

REPORT OF
CITY OF ASHLAND, MISSOURI
YEAR ENDED APRIL 30, 2008

CITY OF ASHLAND, MISSOURI

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CITY OF ASHLAND, MISSOURI

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GERDING, KORTE & CHITWOOD

Professional Corporation
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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Honorable Mayor and Members
of the Board of Aldermen
City of Ashland, Missouri

PARTNERS

Robert A. Gerding
Fred W. Korte, Jr.
Joseph E. Chitwood
James R. McGinnis
Travis W. Hundley

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Missouri (the "City"), as of and for the year ended April 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

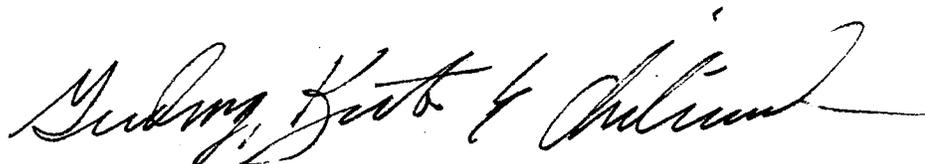
As discussed in Note I, the City prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Missouri, as of April 30, 2008, and the respective changes in financial position - modified cash basis, thereof; and the respective budgetary comparisons - modified cash basis for the general fund, street fund and capital projects fund, thereof for the year then ended in conformity with the basis of accounting described in Note I.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 23, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (pages 3 through 10) and the Schedule of Funding Progress (page 43) are not required parts of the basic financial statements, but are supplementary information required by U.S. modified cash basis accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole.



October 23, 2008

Certified Public Accountants

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2008
(UNAUDITED)

As management of the City of Ashland, Missouri, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended April 30, 2008. The City implemented Governmental Accounting Standards Board GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, for the first time for fiscal year 2003.

Financial Highlights

- The assets of the City of Ashland exceeded its liabilities at the close of the most recent fiscal year by \$7,971,803. Of this amount, \$1,762,205 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$53,626.
- As of the close of the current fiscal year, the City of Ashland's governmental funds reported combined ending fund balances of \$893,985. \$845,491 is unreserved and available for use within the City's designation and policies.
- At the end of the current fiscal year, the general fund had a surplus fund balance of \$634,435.
- The City's bond payable decreased \$58,000 due to scheduled payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with the broad overview of the City's finances, in a manner similar to private-sector business.

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2008
(UNAUDITED)

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator to whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, transportation, cultural, parks and recreation and community development. The business-type activities of the City include Water and Wastewater operations. The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories - governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2008
(UNAUDITED)

The City maintains three major governmental funds. Information is presented separately in the Governmental Fund Statement of Assets, Liabilities and Fund Balances and in the Governmental Fund Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances for the General, Street and Capital Project funds, which are considered to be major funds. Data from the other four funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 13-17.

Proprietary Funds - The City maintains three types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its combined water and sewerage system operations and solid waste operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the combined water and sewerage system fund since it is considered to be a major fund of the City. The basic proprietary fund financial statements can be found on pages 18-20 of this report.

Fiduciary Fund - This report also includes information for a fiduciary fund which is a fund held in trust for others. The fiduciary fund financial statement can be found on page 21 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-42.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 43 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 44-49 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Ashland, assets exceeded liabilities by \$7,971,803 as of April 30, 2008.

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2008
(UNAUDITED)

A significant portion of the City's net assets (68%) is its investments in capital assets (e.g., land, building, equipment, improvements and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	2008 NET ASSETS		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 872,033	\$ 701,826	\$ 1,573,859
Restricted assets	21,737	1,680,317	1,702,054
Capital assets	<u>4,231,786</u>	<u>3,201,710</u>	<u>7,433,496</u>
Total Assets	<u><u>5,125,556</u></u>	<u><u>5,583,853</u></u>	<u><u>10,709,409</u></u>
Other payable	(215)	(1,531)	(1,746)
Bonds payable	124,041	2,562,000	2,686,041
Deposit payable	<u>—</u>	<u>53,311</u>	<u>53,311</u>
Total Liabilities	<u>123,826</u>	<u>2,613,780</u>	<u>2,737,606</u>
Net Assets:			
Invested in capital assets, net of related debt	4,107,745	1,344,335	5,452,080
Restricted	21,737	735,781	757,518
Unrestricted	<u>872,248</u>	<u>889,957</u>	<u>1,762,205</u>
Total Net Assets	<u><u>\$ 5,001,730</u></u>	<u><u>\$ 2,970,073</u></u>	<u><u>\$ 7,971,803</u></u>
	2007 NET ASSETS		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 718,594	\$ 554,331	\$ 1,272,925
Restricted assets	21,072	761,473	782,545
Capital assets	<u>4,667,188</u>	<u>3,012,087</u>	<u>7,679,275</u>
Total Assets	<u><u>5,406,854</u></u>	<u><u>4,327,891</u></u>	<u><u>9,734,745</u></u>
Other payable	41,836	(1,444)	40,392
Bonds payable	115,000	1,610,000	1,725,000
Deposit payable	<u>—</u>	<u>51,176</u>	<u>51,176</u>
Total Liabilities	<u>156,836</u>	<u>1,659,732</u>	<u>1,816,568</u>
Net Assets:			
Invested in capital assets, net of related debt	4,552,188	1,402,087	5,954,275
Restricted	33,285	687,642	720,927
Unrestricted	<u>664,545</u>	<u>578,430</u>	<u>1,242,975</u>
Total Net Assets	<u><u>\$ 5,250,018</u></u>	<u><u>\$ 2,668,159</u></u>	<u><u>\$ 7,918,177</u></u>

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2008
(UNAUDITED)

As of April 30, 2008, the City is able to report positive balances in all three categories of net assets for the government as a whole.

Analysis of the City's Operations - Overall the City had an increase in net assets of \$53,626.

Governmental Activities: Governmental activities decreased the net assets by \$248,288.

Business-type Activities: Net Assets from business-type activities increased by \$301,914 from \$2,668,159 to \$2,970,073. This increase was primarily due to investment into additional capital assets.

The following tables provide a summary of the City's operations for years ended April 30, 2008 and 2007.

2008 CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 37,484	\$ 1,188,743	\$ 1,226,227
Operating grants and contributions	196,329	—	196,329
General Revenues:			
Property taxes	120,725	—	120,725
Sales taxes	427,638	—	427,638
Franchise taxes	212,521	—	212,521
Interest and investment earnings	55,639	79,215	134,854
Miscellaneous	105,696	—	105,696
Total Revenues	<u>1,156,032</u>	<u>1,267,958</u>	<u>2,423,990</u>
Expenses:			
General government	286,128	—	286,128
Public safety	318,387	—	318,387
Transportation	762,326	—	762,326
Cultural and recreation	30,747	—	30,747
Interest expense	6,732	—	6,732
Water and sewer	—	707,955	707,955
Sanitation	—	258,089	258,089
Total Expenses	<u>1,404,320</u>	<u>966,044</u>	<u>2,370,364</u>
Increase in net assets	(248,288)	301,914	53,626
Net Assets-Beginning of Year	5,250,018	2,668,159	7,918,177
Net Assets-End of Year	<u>\$ 5,001,730</u>	<u>\$ 2,970,073</u>	<u>\$ 7,971,803</u>

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2008
(UNAUDITED)

2007 CHANGES IN NET ASSETS

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues:			
Charges for services	\$ 29,125	\$ 1,030,875	\$ 1,060,000
Operating grants and contributions	273,075	—	273,075
Capital grants and contributions	275,000	61,584	336,584
General Revenues:			
Property taxes	107,647	—	107,647
Sales taxes	395,885	—	395,885
Franchise taxes	170,016	—	170,016
Fines and forfeits	9,766	—	9,766
Interest and investment earnings	41,043	34,949	75,992
Miscellaneous	50,033	—	50,033
Total Revenues	1,351,590	1,127,408	2,478,998
Expenses:			
General government	239,791	—	239,791
Public safety	289,213	—	289,213
Transportation	718,688	—	718,688
Cultural and recreation	26,222	—	26,222
Interest expense	7,297	—	7,297
Water and sewer	—	666,649	666,649
Sanitation	—	227,941	227,941
Total Expenses	1,281,211	894,590	2,175,801
Increase in net assets	70,379	232,818	303,197
Net Assets-Beginning of Year	5,179,639	2,435,341	7,614,980
Net Assets-End of Year	\$ 5,250,018	\$ 2,668,159	\$ 7,918,177

Financial Analysis of the Government's Funds

Governmental funds - The focus of the City of Ashland's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Ashland's governmental funds reported combined ending fund balances of \$893,985.

In the general fund, the City budgeted for a decrease in the fund balance of \$158,400 which was primarily resulting from additional expenditures. Due to actual revenues being more than budgeted and actual expenses being less than budgeted, the actual fund balance increase for fiscal year 2008 was \$36,314.

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2008
(UNAUDITED)

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

Capital Assets

The City of Ashland's investment in capital assets for its governmental and business-type activities as of April 30, 2008 amounts to \$7,433,496 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements and construction in progress.

2008
CAPITAL ASSETS AT YEAR-END
NET OF ACCUMULATED DEPRECIATION

	Governmental Activities	Business-type Activities	Total
Property, plant and equipment:			
Land and land elements	\$ 219,600	\$ 140,737	\$ 360,337
Buildings	242,117	350,907	593,024
Machinery and vehicles	65,522	42,091	107,613
Infrastructure	3,511,997	—	3,511,997
Furniture and equipment	57,465	8,056	65,521
Property and improvements	135,085	2,369,545	2,504,630
Construction in progress	—	290,374	290,374
Net Capital Assets	<u>\$ 4,231,786</u>	<u>\$ 3,201,710</u>	<u>\$ 7,433,496</u>

2007
CAPITAL ASSETS AT YEAR-END
NET OF ACCUMULATED DEPRECIATION

	Governmental Activities	Business-type Activities	Total
Property, plant and equipment:			
Land and land elements	\$ 219,600	\$ 140,737	\$ 360,337
Buildings	216,099	361,915	578,014
Machinery and vehicles	48,651	4,616	103,267
Infrastructure	4,131,211	—	4,131,211
Furniture and equipment	8,679	3,225	11,904
Property and improvements	42,948	2,451,574	2,494,522
Construction in progress	—	—	—
Net Capital Assets	<u>\$ 4,667,188</u>	<u>\$ 3,012,067</u>	<u>\$ 7,679,255</u>

Additional information on the City of Ashland's capital assets can be found in notes to basic financial statements on pages 32-34 of this report.

Debt Administration

At the end of the current fiscal year, the City of Ashland had revenue bonded debt of \$2,562,000 and general obligation debt of \$115,000. The revenue bonds are secured by the combined water and sewerage system revenues and the general obligation bonds are funded by a property tax levy.

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2008
(UNAUDITED)

2008
Outstanding Debt at Year End
Revenue Bonds, Note Payable Debt and Deposits

	Governmental Activities		Business-type Activities		Total
Revenue bonds	\$ —		\$ 2,562,000		\$ 2,562,000
General obligation bonds	105,000		—		105,000
Deposits payable	—		53,311		53,311
Total	\$ 105,000		\$ 2,615,311		\$ 2,720,311

2007
Outstanding Debt at Year End
Revenue Bonds, Note Payable Debt and Deposits

	Governmental Activities		Business-type Activities		Total
Revenue bonds	\$ —		\$ 1,610,000		\$ 1,610,000
General obligation bonds	115,000		—		115,000
Deposits payable	—		51,176		51,176
Total	\$ 115,000		\$ 1,661,176		\$ 1,776,176

During the fiscal year, the City's total debt increased by \$1,000,000 or 57%. The increase was due to closing of SRF 2007A.

Additional information on the City of Ashland's long-term debt can be found in Notes to basic financial statements on pages 34-38 of this report.

Transfers

The City made the following transfers in 2008 and 2007:

2008			2007		
From	To	Amount	From	To	Amount
General	Street	\$ 131,000	Sewer	Water	\$ 7,539
Sewer	Water	90,000			

Request for Information

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need any additional information, contact the City Administrator's Office, at 109 E. Broadway, City of Ashland, Missouri, or telephone (573)657-2091. Copies of this audit report and the City's budget are available at City Hall and at the Southern Boone County Library at 117 East Broadway and on the City's web page at www.ashlandmo.us.

CITY OF ASHLAND, MISSOURI
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
APRIL 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 687,771	\$ 701,826	\$ 1,389,597
Restricted cash and cash equivalents	12,695	167,020	179,715
Investments	184,262	164,212	348,474
Restricted investments held in escrow	9,042	1,273,386	1,282,428
Unamortized bond costs	-	75,699	75,699
Capital assets (Note III-C):			
Land	219,600	140,737	360,337
Other capital assets, net of accumulated depreciation	4,012,186	3,060,973	7,073,159
Total Assets	<u>5,125,556</u>	<u>5,583,853</u>	<u>10,709,409</u>
LIABILITIES			
Payroll taxes payable	(215)	(1,531)	(1,746)
Long-term liabilities (Note III-D):			
Due within one year	14,377	94,000	108,377
Refundable deposits	-	53,311	53,311
Due in more than one year	109,664	2,468,000	2,577,664
Total Liabilities	<u>123,826</u>	<u>2,613,780</u>	<u>2,737,606</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,107,745	1,344,335	5,452,080
Restricted but expendable for:			
Debt service	21,737	735,781	757,518
Unrestricted	872,248	889,957	1,762,205
Total Net Assets	<u>\$ 5,001,730</u>	<u>\$ 2,970,073</u>	<u>\$ 7,971,803</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
YEAR ENDED APRIL 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 286,128	\$ 22,922	\$ -	\$ -	\$ (263,206)	\$ -	\$ (263,206)
Public Safety	318,387	14,562	41,335	-	(262,490)	-	(262,490)
Streets	762,326	-	154,994	-	(607,332)	-	(607,332)
Park	30,747	-	-	-	(30,747)	-	(30,747)
Interest expense	6,732	-	-	-	(6,732)	-	(6,732)
Total Governmental Activities	1,404,320	37,484	196,329	-	(1,170,507)	-	(1,170,507)
Business-Type Activities:							
Water	368,018	465,838	-	-	-	97,820	97,820
Sewer	339,937	466,356	-	-	-	126,419	126,419
Sanitation	258,089	256,549	-	-	-	(1,540)	(1,540)
Total Business-Type Activities	966,044	1,188,743	-	-	-	222,699	222,699
General Revenues:							
Taxes:							
Property taxes					120,725	-	120,725
Sales taxes					427,638	-	427,638
Franchise taxes					212,521	-	212,521
Investment income					55,639	79,215	134,854
Miscellaneous					105,696	-	105,696
Total general revenues					922,219	79,215	1,001,434
Change in net assets					(248,288)	301,914	53,626
Net assets-beginning					5,250,018	2,668,159	7,918,177
Net assets - ending					\$ 5,001,730	\$ 2,970,073	\$ 7,971,803

CITY OF ASHLAND, MISSOURI
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
APRIL 30, 2008

	General Fund	Street Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 504,734	\$ 62,367	\$ 93,913	\$ 26,757	\$ 687,771
Restricted cash and cash equivalents	-	-	-	12,695	12,695
Investments	129,450	22,013	32,799	-	184,262
Restricted investments held in escrow	-	-	-	9,042	9,042
	<u>\$ 634,184</u>	<u>\$ 84,380</u>	<u>\$ 126,712</u>	<u>\$ 48,494</u>	<u>\$ 893,770</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payroll taxes payable	\$ (251)	\$ 36	\$ -	\$ -	\$ (215)
	<u>(251)</u>	<u>36</u>	<u>-</u>	<u>-</u>	<u>(215)</u>
Fund Balances:					
Unreserved	634,435	84,344	126,712	-	845,491
Reserved for debt service, reported in nonmajor special revenue funds	-	-	-	39,581	39,581
Unreserved, reported in nonmajor special revenue funds	-	-	-	8,913	8,913
	<u>634,435</u>	<u>84,344</u>	<u>126,712</u>	<u>48,494</u>	<u>893,985</u>
Total Liabilities and Fund Balances	<u>\$ 634,184</u>	<u>\$ 84,380</u>	<u>\$ 126,712</u>	<u>\$ 48,494</u>	

Reconciliation to Statement of Net Assets:

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities of \$10,362,787 net of accumulated depreciation of \$6,131,001 are not financial resources and, therefore, are not reported in the funds. 4,231,786

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds. (124,041)

Net assets of governmental activities \$ 5,001,730

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2008

	General Fund	Street Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 102,756	\$ -	\$ -	\$ 17,969	\$ 120,725
Sales taxes	292,597	-	135,041	-	427,638
Franchise taxes	212,521	-	-	-	212,521
Intergovernmental	41,335	90,188	64,806	-	196,329
Licenses and permits	19,645	1,025	-	2,252	22,922
Fines and forfeits	12,935	-	-	1,627	14,562
Investment income	48,446	892	1,242	5,059	55,639
Miscellaneous	103,274	7,405	-	-	110,679
Total Revenues	<u>833,509</u>	<u>99,510</u>	<u>201,089</u>	<u>26,907</u>	<u>1,161,015</u>
EXPENDITURES:					
General government	274,984	-	-	-	274,984
Public safety	361,303	-	-	834	362,137
Streets	-	126,035	155,064	-	281,099
Parks	29,908	-	-	-	29,908
Interest and fees on debt	-	-	-	6,732	6,732
Debt service - principal	-	-	-	10,000	10,000
Total Expenditures	<u>666,195</u>	<u>126,035</u>	<u>155,064</u>	<u>17,566</u>	<u>964,860</u>
Excess (Deficit) of Revenues over Expenditures	<u>167,314</u>	<u>(26,525)</u>	<u>46,025</u>	<u>9,341</u>	<u>196,155</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in (out)	<u>(131,000)</u>	<u>131,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(131,000)</u>	<u>131,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	36,314	104,475	46,025	9,341	196,155
Fund Balance, Beginning	<u>598,121</u>	<u>(20,131)</u>	<u>80,687</u>	<u>39,153</u>	<u>697,830</u>
Fund Balance, Ending	<u>\$ 634,435</u>	<u>\$ 84,344</u>	<u>\$ 126,712</u>	<u>\$ 48,494</u>	<u>\$ 893,985</u>
Reconciliation to the Statement of Activities:					
Net change in fund balances - total governmental funds					\$ 196,155
Amounts reported for governmental activities in the statement of activities are different because:					
Repayments of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term debt liabilities in the Statement of Net Assets:					
Capital debt proceeds					(19,041)
Capital debt obligation principal payments					10,000
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:					
Capital asset purchases capitalized					234,045
Disposition of capital assets					(4,983)
Depreciation expense					<u>(664,464)</u>
Change in Net Assets of Governmental Activities					<u>\$ (248,288)</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 GENERAL FUND
 YEAR ENDED APRIL 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Beginning Budgetary Fund Balance:	\$ 598,121	\$ 598,121	\$ 598,121	-
Resources (Inflows):				
Property taxes	90,000	95,000	102,756	7,756
Sales taxes	250,000	257,000	292,597	35,597
Franchise taxes	135,000	164,100	212,521	48,421
Police grants	15,000	41,335	41,335	-
Alcoholic beverage licenses	2,000	2,187	2,362	175
Animal licenses	400	500	557	57
Building permits	20,000	15,525	16,726	1,201
Municipal court fines and fees	8,400	10,400	12,935	2,535
Investment income	20,000	38,300	48,446	10,146
Lease income	24,000	37,259	38,970	1,711
Fall festival and park donations	1,100	1,650	1,916	266
Other	4,000	24,380	62,388	38,008
Total	569,900	687,636	833,509	145,873
Amounts available for appropriation	1,168,021	1,285,757	1,431,630	145,873
Charges to Appropriations (Outflows):				
General Government:				
Personnel services	73,900	71,400	58,845	12,555
Materials and supplies	7,500	8,000	9,428	(1,428)
Other services and charges	204,000	194,765	199,223	(4,458)
Capital expenditures	8,000	13,000	7,488	5,512
Total General Government	293,400	287,165	274,984	12,181
Public Safety:				
Personnel services	249,900	250,500	255,649	(5,149)
Materials and supplies	14,000	15,000	14,319	681
Other services and charges	30,000	30,300	27,003	3,297
Capital expenditures	19,500	40,000	64,332	(24,332)
Total Public Safety	313,400	335,800	361,303	(25,503)
Park Department:				
Other services and charges	20,500	34,500	29,908	4,592
Capital expenditures	41,000	10,000	-	10,000
Total Park Department	61,500	44,500	29,908	14,592
Other Financing Uses:				
Transfers to other funds	60,000	60,000	131,000	(71,000)
Total Charges to Appropriations	728,300	727,465	797,195	(69,730)
Ending Budgetary Fund Balance	\$ 439,721	\$ 558,292	\$ 634,435	\$ 76,143

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 STREET FUND
 YEAR ENDED APRIL 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ (20,131)	\$ (20,131)	\$ (20,131)	\$ -
Resources (Inflows):				
Intergovernmental	82,000	87,000	90,188	3,188
Licenses and permits	1,000	1,000	1,025	25
Investment income	100	1,000	892	(108)
Miscellaneous	200	3,500	7,405	3,905
Total	<u>83,300</u>	<u>92,500</u>	<u>99,510</u>	<u>7,010</u>
Other Financing Sources:				
Transfer from other funds	<u>60,000</u>	<u>60,000</u>	<u>131,000</u>	<u>71,000</u>
Amounts available for appropriation	<u>123,169</u>	<u>132,369</u>	<u>210,379</u>	<u>78,010</u>
Charges to appropriations (Outflows):				
Street Department:				
Personnel services	61,700	64,600	51,450	13,150
Materials and supplies	25,000	24,025	29,099	(5,074)
Capital expenditures	4,800	4,000	2,688	1,312
Other services and charges	41,900	44,200	42,798	1,402
Total Street Department	<u>133,400</u>	<u>136,825</u>	<u>126,035</u>	<u>10,790</u>
Total Charges to Appropriations	<u>133,400</u>	<u>136,825</u>	<u>126,035</u>	<u>10,790</u>
Ending Budgetary Fund Balance	<u>\$ (10,231)</u>	<u>\$ (4,456)</u>	<u>\$ 84,344</u>	<u>\$ 88,800</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 CAPITAL PROJECT FUND
 YEAR ENDED APRIL 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 80,687	\$ 80,687	\$ 80,687	\$ -
Resources (Inflows):				
Sales taxes	120,000	130,000	135,041	5,041
Road tax reimbursement - county	26,000	36,000	35,589	(411)
Investment income	-	2,000	1,242	(758)
Street grants - county	229,000	29,217	29,217	-
Total	<u>375,000</u>	<u>197,217</u>	<u>201,089</u>	<u>3,872</u>
Amounts available for appropriation	<u>455,687</u>	<u>277,904</u>	<u>281,776</u>	<u>3,872</u>
Charges to appropriations (Outflows):				
Structural projects and other	181,200	97,000	65,491	31,509
Street construction	239,000	118,217	89,573	28,644
Total	<u>420,200</u>	<u>215,217</u>	<u>155,064</u>	<u>60,153</u>
Other Financing Uses:				
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	<u>420,200</u>	<u>215,217</u>	<u>155,064</u>	<u>60,153</u>
Ending Budgetary Fund Balance	<u>\$ 35,487</u>	<u>\$ 62,687</u>	<u>\$ 126,712</u>	<u>\$ 64,025</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
APRIL 30, 2008

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Assets				
Current Assets:				
Cash and cash equivalents	\$ 220,932	\$ 459,505	\$ 21,389	\$ 701,826
Restricted cash and cash equivalents	84,554	82,466	-	167,020
Total Cash and Cash Equivalents	<u>305,486</u>	<u>541,971</u>	<u>21,389</u>	<u>868,846</u>
Investments	87,698	76,514	-	164,212
Restricted investments held in escrow	287,435	985,951	-	1,273,386
Total Investments	<u>375,133</u>	<u>1,062,465</u>	<u>-</u>	<u>1,437,598</u>
Total Current Assets	<u>680,619</u>	<u>1,604,436</u>	<u>21,389</u>	<u>2,306,444</u>
Noncurrent Assets:				
Unamortized bond costs	51,735	23,964	-	75,699
Land	98,600	42,137	-	140,737
Other capital assets, net of accumulated depreciation	1,613,486	1,447,487	-	3,060,973
Total Noncurrent Assets	<u>1,763,821</u>	<u>1,513,588</u>	<u>-</u>	<u>3,277,409</u>
Total Assets	<u>\$ 2,444,440</u>	<u>\$ 3,118,024</u>	<u>\$ 21,389</u>	<u>\$ 5,583,853</u>
Liabilities				
Current Liabilities:				
Payroll taxes payable	\$ (139)	\$ (1,362)	\$ (30)	\$ (1,531)
Bonds payable - current portion	25,970	68,030	-	94,000
Total Current Liabilities	<u>25,831</u>	<u>66,668</u>	<u>(30)</u>	<u>92,469</u>
Noncurrent Liabilities:				
Refundable deposits	53,311	-	-	53,311
Bonds payable - long-term portion	801,890	1,666,110	-	2,468,000
Total Noncurrent Liabilities	<u>855,201</u>	<u>1,666,110</u>	<u>-</u>	<u>2,521,311</u>
Total Liabilities	<u>\$ 881,032</u>	<u>\$ 1,732,778</u>	<u>\$ (30)</u>	<u>\$ 2,613,780</u>
Net Assets				
Invested in capital assets, net of related debt	884,226	460,109	-	1,344,335
Restricted but expendable for debt service	371,989	363,792	-	735,781
Unrestricted	307,193	561,345	21,419	889,957
Total Net Assets	<u>\$ 1,563,408</u>	<u>\$ 1,385,246</u>	<u>\$ 21,419</u>	<u>\$ 2,970,073</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2008

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Operating Revenues:				
Charges for services	\$ 444,491	\$ 458,055	\$ 256,549	\$ 1,159,095
Miscellaneous	21,347	8,301	-	29,648
Total Operating Revenues	<u>465,838</u>	<u>466,356</u>	<u>256,549</u>	<u>1,188,743</u>
Operating Expenses:				
Personnel services	131,177	128,236	3,645	263,058
Materials and supplies	81,770	23,039	-	104,809
Repairs and maintenance	3,658	12,942	-	16,600
Trash hauling	-	-	242,133	242,133
Utilities	19,582	31,333	-	50,915
Other	19,667	16,490	12,044	48,201
Professional fees	1,880	-	-	1,880
Depreciation	60,380	51,630	267	112,277
Amortization	3,731	1,089	-	4,820
Total Operating Expenses	<u>321,845</u>	<u>264,759</u>	<u>258,089</u>	<u>844,693</u>
Operating Income (Loss)	<u>143,993</u>	<u>201,597</u>	<u>(1,540)</u>	<u>344,050</u>
Non-Operating Revenues (Expenses):				
Investment income	25,172	54,043	-	79,215
Interest expense and fees on debt	(46,173)	(75,178)	-	(121,351)
Total nonoperating revenues (expense)	<u>(21,001)</u>	<u>(21,135)</u>	<u>-</u>	<u>(42,136)</u>
Net Income before transfers	<u>122,992</u>	<u>180,462</u>	<u>(1,540)</u>	<u>301,914</u>
Transfers	<u>90,000</u>	<u>(90,000)</u>	<u>-</u>	<u>-</u>
Net income	212,992	90,462	(1,540)	301,914
Net Assets, Beginning	<u>1,350,416</u>	<u>1,294,784</u>	<u>22,959</u>	<u>2,668,159</u>
Net Assets, Ending	<u>\$ 1,563,408</u>	<u>\$ 1,385,246</u>	<u>\$ 21,419</u>	<u>\$ 2,970,073</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2008

	Proprietary Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Cash flows from operating activities:				
Receipts from customers	\$ 465,838	\$ 466,356	\$ 256,549	\$ 1,188,743
Payments to suppliers	(124,428)	(83,861)	(254,201)	(462,490)
Payments to employees	(131,177)	(128,236)	(3,645)	(263,058)
Net cash provided by operating activities	<u>210,233</u>	<u>254,259</u>	<u>(1,297)</u>	<u>463,195</u>
Cash flows from noncapital financing activities:				
Operating subsidies	<u>90,000</u>	<u>(90,000)</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(72,608)	(229,292)	-	(301,900)
Proceeds from capital debt	-	974,947	-	974,947
Principal paid on capital debt	(25,440)	(22,560)	-	(48,000)
Interest and fiscal agent fees paid on capital debt	(46,173)	(75,178)	-	(121,351)
Net cash (used) for capital and related financing activities	<u>(144,221)</u>	<u>647,917</u>	<u>-</u>	<u>503,696</u>
Cash flows from investing activities:				
Purchase of investments	(15,738)	(1,019,020)	-	(1,034,758)
Maturities of investments	17,742	289,905	-	307,647
Interest income	25,172	54,043	-	79,215
Net cash provided (used) by investing activities	<u>27,176</u>	<u>(675,072)</u>	<u>-</u>	<u>(647,896)</u>
Net increase in cash and cash equivalents	183,188	137,104	(1,297)	318,995
Balance, beginning of year	<u>122,298</u>	<u>404,867</u>	<u>22,686</u>	<u>549,851</u>
Balance, end of year	<u>\$ 305,486</u>	<u>\$ 541,971</u>	<u>\$ 21,389</u>	<u>\$ 868,846</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	143,993	201,597	(1,540)	344,050
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	60,380	51,630	267	112,277
Amortization expense	3,731	1,089	-	4,820
Changes in assets and liabilities:				
Refundable deposits	2,135	-	-	2,135
Payroll taxes payable	(6)	(57)	(24)	(87)
Net cash provided by operating activities	<u>\$ 210,233</u>	<u>\$ 254,259</u>	<u>\$ (1,297)</u>	<u>\$ 463,195</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCE
FIDUCIARY FUND
YEAR ENDED APRIL 30, 2008

	<u>CITY DRUG DOG FUND</u>
Receipts:	
Donations	\$ 300
Disbursements:	
Dog care and training	<u>133</u>
Receipts Over (Under) Disbursements	167
Cash Balance, Beginning	<u>2,402</u>
Cash Balance, Ending	<u>\$ 2,569</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1-C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Financial Reporting Entity

The financial reporting entity is composed of the City of Ashland, Missouri (the "City"). The City is the primary government with no component units. The City is an incorporated fourth-class city located in Boone County, Missouri. The City operates under a Mayor-Board of Aldermen form of government, and is exempt from federal and state income taxes as a political subdivision of the state of Missouri. For enterprise funds, GASB Statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. Based on this criteria, there are no related organizations that are considered as potential component units.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. A separate financial statement is presented for the City's fiduciary fund. The City's net assets are reported in three parts - invested in capital assets, net of related debt; restricted assets; and unrestricted assets. The City first utilizes restricted resources to finance qualifying activities.

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general, public safety, utilities, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general, public safety, utilities, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The City distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the City's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc). The City does not allocate indirect costs.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds, all of which are reported as nonmajor funds, except the street fund which is considered a major fund.

<u>Fund</u>	<u>Brief Description</u>
Street	Accounts for revenues received and expenditures paid for street improvements.
Law Enforcement Training	Accounts for revenues received and expenditures paid for training of peace officers.
Crime Victims' Compensation	Accounts for revenues received and expenditures paid for victims of crime.
Conceal and Carry Weapons	Accounts for revenues received and expenditures paid for licenses to carry concealed weapons.

Capital Project Funds

Capital project funds are used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity includes the following capital project fund that is reported as a major fund:

Capital Project	Accounts for contributions and specific revenues and transfers from other City funds and expenditures for various capital projects as the City Board of Aldermen may designate.
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Debt Service Fund

The Debt Service Fund of the City is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds that are reported as major funds:

<u>Fund</u>	<u>Brief Description</u>
Water	Accounts for activities of the City in providing water services to the public.
Sewer	Accounts for activities of the City in providing sewer services to the public.
Sanitation	Accounts for activities of the City in providing trash services to the public.

Fiduciary Funds (Not included in government-wide statements)

Trust Funds

Trust fund accounts for assets held by the City in trust for the city drug dog fund.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement below, within the limitations of the modified cash basis of accounting as defined in item b below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The City of Ashland, Missouri, has implemented a new financial reporting model, as required by the provisions of GASB Statements No. 34 and No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 30, 2005.

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenues and expenditures when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

D. Assets, Liabilities and Equity

Cash and Cash Equivalents

For the purpose of financial reporting “cash and cash equivalents” includes all demand and savings accounts and money market accounts. A cash change fund held by the City is also included in cash and cash equivalents.

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

The City's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	7-40 years
Machinery and Equipment	5-7 years
Furniture and equipment	5-7 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in the governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in the proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

Contributions and Grants

Enterprise Funds - Contributions of (or for) fixed assets, including those received from other city funds, and grants received from other governmental units for the acquisition of capital assets, are reported as capital contributions.

E. Revenues, Expenditures and Expenses-

Program Revenues

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the county's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General government	Licenses and permits
Public safety	Fines and forfeits, operating grants include grants for police equipment, school resource officers, and for a police secretary.
Streets	Gasoline and motor vehicle sales taxes and driveway permits.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenue and Expenses

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

F. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

G. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note III-F for details of interfund transactions, including receivables and payables at year-end.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state, and local laws and contractual regulations.

A. Insured and Collateralized Deposits

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. At April 30, 2008, the City's deposits were undersecured by \$170,637.

B. Budgetary Compliance

For the year ended April 30, 2008, expenditures exceeded appropriations at the legal level of control in the Crime Victims' Compensation Fund and Debt Service Fund by \$65 and \$2,732, respectively.

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2008

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, net assets, revenues, and expenditures/expenses.

A. Deposits and Investments

The City complies with various restrictions on deposits and investments which are imposed by state statutes as follows:

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits.

Investments - The City may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U. S. Treasury obligations or obligations of U. S. government agencies or instrumentalities of any maturity, as provided by law.

The deposits and investments held at April 30, 2008 are shown below:

	Maturities	Carrying Value
Deposits:		
Demand deposits		\$ 1,293,387
		1,293,387
Investments:		
Time deposit	05-21-08	82,033
Time deposit	08-22-08	80,328
Time deposit	10-14-08	100,000
Time deposit	11-30-08	66,123
Time deposits	12-04-08	210,520
Time deposit	12-05-08	85,395
U.S. Federal Obligations		1,282,428
Total investments		1,906,827
Total deposits and investments		\$ 3,200,214

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2008

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Reconciliation to Statement of Net Assets:

Cash and cash equivalents	\$ 1,389,597
Restricted cash and cash equivalents	179,715
Investments	348,474
Restricted investments held in escrow	<u>1,282,428</u>
Total	<u>\$ 3,200,214</u>

Income from investment of pooled cash is allocated to the various funds based on the fund's balance in the pooled account.

Custodial Credit Risk - Deposits. Deposits in financial institutions, reported as components of cash and investments had a bank balance of \$1,827,637 at April 30, 2008. Of this amount, \$170,637 is not insured by depository insurance or secured with collateral.

Investment interest rate risk. The City has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at April 30, 2008, are provided in the previous schedule.

Investment credit risk. The City maintains cash deposits and investments which are authorized by the Board . The City invests idle funds in certificates of deposit.

Concentration of investment credit risk. The City places no limit on the amount it may invest in any one issuer. At April 30, 2008, the City had no concentration of credit risk.

B. Restricted Assets

Restricted assets are comprised of the required bond reserves:

Series 1995 General Obligation Bonds	\$ 21,737
Series 2000 and 2002 Revenue Bonds	34,784
Series 2000 and 2002 Revenue Bonds - Reserve	105,788
Series 2000 and 2002 Revenue Bonds - Depreciation/Replacement	<u>26,448</u>
Total Bond Restricted Funds Required	188,757
Restricted funds held in Escrow	<u>1,273,386</u>
Total Restricted Assets	<u>\$ 1,462,143</u>

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2008

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The new 2006 bond issue for \$605,000 has been set up to pay off \$515,000 of the Series 2000 bond issue. Of the original issue of \$605,000, the City had to pay \$26,953 in expenses for the refunding agreement and the remainder of \$578,047 was deposited into an escrow account. A total of \$16,737 was left in the fund as cash and a total of \$561,310 then was invested in state and local government bonds (SLUGS) that will earn \$16,737 twice a year. See table below under Section D on Long-Term Debt. The City also has \$9,072 in principal and interest restricted accounts held at the bank for payment on the Series 1995 General Obligation Bonds.

C. Capital Assets

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended April 30, 2008, was as follows:

	Balance May 1, 2007	Additions	Deletions	Balance April 30, 2008
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 219,600	\$ —	\$ —	\$ 219,600
Other capital assets:				
Buildings	312,401	36,527	—	348,928
Machinery and vehicles	182,199	37,172	(23,250)	196,121
Furniture and equipment	79,076	62,437	—	141,513
Other property and equipment	124,704	97,909	—	222,613
Infrastructure	<u>9,234,012</u>	<u>—</u>	<u>—</u>	<u>9,234,012</u>
Total other capital assets at historical cost	<u>9,932,392</u>	<u>234,045</u>	<u>(23,250)</u>	<u>10,143,187</u>
Less accumulated depreciation:				
Buildings	(96,302)	(10,509)	—	(106,811)
Machinery and vehicles	(133,548)	(15,318)	18,267	(130,599)
Furniture and equipment	(70,397)	(13,651)	—	(84,048)
Other property and equipment	(81,756)	(5,772)	—	(87,528)
Infrastructure	<u>(5,102,801)</u>	<u>(619,214)</u>	<u>—</u>	<u>(5,722,015)</u>
Total accumulated depreciation	<u>(5,484,804)</u>	<u>(664,464)</u>	<u>18,267</u>	<u>(6,131,001)</u>
Other capital assets, net	<u>4,447,588</u>	<u>(430,419)</u>	<u>(4,983)</u>	<u>4,012,186</u>
Governmental activities capital assets, net	<u>\$ 4,667,188</u>	<u>\$ (430,419)</u>	<u>\$ (4,983)</u>	<u>\$ 4,231,786</u>

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2008

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Water

	Balance <u>May 1, 2007</u>	Additions	Deletions	Balance <u>April 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 98,600	\$ —	\$ —	\$ 98,600
Other capital assets:				
Buildings	420,257	—	—	420,257
Machinery and vehicles	99,200	2,272	—	101,472
Furniture and equipment	3,722	6,982	—	10,704
Property and improvements	1,499,504	—	—	1,499,504
Construction in process	—	63,354	—	63,354
Total other capital assets at historical cost	<u>2,022,683</u>	<u>72,608</u>	<u>—</u>	<u>2,095,291</u>
Less accumulated depreciation:				
Buildings	(106,391)	(8,548)	—	(114,939)
Machinery and vehicles	(77,861)	(6,518)	—	(84,379)
Furniture and equipment	(2,230)	(1,160)	—	(3,390)
Property and improvements	(234,943)	(44,154)	—	(279,097)
Total accumulated depreciation	<u>(421,425)</u>	<u>(60,380)</u>	<u>—</u>	<u>(481,805)</u>
Other capital assets, net	<u>1,601,258</u>	<u>12,228</u>	<u>—</u>	<u>1,613,486</u>
Governmental activities capital assets, net	<u>\$ 1,699,858</u>	<u>\$ 12,228</u>	<u>\$ —</u>	<u>\$ 1,712,086</u>

Sewer

	Balance <u>May 1, 2007</u>	Additions	Deletions	Balance <u>April 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 42,137	\$ —	\$ —	\$ 42,137
Other capital assets:				
Buildings	64,489	—	—	64,489
Machinery and vehicles	122,559	2,272	—	124,831
Furniture and equipment	3,722	—	—	3,722
Property and improvements	1,517,036	—	—	1,517,036
Construction in process	—	227,020	—	227,020
Total other capital assets at historical cost	<u>1,707,806</u>	<u>229,292</u>	<u>—</u>	<u>1,937,098</u>
Less accumulated depreciation:				
Buildings	(16,440)	(2,460)	—	(18,900)
Machinery and vehicles	(89,282)	(10,551)	—	(99,833)
Furniture and equipment	(2,236)	(744)	—	(2,980)
Property and improvements	(330,023)	(37,875)	—	(367,898)
Total accumulated depreciation	<u>(437,981)</u>	<u>(51,630)</u>	<u>—</u>	<u>(489,611)</u>
Other capital assets, net	<u>1,269,825</u>	<u>177,662</u>	<u>—</u>	<u>1,447,487</u>
Governmental activities capital assets, net	<u>\$ 1,311,962</u>	<u>\$ 177,662</u>	<u>\$ —</u>	<u>\$ 1,489,624</u>

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2008

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Sanitation

	Balance May 1, 2007	Additions	Deletions	Balance April 30, 2008
Other capital assets:				
Furniture and equipment	\$ 1,434	\$ —	\$ —	\$ 1,434
Total other capital assets at historical cost	<u>1,434</u>	<u>—</u>	<u>—</u>	<u>1,434</u>
Less accumulated depreciation:				
Furniture and equipment	(1,167)	(267)	—	(1,434)
Total accumulated depreciation	<u>(1,167)</u>	<u>(267)</u>	<u>—</u>	<u>(1,434)</u>
Other capital assets, net	267	(267)	—	—
Governmental activities capital assets, net	<u>\$ 267</u>	<u>\$ (267)</u>	<u>\$ —</u>	<u>\$ —</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Primary Government:

Governmental activities:

General government	\$ 16,860
Public safety	19,601
Streets	622,330
Park	<u>5,673</u>
Total depreciation expense for governmental activities	<u>\$ 664,464</u>

Business-type activities:

Water	\$ 60,380
Sewer	51,630
Sanitation	<u>267</u>
Total depreciation expense for business-type activities	<u>\$ 112,277</u>

D. Long-Term Debt

The reporting entity's long-term debt arising from cash transactions is segregated between the amounts to be repaid from government activities and amounts to be repaid from business-type activities.

Governmental Activities

As of April 30, 2008, the long-term debt arising from cash transactions, payable from governmental fund resources consisted of the following:

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2008

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Capital Debt Obligation:

Series 1995: \$200,000 State Revolving Fund dated November 1, 1995, interest ranging from 4.75% to 6.25%, semi-annual payments on January 1 and July 1 through 2015. The City participates in the State Revolving Loan Fund with the Missouri Department of Natural Resources. The State Revolving Loan Fund purchased bonds from the City in 1995. The bonds are a part of the 1995 Series E State Revolving Loan Fund. The State of Missouri pays the reserve for the bonds, equal to 70% of the bonds outstanding. The interest earned from the reserve fund is credited to the City's interest account. The total of such interest credit was \$4,057 for the year ended April 30, 2008, and is reflected in these financial statements. The City pays interest that is due on the bonds, less any credits from interest earned on the reserve account. Total Capital Debt Obligation is \$105,000.

Business-Type Activities

As of April 30, 2008, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Bonds Payable:

Series 2000: \$875,000 Combined Waterworks and Sewer System Revenue Bonds dated August 15, 2000, interest ranging from 5.25% to 6.25%, semi-annual payments on February 15 and August 15 through 2020. The City issued new 2006 bonds in February 2006 totaling \$605,000 to advance refund \$515,000 of the remaining outstanding 2000 bonds totaling \$755,000.

Series 2002: \$325,000 Combined Waterworks and Sewer System Revenue Bonds dated April 8, 2002, interest ranging from 5.0% to 5.625%, semi-annual payments on March 1 and September 1 through 2022. Total series 2002 bonds payable is \$287,000.

Series 2006: The City issued \$605,000 new refunded revenue bonds in February 2006 to advance refund \$515,000 of the outstanding 2000 revenue bonds. The net proceeds of the Series 2006 issue (\$578,047) were placed in an escrow account and \$515,000 of the 2000 bonds will be redeemed on August 15, 2010. The City will continue to pay principal and interest on the 2000 bonds through August 15, 2010 with interest of \$16,737 earned on the escrow account being credited against the interest payments due from the City every six months. The new 2006 bonds have interest rates ranging from 4.20% to 4.5%, with semi-annual payments on August 15 and February 15 through 2020. See tables below.

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2008

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

General Obligation Bond requirements to maturity including principal and interest are as follows:

Year Ending April 30,	Principal	Interest	Total
2009	\$ 10,000	\$ 5,854	\$ 15,854
2010	10,000	5,319	15,319
2011	10,000	4,774	14,774
2012	15,000	4,219	19,219
2013	15,000	3,375	18,375
2014-2016	45,000	5,063	50,063
Total	<u>\$ 105,000</u>	<u>\$ 28,604</u>	<u>\$ 133,604</u>

Water and Sewer Revenue Bond requirements to maturity including principal and interest are as follows:

2000 Revenue Bonds Advance Refunding

The interest amount presented for each year in the following table reflects the total amount to be paid by the City before a credit of \$16,737 is given every six months from the interest earnings on the Escrow Fund. The total interest given through August 15, 2010 is to be \$167,375 making the net interest payments from other City cash accounts to be made by the City \$31,200.

Year Ending April 30,	Principal	Interest	Escrow Credit	Total
2009	\$ 30,000	\$ 43,718	\$ (33,475)	\$ 40,243
2010	35,000	41,807	(33,475)	43,332
2011	550,000	22,988	(16,738)	556,250
2012	40,000	3,900	—	43,900
2013	40,000	1,300	—	41,300
Total	<u>\$ 695,000</u>	<u>\$ 113,713</u>	<u>\$ (83,688)</u>	<u>\$ 725,025</u>

* The remaining bonds remaining after August 15, 2010 after \$515,000 is refunded early totals \$80,000 which is eventually due by August 15, 2020. Depending on when these bonds are called and paid by the City, total interest from August 15, 2010 to August 15, 2020 at the initial due date is approximately \$52,000 that would be owed by the City.

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2008

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

2002 Revenue Bonds

Year Ending April 30,	Principal	Interest	Total
2009	\$ 14,000	\$ 15,762	\$ 29,762
2010	15,000	15,063	30,063
2011	16,000	14,312	30,312
2012	16,000	13,512	29,512
2013	17,000	12,712	29,712
2014-2018	103,000	47,925	150,925
2019-2023	106,000	15,357	121,357
Total	<u>\$ 287,000</u>	<u>\$ 134,643</u>	<u>\$ 421,643</u>

2006 Revenue Bonds Issued for Refunding of 2000 Bonds

Year Ending April 30,	Principal	Interest	Total
2009	\$ 5,000	\$ 24,832	\$ 29,832
2010	5,000	24,623	29,623
2011	10,000	24,307	34,307
2012	10,000	23,888	33,888
2013	10,000	23,467	33,467
2014-2018	270,000	88,919	358,919
2019-2023	270,000	21,340	291,340
Total	<u>\$ 580,000</u>	<u>\$ 231,376</u>	<u>\$ 811,376</u>

2007 Revenue Bonds Issued for Wastewater Improvements

Year Ending April 30,	Principal	Interest	Total
2009	\$ 45,000	\$ 42,238	\$ 87,238
2010	45,000	40,437	85,437
2011	45,000	38,638	83,638
2012	45,000	36,837	81,837
2013	45,000	35,038	80,038
2014-2018	235,000	147,987	382,987
2019-2023	255,000	98,400	353,400
2024-2028	285,000	39,025	324,025
Total	<u>\$ 1,000,000</u>	<u>\$ 478,600</u>	<u>\$ 1,478,600</u>

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2008

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

E. Capital Lease - Governmental Activities

On June 26, 2007, the City entered into a cancellable lease agreement as lessee to finance the acquisition of equipment.

The following is a schedule of future minimum lease payments under the lease (assuming noncancellation):

Year Ended <u>April 30,</u>		
2009	\$	5,520
2010		5,520
2011		5,520
2012		<u>5,520</u>
Total Minimum Lease Payments		22,080
Less amount representing interest		<u>(3,039)</u>
Net Lease Payments	\$	<u>19,041</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at April 30, 2008:

Equipment	\$	19,041
Less accumulated amortization		<u>(2,494)</u>
	\$	<u>16,547</u>

Amortization of capital leases was \$2,494 for the fiscal year ending April 30, 2008. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

F. Interfund Transfers

Interfund transfers during the year ended April 30, 2008 were as follows:

	<u>General Fund</u>	<u>Street Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Transfer in	\$ —	\$ 131,000	\$ 90,000	\$ —	\$ 221,000
Transfer out	<u>(131,000)</u>	<u>—</u>	<u>—</u>	<u>(90,000)</u>	<u>(221,000)</u>
Total	<u>\$ (131,000)</u>	<u>\$ 131,000</u>	<u>\$ 90,000</u>	<u>\$ (90,000)</u>	<u>\$ —</u>

The purpose of the interfund transfer was for cost allocation.

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2008

IV. OTHER INFORMATION

A. Retirement Plan

Plan Description

The City of Ashland participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

Funding Status

The City of Ashland's full-time employees contribute 4% of their gross pay to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 4.2% (general), 1.7% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost

For 2007 the City's annual pension cost of \$32,040 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2005 and/or February 28, 2006 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2007 included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2008

IV. OTHER INFORMATION (continued)

using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2007 was 15 years.

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/05	\$ 23,546	100%	\$ —
6/30/06	26,367	100%	—
6/30/07	32,040	100%	—

B. 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; and natural disasters for which the City carries commercial insurance.

C. Taxes

Property taxes attach as an enforceable lien on property as of January 1. The City's *ad valorem* property tax is levied in August by the City's Board of Aldermen on the assessed value listed as of the prior January 1 for all real and personal property located in the City of Ashland. The taxes are due and payable no later than December 31 and become delinquent January 1 of the following year. The Boone County Collector collects the property taxes and remits it to the City.

The assessed valuation of the tangible property in the City for the calendar year 2007 for purposes of local taxation was \$39,794,162. The tax levy per \$100 of the assessed valuation of tangible property for the calendar year 2006 for purposes of local taxation was \$.2603 for the General Fund and \$.0454 for the Debt Service Fund, or a total tax levy of \$.3057.

Property tax collections consist of current taxes, delinquent taxes, and interest and penalties on delinquent taxes. The receipts of current and delinquent property taxes during the fiscal year ended April 30, 2008, aggregated approximately 100% of the current assessment computed on the basis of the levy.

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2008

IV. OTHER INFORMATION (continued)

D. Litigation

At April 30, 2008, the City is a party to various legal proceedings that normally occur in the course of governmental operations. As a result of the modified cash basis of accounting, the financial statements do not include accrual or provision for loss contingencies that may result from this proceeding. While the outcome of the above noted contingencies cannot be predicted due to the insurance coverage maintained by the City, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ASHLAND, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 YEAR ENDED APRIL 30, 2008

The following information is required and presented in accordance with Governmental Accounting Board Statement 27, "Accounting for Pensions by State and Local Governmental Employers" (see Note IV-A).

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
02/28/2005	\$ 370,159	\$ 337,196	\$ (32,963)	110%	\$ 341,694	—
02/28/2006	426,779	389,383	(37,396)	110%	339,606	—
02/28/2007	475,214	441,465	(33,749)	108%	431,051	—

NOTE: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

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

Special Revenue Funds and Debt Service Fund

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Law Enforcement Training	Accounts for revenues received and expenditures paid for training of peace officers.
Crime Victims' Compensation	Accounts for revenues received and expenditures paid for victims of crime.
Conceal and Carry Weapons	Accounts for revenues received and expenditures paid for licenses to carry concealed weapons.

Debt Service Fund

Debt Service Fund	Accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
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CITY OF ASHLAND, MISSOURI
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 APRIL 30, 2008

	Special Revenue Funds				Total
	Law Enforcement Training Fund	Crime Victims' Compensation Fund	Conceal and Carry Weapons Fund	Debt Service Fund	
ASSETS					
Cash and cash equivalents	\$ 2,271	\$ 532	\$ 6,110	\$ 17,844	\$ 26,757
Restricted cash and cash equivalents	-	-	-	12,695	12,695
Restricted investments held in escrow	-	-	-	9,042	9,042
Total Assets	<u>\$ 2,271</u>	<u>\$ 532</u>	<u>\$ 6,110</u>	<u>\$ 39,581</u>	<u>\$ 48,494</u>
LIABILITIES AND FUND BALANCES					
Current liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted for debt service	-	-	-	39,581	39,581
Unrestricted	2,271	532	6,110	-	8,913
Total Liabilities and Fund Balances	<u>\$ 2,271</u>	<u>\$ 532</u>	<u>\$ 6,110</u>	<u>\$ 39,581</u>	<u>\$ 48,494</u>

CITY OF ASHLAND, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED APRIL 30, 2008

	Special Revenue Funds				Total
	Law Enforcement Training Fund	Crime Victims' Compensation Fund	Conceal and Carry Weapons Fund	Debt Service Fund	
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ 17,969	\$ 17,969
Licenses and permits	-	-	2,252	-	2,252
Fines and forfeits	855	772	-	-	1,627
Investment income	-	-	-	5,059	5,059
Total Revenues	<u>855</u>	<u>772</u>	<u>2,252</u>	<u>23,028</u>	<u>26,907</u>
EXPENDITURES					
Public safety	449	385	-	-	834
Interest and fees on debt	-	-	-	6,732	6,732
Debt service - principal	-	-	-	10,000	10,000
Total Expenditures	<u>449</u>	<u>385</u>	<u>-</u>	<u>16,732</u>	<u>17,566</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	406	387	2,252	6,296	9,341
Fund Balances, beginning	<u>1,865</u>	<u>145</u>	<u>3,858</u>	<u>33,285</u>	<u>39,153</u>
Fund Balances, ending	<u>\$ 2,271</u>	<u>\$ 532</u>	<u>\$ 6,110</u>	<u>\$ 39,581</u>	<u>\$ 48,494</u>

CITY OF ASHLAND, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 LAW ENFORCEMENT TRAINING FUND
 FOR THE YEAR ENDED APRIL 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 1,865	\$ 1,865	\$ 1,865	\$ -
Resources (Inflows):				
Fines and forfeits	800	830	855	25
Total	800	830	855	25
Amounts available for appropriation	2,665	2,695	2,720	25
Charges to appropriations (Outflows):				
Police Department:				
Training and equipment	1,000	500	449	51
Total Police Department	1,000	500	449	51
Total Charges to Appropriations	1,000	500	449	51
Ending Budgetary Fund Balance	\$ 1,665	\$ 2,195	\$ 2,271	\$ 76

CITY OF ASHLAND, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 CRIME VICTIMS' COMPENSATION FUND
 FOR THE YEAR ENDED APRIL 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 145	\$ 145	\$ 145	\$ -
Resources (Inflows):				
Fines and forfeits	400	1,350	772	(578)
Totals	400	1,350	772	(578)
Amounts available for appropriation	545	1,495	917	(578)
Charges to appropriations (Outflows):				
Police Department:				
Training and equipment	300	320	385	(65)
Total Police Department	300	320	385	(65)
Total Charges to Appropriations	300	320	385	(65)
Ending Budgetary Fund Balance	\$ 245	\$ 1,175	\$ 532	\$ (643)

CITY OF ASHLAND, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 CONCEAL AND CARRY WEAPONS FUND
 FOR THE YEAR ENDED APRIL 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 3,858	\$ 3,858	\$ 3,858	\$ -
Resources (Inflows):				
Licenses and permits	300	1,200	2,252	1,052
Total	300	1,200	2,252	1,052
Amounts available for appropriation	4,158	5,058	6,110	1,052
Charges to appropriations (Outflows):				
Police Department:				
Training and equipment	1,000	500	-	500
Total Police Department	1,000	500	-	500
Total Charges to Appropriations	1,000	500	-	500
Ending Budgetary Fund Balance	\$ 3,158	\$ 4,558	\$ 6,110	\$ 1,552

CITY OF ASHLAND, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUND
 FOR THE YEAR ENDED APRIL 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 33,285	\$ 33,285	\$ 33,285	\$ -
Resources (Inflows):				
Taxes	10,000	14,500	17,969	3,469
Investment income	100	100	5,059	4,959
Totals	<u>10,100</u>	<u>14,600</u>	<u>23,028</u>	<u>8,428</u>
Amounts available for appropriation	<u>43,385</u>	<u>47,885</u>	<u>56,313</u>	<u>8,428</u>
Charges to appropriations (Outflows):				
Debt Service:				
Principal payments	11,000	11,000	10,000	1,000
Interest and fees	<u>3,500</u>	<u>3,000</u>	<u>6,732</u>	<u>(3,732)</u>
Total Debt Service	<u>14,500</u>	<u>14,000</u>	<u>16,732</u>	<u>(2,732)</u>
Total Charges to Appropriations	<u>14,500</u>	<u>14,000</u>	<u>16,732</u>	<u>(2,732)</u>
Ending Budgetary Fund Balance	<u>\$ 28,885</u>	<u>\$ 33,885</u>	<u>\$ 39,581</u>	<u>\$ 5,696</u>

COMPLIANCE AND INTERNAL CONTROL



GERDING, KORTE & CHITWOOD

Professional Corporation
Certified Public Accountants

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

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Honorable Mayor and Members
of the Board of Aldermen
City of Ashland, Missouri

PARTNERS

Robert A. Gerding
Fred W. Korte, Jr.
Joseph E. Chitwood
James R. McGinnis
Travis W. Hundley

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ashland, Missouri (the "City"), as of and for the year ended April 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 23, 2008. The report on the financial statements was modified because the City prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses (2008-1 and 2008-2) to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

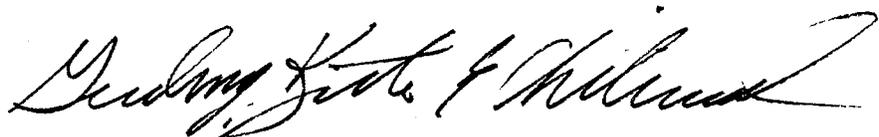
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated October 23, 2008.

This report is intended solely for the information and use of the City's management and the Board of Aldermen and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

October 23, 2008

**CITY OF ASHLAND, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED APRIL 30, 2008**

2008-1 Documentation of Internal Controls

Condition: The City does not have written documentation of internal controls.

Effect: City personnel do not have a manual to which to refer to determine how duties are to be performed to ensure that adequate internal controls are followed.

Cause: The City has developed internal controls over the years, however, they have not been developed in written form most likely due to the time which would be involved to accurately record such controls.

Criteria: Current auditing standards require adequate documentation of components of internal controls. This is considered to be at least a significant deficiency and, possibly, a material weakness.

Recommendation: The City should establish written internal control procedures which are made available to all personnel. The written controls should be periodically reviewed to ensure they are being followed and are adequate.

Auditee Response: Since joining the City at the close of 2008, the City's Administrator has been reviewing all citywide policies and procedures and is making related recommendations to both staff and the Board of Aldermen. Noting this particular finding in earlier audits, the City's Administrator is specifically working with the City's Treasurer and Clerk to create a manual for internal controls.

2008-2 Bank Reconciliations

Condition: Bank reconciliations did not agree to trial balance.

Effect: The bank reconciliation control is not working because the reconciliations are not compared to the trial balance.

Cause: Bank reconciliations are not compared to the trial balance.

Criteria: The purpose of performing a bank reconciliation is to ensure all transactions have been accounted for in the trial balance.

Recommendation: The City should prepare bank reconciliations and ensure the ending balance on the reconciliation agrees to the trial balance.

Auditee Response: The City is in the process of working with its software vendor to set up reports to enable the City to proof bank reconciliations to trial balances starting with the fiscal year beginning May 1, 2008.