

CITY OF MALDEN, MISSOURI
Malden, Missouri

For the Year Ended June 30, 2011

ANNUAL FINANCIAL REPORT

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FINANCIAL SECTION



Certified Public Accountants

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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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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, 2011, 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 January 14, 2012, 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 38 through 46 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.

COOK & HAMLIN, LLC

A handwritten signature in cursive script that reads "Cook and Hamlin, LLC".

Jackson, Missouri
January 14, 2012



Certified Public Accountants

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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, 2011, which collectively comprise City of Malden, Missouri's basic financial statements and have issued our report thereon dated January 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 11-1 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 11-2 to be significant deficiencies.

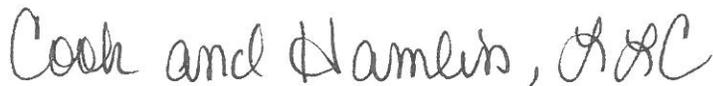
Compliance and Other Matters

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 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.

COOK & HAMLIN, LLC

A handwritten signature in cursive script that reads "Cook and Hamlin, LLC".

Jackson, Missouri
January 14, 2012

BASIC FINANCIAL STATEMENTS

CITY OF MALDEN, MISSOURI

STATEMENT OF NET ASSETS

JUNE 30, 2011

<u>ASSETS</u>	Governmental Activities	Business-Type Activities	Total
<u>Current Assets:</u>			
Cash	\$ 1,526,070	\$ 4,205,818	\$ 5,731,888
Restricted Cash	21,653	137,849	159,502
Receivables	126,416	1,406,189	1,532,605
Prepaid Expenses	50,065	450,807	500,872
Due From Other Funds	9,660	316,592	326,252
Inventory	-	301,134	301,134
Total Current Assets	<u>\$ 1,733,864</u>	<u>\$ 6,818,389</u>	<u>\$ 8,552,253</u>
<u>Capital Assets:</u>			
Land, Improvements, and Construction in Progress	\$ 40,012	\$ 1,038,397	\$ 1,078,409
Other Capital Assets, Net	1,651,637	9,604,400	11,256,037
Total Capital Assets, Net	<u>\$ 1,691,649</u>	<u>\$ 10,642,797</u>	<u>\$ 12,334,446</u>
TOTAL ASSETS	<u>\$ 3,425,513</u>	<u>\$ 17,461,186</u>	<u>\$ 20,886,699</u>
 <u>LIABILITIES</u>			
<u>Current Liabilities:</u>			
Payables	\$ 61,322	\$ 490,188	\$ 551,510
Bank Overdraft	-	198,253	198,253
Accrued Interest Payable	-	2,265	2,265
Accrued Salaries and Benefits	220,312	195,799	416,111
Deferred Revenue	-	114,375	114,375
Due To Other Funds	242,732	83,520	326,252
Capital Lease, Net of Long-Term	-	13,848	13,848
Revenue Bonds, Net of Long-Term	19,434	-	19,434
Note Payable, Net of Long-Term	14,891	13,183	28,074
Total Current Liabilities	<u>\$ 558,691</u>	<u>\$ 1,111,431</u>	<u>\$ 1,670,122</u>
<u>Long-Term Liabilities:</u>			
Deposit Payable	\$ -	\$ 133,856	\$ 133,856
Capital Lease, Net of Current Portion	-	12,068	12,068
Revenue Bonds, Net of Current Portion	720,379	-	720,379
Note Payable, Net of Current Portion	57,970	576,496	634,466
Total Long-Term Liabilities	<u>\$ 778,349</u>	<u>\$ 722,420</u>	<u>\$ 1,500,769</u>
TOTAL LIABILITIES	<u>\$ 1,337,040</u>	<u>\$ 1,833,851</u>	<u>\$ 3,170,891</u>
 <u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 1,376,056	\$ 10,053,118	\$ 11,429,174
Restricted for Specific Purposes	343,137	6,253	349,390
Unrestricted	<u>369,280</u>	<u>5,567,964</u>	<u>5,937,244</u>
TOTAL NET ASSETS	<u>\$ 2,088,473</u>	<u>\$ 15,627,335</u>	<u>\$ 17,715,808</u>

See Accompanying Notes to the Basic Financial Statements.

STATEMENT 2

CITY OF MALDEN, MISSOURI

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 512,554	\$ 130,188	\$ -	\$ -	\$ (382,366)	\$ -	\$ (382,366)
Public Safety	1,191,178	114,872	14,606	8,684	(1,053,016)	-	(1,053,016)
Culture and Recreation	289,060	59,483	-	-	(229,577)	-	(229,577)
Transportation	195,419	-	-	85,988	(109,431)	-	(109,431)
Interest and Fees	44,584	-	-	-	(44,584)	-	(44,584)
Total Governmental Activities	\$ 2,232,795	\$ 304,543	\$ 14,606	\$ 94,672	\$ (1,818,974)	\$ -	\$ (1,818,974)
Business-Type Activities:							
Electric	\$ 5,516,548	\$ 5,793,955	\$ -	\$ 1,354,215	\$ -	\$ 1,631,622	\$ 1,631,622
Water and Sewer	861,419	999,415	-	-	-	137,996	137,996
Airport	455,040	349,778	-	88,050	-	(17,212)	(17,212)
Golf	160,683	96,463	-	-	-	(64,220)	(64,220)
Community Center	70,066	25,036	-	-	-	(45,030)	(45,030)
Nutrition Center	315,895	48,684	191,445	-	-	(75,766)	(75,766)
Total Business-Type Activities	\$ 7,379,651	\$ 7,313,331	\$ 191,445	\$ 1,442,265	\$ -	\$ 1,567,390	\$ 1,567,390
Total Primary Government	\$ 9,612,446	\$ 7,617,874	\$ 206,051	\$ 1,536,937	\$ (1,818,974)	\$ 1,567,390	\$ (251,584)
General Revenue:							
Real Estate Taxes		\$ 136,346			\$ 136,346	\$ -	\$ 136,346
Personal Property Taxes		57,562			57,562	-	57,562
Sales Taxes		864,243			864,243	-	864,243
Franchise Taxes		534,783			534,783	-	534,783
Motor Fuel Taxes		183,622			183,622	-	183,622
Surtax		22,172			22,172	-	22,172
Railroad/Utility Taxes		10,465			10,465	-	10,465
PILOT		1,968			1,968	-	1,968
Interest Income		23,468			23,468	69,883	93,351
Gain on Sale of Capital Asset		8,772			8,772	-	8,772
Other		80,240			80,240	217,628	297,868
Transfers - Internal Activities		1,736			1,736	(1,736)	-
Total General Revenues		\$ 1,925,377			\$ 285,775	\$ 2,211,152	\$ 2,211,152
Change in Net Assets		\$ 106,403			\$ 1,853,165	\$ -	\$ 1,959,568
Net Assets - July 1, 2010		1,982,070			13,774,170		15,756,240
Net Assets - June 30, 2011		\$ 2,088,473			\$ 15,627,335	\$ -	\$ 17,715,808

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

BALANCE SHEET -
GOVERNMENTAL FUNDS

JUNE 30, 2011

ASSETS	ASSETS			Total Governmental Funds
	General Fund	DED Fund	Other Governmental Funds	
<u>CURRENT ASSETS:</u>				
Cash	\$ 1,052,633	\$ 113,912	\$ 359,525	\$ 1,526,070
Restricted Cash	21,653	-	-	21,653
Receivables	110,737	-	15,679	126,416
Due From Other Funds	9,660	-	-	9,660
Prepaid Expenses	43,729	-	6,336	50,065
Total Current Assets	<u>\$ 1,238,412</u>	<u>\$ 113,912</u>	<u>\$ 381,540</u>	<u>\$ 1,733,864</u>
TOTAL ASSETS	<u>\$ 1,238,412</u>	<u>\$ 113,912</u>	<u>\$ 381,540</u>	<u>\$ 1,733,864</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES:</u>				
Accounts Payable	\$ 28,878	\$ -	\$ 13,382	\$ 42,260
Court Payable	12,660	-	-	12,660
Accrued Payroll and Benefits	201,891	-	18,421	220,312
Due To Other Funds	1,332	241,400	-	242,732
Payroll Taxes	5,946	-	456	6,402
TOTAL LIABILITIES	<u>\$ 250,707</u>	<u>\$ 241,400</u>	<u>\$ 32,259</u>	<u>\$ 524,366</u>
<u>FUND BALANCE:</u>				
Nonspendable	\$ 43,729	\$ -	\$ 6,336	\$ 50,065
Spendable:				
Restricted	27,599	-	244,277	271,876
Assigned	-	-	98,668	98,668
Unassigned	916,377	(127,488)	-	788,889
TOTAL FUND BALANCE	<u>\$ 987,705</u>	<u>\$ (127,488)</u>	<u>\$ 349,281</u>	<u>\$ 1,209,498</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,238,412</u>	<u>\$ 113,912</u>	<u>\$ 381,540</u>	<u>\$ 1,733,864</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, 2011

Total fund balance - total governmental funds (Statement 3)	\$ 1,209,498
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 \$1,631,089.	1,691,649
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>(812,674)</u>
Net assets of governmental activities (Statement 1)	<u>\$ 2,088,473</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, 2011

	General Fund	DED Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES:</u>				
Taxes	\$ 1,489,526	\$ -	\$ 319,667	\$ 1,809,193
Intergovernmental	25,258	-	85,988	111,246
Charges for Services	221,060	24,000	59,483	304,543
Interest Income	11,912	1,332	10,224	23,468
Other	64,200	15,000	1,040	80,240
TOTAL REVENUES	<u>\$ 1,811,956</u>	<u>\$ 40,332</u>	<u>\$ 476,402</u>	<u>\$ 2,328,690</u>
<u>EXPENDITURES:</u>				
Current:				
General Government	\$ 511,574	\$ -	\$ -	\$ 511,574
Public Safety	1,083,245	-	-	1,083,245
Culture and Recreation	107,121	580	176,179	283,880
Transportation	-	-	169,139	169,139
Capital Outlay	30,933	-	288,449	319,382
Debt Service:				
Principal	32,371	11,455	-	43,826
Interest	32,039	12,545	-	44,584
TOTAL EXPENDITURES	<u>\$ 1,797,283</u>	<u>\$ 24,580</u>	<u>\$ 633,767</u>	<u>\$ 2,455,630</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 14,673</u>	<u>\$ 15,752</u>	<u>\$ (157,365)</u>	<u>\$ (126,940)</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In	\$ 116,076	\$ -	\$ 155,549	\$ 271,625
Transfers Out	(254,873)	(15,000)	(16)	(269,889)
TOTAL OTHER FINANCING SOURCES AND USES	<u>\$ (138,797)</u>	<u>\$ (15,000)</u>	<u>\$ 155,533</u>	<u>\$ 1,736</u>
NET CHANGE IN FUND BALANCES	\$ (124,124)	\$ 752	\$ (1,832)	\$ (125,204)
FUND BALANCE, July 1, 2010	<u>1,111,829</u>	<u>(128,240)</u>	<u>351,113</u>	<u>1,334,702</u>
FUND BALANCE, June 30, 2011	<u>\$ 987,705</u>	<u>\$ (127,488)</u>	<u>\$ 349,281</u>	<u>\$ 1,209,498</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, 2011

Net Change in fund balances - total governmental funds (Statement 4)	\$	(125,204)
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Amounts reported for governmental activities in the statement of activities are different because:

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.		319,382
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The net effect of various transactions involving capital assets (i.e., sales, trade ins, and disposals) is to increase net assets.		8,772
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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.		(137,036)
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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.

Capital Lease Payments		(13,732)
Note Payable Payments		(18,640)
Note Payable Proceeds		72,861

Change in net assets of governmental activities (Statement 2)	\$	106,403
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See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS

JUNE 30, 2011

<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	\$ 2,726,541	\$ 1,046,961	\$ 354,499	\$ 7,319
Restricted Cash	131,596	-	-	-
Receivables, Net of Allowance for Uncollectible				
Customer	995,339	159,753	12,958	-
Penalties	27,411	-	-	-
Grants	186,479	-	-	-
Other	8,325	-	-	-
Prepaid Items	321,830	16,964	86,263	5,829
Due From Other Funds	252,545	64,047	-	-
Inventory	213,793	59,359	24,008	-
Total Current Assets	<u>\$ 4,863,859</u>	<u>\$ 1,347,084</u>	<u>\$ 477,728</u>	<u>\$ 13,148</u>
<u>CAPITAL ASSETS:</u>				
Land, Improvements, and Construction in Progress	\$ 805,572	\$ 62,763	\$ 65,052	\$ -
Other Capital Assets, Net	4,450,275	1,883,568	2,084,311	107,715
Total Capital Assets, Net	<u>\$ 5,255,847</u>	<u>\$ 1,946,331</u>	<u>\$ 2,149,363</u>	<u>\$ 107,715</u>
TOTAL ASSETS	<u>\$ 10,119,706</u>	<u>\$ 3,293,415</u>	<u>\$ 2,627,091</u>	<u>\$ 120,863</u>
<u>LIABILITIES</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 406,091	\$ 26,951	\$ 5,754	\$ 3,399
Bank Overdraft	-	-	-	117,912
Accrued Interest Payable	-	-	266	-
Accrued Salaries and Benefits	120,339	57,143	9,188	9,129
Sales Tax Payable	11,652	-	-	-
Water/Sewer Primacy Fees Payable	-	22,085	-	-
Deferred Revenue	-	-	87,502	26,873
Due To Other Funds	62,924	-	-	11,145
Capital Lease, Net of Long-Term	-	-	5,425	8,423
Note Payable, Net of Long-Term	-	-	-	-
Total Current Liabilities	<u>\$ 601,006</u>	<u>\$ 106,179</u>	<u>\$ 108,135</u>	<u>\$ 176,881</u>
<u>LONG-TERM LIABILITIES</u>				
Deposit Payable	\$ 131,596	\$ -	\$ 2,260	\$ -
Capital Lease, Net of Current Portion	-	-	12,068	-
Note Payable, Net of Current Portion	-	-	-	-
Total Long-Term Liabilities	<u>\$ 131,596</u>	<u>\$ -</u>	<u>\$ 14,328</u>	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$ 732,602</u>	<u>\$ 106,179</u>	<u>\$ 122,463</u>	<u>\$ 176,881</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 5,255,847	\$ 1,946,331	\$ 2,149,363	\$ 107,715
Restricted	-	-	-	-
Unrestricted	4,131,257	1,240,905	355,265	(163,733)
TOTAL NET ASSETS	<u>\$ 9,387,104</u>	<u>\$ 3,187,236</u>	<u>\$ 2,504,628</u>	<u>\$ (56,018)</u>

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURISTATEMENT OF NET ASSETS -
PROPRIETARY FUNDS

JUNE 30, 2011

			Total
<u>ASSETS</u>	<u>Community Center Fund</u>	<u>Senior Nutrition Center Fund</u>	<u>Proprietary Funds</u>
<u>CURRENT ASSETS:</u>			
Cash	\$ 50	\$ 70,448	\$ 4,205,818
Restricted Cash	-	6,253	137,849
Receivables, Net of Allowance for Uncollectible			-
Customer	-	-	1,168,050
Penalties	-	-	27,411
Grants	-	15,917	202,396
Other	-	7	8,332
Prepaid Items	13,925	5,996	450,807
Due From Other Funds	-	-	316,592
Inventory	-	3,974	301,134
Total Current Assets	<u>\$ 13,975</u>	<u>\$ 102,595</u>	<u>\$ 6,818,389</u>
<u>CAPITAL ASSETS:</u>			
Land, Improvements, and Construction in Progress	\$ 90,000	\$ 15,010	\$ 1,038,397
Other Capital Assets, Net	39,201	1,039,330	9,604,400
Total Capital Assets, Net	<u>\$ 129,201</u>	<u>\$ 1,054,340</u>	<u>\$ 10,642,797</u>
TOTAL ASSETS	<u>\$ 143,176</u>	<u>\$ 1,156,935</u>	<u>\$ 17,461,186</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	\$ 2,829	\$ 11,427	\$ 456,451
Bank Overdraft	80,341	-	198,253
Accrued Interest Payable	-	1,999	2,265
Accrued Salaries and Benefits	-	-	195,799
Sales Tax Payable	-	-	11,652
Water/Sewer Primacy Fees Payable	-	-	22,085
Deferred Revenue	-	-	114,375
Due To Other Funds	-	9,451	83,520
Capital Lease, Net of Long-Term	-	-	13,848
Note Payable, Net of Long-Term	-	13,183	13,183
Total Current Liabilities	<u>\$ 83,170</u>	<u>\$ 36,060</u>	<u>\$ 1,111,431</u>
<u>LONG-TERM LIABILITIES</u>			
Deposit Payable	\$ -	\$ -	\$ 133,856
Capital Lease, Net of Current Portion	-	-	12,068
Note Payable, Net of Current Portion	-	576,496	576,496
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 576,496</u>	<u>\$ 722,420</u>
TOTAL LIABILITIES	<u>\$ 83,170</u>	<u>\$ 612,556</u>	<u>\$ 1,833,851</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 129,201	\$ 464,661	\$ 10,053,118
Restricted	-	6,253	6,253
Unrestricted	(69,195)	73,465	5,567,964
TOTAL NET ASSETS	<u>\$ 60,006</u>	<u>\$ 544,379</u>	<u>\$ 15,627,335</u>

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, 2011

	Electric Fund	Water and Sewer Fund	Airport Fund	Golf Fund
<u>OPERATING REVENUES</u>				
Customer Charges/Sales	\$ 5,721,219	\$ 984,661	\$ 348,606	\$ 96,463
Connection Charges	13,044	1,510	-	-
Penalties and Late Fees	59,692	13,244	1,172	-
Other	84,378	2,093	6,208	1,160
TOTAL OPERATING REVENUES	<u>\$ 5,878,333</u>	<u>\$ 1,001,508</u>	<u>\$ 355,986</u>	<u>\$ 97,623</u>
<u>OPERATING EXPENSES</u>				
Salaries, Reimbursed Expenses, and Payroll Taxes	\$ 660,769	\$ 351,434	\$ 123,159	\$ 83,763
Retirement	22,936	11,744	4,196	2,344
Electric Distribution	3,737,587	-	-	-
Meal Preparation	-	-	-	-
Repairs and Maintenance	39,478	34,833	16,704	15,945
Supplies and Services	98,799	30,949	57,863	1,747
Utilities	52,222	57,121	6,184	1,340
Telephone and Internet	-	-	3,320	386
Insurance	145,004	90,156	41,283	22,688
Training	5,778	401	2,638	27
Travel and Meals	8,150	-	674	2
Printing and Publication Costs	173	727	262	-
Fuel and Oil	50,385	12,682	9,934	5,273
Chemicals	-	12,665	-	-
Refuse Collection Expense	221,357	-	-	-
Rentals	-	-	-	9,417
Depreciation	399,020	231,743	174,967	14,142
Uncollectible Accounts	30,818	10,141	2,294	-
Miscellaneous	44,072	16,823	9,995	1,992
TOTAL OPERATING EXPENSES	<u>\$ 5,516,548</u>	<u>\$ 861,419</u>	<u>\$ 453,473</u>	<u>\$ 159,066</u>
NET OPERATING INCOME (LOSS)	<u>\$ 361,785</u>	<u>\$ 140,089</u>	<u>\$ (97,487)</u>	<u>\$ (61,443)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest Income	\$ 54,917	\$ 6,631	\$ 5,091	\$ 1
Interest Expense	-	-	(1,567)	(1,617)
Contributed Capital	-	-	59,786	-
Intergovernmental	1,354,215	-	88,050	-
Disposal of Capital Assets	-	-	47,643	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ 1,409,132</u>	<u>\$ 6,631</u>	<u>\$ 199,003</u>	<u>\$ (1,616)</u>
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>\$ 1,770,917</u>	<u>\$ 146,720</u>	<u>\$ 101,516</u>	<u>\$ (63,059)</u>
<u>OPERATING TRANSFERS IN (OUT)</u>				
Transfers In	\$ -	\$ -	\$ -	\$ 1,294
Transfers Out	(33,678)	(7,996)	-	-
TOTAL TRANSFERS IN (OUT)	<u>\$ (33,678)</u>	<u>\$ (7,996)</u>	<u>\$ -</u>	<u>\$ 1,294</u>
CHANGE IN NET ASSETS	\$ 1,737,239	\$ 138,724	\$ 101,516	\$ (61,765)
TOTAL NET ASSETS, July 1, 2010	<u>7,649,865</u>	<u>3,048,512</u>	<u>2,403,112</u>	<u>5,747</u>
TOTAL NET ASSETS, June 30, 2011	<u>\$ 9,387,104</u>	<u>\$ 3,187,236</u>	<u>\$ 2,504,628</u>	<u>\$ (56,018)</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, 2011

	Community Center Fund	Senior Nutrition Center Fund	Total Proprietary Funds
<u>OPERATING REVENUES</u>			
Customer Charges/Sales	\$ 25,036	\$ 48,684	\$ 7,224,669
Connection Charges	-	-	14,554
Penalties and Late Fees	-	-	74,108
Other	-	16,360	110,199
TOTAL OPERATING REVENUES	<u>\$ 25,036</u>	<u>\$ 65,044</u>	<u>\$ 7,423,530</u>
<u>OPERATING EXPENSES</u>			
Salaries, Reimbursed Expenses, and Payroll Taxes	\$ -	\$ 108,831	\$ 1,327,956
Retirement	-	486	41,706
Electric Distribution	-	-	3,737,587
Meal Preparation	-	111,482	111,482
Repairs and Maintenance	4,041	3,414	114,415
Supplies and Services	44,874	2,037	236,269
Utilities	1,989	1,200	120,056
Telephone and Internet	609	1,477	5,792
Insurance	7,068	8,541	314,740
Training	-	-	8,844
Travel and Meals	-	-	8,826
Printing and Publication Costs	-	-	1,162
Fuel and Oil	18	-	78,292
Chemicals	-	-	12,665
Refuse Collection Expense	-	-	221,357
Rentals	-	-	9,417
Depreciation	11,467	50,763	882,102
Uncollectible Accounts	-	-	43,253
Miscellaneous	-	3,076	75,958
TOTAL OPERATING EXPENSES	<u>\$ 70,066</u>	<u>\$ 291,307</u>	<u>\$ 7,351,879</u>
NET OPERATING INCOME (LOSS)	<u>\$ (45,030)</u>	<u>\$ (226,263)</u>	<u>\$ 71,651</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Interest Income	\$ -	\$ 3,243	\$ 69,883
Interest Expense	-	(24,588)	(27,772)
Contributed Capital	-	-	59,786
Intergovernmental	-	191,445	1,633,710
Disposal of Capital Assets	-	-	47,643
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ -</u>	<u>\$ 170,100</u>	<u>\$ 1,783,250</u>
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>\$ (45,030)</u>	<u>\$ (56,163)</u>	<u>\$ 1,854,901</u>
<u>OPERATING TRANSFERS IN (OUT)</u>			
Transfers In	\$ -	\$ 39,103	\$ 40,397
Transfers Out	(459)	-	(42,133)
TOTAL TRANSFERS IN (OUT)	<u>\$ (459)</u>	<u>\$ 39,103</u>	<u>\$ (1,736)</u>
CHANGE IN NET ASSETS	\$ (45,489)	\$ (17,060)	\$ 1,853,165
TOTAL NET ASSETS, July 1, 2010	<u>105,495</u>	<u>561,439</u>	<u>13,774,170</u>
TOTAL NET ASSETS, June 30, 2011	<u>\$ 60,006</u>	<u>\$ 544,379</u>	<u>\$ 15,627,335</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2011

	Electric Fund	Water and Sewer Fund	Airport Fund	Golf Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from Customers	\$ 5,542,186	\$ 946,704	\$ 345,224	\$ 108,744
Payments to Suppliers	(4,746,267)	(261,672)	(281,515)	(49,657)
Payments to Employees	(635,652)	(363,178)	(131,866)	(85,855)
Receipt of Customer Deposits	5,292	-	560	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 165,559	\$ 321,854	\$ (67,597)	\$ (26,768)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Operating Transfers from (to) Other Funds	\$ (33,678)	\$ (7,996)	\$ -	\$ 1,294
Operating Grants	-	-	-	-
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	\$ (33,678)	\$ (7,996)	\$ -	\$ 1,294
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Payments on Debt	\$ -	\$ -	\$ (5,057)	\$ (10,594)
Interest Paid on Debt	-	-	(1,643)	(1,617)
Advances (Payments) to Other Funds	17,645	(1,332)	-	(8,312)
Capital Grants	1,167,736	-	88,050	-
Proceeds from Sale of Capital Assets	-	-	47,643	-
Acquisition of Capital Assets	(2,061,597)	(72,046)	(118,279)	(1,095)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (876,216)	\$ (73,378)	\$ 10,714	\$ (21,618)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest on Cash	\$ 54,917	\$ 6,631	\$ 5,091	\$ 1
NET CHANGE IN CASH	\$ (689,418)	\$ 247,111	\$ (51,792)	\$ (47,091)
CASH AND RESTRICTED CASH, July 1, 2010	3,547,555	799,850	406,291	(63,502)
CASH AND RESTRICTED CASH, June 30, 2011	\$ 2,858,137	\$ 1,046,961	\$ 354,499	\$ (110,593)
DISPLAYED ON STATEMENT 5 AS:				
Cash	\$ 2,726,541	\$ 1,046,961	\$ 354,499	\$ 7,319
Restricted Cash	131,596	-	-	-
Bank Overdraft	-	-	-	(117,912)
TOTAL CASH AND RESTRICTED CASH	\$ 2,858,137	\$ 1,046,961	\$ 354,499	\$ (110,593)
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ 361,785	\$ 140,089	\$ (97,487)	\$ (61,443)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	399,020	231,743	174,967	14,142
Changes in Assets and Liabilities:				
Receivables	(338,886)	(61,472)	4,134	-
Prepaid Expenses	(239,563)	22,545	(62,061)	5,761
Inventory	879	5,169	(24,008)	-
Customer Deposits	5,292	-	560	-
Accounts Payable	(73,760)	(30,933)	(46,589)	3,399
Salaries and Payroll Tax Payable	48,053	8,045	(4,511)	252
Deferred Revenue	-	-	(12,602)	11,121
Water Primacy Fee Payable	-	6,668	-	-
Sales Tax Payable	2,739	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 165,559	\$ 321,854	\$ (67,597)	\$ (26,768)

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2011

	Community Center Fund	Senior Nutrition Center Fund	Total Proprietary Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from Customers	\$ 25,036	\$ 79,552	\$ 7,047,446
Payments to Suppliers	(66,231)	(127,976)	(5,533,318)
Payments to Employees	-	(109,317)	(1,325,868)
Receipt of Customer Deposits	-	-	5,852
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (41,195)	\$ (157,741)	\$ 194,112
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Operating Transfers from (to) Other Funds	\$ (459)	\$ 39,103	\$ (1,736)
Operating Grants	-	179,910	179,910
NET CASH USED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	\$ (459)	\$ 219,013	\$ 178,174
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Payments on Debt	\$ -	\$ (12,650)	\$ (28,301)
Interest Paid on Debt	-	(24,610)	(27,870)
Advances (Payments) to Other Funds	-	1,051	9,052
Capital Grants	-	-	1,255,786
Proceeds from Sale of Capital Assets	-	-	47,643
Acquisition of Capital Assets	(7,426)	-	(2,260,443)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (7,426)	\$ (36,209)	\$ (1,004,133)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest on Cash	\$ -	\$ 3,243	\$ 69,883
NET CHANGE IN CASH	\$ (49,080)	\$ 28,306	\$ (561,964)
CASH AND RESTRICTED CASH, July 1, 2010	(31,211)	48,395	4,707,378
CASH AND RESTRICTED CASH, June 30, 2011	\$ (80,291)	\$ 76,701	\$ 4,145,414
DISPLAYED ON STATEMENT 5 AS:			
Cash	\$ 50	\$ 70,448	\$ 4,205,818
Restricted Cash	-	6,253	137,849
Bank Overdraft	(80,341)	-	(198,253)
TOTAL CASH AND RESTRICTED CASH	\$ (80,291)	\$ 76,701	\$ 4,145,414
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>			
Operating Income (Loss)	\$ (45,030)	\$ (226,263)	\$ 71,651
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	11,467	50,763	882,102
Changes in Assets and Liabilities:			
Receivables	-	14,508	(381,716)
Prepaid Expenses	(10,461)	53	(283,726)
Inventory	-	-	(17,960)
Customer Deposits	-	-	5,852
Accounts Payable	2,829	3,198	(141,856)
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	\$ (41,195)	\$ (157,741)	\$ 194,112

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

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 measurable and available only when cash is received by the government.

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

D. Assets, Liabilities, and Equity:

Cash and Cash Equivalents

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

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

When a fund overdraws its share of pooled cash, the overdraft is reported as liability in the fund. At June 30, 2011, the following funds had recorded overdrafts.

Enterprise Funds:	
Golf	\$(117,912)
Community Center	<u>(80,341)</u>
	<u>\$(198,263)</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.

New Pronouncements

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources. The City has disclosed information about fund balance reporting in a subsequent note on fund balance reporting.

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 \$5,692,289 and a bank balance of \$5,785,355 at June 30, 2011, that was fully insured by depository insurance or secured with collateral held by the City in the City's name. The City also held \$848 in petty cash at June 30, 2011.

Reconciliation to Statement of Net Assets:

Cash, Book Balance	\$5,692,289
Bank Overdraft	198,253
Petty Cash	<u>848</u>
Cash, Statement of Net Assets	<u>\$5,891,390</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 2010 was as follows:

Real Estate	\$19,381,362
Personal Property	<u>7,955,013</u>
Total Assessed Valuation	<u>\$27,336,375</u>

The tax levy for calendar year 2010, set by the Board of Aldermen, per \$100 assessed valuation was:

General Fund	<u>\$0.7313</u>
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4. CAPITAL ASSETS

Activity for governmental capital assets which are capitalized by the City for the year ended June 30, 2011, is summarized below:

Governmental Activities:	Primary Government			Ending Balance
	Beginning Balance	Additions	Deletions	
Capital Assets not being Depreciated:				
Land, Improvements, and Construction in Progress	\$ 36,989	\$ 3,023	\$ -	\$ 40,012
Other Assets	<u>3,225,604</u>	<u>389,220</u>	<u>(323,098)</u>	<u>3,282,726</u>
Total Assets at Historical Cost	3,262,593	392,243	(332,098)	3,322,738
Less Accumulated Depreciation	<u>(1,813,928)</u>	<u>(137,036)</u>	<u>319,875</u>	<u>(1,631,089)</u>
Capital Assets, Net	<u>\$ 1,448,665</u>	<u>\$ 255,207</u>	<u>\$ (12,223)</u>	<u>\$ 1,691,649</u>

Following is a summary of property and equipment for each of the enterprise funds for the year ended June 30, 2011:

Business-Type Activities:	Primary Government			Ending Balance
	Beginning Balance	Additions	Deletions	
Capital Assets not being Depreciated:				
Land, Improvements, and Construction in Progress	\$ 1,556,817	\$ 2,001,208	\$ (1,928,429)	\$ 1,629,596
Other Assets	<u>27,889,406</u>	<u>2,202,050</u>	<u>(107,721)</u>	<u>29,983,735</u>
Total Assets at Historical Cost	29,446,223	4,203,258	(2,036,150)	31,613,331
Less Accumulated Depreciation	<u>(20,193,462)</u>	<u>(882,102)</u>	<u>105,030</u>	<u>(20,970,534)</u>
Capital Assets, Net	<u>\$ 9,252,761</u>	<u>\$ 3,321,156</u>	<u>\$ (1,931,120)</u>	<u>\$ 10,642,797</u>

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

<u>Governmental Activities</u>	
General Government	\$ 9,098
Public Safety	96,478
Culture and Recreation	5,180
Transportation	<u>26,280</u>
Total	<u>\$ 137,036</u>

Business-Type Activities

Electric	\$ 399,020
Water and Sewer	231,743
Airport	174,967
Golf	14,142
Community Center	11,467
Nutrition Center	<u>50,763</u>
Total	<u>\$ 882,102</u>

5. LONG-TERM DEBT

A. Long-Term Debt:

1. Equipment Lease Purchase – Police Vehicles

On June 26, 2007, the City entered into a lease purchase agreement for the acquisition of three 2007 Chevrolet Impala cars. Principal and interest payment of \$14,517 are due on July 31 at 5.8 percent interest. Amortization of assets under capital lease is included in depreciation expense. The final payment was made July 31, 2010.

2. Note Payable – Police Vehicles

On November 10, 2010, the City entered into a loan for the acquisition of two 2011 Chevrolet Impala cars and a 2011 Chevrolet Tahoe. Five principal and interest payments of \$13,856 are due on July 31 at 3.75 percent interest. Following are the annual requirements to amortize the note at June 30, 2011:

Ending June 30,	Interest	Principal	Total
2012	\$ 1,526	\$ 12,330	\$ 13,856
2013	1,928	11,929	13,857
2014	1,473	12,384	13,857
2015	1,000	12,856	13,856
2016	<u>509</u>	<u>13,360</u>	<u>13,869</u>
	<u>\$ 6,436</u>	<u>\$ 62,859</u>	<u>\$ 69,295</u>

3. Note Payable – Animal Control Vehicle

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

Ending June 30,	Interest	Principal	Total
2012	\$ 112	\$ 2,560	\$ 2,672
2013	284	2,388	2,672
2014	193	2,480	2,673
2015	98	2,574	2,672
	<u>\$ 687</u>	<u>\$ 10,002</u>	<u>\$ 10,689</u>

4. 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, 2011:

Ending June 30,	Interest	Principal	Total
2012	\$ 19,526	\$ 12,478	\$ 32,004
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
2017-2021	76,645	83,375	160,020
2022-2026	57,584	102,436	160,020
2027-2031	34,164	125,856	160,020
2032-2036	7,169	99,511	106,680
	<u>\$ 267,722</u>	<u>\$ 479,038</u>	<u>\$ 746,760</u>

5. 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, 2011:

Ending June 30,	Interest	Principal	Total
2012	\$ 10,948	\$ 6,956	\$ 17,904
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
2017-2021	42,633	46,887	89,520
2022-2026	31,553	57,967	89,520
2027-2031	17,856	71,664	89,520
2032-2036	2,834	46,332	49,166
	<u>\$ 146,470</u>	<u>\$ 260,776</u>	<u>\$ 407,246</u>

At June 30, 2011, assets acquired under debt agreements totaled \$812,674 in the Statement of Net Assets.

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, 2011 the City's remaining legal debt margin was \$554,145.

B. Enterprise Fund Long-Term Debt:

At June 30, 2011, 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, 2011:

Ending June 30,	Interest	Principal	Total
2012	\$ 24,077	\$ 13,183	\$ 37,260
2013	23,523	13,737	37,260
2014	22,945	14,315	37,260
2015	22,343	14,917	37,260
2016	21,716	15,544	37,260
2017-2021	98,213	88,087	186,300
2022-2026	78,074	108,226	186,300
2027-2031	53,331	132,969	186,300
2032-2036	22,931	163,369	186,300
2037-2038	404	25,332	25,736
	<u>\$ 367,557</u>	<u>\$ 589,679</u>	<u>\$ 957,236</u>

2. Equipment Lease Purchase - Building

On March 8, 2002, the City entered into a lease purchase agreement for the acquisition of the Morton Building. Principal and interest payments of \$960 are due on the eighth of each month at 6.0 percent interest. Following are the annual requirement to amortize the lease purchase at June 30, 2011:

Ending June 30,	Interest	Principal	Total
2012	\$ 179	\$ 8,423	\$ 8,602
	<u>\$ 179</u>	<u>\$ 8,423</u>	<u>\$ 8,602</u>

3. 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, 2011:

Ending June 30,	Interest	Principal	Total
2012	\$ 1,275	\$ 5,425	\$ 6,700
2013	880	5,821	6,701
2014	455	6,245	6,700
2015	-	1	1
	<u>\$ 2,610</u>	<u>\$ 17,492</u>	<u>\$ 20,102</u>

The annual retirements to amortize all long-term debt as of June 30, 2011 including interest payments of \$1,044,477 are as follows:

Ending June 30	Governmental Activities		Business - Type Activities		Total Debt Service Requirements to Maturity	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 34,325	\$ 32,113	\$ 27,031	\$ 25,531	\$ 61,356	\$ 57,644
2013	34,576	31,860	19,558	24,402	54,134	56,262
2014	35,984	30,453	20,560	23,401	56,544	53,854
2015	37,449	28,988	14,918	22,343	52,367	51,331
2016	36,301	27,464	15,544	21,716	51,845	49,180
2017-2021	130,275	119,279	88,087	98,213	218,362	217,492
2022-2026	160,403	89,137	108,226	78,074	268,629	167,211
2027-2031	197,520	52,020	132,969	53,331	330,489	105,351
2032-3036	145,841	10,002	163,369	22,931	309,210	32,933
2037-2038	-	-	25,333	404	25,333	404
	<u>\$ 812,674</u>	<u>\$ 421,316</u>	<u>\$ 615,595</u>	<u>\$ 370,346</u>	<u>\$ 1,428,269</u>	<u>\$ 791,662</u>

Interest expense on long term debt for fiscal year ending June 30, 2011 was \$44,584 for governmental funds and \$27,772 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 4.4% (general), 1.6% (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	\$165,466
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	165,466
Actual Contributions	<u>71,316</u>
Increase (decrease) in NPO	94,150
NPO beginning of year	-
NPO end of year	<u>\$ 94,150</u>

The annual required contribution (ARC) was determined as part of the February 28, 2009 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011 included (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back -0- years for men and -0- years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2009, was 30 years for the General division, 8 years for the Police division and 30 years for the Fire division.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/2009	\$ 45,549	100%	\$ -
06/30/2010	\$ 54,978	100%	\$ -
06/30/2011	\$ 165,466	43.1%	\$ 94,150

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, 2011, 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	\$ 116,076	\$ 254,873
Community Center	\$ -	\$ 459
Water and Sewer fund	\$ -	\$ 7,996
Electric Fund	\$ -	\$ 33,678
Golf	\$ 1,294	\$ -
DED Fund	\$ -	\$ 15,000
Nutrition Center Fund	\$ 39,103	\$ -
Street Fund	\$ 143,037	\$ -
Park Fund	\$ 12,512	\$ -
Cemetery Fund	\$ -	\$ 16
	<u>\$ 312,022</u>	<u>\$ 312,022</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:	
2012	\$ 7,674
2013	7,674
2014	<u>1,919</u>
Total Minimum Lease Payments	\$17,267
Less: Amount Representing Interest	-
Present Value of Net Lease Payments	<u>\$17,267</u>

Total rental expenses for fiscal year ending June 30, 2011 was \$7,674.

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, 2011.

12. RESTRICTED ASSESTS

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, 2011, restricted assets in the Debt Reserve Account include \$21,653.

At June 30, 2011, restricted assets include \$131,596 of money held by the City of Malden Board of Public Works. This restriction is due to FEMA money received to help pay for the reconductoring project of the City's electric lines. Also held by the Board of Public Works was \$126,304 of restricted funds that are held for purposes of residents meter deposits payable balance.

At June 30, 2011, restricted assets include \$6,253 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, 2011 for the Golf and DED Fund had a deficit balance of (\$56,018) and (\$127,488), respectively.

14. PRIOR PERIOD ADJUSTMENTS

Several prior period adjustments were made from the prior year in order to adjust Net Assets and Fund Balance to this year's beginning numbers. Part of the adjustment was for the difference in the capital asset beginning year balances in the governmental funds from the prior year. Other prior period adjustments were due to the difference in prior year ending balances in net assets and fund balance differing from current year beginning balances, both major and non-major funds.

15. FUND BALANCE REPORTING:

The City has adopted GASB 54 as part of its 2010-2011 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 and due from other funds totaling \$50,065 and \$9,660, respectively that are 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 \$916,377.

Description	General Fund	DED Fund	Governmental Fund	Governmental Funds
Fund Balances:				
Nonspendable:				
Prepaid Expenses	\$ 43,729	\$ -	\$ 6,336	\$ 50,065
Restricted:				
Debt Service	21,653	-	-	21,653
Transportation	-	-	28,166	28,166
Payroll Taxes	5,946	-	456	6,402
Culture and Recreation	-	-	215,655	215,655
Assigned:				
Culture and Recreation	-	-	98,668	98,668
Unassigned:	916,377	(127,488)	-	788,889
Total Fund Balance	<u>\$ 987,705</u>	<u>\$ (127,488)</u>	<u>\$ 349,281</u>	<u>\$ 1,209,498</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MALDEN, MISSOURI

BUDGETARY COMPARISON SCHEDULE -GENERAL FUND

YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Amended</u>		
<u>REVENUES:</u>				
Taxes:				
Real Estate Taxes	\$ 134,600	\$ 134,284	\$ 136,346	\$ 1,746
Personal Property Taxes	56,000	53,511	57,562	1,562
Sales Tax-Local	550,000	575,235	582,593	7,358
Sales Tax-Capital Impr.	240,400	141,215	145,605	4,390
Railroad/Utility Tax	10,500	10,465	10,465	-
Surtax	23,000	22,172	22,172	-
Franchise Taxes	496,000	528,451	534,783	6,332
Municipal Court Costs and Fines	21,000	15,626	21,476	5,850
Permits and Fees	29,222	26,345	27,488	1,143
Refuse Collections	22,000	21,177	21,181	4
Police and Fire Department Receipts	77,450	83,822	85,919	2,097
Rental Revenue	15,831	14,248	14,248	-
City Licenses	45,000	22,493	45,795	23,302
Animal Control	6,950	7,632	4,953	(2,679)
Interest	556	11,701	11,912	211
Intergovernmental	135,475	21,731	25,258	3,527
Miscellaneous	-	49,700	64,200	14,500
TOTAL REVENUES	\$ 1,863,984	\$ 1,739,808	\$ 1,811,956	\$ 72,148

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
<u>EXPENDITURES:</u>				
GENERAL GOVERNMENT:				
Administrative:				
Salaries	\$ 236,324	\$ 249,346	\$ 244,958	\$ 4,388
Retirement	9,554	9,163	9,229	(66)
Supplies and Equipment	14,200	14,192	19,743	(5,551)
Repair and Maintenance	900	1,809	2,058	(249)
Payroll Taxes	18,081	18,919	16,534	2,385
Training	3,417	3,467	3,884	(417)
Utilities	9,873	13,901	3,390	10,511
Telephone	2,800	3,070	3,101	(31)
Insurance	37,251	44,085	49,999	(5,914)
Professional Fees	36,100	40,521	49,841	(9,320)
Travel and Meals	6,900	5,912	6,957	(1,045)
Election Expense	2,000	1,644	1,644	-
Miscellaneous	6,200	4,905	6,541	(1,636)
Publication and Printing	5,300	3,691	3,802	(111)
Fuel and Vehicle Expense	-	917	1,266	(349)
Rental	206	207	207	-
Capital Expenditures	1,500	10,212	7,034	3,178
Building and Improvements	1,000	996	1,066	(70)
Total Administrative	\$ 391,606	\$ 426,957	\$ 431,254	\$ (4,297)
Court:				
Salaries	\$ 58,534	\$ 47,195	\$ 44,837	\$ 2,358
Retirement	1,823	1,534	1,533	1
Payroll Taxes	4,478	3,572	3,274	298
Training	500	220	6	214
Telephone	1,800	2,309	2,307	2
Professional Fees	700	705	735	(30)
Travel and Meals	550	709	707	2
Insurance	18,556	15,767	15,160	607
Supplies and Equipment	2,650	1,597	1,604	(7)
Contract Labor	-	12,000	12,000	-
Printing and Publications	350	325	325	-
Miscellaneous	-	220	4,866	(4,646)
Total Court	\$ 89,941	\$ 86,153	\$ 87,354	\$ (1,201)
TOTAL GENERAL GOVERNMENT	\$ 481,547	\$ 513,110	\$ 518,608	\$ (5,498)

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURIBUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
PUBLIC SAFETY:				
Police:				
Salaries	\$ 382,411	\$ 409,200	\$ 410,915	\$ (1,715)
Retirement	6,119	6,850	6,523	327
Supplies and Equipment	7,200	8,488	10,419	(1,931)
Payroll Taxes	29,255	31,097	26,175	4,922
Training	1,000	966	966	-
Fuel and Vehicle Expense	26,500	29,071	31,364	(2,293)
Utilities	7,800	9,892	2,869	7,023
Telephone	4,500	3,845	3,917	(72)
Insurance	123,006	131,446	143,721	(12,275)
Repair and Maintenance	2,500	1,111	1,178	(67)
Professional Fees	1,000	469	468	1
Travel and Meals	1,500	1,850	2,073	(223)
Publication and Printing	200	220	172	48
MULES	2,500	1,800	1,800	-
Boarding Prisoners and Prisoner Meals	3,500	813	1,036	(223)
Uniforms	3,000	2,743	2,713	30
Capital Expenditures	77,500	85,424	8,285	77,139
Capital Lease	-	-	59,337	(59,337)
Building and Improvements	-	176	2,638	(2,462)
Miscellaneous	1,750	2,315	3,828	(1,513)
Total Police	\$ 681,241	\$ 727,776	\$ 720,397	\$ 7,379

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
Fire:				
Salaries	\$ 144,655	\$ 149,468	\$ 152,185	\$ (2,717)
Retirement	763	994	996	(2)
Supplies and Equipment	1,150	1,466	1,489	(23)
Payroll Taxes	9,720	11,327	9,676	1,651
Training	1,000	165	165	-
Fuel and Vehicle Expense	6,000	6,507	7,314	(807)
Utilities	14,134	14,133	2,687	11,446
Telephone	2,500	2,084	2,086	(2)
Insurance	47,957	40,781	85,790	(45,009)
Repair and Maintenance	1,750	1,874	1,435	439
Professional Fees	800	300	330	(30)
Travel and Meals	800	8	8	-
Publication and Printing	-	140	140	-
Building and Improvements	4,000	1,088	954	134
Uniforms and Turnout Gear	4,500	813	813	-
Rental	-	200	200	-
Capital Expenditures	133,700	2,809	2,720	89
Miscellaneous	500	-	89	(89)
Total Fire Department	\$ 373,929	\$ 234,157	\$ 269,077	\$ (34,920)
Emergency Management:				
Salaries	\$ 2,400	\$ 2,400	\$ 2,400	\$ -
Payroll Taxes	-	-	184	(184)
Training	800	350	350	-
Insurance	510	506	333	173
Repair and Maintenance	500	2,412	37	2,375
Fuel and Vehicle Expense	2,250	239	236	3
Utilities	2,026	4,636	884	3,752
Telephone	3,560	2,659	2,856	(197)
Supplies and Equipment	1,100	449	3,179	(2,730)
Travel and Meals	600	129	129	-
Building and Improvements	1,000	874	287	587
Uniforms	-	223	223	-
Capital Expenditures	-	2,570	3,083	(513)
Miscellaneous	1,000	278	278	-
Total Emergency Management	\$ 15,746	\$ 17,725	\$ 14,459	\$ 3,266

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
Code Enforcement:				
Salaries	\$ 53,538	\$ 50,453	\$ 50,473	\$ (20)
Retirement	1,648	1,582	1,582	-
Supplies	2,200	3,425	3,984	(559)
Payroll Taxes	4,096	3,689	3,070	619
Training	500	9	9	-
Fuel and Vehicle Expense	1,800	1,847	2,218	(371)
Telephone	850	1,022	1,021	1
Insurance	15,672	14,593	14,843	(250)
Repair and Maintenance	-	1,047	5,915	(4,868)
Professional Fees	200	-	-	-
Travel and Meals	500	40	40	-
Publication and Printing	600	1,397	1,501	(104)
Building and Improvements	-	1,500	1,380	120
Uniforms	-	298	298	-
Rental	-	-	1,800	(1,800)
Solid Waste Cleanup	15,000	32,886	30,819	2,067
Capital Expenditures	-	7,650	5,852	1,798
Miscellaneous	-	114	114	-
Total Code Enforcement	<u>\$ 96,604</u>	<u>\$ 121,552</u>	<u>\$ 124,919</u>	<u>\$ (3,367)</u>
Humane:				
Salaries	\$ 23,962	\$ 22,549	\$ 23,330	\$ (781)
Retirement	1,055	1,016	1,220	(204)
Payroll Taxes	1,833	1,610	1,339	271
Training	-	5	4	1
Fuel and Vehicle Expense	3,800	2,725	2,821	(96)
Utilities	750	1,295	468	
Insurance	8,486	8,655	8,079	576
Professional Fees	200	200	-	200
Supplies	450	1,054	830	224
Building and Improvements	300	452	453	(1)
Uniforms	250	356	179	177
Capital Expenditures	4,100	525	536	(11)
Miscellaneous	-	20	20	-
Total Humane	<u>\$ 45,186</u>	<u>\$ 40,462</u>	<u>\$ 39,279</u>	<u>\$ 1,183</u>
TOTAL PUBLIC SAFETY	<u>\$ 1,212,706</u>	<u>\$ 1,141,672</u>	<u>\$ 1,168,131</u>	<u>\$ (26,459)</u>

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
CULTURE AND RECREATION:				
Nutrition Center:				
Salaries	\$ 22,605	\$ 22,998	\$ 19,086	\$ 3,912
Retirement	4,741	4,696	4,695	1
Supplies	-	647	11	636
Payroll Taxes	10,135	9,960	8,669	1,291
Training	125	-	-	-
Fuel and Vehicle Expense	1,838	1,767	1,765	2
Utilities	15,345	16,447	2,184	14,263
Insurance	45,328	43,310	44,265	(955)
Repair and Maintenance	-	414	214	200
Professional Fees	-	1,547	1,547	-
Capital Expenditures	41,520	43,765	-	43,765
Building and Improvements	-	4,438	5,019	(581)
Miscellaneous	100	-	-	-
Total Nutrition Center	<u>\$ 141,737</u>	<u>\$ 149,989</u>	<u>\$ 87,455</u>	<u>\$ 62,534</u>
Community Service and Arts:				
Contract Labor	\$ -	\$ -	\$ 1,216	\$ (1,216)
Salaries	12,064	14,152	13,649	503
Payroll Taxes	923	1,083	868	215
Training	-	9	9	-
Fuel and Vehicle Expense	2,700	1,111	983	128
Utilities	-	138	15	123
Insurance	-	709	-	709
Repair and Maintenance	1,000	272	400	(128)
Professional Fees	-	-	-	-
Supplies	1,000	1,219	1,219	-
Travel and Meals	-	1	1	-
Building and Improvements	-	-	1,067	(1,067)
Uniforms	-	178	178	-
Publication and Printing	-	35	35	-
Capital Expenditures	-	3,880	3,423	457
Miscellaneous	-	26	26	-
Total Community Service and Arts	<u>\$ 17,687</u>	<u>\$ 22,813</u>	<u>\$ 23,089</u>	<u>\$ (276)</u>
TOTAL CULTURE AND RECREATION	<u>\$ 159,424</u>	<u>\$ 172,802</u>	<u>\$ 110,544</u>	<u>\$ 62,258</u>

(Continued)

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
TOTAL EXPENDITURES	\$ 1,853,677	\$ 1,827,584	\$ 1,797,283	\$ 30,301
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 10,307	\$ (87,776)	\$ 14,673	\$ 102,449
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers In	\$ -	\$ 8,356	\$ 116,076	\$ 107,720
Transfers Out	-	(151,920)	(254,873)	(102,953)
Total Other Financing Sources (Uses)	\$ -	\$ (143,564)	\$ (138,797)	\$ 4,767
TOTAL REVENUES OVER (UNDER) EXPENDITURES	\$ 10,307	\$ (231,340)	\$ (124,124)	\$ 107,216
FUND BALANCE, July 1, 2010			1,111,829	
FUND BALANCE, June 30, 2011			\$ 987,705	

See Accompanying Notes to the Basic Financial Statements.

CITY OF MALDEN, MISSOURI

NOTES TO BUDGETARY COMPARISON SCHEDULES

JUNE 30, 2011

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 16, 2010, a public hearing was held in connection with adoption of the proposed budget for 2011. Excess disbursements and transfers were formally approved by budget amendment by the Board of Aldermen on June 20, 2011

CITY OF MALDEN, MISSOURIRETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS

June 30, 2011

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
2/28/2009	\$ 4,455,561	\$ 4,662,598	\$ 207,037	96%	\$ 1,940,974	11%
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%

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, MISSOURI
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2011

	<u>Special Revenue</u>			Total Nonmajor Governmental Funds
	<u>Street Fund</u>	<u>Park Fund</u>	<u>Cemetery Fund</u>	
<u>ASSETS</u>				
<u>CURRENT ASSETS:</u>				
Cash	\$ 53,871	\$ 200,445	\$ 105,209	\$ 359,525
Receivables:				
Intergovernmental	-	15,558	-	15,558
Accrued Interest	-	-	121	121
Prepaid Expenses	<u>2,463</u>	<u>3,592</u>	<u>281</u>	<u>6,336</u>
TOTAL CURRENT ASSETS	<u>\$ 56,334</u>	<u>\$ 219,595</u>	<u>\$ 105,611</u>	<u>\$ 381,540</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES:</u>				
Accounts Payable	\$ 12,230	\$ -	\$ 1,152	\$ 13,382
Accrued Salaries and Benefits	13,053	-	5,368	18,421
Due To Other Funds	-	-	-	-
Payroll Taxes	<u>211</u>	<u>174</u>	<u>71</u>	<u>456</u>
TOTAL LIABILITIES	<u>\$ 25,494</u>	<u>\$ 174</u>	<u>\$ 6,591</u>	<u>\$ 32,259</u>
FUND BALANCE	<u>\$ 30,840</u>	<u>\$ 219,421</u>	<u>\$ 99,020</u>	<u>\$ 349,281</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 56,334</u>	<u>\$ 219,595</u>	<u>\$ 105,611</u>	<u>\$ 381,540</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, 2011

	Special Revenue			Total Nonmajor Governmental Funds
	Street Fund	Park Fund	Cemetery Fund	
<u>REVENUES:</u>				
Taxes	\$ 183,622	\$ 136,045	\$ -	\$ 319,667
Intergovernmental	85,988	-	-	85,988
Charges for Services	-	15,620	43,863	59,483
Interest Income	2,903	1,680	5,641	10,224
Other	530	500	10	1,040
TOTAL REVENUES	<u>\$ 273,043</u>	<u>\$ 153,845</u>	<u>\$ 49,514</u>	<u>\$ 476,402</u>
<u>EXPENDITURES:</u>				
Current:				
General Government	\$ -	\$ -	\$ -	\$ -
Transportation	169,139	-	-	169,139
Culture and Recreation	-	112,047	64,132	176,179
Capital Outlay	272,711	4,401	11,337	288,449
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 441,850</u>	<u>\$ 116,448</u>	<u>\$ 75,469</u>	<u>\$ 633,767</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (168,807)</u>	<u>\$ 37,397</u>	<u>\$ (25,955)</u>	<u>\$ (157,365)</u>
<u>OPERATING TRANSFERS</u>				
Transfers In	\$ 143,037	\$ 12,512	\$ -	\$ 155,549
Transfers Out	-	-	(16)	(16)
Total Operating Transfers	<u>\$ 143,037</u>	<u>\$ 12,512</u>	<u>\$ (16)</u>	<u>\$ 155,533</u>
TOTAL REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (25,770)</u>	<u>\$ 49,909</u>	<u>\$ (25,971)</u>	<u>\$ (1,832)</u>
FUND BALANCE, July 1, 2010	<u>56,610</u>	<u>169,512</u>	<u>124,991</u>	<u>351,113</u>
FUND BALANCE, June 30, 2011	<u>\$ 30,840</u>	<u>\$ 219,421</u>	<u>\$ 99,020</u>	<u>\$ 349,281</u>

See Independent Auditor's Report.

FEDERAL COMPLIANCE SECTION



Certified Public Accountants

2820 E. Jackson Blvd., Suite B | Jackson, Missouri 63755 | p: 573.204.3557 | f: 573.204.3559

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, 2011. 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, 2011.

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 County'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.

COOK & HAMLIN, LLC

A handwritten signature in cursive script that reads "Cook and Hamlin, LLC".

Jackson, Missouri
January 14, 2012

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 AGRICULTURE</u>			
Passed Through Southeast Missouri Area Agency on Aging Elderly Nutrition Program	10.570	N/A	\$ 22,616
Passed Through Rural Housing Services: Community Facilities Grant Program	10.766	0575-0173	3,504
TOTAL OF U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 26,120</u>
<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	14.228	2008-R-02	\$ 40,174
TOTAL OF U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>\$ 40,174</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
Passed Through Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-LBGJ-045	\$ 8,684
TOTAL OF U.S. DEPARTMENT OF JUSTICE			<u>\$ 8,684</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
Passed Through Missouri Department of Transportation Highway Planning and Construction (1) Airport Improvement Program	20.205(A) 20.106 20.106	ARRA-ES10(005) 10-079A-2 10-079A-1	\$ 87,281 1,411 34,469
TOTAL OF U.S. DEPARTMENT OF TRANSPORTATION			<u>\$ 123,161</u>
<u>U.S. DEPARTMENT OF ENERGY:</u>			
Passed Through Department of Natural Resources Passed Through Delta Area Economic Opportunity Corp Weatherization Assistance for Low-Income Persons (1)	81.042(A)	G-09-16-ARRA-02	\$ 8,659
TOTAL OF U.S. DEPARTMENT OF ENERGY			<u>\$ 8,659</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
Emergency Food and Shelter National Board Program	97.024	28-534600.005	\$ 1,000
TOTAL OF U.S. DEPARTMENT OF HOMELAND SECURITY			<u>\$ 1,000</u>
<u>U.S. DEPARTMENT OF PUBLIC SAFETY:</u>			
Passed Through Emergency Management Agency Disaster Grants - Public Assistance (Presidentially Declared Disasters (1) Emergency Management Performance Grant)	97.036 97.042	069-45614-00 EMW-2011-EP-00004-S01	\$ 1,354,214 9,102
TOTAL OF U.S. DEPARTMENT OF PUBLIC SAFETY			<u>\$ 1,363,316</u>
<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 Medical Assistance Program	93.045 93.778	N/A N/A	\$ 131,297 59,147
TOTAL OF U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 190,444</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,761,558</u>

(1) Program was tested as a major program.

(A) American Recovery and Revitalization Act Funds

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, 2011

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, 2011

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>
20.205A	Highway Planning and Construction
81.042A	Weatherization Assistance for Low-Income Persons
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:

11-1 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.

11-2 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, 2011

1. FINANCIAL STATEMENT FINDINGS

10-1 Internal Control Over Bank Reconciliation

Criteria: Reconciling of the bank accounts is a critical and essential tool in determining the financial position of the City at any given point in time.

Condition: The City does not reconcile all bank accounts.

Effect: The City may not accurately state the balance sheet account information and could possibly have a material or non-material misstatement.

Cause: Lack of board oversight.

Recommendation: The City should reconcile all bank accounts whether the balance is material or not material. This includes demand deposits and time deposits.

Views of Responsible Officials: All City checking accounts are now being reconciled on a timely basis.

Current Status: Implemented.

10-2 Internal Control Over Deposit and Investment Policy

Criteria: A formal deposit and investment policy is considered an essential control procedure in today's business environment.

Condition: The City does not have a formal deposit and investment policy.

Effect: The City is exposed to custodial credit risk and investment interest rate risk.

Cause: Lack of oversight.

Recommendation: The City should draft a formal policy to determine investment procedures and strategies, help monitor investments, and provide cash requirements for ongoing operations.

Views of Responsible Officials: Deposits are made timely. The City has invested in Certificates of Deposit in local banks for funds that were determined to be kept in

reserve for future needs. The City will be adopting a formal deposit and investment policy in the near future.

Current Status: Implemented.

10-3 Risk Assessment

Criteria: Performance of risk assessments is considered an essential control procedure in today's environment.

Condition: Mechanisms are not in place to identify risks applicable to the City Hall and the Board of Public Works and its financial reporting objectives because those in charge of governance have not appropriately evaluated those risks, which also include fraud risks.

Effect: Without a proper risk assessment, weaknesses in the control environment may not be identified. Because the weaknesses have not been properly identified, the material consequences to the financial statements will not be addressed and the weaknesses' effect would not be subsequently minimized.

Cause: A formal risk assessment by those in charge of governance has not been performed.

Recommendation: To successfully complete this process, risks should be assessed and the risks that are identified should be addressed to reduce those risks. Those in charge of governance should clearly establish, communicate and monitor the City's objectives. The key element of a strategies plan should be communicated throughout the entity so all employees have a basic understanding of the City's overall strategy. Process procedures should be sufficiently formal such that those in charge of governance can determine whether the control objective has been met. Documentation should exist to reflect support for procedures that are in place. Communication of expectations should be established with City personnel so that they understand their routines and the procedures that need to be performed. Risks related to the ability of an employee to initiate and process unauthorized transactions should be identified and minimized. Budgets should be properly established for all funds, and these budgets should be revised to reflect changes in the City's activities. In situations where implementation of risk assessments are beyond the competencies of those in charge of governance or employees, supplemental outsourcing arrangements will be required.

Views of Responsible Officials: Present City management is in the process of evaluating risks and will be implementing measures to minimize those risks. All current expenditures are reviewed by a member or members of the various boards or other management personnel. All City funds will have budgets established for the coming year.

Current Status: Implemented.

10-4 Internal Control Regarding Human Resource Policies

Criteria: Well-defined guidance for employees and documentation of their roles are considered standard internal control procedures.

Condition: Those in charge of governance have not adequately established human resource policies and procedures to demonstrate its commitment to integrity, ethical behavior, and competence.

Effect: Lack of informative guidance and communication with employees may lead to staff dissatisfaction and the possibility that routines are not properly followed. Lack of adequate communication would then lead to material misstatement to the financial statements.

Cause: Those in charge of governance have not completely and adequately defined and communicated expectations of employees.

Recommendation: Employee recruitment and retention practices for key financial position should be guided by the competencies that are necessary for the position. Furthermore, formal procedures should be in place for ongoing training and motivation of employees. Job descriptions and reference manuals informing personnel of their duties should be utilized. Job performance should be periodically evaluated and reviewed for each employee. When employees are not capable of meeting the expectations of those in charge of governance, these shortcomings should be supplemented by outsourcing arrangements.

Views of Responsible Officials: City personnel have been working several months on a new comprehensive personnel policy to be implemented in the near future. The City is also in the process of documenting job classifications for all City employees and setting pay ranges and performance guidelines for all positions.

Current Status: Implemented.

10-5 Internal Control Regarding Vendor Policy

Criteria: Establishment of an approved vendor list is a common control, and disclosure of related parties is required by City ordinance and is necessary for complete financial statement presentation.

Condition: Those in charge of governance have not properly identified all significant relationships including service providers and suppliers.

Effect: Not utilizing an approved vendor list may result in improper expenditures, and by not retaining conflicts of interest and/or related party transactions activities, financial statement disclosures may be incomplete.

Cause: Those in charge of governance have not established a vendor list and related party activities are not completely documented.

Recommendation: Those in charge of governance should establish a vendor list for which all proposed expenditures should be compared. Conflict of interest ordinances should be followed in order to comply with local and state laws and to ensure that all related parties are properly disclosed in the financial statements.

Views of Responsible Officials: Vendor lists will be prepared and submitted to the City Council or appropriate boards for approval.

Current Status: Implemented.

10-6 Internal Control Regarding Accounting Procedures

Criteria: All financial data should be included in the accounting system so that the data is accurate and complete.

Condition: Data underlying the financial information is not completely, accurately, and timely captured by the accounting system.

Effect: By not including all financial data in the accounting system, the system cannot be relied upon. The data in the accounting system is incomplete, which could result in material misstatement of the financial statement.

Cause: Accounting procedure implementation is incomplete.

Recommendation: Record all transactions in the accounting system to ensure completeness of data. Establish reporting deadlines, which should not be ignored, for each accounting period to those in charge of governance.

Views of Responsible Officials: Present City management will be working to ensure all transactions will be entered in the accounting systems, with underlying documentation, and will be establishing reporting deadlines.

Current Status: Implemented.

10-7 Internal Control Regarding Open Communication

Criteria: Open lines of communication are considered to be a vital aspect of internal control.

Condition: Upstream communication lines are not sufficiently open to improve performance and enhance internal control.

Effect: Ineffective lines of communication create unnecessary hindrances to recording financial data accurately and completely, which could lead to material financial statement misstatements.

Cause: Those in charge of governance have not adequately considered the value of open lines of communication.

Recommendation: Ensure that communication lines are open to those in charge of governance. Establish separate lines of communication to serve as a “fail-safe” mechanism. Channels must also be open and secure for potential whistleblowers.

Views of Responsible Officials. Communication lines are completely open under the new City Administrator. Communication, ideas and concerns are free to be expressed at all times.

Current Status: Implemented.

10-8 Internal Control Regarding Ongoing Monitoring of City Operations

Criteria: Constant oversight by those in charge of governance is a vital element of an entity’s internal control.

Condition: Ongoing monitoring is not built into operations throughout the City.

Effect: In smaller sized entities in which segregation of duties cannot be achieved, effective monitoring is one of the primary tools to ensure that the financial statements are not materially misstated.

Cause: Those in charge of governance have not properly designed policies and procedures to ensure that monitoring is effective.

Recommendation: Develop ongoing monitoring procedures throughout the City. These procedures should include explicit identification of what constitutes a deviation from expected control performance.

Views of Responsible Officials: Present City management is working on new policies and procedures and ways to monitor compliance with those policies and procedures.

Current Status: Implemented.

10-9 Up-to-date Ordinances

Criteria: The City's ordinances are the laws upon which the City is managed and is vital to its operations.

Condition: Physical copies of the City ordinances are not up-to-date, signed, and retained in an organized fashion.

Effect: The lack of up-to-date ordinances creates difficulties in enforcement.

Cause: Those in charge of governance have not provided proper oversight to ensure that the ordinances are up-to-date.

Recommendation: Develop a routine that ensures that ordinances are timely prepared, signed and filed in an organized fashion.

Views of Responsible Officials: The City Clerk is working to have the ordinances up-to-date, signed, and retained in an organized fashion.

Current Status: Implemented.

10-10 Internal Control Regarding Computer Security

Criteria: Proper controls over computers and their access is an accepted internal control procedure.

Condition: Computer-related controls are insufficient.

Effect: The lack of security of computer controls significantly increased the risk that financial statement data, including personal payroll information, may be improperly accessed. This increased the risk that the financial statements may be materially misstated. The risk of identity theft is also increased.

Cause: Those in charge of governance have not adequately addressed shortcomings in the area of computer security.

Recommendation: Passwords should be changed upon a regular routine, and these passwords should not be shared. Computer system backups should be based upon a regular routine with backup data stored in a secure, fireproof location offsite. Backups of computer systems should be documented and tested to ensure that the backup routine is functioning properly. All of the City's networks should be properly secured and encrypted. All employees with computer access should be required to file confidentiality agreements upon employment and annually thereafter.

Views of Responsible Officials: The City has been implementing a new computer network for the City with the help of an outside computing firm. Regular backups are currently being made daily and stored in a fireproof safe. We are establishing

computer controls and procedures with the help of the outside computing firm to help ensure the safeguarding of the City's data.

Current Status: Implemented.

10-11 Internal Control Consistency

Criteria: A consistent routine is considered vital for proper internal controls.

Condition: A variety of accounting routines are inadequate or incomplete.

Effect: The lack of consistency of internal control procedures significantly increases the potential that management or employees, in the normal course of performing their assigned functions, will not prevent or detect a material misstatement of the financial statements.

Cause: Proper and consistent application of internal controls has not become a routine for those in charge of governance.

Recommendation: A council member or board member should consistently review supporting documentation before signing the related checks. All general ledger accounts should be reconciled to the subsidiary ledger and reconciliation, if applicable, on a monthly basis. Employees who do not have and should not have check-signing authority, i.e. those who have access to accounting information system data, should be removed from signature cards. Signature cards should be modified to properly reflect the requirement for two signatures as required by ordinance or board motions. All adjusting entries, including nonroutine adjustments, should have supporting documentation. Management should approve purchase orders that are initiated by crew supervisors. Credits applied to customer accounts should be reviewed and approved by management. Payroll information and personnel files both computerized and physical, must be effectively controlled. Capitalized asset costs should include labor and burden including insurance and payroll costs.

Views of Responsible Officials: The City Administrator reviews all documentation before signing related checks. A board member for the Board of Public Works reviews all supporting documentation before signing Board of Public Works checks. Persons with check signing authority do not have access to enter payments in the accounting software at City Hall or the Board of Public Works. Management is working to address other issues listed in the recommendation.

Current Status: Implemented.

10-12 Publication of City Ordinances

Criteria: City ordinance required disclosure of financial condition in a local newspaper.

Condition: Financial statements are not being published in a newspaper of local circulation on a semi-annual basis.

Effect: The City is failing to provide the transparency required by its own ordinance.

Cause: Those in charge of governance have failed to follow this City ordinance.

Recommendation: Publish financial statements in a newspaper of local circulation on a semi-annual basis.

Views of Responsible Officials: The City will be complying with the ordinance.

Current Status: Implemented.

10-13 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.

10-14 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 11-01.

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, 2010.