

***REPORT OF***  
***CITY OF ASHLAND, MISSOURI***  
***YEAR ENDED APRIL 30, 2012***

*CITY OF ASHLAND, MISSOURI*

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
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
Capital Project Fund	17
<u>Proprietary Fund</u>	
Statement of Net Assets - Modified Cash Basis	18
Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis	19
Statement of Cash Flows - Modified Cash Basis	20
Notes to Basic Financial Statements	21-41

**CITY OF ASHLAND, MISSOURI**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>Supplementary Information</b>	
Non-Major Governmental Funds:	
<u>Special Revenue Fund and Debt Service 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	
Court Fund	44
Debt Service Fund	45
<b>Other Information</b>	
Schedule of Funding Progress	46
<b>Compliance and Internal Control</b>	
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>	47-48



Professional Corporation  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

723 Main St.  
P.O. Box 81  
Boonville, MO 65233  
(660) 882-7000  
Fax: (660) 882-7765  
[www.gkccpas.com](http://www.gkccpas.com)

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

### PARTNERS

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Missouri (the "City"), as of and for the year ended April 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Ashland, Missouri, as of April 30, 2012, and the respective changes in financial position - modified cash basis, thereof; and the respective budgetary comparisons - modified cash basis for the general fund, street fund and capital project 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 August 8, 2012, 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.

As described in Note I to the financial statements, the City has adopted the provisions of Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund type Definitions*, in fiscal year 2012.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The Management's Discussion and Analysis, Schedule of Funding Progress and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual and non-major fund financial statements are fairly stated in all material respects in relation to the financial statements taken as a whole. The Management's Discussion and Analysis and Schedule of Funding Progress have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in blue ink, appearing to read "Audrey G. White", is enclosed in a thin black rectangular border.

August 8, 2012

Certified Public Accountants

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2012  
(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, 2012. 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 exceeded its liabilities at the close of the most recent fiscal year by \$8,835,038. Of this amount, \$2,433,071 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 \$50,973.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$937,110. \$680,784 is unassigned 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 \$693,206.
- The City's bond payable decreased \$125,180 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, 2012  
(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, 2012  
(UNAUDITED)

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

**Proprietary Funds** - The City maintains one type of proprietary fund. 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 basic proprietary fund financial statements can be found on pages 18-20 of this report.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-41.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents certain other information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Other information can be found on page 46 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the other information on pensions. Combining and individual statements and schedules can be found on pages 42-45 of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Ashland, assets exceeded liabilities by \$8,835,038 as of April 30, 2012.

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2012  
(UNAUDITED)

A significant portion of the City's net assets (69%) 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.

2012 NET ASSETS			
	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 924,688	\$ 1,640,486	\$ 2,565,174
Restricted assets	12,422	209,454	221,876
Capital assets	2,950,523	5,846,453	8,796,976
Total Assets	\$ 3,887,633	\$ 7,696,393	\$ 11,584,026
Capital lease payable	\$ 17,000	\$ -	\$ 17,000
Bonds payable	-	2,671,000	2,671,000
Deposit payable	-	60,988	60,988
Total Liabilities	\$ 17,000	\$ 2,731,988	\$ 2,748,988
Net Assets:			
Invested in capital assets, net of related debt	\$ 2,933,523	\$ 3,175,453	\$ 6,108,976
Restricted	256,326	36,665	292,991
Unrestricted	680,784	1,752,287	2,433,071
Total Net Assets	\$ 3,870,633	\$ 4,964,405	\$ 8,835,038

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

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2012  
(UNAUDITED)

As of April 30, 2012, 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 \$50,973.

Governmental Activities: Governmental activities decreased the net assets by \$258,802.

Business-Type Activities: Net Assets from business-type activities increased by \$309,775 from \$4,645,630 to \$4,964,405. 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, 2012 and 2011.

2012 CHANGES IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program Revenues:			
Charges for services	\$ 37,043	\$ 1,378,642	\$ 1,415,685
Operating grants and contributions	222,105	-	222,105
Capital grants and contributions	-	-	-
General Revenues:			
Other taxes	6,165	-	6,165
Property taxes	128,338	-	128,338
Sales taxes	412,110	-	412,110
Franchise taxes	245,654	-	245,654
Interest and investment earnings	10,335	76,205	86,540
Miscellaneous	48,870	-	48,870
Total Revenues	<u>1,110,620</u>	<u>1,454,847</u>	<u>2,565,467</u>
Expenses:			
General government	333,190	-	333,190
Public safety	384,758	-	384,758
Transportation	595,620	-	595,620
Cultural and recreation	55,525	-	55,525
Interest expense	329	-	329
Water, sewer and sanitation	-	1,145,072	1,145,072
Total Expenses	<u>1,369,422</u>	<u>1,145,072</u>	<u>2,514,494</u>
Increase in net assets	(258,802)	309,775	50,973
Net Assets - Beginning of year	<u>4,129,435</u>	<u>4,654,630</u>	<u>8,784,065</u>
Net Assets - End of year	<u>\$ 3,870,633</u>	<u>\$ 4,964,405</u>	<u>\$ 8,835,038</u>

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2012  
(UNAUDITED)

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
<b>Total Revenues</b>	<b>1,106,439</b>	<b>1,428,734</b>	<b>2,535,173</b>
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	-	-	-
<b>Total Expenses</b>	<b>1,306,917</b>	<b>965,611</b>	<b>2,272,528</b>
Increase in net assets	(200,478)	463,123	262,645
Net Assets - Beginning of year	4,329,913	4,191,507	8,521,420
<b>Net Assets - End of year</b>	<b>\$ 4,129,435</b>	<b>\$ 4,654,630</b>	<b>\$ 8,784,065</b>

**Financial Analysis of the Government's Funds**

**Governmental Funds** - The focus of the City'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, unassigned 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's governmental funds reported combined ending fund balances of \$937,110.

In the general fund, the City budgeted for a decrease in the fund balance of \$167,870, 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 2012 was \$20,962.

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2012  
(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's investment in capital assets for its governmental and business-type activities as of April 30, 2012 amounts to \$8,796,976 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements and construction in progress.

2012 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	214,690	306,872	521,562
Machinery and vehicles	100,197	72,379	172,576
Infrastructure	2,174,756	-	2,174,756
Furniture and equipment	126,193	22,052	148,245
Property and improvements	21,278	5,292,927	5,314,205
Construction in progress	42,976	11,486	54,462
Net Capital Assets	<u>\$ 2,950,523</u>	<u>\$ 5,846,453</u>	<u>\$ 8,796,976</u>

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>

Additional information on the City's capital assets can be found in the Notes to Basic Financial Statements on pages 32-34 of this report.

**Debt Administration**

At the end of the current fiscal year, the City had revenue bonded debt of \$2,671,000. The revenue bonds are secured by the combined water and sewerage system revenues.

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2012  
(UNAUDITED)

2012  
Outstanding Debt at Year End  
Revenue Bonds, Note Payable Debt and Deposits

	Governmental Activities	Business-Type Activities	Total
Revenue Bonds	\$ -	\$ 2,671,000	\$ 2,671,000
General obligation bonds	-	-	-
Capital lease obligation	17,000	-	17,000
Deposits payable	-	60,988	60,988
Total	<u>\$ 17,000</u>	<u>\$ 2,731,988</u>	<u>\$ 2,748,988</u>

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

	Governmental Activities	Business-Type 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	<u>\$ 5,191</u>	<u>\$ 2,857,168</u>	<u>\$ 2,862,359</u>

During the fiscal year, the City's total debt decreased by \$113,371 or 4%. The decrease was due to scheduled payments.

Additional information on the City's long-term debt can be found in the Notes to Basic Financial Statements on pages 34-38 of this report.

**Transfers**

The City made the following transfers in 2012 and 2011:

2012			2011		
From	To	Amount	From	To	Amount
None			General	Sanitation	\$ 10,000
			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](http://www.ashlandmo.us).

CITY OF ASHLAND, MISSOURI  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
APRIL 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 667,188	\$ 1,564,962	\$ 2,232,150
Restricted cash and cash equivalents	12,422	172,789	185,211
Investments	245,000	-	245,000
Restricted investments held in escrow	-	36,665	36,665
Internal balances	12,500	(12,500)	-
Unamortized bond costs	-	88,024	88,024
Capital assets (Note III-C):			
Land	270,433	140,737	411,170
Other capital assets, net of accumulated depreciation	<u>2,680,090</u>	<u>5,705,716</u>	<u>8,385,806</u>
Total Assets	<u>3,887,633</u>	<u>7,696,393</u>	<u>11,584,026</u>
<b>LIABILITIES (Note III-D)</b>			
Current Liabilities:			
Due within one year	8,274	127,000	135,274
Long-Term Liabilities:			
Refundable deposits	-	60,988	60,988
Due in more than one year	<u>8,726</u>	<u>2,544,000</u>	<u>2,552,726</u>
Total Liabilities	<u>17,000</u>	<u>2,731,988</u>	<u>2,748,988</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,933,523	3,175,453	6,108,976
Restricted but expendable for:			
Debt service	895	36,665	37,560
Other purposes	255,431	-	255,431
Unrestricted	<u>680,784</u>	<u>1,752,287</u>	<u>2,433,071</u>
Total Net Assets	<u>\$ 3,870,633</u>	<u>\$ 4,964,405</u>	<u>\$ 8,835,038</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
YEAR ENDED APRIL 30, 2012

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	\$ 333,190	\$ 15,737	\$ -	\$ -	\$ (317,453)	\$ -	\$ (317,453)
Public Safety	384,758	21,286	-	-	(363,472)	-	(363,472)
Streets	595,620	20	222,105	-	(373,495)	-	(373,495)
Park	55,525	-	-	-	(55,525)	-	(55,525)
Interest expense	329	-	-	-	(329)	-	(329)
<b>Total Governmental Activities</b>	<b>1,369,422</b>	<b>37,043</b>	<b>222,105</b>	<b>-</b>	<b>(1,110,274)</b>	<b>-</b>	<b>(1,110,274)</b>
Business-Type Activities:							
Water, Sewer and Sanitation	1,145,072	1,378,642	-	-	-	233,570	233,570
Sewer	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
<b>Total Business-Type Activities</b>	<b>1,145,072</b>	<b>1,378,642</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>233,570</b>	<b>233,570</b>
General Revenues:							
Taxes:							
Property taxes					128,338	-	128,338
Sales taxes					412,110	-	412,110
Franchise taxes					245,654	-	245,654
Other taxes					6,165	-	6,165
Investment income					10,335	76,205	86,540
Interfund transfers					-	-	-
Miscellaneous					48,870	-	48,870
<b>Total general revenues</b>					<b>851,472</b>	<b>76,205</b>	<b>927,677</b>
Change in net assets					(258,802)	309,775	50,973
Net assets - beginning					4,129,435	4,654,630	8,784,065
Net assets - ending					<u>\$ 3,870,633</u>	<u>\$ 4,964,405</u>	<u>\$ 8,835,038</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
APRIL 30, 2012

	General Fund	Street Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 423,284	\$ 29,295	\$ 191,675	\$ 22,934	\$ 667,188
Restricted cash and cash equivalents	12,422	-	-	-	12,422
Investments	245,000	-	-	-	245,000
Due from other funds	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,500</u>
 Total Assets	 <u>\$ 693,206</u>	 <u>\$ 29,295</u>	 <u>\$ 191,675</u>	 <u>\$ 22,934</u>	 <u>\$ 937,110</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Other payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Total Liabilities	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
Fund Balances:					
Assigned for debt service	-	-	-	895	895
Assigned for court fines	-	-	-	22,039	22,039
Assigned for street	-	29,295	-	-	29,295
Assigned for capital projects	-	-	191,675	-	191,675
Assigned for Friends of Ashland	2,130	-	-	-	2,130
Assigned for telephone tax	10,292	-	-	-	10,292
Unassigned	<u>680,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>680,784</u>
 Total Fund Balances	 <u>693,206</u>	 <u>29,295</u>	 <u>191,675</u>	 <u>22,934</u>	 <u>937,110</u>
 Total Liabilities and Fund Balances	 <u>\$ 693,206</u>	 <u>\$ 29,295</u>	 <u>\$ 191,675</u>	 <u>\$ 22,934</u>	

Reconciliation to Statement of Net Assets:

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

Capital assets used in governmental activities of \$11,379,360 net of accumulated depreciation of \$8,428,837 are not financial resources and, therefore, are not reported in the funds.	2,950,523
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(17,000)</u>
Net assets of governmental activities	<u>\$ 3,870,633</u>

CITY OF ASHLAND, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
YEAR ENDED APRIL 30, 2012

	General Fund	Street Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ 128,338	\$ -	\$ -	\$ -	\$ 128,338
Sales taxes	284,160	-	127,950	-	412,110
Franchise taxes	245,654	-	-	-	245,654
Other taxes	6,165	-	-	-	6,165
Intergovernmental	-	222,105	-	-	222,105
Licenses and permits	15,737	20	-	-	15,757
Fines and forfeits	20	-	-	21,266	21,286
Investment income	9,028	1,307	-	-	10,335
Miscellaneous	52,568	-	-	-	52,568
<b>Total Revenues</b>	<b>741,670</b>	<b>223,432</b>	<b>127,950</b>	<b>21,266</b>	<b>1,114,318</b>
<b>EXPENDITURES:</b>					
General government	318,517	-	-	-	318,517
Public safety	396,951	-	-	11,310	408,261
Streets	-	243,634	-	-	243,634
Parks	47,164	-	-	-	47,164
Capital outlay	-	-	-	-	-
Interest and fees on debt	-	-	-	-	-
Debt service - principal	-	-	-	-	-
<b>Total Expenditures</b>	<b>762,632</b>	<b>243,634</b>	<b>-</b>	<b>11,310</b>	<b>1,017,576</b>
Excess (Deficit) of Revenues over Expenditures	(20,962)	(20,202)	127,950	9,956	96,742
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in (out)	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-	-
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	(20,962)	(20,202)	127,950	9,956	96,742
Fund Balance, Beginning	714,168	49,497	63,725	12,978	840,368
Fund Balance, Ending	\$ 693,206	\$ 29,295	\$ 191,675	\$ 22,934	\$ 937,110

Reconciliation to the Statement of Activities:

Net change in fund balances - total governmental funds \$ 96,742

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	5,191
Issuance of new capital lease	(17,000)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	147,365
Capital asset dispositions	(3,698)
Depreciation expense	(487,402)

Change in Net Assets of Governmental Activities \$ (258,802)

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 GENERAL FUND  
 YEAR ENDED APRIL 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 714,168	\$ 714,168	\$ 714,168	\$ -
Resources (Inflows):				
Property taxes	120,000	113,000	128,338	15,338
Sales taxes	265,000	262,000	284,160	22,160
Franchise taxes	235,500	220,700	245,654	24,954
Other taxes	-	-	6,165	6,165
Alcoholic beverage licenses	2,000	2,000	2,385	385
Animal licenses	500	590	498	(92)
Building permits	13,000	4,325	12,854	8,529
Municipal court fines and fees	14,000	240	20	(220)
Investment income	18,000	16,000	9,028	(6,972)
Lease income	40,000	38,750	39,015	265
Fall festival and park donations	3,950	5,100	5,003	(97)
Other	3,500	13,764	8,550	(5,214)
Total	<u>715,450</u>	<u>676,469</u>	<u>741,670</u>	<u>65,201</u>
Amounts available for appropriation	<u>1,429,618</u>	<u>1,390,637</u>	<u>1,455,838</u>	<u>65,201</u>
Charges to Appropriations (Outflows):				
General Government:				
Personnel services	180,075	178,162	171,848	6,314
Materials and supplies	-	9,300	4,613	4,687
Other services and charges	211,450	160,162	136,510	23,652
Capital expenditures	5,000	1,600	5,546	(3,946)
Total General Government	<u>396,525</u>	<u>349,224</u>	<u>318,517</u>	<u>30,707</u>
Public Safety:				
Personnel services	297,430	311,804	286,400	25,404
Materials and supplies	15,000	29,300	32,124	(2,824)
Other services and charges	54,230	78,678	78,427	251
Total Public Safety	<u>366,660</u>	<u>419,782</u>	<u>396,951</u>	<u>22,831</u>
Park Department:				
Personnel services	-	38,216	14,634	23,582
Other services and charges	40,040	36,517	29,689	6,828
Capital expenditures	15,000	600	2,841	(2,241)
Total Park Department	<u>55,040</u>	<u>75,333</u>	<u>47,164</u>	<u>28,169</u>
Other Financing Uses:				
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	<u>818,225</u>	<u>844,339</u>	<u>762,632</u>	<u>81,707</u>
Ending Budgetary Fund Balance	<u>\$ 611,393</u>	<u>\$ 546,298</u>	<u>\$ 693,206</u>	<u>\$ 146,908</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 STREET FUND  
 YEAR ENDED APRIL 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 49,497	\$ 49,497	\$ 49,497	\$ -
Resources (Inflows):				
Intergovernmental	744,000	170,848	222,105	51,257
Licenses and permits	800	-	20	20
Investment income	3,900	561	1,307	746
Miscellaneous	1,000	-	-	-
Total	<u>749,700</u>	<u>171,409</u>	<u>223,432</u>	<u>52,023</u>
Other Financing Sources:				
Transfer from other funds	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amounts available for appropriation	<u>919,197</u>	<u>220,906</u>	<u>272,929</u>	<u>52,023</u>
Charges to appropriations (Outflows):				
Street Department:				
Personnel services	73,300	47,493	63,486	(15,993)
Materials and supplies	35,000	31,750	21,132	10,618
Other services and charges	659,900	22,100	99,795	(77,695)
Capital expenditures	50,000	62,000	59,221	2,779
Total Street Department	<u>818,200</u>	<u>163,343</u>	<u>243,634</u>	<u>(80,291)</u>
Total Charges to Appropriations	<u>818,200</u>	<u>163,343</u>	<u>243,634</u>	<u>(80,291)</u>
Ending Budgetary Fund Balance	<u>\$ 100,997</u>	<u>\$ 57,563</u>	<u>\$ 29,295</u>	<u>\$ (28,268)</u>

CITY OF ASHLAND, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 CAPITAL PROJECT FUND  
 YEAR ENDED APRIL 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 63,725	\$ 63,725	\$ 63,725	\$ 23,513
Resources (Inflows):				
Sales taxes	120,000	120,000	127,950	7,950
Total	120,000	120,000	127,950	7,950
Amounts available for appropriation	183,725	183,725	191,675	31,463
Charges to appropriations (Outflows):				
Structural projects and other	-	-	-	-
Total	-	-	-	-
Other Financing Uses:				
Transfers to other funds	120,000	120,000	-	(120,000)
Total Charges to Appropriations	120,000	120,000	-	(120,000)
Ending Budgetary Fund Balance	\$ 63,725	\$ 63,725	\$ 191,675	\$ (88,537)

CITY OF ASHLAND, MISSOURI  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUND (WATER, SEWER AND SANITATION)  
APRIL 30, 2012

**Assets**

Current Assets:

Cash and cash equivalents	\$ 1,564,962
Restricted cash and cash equivalents	<u>172,789</u>
Total Cash and Cash Equivalents	<u>1,737,751</u>
Investments	
Restricted investments held in escrow	<u>36,665</u>
Total Investments	<u>36,665</u>
Total Current Assets	<u>1,774,416</u>

Noncurrent Assets:

Unamortized bond costs	88,024
Land	140,737
Construction in process	11,486
Other capital assets, net of accumulated depreciation	<u>5,694,230</u>
Total Noncurrent Assets	<u>5,934,477</u>

Total Assets	<u>\$ 7,708,893</u>
--------------	---------------------

**Liabilities**

Current Liabilities:

Due to other funds	\$ 12,500
Bonds payable - current portion	<u>127,000</u>
Total Current Liabilities	<u>139,500</u>

Noncurrent Liabilities:

Refundable deposits	60,988
Bonds payable - long-term portion	<u>2,544,000</u>
Total Noncurrent Liabilities	<u>2,604,988</u>

Total Liabilities	<u>\$ 2,744,488</u>
-------------------	---------------------

**Net Assets**

Invested in capital assets, net of related debt	3,175,453
Restricted but expendable for debt service	36,665
Unrestricted (Deficit)	<u>1,752,287</u>

Total Net Assets	<u>\$ 4,964,405</u>
------------------	---------------------

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUND (WATER, SEWER AND SANITATION)  
YEAR ENDED APRIL 30, 2012

Operating Revenues:	
Charges for services	\$ 1,315,447
Miscellaneous	<u>63,195</u>
Total Operating Revenues	<u>1,378,642</u>
Operating Expenses:	
Personnel services	257,934
Materials and supplies	383,907
Repairs and maintenance	85,484
Utilities	28,963
Other	46,758
Depreciation	189,704
Amortization	<u>6,795</u>
Total Operating Expenses	<u>999,545</u>
Operating Income (Loss)	<u>379,097</u>
Non-Operating Revenues (Expenses):	
Investment income	76,205
Interest expense and fees on debt	<u>(145,527)</u>
Total nonoperating revenues (expenses)	<u>(69,322)</u>
Net income before operating transfers	309,775
Other Financing Uses:	
Transfers from other funds	<u>-</u>
Net income	309,775
Net Assets, Beginning	<u>4,654,630</u>
Net Assets, Ending	<u>\$ 4,964,405</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUND (WATER, SEWER AND SANITATION)  
YEAR ENDED APRIL 30, 2012

Cash flows from operating activities:	
Receipts from customers	\$ 1,378,642
Payments to suppliers	(544,725)
Payments to employees	<u>(257,501)</u>
Net cash provided by operating activities	<u>576,416</u>
Cash flows from noncapital financing activities:	
Operating subsidies	-
Due to other funds	<u>-</u>
Net cash flows form noncapital financing activities	<u>-</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(204,731)
Principal paid on capital debt	(126,000)
Interest and fiscal agent fees paid on capital debt	<u>(145,527)</u>
Net cash (used) for capital and related financing activities	<u>(476,258)</u>
Cash flows from investing activities:	
Purchase of investments	(126,600)
Maturities of investments	126,771
Interest income	<u>76,205</u>
Net cash provided (used) by investing activities	<u>76,376</u>
Net increase in cash and cash equivalents	176,534
Balance, beginning of year	<u>1,561,217</u>
Balance, end of year	<u><u>\$ 1,737,751</u></u>
Reconciliation of operating income (loss) to net cash provided	
(used) by operating activities:	
Operating income (loss)	\$ 379,097
Adjustments to reconcile operating income to net cash provided	
(used) by operating activities:	
Depreciation expense	189,704
Amortization expense	6,795
Changes in assets and liabilities:	
Refundable deposits	<u>820</u>
Net cash provided by operating activities	<u><u>\$ 576,416</u></u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2012

**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 Alderpersons 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, 2012

**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, 2012

**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.
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 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.
-----------------	---

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, 2012

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

**Proprietary Fund**

Enterprise Fund

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 City combined the Water, Sewer and Sanitation Enterprise Funds into one fund in fiscal year 2012. The Water, Sewer and Sanitation Enterprise Fund is reported as a major fund and accounts for activities of the City in providing water, sewer and 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, 2012

**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, 2012

**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 2012 no interest was capitalized.

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2012

**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.

*Fund Equity – Fund Financial Statements:*

Beginning with FY 2012, the City implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The City did not have any nonspendable funds as of year end.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of resources because they are either:
  - Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
  - Imposed by law through constitutional provisions or enabling legislation.

Management has determined there are no amounts that should be considered restricted.

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2012

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

- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City's board of alderpersons, which is the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the board of alderpersons removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of year-end.
- **Assigned:** This classification includes spendable amounts that are reported in governmental funds *other than the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose in accordance with the provisions of GASB Statement 54. The intent of an assigned fund balance should be expressed by either the City's board of alderpersons, or a subordinate high-level body, such as a finance committee, or an official, such as the executive director, that has the authority to assign amounts to be used for specific purposes. The City's management assigned funds during year as detailed in Note IV-E.
- **Unassigned:** This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund including any governmental fund in a deficit position.

When fund balance resources are available for a specific purpose in multiple classifications, the City would use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, it reserves the right to selectively spend unassigned resources first and to defer to the use of the other classified funds.

*Contributions and Grants*

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

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2012

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

**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.

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.

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2012

**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, 2012, expenditures exceeded appropriations at the legal level of control in the Street Fund by \$80,291.

**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.

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2012

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

The deposits and investments held at April 30, 2012, are shown below:

	Maturity Date	Carrying Value
Deposits:		
Demand deposits		\$ 2,157,361
Time deposit	5/14/2012	82,000
Time deposit	7/14/2012	100,000
Time deposit	3/8/2013	80,000
Time deposit	5/13/2013	83,000
Time deposit	10/22/2013	65,000
Time deposits	12/22/2013	95,000
		2,662,361
Investments:		
U.S. Federal Obligations		36,665
Total investments		36,665
Total deposits and investments		\$ 2,699,026
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents		\$ 2,232,150
Restricted cash and cash equivalents		185,211
Investments		245,000
Restricted investments held in escrow		36,665
Total		\$ 2,699,026

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 \$2,379,140 at April 30, 2012, 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, 2012, are provided in the previous schedule.

CITY OF ASHLAND, MISSOURI  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 APRIL 30, 2012

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

*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, 2012, 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	42,789
Total Bond Restricted Funds Required	172,789
Restricted funds held in Escrow	36,665
Total Restricted Assets	\$ 209,454

**C. Capital Assets**

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended April 30, 2012, was as follows:

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2012

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

	Balance April 30, 2011	Additions	Disposals	Balance April 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 270,433	\$ -	\$ -	\$ 270,433
Construction in progress	-	42,976	-	42,976
Total capital assets not being depreciated	<u>270,433</u>	<u>42,976</u>	<u>-</u>	<u>313,409</u>
Capital assets being depreciated				
Buildings	365,313	-	-	365,313
Machinery and vehicles	261,448	54,738	(32,084)	284,102
Furniture and equipment	252,854	49,651	-	302,505
Other property and equipment	124,704	-	-	124,704
Infrastructure	9,989,327	-	-	9,989,327
Total capital assets being depreciated	<u>10,993,646</u>	<u>104,389</u>	<u>(32,084)</u>	<u>11,065,951</u>
Total capital assets at historical costs	<u>11,264,079</u>	<u>147,365</u>	<u>(32,084)</u>	<u>11,379,360</u>
Less accumulated depreciation				
Buildings	(140,562)	(10,061)	-	(150,623)
Machinery and vehicles	(183,602)	(28,689)	28,386	(183,905)
Furniture and equipment	(145,998)	(30,314)	-	(176,312)
Other property and equipment	(99,532)	(3,894)	-	(103,426)
Infrastructure	(7,400,127)	(414,444)	-	(7,814,571)
Total accumulated depreciation	<u>(7,969,821)</u>	<u>(487,402)</u>	<u>28,386</u>	<u>(8,428,837)</u>
Total capital assets being depreciated, net	<u>3,023,825</u>	<u>(383,013)</u>	<u>(3,698)</u>	<u>2,637,114</u>
Net capital assets	<u>\$ 3,294,258</u>	<u>\$ (340,037)</u>	<u>\$ (3,698)</u>	<u>\$ 2,950,523</u>

Water, Sewer and Sanitation

	Balance April 30, 2011	Additions	Disposals	Balance April 30, 2012
Capital assets not being depreciated:				
Land	\$ 140,737	\$ -	\$ -	\$ 140,737
Construction in Progress	-	11,486	-	11,486
Total capital assets not being depreciated	<u>140,737</u>	<u>11,486</u>	<u>-</u>	<u>152,223</u>
Capital assets being depreciated				
Buildings	484,746	-	-	484,746
Machinery and vehicles	242,035	52,734	(16,518)	278,251
Furniture and equipment	17,801	19,406	-	37,207
Property and improvements	6,289,931	121,105	-	6,411,036
Total capital assets being depreciated	<u>7,034,513</u>	<u>193,245</u>	<u>(16,518)</u>	<u>7,211,240</u>
Total capital assets at historical costs	<u>7,175,250</u>	<u>204,731</u>	<u>(16,518)</u>	<u>7,363,463</u>
Less accumulated depreciation				
Buildings	(166,865)	(11,009)	-	(177,874)
Machinery and vehicles	(209,906)	(12,484)	16,518	(205,872)
Furniture and equipment	(12,912)	(2,243)	-	(15,155)
Property and improvements	(954,141)	(163,968)	-	(1,118,109)
Total accumulated depreciation	<u>(1,343,824)</u>	<u>(189,704)</u>	<u>16,518</u>	<u>(1,517,010)</u>
Total capital assets being depreciated, net	<u>5,690,689</u>	<u>3,541</u>	<u>-</u>	<u>5,694,230</u>
Net capital assets	<u>\$ 5,831,426</u>	<u>\$ 15,027</u>	<u>\$ -</u>	<u>\$ 5,846,453</u>

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2012

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

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

Primary Government:	
Governmental activities:	
General government	\$ 23,821
Public safety	27,395
Streets	427,825
Park	<u>8,361</u>
Total depreciation expense for governmental activities	<u>\$ 487,402</u>
Business-type activities:	
Water, Sewer and Sanitation	<u>\$ 189,704</u>
Total depreciation expense for business-type activities	<u>\$ 189,704</u>

**D. Long-Term Debt**

The reporting entity's long-term debt arising from modified 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, 2012, the long-term debt arising from cash transactions, payable from governmental fund resources, consisted of the following:

Business-Type Activities

As of April 30, 2012, 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.

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2012

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

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 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.

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

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

Total proprietary fund bonds payable at April 30, 2012, is \$2,671,000.

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

Utility Deposits - Refundable	\$	60,988
-------------------------------	----	--------

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended April 30, 2012:

Original Issue	May 1, 2011	Additions	Deductions	April 30, 2012	Due Within One Year
<b>Governmental Activities:</b>					
Capital Lease Obligations	\$ 5,191	\$ 17,000	\$ 5,191	\$ 17,000	\$ 8,214
Total Governmental Activities	\$ 5,191	\$ 17,000	\$ 5,191	\$ 17,000	\$ 8,214
<b>Business-Type Activities:</b>					
Revenue Series 2002	\$ 242,000	\$ -	\$ 16,000	\$ 226,000	\$ 17,000
Revenue Series 2006	560,000	-	10,000	550,000	10,000
Revenue Series 2007	865,000	-	45,000	820,000	45,000
Revenue Series 2008	1,130,000	-	55,000	1,075,000	55,000
Refundable deposits	60,168	8,400	7,580	60,988	-
Total Business-Type Activities	\$ 2,857,168	\$ 8,400	\$ 133,580	\$ 2,731,988	\$ 127,000

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2012

**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, 2012, are as follows:

**2002 Revenue Bonds**

Year Ending April 30,	Principal	Interest	Total
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	22,000	8,494	30,494
2018-2022	129,000	22,613	151,613
Total	<u>\$ 226,000</u>	<u>\$ 75,994</u>	<u>\$ 301,994</u>

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

Year Ending April 30,	Principal	Interest	Total
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	55,000	15,565	70,565
2018-2022	330,000	34,490	364,490
Total	<u>\$ 550,000</u>	<u>\$ 133,726</u>	<u>\$ 683,726</u>

**2007 Revenue Bonds Issued for Wastewater Improvements**

Year Ending April 30,	Principal	Interest	Total
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	50,000	27,838	77,838
2018-2022	250,000	108,812	358,812
2023-2027	280,000	51,825	331,825
2028-2029	60,000	2,625	62,625
Total	<u>\$ 820,000</u>	<u>\$ 320,450</u>	<u>\$ 1,140,450</u>

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2012

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

**2008 Revenue Bonds Issued for Water Improvements**

Year Ending April 30,	Principal	Interest	Total
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	60,000	46,772	106,772
2018-2022	305,000	188,053	493,053
2023-2027	340,000	102,017	442,017
2028-2029	150,000	12,937	162,937
Total	<u>\$ 1,075,000</u>	<u>\$ 561,757</u>	<u>\$ 1,636,757</u>

**E. Capital Lease - Governmental Activities**

On December 6, 2011, 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,	
2013	\$ 9,131
2014	<u>9,132</u>
Total Minimum Lease Payments	18,263
Less amount representing interest	<u>(1,263)</u>
Net Lease Payments	<u>\$ 17,000</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at April 30, 2012:

Equipment	\$ 32,300
Less accumulated amortization	<u>(1,615)</u>
	<u>\$ 30,685</u>

Amortization of capital leases was \$1,615 for the fiscal year ending April 30, 2012. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2012

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

**F. Pledged Revenues**

The proprietary fund pledged future proprietary fund revenues, net of specified operating expenses, to repay proprietary fund revenue bonds that were issued for the purpose of proprietary improvements. The bonds are payable solely from the proprietary fund net revenues and are payable through 2029. Annual principal and interest payments in 2012 on the bonds required 100% of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,762,927. Principal and interest paid for the current year was \$204,624. Total proprietary fund net revenues for the current year were \$(2,815).

**G. Interfund Transfers**

There were no interfund transfers during the year ended April 30, 2012.

**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 30<sup>th</sup> statutorily required contribution rates are 6.1% (general), 4.0% (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.

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2012

**IV. OTHER INFORMATION (continued)**

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	\$	23,349
Interest on net pension obligation		27
Adjustment to annual required contribution		<u>(19)</u>
Annual pension cost		23,357
Actual contributions		<u>21,504</u>
Increase (decrease) in NPO		1,853
NPO beginning of year		<u>356</u>
NPO end of year	\$	<u><u>2,209</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2009 and February 28, 2010 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% 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 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 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 28, 2009 was 30 years for the General division and 12 years for the Police division. The amortization period as of February 28, 2010 was 21 years for the General division and 14 years for the Police division.

Three-Year Trend Information

Year Ended <u>June 30</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 15,949	100.0%	\$ 0
2010	17,822	98.0%	356
2011	23,357	92.1%	2,209

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2012

**IV. OTHER INFORMATION (continued)**

**B. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

**C. Taxes**

Property taxes attach as an enforceable lien on property as of January 1. The City's *ad valorem* property tax is levied in August by the City's Board of Alderpersons 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 2011 for purposes of local taxation was \$46,415,334. The tax levy per \$100 of the assessed valuation of tangible property for the calendar year 2011 for purposes of local taxation was \$.2612 for the General Fund and \$.0 for the Debt Service Fund, or a total tax levy of \$.2612.

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, 2012, aggregated approximately 100% of the current assessment computed on the basis of the levy.

**D. Litigation**

At April 30, 2012, 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.

CITY OF ASHLAND, MISSOURI  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 APRIL 30, 2012

**IV. OTHER INFORMATION (continued)**

**E. Fund Balance**

Classifications of fund balances at April 30, 2012 are as follows:

	General Fund	Street Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Fund Balances:					
Nonspendable					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-	-
Assigned for other purposes	12,422	-	-	-	12,422
Assigned for capital projects purposes	-	-	191,675	-	191,675
Assigned for special revenue purposes	-	29,295	-	22,039	51,334
Assigned for debt service purposes	-	-	-	895	895
Unassigned	680,784	-	-	-	680,784
	<u>\$ 693,206</u>	<u>\$ 29,295</u>	<u>\$ 191,675</u>	<u>\$ 22,934</u>	<u>\$ 937,110</u>

The City has not adopted a policy that sets forth a minimum fund balance amount.

**F. Consideration of Subsequent Events**

Subsequent events have been evaluated through August 8, 2012, which is the date the financial statements are available to be issued.

## **SUPPLEMENTARY INFORMATION**

## **COMBINING FINANCIAL STATEMENTS**

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

**Special Revenue Fund  
Debt Service Fund**

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

Court Fund

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

Debt Service Fund

Debt Service Fund

Accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

CITY OF ASHLAND, MISSOURI  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NON-MAJOR GOVERNMENTAL FUNDS  
 APRIL 30, 2012

	Special Revenue Fund	Debt Service Fund	Total
<b>ASSETS</b>	Court Fund	Fund	
Cash and cash equivalents	\$ 22,039	\$ 895	\$ 22,934
Restricted cash and cash equivalents	-	-	-
Restricted investments held in escrow	-	-	-
Total Assets	\$ 22,039	\$ 895	\$ 22,934
<b>LIABILITIES AND FUND BALANCES</b>			
Current liabilities	-	-	-
Total Liabilities	-	-	-
Fund balances:			
Assigned for debt service	-	895	895
Assigned for court fines	22,039	-	22,039
Total Fund Balances	22,039	895	22,934
Total Liabilities and Fund Balances	\$ 22,039	\$ 895	\$ 22,934

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, 2012

	Special Revenue Fund <u>Court Fund</u>	Debt Service Fund	Total
<b>REVENUES</b>			
Fines and forfeits	21,266	-	21,266
Total Revenues	<u>21,266</u>	<u>-</u>	<u>21,266</u>
<b>EXPENDITURES</b>			
Public safety	11,310	-	11,310
Total Expenditures	<u>11,310</u>	<u>-</u>	<u>11,310</u>
Excess (Deficit) of Revenues over Expenditures	<u>9,956</u>	<u>-</u>	<u>9,956</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in (out)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	9,956	-	9,956
Fund Balances, beginning	<u>12,083</u>	<u>895</u>	<u>12,978</u>
Fund Balances, ending	<u>\$ 22,039</u>	<u>\$ 895</u>	<u>\$ 22,934</u>

CITY OF ASHLAND, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
 COURT FUND  
 FOR THE YEAR ENDED APRIL 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 12,083	\$ 12,083	\$ 12,083	-
Resources (Inflows):				
Fines and forfeits	3,792	45,920	21,266	(24,654)
Total	<u>3,792</u>	<u>45,920</u>	<u>21,266</u>	<u>(24,654)</u>
Other Financing Sources:				
Transfers from other funds	-	-	-	-
Amounts available for appropriation	<u>15,875</u>	<u>58,003</u>	<u>33,349</u>	<u>(24,654)</u>
Charges to appropriations (Outflows):				
Police Department:				
Other services and charges	3,066	11,798	11,257	541
Training and equipment	10,040	96	53	43
Total Police Department	<u>13,106</u>	<u>11,894</u>	<u>11,310</u>	<u>584</u>
Total Charges to Appropriations	<u>13,106</u>	<u>11,894</u>	<u>11,310</u>	<u>584</u>
Ending Budgetary Fund Balance	<u>\$ 2,769</u>	<u>\$ 46,109</u>	<u>\$ 22,039</u>	<u>\$ (24,070)</u>

CITY OF ASHLAND, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
 DEBT SERVICE FUND  
 FOR THE YEAR ENDED APRIL 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$ 895	\$ 895	\$ 895	\$ -
Resources (Inflows):				
Property taxes	-	-	-	-
Investment income	-	-	-	-
Totals	-	-	-	-
Amounts available for appropriation	895	895	895	-
Charges to appropriations (Outflows):				
Debt Service:				
Principal payments	-	-	-	-
Interest and fees	-	-	-	-
Total Debt Service	-	-	-	-
Total Charges to Appropriations	-	-	-	-
Ending Budgetary Fund Balance	<u>\$ 895</u>	<u>\$ 895</u>	<u>\$ 895</u>	<u>\$ -</u>

## **OTHER INFORMATION**

CITY OF ASHLAND, MISSOURI  
 SCHEDULE OF FUNDING PROGRESS  
 YEAR ENDED APRIL 30, 2012

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

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
02/28/2009	\$ 417,156	\$ 471,012	\$ 53,856	89%	\$ 388,291	14%
02/28/2010	474,193	518,232	44,039	92%	388,414	11%
02/28/2011	556,079	609,637	53,558	91%	440,052	12%

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, 2011, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

## **COMPLIANCE AND INTERNAL CONTROL**



Professional Corporation  
Certified Public Accountants

723 Main St.  
P.O. Box 81  
Boonville, MO 65233  
(660) 882-7000  
Fax: (660) 882-7765

[www.gkccpas.com](http://www.gkccpas.com)

**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

PARTNERS

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

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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of City of Ashland, Missouri is responsible for establishing and maintaining effective 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.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated August 8, 2012.

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.

A handwritten signature in blue ink, appearing to read "Audrey, Kurt & Whitman", is enclosed in a thin black rectangular border.

August 8, 2012

Certified Public Accountants