

***REPORT OF***  
***CITY OF ASHLAND, MISSOURI***  
***YEAR ENDED APRIL 30, 2013***

*CITY OF ASHLAND, MISSOURI*

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**CITY OF ASHLAND, MISSOURI**

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Professional Corporation  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ashland, Missouri (the "City"), as of and for the year ended April 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### PARTNERS

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

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note I; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

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, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of April 30, 2013, and the respective changes in financial position – modified cash basis, and, where applicable, cash flows and respective budgetary comparison for the General, Street and Capital Project Funds, thereof for the year then ended in accordance with the basis of accounting as described in Note I.

### **Basis of Accounting**

We draw attention to Note I of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The management's discussion and analysis, schedule of funding progress and combining & individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements 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 basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2013, on our consideration of the City's internal control over financial reporting on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Gerding, Korte & Chitwood", is enclosed in a thin black rectangular border.

August 9, 2013

Gerding, Korte & Chitwood, P.C.  
Certified Public Accountants  
Boonville, Missouri

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2013  
(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, 2013. 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 \$9,244,700. Of this amount, \$2,480,045 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 position increased by \$409,662.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,098,243. \$752,584 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 \$781,479.
- The City's bond payable decreased \$127,000 due to scheduled payments.

**Overview of the Financial Statements**

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

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

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2013  
(UNAUDITED)

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position 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 12-13 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, 2013  
(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 14-18.

**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 19-21 of this report.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-44.

**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 50 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 45-49 of this report.

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

As noted earlier, net position 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 \$9,244,700 as of April 30, 2013.

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2013  
(UNAUDITED)

A significant portion of the City's net position (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.

2013 NET POSITION

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 1,083,725	\$ 1,489,921	\$ 2,573,646
Restricted assets	14,518	418,121	432,639
Capital assets	2,719,599	6,260,930	8,980,529
Total Assets	<u>\$ 3,817,842</u>	<u>\$ 8,168,972</u>	<u>\$ 11,986,814</u>
Capital lease payable	\$ 29,583	\$ 105,621	\$ 135,204
Bonds payable	-	2,544,000	2,544,000
Deposit payable	-	62,910	62,910
Total Liabilities	<u>\$ 29,583</u>	<u>\$ 2,712,531</u>	<u>\$ 2,742,114</u>
Net Position:			
Net investment in capital assets	\$ 2,690,016	\$ 3,692,538	\$ 6,382,554
Restricted	345,659	36,442	382,101
Unrestricted	752,584	1,727,461	2,480,045
Total Net Position	<u>\$ 3,788,259</u>	<u>\$ 5,456,441</u>	<u>\$ 9,244,700</u>

2012 NET POSITION

	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	<u>\$ 3,887,633</u>	<u>\$ 7,696,393</u>	<u>\$ 11,584,026</u>
Capital lease payable	\$ 17,000	\$ -	\$ 17,000
Bonds payable	-	2,671,000	2,671,000
Deposit payable	-	60,988	60,988
Total Liabilities	<u>\$ 17,000</u>	<u>\$ 2,731,988</u>	<u>\$ 2,748,988</u>
Net Position:			
Net investment in capital assets	\$ 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 Position	<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, 2013  
(UNAUDITED)

As of April 30, 2013, the City is able to report positive balances in all three categories of net position for the government as a whole.

**Analysis of the City's Operations** - Overall the City had an increase in net position of \$409,662.

Governmental Activities: Governmental activities decreased the net position by \$82,374.

Business-Type Activities: Net Position from business-type activities increased by \$492,036 from \$4,964,405 to \$5,456,441. 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, 2013 and 2012.

2013 CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for services	\$ 47,986	\$ 1,544,126	\$ 1,592,112
Operating grants and contributions	346,894	-	346,894
Capital grants and contributions	49,862	158,125	207,987
<b>General Revenues:</b>			
Other taxes	5,367	-	5,367
Property taxes	124,178	-	124,178
Sales taxes	463,759	-	463,759
Franchise taxes	274,048	-	274,048
Interest and investment earnings	7,435	76,357	83,792
Miscellaneous	64,404	-	64,404
<b>Total Revenues</b>	<b>1,383,933</b>	<b>1,778,608</b>	<b>3,162,541</b>
<b>Expenses:</b>			
General government	353,207	-	353,207
Public safety	392,505	-	392,505
Transportation	660,688	-	660,688
Cultural and recreation	59,050	-	59,050
Interest expense	857	-	857
Water, sewer and sanitation	-	1,286,572	1,286,572
<b>Total Expenses</b>	<b>1,466,307</b>	<b>1,286,572</b>	<b>2,752,879</b>
Increase in net position	(82,374)	492,036	409,662
Net Position - Beginning of year	3,870,633	4,964,405	8,835,038
Net Position - End of year	<b>\$ 3,788,259</b>	<b>\$ 5,456,441</b>	<b>\$ 9,244,700</b>

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2013  
(UNAUDITED)

2012 CHANGES IN NET POSITION

	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 position	(258,802)	309,775	50,973
Net Position - Beginning of year	<u>4,129,435</u>	<u>4,654,630</u>	<u>8,784,065</u>
Net Position - End of year	<u>\$ 3,870,633</u>	<u>\$ 4,964,405</u>	<u>\$ 8,835,038</u>

**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 \$1,098,243.

In the general fund, the City budgeted for a decrease in the fund balance of \$108,475, which was primarily resulting from additional expenditures. Due to actual revenues being more than budgeted and actual expenses being less than budgeted, the actual fund balance increase for fiscal year 2013 was \$88,273.

CITY OF ASHLAND, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED APRIL 30, 2013  
(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, 2013 amounts to \$8,980,529 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements and construction in progress.

2013 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	\$ 228,746	\$ 499,179
Buildings	206,286	295,863	502,149
Machinery and vehicles	121,322	185,563	306,885
Infrastructure	1,760,312	-	1,760,312
Furniture and equipment	97,710	18,837	116,547
Property and improvements	220,560	5,129,618	5,350,178
Construction in progress	42,976	402,303	445,279
Net Capital Assets	<u>\$ 2,719,599</u>	<u>\$ 6,260,930</u>	<u>\$ 8,980,529</u>

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>

Additional information on the City's capital assets can be found in the Notes to Basic Financial Statements on pages 33-35 of this report.

**Debt Administration**

At the end of the current fiscal year, the City had revenue bonded debt of \$2,544,000. 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, 2013  
(UNAUDITED)

2013  
Outstanding Debt at Year End  
Revenue Bonds, Note Payable Debt and Deposits

	Governmental Activities	Business-Type Activities	Total
General obligation bonds	-	2,544,000	2,544,000
Capital lease obligation	29,583	105,621	135,204
Deposits payable	-	62,910	62,910
Total	<u>\$ 29,583</u>	<u>\$ 2,712,531</u>	<u>\$ 2,742,114</u>

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>

During the fiscal year, the City's total debt decreased by \$6,874 or 0.2%. 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 35-41 of this report.

**Transfers**

The City made the no transfers in 2013 and 2012.

**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 109 N. Main and on the City's web page at [www.ashlandmo.us](http://www.ashlandmo.us).

CITY OF ASHLAND, MISSOURI  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
APRIL 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 826,225	\$ 1,421,192	\$ 2,247,417
Restricted cash and cash equivalents	14,518	381,679	396,197
Investments	245,000	-	245,000
Restricted investments held in escrow	-	36,442	36,442
Internal balances	12,500	(12,500)	-
Unamortized bond costs	-	81,229	81,229
Capital assets (Note III-C):			
Land	270,433	228,746	499,179
Other capital assets, net of accumulated depreciation	<u>2,449,166</u>	<u>6,032,184</u>	<u>8,481,350</u>
Total Assets	<u>3,817,842</u>	<u>8,168,972</u>	<u>11,986,814</u>
<b>LIABILITIES (Note III-D)</b>			
Current Liabilities:			
Due within one year	18,931	188,980	207,911
Long-Term Liabilities:			
Refundable deposits	-	62,910	62,910
Due in more than one year	<u>10,652</u>	<u>2,460,641</u>	<u>2,471,293</u>
Total Liabilities	<u>29,583</u>	<u>2,712,531</u>	<u>2,742,114</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,690,016	3,692,538	6,382,554
Restricted but expendable for:			
Debt service	895	36,442	37,337
Other purposes	344,764	-	344,764
Unrestricted	<u>752,584</u>	<u>1,727,461</u>	<u>2,480,045</u>
Total Net Position	<u>\$ 3,788,259</u>	<u>\$ 5,456,441</u>	<u>\$ 9,244,700</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
STATEMENT OF ACTIVITIES  
MODIFIED CASH BASIS  
YEAR ENDED APRIL 30, 2013

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	\$ 353,207	\$ 26,010	\$ 95,996	\$ 49,862	\$ (181,339)	\$ -	\$ (181,339)
Public Safety	392,505	21,956	-	-	(370,549)	-	(370,549)
Streets	660,688	20	250,898	-	(409,770)	-	(409,770)
Park	59,050	-	-	-	(59,050)	-	(59,050)
Interest expense	857	-	-	-	(857)	-	(857)
Total Governmental Activities	<u>1,466,307</u>	<u>47,986</u>	<u>346,894</u>	<u>49,862</u>	<u>(1,021,565)</u>	<u>-</u>	<u>(1,021,565)</u>
Business-Type Activities:							
Water, Sewer and Sanitation	<u>1,286,572</u>	<u>1,544,126</u>	<u>-</u>	<u>158,125</u>	<u>-</u>	<u>415,679</u>	<u>415,679</u>
Total Business-Type Activities	<u>1,286,572</u>	<u>1,544,126</u>	<u>-</u>	<u>158,125</u>	<u>-</u>	<u>415,679</u>	<u>415,679</u>
General Revenues:							
Taxes:							
Property taxes					124,178	-	124,178
Sales taxes					463,759	-	463,759
Franchise taxes					274,048	-	274,048
Other taxes					5,367	-	5,367
Investment income					7,435	76,357	83,792
Miscellaneous					64,404	-	64,404
Total general revenues					<u>939,191</u>	<u>76,357</u>	<u>1,015,548</u>
Change in net position					(82,374)	492,036	409,662
Net position - beginning					<u>3,870,633</u>	<u>4,964,405</u>	<u>8,835,038</u>
Net position - ending					<u>\$ 3,788,259</u>	<u>\$ 5,456,441</u>	<u>\$ 9,244,700</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
APRIL 30, 2013

	General Fund	Street Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 509,461	\$ (14,378)	\$ 277,236	\$ 53,906	\$ 826,225
Restricted cash and cash equivalents	14,518	-	-	-	14,518
Investments	245,000	-	-	-	245,000
Due from other funds	12,500	-	-	-	12,500
<b>Total Assets</b>	<b>\$ 781,479</b>	<b>\$ (14,378)</b>	<b>\$ 277,236</b>	<b>\$ 53,906</b>	<b>\$ 1,098,243</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Other payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>					
Assigned for debt service	-	-	-	895	895
Assigned for court fines	-	-	-	29,227	29,227
Assigned for learning garden	-	-	-	23,784	23,784
Assigned for capital projects	-	-	277,236	-	277,236
Assigned for Friends of Ashland	2,835	-	-	-	2,835
Assigned for telephone tax	11,682	-	-	-	11,682
Unassigned	766,962	(14,378)	-	-	752,584
<b>Total Fund Balances</b>	<b>781,479</b>	<b>(14,378)</b>	<b>277,236</b>	<b>53,906</b>	<b>1,098,243</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 781,479</b>	<b>\$ (14,378)</b>	<b>\$ 277,236</b>	<b>\$ 53,906</b>	

Reconciliation to Statement of Net Position:

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

Capital assets used in governmental activities of \$11,633,798 net of accumulated depreciation of \$8,914,199 are not financial resources and, therefore, are not reported in the funds.	2,719,599
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(29,583)
Net position of governmental activities	<u>\$ 3,788,259</u>

CITY OF ASHLAND, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
YEAR ENDED APRIL 30, 2013

	General Fund	Street Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ 124,178	\$ -	\$ -	\$ -	\$ 124,178
Sales taxes	318,924	-	144,835	-	463,759
Franchise taxes	274,048	-	-	-	274,048
Other taxes	5,367	-	-	-	5,367
Intergovernmental	-	250,898	95,996	49,862	396,756
Licenses and permits	26,010	20	-	-	26,030
Fines and forfeits	768	-	-	21,188	21,956
Investment income	7,273	162	-	-	7,435
Miscellaneous	64,404	-	-	-	64,404
<b>Total Revenues</b>	<b>820,972</b>	<b>251,080</b>	<b>240,831</b>	<b>71,050</b>	<b>1,383,933</b>
<b>EXPENDITURES:</b>					
General government	302,929	-	-	26,078	329,007
Public safety	377,372	-	-	14,000	391,372
Streets	-	294,753	-	-	294,753
Parks	52,398	-	-	-	52,398
Capital outlay	-	-	155,270	-	155,270
Interest and fees on debt	-	-	-	-	-
Debt service - principal	-	-	-	-	-
<b>Total Expenditures</b>	<b>732,699</b>	<b>294,753</b>	<b>155,270</b>	<b>40,078</b>	<b>1,222,800</b>
Excess (Deficit) of Revenues over Expenditures	88,273	(43,673)	85,561	30,972	161,133
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in (out)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	88,273	(43,673)	85,561	30,972	161,133
Fund Balance, Beginning	693,206	29,295	191,675	22,934	937,110
Fund Balance, Ending	\$ 781,479	\$ (14,378)	\$ 277,236	\$ 53,906	\$ 1,098,243
<b>Reconciliation to the Statement of Activities:</b>					
Net change in fund balances - total governmental funds					\$ 161,133
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 Position:					
Capital debt obligation principal payments					19,394
Issuance of new capital lease					(31,977)
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					264,688
Depreciation expense					(495,612)
Change in Net Position of Governmental Activities					<u>\$ (82,374)</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
GENERAL FUND  
YEAR ENDED APRIL 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 693,206	\$ 693,206	\$ 693,206	\$ -
Resources (Inflows):				
Property taxes	105,000	105,000	124,178	19,178
Sales taxes	270,000	270,000	318,924	48,924
Franchise taxes	218,750	218,750	274,048	55,298
Other taxes	5,850	5,850	5,367	(483)
Alcoholic beverage licenses	2,300	2,300	2,257	(43)
Animal licenses	425	425	415	(10)
Building permits	13,925	18,675	23,338	4,663
Municipal court fines and fees	600	350	768	418
Investment income	11,000	11,000	7,273	(3,727)
Lease income	38,500	38,500	40,379	1,879
Fall festival and park donations	4,200	4,475	4,839	364
Other	9,705	9,080	19,186	10,106
Total	<u>680,255</u>	<u>684,405</u>	<u>820,972</u>	<u>136,567</u>
Amounts available for appropriation	<u>1,373,461</u>	<u>1,377,611</u>	<u>1,514,178</u>	<u>136,567</u>
Charges to Appropriations (Outflows):				
General Government:				
Personnel services	181,865	181,865	185,148	(3,283)
Materials and supplies	3,850	5,000	6,797	(1,797)
Other services and charges	103,563	120,833	108,918	11,915
Capital expenditures	1,300	1,550	2,066	(516)
Total General Government	<u>290,578</u>	<u>309,248</u>	<u>302,929</u>	<u>6,319</u>
Public Safety:				
Personnel services	295,215	308,974	283,199	25,775
Materials and supplies	40,600	42,400	33,870	8,530
Other services and charges	77,055	75,250	60,303	14,947
Total Public Safety	<u>412,870</u>	<u>426,624</u>	<u>377,372</u>	<u>49,252</u>
Park Department:				
Personnel services	30,192	29,052	28,372	680
Other services and charges	25,931	27,181	23,723	3,458
Capital expenditures	1,625	775	303	472
Total Park Department	<u>57,748</u>	<u>57,008</u>	<u>52,398</u>	<u>4,610</u>
Other Financing Uses:				
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	<u>761,196</u>	<u>792,880</u>	<u>732,699</u>	<u>60,181</u>
Ending Budgetary Fund Balance	<u>\$ 612,265</u>	<u>\$ 584,731</u>	<u>\$ 781,479</u>	<u>\$ 196,748</u>

See Notes to Financial Statements

CITY OF ASHLAND, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 STREET FUND  
 YEAR ENDED APRIL 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 29,295	\$ 29,295	\$ 29,295	\$ -
Resources (Inflows):				
Intergovernmental	194,100	238,000	250,898	12,898
Licenses and permits	20	20	20	-
Investment income	1,400	1,400	162	(1,238)
Miscellaneous	-	-	-	-
Total	<u>195,520</u>	<u>239,420</u>	<u>251,080</u>	<u>11,660</u>
Other Financing Sources:				
Transfer from other funds	-	-	-	-
Amounts available for appropriation	<u>224,815</u>	<u>268,715</u>	<u>280,375</u>	<u>11,660</u>
Charges to appropriations (Outflows):				
Street Department:				
Personnel services	78,413	80,915	99,309	(18,394)
Materials and supplies	47,350	73,350	40,884	32,466
Other services and charges	84,940	113,840	106,608	7,232
Capital expenditures	55,096	39,096	47,952	(8,856)
Total Street Department	<u>265,799</u>	<u>307,201</u>	<u>294,753</u>	<u>12,448</u>
Total Charges to Appropriations	<u>265,799</u>	<u>307,201</u>	<u>294,753</u>	<u>12,448</u>
Ending Budgetary Fund Balance	<u>\$ (40,984)</u>	<u>\$ (38,486)</u>	<u>\$ (14,378)</u>	<u>\$ 24,108</u>

CITY OF ASHLAND, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 CAPITAL PROJECT FUND  
 YEAR ENDED APRIL 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 191,675	\$ 191,675	\$ 191,675	\$ 23,513
Resources (Inflows):				
Sales taxes	122,136	122,136	144,835	22,699
Intergovernmental	-	-	95,996	95,996
Total	<u>122,136</u>	<u>122,136</u>	<u>240,831</u>	<u>118,695</u>
Amounts available for appropriation	<u>313,811</u>	<u>313,811</u>	<u>432,506</u>	<u>142,208</u>
Charges to appropriations (Outflows):				
Structural projects and other	122,136	122,136	155,270	(33,134)
Total	<u>122,136</u>	<u>122,136</u>	<u>155,270</u>	<u>(33,134)</u>
Other Financing Uses:				
Transfers to other funds	-	-	-	-
Total Charges to Appropriations	<u>122,136</u>	<u>122,136</u>	<u>155,270</u>	<u>(33,134)</u>
Ending Budgetary Fund Balance	<u>\$ 191,675</u>	<u>\$ 191,675</u>	<u>\$ 277,236</u>	<u>\$ 109,074</u>

CITY OF ASHLAND, MISSOURI  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUND (WATER, SEWER AND SANITATION)  
APRIL 30, 2013

**Assets**

Current Assets:

Cash and cash equivalents	\$ 1,421,192
Restricted cash and cash equivalents	381,679
Total Cash and Cash Equivalents	1,802,871
Investments	
Restricted investments held in escrow	36,442
Total Investments	36,442
Total Current Assets	1,839,313

Noncurrent Assets:

Unamortized bond costs	81,229
Land	228,746
Construction in process	402,303
Other capital assets, net of accumulated depreciation	5,629,881
Total Noncurrent Assets	6,342,159

Total Assets	\$ 8,181,472
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**Liabilities**

Current Liabilities:

Due to other funds	\$ 12,500
Bonds payable - current portion	168,000
Capital lease payable - current portion	20,980
Total Current Liabilities	201,480

Noncurrent Liabilities:

Refundable deposits	62,910
Bonds payable - long-term portion	2,376,000
Capital lease payable - long-term portion	84,641
Total Noncurrent Liabilities	2,523,551

Total Liabilities	\$ 2,725,031
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**Net Position**

Net investment in capital assets	3,692,538
Restricted but expendable for debt service	36,442
Unrestricted (Deficit)	1,727,461
Total Net Position	\$ 5,456,441

CITY OF ASHLAND, MISSOURI  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION - MODIFIED CASH BASIS  
PROPRIETARY FUND (WATER, SEWER AND SANITATION)  
YEAR ENDED APRIL 30, 2013

Operating Revenues:	
Charges for services	\$ 1,504,777
Miscellaneous	39,349
Total Operating Revenues	<u>1,544,126</u>
Operating Expenses:	
Personnel services	301,205
Materials and supplies	408,397
Repairs and maintenance	83,619
Utilities	34,493
Other	107,534
Depreciation	206,074
Amortization	6,795
Total Operating Expenses	<u>1,148,117</u>
Operating Income (Loss)	<u>396,009</u>
Non-Operating Revenues (Expenses):	
Investment income	76,357
Interest expense and fees on debt	<u>(138,455)</u>
Total nonoperating revenues (expenses)	<u>(62,098)</u>
Net income before contributios, grants and interfund transfers	333,911
Contributions and grants	<u>158,125</u>
Net income	492,036
Net Position, Beginning	<u>4,964,405</u>
Net Position, Ending	<u>\$ 5,456,441</u>

CITY OF ASHLAND, MISSOURI  
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS  
PROPRIETARY FUND (WATER, SEWER AND SANITATION)  
YEAR ENDED APRIL 30, 2013

Cash flows from operating activities:	
Receipts from customers	\$ 1,544,126
Payments to suppliers	(632,121)
Payments to employees	(301,205)
Net cash provided by operating activities	<u>610,800</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(620,551)
Capital grants	158,125
Proceeds from capital debt	130,793
Principal paid on capital debt	(152,172)
Interest and fiscal agent fees paid on capital debt	(138,455)
Net cash (used) for capital and related financing activities	<u>(622,260)</u>
Cash flows from investing activities:	
Purchase of investments	234,483
Maturities of investments	(234,260)
Interest income	76,357
Net cash provided (used) by investing activities	<u>76,580</u>
Net increase in cash and cash equivalents	65,120
Balance, beginning of year	<u>1,737,751</u>
Balance, end of year	<u>\$ 1,802,871</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 396,009
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	206,074
Amortization expense	6,795
Changes in assets and liabilities:	
Refundable deposits	1,922
Net cash provided by operating activities	<u>\$ 610,800</u>

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2013

**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 Position 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 position is 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, 2013

**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, 2013

**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.
Learning Garden Fund	Accounts for grants received and related expenditures.

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 Alderpersons may designate.
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Debt Service Fund

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

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2013

**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 2013. 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 Position 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 position (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 position.

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2013

**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 Position 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, 2013

**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 Position. 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 Position. 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, 2013

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

Equity Classifications

*Government-Wide Statements*

Equity is classified as net position 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 position - Consists of net position 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 position - All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

*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, 2013

**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, 2013

**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 Position. See Note III-G for details of interfund transactions, including receivables and payables at year-end.

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2013

**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, 2013, expenditures exceeded appropriations at the legal level of control in the Capital Project, Court and Learning Garden Funds by \$33,134, \$2,416, \$26,078, respectively. Additionally, a deficit fund balance was budgeted in the Street Fund.

**C. Deficit Fund Balance**

For the year ended April 30, 2013, the Street Fund had a deficit fund balance of \$14,378.

**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, 2013

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

The deposits and investments held at April 30, 2013, are shown below:

	Maturity Date	Carrying Value
Deposits:		
Demand deposits		\$ 2,383,614
Time deposit	5/3/2013	83,000
Time deposit	6/6/2013	80,000
Time deposit	7/14/2013	100,000
Time deposit	10/22/2013	65,000
Time deposits	12/22/2013	95,000
Time deposit	5/24/2014	82,000
		2,888,614
Investments:		
U.S. Federal Obligations		36,442
Total investments		36,442
Total deposits and investments		\$ 2,925,056
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents		\$ 2,247,417
Restricted cash and cash equivalents		396,197
Investments		245,000
Restricted investments held in escrow		36,442
Total		\$ 2,925,056

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 \$2,829,805 at April 30, 2013, 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, 2013, are provided in the previous schedule.

CITY OF ASHLAND, MISSOURI  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 APRIL 30, 2013

**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, 2013, 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	251,679
Total Bond Restricted Funds Required	381,679
Restricted funds held in Escrow	36,442
Total Restricted Assets	\$ 418,121

**C. Capital Assets**

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year ended April 30, 2013, was as follows:

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2013

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

	Balance April 30, 2012	Additions	Disposals	Balance April 30, 2013
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>313,409</u>	<u>-</u>	<u>-</u>	<u>313,409</u>
Capital assets being depreciated				
Buildings	365,313	1,664	-	366,977
Machinery and vehicles	284,102	56,619	(10,250)	330,471
Furniture and equipment	302,505	5,074	-	307,579
Other property and equipment	124,704	201,331	-	326,035
Infrastructure	9,989,327	-	-	9,989,327
Total capital assets being depreciated	<u>11,065,951</u>	<u>264,688</u>	<u>(10,250)</u>	<u>11,320,389</u>
Total capital assets at historical costs	<u>11,379,360</u>	<u>264,688</u>	<u>(10,250)</u>	<u>11,633,798</u>
Less accumulated depreciation				
Buildings	(150,623)	(10,068)	-	(160,691)
Machinery and vehicles	(183,905)	(35,494)	10,250	(209,149)
Furniture and equipment	(176,312)	(33,557)	-	(209,869)
Other property and equipment	(103,426)	(2,049)	-	(105,475)
Infrastructure	(7,814,571)	(414,444)	-	(8,229,015)
Total accumulated depreciation	<u>(8,428,837)</u>	<u>(495,612)</u>	<u>10,250</u>	<u>(8,914,199)</u>
Total capital assets being depreciated, net	<u>2,637,114</u>	<u>(230,924)</u>	<u>-</u>	<u>2,406,190</u>
Net capital assets	<u>\$ 2,950,523</u>	<u>\$ (230,924)</u>	<u>\$ -</u>	<u>\$ 2,719,599</u>

Water, Sewer and Sanitation

	Balance April 30, 2012	Additions	Disposals	Balance April 30, 2013
Capital assets not being depreciated:				
Land	\$ 140,737	\$ 88,009	\$ -	\$ 228,746
Construction in Progress	11,486	390,817	-	402,303
Total capital assets not being depreciated	<u>152,223</u>	<u>478,826</u>	<u>-</u>	<u>631,049</u>
Capital assets being depreciated				
Buildings	484,746	-	-	484,746
Machinery and vehicles	278,251	141,725	-	419,976
Furniture and equipment	37,207	-	-	37,207
Property and improvements	6,411,036	-	-	6,411,036
Total capital assets being depreciated	<u>7,211,240</u>	<u>141,725</u>	<u>-</u>	<u>7,352,965</u>
Total capital assets at historical costs	<u>7,363,463</u>	<u>620,551</u>	<u>-</u>	<u>7,984,014</u>
Less accumulated depreciation				
Buildings	(177,874)	(11,009)	-	(188,883)
Machinery and vehicles	(205,872)	(28,541)	-	(234,413)
Furniture and equipment	(15,155)	(3,215)	-	(18,370)
Property and improvements	(1,118,109)	(163,309)	-	(1,281,418)
Total accumulated depreciation	<u>(1,517,010)</u>	<u>(206,074)</u>	<u>-</u>	<u>(1,723,084)</u>
Total capital assets being depreciated, net	<u>5,694,230</u>	<u>(64,349)</u>	<u>-</u>	<u>5,629,881</u>
Net capital assets	<u>\$ 5,846,453</u>	<u>\$ 414,477</u>	<u>\$ -</u>	<u>\$ 6,260,930</u>

CITY OF ASHLAND, MISSOURI  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 APRIL 30, 2013

**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	\$ 24,200
Public safety	31,514
Streets	433,246
Park	<u>6,652</u>
Total depreciation expense for governmental activities	<u>\$ 495,612</u>
Business-type activities:	
Water, Sewer and Sanitation	<u>\$ 200,074</u>
Total depreciation expense for business-type activities	<u>\$ 200,074</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, 2013, the long-term debt arising from cash transactions, payable from governmental fund resources, consisted of the following:

Business-Type Activities

As of April 30, 2013, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

Bonds Payable:

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. See tables below.

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2013

**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, 2013, is \$2,544,000.

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

Utility Deposits - Refundable	\$	62,910
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Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended April 30, 2013:

Original Issue	Balance May 1, 2012	Additions	Deductions	Balance April 30, 2013	Amount Due Within One Year
<b>Governmental Activities:</b>					
Capital Lease Obligations	\$ 17,000	\$ 31,977	\$ 19,394	\$ 29,583	\$ 18,931
Total Governmental Activities	\$ 17,000	\$ 31,977	\$ 19,394	\$ 29,583	\$ 18,931
<b>Business-Type Activities:</b>					
Revenue Series 2002	\$ 226,000	\$ -	\$ 17,000	\$ 209,000	\$ 18,000
Revenue Series 2006	550,000	-	10,000	540,000	50,000
Revenue Series 2007	820,000	-	45,000	775,000	45,000
Revenue Series 2008	1,075,000	-	55,000	1,020,000	55,000
Capital lease obligations	-	130,793	25,172	105,621	20,980
Refundable deposits	60,988	11,800	9,878	62,910	-
Total Business-Type Activities	\$ 2,731,988	\$ 142,593	\$ 162,050	\$ 2,712,531	\$ 188,980

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2013

**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, 2013, are as follows:

**2002 Revenue Bonds**

Year Ending April 30,	Principal	Interest	Total
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	23,000	7,256	30,256
2019-2023	106,000	15,357	121,357
Total	<u>\$ 209,000</u>	<u>\$ 63,282</u>	<u>\$ 272,282</u>

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

Year Ending April 30,	Principal	Interest	Total
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	60,000	13,150	73,150
2019-2023	270,000	21,340	291,340
Total	<u>\$ 540,000</u>	<u>\$ 110,259</u>	<u>\$ 650,259</u>

**2007 Revenue Bonds Issued for Wastewater Improvements**

Year Ending April 30,	Principal	Interest	Total
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	50,000	25,837	75,837
2019-2023	255,000	98,400	353,400
2024-2028	285,000	39,025	324,025
Total	<u>\$ 775,000</u>	<u>\$ 285,412</u>	<u>\$ 1,060,412</u>

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2013

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

**2008 Revenue Bonds Issued for Water Improvements**

Year Ending April 30,	Principal	Interest	Total
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	60,000	43,773	103,773
2019-2023	310,000	172,107	482,107
2024-2028	350,000	82,815	432,815
2029	75,000	4,312	79,312
Total	<u>\$ 1,020,000</u>	<u>\$ 505,222</u>	<u>\$ 1,525,222</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,	
2014	\$ 9,132
Total Minimum Lease Payments	9,132
Less amount representing interest	(406)
Net Lease Payments	<u>\$ 8,726</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at April 30, 2013:

Equipment	\$ 32,300
Less accumulated amortization	(4,845)
	<u>\$ 27,455</u>

Amortization of capital leases was \$3,230 for the fiscal year ending April 30, 2013. 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, 2013

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

On September 24, 2012, the City entered into a cancellable lease agreement as lessee to finance the acquisition of equipment.

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

Year Ended <u>April 30,</u>	
2014	\$ 11,119
2015	<u>11,120</u>
Total Minimum Lease Payments	22,239
Less amount representing interest	<u>(1,382)</u>
Net Lease Payments	<u>\$ 20,857</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at April 30, 2013:

Equipment	\$ 21,857
Less accumulated amortization	<u>(2,539)</u>
	<u>\$ 19,318</u>

Amortization of capital leases was \$2,539 for the fiscal year ending April 30, 2013. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

**F. Capital Lease – Business-Type Activities**

On December 13, 2012, the City entered into a cancellable lease agreement as lessee to finance the acquisition of equipment.

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

Year Ended <u>April 30,</u>	
2014	\$ 14,053
2015	14,053
2016	14,053
2017	14,053
2018	14,053
2019	14,053
2020	<u>14,053</u>
Total Minimum Lease Payments	98,371
Less amount representing interest	<u>(13,607)</u>
Net Lease Payments	<u>\$ 84,764</u>

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2013

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

Property, plant and equipment includes the following amounts for leases which have been capitalized at April 30, 2013:

Equipment	\$	98,817
Less accumulated amortization		<u>(8,235)</u>
		<u>\$ 90,582</u>

Amortization of capital leases was \$8,235 for the fiscal year ending April 30, 2013. Such amounts are a component of depreciation and amortization expense in the accompanying financial statements.

On September 24, 2012, the City entered into a cancellable lease agreement as lessee to finance the acquisition of equipment.

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

Year Ended		
<u>April 30,</u>		
2014	\$	11,119
2015		<u>11,119</u>
Total Minimum Lease Payments		22,238
Less amount representing interest		<u>(1,381)</u>
Net Lease Payments	\$	<u>20,857</u>

Property, plant and equipment includes the following amounts for leases which have been capitalized at April 30, 2013:

Equipment	\$	31,976
Less accumulated amortization		<u>(3,731)</u>
		<u>\$ 28,245</u>

Amortization of capital leases was \$3,731 for the fiscal year ending April 30, 2013. 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, 2013

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

**G. Pledged Revenues**

The proprietary fund pledged future proprietary fund revenues, net of specified operating expenses, to repay proprietary fund revenue bonds and capital leases that were issued for the purpose of proprietary improvements. The bonds and leases are payable solely from the proprietary fund net revenues and are payable through 2029. Annual principal and interest payments in 2013 on the bonds and leases required 44% of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,628,784. Principal and interest paid for the current year was \$300,505. Total proprietary fund net revenues for the current year were \$685,235.

The governmental funds pledged future governmental fund revenues, net of specified operating expenses, to repay capital leases that were issued for the purpose of equipment purchases. The leases are payable solely from the governmental fund net revenues and are payable through 2015. Annual principal and interest payments in 2013 on the leases required 16% of net revenues. The total principal and interest remaining to be paid on the leases is \$31,371. Principal and interest paid for the current year was \$25,173. Total governmental fund net revenues for the current year were \$161,133.

**H. Interfund Transfers**

There were no interfund transfers during the year ended April 30, 2013.

**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.

CITY OF ASHLAND, MISSOURI  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 APRIL 30, 2013

**IV. OTHER INFORMATION (continued)**

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 6.6% (general) and 5.0% (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.

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	\$	30,360
Interest on net pension obligation		160
Adjustment to annual required contribution		(183)
Annual pension cost		30,337
Actual contributions		30,360
Increase (decrease) in NPO		(23)
NPO beginning of year		2,209
NPO end of year	\$	2,186

The annual required contribution (ARC) was determined as part of the February 28, 2010 and February 28, 2011 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012 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, 2010 was 21 years for the General division and 14 years for the Police division. The amortization period as of February 28, 2011 was 15 years for the General division and 13 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
2010	\$ 17,822	98.0%	\$ 356
2011	23,357	92.1%	2,209
2012	30,337	100.1	2,186

CITY OF ASHLAND, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS  
APRIL 30, 2013

**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 2012 for purposes of local taxation was \$47,962,999. The tax levy per \$100 of the assessed valuation of tangible property for the calendar year 2012 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, 2013, aggregated approximately 99.1% of the current assessment computed on the basis of the levy.

**D. Litigation**

At April 30, 2013, 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, 2013

**IV. OTHER INFORMATION (continued)**

**E. Fund Balance**

Classifications of fund balances at April 30, 2013 are as follows:

	General Fund	Street Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
Fund Balances:					
Nonspendable					
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-	-
Assigned for other purposes	14,517	-	-	-	14,517
Assigned for capital projects purposes	-	-	277,236	-	277,236
Assigned for special revenue purposes	-	-	-	53,011	53,011
Assigned for debt service purposes	-	-	-	895	895
Unassigned	766,962	(14,378)	-	-	752,584
	<u>\$ 781,479</u>	<u>\$ (14,378)</u>	<u>\$ 277,236</u>	<u>\$ 53,906</u>	<u>\$ 1,098,243</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 9, 2013, 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**



CITY OF ASHLAND, MISSOURI  
 COMBINING BALANCE SHEET - MODIFIED CASH BASIS  
 NON-MAJOR GOVERNMENTAL FUNDS  
 APRIL 30, 2013

	Special Revenue Fund		Debt Service Fund	Total
	Court Fund	Learning Garden		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 29,227	\$ 23,784	\$ 895	\$ 53,906
Restricted cash and cash equivalents	-	-	-	-
Restricted investments held in escrow	-	-	-	-
<b>Total Assets</b>	<b>\$ 29,227</b>	<b>\$ 23,784</b>	<b>\$ 895</b>	<b>\$ 53,906</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Current liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:				
Assigned for debt service	-	-	895	895
Assigned for learning garden	-	23,784	-	23,784
Assigned for court fines	29,227	-	-	29,227
<b>Total Fund Balances</b>	<b>29,227</b>	<b>23,784</b>	<b>895</b>	<b>53,906</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 29,227</b>	<b>\$ 23,784</b>	<b>\$ 895</b>	<b>\$ 53,906</b>

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, 2013

	Special Revenue Fund		Debt Service Fund	Total
	Court Fund	Learning Garden		
<b>REVENUES</b>				
Fines and forfeits	\$ 21,188	\$ -	\$ -	\$ 21,188
Grant	-	49,862	-	49,862
Total Revenues	<u>21,188</u>	<u>49,862</u>	<u>-</u>	<u>71,050</u>
<b>EXPENDITURES</b>				
General government	-	26,078	-	26,078
Public safety	14,000	-	-	14,000
Total Expenditures	<u>14,000</u>	<u>26,078</u>	<u>-</u>	<u>40,078</u>
Excess (Deficit) of Revenues over Expenditures	<u>7,188</u>	<u>23,784</u>	<u>-</u>	<u>30,972</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	7,188	23,784	-	30,972
Fund Balances, beginning	<u>22,039</u>	<u>-</u>	<u>895</u>	<u>22,934</u>
Fund Balances, ending	<u>\$ 29,227</u>	<u>\$ 23,784</u>	<u>\$ 895</u>	<u>\$ 53,906</u>

CITY OF ASHLAND, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
 COURT FUND  
 FOR THE YEAR ENDED APRIL 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 22,039	\$ 22,039	\$ 22,039	\$ -
Resources (Inflows):				
Fines and forfeits	35,628	35,787	21,188	(14,599)
Total	35,628	35,787	21,188	(14,599)
Other Financing Sources:				
Transfers from other funds	-	-	-	-
Amounts available for appropriation	57,667	57,826	43,227	(14,599)
Charges to appropriations (Outflows):				
Police Department:				
Other services and charges	11,370	11,370	13,890	(2,520)
Training and equipment	214	214	110	104
Total Police Department	11,584	11,584	14,000	(2,416)
Total Charges to Appropriations	11,584	11,584	14,000	(2,416)
Ending Budgetary Fund Balance	\$ 46,083	\$ 46,242	\$ 29,227	\$ (17,015)

CITY OF ASHLAND, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
 LEARNING GARDEN FUND  
 FOR THE YEAR ENDED APRIL 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Beginning Budgetary Fund Balance:	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Grant	-	-	49,862	49,862
Totals	-	-	49,862	49,862
Amounts available for appropriation	-	-	49,862	49,862
Charges to appropriations (Outflows):				
General Government:				
Other services and charges	-	-	26,078	(26,078)
Total Police Department	-	-	26,078	(26,078)
Other Financing Uses:				
Transfers to other funds	-	-		-
Total Charges to Appropriations	-	-	26,078	(26,078)
Ending Budgetary Fund Balance	\$ -	\$ -	\$ 23,784	\$ 23,784

CITY OF ASHLAND, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS  
 BUDGETED NON-MAJOR GOVERNMENTAL FUNDS  
 DEBT SERVICE FUND  
 FOR THE YEAR ENDED APRIL 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
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	\$ 895	\$ 895	\$ 895	\$ -

## **OTHER INFORMATION**

CITY OF ASHLAND, MISSOURI  
SCHEDULE OF FUNDING PROGRESS  
YEAR ENDED APRIL 30, 2013

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
02/28/2010	\$ 474,193	\$ 518,232	\$ 44,039	92%	\$ 388,414	11%
02/28/2011	556,079	609,637	53,558	91%	440,052	12%
02/29/2012	660,937	721,095	60,158	92%	538,719	11%

NOTE: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 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**



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 9, 2013. As described in our report on the financial statements the City prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

PARTNERS

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*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. *A significant deficiency*, is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses (2013-1, 2013-2 and 2013-3).

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



August 9, 2013

Gerding, Korte & Chitwood, P.C.  
Certified Public Accountants  
Boonville, Missouri

CITY OF ASHLAND, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED APRIL 30, 2013

2013-1	Budgeting
Criteria:	State statute, Chapter 67, requires that each political subdivision is prohibited from expending public monies unless those expenditures have been authorized as provided in Chapter 67.
Condition:	The City's actual expenditures in the Court, Capital Projects and Learning Garden Funds exceeded final budgeted expenditures by \$2,416, \$33,134 and \$26,078, respectively.
Context:	The final budgeted expenditures were compared to actual expenditures. Actual expenditures exceeded budgeted expenditures in the Court, Capital Projects and Learning Garden Funds by \$2,416, \$33,134 and \$26,078, respectively.
Effect:	The City violated state statute RSMo 67.
Cause:	The City budgeted too few expenditures in the Court, Capital Projects and Learning Garden Funds.
Recommendation:	The City should ensure actual expenditures do not exceed budgeted expenditures in any funds.
Views of Responsible Officials & Planned Corrective Action:	The City will discuss with the department heads about their expenditures so the actual expenditures do not exceed the budgeted expenditures in any funds.

CITY OF ASHLAND, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
YEAR ENDED APRIL 30, 2013

2013-2	Fund Deficit
Criteria:	No funds should have a negative ending fund balance.
Condition:	The street fund has a negative ending fund balance of \$14,378.
Context:	During our audit we reviewed the street fund financial statement and noted a negative fund balance existed.
Effect:	A negative fund balance exists in the street fund.
Cause:	Current year revenues and transfers in plus the beginning fund balance are less than current year expenditures plus transfers out.
Recommendations:	We recommend the City ensure a deficit fund balance does not exist.
Views of Responsible Officials & Planned Corrective Action:	The City will ensure that a negative fund balance will not exist.

CITY OF ASHLAND, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)  
YEAR ENDED APRIL 30, 2013

2013-3	Budgeting
Criteria:	Section 67.010 of the Missouri Revised Statutes states that in no event shall the total proposed expenditures from any fund exceed the estimated revenues to be received plus any unencumbered balance plus any balance estimated for the beginning of the budget year.
Condition:	Budgeted expenditures in the street fund exceeded budgeted revenues plus the estimated cash balance at the beginning of the fiscal year.
Context:	During our audit, we reviewed the street fund budget and noted a deficit fund balance was budgeted.
Effect:	Expenditures were made from the street fund during the fiscal year without being done in compliance with the political subdivision budgetary requirements.
Cause:	Deficit street fund beginning cash balances and budgeted revenues for the fiscal year were less than budgeted expenditures.
Recommendation:	We recommend the City prepare their annual budgets for each fund taking into consideration the beginning of the year bank balances. If transfers are required to cause the City to be in compliance with budgetary statutes, we recommend the transfers be done such that they are not in violation of state statutes or local policies.
Views of Responsible Officials & Planned Corrective Action:	The City, when preparing their annual budget, will consider the beginning of the year bank balances and if needed, transfers will be done to comply with budgetary statutes.