
| | Principal | Interest |
| 2016 | \$ 165,000 | \$ 40,519 |
| 2017 | 170,000 | 37,219 |
| 2018 | 175,000 | 33,819 |
| 2019 | 175,000 | 33,819 |
| 2020 | 180,000 | 25,287 |
| 2021-2023 | 580,000 | 42,224 |
| Totals | \$ 1,445,000 | \$ 212,887 |

| | Business-Type Activities | | | | | |
|-----------|--------------------------|------------|-------------------------------|--------------|---------------|--------------|
| | 2013 General Obligation | | 2010 General Obligation Bonds | | Total | |
| | Refunding Bonds | | | | | |
| 2016 | \$ 570,000 | \$ 138,332 | \$ 235,000 | \$ 204,502 | \$ 805,000 | \$ 342,834 |
| 2017 | 575,000 | 126,932 | 245,000 | 195,104 | 820,000 | 322,036 |
| 2018 | 585,000 | 115,432 | 260,000 | 185,303 | 845,000 | 300,735 |
| 2019 | 605,000 | 100,806 | 265,000 | 174,902 | 870,000 | 275,708 |
| 2020 | 620,000 | 86,437 | 280,000 | 164,302 | 900,000 | 250,739 |
| 2021-2025 | 1,980,000 | 143,524 | 1,045,000 | 695,257 | 3,025,000 | 838,781 |
| 2026-2030 | 0 | 0 | 1,245,000 | 495,965 | 1,245,000 | 495,965 |
| 2031-2035 | 0 | 0 | 1,515,000 | 220,750 | 1,515,000 | 220,750 |
| Totals | \$ 4,935,000 | \$ 711,463 | \$ 5,090,000 | \$ 2,336,085 | \$ 10,025,000 | \$ 3,047,548 |

2010 Various Purpose Improvement Bonds

The \$7,470,000 bond issue consists of serial and term bonds. The serial bonds were issued with a varying interest rate of 2.00-4.30 percent. The term bonds that mature on December 1, 2022, with an interest rate of 3.25 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2021 in the amount of \$195,000 (and the balance of \$200,000 is to be paid at stated maturity on December 1, 2022), at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to redemption date.

The term bonds that mature on December 1, 2024, with an interest rate of 3.45 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2023 in the amount of \$210,000 (and the balance of \$215,000 is to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to redemption date.

City of Ashland
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The term bonds that mature on December 1, 2026, with an interest rate of 3.55 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2025 in the amount of \$225,000 (and the balance of \$230,000 is to be paid at stated maturity on December 1, 2026), at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to redemption date.

The term bonds that mature on December 1, 2028, with an interest rate of 3.75 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2027 in the amount of \$240,000 (and the balance of \$250,000 is to be paid at stated maturity on December 1, 2028), at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to redemption date.

The term bonds that mature on December 1, 2030, with an interest rate of 4.00 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2029 in the amount of \$255,000 (and the balance of \$270,000 is to be paid at stated maturity on December 1, 2030), at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to redemption date.

The term bonds that mature on December 1, 2032, with an interest rate of 4.25 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2031 in the amount of \$280,000 (and the balance of \$290,000 is to be paid at stated maturity on December 1, 2032), at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to redemption date.

The term bonds that mature on December 1, 2035, with an interest rate of 5.00 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2034 in the amount of \$315,000 (and the balance of \$330,000 is to be paid at stated maturity on December 1, 2035), at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to redemption date.

Term bonds redeemed by other than mandatory redemption, or purchased for cancellation, may be credited against the applicable mandatory redemption requirement for the corresponding term bonds.

The bonds maturing on or after December 1, 2021 are subject to prior redemption, by and at the sole option of the City, in whole or in part as selected by the City (in whole multiples of \$5,000), on any date on or after December 1, 2020, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to the redemption date.

2013 Various Purpose Refunding Bonds

On September 10, 2013, the City issued \$7,890,000 in voted general obligation bonds, which consisted of serial bonds with a varying interest rate of 2.00-4.00 percent. The final maturity of the serial bonds is December 1, 2023. The bonds advance refunded \$7,635,000 of outstanding 2003 Various Purpose General Obligation Bonds. The bonds were issued for a ten year period with final maturities at December 31, 2023.

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For the Year Ended December 31, 2015

At the date of refunding, \$7,808,219 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$7,635,000 of the 2003 Various Purpose General Obligation Bonds are considered to be defeased and the liability for those bonds has been removed from the 2013 financial statements. The advance refunding reduced cash flows required for debt service by \$613,613 over the next ten years and resulted in an economic gain of \$530,504. As of December 31, 2015, \$6,360,000 of the defeased bonds was outstanding.

The bonds were issued with a premium of \$69,569, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for 2015 was \$6,958. The issuance costs of \$145,785 were expensed in 2013. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$173,219. This difference, reported in the accompanying financial statements as a deferred outflow of resources - deferred charges on refunding, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for 2015 was \$17,321.

NOTE 15: INTERFUND TRANSFERS

Following is a summary of transfers in and out for all funds for 2015:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------------|---------------------|----------------------|
| General | \$ 0 | \$ 477,609 |
| Non-Major Governmental Funds: | | |
| Ashland Public Transportation | 141,000 | 0 |
| Capital Improvement | 100,000 | 0 |
| Police Donations | 50,000 | 0 |
| Municipal Probation | 15,000 | 0 |
| Total Non-Major Governmental Funds | <u>306,000</u> | <u>0</u> |
| Non-Major Enterprise Fund: | | |
| Brookside Swimming Pool | 63,609 | 0 |
| Brookside Golf Course | 108,000 | 0 |
| Total Non-Major Enterprise Funds: | <u>171,609</u> | <u>0</u> |
| Total All Funds: | <u>\$ 477,609</u> | <u>\$ 477,609</u> |

The transfers from the General Fund to the various other funds were to provide additional resources for current operations.

Capital assets in the amount of \$2,090 were transferred from the water fund to governmental activities.

City of Ashland
Ashland County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 16: CONTINGENCIES

A. Grants

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2015.

B. Litigation

The City is a party to several legal proceedings. City management is of the opinion that ultimate disposition of these proceedings will not have a material effect, if any, on the financial condition of the City.

NOTE 17: JOINTLY GOVERNED ORGANIZATIONS

A. Wooster-Ashland Regional Council of Governments (WARCOG)

The City is a member of the Wooster-Ashland Regional Council of Governments (WARCOG). WARCOG is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. It was formed to plan for, create and operate a joint dispatching system for police, fire, emergency medical services (EMS), and other related public safety services within the WARCOG area and to provide a link between these dispatching systems and the State emergency management services platform. It is currently comprised of four members ([the cities of Ashland](#), Orrville, [Wooster](#) and the [Wooster Community Hospital](#)). It is authorized to perform all functions necessary to improve, maintain and operate the dispatching services including entering into contractual arrangements for necessary services; to employ staff; purchase, lease or otherwise provide for supplies, materials and equipment and facilities; accept and raise public and private funding; and any and all other powers and authorities available pursuant to Chapter 167 of the Ohio Revised Code. Participating political subdivisions appoint three representatives to WARCOG, except in the case of Wooster Community Hospital who serves as a nonvoting member. A seventh member is appointed annually, with the appointment being alternated between the Cities of Ashland and Wooster. Each member is entitled to one vote. During 2015, the City made cash contributions of \$203,560 to WARCOG for the purchase of equipment. The City of Wooster serves as the fiscal agent. Financial information can be obtained by contacting Andrei Dordei, Treasurer of WARCOG, 538 North Market St., Wooster, OH 44691.

B. Ashland Community Improvement Corporation

The City participates in the Ashland Community Improvement Corporation (CIC), a 501(c)(3) not-for-profit-corporation established under Ohio Revised Code Section 1724.10. The CIC administers the CDBG revolving loan program in conjunction with the City's revolving loan fund.

City of Ashland
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Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

The CIC board consists of thirty members, two-fifths of whom are required by the Ohio Revised Code to be from the participating governments. Ashland City has one representative on the CIC board. Financial information can be obtained from the Ashland Community Improvement Corporation, 1123 State Route 96, Ashland, Ohio 44805.

C. Ashland Area Council for Economic Development

The Ashland Area Council for Economic Development (Council) is a jointly governed organization between the City and Ashland County. The Council was organized to undertake joint programs for economic development in the Ashland County area. The Council's board consists of a council member from the City of Ashland, a representative appointed by City Council, a member of the Board of County Commissioners, and a representative appointed by the Board of Commissioners. Each term is for three years. In 2015, the City contributed \$45,000 and in kind services in the amount of \$1,787 to the Council. Financial information can be obtained from the Ashland Area Council for Economic Development, 1399 Sandusky Street, Ashland, Ohio 44805.

NOTE 18: COMMITMENTS

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u> | <u>Amount</u> |
|------------------------------------|-----------------|
| Street Maintenance and Repair Fund | <u>\$ 7,446</u> |

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City of Ashland
Ashland County, Ohio
Notes To The Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 19: FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and the nonmajor governmental funds are presented as follows:

| | <u>General</u> | <u>Street Maintenance and Repair</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|----------------------------------|---------------------|--|--|---------------------|
| Nonspendable for: | | | | |
| Prepaid Items | \$ 107,612 | \$ 15,321 | \$ 14,323 | \$ 137,256 |
| Material and Supplies Inventory | 0 | 196,023 | 0 | 196,023 |
| Total Nonspendable | <u>107,612</u> | <u>211,344</u> | <u>14,323</u> | <u>333,279</u> |
| Restricted for: | | | | |
| Roads and Bridges | 0 | 671,845 | 74,111 | 745,956 |
| Public Transportation | 0 | 0 | 393,071 | 393,071 |
| Municipal Court Programs | 0 | 0 | 832,202 | 832,202 |
| Police and Fire | 0 | 0 | 6,917 | 6,917 |
| Community Development | 0 | 0 | 84,683 | 84,683 |
| Debt Service | 0 | 0 | 366,784 | 366,784 |
| Capital Projects | 0 | 0 | 537,028 | 537,028 |
| Bandshell Improvements | 0 | 0 | 28,219 | 28,219 |
| Total Restricted | <u>0</u> | <u>671,845</u> | <u>2,323,015</u> | <u>2,994,860</u> |
| Committed for: | | | | |
| Property Management | 0 | 0 | 29,497 | 29,497 |
| Fire/Rescue Equipment | 0 | 0 | 233,896 | 223,896 |
| Police | 0 | 0 | 49,540 | 49,540 |
| Mayor's Underprivileged Children | 0 | 0 | 5,588 | 5,588 |
| Industrial Park | 0 | 0 | 74,378 | 74,378 |
| Emergency Grounds Maintenance | 0 | 0 | 29,367 | 29,367 |
| Nature Preserve | 0 | 0 | 7,222 | 7,222 |
| Park and Recreation | 0 | 0 | 300,842 | 300,842 |
| Total Committed | <u>0</u> | <u>0</u> | <u>730,330</u> | <u>720,330</u> |
| Assigned for: | | | | |
| Subsequent Year Appropriations | <u>1,419,439</u> | <u>0</u> | <u>0</u> | <u>1,419,439</u> |
| Unassigned | <u>237,704</u> | <u>0</u> | <u>0</u> | <u>237,704</u> |
| Total Fund Balance | <u>\$ 1,764,755</u> | <u>\$ 883,189</u> | <u>\$ 3,067,668</u> | <u>\$ 5,705,612</u> |

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City of Ashland
Ashland County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Last Two Years (1)

| | <u>2014</u> | <u>2013</u> |
|--|--------------|--------------|
| <i>Ohio Public Employees' Retirement System (OPERS) - Traditional Plan</i> | | |
| City's Proportion of the Net Pension Liability (Asset) | 0.0446850% | 0.0446850% |
| City's Proportionate Share of the Net Pension Liability (Asset) | \$ 5,389,510 | \$ 5,267,779 |
| City's Covered-Employee Payroll | \$ 5,478,367 | \$ 5,239,115 |
| City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 98.38% | 100.55% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 86.45% | 86.36% |
| <i>Ohio Public Employees' Retirement System (OPERS) - Combined Plan</i> | | |
| City's Proportion of the Net Pension Liability (Asset) | 0.0362360% | 0.0362360% |
| City's Proportionate Share of the Net Pension Liability (Asset) | \$ (13,952) | \$ (3,802) |
| City's Covered-Employee Payroll | \$ 132,458 | \$ 132,446 |
| City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | -10.53% | -2.87% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset | 114.83% | 104.56% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | |
| City's Proportion of the Net Pension Liability (Asset) | 0.1893133% | 0.1893133% |
| City's Proportionate Share of the Net Pension Liability (Asset) | \$ 9,807,218 | \$ 9,220,152 |
| City's Covered-Employee Payroll | \$ 3,888,566 | \$ 3,079,218 |
| City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 252.21% | 299.43% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset | 72.20% | 73.00% |

(1) Information prior to 2013 is not available.

City of Ashland
Ashland County, Ohio
Required Supplementary Information
Schedule of City Contributions
Last Ten Years

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|------------------|------------------|------------------|
| <i>Ohio Public Employees' Retirement System (OPERS) - Traditional Plan</i> | | | |
| Contractually Required Contribution | \$ 667,113 | \$ 657,404 | \$ 681,085 |
| Contributions in Relation to the Contractually Required Contribution | <u>(667,113)</u> | <u>(657,404)</u> | <u>(681,085)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's covered-employee payroll | \$ 5,559,275 | \$ 5,478,367 | \$ 5,239,115 |
| Contributions as a percentage of covered-employee payroll | 12.00% | 12.00% | 13.00% |
| <i>Ohio Public Employees' Retirement System (OPERS) - Combined Plan</i> | | | |
| Contractually Required Contribution | \$ 16,865 | \$ 15,895 | \$ 17,218 |
| Contributions in Relation to the Contractually Required Contribution | <u>(16,865)</u> | <u>(15,895)</u> | <u>(17,218)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's covered-employee payroll | \$ 140,542 | \$ 132,458 | \$ 132,446 |
| Contributions as a percentage of covered-employee payroll | 12.00% | 12.00% | 13.00% |
| <i>Ohio Police and Fire Pension Fund (OPF)</i> | | | |
| Contractually Required Contribution | \$ 813,277 | \$ 792,264 | \$ 556,250 |
| Contributions in relation to the contractually required contribution | <u>(813,277)</u> | <u>(792,264)</u> | <u>(556,250)</u> |
| Contribution deficiency (excess) | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| City's covered-employee payroll | \$ 3,798,842 | \$ 3,888,566 | \$ 3,079,218 |
| Contributions as a percentage of covered-employee payroll | 21.41% | 20.37% | 18.06% |

(n/a) Information prior to 2013 is not available.

| <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| n/a |
| n/a |
| n/a |
| n/a |
| n/a |
| n/a |
| n/a |
| n/a |
| n/a |
| n/a |
| \$ 521,926 | \$ 546,279 | \$ 514,697 | \$ 253,990 | \$ 573,494 | \$ 411,794 | \$ 478,711 |
| <u>(521,926)</u> | <u>(546,279)</u> | <u>(514,697)</u> | <u>(253,990)</u> | <u>(573,494)</u> | <u>(411,794)</u> | <u>(478,711)</u> |
| <u>\$ 0</u> |
| \$ 3,443,960 | \$ 3,598,624 | \$ 3,388,968 | \$ 1,620,455 | \$ 3,831,991 | \$ 2,730,688 | \$ 3,333,597 |
| 15.15% | 15.18% | 15.19% | 15.67% | 14.97% | 15.08% | 14.36% |