

CITY OF MALDEN, MISSOURI
Malden, Missouri

For the Year Ended June 30, 2012

ANNUAL FINANCIAL REPORT

FINANCIAL SECTION

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FINANCIAL SECTION



BEGLEY, YOUNG, UNTERREINER & WHITE, LLC

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INDEPENDENT AUDITORS' REPORT

To The Mayor and Board of Council Members
City of Malden, Missouri

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Malden, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City of Malden, Missouri, has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements as a whole.

The budgetary comparison information and Retirement Plan – Schedule of Funding Progress on pages 37 through 45 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Malden, Missouri's basic financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BEGLEY, YOUNG, UNTERREINER & WHITE, LLC

Begley, Young, Unterreiner & White, LLC

Cape Girardeau, Missouri
March 28, 2013



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

To the Mayor and Board of Council Members
City of Malden, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Malden, Missouri, as of and for the year ended June 30, 2012, which collectively comprise City of Malden, Missouri's basic financial statements and have issued our report thereon dated March 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City of Malden, Missouri is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Malden, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Malden, Missouri's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Malden, Missouri's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be 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 Questioned Costs as item 12-1 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 12-2 to be significant deficiencies.

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 responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit City of Malden, Missouri's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Aldermen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BEGLEY, YOUNG, UNTERREINER & WHITE, LLC

Begley, Young, Unterreiner & White, LLC

Cape Girardeau, Missouri
March 28, 2013

BASIC FINANCIAL STATEMENTS

CITY OF MALDEN, MISSOURI

STATEMENT OF NET ASSETS

JUNE 30, 2012

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Current Assets:</u>			
Cash	\$ 1,523,339	\$ 4,330,222	\$ 5,853,561
Restricted Cash	26,899	287,504	314,403
Receivables	221,650	1,936,574	2,158,224
Prepaid Expenses	27,692	285,796	313,488
Due From Other Funds	14,737	354,715	369,452
Inventory	-	290,364	290,364
Total Current Assets	<u>\$ 1,814,317</u>	<u>\$ 7,485,175</u>	<u>\$ 9,299,492</u>
<u>Capital Assets:</u>			
Land, Improvements, and Construction in Progress	\$ 1,376,492	\$ 2,222,788	\$ 3,599,280
Other Capital Assets, Net	353,978	10,888,387	11,242,365
Total Capital Assets, Net	<u>\$ 1,730,470</u>	<u>\$ 13,111,175</u>	<u>\$ 14,841,645</u>
TOTAL ASSETS	<u>\$ 3,544,787</u>	<u>\$ 20,596,350</u>	<u>\$ 24,141,137</u>
<u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Payables	\$ 65,622	\$ 605,042	\$ 670,664
Bank Overdraft	-	244,744	244,744
Accrued Interest Payable	-	2,453	2,453
Accrued Salaries and Benefits	165,426	184,912	350,338
Deferred Revenue	-	80,637	80,637
Due To Other Funds	287,513	81,939	369,452
Capital Lease, Net of Long-Term	-	7,674	7,674
Revenue Bonds, Net of Long-Term	20,259	-	20,259
Note Payable, Net of Long-Term	16,676	161,584	178,260
Total Current Liabilities	<u>\$ 555,496</u>	<u>\$ 1,368,985</u>	<u>\$ 1,924,481</u>
<u>Long-Term Liabilities:</u>			
Deposit Payable	\$ -	\$ 129,515	\$ 129,515
Capital Lease, Net of Current Portion	-	3,198	3,198
Revenue Bonds, Net of Current Portion	700,123	-	700,123
Note Payable, Net of Current Portion	66,752	568,984	635,736
Total Long-Term Liabilities	<u>\$ 766,875</u>	<u>\$ 701,697</u>	<u>\$ 1,468,572</u>
TOTAL LIABILITIES	<u>\$ 1,322,371</u>	<u>\$ 2,070,682</u>	<u>\$ 3,393,053</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 639,147	\$ 12,380,607	\$ 13,019,754
Restricted for Specific Purposes	210,286	937,955	1,148,241
Unrestricted	1,372,983	5,207,106	6,580,089
TOTAL NET ASSETS	<u>\$ 2,222,416</u>	<u>\$ 18,525,668</u>	<u>\$ 20,748,084</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURISTATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 514,228	\$ 164,068	\$ -	\$ -	\$ (350,160)	\$ -	\$ (350,160)
Public Safety	1,168,746	148,699	-	22,053	(997,994)	-	(997,994)
Culture and Recreation	260,708	4,971	-	-	(255,737)	-	(255,737)
Transportation	205,666	-	-	877	(204,789)	-	(204,789)
Total Governmental Activities	\$ 2,149,348	\$ 317,738	\$ -	\$ 22,930	\$ (1,808,680)	\$ -	\$ (1,808,680)
Business-Type Activities:							
Electric	\$ 5,610,548	\$ 5,700,107	\$ -	\$ 1,054,896	\$ -	\$ 1,144,455	\$ 1,144,455
Water and Sewer	904,396	958,025	-	-	-	53,629	53,629
Airport	480,487	391,624	-	1,723,500	-	1,634,637	1,634,637
Golf	115,970	112,054	-	-	-	(3,916)	(3,916)
Community Center	80,700	15,160	-	-	-	(65,540)	(65,540)
Nutrition Center	388,141	132,409	203,597	-	-	(52,135)	(52,135)
Total Business-Type Activities	\$ 7,580,242	\$ 7,309,379	\$ 203,597	\$ 2,778,396	\$ -	\$ 2,711,130	\$ 2,711,130
Total Primary Government	\$ 9,729,590	\$ 7,627,117	\$ 203,597	\$ 2,801,326	\$ (1,808,680)	\$ 2,711,130	\$ 902,450
General Revenue:							
Real Estate Taxes					\$ 137,818	\$ -	\$ 137,818
Personal Property Taxes					56,277	-	56,277
Sales Taxes					913,302	-	913,302
Franchise Taxes					582,321	-	582,321
Motor Fuel Taxes					167,783	-	167,783
Surtax					23,154	-	23,154
Railroad/Utility Taxes					11,056	-	11,056
PILOT					1,995	-	1,995
Interest Income					17,479	53,987	71,466
Loss on Disposal of Capital Asset					(951)	-	(951)
Other					67,018	103,616	170,634
Transfers - Internal Activities					(29,600)	29,600	-
Total General Revenues					\$ 1,947,652	\$ 187,203	\$ 2,134,855
Change in Net Assets					\$ 138,972	\$ 2,898,333	\$ 3,037,305
Net Assets - July 1, 2011					2,083,444	15,627,335	17,710,779
Net Assets - June 30, 2012					\$ 2,222,416	\$ 18,525,668	\$ 20,748,084

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURIBALANCE SHEET -
GOVERNMENTAL FUNDS

JUNE 30, 2012

<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	\$ 1,133,578	\$ 114,213	\$ 275,548	\$ 1,523,339
Restricted Cash	26,899	-	-	26,899
Receivables	207,938	-	13,712	221,650
Due From Other Funds	14,737	-	-	14,737
Prepaid Expenses	23,258	-	4,434	27,692
Total Current Assets	<u>\$ 1,406,410</u>	<u>\$ 114,213</u>	<u>\$ 293,694</u>	<u>\$ 1,814,317</u>
TOTAL ASSETS	<u>\$ 1,406,410</u>	<u>\$ 114,213</u>	<u>\$ 293,694</u>	<u>\$ 1,814,317</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES:</u>				
Accounts Payable	\$ 45,531	\$ -	\$ 11,274	\$ 56,805
Court Payable	8,817	-	-	8,817
Accrued Payroll and Benefits	147,712	-	17,714	165,426
Due To Other Funds	55,622	229,226	2,665	287,513
Payroll Taxes	-	-	-	-
TOTAL LIABILITIES	<u>\$ 257,682</u>	<u>\$ 229,226</u>	<u>\$ 31,653</u>	<u>\$ 518,561</u>
<u>FUND BALANCE:</u>				
Nonspendable	\$ 23,258	\$ -	\$ 4,434	\$ 27,692
Spendable:				
Restricted	26,899	-	183,387	210,286
Assigned	-	-	-	-
Unassigned	1,098,571	(115,013)	74,220	1,057,778
TOTAL FUND BALANCE	<u>\$ 1,148,728</u>	<u>\$ (115,013)</u>	<u>\$ 262,041</u>	<u>\$ 1,295,756</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,406,410</u>	<u>\$ 114,213</u>	<u>\$ 293,694</u>	<u>\$ 1,814,317</u>

See Accompanying Notes to the Basic Financial Statements.

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

JUNE 30, 2012

Total fund balance - total governmental funds (Statement 3)	\$ 1,295,756
Amounts reported for governmental activities in the statement of net assets 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 \$1,765,920.	1,730,470
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>(803,810)</u>
Net assets of governmental activities (Statement 1)	<u>\$ 2,222,416</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

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

YEAR ENDED JUNE 30, 2012

	General Fund	DED Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>				
Taxes	\$ 1,581,746	\$ -	\$ 311,960	\$ 1,893,706
Intergovernmental	22,053	-	877	22,930
Charges for Services	246,631	24,000	47,107	317,738
Interest Income	13,079	1,076	3,324	17,479
Other	63,854	-	5,114	68,968
TOTAL REVENUES	<u>\$ 1,927,363</u>	<u>\$ 25,076</u>	<u>\$ 368,382</u>	<u>\$ 2,320,821</u>
<u>EXPENDITURES:</u>				
Current:				
General Government	\$ 421,780	\$ -	\$ 67,623	\$ 489,403
Public Safety	1,039,747	-	-	1,039,747
Culture and Recreation	77,050	775	179,005	256,830
Transportation	-	-	174,277	174,277
Capital Outlay	128,279	-	34,717	162,996
Debt Service:				
Principal	34,166	-	-	34,166
Interest	30,689	11,826	-	42,515
TOTAL EXPENDITURES	<u>\$ 1,731,711</u>	<u>\$ 12,601</u>	<u>\$ 455,622</u>	<u>\$ 2,199,934</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 195,652</u>	<u>\$ 12,475</u>	<u>\$ (87,240)</u>	<u>\$ 120,887</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	(29,600)	-	-	(29,600)
TOTAL OTHER FINANCING SOURCES AND USES	<u>\$ (29,600)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,600)</u>
NET CHANGE IN FUND BALANCES	\$ 166,052	\$ 12,475	\$ (87,240)	\$ 91,287
FUND BALANCE, July 1, 2011	<u>982,676</u>	<u>(127,488)</u>	<u>349,281</u>	<u>1,204,469</u>
FUND BALANCE, June 30, 2012	<u>\$ 1,148,728</u>	<u>\$ (115,013)</u>	<u>\$ 262,041</u>	<u>\$ 1,295,756</u>

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, 2012

Net Change in fund balances - total governmental funds (Statement 4)	\$	91,287
<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 assets, 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>		
		188,154
<p>The net effect of various transactions involving capital assets (i.e., sales, trade ins, and disposals) is to increase net assets.</p>		
		(2,901)
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.</p>		
		(146,432)
<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 assets. 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		19,431
Note Payable Payments		14,734
Note Payable Proceeds		<u>(25,301)</u>
Change in net assets of governmental activities (Statement 2)	\$	<u>138,972</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS

JUNE 30, 2012

<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	\$ 2,853,264	\$ 1,208,886	\$ 200,028	\$ 3,084
Restricted Cash	126,855	-	150,592	-
Receivables, Net of Allowance for Uncollectible				
Customer	781,131	200,654	269,109	-
Penalties	4,879	-	-	-
Grants	650,451	-	-	-
Other	8,905	-	-	-
Prepaid Items	185,190	12,577	68,198	3,056
Due From Other Funds	229,226	69,867	55,622	-
Inventory	228,762	56,152	-	-
Total Current Assets	<u>\$ 5,068,663</u>	<u>\$ 1,548,136</u>	<u>\$ 743,549</u>	<u>\$ 6,140</u>
<u>CAPITAL ASSETS:</u>				
Land, Improvements, and Construction in Progress	\$ 133,623	\$ 166,075	\$ 1,818,080	\$ -
Other Capital Assets, Net	6,138,014	1,688,260	1,937,164	108,277
Total Capital Assets, Net	<u>\$ 6,271,637</u>	<u>\$ 1,854,335</u>	<u>\$ 3,755,244</u>	<u>\$ 108,277</u>
TOTAL ASSETS	<u>\$ 11,340,300</u>	<u>\$ 3,402,471</u>	<u>\$ 4,498,793</u>	<u>\$ 114,417</u>
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES:</u>				
Accounts Payable	\$ 212,744	\$ 78,991	\$ 263,884	\$ 2,519
Bank Overdraft	-	-	-	113,323
Accrued Interest Payable	367	-	197	-
Accrued Salaries and Benefits	118,802	53,400	8,808	3,902
Sales Tax Payable	13,297	-	-	72
Water/Sewer Primacy Fees Payable	-	7,782	-	-
Deferred Revenue	-	-	66,574	14,063
Due To Other Funds	81,939	-	-	-
Capital Lease, Net of Long-Term	-	-	-	7,674
Note Payable, Net of Long-Term	142,028	-	5,823	-
Total Current Liabilities	<u>\$ 569,177</u>	<u>\$ 140,173</u>	<u>\$ 345,286</u>	<u>\$ 141,553</u>
<u>LONG-TERM LIABILITIES:</u>				
Deposit Payable	\$ 126,855	\$ -	\$ 2,660	\$ -
Capital Lease, Net of Current Portion	-	-	-	3,198
Note Payable, Net of Current Portion	-	-	6,220	-
Total Long-Term Liabilities	<u>\$ 126,855</u>	<u>\$ -</u>	<u>\$ 8,880</u>	<u>\$ 3,198</u>
TOTAL LIABILITIES	<u>\$ 696,032</u>	<u>\$ 140,173</u>	<u>\$ 354,166</u>	<u>\$ 144,751</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 6,129,609	\$ 1,854,335	\$ 3,743,201	\$ 108,277
Restricted	777,306	-	150,592	-
Unrestricted	3,737,353	1,407,963	250,834	(138,611)
TOTAL NET ASSETS	<u>\$ 10,644,268</u>	<u>\$ 3,262,298</u>	<u>\$ 4,144,627</u>	<u>\$ (30,334)</u>

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS

JUNE 30, 2012

<u>ASSETS</u>	<u>Community Center Fund</u>	<u>Senior Nutrition Center Fund</u>	<u>Total Proprietary Funds</u>
<u>CURRENT ASSETS:</u>			
Cash	\$ 50	\$ 64,910	\$ 4,330,222
Restricted Cash	-	10,057	287,504
Receivables, Net of Allowance for Uncollectible			
Customer	-	3,416	1,254,310
Penalties	-	-	4,879
Grants	-	18,026	668,477
Other	-	3	8,908
Prepaid Items	10,431	6,344	285,796
Due From Other Funds	-	-	354,715
Inventory	-	5,450	290,364
Total Current Assets	<u>\$ 10,481</u>	<u>\$ 108,206</u>	<u>\$ 7,485,175</u>
<u>CAPITAL ASSETS:</u>			
Land, Improvements, and Construction in Progress	\$ 90,000	\$ 15,010	\$ 2,222,788
Other Capital Assets, Net	28,106	988,566	10,888,387
Total Capital Assets, Net	<u>\$ 118,106</u>	<u>\$ 1,003,576</u>	<u>\$ 13,111,175</u>
TOTAL ASSETS	<u>\$ 128,587</u>	<u>\$ 1,111,782</u>	<u>\$ 20,596,350</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES:</u>			
Accounts Payable	\$ 2,473	\$ 23,280	\$ 583,891
Bank Overdraft	131,421	-	244,744
Accrued Interest Payable	-	1,889	2,453
Accrued Salaries and Benefits	-	-	184,912
Sales Tax Payable	-	-	13,369
Water/Sewer Primacy Fees Payable	-	-	7,782
Deferred Revenue	-	-	80,637
Due To Other Funds	-	-	81,939
Capital Lease, Net of Long-Term	-	-	7,674
Note Payable, Net of Long-Term	-	13,733	161,584
Total Current Liabilities	<u>\$ 133,894</u>	<u>\$ 38,902</u>	<u>\$ 1,368,985</u>
<u>LONG-TERM LIABILITIES:</u>			
Deposit Payable	\$ -	\$ -	\$ 129,515
Capital Lease, Net of Current Portion	-	-	3,198
Note Payable, Net of Current Portion	-	562,764	568,984
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 562,764</u>	<u>\$ 701,697</u>
TOTAL LIABILITIES	<u>\$ 133,894</u>	<u>\$ 601,666</u>	<u>\$ 2,070,682</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 118,106	\$ 427,079	\$ 12,380,607
Restricted	-	10,057	937,955
Unrestricted	(123,413)	72,980	5,207,106
TOTAL NET ASSETS	<u>\$ (5,307)</u>	<u>\$ 510,116</u>	<u>\$ 18,525,668</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURISTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2012

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Airport Fund</u>	<u>Golf Fund</u>
<u>OPERATING REVENUES:</u>				
Customer Charges/Sales	\$ 5,612,994	\$ 940,838	\$ 390,370	\$ 112,054
Connection Charges	18,488	3,300	-	-
Penalties and Late Fees	68,625	13,887	1,254	-
Other	68,285	16,064	1,625	-
TOTAL OPERATING REVENUES	<u>\$ 5,768,392</u>	<u>\$ 974,089</u>	<u>\$ 393,249</u>	<u>\$ 112,054</u>
<u>OPERATING EXPENSES:</u>				
Salaries, Reimbursed Expenses, and Payroll Taxes	\$ 602,152	\$ 298,162	\$ 112,056	\$ 60,345
Retirement	27,966	14,182	4,329	1,043
Electric Distribution	3,715,083	16,999	-	-
Meal Preparation	-	-	-	-
Repairs and Maintenance	60,699	107,918	15,943	6,922
Supplies and Services	78,704	70,495	57,517	3,265
Utilities	68,005	49,746	6,051	988
Telephone and Internet	-	-	4,041	1,090
Insurance	167,800	54,805	93,915	9,801
Training	5,742	552	896	-
Travel and Meals	12,335	-	664	-
Printing and Publication Costs	1,945	525	35	88
Fuel and Oil	23,487	18,963	9,362	5,845
Chemicals	-	17,771	-	-
Refuse Collection Expense	217,951	-	-	-
Rentals	-	-	5,365	200
Depreciation	531,881	225,674	162,096	20,542
Uncollectible Accounts	59,380	18,057	-	-
Miscellaneous	31,644	10,547	7,034	5,527
TOTAL OPERATING EXPENSES	<u>\$ 5,604,774</u>	<u>\$ 904,396</u>	<u>\$ 479,304</u>	<u>\$ 115,656</u>
NET OPERATING INCOME (LOSS)	<u>\$ 163,618</u>	<u>\$ 69,693</u>	<u>\$ (86,055)</u>	<u>\$ (3,602)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>				
Interest Income	\$ 44,424	\$ 5,369	\$ 3,737	\$ -
Interest Expense	(5,774)	-	(1,183)	(314)
Contributed Capital	-	-	6,000	-
Intergovernmental	1,054,896	-	1,717,500	-
Disposal of Capital Assets	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ 1,093,546</u>	<u>\$ 5,369</u>	<u>\$ 1,726,054</u>	<u>\$ (314)</u>
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>\$ 1,257,164</u>	<u>\$ 75,062</u>	<u>\$ 1,639,999</u>	<u>\$ (3,916)</u>
-				
<u>OPERATING TRANSFERS IN (OUT):</u>				
Transfers In	\$ -	\$ -	\$ -	\$ 29,600
Transfers Out	-	-	-	-
TOTAL TRANSFERS IN (OUT)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,600</u>
CHANGE IN NET ASSETS	\$ 1,257,164	\$ 75,062	\$ 1,639,999	\$ 25,684
TOTAL NET ASSETS, July 1, 2011	<u>9,387,104</u>	<u>3,187,236</u>	<u>2,504,628</u>	<u>(56,018)</u>
TOTAL NET ASSETS, June 30, 2012	<u>\$ 10,644,268</u>	<u>\$ 3,262,298</u>	<u>\$ 4,144,627</u>	<u>\$ (30,334)</u>

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

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

YEAR ENDED JUNE 30, 2012

	Community Center Fund	Senior Nutrition Center Fund	Total Proprietary Funds
<u>OPERATING REVENUES:</u>			
Customer Charges/Sales	\$ 15,160	\$ 132,409	\$ 7,203,825
Connection Charges	-	-	21,788
Penalties and Late Fees	-	-	83,766
Other	227	17,415	103,616
TOTAL OPERATING REVENUES	<u>\$ 15,387</u>	<u>\$ 149,824</u>	<u>\$ 7,412,995</u>
<u>OPERATING EXPENSES:</u>			
Salaries, Reimbursed Expenses, and Payroll Taxes	\$ -	\$ 153,835	\$ 1,226,550
Retirement	-	-	47,520
Electric Distribution	-	-	3,732,082
Meal Preparation	-	135,604	135,604
Repairs and Maintenance	8,073	11,509	211,064
Supplies and Services	46,015	2,203	258,199
Utilities	-	1,571	126,361
Telephone and Internet	1,132	1,601	7,864
Insurance	14,210	4,018	344,549
Training	-	-	7,190
Travel and Meals	-	-	12,999
Printing and Publication Costs	-	-	2,593
Fuel and Oil	-	-	57,657
Chemicals	-	-	17,771
Refuse Collection Expense	-	-	217,951
Rentals	-	-	5,565
Depreciation	11,095	50,763	1,002,051
Uncollectible Accounts	-	-	77,437
Miscellaneous	175	3,069	57,996
TOTAL OPERATING EXPENSES	<u>\$ 80,700</u>	<u>\$ 364,173</u>	<u>\$ 7,549,003</u>
NET OPERATING INCOME (LOSS)	<u>\$ (65,313)</u>	<u>\$ (214,349)</u>	<u>\$ (136,008)</u>
<u>NONOPERATING REVENUES (EXPENSES):</u>			
Interest Income	\$ -	\$ 457	\$ 53,987
Interest Expense	-	(23,968)	(31,239)
Contributed Capital	-	-	6,000
Intergovernmental	-	203,597	2,975,993
Disposal of Capital Assets	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ -</u>	<u>\$ 180,086</u>	<u>\$ 3,004,741</u>
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>\$ (65,313)</u>	<u>\$ (34,263)</u>	<u>\$ 2,868,733</u>
<u>OPERATING TRANSFERS IN (OUT):</u>			
Transfers In	\$ -	\$ -	\$ 29,600
Transfers Out	-	-	-
TOTAL TRANSFERS IN (OUT)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,600</u>
CHANGE IN NET ASSETS	<u>\$ (65,313)</u>	<u>\$ (34,263)</u>	<u>\$ 2,898,333</u>
TOTAL NET ASSETS, July 1, 2011	<u>60,006</u>	<u>544,379</u>	<u>15,627,335</u>
TOTAL NET ASSETS, June 30, 2012	<u>\$ (5,307)</u>	<u>\$ 510,116</u>	<u>\$ 18,525,668</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2012

	Electric Fund	Water and Sewer Fund	Airport Fund	Golf Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from Customers	\$ 6,006,197	\$ 932,624	\$ 116,170	\$ 99,316
Payments to Suppliers	(4,495,227)	(321,047)	99,380	(31,833)
Payments to Employees	(631,655)	(316,087)	(116,765)	(66,615)
Refunds of Customer Deposits	(4,741)	-	400	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 874,574	\$ 295,490	\$ 99,185	\$ 868
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Operating Transfers from (to) Other Funds	\$ -	\$ -	\$ -	\$ 29,600
Operating Grants and Contributed Capital	-	-	6,000	-
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	\$ -	\$ -	\$ 6,000	\$ 29,600
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Payments on Debt	\$ (25,584)	\$ -	\$ (5,450)	\$ -
Proceeds from Debt	167,612	-	-	2,449
Interest Paid on Debt	(5,407)	-	(1,252)	(314)
Advances (Payments) to Other Funds	23,110	(5,255)	(55,622)	(11,145)
Capital Grants	590,924	-	1,717,500	-
Proceeds from Sale of Capital Assets	-	-	-	-
Acquisition of Capital Assets	(1,547,671)	(133,679)	(1,767,977)	(21,104)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (797,016)	\$ (138,934)	\$ (112,801)	\$ (30,114)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Interest on Cash	\$ 44,424	\$ 5,369	\$ 3,737	\$ -
NET CHANGE IN CASH	\$ 121,982	\$ 161,925	\$ (3,879)	\$ 354
CASH AND RESTRICTED CASH, July 1, 2011	2,858,137	1,046,961	354,499	(110,593)
CASH AND RESTRICTED CASH, June 30, 2012	\$ 2,980,119	\$ 1,208,886	\$ 350,620	\$ (110,239)
DISPLAYED ON STATEMENT 5 AS:				
Cash	\$ 2,853,264	\$ 1,208,886	\$ 200,028	\$ 3,084
Restricted Cash	126,855	-	150,592	-
Bank Overdraft	-	-	-	(113,323)
TOTAL CASH AND RESTRICTED CASH	\$ 2,980,119	\$ 1,208,886	\$ 350,620	\$ (110,239)
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>				
Operating Income (Loss)	\$ 163,618	\$ 69,693	\$ (86,055)	\$ (3,602)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	531,881	225,674	162,096	20,542
Changes in Assets and Liabilities:				
Receivables	236,160	(41,465)	(256,151)	-
Prepaid Expenses	136,640	4,387	18,065	2,773
Inventory	(14,969)	3,207	24,008	-
Customer Deposits	(4,741)	-	400	-
Accounts Payable	(174,123)	52,040	258,130	(880)
Salaries and Payroll Tax Payable	(1,537)	(3,743)	(380)	(5,227)
Deferred Revenue	-	-	(20,928)	(12,810)
Water Primacy Fee Payable	-	(14,303)	-	-
Sales Tax Payable	1,645	-	-	72
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 874,574	\$ 295,490	\$ 99,185	\$ 868

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2012

	Community Center Fund	Senior Nutrition Center Fund	Total Proprietary Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from Customers	\$ 15,387	\$ 146,412	\$ 7,104,657
Payments to Suppliers	(66,467)	(158,997)	(5,564,575)
Payments to Employees	-	(153,835)	(1,370,386)
Receipt of Customer Deposits	-	-	5,852
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (51,080)</u>	<u>\$ (166,420)</u>	<u>\$ 175,548</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Operating Transfers from (to) Other Funds	\$ -	\$ -	\$ (40,380)
Operating Grants	-	-	-
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,380)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Payments on Debt	\$ -	\$ (13,182)	\$ (28,833)
Interest Paid on Debt	-	(24,077)	(27,337)
Advances (Payments) to Other Funds	-	-	8,001
Capital Grants	-	201,488	1,457,274
Proceeds from Sale of Capital Assets	-	-	47,643
Acquisition of Capital Assets	-	-	(2,253,017)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ -</u>	<u>\$ 164,229</u>	<u>\$ (796,269)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest on Cash	\$ -	\$ 457	\$ 67,097
NET CHANGE IN CASH	<u>\$ (51,080)</u>	<u>\$ (1,734)</u>	<u>\$ (594,004)</u>
CASH AND RESTRICTED CASH, July 1, 2011	<u>(80,291)</u>	<u>76,701</u>	<u>4,686,604</u>
CASH AND RESTRICTED CASH, June 30, 2012	<u>\$ (131,371)</u>	<u>\$ 74,967</u>	<u>\$ 4,092,600</u>
DISPLAYED ON STATEMENT 5 AS:			
Cash	\$ 50	\$ 64,910	\$ 4,200,280
Restricted Cash	-	10,057	141,653
Bank Overdraft	(131,421)	-	(249,333)
TOTAL CASH AND RESTRICTED CASH	<u>\$ (131,371)</u>	<u>\$ 74,967</u>	<u>\$ 4,092,600</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>			
Operating Income (Loss)	\$ (65,313)	\$ (214,349)	\$ (136,008)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	11,095	50,763	1,002,051
Changes in Assets and Liabilities:			
Receivables	-	(3,412)	(399,636)
Prepaid Expenses	3,494	(348)	(270,172)
Inventory	-	(1,476)	(19,436)
Customer Deposits	-	-	5,852
Accounts Payable	(356)	2,402	(145,837)
Salaries and Payroll Tax Payable	-	-	51,839
Deferred Revenue	-	-	(1,481)
Water Primacy Fee Payable	-	-	6,668
Sales Tax Payable	-	-	2,739
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (51,080)</u>	<u>\$ (166,420)</u>	<u>\$ 96,579</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

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 in the general 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 Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other 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.

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 Assets 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 assets (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 assets.

Basis of Accounting

In the government-wide Statement of Net Assets 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 measureable 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, 2012, the following funds had recorded overdrafts.

Enterprise Funds:

Golf	\$(113,323)
Community Center	<u>(131,421)</u>
	<u>\$(244,744)</u>

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 Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings and 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.

Equity Classification

Government-Wide Statements – Equity is classified as net assets 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 assets – Consists of net assets 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 assets – All other net assets 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 assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets 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 Assets 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 Assets, 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 assets 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 \$5,922,335 and a bank balance of \$5,916,009 at June 30, 2012, that was fully insured by depository insurance or secured with collateral held by the City in the City's name. The City also held \$885 in petty cash at June 30, 2012.

Reconciliation to Statement of Net Assets

Cash	\$5,853,561
Restricted Cash	314,403
Bank Overdraft	<u>(244,744)</u>
Cash, Statement of Net Assets	\$5,923,220
Less: Petty Cash	<u>(885)</u>
Cash, Book Balance	<u>\$5,922,335</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 2011 was as follows:

Real Estate	\$19,490,577
Personal Property	<u>7,026,205</u>
Total Assessed Valuation	<u>\$26,516,782</u>

The tax levy for calendar year 2011, set by the Board of Aldermen, per \$100 assessed valuation was:

General Fund

\$0.7539

4. CAPITAL ASSETS

Activity for governmental capital assets which are capitalized by the City for the year ended June 30, 2012, is summarized below:

Governmental Activities:	Primary Government			
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Capital Assets not being Depreciated:				
Land, Improvements, and Construction in Progress	\$ 40,012	\$ -	\$ (2,023)	\$ 37,989
Other Assets	<u>3,282,726</u>	<u>190,177</u>	<u>(14,502)</u>	<u>3,458,401</u>
Total Assets at Historical Cost	3,322,738	190,177	(16,525)	3,496,390
Less Accumulated Depreciation	<u>(1,631,089)</u>	<u>(146,432)</u>	<u>11,601</u>	<u>(1,765,920)</u>
Capital Assets, Net	<u>\$ 1,691,649</u>	<u>\$ 43,745</u>	<u>\$ (4,924)</u>	<u>\$ 1,730,470</u>

Following is a summary of property and equipment for each of the enterprise funds for the year ended June 30, 2012:

Business-Type Activities:	Primary Government			
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Capital Assets not being Depreciated:				
Land, Improvements, and Construction in Progress	\$ 951,313	\$ 3,222,459	\$ (1,950,984)	\$ 2,222,788
Other Assets	<u>30,662,018</u>	<u>2,209,829</u>	<u>(34,400)</u>	<u>32,837,447</u>
Total Assets at Historical Cost	31,613,331	5,432,288	(1,985,384)	35,060,235
Less Accumulated Depreciation	<u>(20,981,406)</u>	<u>(1,002,051)</u>	<u>34,400</u>	<u>(21,949,057)</u>
Capital Assets, Net	<u>\$ 10,631,925</u>	<u>\$ 4,430,237</u>	<u>\$ (1,950,984)</u>	<u>\$ 13,111,178</u>

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

Governmental Activities

General Government	\$ 12,999
Public Safety	98,166
Culture and Recreation	3,878
Transportation	<u>31,389</u>
Total	<u>\$ 146,432</u>

Business-Type Activities

Electric	\$ 531,881
Water and Sewer	225,674
Airport	162,096
Golf	20,542
Community Center	11,095
Nutrition Center	<u>50,763</u>
Total	<u>\$1,002,051</u>

5. LONG-TERM DEBT

A. Long-Term Debt:

1. 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, 2012:

Ending June 30,	Interest	Principal	Total
2013	\$ 2,646	\$ 14,283	\$ 16,929
2014	2,314	14,616	16,930
2015	1,766	15,164	16,930
2016	1,197	15,732	16,929
2017	602	16,190	16,792
	<u>\$ 8,525</u>	<u>\$ 75,985</u>	<u>\$ 84,510</u>

2. 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, 2012:

Ending June 30,	Interest	Principal	Total
2013	\$ 279	\$ 2,393	\$ 2,672
2014	189	2,483	2,672
2015	106	2,567	2,673
	<u>\$ 574</u>	<u>\$ 7,443</u>	<u>\$ 8,017</u>

3. 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, 2012:

Ending June 30,	Interest	Principal	Total
2013	\$ 19,002	\$ 13,002	\$ 32,004
2014	18,455	13,549	32,004
2015	17,885	14,119	32,004
2016	17,292	14,712	32,004
2017	16,673	15,331	32,004
2018-2022	73,141	86,879	160,020
2023-2027	53,278	106,742	160,020
2028-2032	28,874	131,146	160,020
2033-2037	3,595	71,081	74,676
	<u>\$ 248,195</u>	<u>\$ 466,561</u>	<u>\$ 714,756</u>

4. 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, 2012:

Ending June 30,	Interest	Principal	Total
2013	\$ 10,647	\$ 7,257	\$ 17,904
2014	10,333	7,571	17,904
2015	10,004	7,900	17,904
2016	9,662	8,242	17,904
2017	9,305	8,599	17,904
2018-2022	40,601	48,919	89,520
2023-2027	29,041	60,479	89,520
2028-2032	14,750	74,770	89,520
2033-2037	1,179	30,084	31,263
	<u>\$ 135,522</u>	<u>\$ 253,821</u>	<u>\$ 389,343</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, 2012 the City's remaining legal debt margin was \$522,397.

B. Enterprise Fund Long-Term Debt:

At June 30, 2012, the City had three 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, 2012:

Ending June 30,	Interest	Principal	Total
2013	\$ 23,523	\$ 13,737	\$ 37,260
2014	22,945	14,315	37,260
2015	22,344	14,916	37,260
2016	21,716	15,544	37,260
2017	21,063	16,197	37,260
2018-2022	94,510	91,790	186,300
2023-2027	73,525	112,775	186,300
2028-2032	47,741	138,559	186,300
2033-2037	16,115	158,664	174,779
2038	-	-	-
	<u>\$ 343,482</u>	<u>\$ 576,497</u>	<u>\$ 919,979</u>

2. Equipment Lease Purchase – Tractor / Loader Airport

On April 15, 2010, the City entered into a lease purchase agreement for the acquisition of a tractor with a loader. Principal and interest payment of \$6,700 is due on the twenty first of each month at 7.29 percent interest. Following are the annual requirements to amortize the lease purchase at June 30, 2012:

Ending June 30,	Interest	Principal	Total
2013	\$ 878	\$ 5,823	\$ 6,701
2014	453	6,220	6,673
2015	-	-	-
	<u>\$ 1,331</u>	<u>\$ 12,043</u>	<u>\$ 13,374</u>

1. Note Payable- Digger truck

On August 9, 2011, the City entered into a loan for the acquisition of a Digger truck. Principal and interest payment of \$3,099 are due on monthly at 4.10 percent interest. Following are the annual requirements to amortize the note at June 30, 2012:

Ending June 30,	Interest	Principal	Total
2013	\$ 962	\$ 142,028	\$ 142,990
	\$ 962	\$ 142,028	\$ 142,990

The annual retirements to amortize all long-term debt as of June 30, 2012 including interest payments of \$738,592 are as follows:

Ending June 30,	Governmental Activities		Business - Type Activities		Total Debt Service Requirements to Maturity	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 36,935	\$ 32,574	\$ 161,584	\$ 25,363	\$ 198,519	\$ 57,937
2014	38,219	31,291	20,536	23,399	58,755	54,690
2015	39,749	29,761	14,918	22,343	54,667	52,104
2016	38,686	28,151	15,545	21,716	54,231	49,867
2017	40,120	26,580	16,197	21,063	56,317	47,643
2018-2022	135,798	113,742	91,790	94,510	227,588	208,252
2023-2027	167,220	82,320	112,775	73,525	279,995	155,845
2028-2032	205,916	43,624	138,559	47,741	344,475	91,365
2033-2037	101,167	4,774	158,664	16,115	259,831	20,889
2038	-	-	-	-	-	-
	<u>\$ 803,810</u>	<u>\$ 392,817</u>	<u>\$ 730,568</u>	<u>\$ 345,775</u>	<u>\$ 1,534,378</u>	<u>\$ 738,592</u>

Interest expense on long term debt for fiscal year ending June 30, 2012 was \$30,689 for governmental funds and \$31,239 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 5.4% (general), 1.3% (police), and 0.6% (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	\$166,500
Interest on net pension obligation	6,826
Adjustment to annual required contribution	<u>(5,194)</u>
Annual pension cost	168,132
Actual Contributions	<u>81,918</u>
Increase (decrease) in NPO	86,214
NPO beginning of year	<u>94,150</u>
NPO end of year	<u>\$ 180,364</u>

The annual required contribution (ARC) was determined as part of the February 28, 2010 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012 included (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back -0- years for men and -0- years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back -0- years for men and -0- years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2010, was 30 years for the General division, 10 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
06/30/2010	\$ 54,978	100%	\$ -
06/30/2011	\$ 165,466	43.1%	\$ 94,150
06/30/2012	\$ 168,132	48.7%	\$ 180,364

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, 2012, 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 From	Transferred To
General Fund	\$ 29,600	\$ -
Golf Fund	-	29,600
	<u>\$ 29,600</u>	<u>\$ 29,600</u>

10. OPERATING LEASES

The City entered into an operating lease with National City Commercial Capital Company, LLC beginning August 2009 for the lease of golf carts for the Golf Fund. The lease amount was \$31,975, lease term for fifty (50) months, rental payments are \$639.50 due monthly, maturing September 2013. The City will return the golf carts when the lease expires and will execute a new lease at that time.

Business – Type Activities:

The future minimum rental payments for each of the five subsequent fiscal years are as follows:

Year Ending June 30:	
2013	\$ 7,674
2014	<u>3,198</u>
Total Minimum Lease Payments	\$10,872
Less: Amount Representing Interest	-
Present Value of Net Lease Payments	<u>\$10,872</u>

Total rental expenses for fiscal year ending June 30, 2012 was \$7,035.

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, 2012.

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, 2012, restricted assets in the Debt Reserve Account include \$26,899.

At June 30, 2012, restricted assets include \$150,592 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, 2012, restricted assets include \$126,855 of restricted funds held by the Board of Public Works for purposes of residents meter deposits payable balance.

At June 30, 2012, restricted assets include \$10,057 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, 2012 for the Golf, Community Center, and DED Fund had a deficit balance of (\$30,334), (\$5,307), and (\$115,013), respectively.

14. PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made from the prior year in order to adjust Net Assets and Fund Balance to this year's beginning numbers. The adjustment was for the difference in the prepaid asset beginning year balance in the governmental fund from the prior year.

15. FUND BALANCE REPORTING:

The City has adopted GASB 54 as part of its 2011-2012 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 \$27,692 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 \$1,098,571.

<u>Description</u>	<u>General Fund</u>	<u>DED Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable:				
Prepaid Expenses	\$ 23,258	\$ -	\$ 4,434	\$ 27,692
Restricted:				
Debt Service	26,899	-	-	26,899
Transportation	-	-	5,618	5,618
Culture and Recreation	-	-	177,769	177,769
Assigned:				
Culture and Recreation	-	-	74,220	74,220
Unassigned:	1,098,571	(115,013)	-	983,558
Total Fund Balance	<u>\$ 1,148,728</u>	<u>\$ (115,013)</u>	<u>\$ 262,041</u>	<u>\$ 1,295,756</u>

15. SUBSEQUENT EVENT:

Subsequent to June 30, 2012, the City issued \$1,529,375 in General Obligation Bonds. The purpose of the bonds was for the construction and improvement of the waste water plant.

16. COMMITMENT:

As of June 30, 2012, the City had a construction commitment outstanding of \$1,465,455. The construction commitment represents the incomplete portion of a contract entered into for construction and improvement of the waste water plant. The contract is expected to be completed within the next fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MALDEN, MISSOURIBUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
<u>REVENUES:</u>				
Taxes:				
Real Estate Taxes	\$ 135,500	\$ 140,617	\$ 137,818	\$ 2,318
Personal Property Taxes	58,000	57,486	56,277	(1,723)
Sales Tax-Local	550,000	609,342	615,318	5,976
Sales Tax-Capital Impr.	141,000	154,963	153,807	(1,156)
Railroad/Utility Tax	10,500	11,056	11,056	-
Surtax	23,000	23,116	23,154	38
Franchise Taxes	556,968	562,606	584,316	21,710
Municipal Court Costs and Fines	17,630	20,480	21,141	661
Permits and Fees	27,600	26,805	27,934	1,129
Refuse Collections	20,307	23,082	23,034	(48)
Police and Fire Department Receipts	83,250	98,527	100,665	2,138
Rental Revenue	15,831	17,270	25,823	8,553
City Licenses	43,000	23,303	39,805	16,502
Animal Control	5,700	8,176	8,229	53
Interest	10,080	12,995	13,079	84
Intergovernmental	24,406	27,580	22,053	(5,527)
Donations	-	7,022	15,205	8,183
Miscellaneous	19,971	19,216	48,649	29,433
TOTAL REVENUES	\$ 1,742,743	\$ 1,843,642	\$ 1,927,363	\$ 83,721

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
<u>EXPENDITURES:</u>				
GENERAL GOVERNMENT:				
Administrative:				
Salaries	\$ 284,849	\$ 203,721	\$ 184,824	\$ 18,897
Retirement	15,042	11,583	11,108	475
Supplies and Equipment	15,900	18,129	18,991	(862)
Repair and Maintenance	7,912	8,880	10,168	(1,288)
Payroll Taxes	21,418	25,072	18,607	6,465
Training	4,000	3,600	3,538	62
Utilities	15,402	11,821	2,372	9,449
Telephone	3,300	4,735	2,582	2,153
Insurance	32,170	35,141	30,682	4,459
Professional Fees	42,192	35,820	41,063	(5,243)
Travel and Meals	7,700	8,779	8,802	(23)
Election Expense	2,000	6,758	6,195	563
Miscellaneous	8,000	4,378	9,633	(5,255)
Publication and Printing	5,300	2,935	4,127	(1,192)
Fuel and Vehicle Expense	2,500	3,298	3,494	(196)
Rental	220	-	-	-
Uniforms	-	264	421	(157)
Capital Expenditures	1,000	838	6,669	(5,831)
Building and Improvements	3,000	2,444	2,195	249
Total Administrative	<u>\$ 471,905</u>	<u>\$ 388,196</u>	<u>\$ 365,471</u>	<u>\$ 22,725</u>
Court:				
Salaries	\$ 39,468	\$ 39,206	\$ 38,808	\$ 398
Retirement	1,483	1,531	1,458	73
Payroll Taxes	3,019	2,963	2,948	15
Training	500	450	186	264
Telephone	1,800	2,518	2,424	94
Professional Fees	500	514	441	73
Travel and Meals	550	685	876	(191)
Insurance	7,198	7,144	7,059	85
Supplies and Equipment	2,550	1,607	1,642	(35)
Contract Labor	-	-	-	-
Printing and Publications	250	200	175	25
Miscellaneous	-	330	292	38
Total Court	<u>\$ 57,318</u>	<u>\$ 57,148</u>	<u>\$ 56,309</u>	<u>\$ 839</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 529,223</u>	<u>\$ 445,344</u>	<u>\$ 421,780</u>	<u>\$ 23,564</u>

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURIBUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
PUBLIC SAFETY:				
Police:				
Salaries	\$ 412,108	\$ 416,991	\$ 404,925	\$ 12,066
Retirement	5,195	5,229	5,006	223
Supplies and Equipment	8,700	10,652	10,395	257
Payroll Taxes	31,526	31,642	31,502	140
Training	1,000	2,796	2,596	200
Fuel and Vehicle Expense	40,000	29,096	29,587	(491)
Utilities	1,885	-	1,880	(1,880)
Telephone	4,500	4,960	2,899	2,061
Insurance	101,549	104,234	102,407	1,827
Repair and Maintenance	6,200	10,383	10,681	(298)
Professional Fees	1,000	1,023	1,007	16
Travel and Meals	2,000	3,367	3,334	33
Publication and Printing	200	204	298	(94)
MULES	2,500	1,865	1,710	155
Boarding Prisoners and Prisoner Meals	3,000	759	665	94
Uniforms	3,500	4,492	4,042	450
Capital Expenditures	20,000	8,171	16,282	(8,111)
Capital Lease	54,984	80,571	73,856	6,715
Building and Improvements	-	573	595	(22)
Miscellaneous	2,150	2,775	2,422	353
Total Police	<u>\$ 701,997</u>	<u>\$ 719,783</u>	<u>\$ 706,089</u>	<u>\$ 13,694</u>

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURIBUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Amended		Final Budget
				Favorable (Unfavorable)
Fire:				
Salaries	\$ 163,692	\$ 158,690	\$ 146,847	\$ 11,843
Retirement	764	1,007	1,008	(1)
Supplies and Equipment	1,450	8,187	7,571	616
Payroll Taxes	10,664	12,046	12,158	(112)
Training	3,000	2,779	2,579	200
Fuel and Vehicle Expense	5,300	4,552	4,211	341
Utilities	3,107	1,378	1,228	150
Telephone	2,500	3,404	3,580	(176)
Insurance	37,318	31,307	31,531	(224)
Repair and Maintenance	8,600	24,445	22,802	1,643
Professional Fees	800	1,417	1,439	(22)
Travel and Meals	2,000	629	576	53
Publication and Printing	150	496	525	(29)
Building and Improvements	16,000	5,132	4,797	335
Uniforms and Turnout Gear	10,000	4,952	4,395	557
Rental	-	-	200	(200)
Capital Expenditures	-	59,800	61,929	(2,129)
Miscellaneous	1,000	1,607	1,467	140
Total Fire Department	<u>\$ 266,345</u>	<u>\$ 321,828</u>	<u>\$ 308,843</u>	<u>\$ 12,985</u>
Emergency Management:				
Salaries	\$ 7,200	\$ 7,200	\$ 7,006	\$ 194
Payroll Taxes	551	551	551	-
Training	800	327	300	27
Insurance	-	2,137	1,469	668
Repair and Maintenance	-	-	1,834	(1,834)
Fuel and Vehicle Expense	1,500	607	812	(205)
Utilities	285	-	(375)	375
Telephone	3,600	3,982	4,276	(294)
Supplies and Equipment	3,100	9,115	6,840	2,275
Travel and Meals	1,000	738	855	(117)
Publication and Printing	-	-	310	(310)
Building and Improvements	-	729	729	-
Uniforms	300	20	20	-
Capital Expenditures	24,885	27,120	27,120	-
Miscellaneous	1,000	32	7	25
Total Emergency Management	<u>\$ 44,221</u>	<u>\$ 52,558</u>	<u>\$ 51,754</u>	<u>\$ 804</u>

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
Code Enforcement:				
Salaries	\$ 47,359	\$ 57,103	\$ 52,811	\$ 4,292
Retirement	2,175	2,281	2,175	106
Supplies	2,450	5,644	5,014	630
Payroll Taxes	3,623	4,213	4,184	29
Training	500	55	50	5
Fuel and Vehicle Expense	1,720	2,911	3,020	(109)
Telephone	850	1,692	1,806	(114)
Insurance	6,534	6,480	5,918	562
Repair and Maintenance	600	11,749	12,071	(322)
Professional Fees	200	88	81	7
Travel and Meals	500	10	9	1
Publication and Printing	300	591	611	(20)
Building and Improvements	-	259	237	22
Uniforms	300	227	208	19
Rental		4,745	4,350	395
Solid Waste Cleanup	30,000	10,177	6,376	3,801
Capital Expenditures	-	21,979	20,147	1,832
Miscellaneous	-	-	-	-
Total Code Enforcement	<u>\$ 97,111</u>	<u>\$ 130,204</u>	<u>\$ 119,068</u>	<u>\$ 11,136</u>
Humane:				
Salaries	\$ 23,130	\$ 23,291	\$ 16,157	\$ 7,134
Retirement	1,249	1,310	1,249	61
Payroll Taxes	1,769	1,664	1,652	12
Training	-	-	-	-
Fuel and Vehicle Expense	4,200	3,069	3,145	(76)
Utilities	850	489	494	
Insurance	6,654	6,560	6,192	368
Professional Fees	200	88	81	7
Supplies	1,700	765	531	234
Building and Improvements	300	722	692	30
Uniforms	250	-	-	-
Capital Expenditures	2,673	2,915	2,672	243
Miscellaneous	200	23	191	(168)
Total Humane	<u>\$ 43,175</u>	<u>\$ 40,896</u>	<u>\$ 33,056</u>	<u>\$ 7,840</u>
TOTAL PUBLIC SAFETY	<u>\$ 1,152,849</u>	<u>\$ 1,265,269</u>	<u>\$ 1,218,810</u>	<u>\$ 46,459</u>

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
CULTURE AND RECREATION:				
Nutrition Center:				
Salaries	\$ 10,224	\$ 7,642	\$ -	\$ 7,642
Retirement	1,042	1,075	-	1,075
Supplies	-	807	763	44
Payroll Taxes	3,540	3,831	-	3,831
Training	-	100	100	-
Fuel and Vehicle Expense	2,000	2,605	2,961	(356)
Utilities	-	1,100	243	857
Insurance	28,232	19,266	25,320	(6,054)
Repair and Maintenance	685	632	572	60
Professional Fees	-	91	81	10
Capital Lease	41,520	45,551	35,781	9,770
Building and Improvements	2,000	11,073	10,840	233
Miscellaneous	1,200	1,340	1,340	-
Total Nutrition Center	<u>\$ 90,443</u>	<u>\$ 95,113</u>	<u>\$ 78,001</u>	<u>\$ 17,112</u>
Community Service and Arts:				
Contract Labor	\$ -	\$ -	\$ -	\$ -
Salaries	-	-	-	-
Payroll Taxes	-	-	-	-
Training	-	-	-	-
Fuel and Vehicle Expense	-	-	-	-
Utilities	-	-	-	-
Insurance	-	-	-	-
Repair and Maintenance	-	285	-	285
Professional Fees	-	-	-	-
Supplies	-	2,900	908	1,992
Travel and Meals	-	-	-	-
Building and Improvements	-	-	-	-
Uniforms	-	-	-	-
Publication and Printing	-	-	-	-
Capital Expenditures	-	12,050	12,048	2
Miscellaneous	-	165	164	1
Total Community Service and Arts	<u>\$ -</u>	<u>\$ 15,400</u>	<u>\$ 13,120</u>	<u>\$ 2,280</u>
TOTAL CULTURE AND RECREATION	<u>\$ 90,443</u>	<u>\$ 110,513</u>	<u>\$ 91,121</u>	<u>\$ 19,392</u>

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURIBUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
TOTAL EXPENDITURES	<u>\$ 1,772,515</u>	<u>\$ 1,821,126</u>	<u>\$ 1,731,711</u>	<u>\$ 89,415</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (29,772)</u>	<u>\$ 22,516</u>	<u>\$ 195,652</u>	<u>\$ 173,136</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	(29,600)	(29,600)	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (29,600)</u>	<u>\$ (29,600)</u>	<u>\$ -</u>
TOTAL REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (29,772)</u>	<u>\$ (7,084)</u>	\$ 166,052	<u>\$ 173,136</u>
FUND BALANCE, July 1, 2011			<u>982,676</u>	
FUND BALANCE, June 30, 2012			<u>\$ 1,148,728</u>	

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

NOTES TO BUDGETARY COMPARISON SCHEDULES

JUNE 30, 2012

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 cash basis of accounting, which is an accounting basis other than accounting principles generally accepted in the United States of America.

On June 20, 2011, a public hearing was held in connection with adoption of the proposed budget for 2012. Excess disbursements and transfers were formally approved by budget amendment by the Board of Aldermen on June 18, 2012.

CITY OF MALDEN, MISSOURIRETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS

June 30, 2012

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
2/28/2010	\$ 4,377,414	\$ 4,692,641	\$ 315,227	93%	\$ 2,015,747	16%
2/28/2011	4,598,881	4,997,263	398,382	92%	2,064,874	19%
2/29/2012	4,542,364	4,987,443	445,079	91%	1,905,101	23%

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.

SUPPLEMENTARY INFORMATION

CITY OF MALDEN, MISSOURICOMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

	<u>Special Revenue</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Street Fund</u>	<u>Park Fund</u>	<u>Cemetery Fund</u>	
<u>ASSETS</u>				
<u>CURRENT ASSETS:</u>				
Cash	\$ 27,819	\$ 169,337	\$ 78,392	\$ 275,548
Receivables:				
Intergovernmental	-	13,637	-	13,637
Accrued Interest	-	-	75	75
Prepaid Expenses	<u>2,111</u>	<u>1,900</u>	<u>423</u>	<u>4,434</u>
TOTAL CURRENT ASSETS	<u>\$ 29,930</u>	<u>\$ 184,874</u>	<u>\$ 78,890</u>	<u>\$ 293,694</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES:</u>				
Accounts Payable	\$ 6,834	\$ 3,444	\$ 996	\$ 11,274
Accrued Salaries and Benefits	12,630	1,761	3,323	17,714
Due To Other Funds	2,665	-	-	2,665
Payroll Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>\$ 22,129</u>	<u>\$ 5,205</u>	<u>\$ 4,319</u>	<u>\$ 31,653</u>
FUND BALANCE	<u>\$ 7,801</u>	<u>\$ 179,669</u>	<u>\$ 74,571</u>	<u>\$ 262,041</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 29,930</u>	<u>\$ 184,874</u>	<u>\$ 78,890</u>	<u>\$ 293,694</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, 2012

	Special Revenue			Total Nonmajor Governmental Funds
	Street Fund	Park Fund	Cemetery Fund	
REVENUES:				
Taxes	\$ 167,783	\$ 144,177	\$ -	\$ 311,960
Intergovernmental	877	-	-	877
Charges for Services		4,971	42,136	47,107
Interest Income	571	1,853	900	3,324
Other	3,647	1,329	138	5,114
TOTAL REVENUES	\$ 172,878	\$ 152,330	\$ 43,174	\$ 368,382
EXPENDITURES:				
Current:				
General Government	\$ -	\$ -	\$ 67,623	\$ 67,623
Culture and Recreation	-	179,005	-	179,005
Transportation	174,277	-	-	174,277
Capital Outlay	21,640	13,077	-	34,717
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	\$ 195,917	\$ 192,082	\$ 67,623	\$ 455,622
REVENUES OVER (UNDER) EXPENDITURES	\$ (23,039)	\$ (39,752)	\$ (24,449)	\$ (87,240)
OPERATING TRANSFERS:				
Transfers In	\$ -	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-
Total Operating Transfers	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES OVER (UNDER) EXPENDITURES	\$ (23,039)	\$ (39,752)	\$ (24,449)	\$ (87,240)
FUND BALANCE, July 1, 2011	30,840	219,421	99,020	349,281
FUND BALANCE, June 30, 2012	\$ 7,801	\$ 179,669	\$ 74,571	\$ 262,041

See Independent Auditor's Report.

FEDERAL COMPLIANCE SECTION



BEGLEY, YOUNG, UNTERREINER & WHITE, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Lawrence E. Young, CPA
Jeff S. Unterreiner, CPA
Catherine A. White, CPA

Terry R. Begley, CPA
Amy R. Copen, CPA
Kelly R. Conger, CPA

Gina D. Donze, CPA
Nick M. Steimle, CPA
Leni R. Lambdin, CPA

Carly N. Rees
Jaimi K. Grimm
Paula A. Simmers

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

To the Mayor and Board of Council Members
City of Malden, Missouri

Compliance

We have audited City of Malden, Missouri's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of City of Malden, Missouri's major federal programs for the year ended June 30, 2012. City of Malden, Missouri's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Malden, Missouri's management. Our responsibility is to express an opinion on City of Malden, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Malden, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Malden, Missouri's compliance with those requirements.

In our opinion, City of Malden, Missouri complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of City of Malden, Missouri is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Malden, Missouri's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor and Board of Council Members, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BEGLEY, YOUNG, UNTERREINER & WHITE, LLC

Begley, Young, Unterreiner & White, LLC

Cape Girardeau, Missouri
March 28, 2013

City of Malden, Missouri
Malden, Missouri

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Federal Pass-Through Grantor Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
Passed Through Missouri Department of Economic Development Community Development Block Grants States Program and Non-Entitlement Grants in Hawaii (1)	14.228	2008-R-02	\$ 1,129,425
TOTAL OF U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			\$ 1,129,425
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
Passed Through Missouri Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-LBGJ-028	\$ 603
TOTAL OF U.S. DEPARTMENT OF JUSTICE			\$ 603
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
Passed Through Missouri Department of Transportation Airport Improvement Program	20.106	10-079A-2	333,894
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	12-OP-05-002	487
TOTAL OF U.S. DEPARTMENT OF TRANSPORTATION			\$ 334,381
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
Emergency Food and Shelter National Board Program	97.024	28-534600.005	\$ 2,000
TOTAL OF U.S. DEPARTMENT OF HOMELAND SECURITY			\$ 2,000
<u>U.S. DEPARTMENT OF PUBLIC SAFETY:</u>			
Passed Through Emergency Management Agency Disaster Grants - Public Assistance (Presidentially Declared Disasters) (1)	97.036	069-45614-00	\$ 1,054,896
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1809 DR-MO	3,537
Emergency Management Performance Grant	97.042	EMW-2011-EP-00004-S01	18,960
TOTAL OF U.S. DEPARTMENT OF PUBLIC SAFETY			\$ 1,077,393
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
Passed Through Southeast Missouri Area Agency on Aging Special Programs for the Aging-Title III, Part C Nutrition Services	93.045	N/A	\$ 141,310
Nutrition Services Incentive Program	93.053	N/A	30,523
Medical Assistance Program	93.778	N/A	60,287
TOTAL OF U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 232,120
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,775,922

(1) Program was tested as a major program.

The Accompanying Notes to the Schedule of Expenditures of
Federal Awards Are an Integral Part of This Schedule.

CITY OF MALDEN, MISSOURI

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Purpose of Schedule and Reporting Entity:

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with OMB Circular A-133. This circular requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA) and identification of programs that have not been assigned a CFDA number as "Other Federal Assistance."

The schedule includes all expenditures of federal awards administered by the City.

B. Basis of Presentation:

The schedule is presented in accordance with OMB Circular A-133, which defines federal financial assistance "...assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals."

C. Basis of Accounting:

The schedule is presented on the cash basis of accounting, which recognizes expenditures only when cash is disbursed. This differs from the accrual basis of accounting used to prepare the City's financial statements. The use of the cash basis of accounting for this schedule facilitates monitoring of the City's expenditures by pass-through entities. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

D. Federal Assurances:

City of Malden, Missouri did not have federal insurance in effect during the year, or have federal loans or loan guarantees outstanding at year end which are required to be reported in accordance with OMB Circular A-133.

CITY OF MALDEN, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

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

Federal Awards

Internal control over major programs:

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

Type of Auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.228	Community Development Block Grants States Program and Non-Entitlement Grants in Hawaii
97.036	Disaster Grant – Public Assistance (Presidentially Declared Disasters Emergency Management Performance Grant)

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

Auditee qualified as low-risk auditee: yes no

2. FINANCIAL STATEMENT FINDINGS:

12-1 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.

12-2 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 does not have personnel with the knowledge, experience and training to prepare governmental financial statements in conformity with Governmental Accounting Standards as part of their internal control system.

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

Cause: The City does not have personnel with sufficient knowledge to 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 personnel with the knowledge to prepare governmental financial statements in conformity with Governmental Accounting Standards. However, we recommend that management continue to increase their knowledge of financial reporting.

Views of Responsible Officials: Accounting personnel will be attending professional education courses to obtain necessary skill sets to prepare the City's financial statement in the near future. The City does have personnel with sufficient knowledge to understand and take responsibility for the basic financial statements.

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No findings or questioned costs were noted that are required to be reported.

CITY OF MALDEN, MISSOURI

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2012

1. FINANCIAL STATEMENT FINDINGS

11-01 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.

Current Status: Not implemented. See current year finding 12-01.

11-02 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 does not have personnel with the knowledge, experience and training to prepare governmental financial

statements in conformity with Governmental Accounting Standards as part of their internal control system.

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

Cause: The City does not have personnel with sufficient knowledge to 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 personnel with the knowledge to prepare governmental financial statements in conformity with Governmental Accounting Standards. However, we recommend that management continue to increase their knowledge of financial reporting.

Views of Responsible Officials: The City does not have the resources to hire additional accounting personnel with the knowledge, experience, and training solely to prepare governmental financial statements in conformity with Governmental Accounting Standards. The City does have personnel with sufficient knowledge to understand and take responsibility for the basic financial statements.

Current Status: Not implemented. See current year finding 11-02.

2. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs in the audit of the years ended June 30, 2011.