

**CITY OF MALDEN, MISSOURI
MALDEN, MISSOURI**

For the Year Ended June 30, 2014

ANNUAL FINANCIAL REPORT

Begley, Young, Unterreiner & White, LLC
Certified Public Accountants
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CITY OF MALDEN, MISSOURI
Malden, Missouri

For the Year Ended June 30, 2014

ANNUAL FINANCIAL REPORT

FINANCIAL SECTION

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FINANCIAL SECTION



BEGLEY, YOUNG, UNTERREINER & WHITE, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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Jeff S. Unterreiner, CPA
Catherine A. White, CPA

Terry R. Begley, CPA
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Nick M. Steimle, CPA

Leni R. Lambdin, CPA
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Gregory J. Rapp
Paula A. Simmers

INDEPENDENT AUDITORS' REPORT

To The Mayor and Board of Council Members
City of Malden, 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 Malden, Missouri, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and the maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 of 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 auditor's 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 audit 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 of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Malden, Missouri as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and Retirement Plan on pages 40-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Malden, Missouri's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements 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 nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2015, on our consideration of the City of Malden, Missouri's internal control over financial reporting and 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. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Malden, Missouri's internal control over financial reporting and compliance.

BEGLEY, YOUNG, UNTERREINER & WHITE, LLC

Begley, Young, Unterreiner & White, LLC

Cape Girardeau, Missouri
January 15, 2015



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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**

To the Mayor and Board of Council Members
City of Malden, 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 *Government 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 City of Malden, Missouri, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Malden, Missouri's basic financial statements and have issued our report thereon dated January 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Malden, Missouri'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 City of Malden, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Malden, Missouri's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 14-1 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 14-2 to be a significant deficiency.

Compliance and Other Matters

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

City of Malden, Missouri's Response to Findings

City of Malden, Missouri's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. City of Malden, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

BEGLEY, YOUNG, UNTERREINER & WHITE, LLC

Begley, Young, Unterreiner & White, LLC

Cape Girardeau, Missouri
January 15, 2015

BASIC FINANCIAL STATEMENTS

CITY OF MALDEN, MISSOURISTATEMENT OF NET POSITION

JUNE 30, 2014

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Current Assets:</u>			
Cash	\$ 1,091,961	\$ 4,170,637	\$ 5,262,598
Restricted Cash	43,061	316,007	359,068
Receivables	187,161	1,182,206	1,369,367
Prepaid Expenses	31,436	325,211	356,647
Internal Balances	(194,197)	194,197	-
Inventory	-	310,196	310,196
Total Current Assets	<u>\$ 1,159,422</u>	<u>\$ 6,498,454</u>	<u>\$ 7,657,876</u>
<u>Capital Assets:</u>			
Land, Improvements, and Construction in Progress	\$ 1,052,945	\$ 395,158	\$ 1,448,103
Other Capital Assets, Net	803,754	14,250,770	15,054,524
Total Capital Assets, Net	<u>\$ 1,856,699</u>	<u>\$ 14,645,928</u>	<u>\$ 16,502,627</u>
TOTAL ASSETS	<u>\$ 3,016,121</u>	<u>\$ 21,144,382</u>	<u>\$ 24,160,503</u>
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Payables	\$ 62,229	\$ 358,538	\$ 420,767
Accrued Interest Payable	-	3,386	3,386
Accrued Salaries and Benefits	188,499	153,692	342,191
Unearned Revenue	-	110,665	110,665
Revenue Bonds, Net of Long-Term	22,017	14,916	36,933
Note Payable, Net of Long-Term	49,013	87,971	136,984
Total Current Liabilities	<u>\$ 321,758</u>	<u>\$ 729,168</u>	<u>\$ 1,050,926</u>
<u>Long-Term Liabilities:</u>			
Deposit Payable	\$ -	\$ 134,750	\$ 134,750
Revenue Bonds, Net of Current Portion	656,988	533,532	1,190,520
Note Payable, Net of Current Portion	190,023	1,293,197	1,483,220
Total Long-Term Liabilities	<u>\$ 847,011</u>	<u>\$ 1,961,479</u>	<u>\$ 2,808,490</u>
TOTAL LIABILITIES	<u>\$ 1,168,769</u>	<u>\$ 2,690,647</u>	<u>\$ 3,859,416</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 938,658	\$ 13,264,760	\$ 14,203,418
Restricted for Specific Purposes	157,649	316,007	473,656
Unrestricted	751,045	4,872,968	5,624,013
TOTAL NET POSITION	<u>\$ 1,847,352</u>	<u>\$ 18,453,735</u>	<u>\$ 20,301,087</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

Functions/Programs Primary Government	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
General Government	\$ 602,998	\$ -	\$ -	\$ (431,345)	\$ -	\$ (431,345)
Public Safety	1,384,671	-	27,042	(1,215,709)	-	(1,215,709)
Culture and Recreation	274,446	-	-	(244,745)	-	(244,745)
Transportation	288,038	-	-	(288,038)	-	(288,038)
Total Governmental Activities	\$ 2,550,153	\$ -	\$ 27,042	\$ (2,179,837)	\$ -	\$ (2,179,837)
Business-Type Activities:						
Electric	\$ 5,554,018	\$ -	\$ -	\$ -	\$ (163,997)	\$ (163,997)
Water and Sewer	1,140,081	-	-	-	(195,843)	(195,843)
Airport	600,116	-	168,416	-	(70,090)	(70,090)
Golf	21,487	-	-	-	(21,487)	(21,487)
Community Center	77,469	-	-	-	(61,358)	(61,358)
Nutrition Center	320,465	203,311	-	-	(19,202)	(19,202)
Total Business-Type Activities	\$ 7,713,636	\$ 203,311	\$ 168,416	\$ -	\$ (531,977)	\$ (531,977)
Total Primary Government	\$ 10,263,789	\$ 203,311	\$ 195,458	\$ (2,179,837)	\$ (531,977)	\$ (2,711,814)
General Revenue:						
Real Estate Taxes	\$ 144,998	\$ -	\$ -	\$ 144,998	\$ -	\$ 144,998
Personal Property Taxes	66,793	-	-	66,793	-	66,793
Sales Taxes	897,723	-	-	897,723	-	897,723
Franchise Taxes	530,909	-	-	530,909	-	530,909
Fire Taxes	141,486	-	-	141,486	-	141,486
Motor Fuel Taxes	157,078	-	-	157,078	-	157,078
Surtax	22,003	-	-	22,003	-	22,003
Railroad/Utility Taxes	11,680	-	-	11,680	-	11,680
Interest Income	8,644	-	-	8,644	27,948	36,592
Gain/(Loss) on Disposal of Capital Asset	-	-	-	-	4,390	4,390
Other	161,864	-	-	161,864	246,961	408,825
Transfers - Internal Activities	(280,702)	-	-	(280,702)	280,702	-
Total General Revenues	\$ 1,862,476	\$ -	\$ -	\$ 1,862,476	\$ 560,001	\$ 2,422,477
Change in Net Position	\$ (317,361)	-	-	\$ 28,024	\$ 28,024	\$ (289,337)
Net Position - July 1, 2013	2,138,950	-	-	18,502,446	-	20,641,396
Prior Period Adjustments	25,763	-	-	(76,735)	-	(50,972)
Net Position - June 30, 2014	\$ 1,847,352	\$ -	\$ -	\$ 18,453,735	\$ 18,453,735	\$ 20,301,087

See Accompanying Notes to the Basic Financial Statements.

STATEMENT 3

CITY OF MALDEN, MISSOURIBALANCE SHEET -
GOVERNMENTAL FUNDS

JUNE 30, 2014

<u>ASSETS</u>	<u>General Fund</u>	<u>DED Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>CURRENT ASSETS:</u>				
Cash	\$ 745,745	\$ 113,464	\$ 232,752	\$ 1,091,961
Restricted Cash	5,970	-	37,091	43,061
Receivables	164,759	-	22,402	187,161
Due From Other Funds	9,143	-	-	9,143
Prepaid Expenses	21,884	-	9,552	31,436
Total Current Assets	<u>\$ 947,501</u>	<u>\$ 113,464</u>	<u>\$ 301,797</u>	<u>\$ 1,362,762</u>
TOTAL ASSETS	<u>\$ 947,501</u>	<u>\$ 113,464</u>	<u>\$ 301,797</u>	<u>\$ 1,362,762</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES:</u>				
Accounts Payable	\$ 34,969	\$ -	\$ 14,882	\$ 49,851
Court Payable	12,378	-	-	12,378
Accrued Payroll and Benefits	163,826	-	24,673	188,499
Due To Other Funds	-	202,912	428	203,340
TOTAL LIABILITIES	<u>\$ 211,173</u>	<u>\$ 202,912</u>	<u>\$ 39,983</u>	<u>\$ 454,068</u>
<u>FUND BALANCE:</u>				
Nonspendable	\$ 21,884	\$ -	\$ 6,432	\$ 28,316
Spendable:				
Restricted	-	-	157,649	157,649
Assigned	-	-	-	-
Unassigned	714,444	(89,448)	97,733	722,729
TOTAL FUND BALANCE	<u>\$ 736,328</u>	<u>\$ (89,448)</u>	<u>\$ 261,814</u>	<u>\$ 908,694</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 947,501</u>	<u>\$ 113,464</u>	<u>\$ 301,797</u>	<u>\$ 1,362,762</u>

See Accompanying Notes to the Basic Financial Statements.

STATEMENT 3-A

CITY OF MALDEN, MISSOURIRECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2014

Total fund balance - total governmental funds (Statement 3)	\$ 908,694
Amounts reported for governmental activities in the statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet, net of accumulated depreciation of \$2,117,034	1,856,699
Revenue Bonds, Lease Payables, and Note Payables are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.	<u>(918,041)</u>
Net Position of governmental activities (Statement 1)	<u>\$ 1,847,352</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURISTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>DED Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes	\$ 1,674,060	\$ -	\$ 298,610	\$ 1,972,670
Intergovernmental	27,042	-	-	27,042
Charges for Services	219,792	23,100	100,382	343,274
Interest Income	7,450	400	794	8,644
Other	143,161	-	18,703	161,864
TOTAL REVENUES	\$ 2,071,505	\$ 23,500	\$ 418,489	\$ 2,513,494
EXPENDITURES:				
Current:				
General Government	\$ 490,036	\$ -	\$ 73,088	\$ 563,124
Public Safety	1,243,323	-	-	1,243,323
Culture and Recreation	49,571	635	207,058	257,264
Transportation	-	-	249,665	249,665
Capital Outlay	20,519	-	124,074	144,593
Debt Service:				
Principal	47,398	-	21,118	68,516
Interest	9,349	10,515	28,789	48,653
TOTAL EXPENDITURES	\$ 1,860,196	\$ 11,150	\$ 703,792	\$ 2,575,138
REVENUES OVER (UNDER) EXPENDITURES	\$ 211,309	\$ 12,350	\$ (285,303)	\$ (61,644)
OTHER FINANCING SOURCES (USES):				
Transfers In	\$ -	\$ -	\$ 379,399	\$ 379,399
Transfers Out	(660,101)	-	-	(660,101)
TOTAL OTHER FINANCING SOURCES AND USES	\$ (660,101)	\$ -	\$ 379,399	\$ (280,702)
NET CHANGE IN FUND BALANCES	\$ (448,792)	\$ 12,350	\$ 94,096	\$ (342,346)
FUND BALANCE, July 1, 2013	1,161,280	(101,798)	165,795	1,225,277
PRIOR PERIOD ADJUSTMENTS	23,840	-	1,923	25,763
FUND BALANCE, June 30, 2014	\$ 736,328	\$ (89,448)	\$ 261,814	\$ 908,694

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

RECONCILIATION OF THE STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

Net Change in fund balances - total governmental funds (Statement 4)	\$	(342,346)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets expended in the current period.</p>		144,593
<p>The net effect of various transactions involving capital assets (i.e., sales, trade ins, and disposals) is to increase net position.</p>		
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.</p>		(188,124)
<p>The issuance of long-term debt (i.e. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premium, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Revenue Bond Payments		21,118
Note Payable Payments		47,398
Note Payable Proceeds		-
		-
Change in net position of governmental activities (Statement 2)	\$	(317,361)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

STATEMENT OF NET POSITION -
PROPRIETARY FUNDS

JUNE 30, 2014

<u>ASSETS</u>	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Airport Fund</u>	<u>Golf Fund</u>
<u>CURRENT ASSETS:</u>				
Cash	\$ 3,871,736	\$ 507	\$ 248,369	\$ -
Restricted Cash	129,130	36,021	133,153	-
Receivables, Net of Allowance for Uncollectible Customer	748,610	152,269	2,197	-
Grants	-	-	-	-
Other	70,160	187,013	-	-
Prepaid Items	204,570	38,106	66,123	-
Due From Other Funds	284,976	131	-	-
Inventory	239,897	65,808	-	-
Total Current Assets	<u>\$ 5,549,079</u>	<u>\$ 479,855</u>	<u>\$ 449,842</u>	<u>\$ -</u>
<u>CAPITAL ASSETS:</u>				
Land, Improvements, and Construction in Progress	\$ 20,139	\$ 211,378	\$ 58,631	\$ -
Other Capital Assets, Net	5,490,010	4,126,955	3,736,284	-
Total Capital Assets, Net	<u>\$ 5,510,149</u>	<u>\$ 4,338,333</u>	<u>\$ 3,794,915</u>	<u>\$ -</u>
TOTAL ASSETS	<u>\$ 11,059,228</u>	<u>\$ 4,818,188</u>	<u>\$ 4,244,757</u>	<u>\$ -</u>
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts Payable	\$ 295,452	\$ 17,186	\$ 7,874	\$ -
Accrued Interest Payable	-	1,589	-	-
Accrued Salaries and Benefits	97,634	46,436	9,622	-
Sales Tax Payable	12,955	686	-	-
Water/Sewer Primacy Fees Payable	-	8,197	-	-
Unearned Revenue	-	23,245	87,420	-
Due To Other Funds	-	81,867	-	-
Revenue Bonds, Net of Long-Term Note Payable, Net of Long-Term	-	87,971	-	-
Total Current Liabilities	<u>\$ 406,041</u>	<u>\$ 267,177</u>	<u>\$ 104,916</u>	<u>\$ -</u>
<u>LONG-TERM LIABILITIES:</u>				
Deposit Payable	\$ 131,900	\$ -	\$ 2,600	\$ -
Revenue Bonds, Net of Current Portion Note Payable, Net of Current Portion	-	1,293,197	-	-
Total Long-Term Liabilities	<u>\$ 131,900</u>	<u>\$ 1,293,197</u>	<u>\$ 2,600</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$ 537,941</u>	<u>\$ 1,560,374</u>	<u>\$ 107,516</u>	<u>\$ -</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets Restricted	\$ 5,510,149	\$ 2,957,165	\$ 3,794,915	\$ -
Unrestricted	129,130	36,021	133,153	-
	4,882,008	264,628	209,173	-
TOTAL NET POSITION	<u>\$ 10,521,287</u>	<u>\$ 3,257,814</u>	<u>\$ 4,137,241</u>	<u>\$ -</u>

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURISTATEMENT OF NET POSITION -
PROPRIETARY FUNDS

JUNE 30, 2014

<u>ASSETS</u>	<u>Community Center Fund</u>	<u>Senior Nutrition</u>	<u>Total Proprietary Funds</u>
<u>CURRENT ASSETS:</u>			
Cash	\$ 50	\$ 49,975	\$ 4,170,637
Restricted Cash	-	17,703	316,007
Receivables, Net of Allowance for Uncollectible			-
Customer	200	3,416	906,692
Grants	-	18,341	18,341
Other	-	-	257,173
Prepaid Items	10,260	6,152	325,211
Due From Other Funds	-	-	285,107
Inventory	-	4,491	310,196
Total Current Assets	<u>\$ 10,510</u>	<u>\$ 100,078</u>	<u>\$ 6,589,364</u>
<u>CAPITAL ASSETS:</u>			
Land, Improvements, and Construction in Progress	\$ 90,000	\$ 15,010	\$ 395,158
Other Capital Assets, Net	7,162	890,359	14,250,770
Total Capital Assets, Net	<u>\$ 97,162</u>	<u>\$ 905,369</u>	<u>\$ 14,645,928</u>
TOTAL ASSETS	<u>\$ 107,672</u>	<u>\$ 1,005,447</u>	<u>\$ 21,235,292</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES:</u>			
Accounts Payable	\$ 2,698	\$ 13,490	\$ 336,700
Accrued Interest Payable	-	1,797	3,386
Accrued Salaries and Benefits	-	-	153,692
Sales Tax Payable	-	-	13,641
Water/Sewer Primacy Fees Payable	-	-	8,197
Unearned Revenue	-	-	110,665
Due To Other Funds	-	9,043	90,910
Revenue Bonds, Net of Long-Term	-	14,916	14,916
Note Payable, Net of Long-Term	-	-	87,971
Total Current Liabilities	<u>\$ 2,698</u>	<u>\$ 39,246</u>	<u>\$ 820,078</u>
<u>LONG-TERM LIABILITIES:</u>			
Deposit Payable	\$ 250	\$ -	\$ 134,750
Revenue Bonds, Net of Current Portion	-	533,532	533,532
Note Payable, Net of Current Portion	-	-	1,293,197
Total Long-Term Liabilities	<u>\$ 250</u>	<u>\$ 533,532</u>	<u>\$ 1,961,479</u>
TOTAL LIABILITIES	<u>\$ 2,948</u>	<u>\$ 572,778</u>	<u>\$ 2,781,557</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 97,162	\$ 905,369	\$ 13,264,760
Restricted	-	17,703	316,007
Unrestricted	7,562	(490,403)	4,872,968
TOTAL NET POSITION	<u>\$ 104,724</u>	<u>\$ 432,669</u>	<u>\$ 18,453,735</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014

	Electric Fund	Water and Sewer Fund	Airport Fund	Golf Fund
OPERATING REVENUES:				
Customer Charges/Sales	\$ 5,313,215	\$ 929,096	\$ 360,595	\$ -
Connection Charges	12,288	1,225	-	-
Penalties and Late Fees	64,518	13,917	1,015	-
Other	30,870	200,227	4,663	4,380
TOTAL OPERATING REVENUES	\$ 5,420,891	\$ 1,144,465	\$ 366,273	\$ 4,380
OPERATING EXPENSES:				
Salaries, Reimbursed Expenses, and Payroll Taxes	\$ 611,803	\$ 359,305	\$ 133,251	\$ -
Retirement	38,524	26,391	7,916	-
Distribution	3,788,951	31,345	-	-
Meal Preparation	-	-	-	-
Repairs and Maintenance	44,334	92,278	13,455	-
Supplies and Services	60,286	57,064	90,232	-
Utilities	52,245	54,802	8,568	-
Telephone and Internet	-	-	4,273	-
Insurance	76,532	72,545	72,378	-
Training	5,711	2,791	2,255	4,572
Travel and Meals	14,594	-	-	-
Printing and Publication Costs	4,938	-	630	-
Fuel and Oil	10,825	39,876	10,027	-
Chemicals	-	16,759	-	-
Refuse Collection Expense	222,755	-	-	-
Rentals	-	-	23,529	8,888
Depreciation	579,664	343,863	220,312	7,895
Uncollectible Accounts	37,109	13,395	1,395	-
Miscellaneous	5,747	2,077	11,895	132
TOTAL OPERATING EXPENSES	\$ 5,554,018	\$ 1,112,491	\$ 600,116	\$ 21,487
NET OPERATING INCOME (LOSS)	\$ (133,127)	\$ 31,974	\$ (233,843)	\$ (17,107)
NONOPERATING REVENUES (EXPENSES):				
Interest Income	\$ 23,686	\$ 2,066	\$ 2,134	\$ -
Interest Expense	-	(27,590)	-	-
Contributed Capital	-	-	-	-
Intergovernmental	-	-	168,416	-
Disposal of Capital Assets	1,365	3,025	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ 25,051	\$ (22,499)	\$ 170,550	\$ -
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	\$ (108,076)	\$ 9,475	\$ (63,293)	\$ (17,107)
OPERATING TRANSFERS IN (OUT):				
Transfers In	\$ -	\$ -	\$ -	\$ 130,757
Transfers Out	-	-	-	(78,533)
TOTAL TRANSFERS IN (OUT)	\$ -	\$ -	\$ -	\$ 52,224
CHANGE IN NET POSITION	\$ (108,076)	\$ 9,475	\$ (63,293)	\$ 35,117
TOTAL NET POSITION, July 1, 2013	10,629,363	3,325,074	4,200,534	(35,117)
PRIOR PERIOD ADJUSTMENTS	-	(76,735)	-	-
TOTAL NET POSITION, June 30, 2014	\$ 10,521,287	\$ 3,257,814	\$ 4,137,241	\$ -

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014

	Community Center Fund	Senior Nutrition Center Fund	Total Proprietary Funds
OPERATING REVENUES:			
Customer Charges/Sales	\$ 16,111	\$ 97,952	\$ 6,716,969
Connection Charges	-	-	13,513
Penalties and Late Fees	-	-	79,450
Other	25	6,796	246,961
TOTAL OPERATING REVENUES	\$ 16,136	\$ 104,748	\$ 7,056,893
OPERATING EXPENSES:			
Salaries, Reimbursed Expenses, and Payroll Taxes	\$ -	\$ 91,454	\$ 1,195,813
Retirement	-	3,258	76,089
Electric Distribution	-	-	3,820,296
Meal Preparation	-	131,493	131,493
Repairs and Maintenance	11,620	4,304	165,991
Supplies and Services	45,417	1,419	254,418
Utilities	-	-	115,615
Telephone and Internet	681	1,155	6,109
Insurance	9,903	14,388	245,746
Training	-	-	15,329
Travel and Meals	-	-	14,594
Printing and Publication Costs	-	100	5,668
Fuel and Oil	-	-	60,728
Chemicals	-	-	16,759
Refuse Collection Expense	-	-	222,755
Rentals	-	-	32,417
Depreciation	9,848	47,971	1,209,553
Uncollectible Accounts	-	-	51,899
Miscellaneous	-	2,023	21,874
TOTAL OPERATING EXPENSES	\$ 77,469	\$ 297,565	\$ 7,663,146
NET OPERATING INCOME (LOSS)	\$ (61,333)	\$ (192,817)	\$ (606,253)
NONOPERATING REVENUES (EXPENSES):			
Interest Income	\$ -	\$ 62	\$ 27,948
Interest Expense	-	(22,900)	(50,490)
Contributed Capital	-	-	-
Intergovernmental	-	203,311	371,727
Disposal of Capital Assets	-	-	4,390
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ -	\$ 180,473	\$ 353,575
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	\$ (61,333)	\$ (12,344)	\$ (252,678)
OPERATING TRANSFERS IN (OUT):			
Transfers In	\$ 228,478	\$ -	\$ 359,235
Transfers Out	-	-	(78,533)
TOTAL TRANSFERS IN (OUT)	\$ 228,478	\$ -	\$ 280,702
CHANGE IN NET POSITION	\$ 167,145	\$ (12,344)	\$ 28,024
TOTAL NET POSITION, July 1, 2013	(62,421)	445,013	18,502,446
PRIOR PERIOD ADJUSTMENTS	-	-	(76,735)
TOTAL NET POSITION, June 30, 2014	\$ 104,724	\$ 432,669	\$ 18,453,735

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014

	Electric Fund	Water and Sewer Fund	Airport Fund	Golf Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers	\$ 5,242,604	\$ 1,001,750	\$ 416,512	\$ 4,435
Payments to Suppliers	(4,212,544)	(316,676)	(240,280)	(12,523)
Payments to Employees	(683,365)	(394,545)	(140,280)	-
Refunds of Customer Deposits	1,738	-	(80)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 348,433	\$ 290,529	\$ 35,872	\$ (8,090)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Transfers from (to) Other Funds	\$ -	\$ -	\$ -	\$ 52,224
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	\$ -	\$ -	\$ -	\$ 52,224
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payments on Debt	\$ -	\$ (84,936)	\$ -	\$ (3,524)
Interest Paid on Debt	-	(27,590)	-	-
Advances (Payments) to Other Funds	(73,261)	77,670	91,944	-
Capital Grants	-	-	168,416	-
Proceeds from Sale of Capital Assets	1,364	3,025	-	-
Acquisition of Capital Assets	(104,085)	(1,336,578)	(283,072)	80,417
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (175,982)	\$ (1,368,409)	\$ (22,712)	\$ 76,893
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on Cash	\$ 23,686	\$ 2,066	\$ 2,134	\$ -
NET CHANGE IN CASH	\$ 196,137	\$ (1,075,814)	\$ 15,294	\$ 121,027
CASH AND RESTRICTED CASH, July 1, 2013	3,804,729	1,112,342	366,228	(121,027)
CASH AND RESTRICTED CASH, June 30, 2014	\$ 4,000,866	\$ 36,528	\$ 381,522	\$ -
DISPLAYED ON STATEMENT 5 AS:				
Cash	\$ 3,871,736	\$ 507	\$ 248,369	\$ -
Restricted Cash	129,130	36,021	133,153	-
TOTAL CASH AND RESTRICTED CASH	\$ 4,000,866	\$ 36,528	\$ 381,522	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (133,127)	\$ 31,974	\$ (233,843)	\$ (17,107)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	579,664	343,863	220,312	7,895
Changes in Assets and Liabilities:				
Receivables	(177,559)	(165,785)	28,277	38
Prepaid Expenses	56,411	(4,905)	(2,486)	2,388
Inventory	(5,296)	72,734	-	-
Customer Deposits	1,738	-	(80)	-
Accounts Payable	60,368	(961)	843	(1,321)
Salaries and Payroll Tax Payable	(33,038)	(8,849)	887	-
Unearned Revenue	-	23,245	21,962	-
Water Primacy Fee Payable	-	(612)	-	-
Sales Tax Payable	(728)	(175)	-	17
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 348,433	\$ 290,529	\$ 35,872	\$ (8,090)

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2014

	Community Center Fund	Senior Nutrition Center Fund	Total Proprietary Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 15,936	\$ 103,333	\$ 6,784,570
Payments to Suppliers	(68,012)	(158,843)	(5,008,880)
Payments to Employees	-	(91,454)	(1,309,644)
Receipt of Customer Deposits	(30)	-	1,628
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (52,106)	\$ (146,964)	\$ 467,674
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating Transfers from (to) Other Funds	\$ 228,478	\$ -	\$ 280,702
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	\$ 228,478	\$ -	\$ 280,702
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payments on Debt	\$ -	\$ (14,313)	\$ (102,773)
Interest Paid on Debt	-	(22,947)	(50,537)
Advances (Payments) to Other Funds	-	(1,999)	94,354
Capital Grants	-	203,311	371,727
Proceeds from Sale of Capital Assets	-	-	4,389
Acquisition of Capital Assets	-	-	(1,643,318)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ -	\$ 164,052	\$ (1,326,158)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on Cash	\$ -	\$ 62	\$ 27,948
NET CHANGE IN CASH	\$ 176,372	\$ 17,150	\$ (549,834)
CASH AND RESTRICTED CASH, July 1, 2013	(176,322)	50,528	5,036,478
CASH AND RESTRICTED CASH, June 30, 2014	\$ 50	\$ 67,678	\$ 4,486,644
DISPLAYED ON STATEMENT 5 AS:			
Cash	\$ 50	\$ 49,975	\$ 4,170,637
Restricted Cash	-	17,703	316,007
TOTAL CASH AND RESTRICTED CASH	\$ 50	\$ 67,678	\$ 4,486,644
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	\$ (61,333)	\$ (192,817)	\$ (606,253)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization:	9,848	47,971	1,209,553
Changes in Assets and Liabilities:			
Receivables	(200)	(1,415)	(316,644)
Prepaid Expenses	(357)	57	51,108
Inventory	-	(1,618)	65,820
Customer Deposits	(30)	-	1,628
Accounts Payable	(34)	858	59,753
Salaries and Payroll Tax Payable	-	-	(41,000)
Unearned Revenue	-	-	45,207
Water Primacy Fee Payable	-	-	(612)
Sales Tax Payable	-	-	(886)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (52,106)	\$ (146,964)	\$ 467,674

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Malden, Missouri (the "City") was incorporated on April 22, 1878 under the provisions of the State of Missouri. The City operates under a Mayor – Board of Councilmen form of government and provides the following services as authorized by its charter: public safety (police and fire), transportation, general administrative services, electric, water and sewer, airport, golf, community center, and nutrition center. The City complies with generally accepted accounting principles (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, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Financial Reporting Entity:

The City's financial reporting entity is composed of the following:

Primary Government:	City of Malden
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In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The City's reporting entity includes the City's governing board and the operations of all related organizations for which the City exercises financial oversight. Oversight responsibility is derived from the governmental unit's authority and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary

government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As required by accounting principles generally accepted by the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Units – The Malden Capital Improvement Corporation and the Malden Nutrition Center, Inc., have been included in these financial statements as blended component units. These component units were incorporated exclusively for the benefit of the City. Although the City is not legally responsible for the debt of the Corporations, the Corporations' main sources of revenue are from lease payments received from the City. The Malden Capital Improvement Corporation has been included as a capital project fund. The Malden Nutrition Center Inc. has been included in the Malden Senior Citizens Nutrition Center. The financial statements for the component units are the responsibility of the City's management and can be obtained from them.

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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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 constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. 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:

1. Total assets, liabilities, revenues, or expenditures/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
2. 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.

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 is 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.

Capital Project Funds – Capital Project Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities. The reporting entity includes the following Capital Project Fund, which is reported as a nonmajor fund:

<u>Fund</u>	<u>Description</u>
CIC Fund	Accounts for financial resources to be used for the acquisition or construction of major capital facilities by the Capital Improvement Corporation.

Special Revenue Funds – 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 Fund, which is reported as a major fund:

<u>Fund</u>	<u>Description</u>
DED Fund	Accounts for revenues and expenditures paid for services provided by the Department of Economic Development.

The reporting entity also includes the following Special Revenue Fund which is reported as a nonmajor fund:

<u>Fund</u>	<u>Description</u>
Street Fund	Accounts for revenues received and expenditures paid for the maintenance and upkeep of local streets.
Park Fund	Accounts for revenues received and expenditures paid for recreational services provided by the Park and Recreation Board
Cemetery Fund	Accounts for revenues received and expenditures paid for services provided by the Cemetery Department.

Proprietary Fund Types

Enterprise Funds – Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following Enterprise Funds that are reported as major funds:

<u>Fund</u>	<u>Description</u>
Electric Fund	Accounts for the acquisition, operation, and maintenance of the City's electric utility facilities and services.
Water and Sewer Fund	Accounts for the acquisition, operation, and maintenance of the City's water and sanitary sewer utility facilities and services.
Airport Fund	Accounts for revenues and expenses derived primarily from a variety of rental activities associated with the airport and the industrial park.
Golf Fund	Accounts for revenues and expenses for services provided by the golf course for which participants are charged fees.
Community Center Fund	Accounts for revenues and expenses for services provided for the citizens of the City associated with the Community Center.
Nutrition Center Fund	Accounts for revenues and expenses for meals provided by the nutrition center and thrift items sold to citizens.

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

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item 2, below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

1. 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.
2. 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) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

All governmental and fiduciary fund type financial statements are presented on a modified accrual basis of accounting which recognizes expenditures when liabilities for goods and services are incurred, and revenues when they become available and measurable. Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

Property tax, sales tax, gasoline tax, motor vehicle tax, interest and revenues from other governmental units associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of the special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D. Assets, Liabilities, and Equity:

Cash and Cash Equivalents

For the purpose of financial reporting, including the Proprietary Fund Statement of Cash Flows, the City considers all highly liquid debt instruments with a maturity of three months or less to be cash or cash equivalents.

Cash resources of certain individual funds are combined to form a pool of cash. Interest income earned as a result of pooling is distributed to the appropriate funds based on the ending monthly balance of cash and each fund.

When a fund overdraws its share of pooled cash, the overdraft is reported as liability in the fund. At June 30, 2014, no funds have recorded overdrafts.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Prior to July 1, 2004, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2004 are recorded at cost.

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 \$5,000 is used to report capital assets. Interest incurred during the construction of capital assets utilized by enterprise funds is capitalized. The range of estimated useful lives by type of asset is as follows:

Buildings and Leasehold Improvement	10-50 years
Furniture, Equipment, and Vehicles	3-20 years
Infrastructure	15-50 years

Fund Financial Statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for in the same way as the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund and general fund that are legally restricted as to their use.

Long-Term Debt

The accounting treatment of long-term debt 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.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and capital lease payable.

Long-term debts for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Receivables

Management has elected to record bad debts using the direct write-off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Inventories

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost on a first-in first-out (FIFO) method and charged to operation and maintenance expense when used.

Equity Classification

Government-Wide Statements – Equity is classified as net position and displayed in three components:

1. 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 improvements of those assets.

2. Restricted net position – Consists of net position with constraints placed on their 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.
3. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements – Fund balance consists of Nonspendable fund balance which includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. Restricted fund balance are amounts restricted to specific purposes. Committed fund balance are amounts that can only be used for specific purposes as pursuant to official action by City Council prior to the end of the reporting period. Assigned fund balance are amounts the City intends to use for a specific purpose but is neither restricted nor committed. The City Administrator has authority to assign fund balance. Unassigned fund balance represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

When restricted and other fund balance resources are available for use, it is the City’s policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses:

Program Revenues

In the Statement of Activities, 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 and municipal court fines and bonds forfeited
Public Safety	Fines and violations, fire calls, and police and fire reports.
Culture and Recreation	Grave opening/closing fees and recreation league fees.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenue 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. Internal and Interfund Balances and Activities:

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of

Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers - Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

G. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

H. Fund Equity:

Unreserved retained earnings for proprietary funds represent the net position available for future operations or distributions.

I. Compensated Absence:

All vested or accumulated compensated absences is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of anticipated or actual employee resignations and retirements.

2. CASH

Deposits in financial institutions, reported as components of cash and cash equivalents, had a book balance of \$5,620,746 and a bank balance of \$5,571,793 at June 30, 2014, that was fully insured by depository insurance or secured with collateral held by the City in the City's name. The City also held \$920 in petty cash at June 30, 2014.

Reconciliation to Statement of Net Position

Cash	\$5,262,598
Restricted Cash	<u>359,068</u>
Cash, Statement of Net Position	\$5,621,666
Less: Petty Cash	<u>(920)</u>
Bank Cash, Book Balance	<u>\$5,620,746</u>

3. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1, and are due and payable on or before December 31. All unpaid property taxes at January 1 become delinquent. Property tax revenue is recognized when levied. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

The total assessed valuation of tangible taxable property for the calendar year 2013 was as follows:

Real Estate	\$20,229,733
Personal Property	<u>9,124,558</u>
Total Assessed Valuation	<u>\$29,354,291</u>

The tax levy for calendar year 2013, set by the Board of Aldermen, per \$100 assessed valuation was:

General Fund	<u>\$0.7539</u>
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4. CAPITAL ASSETS

Activity for governmental capital assets which are capitalized by the City for the year ended June 30, 2014, is summarized below:

Governmental Activities:	Primary Government			
	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being Depreciated:				
Land, Improvements, and Construction in Progress	\$ 37,989	\$ 77,274	\$ (6,500)	\$ 108,763
Other Assets	<u>3,791,151</u>	<u>73,819</u>	<u>-</u>	<u>3,864,970</u>
Total Assets at Historical Cost	3,829,140	151,093	(6,500)	3,973,733
Less Accumulated Depreciation	<u>(1,928,910)</u>	<u>(188,124)</u>	<u>-</u>	<u>(2,117,034)</u>
Capital Assets, Net	<u>\$ 1,900,230</u>	<u>\$ (37,031)</u>	<u>\$ -</u>	<u>\$ 1,856,699</u>

Following is a summary of property and equipment for each of the enterprise funds for the year ended June 30, 2014:

Business-Type Activities:	Primary Government			
	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets being Depreciated:				
Land, Improvements, and Construction in Progress	\$ 2,373,991	\$ 1,203,749	\$ (3,182,582)	\$ 395,158
Other Assets	<u>34,940,533</u>	<u>4,252,905</u>	<u>(1,059,910)</u>	<u>38,133,528</u>
Total Assets at Historical Cost	37,314,524	5,456,654	(4,242,492)	38,528,686
Less Accumulated Depreciation	<u>(23,025,592)</u>	<u>(259,936)</u>	<u>(597,230)</u>	<u>(23,882,758)</u>
Capital Assets, Net	<u>\$ 14,288,932</u>	<u>\$ 5,196,718</u>	<u>\$ (4,839,722)</u>	<u>\$ 14,645,928</u>

Interest incurred during the construction of capital assets used in business-type activities for the year ending June 30, 2014 totaled \$13,703 and has been capitalized.

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

<u>Governmental Activities</u>	
General Government	\$ 11,085
Public Safety	131,999
Culture and Recreation	6,667
Transportation	<u>38,373</u>
Total	<u>\$ 188,124</u>

<u>Business-Type Activities</u>	
Electric	\$ 579,664
Water and Sewer	343,863
Airport	220,312
Golf	7,895
Community Center	9,848
Nutrition Center	<u>47,971</u>
Total	<u>\$1,209,553</u>

5. LONG-TERM DEBT

A. Long-Term Debt:

1. Note Payable – Police Vehicle

On July 12, 2012, the City entered into a loan for the acquisition of a 2012 Chevrolet Tahoe. Five principal and interest payments of \$6,500 are due on July 1 at 3.75 percent interest. Following are the annual requirements to amortize the note at June 30, 2014:

<u>Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2015	905	5,595	6,500
2016	691	5,809	6,500
2017	469	6,031	6,500
2018	239	6,268	6,507
	<u>\$ 2,304</u>	<u>\$ 23,703</u>	<u>\$ 26,007</u>

2. Note Payable – Police Vehicles

On November 10, 2010, the City entered into a loan for the acquisition of two 2011 Chevrolet Impala cars and a 2011 Chevrolet Tahoe. That loan was refinanced on July 28, 2011 to include an additional Chevrolet Tahoe. Five principal and interest payments of \$16,930 are due on July 1 at 3.75 percent interest. Following are the annual requirements to amortize the note at June 30, 2014:

Ending June 30,	Interest	Principal	Total
2015	1,767	15,162	16,929
2016	1,199	15,731	16,930
2017	605	16,280	16,885
	<u>\$ 3,571</u>	<u>\$ 47,173</u>	<u>\$ 50,744</u>

3. Note Payable – Animal Control Vehicle

On March 15, 2011, the City entered into a loan agreement for the acquisition of a 2005 Chevrolet Truck. Four principal and interest payments of \$2,672 are due on July 1 at 3.75 percent interest. Following are the annual requirements to amortize the note at June 30, 2014:

June 30,	Interest	Principal	Total
2015	99	2,579	2,678
	<u>\$ 99</u>	<u>\$ 2,579</u>	<u>\$ 2,678</u>

4. Note Payable – Fire Truck

On April 23, 2013, the City entered into a loan agreement for the acquisition of a fire truck. Seven principal and interest payments of \$30,644 are due on April 23 at 3.00 percent interest. Following are the annual requirements to amortize the note at June 30, 2014:

Ending June 30,	Interest	Principal	Total
2015	4,967	25,677	30,644
2016	4,197	26,447	30,644
2017	3,404	27,241	30,645
2018	2,587	28,058	30,645
2019	1,745	28,900	30,645
2020-2024	862	29,258	30,120
	<u>\$ 17,762</u>	<u>\$ 165,581</u>	<u>\$ 183,343</u>

5. Revenue Bonds – USDA #1 Police Station

On February 8, 2006, the City entered into an agreement for the construction of the police station. Monthly principal and interest payments of \$2,667 are due on the first day of the month at 4.125 percent interest. Malden Capital Corporations, Inc. entered into the agreement with the United States Department of Agriculture. Following are the annual requirements to amortize the revenue bonds at June 30, 2014:

Ending June 30,	Interest	Principal	Total
2015	17,886	14,118	32,004
2016	17,292	14,712	32,004
2017	16,674	15,330	32,004
2018	16,029	15,975	32,004
2019	15,358	16,647	32,005
2020-2024	65,683	94,337	160,020
2025-2029	44,115	115,905	160,020
2030-2034	17,617	142,403	160,020
2035-2039	90	10,584	10,674
	<u>\$ 210,744</u>	<u>\$ 440,011</u>	<u>\$ 650,755</u>

6. Revenue Bonds – USDA #2 Police Station

On February 8, 2006, the City entered into an agreement for the construction of the police station. Monthly principal and interest payments of \$1,492 are due on the first day of the month at 4.25 percent interest. Following are the annual requirements to amortize the revenue bonds at June 30, 2014:

Ending June 30,	Interest	Principal	Total
2015	\$ 10,005	\$ 7,899	\$ 17,904
2016	9,662	8,242	17,904
2017	9,305	8,599	17,904
2018	8,932	8,972	17,904
2019	8,544	9,360	17,904
2020-2024	36,270	53,250	89,520
2025-2029	23,686	65,834	89,520
2030-2034	8,131	73,929	82,060
2035-2039	104	2,909	3,013
	<u>\$ 114,639</u>	<u>\$ 238,994</u>	<u>\$ 353,633</u>

Article VI, Section 26(b), Constitution of Missouri limits the outstanding amount of authorized general obligation bonds of a city to 5 percent of the assessed valuation of the City. At June 30, 2014 the City's remaining legal debt margin was \$1,228,679.

B. Enterprise Fund Long-Term Debt:

At June 30, 2014, the City had two long-term debt issues outstanding.

1. Revenue Bonds – USDA #3 Nutrition Center

On October 8, 2008, the Malden Nutrition Center, Inc. entered into an agreement for the construction of the Nutrition Center. Monthly principal and interest payments of

\$3,105 are due on the first day of the month at 4.125 percent interest. Following are the annual requirements to amortize the revenue bonds at June 30, 2014:

Ending June 30,	Interest	Principal	Total
2015	22,344	14,916	37,260
2016	21,716	15,544	37,260
2017	21,063	16,197	37,260
2018	20,382	16,878	37,260
2019	19,673	17,587	37,260
2020-2024	86,631	99,669	186,300
2025-2029	63,844	122,456	186,300
2030-2034	35,848	150,452	186,300
2035-2039	5,162	94,749	99,911
	<u>\$ 296,663</u>	<u>\$ 548,448</u>	<u>\$ 845,111</u>

2. Note Payable – Wastewater Plant upgrade

On September 20, 2012, the City entered into an agreement for the acquisition of a new wastewater treatment system. Principal and interest payment of \$10,683 is due on first of each month at 3.00 percent interest. Following are the annual requirements to amortize the lease purchase at June 30, 2014:

Ending June 30,	Interest	Principal	Total
2015	\$ 40,219	\$ 87,971	\$ 128,190
2016	37,543	90,647	128,190
2017	34,786	93,404	128,190
2018	31,945	96,245	128,190
2019	29,018	99,173	128,191
2020-2024	97,964	542,986	640,950
2025-2029	17,505	370,742	388,247
	<u>\$ 288,980</u>	<u>\$ 1,381,168</u>	<u>\$ 1,670,148</u>

The annual retirements to amortize all long-term debt as of June 30, 2014 including interest payments of \$934,762 are as follows:

Ending June 30,	Governmental Activities		Business - Type Activities		Total Debt Service Requirements to Maturity	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	71,030	35,629	102,887	62,563	173,917	98,192
2016	70,941	33,041	106,191	59,259	177,132	92,300
2017	73,481	30,457	109,601	55,849	183,082	86,306
2018	59,273	27,787	113,123	52,327	172,396	80,114
2019	54,907	25,647	116,760	48,691	171,667	74,338
2020-2024	176,846	102,815	642,655	184,595	819,501	287,410
2025-2029	181,739	67,801	493,198	81,349	674,937	149,150
2030-2034	216,332	25,748	150,452	35,848	366,784	61,596
2035-2039	13,492	194	94,749	5,162	108,241	5,356
	<u>\$ 918,041</u>	<u>\$ 349,119</u>	<u>\$ 1,929,616</u>	<u>\$ 585,643</u>	<u>\$ 2,847,657</u>	<u>\$ 934,762</u>

Interest expense on long term debt for fiscal year ending June 30, 2014 was \$38,138 for governmental funds and \$65,741 for business-type activities.

6. RETIREMENT PLAN – LAGERS

A. Plan Description:

The City of Malden 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.

B. Funding Status:

The City of Malden's full-time employees contribute 4 percent of their gross pay to the pension plan. The June 30th statutorily required contribution rates are 7.4% (general), 3.3% (police), and 0.3% (fire) 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.

C. Annual Pension Cost:

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

Annual required contribution	\$190,919
Interest on net pension obligation	18,691
Adjustment to annual required contribution	<u>(14,223)</u>
Annual pension cost	195,387
Actual Contributions	<u>120,470</u>
Increase (decrease) in NPO	74,917
NPO beginning of year	<u>257,803</u>
NPO end of year	<u>\$ 332,720</u>

The annual required contribution (ARC) was determined as part of the February 29, 2012 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014 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 29, 2012, was 30 years for the General division, 8 years for the Police division and 30 years for the Fire division.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/2012	\$ 168,132	48.7%	\$ 180,364
06/30/2013	\$ 180,486	57.1%	\$ 257,803
06/30/2014	\$ 195,387	61.7%	\$ 332,720

8. RISKS OF LOSS

The City is exposed to risks of loss through claims on property owned, damage to property owned, official and employee liability, workmen's compensation claims, and risk of loss of employee or individual injury. The City handles these risks of loss through the purchase of commercial insurance policies. No significant reduction in insurance coverage occurred during the year. Also, there have been no settlement amounts that have exceeded insurance coverage.

The City is insured under a retrospectively-rated policy for workers' compensation coverage. Whereas, the initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended June 30, 2014, there were no significant adjustments in premiums based on actual experience.

9. INTERFUND TRANSFERS

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis.

The following is a summary of the amounts transferred from and to other funds:

	Transferred Out	Transferred In
General Fund	\$ 660,101	\$ -
Golf Fund	78,533	130,757
Cemetery Fund	-	115,484
Community Center	-	228,478
Parks Fund	-	90,270
Street Fund	-	173,645
	<u>\$ 738,634</u>	<u>\$ 738,634</u>

10. INTERFUND BALANCES

The following is a summary of the amounts due from and to other funds:

	Due From	Due To
General Fund	\$ 9,143	\$ -
DED Fund	-	202,912
Cemetery Fund	-	428
Electric Fund	284,976	-
Water & Sewer Fund	131	81,867
Malden Nutrition Center	-	9,043
	<u>\$ 294,250</u>	<u>\$ 294,250</u>

Amounts due to and from funds are for general operating expenditures.

11. CONTINGENCIES

Grants

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the

grant agreements are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at June 30, 2014.

12. RESTRICTED ASSETS

The Malden Capital Improvement Corporation was indebted for a loan insured through the United States Department of Agriculture. Funds are placed in a Debt Reserve Maintenance Account and shall be used for the purpose of paying the principal and interest on the indebtedness if the monies in the General Account are insufficient to pay the same as such principal and interest become due. At June 30, 2014, restricted assets in the Debt Reserve Account include \$37,091.

At June 30, 2014, restricted assets include \$133,153 of money held by the City of Malden Airport. The restrictions are due to the provision of grant agreements agreed to when receiving Federal grant money to help pay for the various projects of the City's Airport.

At June 30, 2014, restricted assets include \$129,130 of restricted funds held by the Board of Public Works for purposes of residents meter deposits payable balance.

At June 30, 2014, restricted assets include \$36,021 of restricted funds held by the Board of Public Works for purposes debt maintenance.

At June 30, 2014, restricted assets include \$5,970 of restricted funds held by the General Fund for purposes of court bonds.

At June 30, 2014, restricted assets include \$17,703 of money held by the City of Malden Nutrition Center Debt Reserve Maintenance account that is deposited into each month by USDA and is supposed to accumulate approximately two years' worth of payments on USDA loans.

13. FUND BALANCE

The fund balance at June 30, 2014 for the DED and Street Fund had a deficit balance of (\$89,448) and (\$25,493) respectively.

14. FUND BALANCE REPORTING:

The City has adopted GASB 54 as part of its 2013-2014 fiscal year reporting. Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The City does not have inventories or nonspendable funds related to endowments.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.

Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

The City has classified its fund balances with the following hierarchy:

Nonspendable: The City has prepaid expenses totaling \$31,436 that is classified as nonspendable.

Spendable: The City has classified the spendable fund balances as *Restricted*, *Assigned*, and *Unassigned* and considered each to have been spent when expenditures are incurred. The City currently has no funds classified as *Committed*.

Unassigned: The unassigned fund balance for the General Fund is \$714,444.

Description	General Fund	DED Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Prepaid Expenses	\$ 21,884	\$ -	\$ 9,552	\$ 31,436
Restricted:				
Debt Service	-	-	37,091	37,091
Capital Projects	-	-	-	-
Culture and Recreation	-	-	240,664	240,664
Assigned:				
Unassigned:	714,444	(89,448)	(25,493)	599,503
Total Fund Balance	\$ 736,328	\$ (89,448)	\$ 261,814	\$ 908,694

15. SUBSEQUENT EVENT:

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through January 15, 2015 the date on which the financial statements were available to be issued.

16. PRIOR PERIOD ADJUSTMENTS:

There were prior period adjustments made in the governmental funds of General, Street, and Park. The adjustments are for insurance expenditures that should be recognized in the fiscal year 2013-2014 that were errantly included in fiscal year 2012-2013 financial statements. The amount of insurance expenditures adjusted to the current financial statements for General, Street, and Park funds are \$23,840, \$1,756, and \$167, respectively, for a total prior period adjustment to governmental fund balance of \$25,763. The table below shows the effect on the 2013-2014 financial statements.

	<u>General Fund</u>	<u>Street Fund</u>	<u>Park Fund</u>
Fund Balance as previously reported June 30, 2013	\$ 1,161,280	\$ (80,507)	\$ 152,981
Prior period adjustment	23,840	1,756	167
Fund Balance as adjusted June 30, 2013	<u>1,185,120</u>	<u>(78,751)</u>	<u>153,148</u>

There were also two prior period adjustments made to the Water & Sewer Fund for the 2013-2014 fiscal year. One adjustment, in the amount of \$29,375, adjusted fund balance downward to properly recognize loan origination costs in the previous fiscal year in accordance with GASB 65. GASB 65, which takes effect on financial statements beginning after December 15, 2012, requires that all loan origination costs be fully recognized as expenditures in the year of the loan as opposed to amortized over its life. The adjustment was made to move the full expenditure to the prior period and eliminate the asset for the loan costs.

The second adjustment was made to move fund balance downward \$47,360 to eliminate internal labor capitalization included in a construction project in process as of June 30, 2013. The City has no policy in place to allocate internal labor expenses to capital projects. An adjustment has been made to eliminate that portion of the asset and recognize additional labor expenses in the prior period.

The total adjustment to the Water & Sewer Fund is \$76,735 and affects the financial statements for 2013-2014 as shown below.

	<u>Water and Sewer Fund</u>
Fund Balance as previously reported June 30, 2013	\$ 3,325,074
Prior period adjustment	(76,735)
Fund Balance as adjusted June 30, 2013	<u>3,248,339</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MALDEN, MISSOURI

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
<u>REVENUES:</u>				
Taxes:				
Real Estate Taxes	\$ 141,286	\$ 145,037	\$ 144,998	\$ 3,712
Personal Property Taxes	63,179	66,837	66,793	3,614
Sales Tax-Local	580,000	594,876	605,143	10,267
Sales Tax-Capital Impr.	150,000	148,446	151,048	2,602
Fire Tax	120,000	138,991	141,486	2,495
Railroad/Utility Tax	10,000	11,680	11,680	-
Surtax	22,000	23,913	22,003	(1,910)
Franchise Taxes	547,900	536,318	530,909	(5,409)
Municipal Court Costs and Fines	20,200	17,342	17,149	(193)
Permits and Fees	25,350	24,367	26,351	1,984
Refuse Collections	21,000	20,155	20,169	14
Police and Fire Department Receipts	116,800	100,123	101,967	1,844
Rental Revenue	15,830	15,831	15,831	-
City Licenses	43,600	47,888	50,586	2,698
Animal Control	5,200	3,535	3,570	35
Interest	9,300	7,416	7,450	34
Intergovernmental	24,000	28,285	27,042	(1,243)
Donations	1,300	1,010	583	(427)
Miscellaneous	262,255	234,504	126,747	(107,757)
TOTAL REVENUES	\$ 2,179,200	\$ 2,166,554	\$ 2,071,505	\$ (95,049)

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2014

EXPENDITURES:	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
GENERAL GOVERNMENT:				
Administrative:				
Salaries	\$ 262,899	\$ 270,875	\$ 258,688	\$ 12,187
Retirement	14,038	14,012	18,053	(4,041)
Supplies and Equipment	24,550	25,725	26,778	(1,053)
Repair and Maintenance	5,590	15,517	11,541	3,976
Payroll Taxes	20,112	20,562	16,286	4,276
Training	5,000	4,869	3,703	1,166
Utilities	2,000	1,161	1,254	(93)
Telephone	3,700	4,040	4,020	20
Insurance	18,291	14,154	15,579	(1,425)
Professional Fees	48,000	36,775	40,303	(3,528)
Travel and Meals	8,900	7,876	8,178	(302)
Election Expense	3,600	2,209	2,025	184
Miscellaneous	12,000	11,038	5,429	5,609
Publication and Printing	4,200	3,722	4,623	(901)
Fuel and Vehicle Expense	4,100	12,023	12,504	(481)
Uniforms	300	193	340	(147)
Capital Expenditures	1,000	33,000	22,279	10,721
Building and Improvements	2,000	2,515	2,597	(82)
Total Administrative	\$ 440,280	\$ 480,266	\$ 454,180	\$ 26,086
Court:				
Salaries	\$ 40,369	\$ 40,726	\$ 39,883	\$ 843
Retirement	2,099	2,114	2,100	14
Payroll Taxes	3,088	3,070	3,055	15
Training	500	483	443	40
Telephone	3,350	2,384	2,289	95
Professional Fees	375	-	-	-
Travel and Meals	1,150	1,170	1,119	51
Insurance	6,013	5,326	5,462	(136)
Supplies and Equipment	2,200	1,790	1,670	120
Printing and Publications	250	82	75	7
Repair and Maintenance	2,000	-	-	-
Miscellaneous	-	-	279	(279)
Total Court	\$ 61,394	\$ 57,145	\$ 56,375	\$ 770
TOTAL GENERAL GOVERNMENT	\$ 501,674	\$ 537,411	\$ 510,555	\$ 26,856

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
PUBLIC SAFETY:				
Police:				
Salaries	\$ 485,640	\$ 541,417	\$ 523,292	\$ 18,125
Retirement	15,959	18,031	18,038	(7)
Supplies and Equipment	9,550	12,679	20,188	(7,509)
Payroll Taxes	37,151	40,884	40,571	313
Training	1,000	4,744	4,349	395
Fuel and Vehicle Expense	49,200	43,911	42,798	1,113
Utilities	500	124	87	37
Telephone	5,300	4,409	4,383	26
Insurance	97,648	89,818	90,737	(919)
Repair and Maintenance	3,600	9,402	636	8,766
Professional Fees	200	309	1,000	(691)
Travel and Meals	1,500	2,398	2,128	270
Publication and Printing	300	358	534	(176)
MULES	3,700	2,504	2,295	209
Boarding Prisoners and Prisoner Meals	750	1,142	926	216
Uniforms	5,000	7,903	7,648	255
Capital Expenditures	26,102	27,442	41,334	(13,892)
Capital Lease	60,000	62,693	67,693	(5,000)
Building and Improvements	-	-	688	(688)
Miscellaneous	14,000	17,741	2,388	15,353
Total Police	<u>\$ 817,100</u>	<u>\$ 887,909</u>	<u>\$ 871,713</u>	<u>\$ 16,196</u>

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURIBUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
Fire:				
Salaries	\$ 159,939	\$ 195,748	\$ 173,103	\$ 22,645
Retirement	438	1,066	1,023	43
Supplies and Equipment	3,400	6,590	23,599	(17,009)
Payroll Taxes	12,235	14,887	14,575	312
Training	9,000	953	873	80
Fuel and Vehicle Expense	11,300	11,867	11,626	241
Utilities	1,500	614	545	69
Telephone	3,000	2,692	2,696	(4)
Insurance	33,548	29,919	29,974	(55)
Repair and Maintenance	9,000	12,283	6,366	5,917
Professional Fees	500	73	-	73
Travel and Meals	3,500	191	175	16
Publication and Printing	100	-	67	(67)
Building and Improvements	8,000	3,134	3,341	(207)
Uniforms and Turnout Gear	16,500	12,628	1,097	11,531
Rental	-	218	200	18
Capital Expenditures	94,645	35,084	35,084	-
Miscellaneous	2,400	1,303	756	547
Total Fire Department	\$ 369,005	\$ 329,250	\$ 305,100	\$ 24,150
Emergency Management:				
Salaries	\$ 7,200	\$ 7,200	\$ 7,200	\$ -
Payroll Taxes	551	551	551	-
Training	1,500	1,645	1,352	293
Insurance	39	27	14	13
Repair and Maintenance	3,900	4,677	1,912	2,765
Fuel and Vehicle Expense	2,700	1,207	1,425	(218)
Utilities	-	-	(91)	91
Telephone	4,300	4,482	4,469	13
Supplies and Equipment	1,680	3,943	4,669	(726)
Travel and Meals	2,100	910	971	(61)
Publication and Printing	-	120	25	95
Building and Improvements	200	1,978	1,814	164
Uniforms	300	52	48	4
Capital Expenditures	1,000	-	1,745	(1,745)
Miscellaneous	-	28	8	20
Total Emergency Management	\$ 25,470	\$ 26,820	\$ 26,112	\$ 708

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
Code Enforcement:				
Salaries	\$ 47,013	\$ 48,696	\$ 53,372	\$ (4,676)
Retirement	3,479	3,583	3,562	21
Supplies	2,900	8,651	6,590	2,061
Payroll Taxes	3,596	3,535	3,511	24
Training	500	-	-	-
Fuel and Vehicle Expense	2,250	2,808	2,673	135
Telephone	1,200	1,267	1,088	179
Insurance	10,128	5,298	211	5,087
Repair and Maintenance	21,554	39,394	23,914	15,480
Travel and Meals	500	21	47	(26)
Publication and Printing	-	656	402	254
Building and Improvements	1,500	-	-	-
Uniforms	300	200	233	(33)
Solid Waste Cleanup	20,000	-	1,504	(1,504)
Miscellaneous	300	48	38	10
Total Code Enforcement	<u>\$ 115,220</u>	<u>\$ 114,157</u>	<u>\$ 97,145</u>	<u>\$ 17,012</u>
TOTAL PUBLIC SAFETY	<u>\$ 1,326,795</u>	<u>\$ 1,358,136</u>	<u>\$ 1,300,070</u>	<u>\$ 58,066</u>

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
CULTURE AND RECREATION:				
Nutrition Center:				
Salaries	\$ 100,664	\$ 82,037	\$ -	\$ 82,037
Retirement	3,394	3,396	-	3,396
Payroll Taxes	7,701	6,234	-	6,234
Training	-	-	188	(188)
Fuel and Vehicle Expense	2,500	2,062	1,686	376
Utilities	1,500	1,138	1,288	(150)
Insurance	14,130	6,128	-	6,128
Capital Lease	47,000	51,297	46,381	4,916
Building and Improvements	8,000	1,958	-	1,958
Miscellaneous	-	178	-	178
Total Nutrition Center	<u>\$ 184,889</u>	<u>\$ 154,428</u>	<u>\$ 49,543</u>	<u>\$ 104,885</u>
Community Service and Arts:				
Building and Improvements	\$ -	\$ 554	\$ 28	\$ 526
Publication and Printing	1,500	-	-	-
Capital Expenditures	3,500	-	-	-
Total Community Service and Arts	<u>\$ 5,000</u>	<u>\$ 554</u>	<u>\$ 28</u>	<u>\$ 526</u>
TOTAL CULTURE AND RECREATION	<u>\$ 189,889</u>	<u>\$ 154,982</u>	<u>\$ 49,571</u>	<u>\$ 105,411</u>

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
TOTAL EXPENDITURES	<u>\$ 2,018,358</u>	<u>\$ 2,050,529</u>	<u>\$ 1,860,196</u>	<u>\$ 190,333</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 160,842</u>	<u>\$ 116,025</u>	<u>\$ 211,309</u>	<u>\$ 95,284</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In	\$ -	\$ -	\$ 16,070	\$ 16,070
Transfers Out	<u>(31,406)</u>	<u>(30,625)</u>	<u>(676,171)</u>	<u>(645,546)</u>
Total Other Financing Sources (Uses)	<u>\$ (31,406)</u>	<u>\$ (30,625)</u>	<u>\$ (660,101)</u>	<u>\$ (629,476)</u>
TOTAL REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 129,436</u>	<u>\$ 85,400</u>	<u>\$ (448,792)</u>	<u>\$ (534,192)</u>
FUND BALANCE, July 1, 2013			1,161,280	
PRIOR PERIOD ADJUSTMENTS			<u>23,840</u>	
FUND BALANCE, June 30, 2014			<u>\$ 736,328</u>	

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

NOTES TO BUDGETARY COMPARISON SCHEDULES

JUNE 30, 2014

1. BUDGETARY INFORMATION

The budgetary comparison schedules presented as required supplementary information to present comparisons of legally adopted budgets with the actual data. Budgetary data is developed using the modified accrual basis of accounting, which is an accounting basis other than accounting principles generally accepted in the United States of America.

On June 17, 2013 a public hearing was held in connection with adoption of the proposed budget for 2014. Excess disbursements and transfers were formally approved by budget amendment by the Board of Aldermen on June 18, 2014.

CITY OF MALDEN, MISSOURIRETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS

June 30, 2014

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
2/29/2012	\$ 4,542,364	\$ 4,987,443	\$ 445,079	91%	\$ 1,905,101	23%
2/28/2013	4,590,612	5,027,772	437,160	91%	1,957,388	22%
2/28/2014	4,740,418	4,877,390	136,972	97%	2,008,154	7%

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.

See Accompanying Notes to the Basic Financial Statements.

EXHIBIT 1

CITY OF MALDEN, MISSOURI
 COMBINING BALANCE SHEET -
 NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2014

	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
	Park Fund	Street Fund	Cemetery Fund	CIC Fund	
<u>ASSETS</u>					
<u>CURRENT ASSETS:</u>					
Cash	\$ 92,855	\$ -	\$ 137,696	\$ 2,201	\$ 232,752
Restricted Cash	-	-	-	37,091	37,091
Receivables:					
Accounts Receivable	15,817	-	-	6,585	22,402
Prepaid Expenses	<u>3,623</u>	<u>3,120</u>	<u>448</u>	<u>2,361</u>	<u>9,552</u>
TOTAL CURRENT ASSETS	<u>\$ 112,295</u>	<u>\$ 3,120</u>	<u>\$ 138,144</u>	<u>\$ 48,238</u>	<u>\$ 301,797</u>
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES:</u>					
Accounts Payable	\$ 3,051	\$ 9,796	\$ 2,035	\$ -	\$ 14,882
Accrued Salaries and Benefits	2,107	18,817	3,749	-	24,673
Due To Other Funds	-	-	428	-	428
TOTAL LIABILITIES	<u>\$ 5,158</u>	<u>\$ 28,613</u>	<u>\$ 6,212</u>	<u>\$ -</u>	<u>\$ 39,983</u>
FUND BALANCE	<u>\$ 107,137</u>	<u>\$ (25,493)</u>	<u>\$ 131,932</u>	<u>\$ 48,238</u>	<u>\$ 261,814</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 112,295</u>	<u>\$ 3,120</u>	<u>\$ 138,144</u>	<u>\$ 48,238</u>	<u>\$ 301,797</u>

See Independent Auditors' Report.

CITY OF MALDEN, MISSOURI

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2014

	Special Revenue			Capital Projects	Total Nonmajor Governmental Funds
	Park Fund	Street Fund	Cemetery Fund	CIC Fund	
REVENUES:					
Taxes	\$ 141,532	\$ 157,078	\$ -	\$ -	\$ 298,610
Intergovernmental	-	-	-	-	-
Charges for Services	6,601	-	31,088	62,693	100,382
Interest Income	420	-	241	133	794
Other	18,498	-	205	-	18,703
TOTAL REVENUES	\$ 167,051	\$ 157,078	\$ 31,534	\$ 62,826	\$ 418,489
EXPENDITURES:					
Current:					
General Government	\$ -	\$ -	\$ 65,553	\$ 7,535	\$ 73,088
Transportation	-	249,665	-	-	249,665
Culture and Recreation	207,058	-	-	-	207,058
Capital Outlay	96,274	27,800	-	-	124,074
Debt Service:					
Principal	-	-	-	21,118	21,118
Interest	-	-	-	28,789	28,789
TOTAL EXPENDITURES	\$ 303,332	\$ 277,465	\$ 65,553	\$ 57,442	\$ 703,792
REVENUES OVER (UNDER) EXPENDITURES	\$ (136,281)	\$ (120,387)	\$ (34,019)	\$ 5,384	\$ (285,303)
OPERATING TRANSFERS:					
Transfers In	\$ 90,270	\$ 173,645	\$ 115,484	\$ -	\$ 379,399
Transfers Out	-	-	-	-	-
Total Operating Transfers	\$ 90,270	\$ 173,645	\$ 115,484	\$ -	\$ 379,399
TOTAL REVENUES OVER (UNDER) EXPENDITURES	\$ (46,011)	\$ 53,258	\$ 81,465	\$ 5,384	\$ 94,096
FUND BALANCE, July 1, 2013	152,981	(80,507)	50,467	42,854	165,795
PRIOR PERIOD ADJUSTMENTS	167	1,756	-	-	1,923
FUND BALANCE, June 30, 2014	\$ 107,137	\$ (25,493)	\$ 131,932	\$ 48,238	\$ 261,814

See Independent Auditor's Report.

FINDINGS AND RESPONSES SECTION

CITY OF MALDEN, MISSOURI

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2014

1. SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of Auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? yes no
 - Significant deficiencies identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

2. FINANCIAL STATEMENT FINDINGS:

14-1 Segregation of Duties

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Condition: Some employees have access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Cause: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in the report.

Views of Responsible Officials: The limited number of available personnel prohibits segregation of incompatible duties. Procedures will be reviewed and monitoring procedures will be put into place.

14-2 Preparation of Basic Financial Statements

Criteria: A properly designed system of internal control, which includes preparation of financial statements in conformity with Governmental Accounting Standards, includes having accounting professionals as part of the system to perform that function.

Condition: The City has personnel in place to perform all bookkeeping functions necessary to maintain a general ledger and prepare internal use statements for management and the City Council. However, the City personnel does not have the additional time to prepare governmental financial statements in conformity with Governmental Accounting Standards as part of their internal control system in addition to their regular job duties.

Effect: The City employs the auditors that perform the annual audit of the financial statements to prepare the annual financial statements.

Cause: The City has limited personnel in the accounting department with the staffs current work load cannot also prepare governmental financial statements in conformity with Governmental Accounting Standards as part of their internal control system.

Recommendation: We recognize that the City may not have the resources to hire additional personnel. However, we recommend that the City look into reallocating job duties to alleviate the accounting department.

Views of Responsible Officials: The City will look into shifting job duties to accommodate the responsibilities in the accounting department.