

REPORT OF
CITY OF ASHLAND, MISSOURI
YEAR ENDED APRIL 30, 2011

CITY OF ASHLAND, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis (Unaudited)	3-10
Statement of Net Assets - Modified Cash Basis	11
Statement of Activities - Modified Cash Basis	12
<u>Governmental Funds</u>	
Balance Sheet - Modified Cash Basis	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis	14
Budgetary Comparison Schedule - Modified Cash Basis	
General Fund	15
Street Fund	16
<u>Proprietary Funds</u>	
Statement of Net Assets - Modified Cash Basis	17
Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis	18
Statement of Cash Flows - Modified Cash Basis	19
Notes to Basic Financial Statements	20-40
Required Supplementary Information	
Schedule of Funding Progress	41

CITY OF ASHLAND, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
Supplementary Information	
Non-Major Governmental Funds:	
<u>Special Revenue Funds, Debt Service Fund, and Capital Project Fund</u>	
Combining Balance Sheet - Modified Cash Basis	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Modified Cash Basis	43
Budgetary Comparison Schedule - Modified Cash Basis	
Law Enforcement Training Fund	44
Crime Victims' Compensation Fund	45
Conceal and Carry Weapons Fund	46
Court Fund	47
Capital Project Fund	48
Debt Service Fund	49
Compliance and Internal Control	
Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50-51
Schedule of Findings and Responses	52-53



Professional Corporation
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Missouri (the "City"), as of and for the year ended April 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

PARTNERS

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Missouri, as of April 30, 2011, 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 18, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Schedule of Funding Progress on pages 3 through 10 and page 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



September 18, 2011

Certified Public Accountants

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2011
(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, 2011. 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 \$8,784,065. Of this amount, \$2,414,736 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 \$262,645.
- As of the close of the current fiscal year, the City of Ashland's governmental funds reported combined ending fund balances of \$2,451,572. \$2,414,736 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 \$714,168.
- The City's bond payable decreased \$845,882 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, 2011
(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, 2011
(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 \$8,784,065 as of April 30, 2011.

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2011
(UNAUDITED)

A significant portion of the City's net assets (72%) 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.

	2011 NET ASSETS		
	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 828,411	\$ 1,388,613	\$ 2,217,024
Restricted assets	11,957	196,940	208,897
Capital assets	3,294,258	5,831,426	9,125,684
Total Assets	\$ 4,134,626	\$ 7,416,979	\$ 11,551,605
Capital lease payable	\$ 5,191	\$ -	\$ 5,191
Bonds payable	-	2,797,000	2,797,000
Deposit payable	-	60,168	60,168
Total Liabilities	\$ 5,191	\$ 2,857,168	\$ 2,862,359
Net Assets:			
Invested in capital assets, net of related debt	\$ 3,298,067	\$ 3,034,426	\$ 6,332,493
Restricted	-	36,836	36,836
Unrestricted	831,368	1,583,368	2,414,736
Total Net Assets	\$ 4,129,435	\$ 4,654,630	\$ 8,784,065
	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	3,557,029	5,576,748	9,133,777
Total Assets	\$4,426,142	\$ 7,809,433	\$12,235,575
Other payable (payroll tax)	\$ 1,156	\$ 7,461	\$ 8,617
Bonds payable	95,073	3,553,000	3,648,073
Deposit payable	-	57,465	57,465
Total Liabilities	\$ 96,229	\$ 3,617,926	\$ 3,714,155
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	805,152	1,571,289	2,376,441
Total Net Assets	\$ 4,329,913	\$ 4,191,507	\$ 8,521,420

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2011
(UNAUDITED)

As of April 30, 2011, 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 \$262,645.

Governmental Activities: Governmental activities decreased the net assets by \$200,478.

Business-type Activities: Net Assets from business-type activities increased by \$463,123 from \$4,191,507 to \$4,654,630. 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, 2011 and 2010.

2011 CHANGES IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program Revenues:			
Charges for services	\$ 37,877	\$ 1,325,318	\$ 1,363,195
Operating grants and contributions	210,222	-	210,222
Capital grants and contributions	-	-	-
General Revenues:			
Property taxes	141,176	-	141,176
Sales taxes	398,163	-	398,163
Franchise taxes	240,831	-	240,831
Interest and investment earnings	26,757	93,416	120,173
Interfund transfers	(10,000)	10,000	-
Miscellaneous	61,413	-	61,413
Total Revenues	1,106,439	1,428,734	2,535,173
Expenses:			
General government	367,985	-	367,985
Public safety	332,068	-	332,068
Transportation	560,599	-	560,599
Cultural and recreation	40,674	-	40,674
Interest expense	5,591	687,949	693,540
Water and sewer	-	277,662	277,662
Sanitation	-	-	-
Total Expenses	1,306,917	965,611	2,272,528
Increase in net assets	(200,478)	463,123	262,645
Net Assets - Beginning of year	4,329,913	4,191,507	8,521,420
Net Assets - End of year	\$ 4,129,435	\$ 4,654,630	\$ 8,784,065

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2011
(UNAUDITED)

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	-	282,033	282,033
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>

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 \$840,368.

In the general fund, the City budgeted for a decrease in the fund balance of \$117,704 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 decreased for fiscal year 2011 was \$2,346.

CITY OF ASHLAND, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED APRIL 30, 2011
(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, 2011, amounts to \$9,125,684 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements and construction in progress.

2011 CAPITAL ASSETS AT YEAR-END
NET OF ACCUMULATED DEPRECIATION

	Governmental Activities	Business-Type Activities	Total
Property, plant and equipment:			
Land and land elements	\$ 270,433	\$ 140,737	\$ 411,170
Buildings	224,751	317,881	542,632
Machinery and vehicles	77,846	32,129	109,975
Infrastructure	2,589,200	-	2,589,200
Furniture and equipment	106,856	4,889	111,745
Property and improvements	25,176	5,335,790	5,360,966
Construction in progress	-	-	-
Net Capital Assets	<u>\$ 3,294,262</u>	<u>\$ 5,831,426</u>	<u>\$ 9,125,688</u>

2010 CAPITAL ASSETS AT YEAR-END
NET OF ACCUMULATED DEPRECIATION

	Governmental Activities	Business-type Activities	Total
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	-	1,911,876	1,911,876
Net Capital Assets	<u>\$ 3,557,029</u>	<u>\$5,576,748</u>	<u>\$9,133,777</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 \$2,857,168 and general obligation debt of \$0. 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, 2011
 (UNAUDITED)

2011
 Outstanding Debt at Year End
 Revenue Bonds, Note Payable Debt and Deposits

	Activities	Activities	Total
Revenue Bonds	\$ -	\$ 2,797,000	\$ 2,797,000
General obligation bonds	-	-	-
Capital lease obligation	5,191	-	5,191
Deposits payable	-	60,168	60,168
Total	\$ 5,191	\$ 2,857,168	\$ 2,862,359

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

	Governmental Activities	Business-type Activities	Total
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	\$ 95,073	\$3,610,465	\$3,705,538

During the fiscal year, the City's total debt decreased by \$753,297 or 20.9%. 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 2011 and 2010:

2011			2010		
From	To	Amount	From	To	Amount
General	Sanitation	\$ 10,000	Capital Project	Street	\$ 125,000
Capital Project	Street	125,000			

Request for Information

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

CITY OF ASHLAND, MISSOURI
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
APRIL 30, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and cash equivalents	\$ 569,066	\$ 1,401,113	\$ 1,970,179
Restricted cash and cash equivalents	11,957	160,104	172,061
Investments	246,845	-	246,845
Restricted investments held in escrow	-	36,836	36,836
Internal balances	12,500	(12,500)	-
Unamortized bond costs	-	94,819	94,819
Capital assets (Note III-C):			
Land	270,433	140,737	411,170
Other capital assets, net of accumulated depreciation	<u>3,023,825</u>	<u>5,690,689</u>	<u>8,714,514</u>
Total Assets	<u>4,134,626</u>	<u>7,511,798</u>	<u>11,646,424</u>
LIABILITIES (Note III-D)			
Current Liabilities:			
Due within one year	5,191	126,000	131,191
Long-Term Liabilities:			
Refundable deposits	-	60,168	60,168
Due in more than one year	<u>-</u>	<u>2,671,000</u>	<u>2,671,000</u>
Total Liabilities	<u>5,191</u>	<u>2,857,168</u>	<u>2,862,359</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,298,067	3,034,426	6,332,493
Restricted but expendable for:			
Debt service	-	36,836	36,836
Construction	-	-	-
Unrestricted	<u>831,368</u>	<u>1,583,368</u>	<u>2,414,736</u>
Total Net Assets	<u>\$ 4,129,435</u>	<u>\$ 4,654,630</u>	<u>\$ 8,784,065</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
YEAR ENDED APRIL 30, 2011

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	\$ 367,985	\$ 19,665	\$ -	\$ -	\$ (348,320)	\$ -	\$ (348,320)
Public Safety	332,068	18,212	-	-	(313,856)	-	(313,856)
Streets	560,599	-	210,222	-	(350,377)	-	(350,377)
Park	40,674	-	-	-	(40,674)	-	(40,674)
Interest expense	5,591	-	-	-	(5,591)	-	(5,591)
Total Governmental Activities	<u>1,306,917</u>	<u>37,877</u>	<u>210,222</u>	<u>-</u>	<u>(1,058,818)</u>	<u>-</u>	<u>(1,058,818)</u>
Business-Type Activities:							
Water	383,100	561,916	-	-	-	178,816	178,816
Sewer	304,849	485,488	-	-	-	180,639	180,639
Sanitation	277,662	277,914	-	-	-	252	252
Total Business-Type Activities	<u>965,611</u>	<u>1,325,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>359,707</u>	<u>359,707</u>
General Revenues:							
Taxes:							
Property taxes					141,176	-	141,176
Sales taxes					398,163	-	398,163
Franchise taxes					240,831	-	240,831
Investment income					26,757	93,416	120,173
Interfund transfers					(10,000)	10,000	-
Miscellaneous					61,413	-	61,413
Total general revenues					<u>858,340</u>	<u>103,416</u>	<u>961,756</u>
Change in net assets					(200,478)	463,123	262,645
Net assets - beginning					4,329,913	4,191,507	8,521,420
Net assets - ending					<u>\$ 4,129,435</u>	<u>\$ 4,654,630</u>	<u>\$ 8,784,065</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
REVENUES:				
Property taxes	\$ 116,777	\$ -	\$ 24,399	\$ 141,176
Sales taxes	274,467	-	123,696	398,163
Franchise taxes	240,831	-	-	240,831
Intergovernmental	-	210,222	-	210,222
Licenses and permits	15,142	750	3,773	19,665
Fines and forfeits	16,093	-	2,119	18,212
Investment income	19,183	3,930	3,644	26,757
Miscellaneous	59,543	1,870	-	61,413
Total Revenues	<u>742,036</u>	<u>216,772</u>	<u>157,631</u>	<u>1,116,439</u>
EXPENDITURES:				
General government	342,455	-	-	342,455
Public safety	341,498	-	3,191	344,689
Streets	-	306,502	-	306,502
Parks	50,429	-	-	50,429
Capital outlay	-	-	-	-
Interest and fees on debt	-	-	4,953	4,953
Debt service - principal	-	-	85,000	85,000
Total Expenditures	<u>734,382</u>	<u>306,502</u>	<u>93,144</u>	<u>1,134,028</u>
Excess (Deficit) of Revenues over Expenditures	<u>7,654</u>	<u>(89,730)</u>	<u>64,487</u>	<u>(17,589)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>(10,000)</u>	<u>125,000</u>	<u>(125,000)</u>	<u>(10,000)</u>
Total Other Financing Sources (Uses)	<u>(10,000)</u>	<u>125,000</u>	<u>(125,000)</u>	<u>(10,000)</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	(2,346)	35,270	(60,513)	(27,589)
Fund Balance, Beginning	<u>716,514</u>	<u>14,227</u>	<u>137,216</u>	<u>867,957</u>
Fund Balance, Ending	<u>\$ 714,168</u>	<u>\$ 49,497</u>	<u>\$ 76,703</u>	<u>\$ 840,368</u>
Reconciliation to the Statement of Activities:				
Net change in fund balances - total governmental funds				\$ (27,589)
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				89,882
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				214,130
Depreciation expense				<u>(476,901)</u>
Change in Net Assets of Governmental Activities				<u>\$ (200,478)</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 GENERAL FUND
 YEAR ENDED APRIL 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 716,514	\$ 716,514	\$ 716,514	\$ 112,709
Resources (Inflows):				
Property taxes	110,000	110,000	116,777	6,777
Sales taxes	265,000	265,000	274,467	9,467
Franchise taxes	203,500	229,500	240,831	11,331
Alcoholic beverage licenses	2,000	2,000	2,171	171
Animal licenses	500	500	595	95
Building permits	15,000	15,000	12,376	(2,624)
Municipal court fines and fees	12,000	12,000	16,093	4,093
Investment income	16,000	16,000	19,183	3,183
Lease income	37,000	37,000	38,627	1,627
Fall festival and park donations	4,800	5,800	9,545	3,745
Other	4,000	10,000	11,371	1,371
Total	<u>669,800</u>	<u>702,800</u>	<u>742,036</u>	<u>39,236</u>
Amounts available for appropriation	<u>1,386,314</u>	<u>1,419,314</u>	<u>1,458,550</u>	<u>151,945</u>
Charges to Appropriations (Outflows):				
General Government:				
Personnel services	175,929	175,929	169,217	6,712
Other services and charges	180,600	185,100	170,272	14,828
Capital expenditures	5,000	5,000	2,966	2,034
Total General Government	<u>361,529</u>	<u>366,029</u>	<u>342,455</u>	<u>23,574</u>
Public Safety:				
Personnel services	294,325	294,325	272,472	21,853
Materials and supplies	12,000	15,000	15,360	(360)
Other services and charges	58,300	58,700	53,666	5,034
Total Public Safety	<u>364,625</u>	<u>368,025</u>	<u>341,498</u>	<u>26,527</u>
Park Department:				
Other services and charges	61,450	61,450	35,652	25,798
Capital expenditures	-	15,000	14,777	223
Total Park Department	<u>61,450</u>	<u>76,450</u>	<u>50,429</u>	<u>26,021</u>
Other Financing Uses:				
Transfers to other funds	10,000	10,000	10,000	-
Total Charges to Appropriations	<u>797,604</u>	<u>820,504</u>	<u>744,382</u>	<u>76,122</u>
Ending Budgetary Fund Balance	<u>\$ 588,710</u>	<u>\$ 598,810</u>	<u>\$ 714,168</u>	<u>\$ 228,067</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
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 14,227	\$ 14,227	\$ 14,227	\$ (11,667)
Resources (Inflows):				
Intergovernmental	738,500	206,800	210,222	3,422
Licenses and permits	800	800	750	(50)
Investment income	3,930	3,930	3,930	-
Miscellaneous	1,000	1,000	1,870	870
Total	<u>744,230</u>	<u>212,530</u>	<u>216,772</u>	<u>4,242</u>
Other Financing Sources:				
Transfer from other funds	<u>100,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Amounts available for appropriation	<u>858,457</u>	<u>351,757</u>	<u>355,999</u>	<u>(7,425)</u>
Charges to appropriations (Outflows):				
Street Department:				
Personnel services	90,274	90,274	87,459	2,815
Materials and supplies	50,000	30,000	15,327	14,673
Other services and charges	741,200	215,200	202,816	12,384
Capital expenditures	1,000	1,000	900	100
Total Street Department	<u>882,474</u>	<u>336,474</u>	<u>306,502</u>	<u>29,972</u>
Total Charges to Appropriations	<u>882,474</u>	<u>336,474</u>	<u>306,502</u>	<u>29,972</u>
Ending Budgetary Fund Balance	<u>\$ (24,017)</u>	<u>\$ 15,283</u>	<u>\$ 49,497</u>	<u>\$ 22,547</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
APRIL 30, 2011

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Assets				
Current Assets:				
Cash and cash equivalents	\$ 340,001	\$ 1,045,821	\$ 15,291	\$ 1,401,113
Restricted cash and cash equivalents	65,000	95,104	-	160,104
Total Cash and Cash Equivalents	<u>405,001</u>	<u>1,140,925</u>	<u>15,291</u>	<u>1,561,217</u>
Investments				
Restricted investments held in escrow	17,805	19,031	-	36,836
Total Investments	<u>17,805</u>	<u>19,031</u>	<u>-</u>	<u>36,836</u>
Total Current Assets	<u>422,806</u>	<u>1,159,956</u>	<u>15,291</u>	<u>1,598,053</u>
Noncurrent Assets:				
Unamortized bond costs	74,122	20,697	-	94,819
Land	98,600	42,137	-	140,737
Other capital assets, net of accumulated depreciation	3,623,978	2,066,711	-	5,690,689
Total Noncurrent Assets	<u>3,796,700</u>	<u>2,129,545</u>	<u>-</u>	<u>5,926,245</u>
Total Assets	<u>\$ 4,219,506</u>	<u>\$ 3,289,501</u>	<u>\$ 15,291</u>	<u>\$ 7,524,298</u>
Liabilities				
Current Liabilities:				
Due to other funds	\$ -	\$ -	\$ 12,500	\$ 12,500
Bonds payable - current portion	58,780	67,220	-	126,000
Total Current Liabilities	<u>58,780</u>	<u>67,220</u>	<u>12,500</u>	<u>138,500</u>
Noncurrent Liabilities:				
Refundable deposits	60,168	-	-	60,168
Bonds payable - long-term portion	1,446,010	1,224,990	-	2,671,000
Total Noncurrent Liabilities	<u>1,506,178</u>	<u>1,224,990</u>	<u>-</u>	<u>2,731,168</u>
Total Liabilities	<u>\$ 1,564,958</u>	<u>\$ 1,292,210</u>	<u>\$ 12,500</u>	<u>\$ 2,869,668</u>
Net Assets				
Invested in capital assets, net of related debt	2,217,788	816,638	-	3,034,426
Restricted but expendable for debt service	17,805	19,031	-	36,836
Unrestricted (Deficit)	418,955	1,161,622	2,791	1,583,368
Total Net Assets	<u>\$ 2,654,548</u>	<u>\$ 1,997,291</u>	<u>\$ 2,791</u>	<u>\$ 4,654,630</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, 2011

	Enterprise Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Operating Revenues:				
Charges for services	\$ 537,167	\$ 476,378	\$ 277,914	\$ 1,291,459
Miscellaneous	24,749	9,110	-	33,859
Total Operating Revenues	<u>561,916</u>	<u>485,488</u>	<u>277,914</u>	<u>1,325,318</u>
Operating Expenses:				
Personnel services	91,663	75,074	-	166,737
Materials and supplies	20,063	29,825	-	49,888
Repairs and maintenance	3,408	3,359	-	6,767
Trash hauling	-	-	262,857	262,857
Utilities	56,239	47,878	-	104,117
Other	17,324	7,007	14,805	39,136
Depreciation	82,322	69,566	-	151,888
Amortization	5,706	1,089	-	6,795
Total Operating Expenses	<u>276,725</u>	<u>233,798</u>	<u>277,662</u>	<u>788,185</u>
Operating Income (Loss)	<u>285,191</u>	<u>251,690</u>	<u>252</u>	<u>537,133</u>
Non-Operating Revenues (Expenses):				
Investment income	53,042	40,374	-	93,416
Interest expense and fees on debt	(106,375)	(71,051)	-	(177,426)
Total nonoperating revenues (expenses)	<u>(53,333)</u>	<u>(30,677)</u>	<u>-</u>	<u>(84,010)</u>
Net income before operating transfers	231,858	221,013	252	453,123
Other Financing Uses:				
Transfers from other funds	-	-	10,000	10,000
Net income	231,858	221,013	10,252	463,123
Net Assets, Beginning	<u>2,422,690</u>	<u>1,776,278</u>	<u>(7,461)</u>	<u>4,191,507</u>
Net Assets, Ending	<u>\$ 2,654,548</u>	<u>\$ 1,997,291</u>	<u>\$ 2,791</u>	<u>\$ 4,654,630</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED APRIL 30, 2011

	Proprietary Funds			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Cash flows from operating activities:				
Receipts from customers	\$ 561,916	\$ 485,488	\$ 277,914	\$ 1,325,318
Payments to suppliers	(94,331)	(88,069)	(277,662)	(460,062)
Payments to employees	(91,663)	(75,074)	-	(166,737)
Net cash provided by operating activities	<u>375,922</u>	<u>322,345</u>	<u>252</u>	<u>698,519</u>
Cash flows from noncapital financing activities:				
Operating subsidies	-	-	10,000	10,000
Due to other funds	-	-	12,500	12,500
Net cash flows form noncapital financing activities	<u>-</u>	<u>-</u>	<u>22,500</u>	<u>22,500</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(362,109)	(44,457)	-	(406,566)
Principal paid on capital debt	(452,950)	(303,050)	-	(756,000)
Interest and fiscal agent fees paid on capital debt	(106,375)	(71,051)	-	(177,426)
Net cash (used) for capital and related financing activities	<u>(921,434)</u>	<u>(418,558)</u>	<u>-</u>	<u>(1,339,992)</u>
Cash flows from investing activities:				
Purchase of investments	468,342	307,347	-	775,689
Maturities of investments	(160,215)	(55,840)	-	(216,055)
Interest income	53,042	40,374	-	93,416
Net cash provided (used) by investing activities	<u>361,169</u>	<u>291,881</u>	<u>-</u>	<u>653,050</u>
Net increase in cash and cash equivalents	(184,343)	195,668	22,752	11,577
Balance, beginning of year	<u>589,344</u>	<u>945,257</u>	<u>(7,461)</u>	<u>1,527,140</u>
Balance, end of year	<u>\$ 405,001</u>	<u>\$ 1,140,925</u>	<u>\$ 15,291</u>	<u>\$ 1,538,717</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 285,191	\$ 251,690	\$ 252	\$ 537,133
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	82,322	69,566	-	151,888
Amortization expense	5,706	1,089	-	6,795
Changes in assets and liabilities:				
Refundable deposits	2,703	-	-	2,703
Net cash provided by operating activities	<u>\$ 375,922</u>	<u>\$ 322,345</u>	<u>\$ 252</u>	<u>\$ 698,519</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2011

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, 2011

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, 2011

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.
Court Fund	Accounts for revenues received and expenditures paid for the court system.

Capital Project Funds

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

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

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

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2011

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, 2011

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, 2011

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 2011 no interest was capitalized.

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2011

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, 2011

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, 2011, expenditures exceeded appropriations at the legal level of control in the Debt Service Fund by \$12,843.

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2011

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, 2011, are shown below:

	Maturity Date	Carrying Value
Deposits:		
Demand deposits		\$ 1,884,085
		1,884,085
Investments:		
Time deposit	7/14/2011	100,000
Time deposit	8/29/2011	80,000
Time deposit	5/14/2012	82,000
Time deposit	5/13/2013	83,000
Time deposit	10/22/2013	65,000
Time deposits	12/22/2013	95,000
U.S. Federal Obligations		36,836
Total investments		541,836
Total deposits and investments		\$ 2,425,921

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2011

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

Reconciliation to Statement of Net Assets:

Cash and cash equivalents	\$ 1,970,179
Restricted cash and cash equivalents	172,061
Investments	246,845
Restricted investments held in escrow	36,836
Total	\$ 2,425,921

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 \$2,465,835 at April 30, 2011, 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, 2011, 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, 2011, the City had no concentration of credit risk.

B. Restricted Assets

Restricted assets are comprised of the required bond reserves:

Series 2000 and 2002 Revenue Bonds - Principal and interest	\$ 130,000
Series 2000 and 2002 Revenue Bonds - Reserve	30,104
Total Bond Restricted Funds Required	160,104
Restricted funds held in Escrow	36,836
Total Restricted Assets	\$ 196,940

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2011

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.

C. Capital Assets

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended April 30, 2011, was as follows:

	Balance April 30, 2010	Additions	Disposals	Balance April 30, 2011
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 270,433	\$ -	\$ -	\$ 270,433
Total capital assets not being depreciated	<u>270,433</u>	<u>-</u>	<u>-</u>	<u>270,433</u>
Capital assets being depreciated				
Buildings	365,313	-	-	365,313
Machinery and vehicles	249,651	22,297	(10,500)	261,448
Furniture and equipment	217,310	35,544	-	252,854
Other property and equipment	124,704	-	-	124,704
Infrastructure	9,833,038	156,289	-	9,989,327
Total capital assets being depreciated	<u>10,790,016</u>	<u>214,130</u>	<u>(10,500)</u>	<u>10,993,646</u>
Total capital assets at historical costs	<u>11,060,449</u>	<u>214,130</u>	<u>(10,500)</u>	<u>11,264,079</u>
Less accumulated depreciation				
Buildings	(129,212)	(11,350)	-	(140,562)
Machinery and vehicles	(163,276)	(30,826)	10,500	(183,602)
Furniture and equipment	(120,283)	(25,715)	-	(145,998)
Other property and equipment	(95,638)	(3,894)	-	(99,532)
Infrastructure	(6,995,011)	(405,116)	-	(7,400,127)
Total accumulated depreciation	<u>(7,503,420)</u>	<u>(476,901)</u>	<u>10,500</u>	<u>(7,969,821)</u>
Total capital assets being depreciated, net	<u>3,286,596</u>	<u>(262,771)</u>	<u>-</u>	<u>3,023,825</u>
Net capital assets	<u>\$ 3,557,029</u>	<u>\$ (262,771)</u>	<u>\$ -</u>	<u>\$ 3,294,258</u>

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2011

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

Water

	Balance April 30, 2010	Additions	Disposals	Balance April 30, 2011
Capital assets not being depreciated:				
Land	\$ 98,600	\$ -	\$ -	\$ 98,600
Construction in Progress	1,911,876	-	(1,911,876)	-
Total capital assets not being depreciated	<u>2,010,476</u>	<u>-</u>	<u>(1,911,876)</u>	<u>98,600</u>
Capital assets being depreciated				
Buildings	420,257	-	-	420,257
Machinery and vehicles	101,472	31,486	-	132,958
Furniture and equipment	12,645	-	-	12,645
Property and improvements	1,499,504	2,242,499	-	3,742,003
Total capital assets being depreciated	<u>2,033,878</u>	<u>2,273,985</u>	<u>-</u>	<u>4,307,863</u>
Total capital assets at historical costs	<u>4,044,354</u>	<u>2,273,985</u>	<u>(1,911,876)</u>	<u>4,406,463</u>
Less accumulated depreciation				
Buildings	(132,036)	(8,549)	-	(140,585)
Machinery and vehicles	(95,642)	(6,473)	-	(102,115)
Furniture and equipment	(6,480)	(1,275)	-	(7,755)
Property and improvements	(367,405)	(66,025)	-	(433,430)
Total accumulated depreciation	<u>(601,563)</u>	<u>(82,322)</u>	<u>-</u>	<u>(683,885)</u>
Total capital assets being depreciated, net	<u>1,432,315</u>	<u>2,191,663</u>	<u>-</u>	<u>3,623,978</u>
Net capital assets	<u>\$ 3,442,791</u>	<u>\$ 2,191,663</u>	<u>\$ (1,911,876)</u>	<u>\$ 3,722,578</u>

Sewer

	Balance April 30, 2010	Additions	Disposals	Balance April 30, 2011
Capital assets not being depreciated:				
Land	\$ 42,137	\$ -	\$ -	\$ 42,137
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>42,137</u>	<u>-</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	2,503,471	44,457	-	2,547,928
Total capital assets being depreciated	<u>2,680,759</u>	<u>44,457</u>	<u>-</u>	<u>2,725,216</u>
Total capital assets at historical costs	<u>2,722,896</u>	<u>44,457</u>	<u>-</u>	<u>2,767,353</u>
Less accumulated depreciation				
Buildings	(23,820)	(2,460)	-	(26,280)
Machinery and vehicles	(103,334)	(4,457)	-	(107,791)
Furniture and equipment	(3,723)	-	-	(3,723)
Property and improvements	(458,062)	(62,649)	-	(520,711)
Total accumulated depreciation	<u>(588,939)</u>	<u>(69,566)</u>	<u>-</u>	<u>(658,505)</u>
Total capital assets being depreciated, net	<u>2,091,820</u>	<u>(25,109)</u>	<u>-</u>	<u>2,066,711</u>
Net capital assets	<u>\$ 2,133,957</u>	<u>\$ (25,109)</u>	<u>\$ -</u>	<u>\$ 2,108,848</u>

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2011

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

Sanitation

	Balance April 30, 2010	Additions	Disposals	Balance April 30, 2011
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Primary Government:

Governmental activities:

General government	\$ 28,496
Public safety	25,571
Streets	411,286
Park	11,548
Total depreciation expense for governmental activities	<u>\$ 476,901</u>

Business-type activities:

Water	\$ 82,322
Sewer	69,566
Sanitation	-
Total depreciation expense for business-type activities	<u>\$ 151,888</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, 2011, 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, 2011

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 \$3,531 for the year ended April 30, 2011, 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. This debt was paid off in fiscal year 2011.

Business-Type Activities

As of April 30, 2011, 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 \$242,000.

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, 2011

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

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, 2011, are as follows:

2002 Revenue Bonds

Year Ending April 30,	Principal	Interest	Total
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	21,000	9,675	30,675
2017-2021	122,000	29,475	151,475
2022-2026	29,000	1,632	30,632
Total	<u>\$ 242,000</u>	<u>\$ 89,506</u>	<u>\$ 331,506</u>

2006 Revenue Bonds Issued for Refunding of 2000 Bonds

Year Ending April 30,	Principal	Interest	Total
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	55,000	17,889	72,889
2017-2021	385,000	50,055	435,055
Total	<u>\$ 560,000</u>	<u>\$ 157,614</u>	<u>\$ 717,614</u>

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2011

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

2007 Revenue Bonds Issued for Wastewater Improvements

Year Ending April 30,	Principal	Interest	Total
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	45,000	29,637	74,637
2017-2021	250,000	119,125	369,125
2022-2026	270,000	64,100	334,100
2027-2029	120,000	7,875	127,875
Total	<u>\$ 865,000</u>	<u>\$ 357,287</u>	<u>\$ 1,222,287</u>

2008 Revenue Bonds Issued for Water Improvements

Year Ending April 30,	Principal	Interest	Total
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	55,000	49,385	104,385
2017-2021	300,000	203,487	503,487
2022-2026	335,000	120,705	455,705
2027-2029	220,000	25,587	245,587
Total	<u>\$ 1,130,000</u>	<u>\$ 620,492</u>	<u>\$ 1,750,492</u>

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2011

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 April 30,	
2012	\$ 5,520
Total Minimum Lease Payments	5,520
Less amount representing interest	(329)
Net Lease Payments	\$ 5,191

Property, plant and equipment includes the following amounts for leases which have been capitalized at April 30, 2011:

Equipment	\$ 19,041
Less accumulated amortization	(10,654)
	\$ 8,387

Amortization of capital leases was \$2,720 for the fiscal year ending April 30, 2011. 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, 2011, were as follows:

	General Fund (Major)	Sanitation Fund (Major)	Street Fund (Major)	Capital Project Fund (Non-Major)	Total
Transfer in	\$ -	\$ 10,000	\$ 125,000	\$ -	\$ 135,000
Transfer out	(10,000)	-	-	(125,000)	(135,000)
Total	\$ (10,000)	\$ 10,000	\$ 125,000	\$ (125,000)	\$ -

The purpose of the \$125,000 interfund transfer was for cost allocation.

The purpose of the \$10,000 interfund transfer was to pay expenses.

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2011

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 401(a) 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

Full-time employees of the City of Ashland contribute 4% of their gross pay to the pension plan. The June 30th statutorily required contribution rates are 5.1% (general), 4.7% (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 (APC) and Net Pension Obligation (NPO)

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 17,822
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	17,822
Actual contributions	17,466
Increase (decrease) in NPO	356
NPO beginning of year	-
NPO end of year	\$ 356

CITY OF ASHLAND, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2011

IV. OTHER INFORMATION (continued)

The annual required contribution (ARC) was determined as part of the February 29, 2008 and February 28, 2009 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions 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 Health 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 for males projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was 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 as of February 29, 2008 was 15 years for the General division and 15 years for the Police division. The amortization period as of February 29, 2008 was 15 years for the General division and 15 years for the Police division. The amortization period as of February 28, 2009 was 30 years for the General division and 12 years for the Police division.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/08	\$ 13,060	100%	\$ —
6/30/09	15,949	100%	—
6/30/10	17,822	98%	—

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.

CITY OF ASHLAND, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2011

IV. OTHER INFORMATION (continued)

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 2010 for purposes of local taxation was \$44,369,816. The tax levy per \$100 of the assessed valuation of tangible property for the calendar year 2010 for purposes of local taxation was \$.2612 for the General Fund and \$.0590 for the Debt Service Fund, or a total tax levy of \$.3202.

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, 2011, aggregated approximately 100% of the current assessment computed on the basis of the levy.

D. Litigation

At April 30, 2011, 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.

E. Consideration of Subsequent Events

Subsequent events have been evaluated through September 18, 2011, which is the date the financial statements are available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ASHLAND, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 YEAR ENDED APRIL 30, 2011

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
02/29/2008	\$ 468,173	\$ 436,284	\$ (31,889)	107%	\$ 396,839	—
02/28/2009	417,156	471,012	53,856	89%	388,291	14%
02/28/2010	474,193	518,232	44,039	92%	388,414	11%

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
Capital Project Fund
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.
Court Fund	Accounts for revenues received and expenditures paid for the court system.

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, 2011

ASSETS

Cash and cash equivalents
 Restricted cash and cash equivalents
 Restricted investments held in escrow

Total Assets

LIABILITIES AND FUND BALANCES

Current liabilities

Total Liabilities

Fund balances:

Restricted for debt service
 Unrestricted

Total Liabilities and Fund Balances

Special Revenue Funds							
Law Enforcement Training Fund	Crime Victims' Compensation Fund	Conceal and Carry Weapons Fund	Court Fund	Capital Project Fund	Debt Service Fund	Total	
\$ -	\$ -	\$ -	\$ 12,083	\$ 63,725	\$ 895	\$ 76,703	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,083</u>	<u>\$ 63,725</u>	<u>\$ 895</u>	<u>\$ 76,703</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,083</u>	<u>\$ 63,725</u>	<u>\$ 895</u>	<u>\$ 76,703</u>	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,083</u>	<u>\$ 63,725</u>	<u>\$ 895</u>	<u>\$ 76,703</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, 2011

	Special Revenue Funds							Total
	Law Enforcement Training Fund	Crime Victims' Compensation Fund	Conceal and Carry Weapons Fund	Court Fund	Capital Project Fund	Debt Service Fund		
REVENUES								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,399	\$ 24,399	\$ 24,399
Sales taxes	-	-	-	-	123,696	-	123,696	123,696
Licenses and permits	-	-	-	3,773	-	-	3,773	3,773
Fines and forfeits	-	-	-	2,119	-	-	2,119	2,119
Investment income	-	-	-	-	-	3,644	3,644	3,644
Total Revenues				5,892	123,696	28,043	157,631	
EXPENDITURES								
Public safety	-	-	-	3,191	-	-	3,191	3,191
Capital outlay	-	-	-	-	-	-	-	-
Interest and fees on debt	-	-	-	-	-	4,953	4,953	4,953
Debt service - principal	-	-	-	-	-	85,000	85,000	85,000
Total Expenditures				3,191		89,953	93,144	
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)				2,701	123,696	(61,910)	64,487	
OTHER FINANCING SOURCES (USES)								
Operating transfers in (out)	(2,953)	(2,072)	(4,357)	9,382	(125,000)	-	(125,000)	(125,000)
Total Other Financing Sources (Uses)	(2,953)	(2,072)	(4,357)	9,382	(125,000)	-	(125,000)	
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	(2,953)	(2,072)	(4,357)	12,083	(1,304)	(61,910)	(60,513)	
Fund Balances, beginning	2,953	2,072	4,357	-	65,029	62,805	137,216	
Fund Balances, ending	\$ -	\$ -	\$ -	\$ 12,083	\$ 63,725	\$ 895	\$ 76,703	

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 2,953	\$ 2,953	\$ 2,953	\$ -
Resources (Inflows):				
Fines and forfeits	-	-	-	-
Total	-	-	-	-
Amounts available for appropriation	2,953	2,953	2,953	-
Charges to appropriations (Outflows):				
Police Department:				
Training and equipment	-	-	-	-
Total Police Department	-	-	-	-
Other Financing Uses:				
Transfers to other funds	-	-	2,953	(2,953)
Total Charges to Appropriations	-	-	2,953	(2,953)
Ending Budgetary Fund Balance	\$ 2,953	\$ 2,953	\$ -	\$ (2,953)

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 2,072	\$ 2,072	\$ 2,072	\$ -
Resources (Inflows):				
Fines and forfeits	-	-	-	-
Totals	-	-	-	-
Amounts available for appropriation	2,072	2,072	2,072	-
Charges to appropriations (Outflows):				
Police Department:				
Training and equipment	-	-	-	-
Total Police Department	-	-	-	-
Other Financing Uses:				
Transfers to other funds	-	-	2,072	(2,072)
Total Charges to Appropriations	-	-	2,072	(2,072)
Ending Budgetary Fund Balance	\$ 2,072	\$ 2,072	\$ -	\$ (2,072)

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 4,357	\$ 4,357	\$ 4,357	\$ -
Resources (Inflows):				
Licenses and permits	-	-	-	-
Total	-	-	-	-
Amounts available for appropriation	4,357	4,357	4,357	-
Charges to appropriations (Outflows):				
Police Department:				
Training and equipment	-	-	-	-
Total Police Department	-	-	-	-
Other Financing Uses:				
Transfers to other funds	-	-	4,357	(4,357)
Total Charges to Appropriations	-	-	4,357	(4,357)
Ending Budgetary Fund Balance	\$ 4,357	\$ 4,357	\$ -	\$ (4,357)

CITY OF ASHLAND, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 COURT FUND
 FOR THE YEAR ENDED APRIL 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ -	\$ -	\$ -	-
Resources (Inflows):				
Licenses and permits	1,500	2,500	3,773	1,273
Fines and forfeits	2,605	2,605	2,119	(486)
Total	<u>4,105</u>	<u>5,105</u>	<u>5,892</u>	<u>787</u>
Other Financing Sources:				
Transfers from other funds	-	-	9,382	(9,382)
Amounts available for appropriation	<u>4,105</u>	<u>5,105</u>	<u>15,274</u>	<u>(8,595)</u>
Charges to appropriations (Outflows):				
Police Department:				
Other services and charges	4,026	4,026	3,136	890
Training and equipment	80	80	55	25
Total Police Department	<u>4,106</u>	<u>4,106</u>	<u>3,191</u>	<u>915</u>
Total Charges to Appropriations	<u>4,106</u>	<u>4,106</u>	<u>3,191</u>	<u>915</u>
Ending Budgetary Fund Balance	<u>\$ (1)</u>	<u>\$ 999</u>	<u>\$ 12,083</u>	<u>\$ (7,680)</u>

CITY OF ASHLAND, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 CAPITAL PROJECT FUND
 YEAR ENDED APRIL 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 65,029	\$ 65,029	\$ 65,029	\$ 23,513
Resources (Inflows):				
Sales taxes	120,000	120,000	123,696	3,696
Total	120,000	120,000	123,696	3,696
Amounts available for appropriation	185,029	185,029	188,725	27,209
Charges to appropriations (Outflows):				
Structural projects and other	-	-	-	-
Total	-	-	-	-
Other Financing Uses:				
Transfers to other funds	120,000	125,000	125,000	-
Total Charges to Appropriations	120,000	125,000	125,000	-
Ending Budgetary Fund Balance	\$ 65,029	\$ 60,029	\$ 63,725	\$ 27,209

CITY OF ASHLAND, MISSOURI
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUND
 FOR THE YEAR ENDED APRIL 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 62,805	\$ 62,805	\$ 62,805	\$ 12,690
Resources (Inflows):				
Property taxes	5,000	24,399	24,399	-
Investment income	600	600	3,644	3,044
Totals	<u>5,600</u>	<u>24,999</u>	<u>28,043</u>	<u>3,044</u>
Amounts available for appropriation	<u>68,405</u>	<u>87,804</u>	<u>90,848</u>	<u>15,734</u>
Charges to appropriations (Outflows):				
Debt Service:				
Principal payments	15,000	77,110	85,000	(7,890)
Interest and fees	-	-	4,953	(4,953)
Total Debt Service	<u>15,000</u>	<u>77,110</u>	<u>89,953</u>	<u>(12,843)</u>
Total Charges to Appropriations	<u>15,000</u>	<u>77,110</u>	<u>89,953</u>	<u>(12,843)</u>
Ending Budgetary Fund Balance	<u>\$ 53,405</u>	<u>\$ 10,694</u>	<u>\$ 895</u>	<u>\$ 2,891</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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 18, 2011. 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 (2011-1) 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.

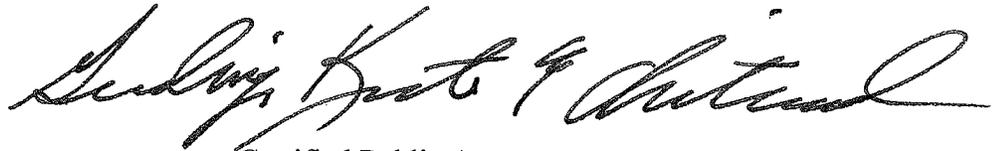
Compliance and Other Matters

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 two instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-2 and 2011-3.

We noted certain matters that we reported to management of the City in a separate letter dated September 18, 2011.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinions on them.

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



Certified Public Accountants

September 18, 2011

CITY OF ASHLAND, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED APRIL 30, 2011

2011-1	Documentation of Internal 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.
Condition:	The City does not have written documentation of internal controls.
Context:	During the audit, we requested to review the internal control documentation manual and were told no such manual exists.
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.
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.
Views of Responsible Officials & Planned Correction Action:	Written internal control procedures have been presented and accepted by the Board of Aldermen which serve the City of Ashland. These internal control procedures have been added to the Personnel Procedure Manual.
2011-2	Budgeting
Criteria:	Section 67.010 of the Missouri Revised Statutes states that in no event shall the total proposed expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance plus any beginning fund balance estimated for the beginning of the budget year.
Condition:	Budgeted expenditures in the street fund exceeded budgeted revenues plus the estimated fund balance at the beginning of the fiscal year.
Context:	During our audit, we reviewed the street fund budget and noted a deficit fund balance was budgeted.

CITY OF ASHLAND, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES (CONT'
YEAR ENDED APRIL 30, 2011

Effect: Expenditures were made from the street fund during the fiscal year without being done in compliance with the political subdivision budgetary requirements.

Cause: The expenditures in the street fund exceeded budgeted revenues plus the beginning fund balance.

Recommendation: We recommend the City prepare their annual budgets for each fund taking into account the beginning of the fund balances. A budget should be prepared so that a fund balance deficit is not budgeted.

Views of Responsible Officials & Planned Correction Action: It appears officials in charge of the budget at that time had submitted a deficit budget. A portion of the current six-month budget revision is to ensure this condition no longer exists.

2011-3 Budgeting

Criteria: State Statute, Chapter 67, that each political subdivision is prohibited from expending public monies unless these expenditures have been authorized as provided in Chapter 67.

Condition: the City's actual expenditures exceeded final budgeted expenditures by \$12,843 in the debt service fund.

Context: The final budgeted expenditures were compared to actual expenditures.

Effect: The City violated State Statute RSMo67.

Cause: The City budgeted too few expenditures in the debt service fund.

Recommendation: The City should ensure actual expenditures do not exceed budgeted expenditures in any fund.

Views of Responsible Officials & Planned Correction Action: In the future, should the City find an expenditure has not been budgeted or properly budgeted, a budget amendment per resolution or ordinance will be executed.