

***REPORT OF***  
***CITY OF ASHLAND, MISSOURI***  
***YEAR ENDED APRIL 30, 2010***

*CITY OF ASHLAND, MISSOURI*

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***CITY OF ASHLAND, MISSOURI***

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## INDEPENDENT AUDITORS' REPORT

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

### PARTNERS

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Missouri (the "City"), as of and for the year ended April 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Missouri, as of April 30, 2010, and the respective changes in financial position - modified cash basis, thereof; and the respective budgetary comparisons - modified cash basis for the general fund and street 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 September 3, 2010, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, and the Schedule of Funding Progress on page 41, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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. 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.



September 3, 2010

Certified Public Accountants

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2010  
(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, 2010. 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 \$8,521,420. Of this amount, \$2,376,441 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 \$80,726.
- As of the close of the current fiscal year, the City of Ashland's governmental funds reported combined ending fund balances of \$867,957. \$805,152 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 \$716,514.
- The City's bond payable decreased \$165,000 due to scheduled payments.

**Overview of the Financial Statements**

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

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

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2010  
(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, Wastewater and Sanitation 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, 2010  
(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.

**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 20-40.

**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 41 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 42-48 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 \$8,521,420 as of April 30, 2010.

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2010  
(UNAUDITED)

A significant portion of the City's net assets (64%) 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.

2010 NET ASSETS

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 848,211	\$ 1,406,215	\$ 2,254,426
Restricted assets	20,902	826,470	847,372
Capital assets	<u>3,557,029</u>	<u>5,576,748</u>	<u>9,133,777</u>
Total Assets	<u>\$4,426,142</u>	<u>\$ 7,809,433</u>	<u>\$12,235,575</u>
Other payable (payroll tax)	\$ 1,156	\$ 7,461	\$ 8,617
Bonds payable	95,073	3,553,000	3,648,073
Deposit payable	<u>          </u>	<u>57,465</u>	<u>57,465</u>
Total Liabilities	<u>\$ 96,229</u>	<u>\$ 3,617,926</u>	<u>\$ 3,714,155</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 3,461,956	\$ 2,023,748	\$ 5,485,704
Restricted	62,805	596,470	659,275
Unrestricted	<u>805,152</u>	<u>1,571,289</u>	<u>2,376,441</u>
Total Net Assets	<u>\$ 4,329,913</u>	<u>\$ 4,191,507</u>	<u>\$ 8,521,420</u>

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	<u>          </u>	<u>55,113</u>	<u>55,113</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	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>

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2010  
(UNAUDITED)

As of April 30, 2010, 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 \$80,726.

Governmental Activities: Governmental activities decreased the net assets by \$379,257.

Business-type Activities: Net Assets from business-type activities increased by \$459,983 from \$3,731,524 to \$4,191,507. 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, 2010 and 2009.

2010 CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 42,185	\$ 1,200,986	\$ 1,243,171
Operating grants and contributions	311,245	-	311,245
Capital grants and contributions	-	-	-
General Revenues:			
Property taxes	147,875	-	147,875
Sales taxes	381,229	-	381,229
Franchise taxes	216,767	-	216,767
Interest and investment earnings	21,686	107,863	129,549
Interfund Transfers	-	-	-
Miscellaneous	<u>75,217</u>	<u>-</u>	<u>75,217</u>
Total Revenues	<u>1,196,204</u>	<u>1,308,849</u>	<u>2,505,053</u>
Expenses:			
General government	411,754	-	411,754
Public safety	283,203	-	283,203
Transportation	843,882	-	843,882
Cultural and recreation	30,136	-	30,136
Interest expense	6,486	-	6,486
Water and sewer	-	566,833	566,833
Sanitation	<u>-</u>	<u>282,033</u>	<u>282,033</u>
Total Expenses	<u>1,575,461</u>	<u>848,866</u>	<u>2,424,327</u>
Increase (Decrease) in net assets	(379,257)	459,983	80,726
Net Assets-Beginning of Year	<u>4,709,170</u>	<u>3,731,524</u>	<u>8,440,694</u>
Net Assets-End of Year	<u>\$ 4,329,913</u>	<u>\$4,191,507</u>	<u>\$ 8,521,420</u>

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2010  
(UNAUDITED)

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	<u>58,381</u>	<u>-</u>	<u>58,381</u>
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	<u>-</u>	<u>276,932</u>	<u>276,932</u>
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>

**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 \$867,957.

In the general fund, the City budgeted for a decrease in the fund balance of \$110,000 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 2010 was \$2,709.

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2010  
(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, 2010, amounts to \$9,133,777 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements and construction in progress.

2010  
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	\$ 270,433	\$ 140,737	\$ 411,170
Buildings	236,101	328,890	564,991
Machinery and vehicles	86,375	11,573	97,948
Infrastructure	2,740,118	-	2,740,118
Furniture and equipment	97,027	6,164	103,191
Property and improvements	126,975	3,177,508	3,304,483
Construction in progress	-	<u>1,911,876</u>	<u>1,911,876</u>
Net Capital Assets	<u>\$ 3,557,029</u>	<u>\$5,576,748</u>	<u>\$9,133,777</u>

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>

Additional information on the City of Ashland's capital assets can be found in notes to basic financial statements on pages 30-32 of this report.

**Debt Administration**

At the end of the current fiscal year, the City of Ashland had revenue bonded debt of \$3,610,465 and general obligation debt of \$95,073. 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. The Note Payable is funded through General Revenue.

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2010  
(UNAUDITED)

2010  
Outstanding Debt at Year End  
Revenue Bonds, Note Payable Debt and Deposits

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Revenue bonds	\$ -	\$3,553,000	\$3,553,000
General obligation bonds	85,000	-	85,000
Capital lease obligation	10,073	-	10,073
Deposits payable	-	57,465	57,465
Total	<u>\$ 95,073</u>	<u>\$3,610,465</u>	<u>\$3,705,538</u>

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Revenue bonds	\$ -	\$3,708,000	\$3,708,000
General obligation bonds	95,000	-	95,000
Capital lease obligation	14,664	-	14,664
Deposits payable	-	55,113	55,113
Total	<u>\$109,664</u>	<u>\$3,763,113</u>	<u>\$3,872,777</u>

During the fiscal year, the City's total debt decreased by \$167,239 or 4%. The decrease was Due to scheduled payments.

Additional information on the City of Ashland's long-term debt can be found in Notes to basic financial statements on pages 32-37 of this report.

**Transfers**

The City made the following transfers in 2010 and 2009:

<u>2010</u>			<u>2009</u>		
<u>From</u>	<u>To</u>	<u>Amount</u>	<u>From</u>	<u>To</u>	<u>Amount</u>
Capital Project	Street	\$125,000	General	Street	\$250,000
			Sewer, Water, Capital	General	\$219,024

**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](http://www.ashlandmo.us).

CITY OF ASHLAND, MISSOURI  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
APRIL 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 601,211	\$ 1,304,601	\$ 1,905,812
Restricted cash and cash equivalents	12,000	230,000	242,000
Investments	247,000	-	247,000
Restricted investments held in escrow	8,902	596,470	605,372
Unamortized bond costs	-	101,614	101,614
Capital assets (Note III-C):			
Land	270,433	140,737	411,170
Other capital assets, net of accumulated depreciation	<u>3,286,596</u>	<u>5,436,011</u>	<u>8,722,607</u>
<b>Total Assets</b>	<u>4,426,142</u>	<u>7,809,433</u>	<u>12,235,575</u>
<b>LIABILITIES</b>			
Bank overdraft	-	7,461	7,461
Other payable	1,156	-	1,156
Long-term liabilities (Note III-D):			
Due within one year	14,882	676,000	690,882
Refundable deposits	-	57,465	57,465
Due in more than one year	<u>80,191</u>	<u>2,877,000</u>	<u>2,957,191</u>
<b>Total Liabilities</b>	<u>96,229</u>	<u>3,617,926</u>	<u>3,714,155</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,461,956	2,023,748	5,485,704
Restricted but expendable for:			
Debt service	62,805	564,350	627,155
Construction	-	32,120	32,120
Unrestricted	<u>805,152</u>	<u>1,571,289</u>	<u>2,376,441</u>
<b>Total Net Assets</b>	<u>\$ 4,329,913</u>	<u>\$ 4,191,507</u>	<u>\$ 8,521,420</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
YEAR ENDED APRIL 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 411,754	\$ 20,170	\$ -	\$ -	\$ (391,584)	\$ -	\$ (391,584)
Public Safety	283,203	22,015	-	-	(261,188)	-	(261,188)
Streets	843,882	-	311,245	-	(532,637)	-	(532,637)
Park	30,136	-	-	-	(30,136)	-	(30,136)
Interest expense	6,486	-	-	-	(6,486)	-	(6,486)
Total Governmental Activities	<u>1,575,461</u>	<u>42,185</u>	<u>311,245</u>	<u>-</u>	<u>(1,222,031)</u>	<u>-</u>	<u>(1,222,031)</u>
Business-Type Activities:							
Water	311,116	476,187	-	-	-	165,071	165,071
Sewer	255,717	459,941	-	-	-	204,224	204,224
Sanitation	282,033	264,858	-	-	-	(17,175)	(17,175)
Total Business-Type Activities	<u>848,866</u>	<u>1,200,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>352,120</u>	<u>352,120</u>
General Revenues:							
Taxes:							
Property taxes					147,875	-	147,875
Sales taxes					381,229	-	381,229
Franchise taxes					216,767	-	216,767
Investment income					21,686	107,863	129,549
Miscellaneous					75,217	-	75,217
Total general revenues					<u>842,774</u>	<u>107,863</u>	<u>950,637</u>
Change in net assets					(379,257)	459,983	80,726
Net assets - beginning					<u>4,709,170</u>	<u>3,731,524</u>	<u>8,440,694</u>
Net assets - ending					<u>\$ 4,329,913</u>	<u>\$ 4,191,507</u>	<u>\$ 8,521,420</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
APRIL 30, 2010

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 470,670	\$ 14,227	\$ 116,314	\$ 601,211
Restricted cash and cash equivalents	-	-	12,000	12,000
Investments	247,000	-	-	247,000
Restricted investments held in escrow	<u>-</u>	<u>-</u>	<u>8,902</u>	<u>8,902</u>
Total Assets	<u>\$ 717,670</u>	<u>\$ 14,227</u>	<u>\$ 137,216</u>	<u>\$ 869,113</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Other payable	<u>\$ 1,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,156</u>
Total Liabilities	<u>1,156</u>	<u>-</u>	<u>-</u>	<u>1,156</u>
<b>Fund Balances:</b>				
Reserved for debt service, reported in nonmajor special revenue funds	-	-	62,805	62,805
Unreserved, reported in nonmajor special revenue funds	-	-	74,411	74,411
Unreserved	<u>716,514</u>	<u>14,227</u>	<u>-</u>	<u>730,741</u>
Total Fund Balances	<u>716,514</u>	<u>14,227</u>	<u>137,216</u>	<u>867,957</u>
Total Liabilities and Fund Balances	<u>\$ 717,670</u>	<u>\$ 14,227</u>	<u>\$ 137,216</u>	

Reconciliation to Statement of Net Assets:

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

Capital assets used in governmental activities of \$11,060,449 net of accumulated depreciation of \$7,503,420 are not financial resources and, therefore, are not reported in the funds.	3,557,029
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(95,073)</u>
Net assets of governmental activities	<u>\$ 4,329,913</u>

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, 2010

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Property taxes	\$ 117,478	\$ -	\$ 30,397	\$ 147,875
Sales taxes	262,554	-	118,675	381,229
Franchise taxes	216,767	-	-	216,767
Intergovernmental	-	311,245	-	311,245
Licenses and permits	16,162	850	3,158	20,170
Fines and forfeits	15,929	3,930	2,156	22,015
Investment income	17,651	-	4,035	21,686
Miscellaneous	58,116	17,101	-	75,217
Total Revenues	<u>704,657</u>	<u>333,126</u>	<u>158,421</u>	<u>1,196,204</u>
<b>EXPENDITURES:</b>				
General government	374,906	-	-	374,906
Public safety	265,814	-	8,985	274,799
Streets	-	514,993	-	514,993
Parks	61,228	-	-	61,228
Capital outlay	-	-	65,162	65,162
Interest and fees on debt	-	-	5,557	5,557
Debt service - principal	-	-	10,000	10,000
Total Expenditures	<u>701,948</u>	<u>514,993</u>	<u>89,704</u>	<u>1,306,645</u>
Excess (Deficit) of Revenues over Expenditures	<u>2,709</u>	<u>(181,867)</u>	<u>68,717</u>	<u>(110,441)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	-	125,000	(125,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>125,000</u>	<u>(125,000)</u>	<u>-</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	2,709	(56,867)	(56,283)	(110,441)
Fund Balance, Beginning	<u>713,805</u>	<u>71,094</u>	<u>193,499</u>	<u>978,398</u>
Fund Balance, Ending	<u>\$ 716,514</u>	<u>\$ 14,227</u>	<u>\$ 137,216</u>	<u>\$ 867,957</u>
Reconciliation to the Statement of Activities:				
Net change in fund balances - total governmental funds				\$ (110,441)
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				14,591
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				431,002
Depreciation expense				<u>(714,409)</u>
Change in Net Assets of Governmental Activities				<u>\$ (379,257)</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 GENERAL FUND  
 YEAR ENDED APRIL 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Beginning Budgetary Fund Balance:	\$ 713,805	\$ 713,805	\$ 713,805	\$ -
Resources (Inflows):				
Property taxes	110,000	110,000	117,478	7,478
Sales taxes	265,000	265,000	262,554	(2,446)
Franchise taxes	227,100	191,100	216,767	25,667
Alcoholic beverage licenses	2,500	2,000	2,110	110
Animal licenses	600	500	590	90
Building permits	15,000	15,000	13,462	(1,538)
Municipal court fines and fees	7,745	10,000	15,929	5,929
Investment income	25,000	18,000	17,651	(349)
Lease income	40,000	40,000	38,334	(1,666)
Fall festival and park donations	3,300	4,800	5,652	852
Other	5,350	3,400	14,130	10,730
Total	<u>701,595</u>	<u>659,800</u>	<u>704,657</u>	<u>44,857</u>
Amounts available for appropriation	<u>1,415,400</u>	<u>1,373,605</u>	<u>1,418,462</u>	<u>44,857</u>
Charges to Appropriations (Outflows):				
General Government:				
Personnel services	169,500	169,500	176,377	(6,877)
Materials and supplies	8,000	22,600	8,370	14,230
Other services and charges	227,100	187,850	186,436	1,414
Capital expenditures	10,000	-	3,723	(3,723)
Total General Government	<u>414,600</u>	<u>379,950</u>	<u>374,906</u>	<u>5,044</u>
Public Safety:				
Personnel services	267,800	267,800	231,881	35,919
Materials and supplies	20,000	15,000	10,991	4,009
Other services and charges	22,145	14,300	17,422	(3,122)
Capital expenditures	6,000	13,500	5,520	7,980
Total Public Safety	<u>315,945</u>	<u>310,600</u>	<u>265,814</u>	<u>44,786</u>
Park Department:				
Other services and charges	38,000	29,250	35,533	(6,283)
Capital expenditures	50,000	50,000	25,695	24,305
Total Park Department	<u>88,000</u>	<u>79,250</u>	<u>61,228</u>	<u>18,022</u>
Other Financing Uses:				
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	<u>818,545</u>	<u>769,800</u>	<u>701,948</u>	<u>67,852</u>
Ending Budgetary Fund Balance	<u>\$ 596,855</u>	<u>\$ 603,805</u>	<u>\$ 716,514</u>	<u>\$ 112,709</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 STREET FUND  
 YEAR ENDED APRIL 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 71,094	\$ 71,094	\$ 71,094	\$ -
Resources (Inflows):				
Intergovernmental	187,000	456,800	311,245	(145,555)
Licenses and permits	1,000	1,000	850	(150)
Investment income	3,400	3,900	3,930	30
Miscellaneous	2,500	17,000	17,101	101
Total	<u>193,900</u>	<u>478,700</u>	<u>333,126</u>	<u>(145,574)</u>
Other Financing Sources:				
Transfer from other funds	<u>-</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Amounts available for appropriation	<u>264,994</u>	<u>674,794</u>	<u>529,220</u>	<u>(145,574)</u>
Charges to appropriations (Outflows):				
Street Department:				
Personnel services	80,900	80,900	82,351	(1,451)
Materials and supplies	25,000	35,000	38,012	(3,012)
Other services and charges	245,500	533,000	394,630	138,370
Capital expenditures	10,000	-	-	-
Total Street Department	<u>361,400</u>	<u>648,900</u>	<u>514,993</u>	<u>133,907</u>
Total Charges to Appropriations	<u>361,400</u>	<u>648,900</u>	<u>514,993</u>	<u>133,907</u>
Ending Budgetary Fund Balance	<u>\$ (96,406)</u>	<u>\$ 25,894</u>	<u>\$ 14,227</u>	<u>\$ (11,667)</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
APRIL 30, 2010

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
<b>Assets</b>				
Current Assets:				
Cash and cash equivalents	\$ 474,344	\$ 830,257	\$ -	\$ 1,304,601
Restricted cash and cash equivalents	<u>115,000</u>	<u>115,000</u>	<u>-</u>	<u>230,000</u>
Total Cash and Cash Equivalents	<u>589,344</u>	<u>945,257</u>	<u>-</u>	<u>1,534,601</u>
Investments	-	-	-	-
Restricted investments held in escrow	<u>325,932</u>	<u>270,538</u>	<u>-</u>	<u>596,470</u>
Total Investments	<u>325,932</u>	<u>270,538</u>	<u>-</u>	<u>596,470</u>
Total Current Assets	<u>915,276</u>	<u>1,215,795</u>	<u>-</u>	<u>2,131,071</u>
Noncurrent Assets:				
Unamortized bond costs	79,828	21,786	-	101,614
Land	98,600	42,137	-	140,737
Construction in process	1,911,876	-	-	1,911,876
Other capital assets, net of accumulated depreciation	<u>1,432,315</u>	<u>2,091,820</u>	<u>-</u>	<u>3,524,135</u>
Total Noncurrent Assets	<u>3,522,619</u>	<u>2,155,743</u>	<u>-</u>	<u>5,678,362</u>
Total Assets	<u>\$ 4,437,895</u>	<u>\$ 3,371,538</u>	<u>\$ -</u>	<u>\$ 7,809,433</u>
<b>Liabilities</b>				
Current Liabilities:				
Bank overdraft	\$ -	\$ -	\$ 7,461	\$ 7,461
Bonds payable - current portion	<u>360,280</u>	<u>315,720</u>	<u>-</u>	<u>676,000</u>
Total Current Liabilities	<u>360,280</u>	<u>315,720</u>	<u>7,461</u>	<u>683,461</u>
Noncurrent Liabilities:				
Refundable deposits	57,465	-	-	57,465
Bonds payable - long-term portion	<u>1,597,460</u>	<u>1,279,540</u>	<u>-</u>	<u>2,877,000</u>
Total Noncurrent Liabilities	<u>1,654,925</u>	<u>1,279,540</u>	<u>-</u>	<u>2,934,465</u>
Total Liabilities	<u>\$ 2,015,205</u>	<u>\$ 1,595,260</u>	<u>\$ 7,461</u>	<u>\$ 3,617,926</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	1,485,051	538,697	-	2,023,748
Restricted but expendable for debt service	293,812	270,538	-	564,350
Restricted but expendable for construction	32,120	-	-	32,120
Unrestricted (Deficit)	<u>611,707</u>	<u>967,043</u>	<u>(7,461)</u>	<u>1,571,289</u>
Total Net Assets	<u>\$ 2,422,690</u>	<u>\$ 1,776,278</u>	<u>\$ (7,461)</u>	<u>\$ 4,191,507</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, 2010

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Operating Revenues:				
Charges for services	\$ 442,556	\$ 453,053	\$ 264,858	\$ 1,160,467
Miscellaneous	33,631	6,888	-	40,519
Total Operating Revenues	<u>476,187</u>	<u>459,941</u>	<u>264,858</u>	<u>1,200,986</u>
Operating Expenses:				
Personnel services	88,621	70,669	-	159,290
Materials and supplies	24,324	19,116	-	43,440
Repairs and maintenance	8,211	12,069	-	20,280
Trash hauling	-	-	259,117	259,117
Utilities	31,984	40,152	-	72,136
Other	18,905	9,174	22,916	50,995
Depreciation	58,614	63,226	-	121,840
Amortization	5,706	1,089	-	6,795
Total Operating Expenses	<u>236,365</u>	<u>215,495</u>	<u>282,033</u>	<u>733,893</u>
Operating Income (Loss)	<u>239,822</u>	<u>244,446</u>	<u>(17,175)</u>	<u>467,093</u>
Non-Operating Revenues (Expenses):				
Investment income	71,842	36,021	-	107,863
Interest expense and fees on debt	(74,751)	(40,222)	-	(114,973)
Total nonoperating revenues (expenses)	<u>(2,909)</u>	<u>(4,201)</u>	<u>-</u>	<u>(7,110)</u>
Net income	236,913	240,245	(17,175)	459,983
Net Assets, Beginning	<u>2,185,777</u>	<u>1,536,033</u>	<u>9,714</u>	<u>3,731,524</u>
Net Assets, Ending	<u>\$ 2,422,690</u>	<u>\$ 1,776,278</u>	<u>\$ (7,461)</u>	<u>\$ 4,191,507</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
YEAR ENDED APRIL 30, 2010

	Proprietary Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Cash flows from operating activities:				
Receipts from customers	\$ 476,187	\$ 459,941	\$ 264,858	\$ 1,200,986
Payments to suppliers	(81,072)	(80,511)	(282,033)	(443,616)
Payments to employees	(88,621)	(70,669)	-	(159,290)
Net cash provided by operating activities	<u>306,494</u>	<u>308,761</u>	<u>(17,175)</u>	<u>598,080</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(1,076,729)	(110,615)	-	(1,187,344)
Principal paid on capital debt	(84,150)	(70,850)	-	(155,000)
Interest and fiscal agent fees paid on capital debt	(74,751)	(40,222)	-	(114,973)
Net cash (used) for capital and related financing activities	<u>(1,235,630)</u>	<u>(221,687)</u>	<u>-</u>	<u>(1,457,317)</u>
Cash flows from investing activities:				
Purchase of investments	(181,065)	(87,088)	-	(268,153)
Maturities of investments	1,012,609	296,490	-	1,309,099
Interest income	71,842	36,021	-	107,863
Net cash provided (used) by investing activities	<u>903,386</u>	<u>245,423</u>	<u>-</u>	<u>1,148,809</u>
Net increase in cash and cash equivalents	(25,750)	332,497	(17,175)	289,572
Balance, beginning of year	<u>615,094</u>	<u>612,760</u>	<u>9,714</u>	<u>1,237,568</u>
Balance, end of year	<u>\$ 589,344</u>	<u>\$ 945,257</u>	<u>\$ (7,461)</u>	<u>\$ 1,527,140</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	239,822	244,446	(17,175)	467,093
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	58,614	63,226	-	121,840
Amortization expense	5,706	1,089	-	6,795
Changes in assets and liabilities:				
Refundable deposits	<u>2,352</u>	<u>-</u>	<u>-</u>	<u>2,352</u>
Net cash provided by operating activities	<u>\$ 306,494</u>	<u>\$ 308,761</u>	<u>\$ (17,175)</u>	<u>\$ 598,080</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note I-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. 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, 2010

**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, 2010

**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 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, 2010

**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.

**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.
- 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.

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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.

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2010

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

Capitalization of Interest Costs

The Proprietary Funds capitalize the interest cost of restricted tax exempt borrowings, less any interest earned on temporary investments of the proceeds of those borrowings, until the specified assets acquired with those borrowings is placed into service. During fiscal year 2010, interest of \$90,683 was capitalized.

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2010

**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 City’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, 2010

**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, 2010, expenditures exceeded appropriations at the legal level of control in the Debt Service Fund by \$3,707. In addition, the City originally budgeted a \$96,406 deficit fund balance in the Street Fund.

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2010

**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, 2010, are shown below:

	Maturity Date	Carrying Value
Deposits:		
Demand deposits		\$ 1,805,812
		1,805,812
Investments:		
Time deposits	10/5/2010	100,000
Time deposits	12/3/2010	130,000
Time deposits	12/5/2010	97,000
Time deposit	7/14/2011	100,000
Time deposit	8/29/2011	80,000
Time deposits	5/14/2012	82,000
U.S. Federal Obligations		605,372
Total investments		1,194,372
Total deposits and investments		\$ 3,000,184

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2010

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

Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	\$ 1,905,812
Restricted cash and cash equivalents	242,000
Investments	247,000
Restricted investments held in escrow	605,372
Total	\$ 3,000,184

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 \$2,402,127 at April 30, 2010, 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, 2010, 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, 2010, 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	\$ 20,902
Series 2000 and 2002 Revenue Bonds - Principal and interest	130,000
Series 2000 and 2002 Revenue Bonds - Reserve	75,000
Series 2000 and 2002 Revenue Bonds - Depreciation/Replacement	25,000
Total Bond Restricted Funds Required	250,902
Restricted funds held in Escrow	596,470
Total Restricted Assets	\$ 847,372

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2010

**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 \$8,902 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, 2010, was as follows:

	Balance May 1, 2009	Additions	Disposals	Balance April 30, 2010
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 219,600	\$ 50,833	\$ -	\$ 270,433
Total capital assets not being depreciated	<u>219,600</u>	<u>50,833</u>	<u>-</u>	<u>270,433</u>
Capital assets being depreciated				
Buildings	365,313	-	-	365,313
Machinery and vehicles	239,366	14,735	(4,450)	249,651
Furniture and equipment	190,358	26,952	-	217,310
Other property and equipment	222,613	-	-	222,613
Infrastructure	9,396,647	338,482	-	9,735,129
Total capital assets being depreciated	<u>10,414,297</u>	<u>380,169</u>	<u>(4,450)</u>	<u>10,790,016</u>
Total capital assets at historical costs	<u>10,633,897</u>	<u>431,002</u>	<u>(4,450)</u>	<u>11,060,449</u>
Less accumulated depreciation				
Buildings	(117,801)	(11,411)	-	(129,212)
Machinery and vehicles	(140,615)	(27,111)	4,450	(163,276)
Furniture and equipment	(95,767)	(24,516)	-	(120,283)
Other property and equipment	(91,744)	(3,894)	-	(95,638)
Infrastructure	(6,347,534)	(647,477)	-	(6,995,011)
Total accumulated depreciation	<u>(6,793,461)</u>	<u>(714,409)</u>	<u>4,450</u>	<u>(7,503,420)</u>
Total capital assets being depreciated, net	<u>3,620,836</u>	<u>(334,240)</u>	<u>-</u>	<u>3,286,596</u>
Net capital assets	<u>\$ 3,840,436</u>	<u>\$ (283,407)</u>	<u>\$ -</u>	<u>\$ 3,557,029</u>

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2010

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

Water

	Balance May 1, 2009	Additions	Disposals	Balance April 30, 2010
Capital assets not being depreciated:				
Land	\$ 98,600	\$ -	\$ -	\$ 98,600
Construction in Progress	835,147	1,076,729	-	1,911,876
Total capital assets not being depreciated	<u>933,747</u>	<u>1,076,729</u>	<u>-</u>	<u>2,010,476</u>
Capital assets being depreciated				
Buildings	420,257	-	-	420,257
Machinery and vehicles	101,472	-	-	101,472
Furniture and equipment	12,645	-	-	12,645
Property and improvements	1,499,504	-	-	1,499,504
Total capital assets being depreciated	<u>2,033,878</u>	<u>-</u>	<u>-</u>	<u>2,033,878</u>
Total capital assets at historical costs	<u>2,967,625</u>	<u>1,076,729</u>	<u>-</u>	<u>4,044,354</u>
Less accumulated depreciation				
Buildings	(123,487)	(8,549)	-	(132,036)
Machinery and vehicles	(91,009)	(4,633)	-	(95,642)
Furniture and equipment	(5,202)	(1,278)	-	(6,480)
Property and improvements	(323,251)	(44,154)	-	(367,405)
Total accumulated depreciation	<u>(542,949)</u>	<u>(58,614)</u>	<u>-</u>	<u>(601,563)</u>
Total capital assets being depreciated, net	<u>1,490,929</u>	<u>(58,614)</u>	<u>-</u>	<u>1,432,315</u>
Net capital assets	<u>\$ 2,424,676</u>	<u>\$ 1,018,115</u>	<u>\$ -</u>	<u>\$ 3,442,791</u>

Sewer

	Balance May 1, 2009	Additions	Disposals	Balance April 30, 2010
Capital assets not being depreciated:				
Land	\$ 42,137	\$ -	\$ -	\$ 42,137
Construction in Progress	875,820	(875,820)	-	-
Total capital assets not being depreciated	<u>917,957</u>	<u>(875,820)</u>	<u>-</u>	<u>42,137</u>
Capital assets being depreciated				
Buildings	64,489	-	-	64,489
Machinery and vehicles	109,077	-	-	109,077
Furniture and equipment	3,722	-	-	3,722
Property and improvements	1,517,036	986,435	-	2,503,471
Total capital assets being depreciated	<u>1,694,324</u>	<u>986,435</u>	<u>-</u>	<u>2,680,759</u>
Total capital assets at historical costs	<u>2,612,281</u>	<u>110,615</u>	<u>-</u>	<u>2,722,896</u>
Less accumulated depreciation				
Buildings	(21,360)	(2,460)	-	(23,820)
Machinery and vehicles	(94,857)	(8,477)	-	(103,334)
Furniture and equipment	(3,723)	-	-	(3,723)
Property and improvements	(405,773)	(52,289)	-	(458,062)
Total accumulated depreciation	<u>(525,713)</u>	<u>(63,226)</u>	<u>-</u>	<u>(588,939)</u>
Total capital assets being depreciated, net	<u>1,168,611</u>	<u>923,209</u>	<u>-</u>	<u>2,091,820</u>
Net capital assets	<u>\$ 2,086,568</u>	<u>\$ 47,389</u>	<u>\$ -</u>	<u>\$ 2,133,957</u>

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2010

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

Sanitation

	Balance May 1, 2009	Additions	Disposals	Balance April 30, 2010
Other capital assets:				
Furniture and equipment	\$ 1,434	\$ -	\$ -	\$ 1,434
Total other capital assets at historical costs	<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	-	-	-	-
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	\$ 38,447
Public safety	25,644
Streets	648,965
Park	<u>1,353</u>
Total depreciation expense for governmental activities	<u>\$ 714,409</u>

Business-type activities:

Water	\$ 58,614
Sewer	63,226
Sanitation	<u>—</u>
Total depreciation expense for business-type activities	<u>\$ 121,840</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, 2010, 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, 2010

**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 \$3,647 for the year ended April 30, 2010, 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 \$85,000.

Business-Type Activities

As of April 30, 2010, 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 \$258,000.

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, 2010

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

Series 2007: The City issued \$1,000,000 combined waterworks and sewerage system revenue bonds in May 2007 for the purpose of extending and improving the City's combined waterworks and sewerage system. The 2007 bonds have interest rates ranging from 4.00% to 4.25%, with semi-annual payments on January 1 and July 1 through January 1, 2028. See tables below.

Series 2008: The City issued \$1,240,000 water pollution control revenue bonds in October 2008 for the purpose of extending and improving the City's combined waterworks and sewerage system. The 2008 bonds have interest rates ranging from 4.00% to 5.750%, with semi-annual payments on January 1 and July 1 through January 1, 2029. See tables below.

Total proprietary fund bonds payable at April 30, 2010, is \$3,553,000.

Refundable deposits reported as a liability within the Statement of Net Assets are composed of the following:

Utility Deposits - Refundable \$ 57,465

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended April 30, 2010:

Original Issue	May 1, 2009	Additions	Deductions	April 30, 2010	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Lease 1995	\$ 95,000	\$ -	\$ 10,000	\$ 85,000	\$ 10,000
Capital Lease Obligations	14,664	-	4,591	10,073	4,882
Total Governmental Activities	<u>\$ 109,664</u>	<u>\$ -</u>	<u>\$ 14,591</u>	<u>\$ 95,073</u>	<u>\$ 14,882</u>
<b>Business-Type Activities:</b>					
Revenue Series 2000	\$ 665,000	\$ -	\$ 35,000	\$ 630,000	\$ 550,000
Revenue Series 2002	273,000	-	15,000	258,000	16,000
Revenue Series 2006	575,000	-	5,000	570,000	10,000
Revenue Series 2007	955,000	-	45,000	910,000	45,000
Revenue Series 2008	1,240,000	-	55,000	1,185,000	55,000
Refundable deposits	55,113	12,875	10,523	57,465	-
Total Business-Type Activities	<u>\$ 3,763,113</u>	<u>\$ 12,875</u>	<u>\$ 165,523</u>	<u>\$ 3,610,465</u>	<u>\$ 676,000</u>

Debt Service Requirements To Maturity

The annual debt service requirements to maturity, including principal and interest, for long-term debt, except for refundable deposits, as of April 30, 2010, are as follows:

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2010

**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
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	15,000	1,688	16,688
2016	15,000	844	15,844
Total	<u>\$ 85,000</u>	<u>\$ 17,431</u>	<u>\$ 102,431</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
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>\$ 630,000</u>	<u>\$ 28,188</u>	<u>\$ (16,738)</u>	<u>\$ 641,450</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, 2010

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

**2002 Revenue Bonds**

Year Ending April 30,	Principal	Interest	Total
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	19,000	10,744	29,744
2016-2020	116,000	36,000	152,000
2021-2025	56,000	4,782	60,782
Total	<u>\$ 258,000</u>	<u>\$ 103,818</u>	<u>\$ 361,818</u>

**2006 Revenue Bonds Issued for Refunding of 2000 Bonds**

Year Ending April 30,	Principal	Interest	Total
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	50,000	20,107	70,107
2016-2020	300,000	64,794	364,794
2021-2025	140,000	3,150	143,150
Total	<u>\$ 570,000</u>	<u>\$ 181,921</u>	<u>\$ 751,921</u>

**2007 Revenue Bonds Issued for Wastewater Improvements**

Year Ending April 30,	Principal	Interest	Total
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	45,000	31,438	76,438
2016-2020	245,000	128,987	373,987
2021-2025	265,000	76,013	341,013
2026-2029	175,000	15,737	190,737
Total	<u>\$ 910,000</u>	<u>\$ 395,925</u>	<u>\$ 1,305,925</u>

**2008 Revenue Bonds Issued for Water Improvements**

Year Ending April 30,	Principal	Interest	Total
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	55,000	51,860	106,860
2016-2020	295,000	218,325	513,325
2021-2025	325,000	138,577	463,577
2026-2029	290,000	42,262	332,262
Total	<u>\$ 1,185,000</u>	<u>\$ 681,427</u>	<u>\$ 1,866,427</u>

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2010

**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>	
2011	\$ 5,520
2012	<u>5,520</u>
Total Minimum Lease Payments	11,040
Less amount representing interest	<u>(967)</u>
Net Lease Payments	<u><u>\$ 10,073</u></u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at April 30, 2010:

Equipment	\$ 19,041
Less accumulated amortization	<u>(7,934)</u>
	<u><u>\$ 11,107</u></u>

Amortization of capital leases was \$2,720 for the fiscal year ending April 30, 2010. 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, 2010, were as follows:

	<u>Street Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Transfer in	\$ 125,000	\$ -	\$ 125,000
Transfer out	<u>-</u>	<u>(125,000)</u>	<u>(125,000)</u>
Total	<u><u>\$ 125,000</u></u>	<u><u>\$ (125,000)</u></u>	<u><u>\$ -</u></u>

The purpose of the interfund transfer was for cost allocation.

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2010

**IV. OTHER INFORMATION**

**A. Retirement Plan**

Plan Description

The City of Ashland, Missouri 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'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), 3.7% (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 2009 the City's annual pension cost of \$33,026 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2007, and/or February 28, 2008, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2009, 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

CITY OF ASHLAND, MISSOURI  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 APRIL 30, 2010

**IV. OTHER INFORMATION (continued)**

determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2009, was 15 years.

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/07	\$ 32,040	100%	\$ —
6/30/08	28,866	100%	—
6/30/09	33,026	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, Missouri. 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 them to the City.

The assessed valuation of the tangible property in the City for the calendar year 2009 for purposes of local taxation was \$43,280,169. The tax levy per \$100 of the assessed valuation of tangible property for the calendar year 2009 for purposes of local taxation was \$.2612 for the General Fund and \$.0690 for the Debt Service Fund, or a total tax levy of \$.3302.

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, 2010, 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, 2010

**IV. OTHER INFORMATION (continued)**

**D. Litigation**

At April 30, 2010, 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, 2010

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
02/28/2007	\$ 475,214	\$ 441,465	\$ (33,749)	108%	\$ 431,051	—
02/29/2008	468,173	436,284	(31,889)	107%	396,839	—
02/28/2009	417,156	471,012	53,856	89%	388,291	14%

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.

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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Debt Service Fund

Debt Service Fund	Accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
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CITY OF ASHLAND, MISSOURI  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NON-MAJOR GOVERNMENTAL FUNDS  
 APRIL 30, 2010

	Special Revenue Funds					Total
	Law Enforcement Training Fund	Crime Victims' Compensation Fund	Conceal and Carry Weapons Fund	Capital Project Fund	Debt Service Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,953	\$ 2,072	\$ 4,357	\$ 65,029	\$ 41,903	\$ 116,314
Restricted cash and cash equivalents	-	-	-	-	12,000	12,000
Restricted investments held in escrow	-	-	-	-	8,902	8,902
Total Assets	<u>\$ 2,953</u>	<u>\$ 2,072</u>	<u>\$ 4,357</u>	<u>\$ 65,029</u>	<u>\$ 62,805</u>	<u>\$ 137,216</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Current liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-	-	-
Fund balances:						
Restricted for debt service	-	-	-	-	62,805	62,805
Unrestricted	<u>2,953</u>	<u>2,072</u>	<u>4,357</u>	<u>65,029</u>	<u>-</u>	<u>74,411</u>
Total Liabilities and Fund Balances	<u>\$ 2,953</u>	<u>\$ 2,072</u>	<u>\$ 4,357</u>	<u>\$ 65,029</u>	<u>\$ 62,805</u>	<u>\$ 137,216</u>

CITY OF ASHLAND, MISSOURI  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - MODIFIED CASH BASIS  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED APRIL 30, 2010

	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	\$ -	\$ -	\$ -	\$ -	\$ 30,397	\$ 30,397
Sales taxes	-	-	-	118,675	-	118,675
Licenses and permits	-	-	3,158	-	-	3,158
Fines and forfeits	896	1,260	-	-	-	2,156
Investment income	-	-	-	-	4,035	4,035
Total Revenues	<u>896</u>	<u>1,260</u>	<u>3,158</u>	<u>118,675</u>	<u>34,432</u>	<u>158,421</u>
EXPENDITURES						
Public safety	76	371	8,538	-	-	8,985
Capital outlay	-	-	-	65,162	-	65,162
Interest and fees on debt	-	-	-	-	5,557	5,557
Debt service - principal	-	-	-	-	10,000	10,000
Total Expenditures	<u>76</u>	<u>371</u>	<u>8,538</u>	<u>65,162</u>	<u>15,557</u>	<u>89,704</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	820	889	(5,380)	53,513	18,875	68,717
OTHER FINANCING SOURCES (USES)						
Operating transfers in (out)	-	-	-	(125,000)	-	(125,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(125,000)</u>	<u>-</u>	<u>(125,000)</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	820	889	(5,380)	(71,487)	18,875	(56,283)
Fund Balances, beginning	<u>2,133</u>	<u>1,183</u>	<u>9,737</u>	<u>136,516</u>	<u>43,930</u>	<u>193,499</u>
Fund Balances, ending	<u>\$ 2,953</u>	<u>\$ 2,072</u>	<u>\$ 4,357</u>	<u>\$ 65,029</u>	<u>\$ 62,805</u>	<u>\$ 137,216</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 2,133	\$ 2,133	\$ 2,133	\$ -
Resources (Inflows):				
Fines and forfeits	735	900	896	(4)
Total	735	900	896	(4)
Amounts available for appropriation	2,868	3,033	3,029	(4)
Charges to appropriations (Outflows):				
Police Department:				
Training and equipment	1,500	750	76	674
Total Police Department	1,500	750	76	674
Total Charges to Appropriations	1,500	750	76	674
Ending Budgetary Fund Balance	\$ 1,368	\$ 2,283	\$ 2,953	\$ 670

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 1,183	\$ 1,183	\$ 1,183	\$ -
Resources (Inflows):				
Fines and forfeits	780	700	1,260	560
Totals	780	700	1,260	560
Amounts available for appropriation	1,963	1,883	2,443	560
Charges to appropriations (Outflows):				
Police Department:				
Training and equipment	775	600	371	229
Total Police Department	775	600	371	229
Total Charges to Appropriations	775	600	371	229
Ending Budgetary Fund Balance	<u>\$ 1,188</u>	<u>\$ 1,283</u>	<u>\$ 2,072</u>	<u>\$ 789</u>

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 9,737	\$ 9,737	\$ 9,737	\$ -
Resources (Inflows):				
Licenses and permits	3,500	4,530	3,158	(1,372)
Total	3,500	4,530	3,158	(1,372)
Amounts available for appropriation	13,237	14,267	12,895	(1,372)
Charges to appropriations (Outflows):				
Police Department:				
Training and equipment	3,500	10,530	8,538	1,992
Total Police Department	3,500	10,530	8,538	1,992
Total Charges to Appropriations	3,500	10,530	8,538	1,992
Ending Budgetary Fund Balance	\$ 9,737	\$ 3,737	\$ 4,357	\$ 620

CITY OF ASHLAND, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 CAPITAL PROJECT FUND  
 YEAR ENDED APRIL 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 136,516	\$ 136,516	\$ 136,516	\$ -
Resources (Inflows):				
Sales taxes	130,000	120,000	118,675	(1,325)
Investment income	535	-	-	-
Total	<u>130,535</u>	<u>120,000</u>	<u>118,675</u>	<u>(1,325)</u>
Amounts available for appropriation	<u>267,051</u>	<u>256,516</u>	<u>255,191</u>	<u>(1,325)</u>
Charges to appropriations (Outflows):				
Structural projects and other	-	90,000	65,162	24,838
Total	<u>-</u>	<u>90,000</u>	<u>65,162</u>	<u>24,838</u>
Other Financing Uses:				
Transfers to other funds	100,000	125,000	125,000	-
Total Charges to Appropriations	<u>100,000</u>	<u>215,000</u>	<u>190,162</u>	<u>24,838</u>
Ending Budgetary Fund Balance	<u>\$ 167,051</u>	<u>\$ 41,516</u>	<u>\$ 65,029</u>	<u>\$ 23,513</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 43,930	\$ 43,930	\$ 43,930	\$ -
Resources (Inflows):				
Property taxes	17,500	17,500	30,397	12,897
Investment income	-	535	4,035	3,500
Totals	<u>17,500</u>	<u>18,035</u>	<u>34,432</u>	<u>16,397</u>
Amounts available for appropriation	<u>61,430</u>	<u>61,965</u>	<u>78,362</u>	<u>16,397</u>
Charges to appropriations (Outflows):				
Debt Service:				
Principal payments	12,000	11,850	10,000	1,850
Interest and fees	<u>5,600</u>	<u>-</u>	<u>5,557</u>	<u>(5,557)</u>
Total Debt Service	<u>17,600</u>	<u>11,850</u>	<u>15,557</u>	<u>(3,707)</u>
Total Charges to Appropriations	<u>17,600</u>	<u>11,850</u>	<u>15,557</u>	<u>(3,707)</u>
Ending Budgetary Fund Balance	<u>\$ 43,830</u>	<u>\$ 50,115</u>	<u>\$ 62,805</u>	<u>\$ 12,690</u>

## **COMPLIANCE AND INTERNAL CONTROL**



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**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***

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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 3, 2010. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

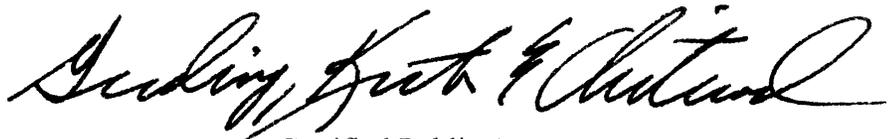
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency (2010-1) in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### 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 September 3, 2010.

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

September 3, 2010



Professional Corporation  
Certified Public Accountants

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

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, 2010. 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.

#### PARTNERS

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

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.

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, 2010.

### 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 deficiency in 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 material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirements of federal program 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 will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, City Council, 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

September 3, 2010

**CITY OF ASHLAND, MISSOURI  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED APRIL 30, 2010**

<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	\$ 53,137
	Capitalization Grants for Drinking Water	66.468	DW29-1043-02 Series 2008A	<u>575,107</u>
TOTAL FEDERAL EXPENDITURES				<u>\$ 628,244</u>

**CITY OF ASHLAND, MISSOURI**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**APRIL 30, 2010**

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 the 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, 2010.



**CITY OF ASHLAND, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND  
SUMMARY OF AUDITORS' RESULTS - FEDERAL REQUIREMENTS (CONT'D)  
APRIL 30, 2010**

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

Auditee qualified as low-risk auditee?                         Yes      X      No

Section II: Financial Statement Findings

2010-1                    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