

REPORT OF
CITY OF ASHLAND, MISSOURI
YEAR ENDED APRIL 30, 2009

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

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, 2009, 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.

PARTNERS

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

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, 2009, 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 July 21, 2009, 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 42) 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 introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Ashland. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



July 21, 2009

Certified Public Accountants

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2009
(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, 2009. 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 \$8,440,694. Of this amount, \$2,148,291 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 \$468,891.
- As of the close of the current fiscal year, the City of Ashland's governmental funds reported combined ending fund balances of \$978,398. \$934,468 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 \$713,805.
- The City's bond payable decreased \$114,273 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, 2009
(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, 2009
(UNAUDITED)

The City maintains two 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 and Street funds, which are considered to be major funds. Data from the other five 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 13-16.

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 water, sewer and sanitation funds since they are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 17-19 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 20 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 21-41.

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 42 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 43-49 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 \$8,440,694 as of April 30, 2009.

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2009
(UNAUDITED)

A significant portion of the City's net assets (55%) 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.

2009 NET ASSETS

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 958,466	\$1,084,436	\$ 2,042,902
Restricted assets	21,088	1,898,957	1,920,045
Capital assets	<u>3,840,436</u>	<u>4,511,244</u>	<u>8,351,680</u>
Total Assets	<u>\$4,819,990</u>	<u>\$7,494,637</u>	<u>\$12,314,627</u>
Other payable (payroll tax)	\$ 1,156	\$ -	\$ 1,156
Bonds payable	109,664	3,708,000	3,817,664
Deposit payable	-	55,113	55,113
Total Liabilities	<u>\$ 110,820</u>	<u>\$ 3,763,113</u>	<u>\$ 3,873,933</u>
Net Assets:			
Invested in capital assets, net of related debt	\$3,730,772	\$ 880,285	\$ 4,611,057
Restricted	43,930	1,637,416	1,681,346
Unrestricted	<u>934,468</u>	<u>1,213,823</u>	<u>2,148,291</u>
Total Net Assets	<u>\$4,709,170</u>	<u>\$ 3,731,524</u>	<u>\$ 8,440,694</u>

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>\$5,125,556</u>	<u>\$ 5,583,853</u>	<u>\$10,709,409</u>
Other payable	\$ (215)	\$ (1,531)	\$ (1,746)
Bonds payable	124,041	2,562,000	2,686,041
Deposit payable	-	53,311	53,311
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>\$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, 2009
(UNAUDITED)

As of April 30, 2009, 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 \$468,891.

Governmental Activities: Governmental activities decreased the net assets by \$292,560.

Business-type Activities: Net Assets from business-type activities increased by \$761,451 from \$2,970,073 to \$3,731,524. 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, 2009 and 2008.

2009 CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 35,486	\$1,183,345	\$1,218,831
Operating grants and contributions	124,909	-	124,909
Capital grants and contributions	-	500,000	500,000
General Revenues:			
Property taxes	131,591	-	131,591
Sales taxes	401,175	-	401,175
Franchise taxes	275,050	-	275,050
Interest and investment earnings	38,894	91,660	130,554
Interfund Transfers	164,212	(164,212)	-
Miscellaneous	58,381	-	58,381
Total Revenues	<u>1,229,698</u>	<u>1,610,793</u>	<u>2,840,491</u>
Expenses:			
General government	338,966	-	338,966
Public safety	309,535	-	309,535
Transportation	831,865	-	831,865
Cultural and recreation	34,573	-	34,573
Interest expense	7,319	-	7,319
Water and sewer	-	572,410	572,410
Sanitation	-	276,932	276,932
Total Expenses	<u>1,522,258</u>	<u>849,342</u>	<u>2,371,600</u>
Increase in net assets	(292,560)	761,451	468,891
Net Assets-Beginning of Year	<u>5,001,730</u>	<u>2,970,073</u>	<u>7,971,803</u>
Net Assets-End of Year	<u>\$4,709,170</u>	<u>\$3,731,524</u>	<u>\$8,440,694</u>

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2009
(UNAUDITED)

2008 CHANGES IN NET ASSETS

	Governmental <u>Activities</u>	Business-type <u>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	<u>105,696</u>	<u>-</u>	<u>105,696</u>
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	<u>-</u>	<u>258,089</u>	<u>258,089</u>
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	<u>5,250,018</u>	<u>2,668,159</u>	<u>7,918,177</u>
Net Assets-End of Year	<u>\$5,001,730</u>	<u>\$2,970,073</u>	<u>\$7,971,803</u>

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 \$978,398.

In the general fund, the City budgeted for a decrease in the fund balance of \$277,500 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 2009 was \$79,370.

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2009
(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, 2009 amounts to \$8,351,680 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements and construction in progress.

2009
CAPITAL ASSETS AT YEAR-END
NET OF ACCUMULATED DEPRECIATION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Property, plant and equipment:			
Land and land elements	\$ 219,600	\$ 140,737	\$ 360,337
Buildings	247,512	339,899	587,411
Machinery and vehicles	98,751	24,683	123,434
Infrastructure	3,049,113	-	3,049,113
Furniture and equipment	94,591	7,442	102,033
Property and improvements	130,869	2,287,516	2,418,385
Construction in progress	-	<u>1,710,967</u>	<u>1,710,967</u>
Net Capital Assets	<u>\$3,840,436</u>	<u>\$4,511,244</u>	<u>\$8,351,680</u>

2008
CAPITAL ASSETS AT YEAR-END
NET OF ACCUMULATED DEPRECIATION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
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	-	<u>290,374</u>	<u>290,374</u>
Net Capital Assets	<u>\$4,231,786</u>	<u>\$3,201,710</u>	<u>\$7,433,496</u>

Additional information on the City of Ashland's capital assets can be found in notes to basic financial statements on pages 31-33 of this report.

Debt Administration

At the end of the current fiscal year, the City of Ashland had revenue bonded debt of \$3,708,000 and general obligation debt of \$95,000. 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, 2009
(UNAUDITED)

2009
Outstanding Debt at Year End
Revenue Bonds, Note Payable Debt and Deposits

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Revenue bonds	\$ -	\$3,708,000	\$3,708,000
General obligation bonds	95,000	-	95,000
Deposits payable	-	55,113	55,113
Total	<u>\$95,000</u>	<u>\$3,763,113</u>	<u>\$3,858,113</u>

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

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

During the fiscal year, the City's total debt increased by \$1,147,802 or 30%. The increase was due to closing of SRF 2008.

Additional information on the City of Ashland's long-term debt can be found in Notes to basic financial statements on pages 33-37 of this report.

Transfers

The City made the following transfers in 2009 and 2008:

<u>2009</u>			<u>2008</u>		
<u>From</u>	<u>To</u>	<u>Amount</u>	<u>From</u>	<u>To</u>	<u>Amount</u>
General	Street	\$250,000	General	Street	\$131,000
Sewer, Water, Capital	General	\$219,024	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, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 711,466	\$ 1,084,436	\$ 1,795,902
Restricted cash and cash equivalents	12,126	153,132	165,258
Investments	247,000	-	247,000
Restricted investments held in escrow	8,962	1,637,416	1,646,378
Unamortized bond costs	-	108,409	108,409
Capital assets (Note III-C):			
Land	219,600	140,737	360,337
Other capital assets, net of accumulated depreciation	<u>3,620,836</u>	<u>4,370,507</u>	<u>7,991,343</u>
 Total Assets	 <u>4,819,990</u>	 <u>7,494,637</u>	 <u>12,314,627</u>
LIABILITIES			
Payroll taxes payable	1,156	-	1,156
Long-term liabilities (Note III-D):			
Due within one year	14,591	155,000	169,591
Refundable deposits	-	55,113	55,113
Due in more than one year	<u>95,073</u>	<u>3,553,000</u>	<u>3,648,073</u>
 Total Liabilities	 <u>110,820</u>	 <u>3,763,113</u>	 <u>3,873,933</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,730,772	880,285	4,611,057
Restricted but expendable for:			
Debt service	43,930	570,385	614,315
Construction	-	1,067,031	1,067,031
Unrestricted	<u>934,468</u>	<u>1,213,823</u>	<u>2,148,291</u>
 Total Net Assets	 <u>\$ 4,709,170</u>	 <u>\$ 3,731,524</u>	 <u>\$ 8,440,694</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
YEAR ENDED APRIL 30, 2009

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	\$ 338,966	\$ 21,556	\$ -	\$ -	\$ (317,410)	\$ -	\$ (317,410)
Public Safety	309,535	13,930	1,989	-	(293,616)	-	(293,616)
Streets	831,865	-	122,920	-	(708,945)	-	(708,945)
Park	34,573	-	-	-	(34,573)	-	(34,573)
Interest expense	7,319	-	-	-	(7,319)	-	(7,319)
Total Governmental Activities	1,522,258	35,486	124,909	-	(1,361,863)	-	(1,361,863)
Business-Type Activities:							
Water	278,252	459,294	-	500,000	-	681,042	681,042
Sewer	294,158	458,921	-	-	-	164,763	164,763
Sanitation	276,932	265,130	-	-	-	(11,802)	(11,802)
Total Business-Type Activities	849,342	1,183,345	-	500,000	-	834,003	834,003
General Revenues:							
Taxes:							
Property taxes					131,591	-	131,591
Sales taxes					401,175	-	401,175
Franchise taxes					275,050	-	275,050
Investment income					38,894	91,660	130,554
Interfund transfers					164,212	(164,212)	-
Miscellaneous					58,381	-	58,381
Total general revenues					1,069,303	(72,552)	996,751
Change in net assets					(292,560)	761,451	468,891
Net assets-beginning					5,001,730	2,970,073	7,971,803
Net assets - ending					4,709,170	3,731,524	8,440,694

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
APRIL 30, 2009

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 467,961	\$ 71,094	\$ 172,411	\$ 711,466
Restricted cash and cash equivalents	-	-	12,126	12,126
Investments	247,000	-	-	247,000
Restricted investments held in escrow	-	-	8,962	8,962
Total Assets	\$ 714,961	\$ 71,094	\$ 193,499	\$ 979,554
LIABILITIES AND FUND BALANCES				
Liabilities:				
Other payable	\$ 1,156	\$ -	\$ -	\$ 1,156
Total Liabilities	1,156	-	-	1,156
Fund Balances:				
Reserved for debt service, reported in nonmajor special revenue funds	-	-	43,930	43,930
Unreserved, reported in nonmajor special revenue funds	-	-	149,569	149,569
Unreserved	713,805	71,094	-	784,899
Total Fund Balances	-	-	193,499	193,499
Total Liabilities and Fund Balances	\$ 1,156	\$ -	\$ 193,499	

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 \$10,633,897 net of accumulated depreciation of \$6,793,461 are not financial resources and, therefore, are not reported in the funds. 3,840,436

Some liabilities, including capital debt obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds. (109,664)

Net assets of governmental activities **\$ 3,924,271**

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, 2009

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 115,845	\$ -	\$ 15,746	\$ 131,591
Sales taxes	275,731	-	125,444	401,175
Franchise taxes	275,050	-	-	275,050
Intergovernmental	1,989	122,920	-	124,909
Licenses and permits	16,684	750	4,122	21,556
Fines and forfeits	12,196	-	1,734	13,930
Investment income	29,116	3,631	6,147	38,894
Miscellaneous	<u>57,756</u>	<u>625</u>	<u>-</u>	<u>58,381</u>
Total Revenues	<u>784,367</u>	<u>127,926</u>	<u>153,193</u>	<u>1,065,486</u>
EXPENDITURES:				
General government	349,955	-	-	349,955
Public safety	289,403	-	1,716	291,119
Streets	-	369,163	84,209	453,372
Parks	34,663	-	-	34,663
Interest and fees on debt	-	-	6,176	6,176
Debt service - principal	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Total Expenditures	<u>674,021</u>	<u>369,163</u>	<u>102,101</u>	<u>1,145,285</u>
Excess (Deficit) of Revenues over Expenditures	<u>110,346</u>	<u>(241,237)</u>	<u>51,092</u>	<u>(79,799)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>(30,976)</u>	<u>227,987</u>	<u>(32,799)</u>	<u>164,212</u>
Total Other Financing Sources (Uses)	<u>(30,976)</u>	<u>227,987</u>	<u>(32,799)</u>	<u>164,212</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	79,370	(13,250)	18,293	84,413
Fund Balance, Beginning	<u>634,435</u>	<u>84,344</u>	<u>175,206</u>	<u>893,985</u>
Fund Balance, Ending	<u>\$ 713,805</u>	<u>\$ 71,094</u>	<u>\$ 193,499</u>	<u>\$ 978,398</u>
Reconciliation to the Statement of Activities:				
Net change in fund balances - total governmental funds				\$ 84,413
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 obligation principal payments				14,377
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				286,110
Depreciation expense				<u>(677,460)</u>
Change in Net Assets of Governmental Activities				<u>\$ (292,560)</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 GENERAL FUND
 YEAR ENDED APRIL 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 634,435	\$ 634,435	\$ 634,435	-
Resources (Inflows):				
Property taxes	100,000	100,000	115,845	15,845
Sales taxes	260,000	260,000	275,731	15,731
Franchise taxes	210,100	210,100	275,050	64,950
Police grants	17,000	1,950	1,989	39
Alcoholic beverage licenses	2,100	2,200	2,300	100
Animal licenses	500	500	613	113
Building permits	15,000	15,000	13,771	(1,229)
Municipal court fines and fees	10,500	10,500	12,196	1,696
Investment income	30,000	32,000	29,116	(2,884)
Lease income	40,000	40,000	36,778	(3,222)
Fall festival and park donations	1,900	7,700	8,731	1,031
Other	7,000	4,000	12,247	8,247
Total	<u>694,100</u>	<u>683,950</u>	<u>784,367</u>	<u>100,417</u>
Amounts available for appropriation	<u>1,328,535</u>	<u>1,318,385</u>	<u>1,418,802</u>	<u>100,417</u>
Charges to Appropriations (Outflows):				
General Government:				
Personnel services	160,100	165,500	163,343	2,157
Materials and supplies	8,000	8,000	7,864	136
Other services and charges	230,350	205,350	169,520	35,830
Capital expenditures	10,000	10,000	9,228	772
Total General Government	<u>408,450</u>	<u>388,850</u>	<u>349,955</u>	<u>38,895</u>
Public Safety:				
Personnel services	272,650	269,100	246,204	22,896
Materials and supplies	15,000	20,000	13,325	6,675
Other services and charges	31,400	31,400	24,354	7,046
Capital expenditures	5,600	5,600	5,520	80
Total Public Safety	<u>324,650</u>	<u>326,100</u>	<u>289,403</u>	<u>36,697</u>
Park Department:				
Other services and charges	37,500	36,500	27,924	8,576
Capital expenditures	60,000	60,000	6,739	53,261
Total Park Department	<u>97,500</u>	<u>96,500</u>	<u>34,663</u>	<u>61,837</u>
Other Financing Uses:				
Transfers to other funds	150,000	150,000	30,976	119,024
Total Charges to Appropriations	<u>980,600</u>	<u>961,450</u>	<u>704,997</u>	<u>256,453</u>
Ending Budgetary Fund Balance	<u>\$ 347,935</u>	<u>\$ 356,935</u>	<u>\$ 713,805</u>	<u>\$ 356,870</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 STREET FUND
 YEAR ENDED APRIL 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 84,344	\$ 84,344	\$ 84,344	\$ -
Resources (Inflows):				
Intergovernmental	373,000	373,000	122,920	(250,080)
Licenses and permits	1,000	1,000	750	(250)
Investment income	1,000	3,400	3,631	231
Miscellaneous	23,500	25,000	625	(24,375)
Total	<u>398,500</u>	<u>402,400</u>	<u>127,926</u>	<u>(274,474)</u>
Other Financing Sources:				
Transfer from other funds	<u>150,000</u>	<u>150,000</u>	<u>227,987</u>	<u>77,987</u>
Amounts available for appropriation	<u>632,844</u>	<u>636,744</u>	<u>440,257</u>	<u>(196,487)</u>
Charges to appropriations (Outflows):				
Street Department:				
Personnel services	82,900	77,900	78,440	(540)
Materials and supplies	30,000	30,000	24,410	5,590
Capital expenditures	32,600	32,600	33,500	(900)
Other services and charges	492,000	479,000	232,813	246,187
Total Street Department	<u>637,500</u>	<u>619,500</u>	<u>369,163</u>	<u>250,337</u>
Total Charges to Appropriations	<u>637,500</u>	<u>619,500</u>	<u>369,163</u>	<u>250,337</u>
Ending Budgetary Fund Balance	<u>\$ (4,656)</u>	<u>\$ 17,244</u>	<u>\$ 71,094</u>	<u>\$ 53,850</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
APRIL 30, 2009

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Assets				
Current Assets:				
Cash and cash equivalents	\$ 511,962	\$ 562,760	\$ 9,714	\$ 1,084,436
Restricted cash and cash equivalents	103,132	50,000	-	153,132
Total Cash and Cash Equivalents	<u>615,094</u>	<u>612,760</u>	<u>9,714</u>	<u>1,237,568</u>
Investments	-	-	-	-
Restricted investments held in escrow	1,157,476	479,940	-	1,637,416
Total Investments	<u>1,157,476</u>	<u>479,940</u>	<u>-</u>	<u>1,637,416</u>
Total Current Assets	<u>1,772,570</u>	<u>1,092,700</u>	<u>9,714</u>	<u>2,874,984</u>
Noncurrent Assets:				
Unamortized bond costs	85,534	22,875	-	108,409
Land	98,600	42,137	-	140,737
Construction in process	835,147	875,820	-	1,710,967
Other capital assets, net of accumulated depreciation	1,490,929	1,168,611	-	2,659,540
Total Noncurrent Assets	<u>2,510,210</u>	<u>2,109,443</u>	<u>-</u>	<u>4,619,653</u>
Total Assets	<u>\$ 4,282,780</u>	<u>\$ 3,202,143</u>	<u>\$ 9,714</u>	<u>\$ 7,494,637</u>
Liabilities				
Current Liabilities:				
Payroll taxes payable	\$ -	\$ -	\$ -	\$ -
Bonds payable - current portion	84,150	70,850	-	155,000
Total Current Liabilities	<u>84,150</u>	<u>70,850</u>	<u>-</u>	<u>155,000</u>
Noncurrent Liabilities:				
Refundable deposits	55,113	-	-	55,113
Bonds payable - long-term portion	1,957,740	1,595,260	-	3,553,000
Total Noncurrent Liabilities	<u>2,012,853</u>	<u>1,595,260</u>	<u>-</u>	<u>3,608,113</u>
Total Liabilities	<u>\$ 2,097,003</u>	<u>\$ 1,666,110</u>	<u>\$ -</u>	<u>\$ 3,763,113</u>
Net Assets				
Invested in capital assets, net of related debt	382,786	497,499	-	880,285
Restricted but expendable for debt service	298,331	272,054	-	570,385
Restricted but expendable for construction	859,145	207,886	-	1,067,031
Unrestricted	645,515	558,594	9,714	1,213,823
Total Net Assets	<u>\$ 2,185,777</u>	<u>\$ 1,536,033</u>	<u>\$ 9,714</u>	<u>\$ 3,731,524</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, 2009

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Operating Revenues:				
Charges for services	\$ 431,142	\$ 450,473	\$ 265,130	\$ 1,146,745
Miscellaneous	28,152	8,448	-	36,600
Total Operating Revenues	<u>459,294</u>	<u>458,921</u>	<u>265,130</u>	<u>1,183,345</u>
Operating Expenses:				
Personnel services	83,073	79,745	-	162,818
Materials and supplies	15,260	18,414	-	33,674
Repairs and maintenance	7,672	16,047	-	23,719
Trash hauling	-	-	257,772	257,772
Utilities	24,533	34,054	-	58,587
Other	17,494	16,421	19,160	53,075
Depreciation	61,144	51,856	-	113,000
Amortization	5,706	1,089	-	6,795
Total Operating Expenses	<u>214,882</u>	<u>217,626</u>	<u>276,932</u>	<u>709,440</u>
Operating Income (Loss)	<u>244,412</u>	<u>241,295</u>	<u>(11,802)</u>	<u>473,905</u>
Non-Operating Revenues (Expenses):				
Investment income	29,025	62,538	97	91,660
Interest expense and fees on debt	(63,370)	(76,532)	-	(139,902)
Total nonoperating revenues (expenses)	<u>(34,345)</u>	<u>(13,994)</u>	<u>97</u>	<u>(48,242)</u>
Net Income before capital grants and transfers	<u>210,067</u>	<u>227,301</u>	<u>(11,705)</u>	<u>425,663</u>
Capital grants	500,000	-	-	500,000
Transfers	(87,698)	(76,514)	-	(164,212)
Net capital grants and transfers	<u>412,302</u>	<u>(76,514)</u>	<u>-</u>	<u>335,788</u>
Net income	<u>622,369</u>	<u>150,787</u>	<u>(11,705)</u>	<u>761,451</u>
Net Assets, Beginning	<u>1,563,408</u>	<u>1,385,246</u>	<u>21,419</u>	<u>2,970,073</u>
Net Assets, Ending	<u>\$ 2,185,777</u>	<u>\$ 1,536,033</u>	<u>\$ 9,714</u>	<u>\$ 3,731,524</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2009

	Proprietary Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Cash flows from operating activities:				
Receipts from customers	\$ 459,294	\$ 458,921	\$ 265,130	\$ 1,183,345
Payments to suppliers	(73,018)	(84,936)	(276,902)	(434,856)
Payments to employees	(73,073)	(78,383)	-	(151,456)
Net cash provided by operating activities	<u>313,203</u>	<u>295,602</u>	<u>(11,772)</u>	<u>597,033</u>
Cash flows from noncapital financing activities:				
Operating subsidies	(87,698)	(76,514)	-	(164,212)
Cash flows from capital and related financing activities:				
Purchases of capital assets	(773,734)	(648,800)	-	(1,422,534)
Capital contribution	500,000	-	-	500,000
Proceeds from capital debt	1,200,495	-	-	1,200,495
Principal paid on capital debt	(25,970)	(68,030)	-	(94,000)
Interest and fiscal agent fees paid on capital debt	(63,370)	(76,532)	-	(139,902)
Net cash (used) for capital and related financing activities	<u>837,421</u>	<u>(793,362)</u>	<u>-</u>	<u>44,059</u>
Cash flows from investing activities:				
Purchase of investments	452,820	688,318	-	1,141,138
Maturities of investments	(1,235,163)	(105,793)	-	(1,340,956)
Interest income	29,025	62,538	97	91,660
Net cash provided (used) by investing activities	<u>(753,318)</u>	<u>645,063</u>	<u>97</u>	<u>(108,158)</u>
Net increase in cash and cash equivalents	309,608	70,789	(11,675)	368,722
Balance, beginning of year	<u>305,486</u>	<u>541,971</u>	<u>21,389</u>	<u>868,846</u>
Balance, end of year	<u>\$ 615,094</u>	<u>\$ 612,760</u>	<u>\$ 9,714</u>	<u>\$ 1,237,568</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	244,412	241,295	(11,802)	473,905
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	61,144	51,856	-	113,000
Amortization expense	5,706	1,089	-	6,795
Changes in assets and liabilities:				
Refundable deposits	1,802	-	-	1,802
Payroll taxes payable	139	1,362	30	1,531
Net cash provided by operating activities	<u>\$ 313,203</u>	<u>\$ 295,602</u>	<u>\$ (11,772)</u>	<u>\$ 597,033</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
 SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCE
 FIDUCIARY FUND
 YEAR ENDED APRIL 30, 2009

	<u>CITY DRUG DOG FUND</u>
Receipts:	
Donations	\$ -
Disbursements:	
Transfer to General Fund	<u>2,569</u>
Receipts Over (Under) Disbursements	(2,569)
Cash Balance, Beginning	<u>2,569</u>
Cash Balance, Ending	<u><u>\$ -</u></u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2009

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, 2009

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.

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The funds of the financial reporting entity are described below:

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 non-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, 2009

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, 2009

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, 2009

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, 2009

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, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating Revenues 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.

B. Budgetary Compliance

For the year ended April 30, 2009, expenditures exceeded appropriations at the legal level of control in the Debt Service Fund by \$2,176.

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2009

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, 2009 are shown below:

	Maturities	Carrying Value
Deposits:		
Demand deposits		\$ 1,619,034
		1,619,034
Investments:		
Time deposit	05-14-09	82,000
Time deposits	11-05-09	100,000
Time deposit	12-05-09	12,126
Time deposits	12-03-10	130,000
Time deposit	12-10-10	85,000
Time deposit	07-14-11	100,000
Time deposit	08-29-11	80,000
U.S. Federal Obligations		1,646,378
Total investments		2,235,504
Total deposits and investments		\$ 3,854,538

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2009

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

Reconciliation to Statement of Net Assets:

Cash and cash equivalents	\$ 1,795,902
Restricted cash and cash equivalents	165,258
Investments	247,000
Restricted investments held in escrow	<u>1,646,378</u>
Total	<u>\$ 3,854,538</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 \$2,259,464 at April 30, 2009, which was fully 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, 2009, 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, 2009, 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	\$ 21,088
Series 2000 and 2002 Revenue Bonds - Principal and interest	53,132
Series 2000 and 2002 Revenue Bonds - Reserve	75,000
Series 2000 and 2002 Revenue Bonds - Depreciation/Replacement	<u>25,000</u>
Total Bond Restricted Funds Required	174,220
Restricted funds held in Escrow	<u>1,637,416</u>
Total Restricted Assets	<u>\$ 1,811,636</u>

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2009

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, 2009, was as follows:

	Balance May 1, 2008	Additions	Deletions	Balance April 30, 2009
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 219,600	\$ —	\$ —	\$ 219,600
Other capital assets:				
Buildings	348,928	16,385	—	365,313
Machinery and vehicles	196,121	53,745	(10,500)	239,366
Furniture and equipment	141,513	53,345	(4,500)	190,358
Other property and equipment	222,613	—	—	222,613
Infrastructure	<u>9,234,012</u>	<u>162,635</u>	<u>—</u>	<u>9,396,647</u>
Total other capital assets at historical cost	<u>10,143,187</u>	<u>286,110</u>	<u>(15,000)</u>	<u>10,414,297</u>
Less accumulated depreciation:				
Buildings	(106,811)	(10,990)	—	(117,801)
Machinery and vehicles	(130,599)	(20,516)	10,500	(140,615)
Furniture and equipment	(84,048)	(16,219)	4,500	(95,767)
Other property and equipment	(87,528)	(4,216)	—	(91,744)
Infrastructure	<u>(5,722,015)</u>	<u>(625,519)</u>	<u>—</u>	<u>(6,347,534)</u>
Total accumulated depreciation	<u>(6,131,001)</u>	<u>(677,460)</u>	<u>15,000</u>	<u>(6,793,461)</u>
Other capital assets, net	<u>4,012,186</u>	<u>(391,350)</u>	<u>—</u>	<u>3,620,836</u>
Governmental activities capital assets, net	<u>\$ 4,231,786</u>	<u>\$ (391,350)</u>	<u>\$ —</u>	<u>\$ 3,840,436</u>

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2009

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

Water

	Balance May 1, 2008	Additions	Deletions	Balance April 30, 2009
Capital assets not being depreciated:				
Land	\$ 98,600	\$ —	\$ —	\$ 98,600
Construction in process	63,354	771,793	—	835,147
Total capital assets not being depreciated	<u>161,954</u>	<u>771,793</u>	<u>—</u>	<u>933,747</u>
Other capital assets:				
Buildings	420,257	—	—	420,257
Machinery and vehicles	101,472	—	—	101,472
Furniture and equipment	10,704	1,941	—	12,645
Property and improvements	1,499,504	—	—	1,499,504
Total other capital assets at historical cost	<u>2,031,937</u>	<u>1,941</u>	<u>—</u>	<u>2,033,878</u>
Less accumulated depreciation:				
Buildings	(114,939)	(8,548)	—	(123,487)
Machinery and vehicles	(84,379)	(6,630)	—	(91,009)
Furniture and equipment	(3,390)	(1,812)	—	(5,202)
Property and improvements	(279,097)	(44,154)	—	(323,251)
Total accumulated depreciation	<u>(481,805)</u>	<u>(61,144)</u>	<u>—</u>	<u>(542,949)</u>
Other capital assets, net	<u>1,550,132</u>	<u>(59,203)</u>	<u>—</u>	<u>1,490,929</u>
Governmental activities capital assets, net	<u>\$ 1,712,086</u>	<u>\$ 712,590</u>	<u>\$ —</u>	<u>\$ 2,424,676</u>

Sewer

	Balance May 1, 2008	Additions	Deletions	Balance April 30, 2009
Capital assets not being depreciated:				
Land	\$ 42,137	\$ —	\$ —	\$ 42,137
Construction in process	227,020	648,800	—	875,820
Total capital assets not being depreciated	<u>269,157</u>	<u>648,800</u>	<u>—</u>	<u>917,957</u>
Other capital assets:				
Buildings	64,489	—	—	64,489
Machinery and vehicles	124,831	—	(15,754)	109,077
Furniture and equipment	3,722	—	—	3,722
Property and improvements	1,517,036	—	—	1,517,036
Total other capital assets at historical cost	<u>1,710,078</u>	<u>—</u>	<u>(15,754)</u>	<u>1,694,324</u>
Less accumulated depreciation:				
Buildings	(18,900)	(2,460)	—	(21,360)
Machinery and vehicles	(99,833)	(10,778)	15,754	(94,857)
Furniture and equipment	(2,980)	(743)	—	(3,723)
Property and improvements	(367,898)	(37,875)	—	(405,773)
Total accumulated depreciation	<u>(489,611)</u>	<u>(51,856)</u>	<u>15,754</u>	<u>(525,713)</u>
Other capital assets, net	<u>1,220,467</u>	<u>(51,856)</u>	<u>—</u>	<u>1,168,611</u>
Governmental activities capital assets, net	<u>\$ 1,489,624</u>	<u>\$ 596,944</u>	<u>\$ —</u>	<u>\$ 2,086,568</u>

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2009

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

Sanitation

	Balance May 1, 2008	Additions	Deletions	Balance April 30, 2009
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	(1,434)	—	—	(1,434)
Total accumulated depreciation	<u>(1,434)</u>	<u>—</u>	<u>—</u>	<u>(1,434)</u>
Other capital assets, net	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Governmental activities capital assets, net	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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

Primary Government:

Governmental activities:

General government	\$ 21,457
Public safety	23,936
Streets	627,007
Park	5,060
Total depreciation expense for governmental activities	<u>\$ 677,460</u>

Business-type activities:

Water	\$ 61,144
Sewer	51,856
Sanitation	—
Total depreciation expense for business-type activities	<u>\$ 113,000</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, 2009, 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, 2009

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 \$3,966 for the year ended April 30, 2009, 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 \$95,000.

Business-Type Activities

As of April 30, 2009, 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 \$273,000.

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, 2009

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
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	15,000	2,531	17,531
2015-2016	30,000	2,532	32,532
Total	<u>\$ 95,000</u>	<u>\$ 22,750</u>	<u>\$ 117,750</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
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>\$ 665,000</u>	<u>\$ 69,995</u>	<u>\$ (50,213)</u>	<u>\$ 684,782</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, 2009

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

2002 Revenue Bonds

Year Ending April 30,	Principal	Interest	Total
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	18,000	11,756	29,756
2015-2019	109,000	42,132	151,132
2020-2024	82,000	9,394	91,394
Total	<u>\$ 273,000</u>	<u>\$ 118,881</u>	<u>\$ 391,881</u>

2006 Revenue Bonds Issued for Refunding of 2000 Bonds

Year Ending April 30,	Principal	Interest	Total
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	50,000	22,208	72,208
2015-2019	285,000	77,204	362,204
2020-2024	205,000	10,847	215,847
Total	<u>\$ 575,000</u>	<u>\$ 206,544</u>	<u>\$ 781,544</u>

2007 Revenue Bonds Issued for Wastewater Improvements

Year Ending April 30,	Principal	Interest	Total
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	45,000	33,237	78,237
2015-2019	240,000	138,588	378,588
2020-2024	260,000	87,375	347,375
2025-2029	230,000	26,212	256,212
Total	<u>\$ 955,000</u>	<u>\$ 436,362</u>	<u>\$ 1,391,362</u>

2008 Revenue Bonds Issued for Water Improvements

Year Ending April 30,	Principal	Interest	Total
2010	\$ 55,000	\$ 73,833	\$ 128,833
2011	55,000	60,935	115,935
2012	55,000	58,735	113,735
2013	55,000	56,535	111,535
2014	55,000	54,198	109,198
2015-2019	290,000	232,562	522,562
2020-2024	315,000	155,588	470,588
2025-2029	360,000	62,874	422,874
Total	<u>\$ 1,240,000</u>	<u>\$ 755,260</u>	<u>\$ 1,995,260</u>

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2009

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>	
2010	\$ 5,520
2011	5,520
2012	<u>5,520</u>
Total Minimum Lease Payments	16,560
Less amount representing interest	<u>(1,896)</u>
Net Lease Payments	<u>\$ 14,664</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at April 30, 2009:

Equipment	\$ 19,041
Less accumulated amortization	<u>(5,214)</u>
	<u>\$ 13,827</u>

Amortization of capital leases was \$2,720 for the fiscal year ending April 30, 2009. 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, 2009 were as follows:

	<u>General Fund</u>	<u>Street Fund</u>	<u>Capital Project Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Transfer in	\$ 219,024	\$ 250,000	\$ —	\$ —	\$ —	\$ 469,024
Transfer out	<u>(250,000)</u>	<u>(22,013)</u>	<u>(32,799)</u>	<u>(87,698)</u> ✓	<u>(76,514)</u> ✓	<u>(469,024)</u>
Total	<u>\$ (30,976)</u> ✓	<u>\$ 227,987</u> ✓	<u>\$ (32,799)</u> ✓	<u>\$ (87,698)</u>	<u>\$ (76,514)</u>	<u>\$ —</u>

The purpose of the interfund transfer was for cost allocation.

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2009

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 4.1% (general), 2.7% (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 2008 the City's annual pension cost of \$28,866 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2006 and/or February 28, 2007 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2008 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, 2009

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 29, 2008 was 15 years.

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/06	\$ 26,367	100%	\$ —
6/30/07	32,040	100%	—
6/30/08	28,866	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 2008 for purposes of local taxation was \$42,439,715. The tax levy per \$100 of the assessed valuation of tangible property for the calendar year 2008 for purposes of local taxation was \$.2603 for the General Fund and \$.0363 for the Debt Service Fund, or a total tax levy of \$.2966.

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, 2009, 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, 2009

IV. OTHER INFORMATION (continued)

D. Litigation

At April 30, 2009, 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, 2009

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
02/28/2006	\$ 426,779	\$ 389,383	\$ (37,396)	110%	\$ 339,606	\$ —
02/28/2007	475,214	441,465	(33,749)	108%	431,051	—
02/28/2008	468,173	436,284	(31,889)	107%	396,839	—

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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Capital Project Fund

Capital Project Fund	Accounts for contribution and specific revenues and transfers from the City funds and expenditures for various capital projects as the City Board of Aldermen may designate
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CITY OF ASHLAND, MISSOURI
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS
 NON-MAJOR GOVERNMENTAL FUNDS
 APRIL 30, 2009

	Special Revenue Funds					Total
	Law Enforcement Training Fund	Crime Victims' Compensation Fund	Conceal and Carry Weapons Fund	Capital Project Fund	Debt Service Fund	
ASSETS						
Cash and cash equivalents	\$ 2,133	\$ 1,183	\$ 9,737	\$ 136,516	\$ 22,842	\$ 172,411
Restricted cash and cash equivalents	-	-	-	-	12,126	12,126
Restricted investments held in escrow	-	-	-	-	8,962	8,962
Total Assets	\$ 2,133	\$ 1,183	\$ 9,737	\$ 136,516	\$ 43,930	\$ 193,499
LIABILITIES AND FUND BALANCES						
Current liabilities	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-
Fund balances:						
Restricted for debt service	-	-	-	-	43,930	43,930
Unrestricted	2,133	1,183	9,737	136,516	-	149,569
Total Liabilities and Fund Balances	\$ 2,133	\$ 1,183	\$ 9,737	\$ 136,516	\$ 43,930	\$ 193,499

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, 2009

	Special Revenue Funds					Total
	Law Enforcement Training Fund	Crime Victims' Compensation Fund	Conceal and Carry Weapons Fund	Capital Project Fund	Debt Service Fund	
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 15,746	\$ 15,746
Sales taxes	-	-	-	125,444	-	125,444
Licenses and permits	-	-	4,122	-	-	4,122
Fines and forfeits	777	957	-	-	-	1,734
Investment income	-	-	-	1,368	4,779	6,147
Total Revenues	<u>777</u>	<u>957</u>	<u>4,122</u>	<u>126,812</u>	<u>20,525</u>	<u>153,193</u>
EXPENDITURES						
Public safety	915	306	495	-	-	1,716
Capital outlay	-	-	-	84,209	-	84,209
Interest and fees on debt	-	-	-	-	6,176	6,176
Debt service - principal	-	-	-	-	10,000	10,000
Total Expenditures	<u>915</u>	<u>306</u>	<u>495</u>	<u>84,209</u>	<u>16,176</u>	<u>102,101</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	(138)	651	3,627	42,603	4,349	51,092
OTHER FINANCING SOURCES (USES)						
Operating transfers in (out)	-	-	-	(32,799)	-	(32,799)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,799)</u>	<u>-</u>	<u>(32,799)</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	(138)	651	3,627	9,804	4,349	18,293
Fund Balances, beginning	<u>2,271</u>	<u>532</u>	<u>6,110</u>	<u>126,712</u>	<u>39,581</u>	<u>175,206</u>
Fund Balances, ending	<u>\$ 2,133</u>	<u>\$ 1,183</u>	<u>\$ 9,737</u>	<u>\$ 136,516</u>	<u>\$ 43,930</u>	<u>\$ 193,499</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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 2,271	\$ 2,271	\$ 2,271	\$ -
Resources (Inflows):				
Fines and forfeits	900	900	777	(123)
Total	900	900	777	(123)
Amounts available for appropriation	3,171	3,171	3,048	(123)
Charges to appropriations (Outflows):				
Police Department:				
Training and equipment	1,000	1,000	915	85
Total Police Department	1,000	1,000	915	85
Total Charges to Appropriations	1,000	1,000	915	85
Ending Budgetary Fund Balance	\$ 2,171	\$ 2,171	\$ 2,133	\$ (38)

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 532	\$ 532	\$ 532	\$ -
Resources (Inflows):				
Fines and forfeits	2,100	2,100	957	(1,143)
Totals	2,100	2,100	957	(1,143)
Amounts available for appropriation	2,632	2,632	1,489	(1,143)
Charges to appropriations (Outflows):				
Police Department:				
Training and equipment	2,100	2,100	306	1,794
Total Police Department	2,100	2,100	306	1,794
Total Charges to Appropriations	2,100	2,100	306	1,794
Ending Budgetary Fund Balance	\$ 532	\$ 532	\$ 1,183	\$ 651

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 6,110	\$ 6,110	\$ 6,110	\$ -
Resources (Inflows):				
Licenses and permits	2,000	2,000	4,122	2,122
Total	2,000	2,000	4,122	2,122
Amounts available for appropriation	8,110	8,110	10,232	2,122
Charges to appropriations (Outflows):				
Police Department:				
Training and equipment	1,500	1,500	495	1,005
Total Police Department	1,500	1,500	495	1,005
Total Charges to Appropriations	1,500	1,500	495	1,005
Ending Budgetary Fund Balance	\$ 6,610	\$ 6,610	\$ 9,737	\$ 3,127

CITY OF ASHLAND, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 CAPITAL PROJECT FUND
 YEAR ENDED APRIL 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 126,712	\$ 126,712	\$ 126,712	\$ -
Resources (Inflows):				
Sales taxes	130,000	130,000	125,444	(4,556)
Road tax reimbursement - county	-	-	-	-
Investment income	2,000	2,000	1,368	(632)
Street grants - county	-	-	-	-
Total	<u>132,000</u>	<u>132,000</u>	<u>126,812</u>	<u>(5,188)</u>
Amounts available for appropriation	<u>258,712</u>	<u>258,712</u>	<u>253,524</u>	<u>(5,188)</u>
Charges to appropriations (Outflows):				
Structural projects and other	<u>150,000</u>	<u>100,000</u>	<u>84,209</u>	<u>15,791</u>
Total	<u>150,000</u>	<u>100,000</u>	<u>84,209</u>	<u>15,791</u>
Other Financing Uses:				
Transfers to other funds	<u>-</u>	<u>-</u>	<u>32,799</u>	<u>32,799</u>
Total Charges to Appropriations	<u>150,000</u>	<u>100,000</u>	<u>117,008</u>	<u>48,590</u>
Ending Budgetary Fund Balance	<u>\$ 108,712</u>	<u>\$ 158,712</u>	<u>\$ 136,516</u>	<u>\$ 43,402</u>

CITY OF ASHLAND, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUND
 FOR THE YEAR ENDED APRIL 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 39,581	\$ 39,581	\$ 39,581	\$ -
Resources (Inflows):				
Property taxes	17,500	17,500	15,746	(1,754)
Investment income	100	100	4,779	4,679
Totals	<u>17,600</u>	<u>17,600</u>	<u>20,525</u>	<u>2,925</u>
Amounts available for appropriation	<u>57,181</u>	<u>57,181</u>	<u>60,106</u>	<u>2,925</u>
Charges to appropriations (Outflows):				
Debt Service:				
Principal payments	12,000	12,000	10,000	2,000
Interest and fees	2,000	2,000	6,176	(4,176)
Total Debt Service	<u>14,000</u>	<u>14,000</u>	<u>16,176</u>	<u>(2,176)</u>
Total Charges to Appropriations	<u>14,000</u>	<u>14,000</u>	<u>16,176</u>	<u>(2,176)</u>
Ending Budgetary Fund Balance	<u>\$ 43,181</u>	<u>\$ 43,181</u>	<u>\$ 43,930</u>	<u>\$ 749</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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ashland, Missouri (the 'City'), as of and for the year ended April 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 21, 2009. 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.

PARTNERS

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

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 opinions 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.

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 City'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.

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 City's internal control.

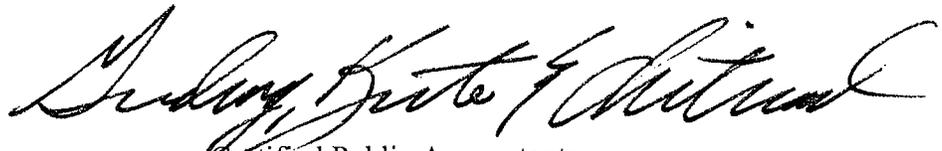
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 July 21, 2009.

This report is intended solely for the information and use of management, Board of Aldermen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

July 21, 2009



GERDING, KORTE & CHITWOOD

Professional Corporation
Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Ashland, Missouri with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2009. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

PARTNERS

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

In our opinion, the City of Ashland, Missouri complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2009.

Internal Control Over Compliance

The management of the City of Ashland, Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Aldermen, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

July 21, 2009

**CITY OF ASHLAND, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED APRIL 30, 2009**

<u>Grantor Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<u>Environmental Protection Agency</u>				
Passed through Missouri Department of Natural Resources	Capitalization Grants for Clear Water	66.458	C295-385-01 Series 2007A	\$ 427,458
	Capitalization Grants for Drinking Water	66.468	DW29-1043-02 Series 2008A	243,166
<u>U.S. Department of Homeland Security</u>				
Passed through Missouri Emergency Management Agency	Public Assistance Disaster Grant	97.036	FEMA-1736-DR-MO	245
<u>U.S. General Services Administration</u>				
Passed through State Agency for	Surplus Property	39.003		<u>89</u>
TOTAL FEDERAL EXPENDITURES				<u>\$ 670,958</u>

CITY OF ASHLAND, MISSOURI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
APRIL 30, 2009

1. Summary of Significant Accounting Policies

A. Purpose of Schedule of Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by City of Ashland, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food, commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under-grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

The schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

2. Subrecipients

The City provided no federal awards to subrecipients during the year ended April 30, 2009.

**CITY OF ASHLAND, MISSOURI
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 AND SUMMARY OF AUDITORS' RESULTS - FEDERAL REQUIREMENTS
 APRIL 30, 2009**

Section I: Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditors' reports issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Clear Water State Revolving Loan Program
66.468	Drinking Water State Revolving Loan Program

CITY OF ASHLAND, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND
SUMMARY OF AUDITORS' RESULTS - FEDERAL REQUIREMENTS (CONT'D)
APRIL 30, 2009

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Section II: Financial Statement Findings

2009-1 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.

Section III: Federal Award Findings and Questioned Costs

None