

CITY OF DELLWOOD, MISSOURI
 BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2009

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the City Alderpersons and Elected Officials of
City of Dellwood, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Dellwood, Missouri ("the City") as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

As discussed fully in Note 1, these financial statements were prepared using accounting practices prescribed or permitted by Missouri Law, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effect of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Dellwood, Missouri, as of and for the year ended December 31, 2009, or the respective changes in financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the governmental activities, each major fund, and the aggregate remaining fund information of City of Dellwood, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the City as of and for the year ended December 31, 2009, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2011 on our consideration of the City's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls 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 conjunction with this report in considering the results of our audit.

The City has not presented the management's discussion and analysis as required by GASB 34, *Basic*

Financial Statements - Management's Discussion and Analysis - for State and Local Governments, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on pages 10-14 is not a required part of the financial statements but is 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 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 County's basic financial statements. The combining and individual non-major funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CRWilliams & Associates LLC
Merrillville, Indiana
February 23, 2011

City of Dellwood
Dellwood, Missouri
Governmentwide Statement of Net Assets-Cash Basis
As Of December 31, 2009

Assets	Governmental Activities
Cash	\$ 407,777
Investments	-
Restricted assets-cash	681,250
Restricted assets-investments	
Total assets	<u>1,089,027</u>

Fund Balances	
Unassigned fund balances	
Restricted fund balances	
Parks/Stormwater Projects	233,527
Law Enforcement Block Grant Fund	38,344
Capital Improvements	398,230
Sewer Lateral	11,150
Unrestricted	407,777
Total fund balances	<u>\$ 1,089,027</u>

See Independent Auditor's Report and Notes to the Financial Statements.

City of Dellwood
Dellwood, Missouri
Governmentwide Statement of Activities-Cash Basis
As Of December 31, 2009

	<u>Program Revenues</u>			<u>Net (expense) revenue changes in net assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>
Primary Government					
<i>Governmental Activities</i>					
General county government	\$ (653,753)	\$ 85,619			\$ (568,134)
Road & bridge	(262,243)				(262,243)
Health and welfare	(9,139)				(9,139)
Parks	(41,631)				(41,631)
Administration of justice & law	(1,352,823)	364,745			(988,078)
Capital outlay					-
Debt services					-
Total governmental activities	<u>(2,319,589)</u>	<u>450,363</u>	<u>-</u>	<u>-</u>	<u>(1,869,225)</u>
<i>Business-type activities</i>					
Recreation Center	(336,570)	208,127	-	-	(128,443)
Housing	-	-	-	-	-
Sanitation	-	-	-	-	-
Total business-type activities	<u>(336,570)</u>	<u>208,127</u>	<u>-</u>	<u>-</u>	<u>(128,443)</u>
Total primary government	<u>\$ (2,656,159)</u>	<u>\$ 658,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,997,668)</u>

General revenues:

Taxes:

Personal property taxes, levied	19,261
Real estate property taxes, levied	182,714
Sales taxes	1,070,138
Intergovernmental revenues	
Other taxes	970,183
Investment income	
Miscellaneous	

Total general revenues

Changes in net assets

Beginning cash assets

Ending cash assets

<u>2,242,297</u>
<u>244,628</u>
844,398
<u>\$ 1,089,026</u>

City of Dellwood
Dellwood, Missouri
Combining Balance Sheet- Cash Basis-Governmental Funds
As of December 31, 2009

	<u>Major Funds</u>			<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Road & Bridge</u>	<u>Law Enforcement Tax Fund</u>		
Assets					
Cash	\$ 407,777				\$ 407,777
Investments					-
Restricted assets-cash				\$ 681,250	681,250
Restricted assets-investments	-			-	-
Total assets	<u>407,777</u>	<u>-</u>	<u>-</u>	<u>681,250</u>	<u>1,089,027</u>
 Fund balances					
Reserve for encumbrances	-			-	-
Unrestricted fund balances	407,777				407,777
Restricted fund balances				681,250	681,250
Total fund balances	<u>\$ 407,777</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 681,250</u>	<u>\$ 1,089,027</u>

City of Dellwood
Dellwood, Missouri
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Cash Basis
For The Year Ended December 31, 2009

Excess of revenues and other sources over (under) expenditures and other uses - Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds - Cash Basis	\$ 244,628
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Bond proceeds are reported as financing sources in governmental funds financial statements thus contributed to the net change in fund balance. In the statement of net assets, however, issuing debt increases long term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements, but reduces the liability in the statement of net assets

Debt issued	-
Principle payments	-
Compensated absences	-
Interest expense	-

Government-wide Statement of Activities--Changes in net assets - Governmental Activities - Cash Basis	<u><u>\$ 244,628</u></u>
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City of Dellwood
Dellwood, Missouri
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Fund
Cash Basis
For The Year Ended December 31, 2009

	Major Funds						Recreation Center	Special Purpose Governmental Funds	Total Governmental Funds
	General Fund	Streets	Licenses	Law Enforcement	Municipal Court	Parks			
Revenues									
Taxes	\$ 1,769,931	\$ -	\$ -	\$ -	\$ -	\$ -		\$ 472,366	2,242,297
Permits	-	28,132	-	-	-	-		-	28,132
Licenses	-	-	57,487	-	-	-		-	57,487
Law Enforcement	-	-	-	36,244	-	-		-	36,244
Municipal Court	-	-	-	-	328,501	-		-	328,501
Parks	-	-	-	-	-	-		-	-
Recreation Center	-	-	-	-	-	-	208,127	-	208,127
Total revenues	<u>1,769,931</u>	<u>28,132</u>	<u>57,487</u>	<u>36,244</u>	<u>328,501</u>	<u>-</u>	<u>208,127</u>	<u>472,366</u>	<u>2,900,787</u>
Expenditures									
City Hall	649,441	-	-	-	-	-		-	649,441
Health	9,139	-	-	-	-	-		-	9,139
Public relations	1,758	-	-	-	-	-		-	1,758
Municipal Courts	-	-	-	-	22,417	-		-	22,417
Emergency Preparedness	2,553	-	-	-	-	-		-	2,553
Police	-	-	-	1,330,406	-	-		-	1,330,406
Street	-	262,243	-	-	-	-		-	262,243
Parks	-	-	-	-	-	41,631		-	41,631
Recreation Center	-	-	-	-	-	-	336,570	-	336,570
Total expenditures	<u>662,892</u>	<u>262,243</u>	<u>-</u>	<u>1,330,406</u>	<u>22,417</u>	<u>41,631</u>	<u>336,570</u>	<u>-</u>	<u>2,656,159</u>
Excess deficiency of revenues over (under) expenditures	<u>1,107,039</u>	<u>(234,111)</u>	<u>57,487</u>	<u>(1,294,162)</u>	<u>306,084</u>	<u>(41,631)</u>	<u>(128,443)</u>	<u>472,366</u>	<u>244,628</u>
Other financing sources (uses):									
Proceeds from loan	-	-	-	-	-	-		-	-
Transfer in	519,316	-	-	-	-	-		-	519,316
Transfer out	-	-	-	-	-	-		(519,316)	(519,316)
Insurance proceeds	-	-	-	-	-	-		-	-
Sale of capital assets	-	-	-	-	-	-		-	-
Other income/adjustments	-	-	-	-	-	-		-	-
Total other financing sources (uses)	<u>519,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(519,316)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>1,626,355</u>	<u>(234,111)</u>	<u>57,487</u>	<u>(1,294,162)</u>	<u>306,084</u>	<u>(41,631)</u>	<u>(128,443)</u>	<u>(46,950)</u>	<u>244,628</u>
Fund balances, beginning of year	116,198	-	-	-	-	-		728,200	844,398
Prior year adjustments & equity transfers	-	-	-	-	-	-		-	-
Fund balances, end of year	<u>\$ 1,742,553</u>	<u>\$ (234,111)</u>	<u>\$ 57,487</u>	<u>\$ (1,294,162)</u>	<u>\$ 306,084</u>	<u>\$ (41,631)</u>	<u>\$ (128,443)</u>	<u>\$ 681,250</u>	<u>\$ 1,089,026</u>

See Independent Auditor's Report and Notes to the Financial Statements.

City of Dellwood
Dellwood, Missouri
Reconciliation of Total Fund Balances to Total Net Assets
Cash Basis
For The Year Ended December 31, 2009

Balance Sheet - Governmental Funds - Total Fund Balances - Cash Basis \$ 1,089,027

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

Capital assets used in fund level statements are expensed upon use of financial resources to construct or acquire them.

Capital assets for entity-wide statements are recognized as assets that are extinguished via depreciation charged over the life of the asset.

Capital assets, net of accumulated depreciation \$ -

Long-term debt uses current financial resources to pay off the principle portion and related interest expense. For entity-wide statements, the unpaid principle portion is recognized as a future obligation to be repaid over time.

Long-term debt -

Accrued interest -

Subtotal -

Government-wide Statement of Net Assets--Total Net Assets - Cash Basis \$ 1,089,027

City of Dellwood, Missouri
Notes to the Financial Statements
December 31, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity and Basis of Presentation

The funds presented are established under statutory or administrative authority, and their operations are under the control of the City Alderpersons, and elected City officials. The General Revenue Fund is the City's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

All significant activities and organizations on which the City exercises oversight responsibility have been included in the City's financial statements for the year ended December 31, 2009. The following criteria regarding manifestation of oversight were considered by the City in its evaluation of City organization and activities.

Financial interdependency – the City is responsible for its debts and is entitled to surpluses. No separate agency receives a financial benefit or imposes a financial burden on the City.

Election of the Government Authority – the locally elected Board of Alderpersons (the Board) is exclusively responsible for all public decisions and accountable for the decisions it makes.

Designation of Management – the City Clerk hires members of City management. The activities under the purview of management are within the scope of the reporting entity and management is accountable to the Aldermanic Board for the activities being managed.

Ability to Significantly Influence Operations – the Board has the statutory authority under the provision of the Revised Statutes to significantly influence operations. This authority includes, but is not limited to, adoption of the budget, control over all assets, including facilities and properties, short term borrowing, signing contracts and developing programs to provide.

Accountability on Fiscal Matters – the responsibility and accountability over all funds is vested in the City's management.

B. Basis of Accounting

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business –type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are identifiable with a specific function or segment, Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the cash basis of accounting. The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of

City of Dellwood, Missouri
Notes to the Financial Statements
December 31, 2009

accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Management has not recorded capital assets or depreciation expense in the governmental activities as mandated by the Government Accounting Standards Board Statement (GASB) No. 34. Accounting principles generally accepted in the United States of America require asset capitalization and depreciation over the asset's estimated useful life and reported as a direct expense of each associated functional activity, which would increase capital assets, net assets, and expenses, and changes in net assets reported in the governmental and business-type activities. The City is required to report assets and liabilities, such as taxes receivables, allowance for bad debt, compensated absences, and long-term debt, such as bonds, capital leases, and certificates of participation, on the full accrual basis as opposed to the cash basis which is another comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The amount by which these departures would affect the related financial statements is not determinable.

A major fund is any fund whose assets, liabilities, revenues, or expenditures constitute ten percent (10%) or more of the total for the Governmental fund type *and* five percent (5%) of the total for the Governmental fund type and the Business fund type, combined. A government that reports only governmental funds need only apply the 10% test; this condition applied to City of Dellwood for the year ended December 31, 2009. Financial information is most useful when each major fund is presented separately rather than when fund combination is reported, such as the aggregation of the special-purpose funds into a special revenue fund type. GASBS-34 financial reporting model requires the presentation of individual fund data for each of the major funds of the City.

General Fund – the General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Special Revenue Funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Project Funds – financed primarily by an additional sales tax. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Sewer Lateral Fund - financed primarily by a separate property tax levy. This fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is **(not)** a major fund.

Parks and Stormwater Fund - financed primarily by an additional sales tax. This fund accounts for the construction and repairs of the municipal sanitary sewer system and related facilities and provides funding to Parks activities. (SDCL 9-48-2) This is **(not)** a major fund.

Asset sharing account – the Dellwood police department receives funds forfeited in conjunction with the St. Louis County multi-jurisdictional drug taskforce. Funds are distributed on the basis of the proportion of the total number of individuals working at the time the assets are seized. Funds are used for enhancement of law enforcement programs and equipment. (SDCL 9-48-2) This is **(not)** a major fund.

City of Dellwood, Missouri
Notes to the Financial Statements
December 31, 2009

The City maintains Fiduciary funds to account for assets held in a trustee capacity or as an agent on behalf of others who have provided bonds as held as security for court appearances. Agency funds account for assets the City holds for others in an agency capacity, such as bonds as held as security for court appearances. Fiduciary and Agency cash and investment balances are classified as Fiduciary Funds (Agency) under GASBS-34 standards.

Proprietary Funds:

Enterprise Funds – enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The enterprise funds do not apply any FASB Statements and Interpretations issued after November 30, 1989. The recreation center is considered an enterprise fund. The balance sheet for the proprietary fund statement of financial position was not recorded based on the lack of property segregation by fund and the lack of a property schedule.

C. Budgets and Budgetary Practices

The City Council and other applicable boards are responsible for the preparation and approval of budgets for various City funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the State of Missouri budget laws. The budget committee submits to the Board of Alderpersons a proposed budget. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through the passage of an ordinance. These budgets are adopted on the cash basis of accounting for revenues and expenditures.

Section 50.740, RSMo, prohibits expenditures in excess of the approved budgets. Expenditures did not exceed budgeted amounts.

D. Published Financial Statements

Under Section 50.800 and 50.810, RSMo 2000, the City Council is responsible for preparing and publishing in a local newspaper detailed annual financial statements for the City. The financial statements are required to show receipts and revenues, disbursements or expenditures, and beginning and ending balances for each fund.

The City did not publish as required the financial statements for all funds.

E. Due To/From Other Funds

Activity between funds that are representative of lending /borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from”, are considered “available spending resources”, and are subject to elimination upon consolidation.

F. Capital Assets

Capital assets which include property, equipment, and infrastructure (ie roads, bridges, sidewalks, and similar items) are reported in the financial statements where applicable. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one

City of Dellwood, Missouri
Notes to the Financial Statements
December 31, 2009

year. Such assets are recorded at historical cost or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure acquired prior to the implementation of GASB Statement No. 34 has not been reported. Dellwood has not developed a schedule of capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation methods have not been adopted.

G. Property Taxes

Taxes are levied on property as of January 1, and payable on December 31. St. Louis County bills and collects the City's property taxes and remits the collections to the City.

H. Grant Revenue

Resources received by the City from other governments are accounted for within applicable funds based on the purpose and requirements of each grant. Revenues are recognized on an accounting basis consistent with the Fund's measurement objective.

Revenues related to expenditure-driven grants are recognized to the extent expenditures are incurred. Any excess or deficiency of grant revenues received compared to expenditures incurred is recorded as deferred or amounts receivable from the grantor.

I. Interfund Transactions

Transfers – legally authorized transfers are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund. Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

J. Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimate and assumptions that affect the amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

NOTE 2 **Cash**

Disclosures are provided below to comply with Statement No. 40 of the Governmental Accounting Standards Board, *Deposit and Investment Risk Disclosures*. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions. Investments are securities and other assets acquired primarily for the purpose of obtaining income or profit.

Deposits

In addition to depositing in demand deposits, political subdivisions such as cities have the authority under Section 67.085, RSMo, to place excess funds in certificates of deposit. To protect the safety of City deposits, Section 110.020, RSMo, requires depositories to pledge collateral securities to secure deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities must be of

City of Dellwood, Missouri
Notes to the Financial Statements
December 31, 2009

the types specified by Section 30.270, RSMo, for the collateralization of the state funds and held by either the City or a financial institution other than the depository bank. Section 67.085, RSMo, also requires certificates of deposit to be insured by the FDIC for 100 percent of their principal and accrued interest. Custodial credit risk is the risk that, if a depository bank fails, City of Dellwood will not be able to recover its deposits or recover collateral securities that are in an outside party's possession.

The City's deposits at December 31, 2009 were exposed to custodial credit risk because they were not entirely covered by federal depository insurance or by collateral securities held by the City's custodial banks in the City's name.

Investments

Section 110.270, RSMo, based on Article IV, Section 15, Missouri Constitution, authorizes Cities to place their funds, either outright or by repurchase agreement, in the U.S. Treasury and agency obligations. At December 31, 2009 the City had no such investments. In addition, Section 30.950, RSMo, requires political subdivisions with authority to invest in instruments other than depository accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The City has not adopted such a policy.

NOTE 3 RETIREMENT PLANS

Missouri Local Government Employees Retirement Systems (LAGERS)

A. Plan Description

City of Dellwood 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 401a 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

City of Dellwood's full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 7.4 % (general), 2.9 % (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2009, the political subdivision's annual pension cost of \$60,524 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2007 and/or February 28, 2008 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2009 included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year,

City of Dellwood, Missouri
Notes to the Financial Statements
December 31, 2009

depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 setback 1 year for men and 7 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 at February 28, 2009 was 15 years.

Three Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	\$ 27,182	100%	\$ -
6/30/2008	62,307	100%	-
6/30/2009	60,524	100%	-

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	Annual Covered Payroll
2/28/2007	\$ 3,286,808	\$ 2,904,438	\$ (382,370)	113%	\$ 1,210,
2/28/2008	3,633,083	3,063,558	(569,525)	119%	1,110,
2/28/2009	3,109,866	3,330,883	221,017	93%	1,232,

Note: The above assets and actuarial accrued liabilities do not include the assets and present value of benefits associated with the Benefit Reserve Fund and Casualty Reserve Funds. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions in the annual valuations, please contact the LAGERS office in Jefferson City.

NOTE 4 ECONOMIC DEPENDENCY

Tax revenues increased 30.53%, \$524,500 over the prior year. Tax revenues changes represent the entire change in total revenues over the prior year total revenues, a net increase of \$510,697. The remainder of the revenues materially cancel their opposite effect. The municipal court revenue increase, \$98,895, 43.07% is offset by the declines in revenues from the recreation center, <\$67,708>, <24.55%>, and the law enforcement revenues, <\$58,781>, <61.86%>.

Payroll expenses, including payroll taxes and benefits compensation are \$1,456,909, 54.85% of total expenses for 2009. Total expenses increased \$376,339, 16.51%. City Hall expenses increased \$284,871, 78.14% over the prior year. Police expenses increased \$65,125, 5.15% over the prior year. Recreation Center expenses increased \$32,505, 10.69% over the prior year. Changes in Net Assets increased over the prior year \$134,358, 121.84%. the City experienced a return on net revenues of 8.4%, \$244,628.

City of Dellwood, Missouri
Notes to the Financial Statements
December 31, 2009

Dellwood's funding is dependent on sustaining the assessed valuation of taxable assets. The loss of, or inability to sustain the value of taxable basis, may result in a question of continued capability.

NOTE 5 OPERATING LEASE COMMITMENTS

Dellwood has an operating lease for office equipment from Datamax STL Leasing, expiring in one hundred and eight (108) months. The payment per month is \$463.25. The lease requires Dellwood to pay all executory costs such as maintenance and insurance. Total cost for the lease for the period 2009 \$5,559.52.

The future minimum lease payments are as follows:

		Datamax STL Leasing		Total
2010	\$	5,560	\$	5,560
2011		4,169		4,169
		-		-
Total Lease Commitments	\$	9,729	\$	9,729

NOTE 6 Tax Incremental Financing Commitments

The City of Dellwood created the "City of Dellwood, Missouri Tax Increment Revenue Note (Chambers/West Florissant Redevelopment Project), Series 2007." The Note was issued at 10.25%, paid twice a year beginning March 1, 2008, in a principal amount of \$4,045,845 for the purpose of paying a portion of the Redevelopment Project Costs in connection with the Redevelopment Plan.

The TIF Note is a special, limited obligation of the City payable ratably and solely from and secured as to the payment of principal and interest by a pledge of the Available Revenues. The taxing power of the City is not pledged to the payment of the TIF Note either as to principal or interest. The TIF Note does not constitute a general obligation of the City.

Those Available Revenues attributable to PILOTS to the PILOTS Account of the Revenue Fund, Available Revenues attributable to EATS to the EATS Account of the Revenue Fund, and Available Revenues attributable to CID Revenues to the CID Revenues Account of the Revenue Fund.

The TIF Note matures October 10, 2028. Interest was accrued, but not recorded, in the amount of \$729,128.

City of Dellwood
Dellwood, Missouri
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Business Services Fund - Budget Basis
For The Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUE				
RECREATION CENTER				
Pool Daily Admission	\$ 5,000	\$ 5,000	\$ 3,517	\$ (1,483)
Pool Passes	4,000	4,000	4,082	82
Identification Cards	500	500	-	(500)
Swim Teams Registration fee	4,000	4,000	3,125	(875)
Miscellaneous - Pool		-	986	986
Food/Snacks	60,000	60,000	36,875	(23,125)
Beer and Wine	40,000	40,000	28,266	(11,734)
Field Leagues/Rental	125,000	125,000	74,736	(50,264)
Advertising	1,000	1,000	375	(625)
Ground Rental	52,000	52,000	44,078	(7,923)
Video Games/Vending	1,000	1,000	-	(1,000)
Room Rental	5,000	5,000	5,155	155
Daycamp Registrations	6,000	6,000	6,932	932
Total Recreation Center	<u>\$ 303,500</u>	<u>\$ 303,500</u>	<u>\$ 208,127</u>	<u>\$ (95,373)</u>
EXPENDITURES				
Recreation Center Dept 922				
Salaries	\$ 127,341	\$ 127,341	\$ 129,240	\$ 1,899
Section 457 Contributions	650	650	-	(650)
Workmen's Compensation	8,000	8,000	-	(8,000)
Health Insurance	5,500	5,500	5,741	241
Pension (LAGERS)	3,355	3,355	4,850	1,495
Social Security and Medicare	9,742	9,742	-	(9,742)
Unemployment	1,500	1,500	-	(1,500)
Life Insurance & LTD	633	633	374	(259)
Printing and Postage	1,000	1,000	164	(836)
Cleaning Supplies	2,000	2,000	-	(2,000)
Advertising	4,000	4,000	3,415	(585)
Insurance	18,000	18,000	204	(17,796)
Building/Property Maintenance	8,000	8,000	13,250	5,250
Equipment Maintenance	5,000	5,000	1,008	(3,992)
Legal			-	-
Swim Team Expenses	5,000	5,000	986	(4,014)
Telephone	2,000	2,000	2,582	582
Electric	22,000	22,000	22,225	225
Gas	8,000	8,000	7,156	(844)
Water/Sewer	8,000	8,000	4,475	(3,525)
Playground Equipment Maintenance	-	-	17,166	17,166
Traffic and street signs	-	-	39,019	39,019
Streets/Sidewalks Maintenance	-	-	4,073	4,073
Vehicle Maintenance	-	-	4,100	4,100
Dues and Memberships	250	250	487	237
Computer supplies	-	-	250	250
Gasoline and Oil	-	-	296	296
Meetings and Conventions	750	750	-	(750)
Materials and Supplies	2,000	2,000	12,360	10,360

See Independent Auditor's Report and Notes to the Financial Statements.

City of Dellwood
Dellwood, Missouri
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Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Business Services Fund - Budget Basis
For The Year Ended December 31, 2009

Elections Expenses	-	-	625	625
Training	2,500	2,500	-	(2,500)
Miscellaneous	100	100	3,205	3,105
Food/Coffee	-	-	29,404	29,404
Uniforms	1,000	1,000	3,952	2,952
Pool Chemicals	4,500	4,500	-	(4,500)
Lamination Supplies	300	300	-	(300)
Merchandise for Resale	40,000	40,000	10,833	(29,167)
Beer and Wine Resale	18,000	18,000	-	(18,000)
Referees/Timekeepers	23,000	23,000	15131	(7,869)
General Improvements	-	-	0	-
Total Recreation Center	<u>\$ 332,121</u>	<u>\$ 332,121</u>	<u>\$ 336,570</u>	<u>\$ 4,449</u>
NET CHANGE IN FUND BALANCE	<u>\$ (28,621)</u>	<u>(28,621)</u>	<u>(128,443)</u>	<u>\$ (99,822)</u>
FUND BALANCE, JANUARY 1				
FUND BALANCE, DECEMBER 31	<u><u>\$ (28,621)</u></u>	<u><u>(28,621)</u></u>	<u><u>(128,443)</u></u>	<u><u>\$ (99,822)</u></u>

City of Dellwood
Dellwood, Missouri
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund - Budget Basis
For The Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
TAXES				
Real Estate	\$ 68,000	\$ 68,000	\$ 127,280	\$ 59,280
Personal Property	19,000	19,000	19,261	261
Utility	545,000	545,000	678,718	133,718
Gasoline	150,000	150,000	149,442	(558)
Cigarette	17,500	17,500	16,003	(1,497)
Sales taxes	745,000	745,000	698,567	(46,433)
Road and Bridges	37,000	37,000	45,283	8,283
Utility/Railroad	1,500	1,500	2,458	958
Cable Television	32,000	32,000	32,919	919
Total Taxes	\$ 1,615,000	\$ 1,615,000	\$ 1,769,931	\$ 154,931
PERMITS				
Building	\$ 1,000	\$ 1,000	\$ 697	\$ (303)
Occupancy	5,000	5,000	5,225	225
Plumbing/Excavation			180	180
Fences/Driveway	500	500	680	180
Sign	500	500	1,050	550
Housing Inspection	\$ 9,000	\$ 9,000	20,300	11,300
Total permits	\$ 16,000	\$ 16,000	\$ 28,132	\$ 12,132
LICENSES				
Merchants	\$ 65,000	\$ 65,000	\$ 54,704	\$ (10,296)
Dogs	50	50	48	(2)
Liquor	2,000	2,000	2,700	700
Plumbing/Excavation			-	
Vending	1,500.00	1,500	35	(1,465)
Total permits	\$ 68,550	\$ 68,550	\$ 57,487	\$ (11,063)
POLICE				
Ground Lease	\$ -	\$ -	\$ 800	\$ 800
Interest	45,000	45,000	249	(44,751)
Police Reports	2,000	2,000	1,980	(20)
Late Vehicle Fee	1,000	1,000	1,050	50
False Alarms	\$ 1,500	1,500	1,425	(75)
Sales of Capital Assets	\$ 8,000	8,000	9,367	1,367
Miscellaneous	\$ 10,000	10,000	21,373	11,373
Total Taxes	\$ 67,500	\$ 67,500	\$ 36,244	\$ (31,256)
COURTS				
Court Fines	\$ 230,000	\$ 230,000	\$ 232,043	\$ 2,043
Court Costs	80,000	80,000	53,144	(26,856)
Moving Violations	5,000	5,000	5,760	760
Bond Forfeitures	17,000	17,000	37,554	20,554
Total Taxes	\$ 332,000	\$ 332,000	\$ 328,501	\$ (3,499)
TOTAL REVENUE COLLECTED	\$ 2,099,050	\$ 2,099,050	\$ 2,220,294	\$ 121,244

See Independent Auditor's Report and Notes to the Financial Statements.

City of Dellwood
Dellwood, Missouri
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund - Budget Basis
For The Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
EXPENDITURES				
CITY HALL				
Salaries	\$ 237,511	\$ 237,511	\$ 241,053	\$ 3,542
Section 457 Contributions	5,600	5,600	425	(5,175)
Workmen's Compensation	2,800	2,800	60,504	57,704
Health Insurance	19,800	19,800	75,771	55,971
Pension (LAGERS)	8,860	8,860	82,411	73,551
Social Security and Medicare	18,170	18,170	-	(18,170)
Unemployment	500	500	-	(500)
Life Insurance & LTD	1,890	1,890	1,694	(196)
Printing and Postage	3,500	3,500	8,551	5,051
Cleaning Supplies	500	500	-	(500)
Advertising	500	500	144	(357)
Insurance	7,000	7,000	110,209	103,209
Building/Property Maintenance	3,000	3,000	1,283	(1,717)
Equipment Maintenance	2,000	2,000	4,720	2,720
Legal Fees	5,000	5,000	14,213	9,213
Telephone	4,000	4,000	6,789	2,789
Electric	7,500	7,500	9,113	1,613
Gas	3,500	3,500	2,894	(606)
Water/Sewer	1,000	1,000	289	(711)
Bonding Officials	250	250	350	100
Audit	7,000	7,000	-	(7,000)
Computers Supplies	1,000	1,000	1,677	677
Dues and Memberships	3,500	3,500	1,473	(2,027)
Meetings and Conventions	10,000	10,000	2,529	(7,471)
Elections Expenses	1,500	1,500	-	(1,500)
Materials and Supplies	5,000	5,000	7,872	2,872
Food/Coffee	3,500	3,500	1,092	(2,408)
Vehicle Maintenance	-	-	1,272	1,272
Traffic and Streets Signs	-	-	177	177
Streets/Sidewalks Maintenance	-	-	1,843	1,843
Training	2,000	2,000	-	(2,000)
Newspaper	-	-	118	118
Uniforms	-	-	976	976
Miscellaneous	100	100	9,999	9,899
Copier Lease	5,000	5,000	-	(5,000)
Computer Upgrade/Internet	3,000	3,000	-	(3,000)
Total City Hall	\$ 374,481	\$ 374,481	\$ 649,441	\$ 274,960

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Health - Dept 200				
Salaries	\$ -	\$ -		\$ -
Advertising	50	50		(50)
Water/sewer	-	-	7,652	7,652
Dues and membership	-	-	150	150
Lein Cleanup	1,000	1,000		(1,000)
Trash Pickup	8,000	8,000		(8,000)
Rat and Mosquito Supplies	2,000	2,000	1,337	(663)
Total Health Dept.	<u>\$ 11,050</u>	<u>\$ 11,050</u>	<u>\$ 9,139</u>	<u>\$ (1,911)</u>
Public Relations - Dept 300				
Salaries	\$ -	\$ -	\$ -	\$ -
Printing and Postage	3,500	3,500	977	(2,523)
Building/Property Maintenance	-	-	425	425
Streets/Sidewalks Maintenance	-	-	263	263
Printing Assistance Program	1,000	1,000		(1,000)
Newsletter	5,000	5,000		(5,000)
Senior Citizens (60+ Club)	1,500	1,500		(1,500)
Miscellaneous	1,000	1,000	93	(907)
General Improvements	-	-		-
Total Public Relations	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 1,758</u>	<u>\$ (10,242)</u>
Municipal Court - Dept 400				
Salaries	\$ 15,402	\$ 15,402	\$ 14,615	\$ (787)
Printing and Postage	2,000	2,000	196	(1,804)
Legal Fees	2,500	2,500	850	(1,650)
Dues and Memberships	300	300	34	(266)
Meetings and Conventions	3,000	3,000	1,103	(1,897)
Material and Supplies	250	250	3,530	3,280
Traffic and street signs	-	-	1,018	1,018
Training	-	-	17	17
Miscellaneous	-	-	1,054	1,054
Total Municipal Court	<u>\$ 23,452</u>	<u>\$ 23,452</u>	<u>\$ 22,417</u>	<u>\$ (1,035)</u>
Emergency Preparedness - Dept 500				
Salaries	\$ 1,615	\$ 1,615	\$ 1,522	\$ (93)
Senior Citizens (60+ Club)	-	-	1,031	1,031
Total Emergency Preparedness	<u>\$ 1,615</u>	<u>\$ 1,615</u>	<u>\$ 2,553</u>	<u>\$ 938</u>

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City of Dellwood
Dellwood, Missouri
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Budget and Actual - General Fund - Budget Basis
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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Police Dept - Dept 600				
Salaries	\$ 866,816	\$ 866,816	\$ 935,563	\$ 68,747
Section 457 Contributions	11,050	11,050	-	(11,050)
Workmen's Compensation	26,000	26,000	294	(25,706)
Health Insurance	128,700	128,700	199,710	71,010
Pension (LAGERS)	30,902	30,902	28,980	(1,922)
Social Security and Medicare	70,519	70,519	-	(70,519)
Unemployment	500	500	-	(500)
Clothing Allowance	4,000	4,000		(4,000)
Life Insurance & LTD	9,710	9,710	6,124	(3,586)
Printing and Postage	1,500	1,500	1,041	(459)
Advertising	150	150		(150)
Insurance	30,000	30,000	3,856	(26,144)
Building/Property Maintenance	500	500		(500)
Equipment Maintenance	1,500	1,500	557	(943)
Legal Fees	500	500		(500)
Telephone	6,500	6,500	17,335	10,835
Fitness program	2,000	2,000		(2,000)
Computers Supplies	1,000	1,000		(1,000)
Dues and Memberships	300	300	2,872	2,572
Meetings and Conventions	500	500	239	(261)
Food/Coffee	-	-	43	43
Gasoline and Oil	45,000	45,000	28,846	(16,154)
Radio Assistances	1,000	1,000		(1,000)
Radio Dispatch	25,000	25,000	27,500	2,500
Radio Maintenance	500	500		(500)
Vehicle Maintenance	12,000	12,000	17,707	5,707
Material and Supplies	5,000	5,000	10,271	5,271
Confinement	1,000	1,000		(1,000)
Pre-employment physical	1,000	1,000		(1,000)
Gun maintenance and ammunition	2,500	2,500		(2,500)
Traffic and street signs	-	-	692	692
Photo supplies	2,500	2,500		(2,500)
Two Police units	48,000	48,000	43,795	(4,205)
Training	2,000	2,000		(2,000)
Miscellaneous - Election Expense	-	-	3,386	3,386
Uniforms	4,500	4,500	1,594	(2,906)
General Improvements			-	
Total Police Dept	<u>\$ 1,342,647</u>	<u>\$ 1,342,647</u>	<u>\$ 1,330,406</u>	<u>\$ (12,241)</u>

See Independent Auditor's Report and Notes to the Financial Statements.

City of Dellwood
Dellwood, Missouri
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For The Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Streets Dept - 700				
Salaries	\$ 111,433	\$ 111,433	\$ 113,095	\$ 1,662
Section 457 Contributions	1,300	1,300	-	(1,300)
Workmen's Compensation	9,000	9,000	-	(9,000)
Health Insurance	16,500	16,500	19,214	2,714
Pension (LAGERS)	5,138	5,138	5,003	(135)
Social Security and Medicare	8,525	8,525	-	(8,525)
Unemployment	500	500	-	(500)
Life Insurance & LTD	1,261	1,261	664	(597)
Clothing Allowance	750	750	-	(750)
Cleaning Supplies	750	750	-	(750)
Advertising	100	100	-	(100)
Insurance	3,500	3,500	295	(3,205)
Building/Property Maintenance	750	750	129	(621)
Elections Expenses	-	-	7,679	7,679
Equipment Maintenance	3,000	3,000	347	(2,653)
Electric	54,000	54,000	62,225	8,225
Telephone	-	-	417	417
Gasoline and Oil	7,500	7,500	9,558	2,058
Radio Maintenance	200	200	-	(200)
Vehicle Maintenance	4,000	4,000	9,992	5,992
Material and supplies	2,000	2,000	6,109	4,109
Salt	10,000	10,000	12,291	2,291
Traffic and street signs	1,000	1,000	595	(405)
Streets/Sidewalks Maintenance	10,000	10,000	13,694	3,694
Water/Sewer	-	-	195	195
Training	500	500	-	(500)
Food/Coffee	-	-	43	43
Equipment	20,000	20,000	-	(20,000)
Miscellaneous tools	3,000	3,000	-	(3,000)
Miscellaneous	-	-	172	172
Uniforms	-	-	527	527
General Improvements	-	-	-	-
Total Streets Dept	\$ 274,707	\$ 274,707	\$ 262,243	\$ (12,464)

See Independent Auditor's Report and Notes to the Financial Statements.

City of Dellwood
Dellwood, Missouri
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund - Budget Basis
For The Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Parks Dept - 800				
Salaries	\$ 21,500	\$ 21,500	\$ 21,821	\$ 321
Workmen's Compensation	2,000	2,000	-	(2,000)
Social Security and Medicare	1,530	1,530	-	(1,530)
Cleaning Supplies	1,000	1,000	-	(1,000)
Insurance	1,000	1,000	-	(1,000)
Building/Property Maintenance	5,000	5,000	3,722	(1,278)
Equipment Maintenance	3,000	3,000	3,759	759
Electric	1,500	1,500	1,048	(452)
Telephone	-	-	39	39
Water/Sewer	1,500	1,500	512	(988)
Elections Expenses	-	-	64	64
Materials and Supplies	250	250	3,442	3,192
Playground Equipment Maintenance	500	500	-	(500)
Traffic and street signs	-	-	353	353
Streets/Sidewalks Maintenance	-	-	264	264
Vehicle Maintenance	-	-	3,269	3,269
Restocking	500	500	-	(500)
Miscellaneous	-	-	3,337	3,337
Youth program	1,500	1,500	-	(1,500)
General Improvements	-	-	-	-
Total Parks Dept	<u>\$ 40,780</u>	<u>\$ 40,780</u>	<u>\$ 41,631</u>	<u>\$ 851</u>
 TOTAL EXPENDITURES	 <u>\$ 2,080,732</u>	 <u>\$ 2,080,732</u>	 <u>\$ 2,319,589</u>	 <u>\$ 238,857</u>
 NET CHANGE IN FUND BALANCE	 <u>\$ 18,318</u>	 <u>\$ 18,318</u>	 <u>\$ (99,295)</u>	 <u>\$ (117,613)</u>
 FUND BALANCE, JANUARY 1				
 FUND BALANCE, DECEMBER 31	 <u><u>\$ 18,318</u></u>	 <u><u>\$ 18,318</u></u>	 <u><u>\$ (99,295)</u></u>	 <u><u>\$ (117,613)</u></u>

See Independent Auditor's Report and Notes to the Financial Statements.

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**Independent Auditor's 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***

Board of Alderpersons
City of Dellwood, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Dellwood, Missouri ("the City") as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 23, 2011. We issued an adverse opinion in our report on the governmental activities, business type activities, each major fund, and the aggregate remaining funds, because the City did not capitalize infrastructure and other capital assets; did not report depreciation expense for those assets over their estimated useful lives, did not report compensated absences or allowance for doubtful accounts, among other omissions. Except as discussed in the preceding sentence, 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 the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all

deficiencies in internal control that might be significant deficiencies or material weaknesses. We did identify deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. The material deficiencies are described in attached communication as 2009-10, 2009-12 through 2009-15, and 2009-17

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The material deficiencies are described in an attached communication as 2009-11, and 2009-16.

This report is intended solely for the information and use of the City Alderpersons, management of the City, 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.

CRWilliams & Associates LLC
Merrillville, Indiana
February 23, 2011

City of Dellwood, Missouri
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Dellwood on the applicable findings in the prior audit report issued by the independent auditor for the year ended December 31, 1993.

The audit report disclosed compliance with internal control findings associated with the Municipal Court recording of the transactions material to the financial statements of the city.

City of Dellwood
Dellwood, Missouri
Combining Balance Sheet-Cash Basis
Special Purpose Governmental Funds
For The Year Ended December 31, 2009

	Sanitary Sewer Lateral Fund	Parks & Storm Water	Law Enforcement Block Grant Fund	Capital Improvement Sales Tax Fund	Total Special Purpose Governmental Funds
Assets					
Cash					-
Investments					-
Restricted assets-cash	\$ 11,150	233,527	38,344	398,230	\$ 681,250
Restricted assets-investments	-	-	-	-	-
Total assets	<u>\$ 11,150</u>	<u>233,527</u>	<u>38,344</u>	<u>398,230</u>	<u>\$ 681,250</u>
 Fund balances					
Restricted fund balances	\$ 11,150	233,527	38,344	398,230	\$ 681,250
	-	-	-	-	-
Total fund balances	<u>\$ 11,150</u>	<u>233,527</u>	<u>38,344</u>	<u>398,230</u>	<u>\$ 681,250</u>

City of Dellwood
Dellwood, Missouri
Combining Statement of Revenues, Expenditures, Changes In Fund Balances
Special Purpose Governmental Funds - Cash Basis
For The Year Ended December 31, 2009

	Sanitary Sewer Lateral Fund	Parks & Storm Water	Law Enforcemen t Block Grant Fund	Capital Improvement Sales Tax Fund	Total Special Purpose Governmenta l Funds
Revenues					
Property & other taxes	\$ 55,434				\$ 55,434
Sales taxes		125,872		291,059	416,932
Fines, fees, licenses, and permits					-
Charges for services					-
Interest income					-
Intergovernmental					-
Miscellaneous					-
Total revenues	<u>55,434</u>	<u>125,872</u>	<u>-</u>	<u>291,059</u>	<u>472,366</u>
Expenditures					
General county government					-
Road & bridge					-
Health and welfare					-
Property valuation, assesment & recording					-
Administration of justice & law					-
Capital outlay:					
Property, equipment, & buildings					-
Debt service:					
Principal					-
Interest and paying agent fee					-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>55,434</u>	<u>125,872</u>	<u>-</u>	<u>291,059</u>	<u>472,366</u>
Other financing sources (uses):					
Proceeds from loan	-	-	-	-	-
Transfer in					-
Transfer out	(44,285)	(164,019)		(311,013)	(519,316)
Insurance proceeds					-
Sale of capital assets	-	-	-	-	-
Other income/adjustments					-
Total other financing sources (uses)	<u>(44,285)</u>	<u>(164,019)</u>	<u>-</u>	<u>(311,013)</u>	<u>(519,316)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>11,150</u>	<u>(38,146)</u>	<u>-</u>	<u>(19,954)</u>	<u>(46,950)</u>
Assigned fund balances, beginning of year	-	271,673	38,344	418,183	728,200
Prior year adjustments & equity transfers	-	-	-	-	-
Assigned fund balances, end of year	<u>\$ 11,150</u>	<u>233,527</u>	<u>38,344</u>	<u>398,230</u>	<u>\$ 681,250</u>

City of Dellwood
Dellwood, Missouri
Combining Statement of Revenues, Expenditures, Changes In Fund Balances
Business Activities Fund - Cash Basis
For The Year Ended December 31, 2009

	Recreation Center	Total Business Activities Fund
Revenues		
Pool services	11,710	11,710
Concessions	65,142	65,142
Rental	130,901	130,901
Interest income		-
Intergovernmental		-
Miscellaneous	375	375
Total revenues	208,127	208,127
 Expenditures		
Payroll	140,205	140,205
Supplies	12,774	12,774
Cost of goods sold	40,237	40,237
Facility maintenance	39,892	39,892
Utilities	36,438	36,438
Contract Payroll	15,131	15,131
Miscellaneous	12,874	12,874
Capital outlay:		
Property, equipment, & buildings	39,019	39,019
Debt service:		
Principal		-
Interest and paying agent fee		-
Total expenditures	336,570	336,570
Excess of revenues over (under) expenditures	(128,443)	(128,443)
 Other financing sources (uses):		
Proceeds from loan	-	-
Transfer in		-
Transfer out		-
Insurance proceeds		-
Sale of capital assets	-	-
Other income/adjustments		-
Total other financing sources (uses)	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(128,443)	(128,443)
 Assigned fund balances, beginning of year		-
Prior year adjustments & equity transfers	-	-
Assigned fund balances, end of year	\$ (128,443)	\$ (128,443)

See Independent Auditor's Report and Notes to the Financial Statements.

City of Dellwood
Dellwood, Missouri
Balance Sheet-Cash Basis
Tax Incremental Financing
For The Year Ended December 31, 2009

	<u>Tax Incremental Financing Fund</u>
Assets	
Cash	
Investments	
Restricted cash - EATS	\$ 38,835
Restricted cash - PILOT	16,582
Total Current Assets	<u>55,417</u>
 TIF Restricted assets-investments	 4,045,845
 Total assets	 <u><u>\$ 4,101,262</u></u>
 Liabilities, Fund Equity and Other Credits	
<i>Liabilities:</i>	
Bank overdraft	
Accounts payable and accrued expenses	
Compensated absences	
Total current liabilities	
 Long Term Debt	 4,045,845
 Fund balances	
Assigned fund balances - Due to agency	\$ 55,417
Total fund balances	<u><u>\$ 55,417</u></u>
 Total Liabilities and Fund Balances	 <u><u>4,101,262.43</u></u>

City of Dellwood
Dellwood, Missouri
Combining Statement of Revenues, Expenditures, Changes In Fund Balances Tax Incremental Financing Fund -
Cash Basis
For The Year Ended December 31, 2009

	Tax Incremental Financing Fund	Total Tax Incremental Financing Fund	
Revenues			
Property & other taxes -	\$ 54,885	\$ 54,885	
Sales taxes -	45,385	45,385	
Fines, fees, licenses, and permits		-	
Charges for services		-	
Interest income		-	
Intergovernmental		-	
Miscellaneous		-	
Total revenues	100,271	100,271	
Expenditures			
General county government		-	
Road & bridge		-	
Health and welfare		-	
Property valuation, assesment & recording		-	
Administration of justice & law		-	
Capital outlay:		-	
Property, equipment, & buildings		-	
Debt service:		-	
Principal		-	
Interest and paying agent fee	117,539	117,539	
Total expenditures	117,539	117,539	
Excess of revenues over (under) expenditures	(17,269)	(17,269)	
Other financing sources (uses):			
Proceeds from loan	-	-	
Transfer in		-	
Transfer out		-	
Insurance proceeds		-	
Sale of capital assets	-	-	
Other income/adjustments		-	
Total other financing sources (uses)	-	-	
Excess of revenues and other sources over (under) expenditures and other uses	(17,269)	(17,269)	
Assigned fund balances, beginning of year	72,686	72,686	
Prior year adjustments & equity transfers	-	-	
Assigned fund balances, end of year	\$ 55,417	\$ 55,417	

See Independent Auditor's Report and Notes to the Financial Statements.

City of Dellwood
Dellwood, Missouri
Combining Statement of Changes in Fiduciary Net Assets-Modified Cash Basis
Agency Funds
For The Year Ended December 31, 2009

	Municipal Court Bond Account	Chambers/West Florissant Redevelopment Project	Statement of Fiduciary Net Assets
Assets			
Cash			-
Investments			-
Restricted assets-cash	\$ 34,416	55,417	\$ 89,833
Restricted assets-investments		4,045,845	4,045,845
Total assets	\$ 34,416	4,101,262	\$ 4,135,678
Liabilities			
Due to agencies and political subdivisions	-	55,417	55,417
Due to other funds			-
Due to others	\$ 34,416	4,045,845	\$ 4,080,261
Total liabilities	\$ 34,416	4,101,262	\$ 4,135,678

See Independent Auditor's Report and Notes to the Financial Statements.

City of Dellwood
Dellwood, Missouri
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual -Special Purpose Funds - Budget Basis
For The Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Sanitary Sewer Lateral Fund				
Revenues				
Property & other taxes	0	-	\$ 55,434	55,434
Sales taxes				
Fines, fees, licenses, and permits				
Charges for services				
Interest income				
Intergovernmental				
Miscellaneous				
Total revenues	<u>-</u>	<u>-</u>	<u>55,434</u>	<u>55,434</u>
Expenditures				
General county government				
Road & bridge				
Health and welfare				
Property valuation, assesment & recording				
Administration of justice & law				
<i>Capital outlay:</i>				
Property, equipment, & buildings				
<i>Debt service:</i>				
Principal				
Interest and paying agent fee				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>55,434</u>	<u>55,434</u>
Other financing sources (uses):				
Proceeds from loan				
Transfer in				
Transfer out			(44,285)	(44,285)
Insurance proceeds				
Sale of capital assets				
Other income/adjustments				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(44,285)</u>	<u>(44,285)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>11,150</u>	<u>11,150</u>
Assigned fund balances, beginning of year				
Prior year adjustments & equity transfers	-	-	-	-
Assigned fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,150</u>	<u>\$ 11,150</u>

City of Dellwood
Dellwood, Missouri
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual -Special Purpose Funds - Budget Basis
For The Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property & other taxes				
Sales taxes			125,872	125,872
Fines, fees, licenses, and permits				
Charges for services				
Interest income				
Intergovernmental				
Miscellaneous				
Total revenues	<u>-</u>	<u>-</u>	<u>125,872</u>	<u>125,872</u>
Expenditures				
General county government				
Road & bridge				
Health and welfare				
Property valuation, assesment & recording				
Administration of justice & law				
<i>Capital outlay:</i>				
Property, equipment, & buildings				
<i>Debt service:</i>				
Principal				
Interest and paying agent fee				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>125,872</u>	<u>125,872</u>
Other financing sources (uses):				
Proceeds from loan			-	
Transfer in				
Transfer out			(164,019)	(164,019)
Insurance proceeds				
Sale of capital assets			-	
Other income/adjustments				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(164,019)</u>	<u>(164,019)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>(38,146)</u>	<u>(38,146)</u>
Assigned fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Prior year adjustments & equity transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned fund balances, end of year	<u>-</u>	<u>-</u>	<u>(38,146)</u>	<u>(38,146)</u>

City of Dellwood
Dellwood, Missouri
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual -Special Purpose Funds - Budget Basis
For The Year Ended December 31, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
	Capital Improvement Sales Tax Fund			
Revenues				
Property & other taxes				
Sales taxes			291,059	291,059
Fines, fees, licenses, and permits				
Charges for services				
Interest income				
Intergovernmental				
Miscellaneous				
Total revenues	<u>-</u>	<u>-</u>	<u>291,059</u>	<u>291,059</u>
Expenditures				
General county government				
Road & bridge				
Health and welfare				
Property valuation, assesment & recording				
Administration of justice & law				
<i>Capital outlay:</i>				
Property, equipment, & buildings				
<i>Debt service:</i>				
Principal				
Interest and paying agent fee				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>291,059</u>	<u>291,059</u>
Other financing sources (uses):				
Proceeds from loan			-	
Transfer in				
Transfer out			(311,013)	(311,013)
Insurance proceeds				
Sale of capital assets			-	
Other income/adjustments				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(311,013)</u>	<u>(311,013)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>(19,954)</u>	<u>(19,954)</u>
Assigned fund balances, beginning of year		38,344	418,183	379,839
Prior year adjustments & equity transfers	-	-	-	-
Assigned fund balances, end of year	<u>-</u>	<u>38,344</u>	<u>398,230</u>	<u>359,885</u>

City of Dellwood
Dellwood, Missouri
Required Supplemental Information
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Tax Incremental Financing - Budget Basis
For The Year Ended December 31, 2009

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
TIF				
Revenues				
Property & other taxes	0	-	54,885	54,885
Sales taxes			45,385	45,385
Fines, fees, licenses, and permits				
Charges for services				
Interest income				
Intergovernmental				
Miscellaneous				
Total revenues	<u>-</u>	<u>-</u>	<u>100,271</u>	<u>100,271</u>
Expenditures				
General county government				
Road & bridge				
Health and welfare				
Property valuation, assesment & recording				
Administration of justice & law				
Capital outlay:				
Property, equipment, & buildings				
Debt service:				
Principal				
Interest and paying agent fee			117,539	117,539
Total expenditures	<u>-</u>	<u>-</u>	<u>117,539</u>	<u>117,539</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(17,269)</u>	<u>(17,269)</u>
Other financing sources (uses):				
Proceeds from loan				
Transfer in				
Transfer out				-
Insurance proceeds				
Sale of capital assets				
Other income/adjustments				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>(17,269)</u>	<u>(17,269)</u>
Assigned fund balances, beginning of year			72,686	72,686
Prior year adjustments & equity transfers	-	-	-	-
Assigned fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,417</u>	<u>\$ 55,417</u>

February 23, 2011

To the Board of Alderpersons of
The City of Dellwood
Dellwood, Missouri

SCHEDULE OF INTERNAL ACCOUNTING/ADMINISTRATIVE CONTROL FINDINGS, AND RECOMMENDATIONS

Communication of Significant Deficiencies and Material Weaknesses

In planning and performing our audit of the financial statements of the City of Dellwood as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Dellwood's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be deficiencies in internal controls.

Control Deficiencies

2009-1 Finding: Monthly Financial Statements not Prepared and Operational Site Reporting not Available

Condition: Financial statements were not prepared and presented to the Board of Alderpersons on a monthly basis.

Criteria: OMB A-110 Sec. 215.51 Monitoring and reporting program performance. (a) Recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. (1) A comparison of actual accomplishments with the goals and objectives established for the period, the findings of the investigator, or both. Whenever appropriate and the output of programs or projects can be readily quantified, such quantitative data should be related to cost data for computation of unit costs. (2) Reasons why established goals were not met, if appropriate.

Cause: City receives multiple sources of tax receipts, fee for service receipts, and varying fees for licenses, permits, and court related income. The City has not - periodically reviewed the financial statements for expenses, conducted an expense analysis to view any significant differences between the budgeted amounts and actual amounts, has not periodically reviewed the financial statements regarding the payroll items or conducted an analysis periodically of the payroll accounts to view any significant differences between the budgeted amounts and actually amounts, nor has the City developed and reviewed a current year fixed asset schedule, for significant variances from the documented amounts.

Effect: Communication of financial and compliance results is unclear, the potential for revenue and expense understatement exists, the potential for misstating financial statements increases based on the lack of the performance monitoring at the site and entity levels.

Recommendation: The City of Dellwood should consider utilizing software for financial reporting, utilize external support to produce the financial statements, train the staff to utilized fund accounting or the City of Dellwood should consider hiring a contract controller and enable a monthly management review as a part of the process. We recommend the City of Dellwood should evidence the monitoring function.

2009-2 Finding: Computerized Accounts Payable System should be Utilized

Condition: The City of Dellwood disburses a number of transactions by electronic remittance, use of credit account, and checks without recording these transactions through the accounts payable system.

Criteria: OMB A-110 Sec. 215.21 Standards for financial management systems

Cause: The City financial record system is insufficiently adequate to provide financial and related operational information for all interested parties; the administration; the public; auditors; local, state, and federal authorities; and city employees regarding accounts payables. The adequacy of the accounting systems depends on whether both current and historical information is available

for decision-making purposes.

Effect: The City processes transactions on a cash basis. This causes a misstatement of financial results stemming from understated (overstated) assets, understated (overstated) liabilities, and understated (overstated) revenues and expenses.

Recommendation: The City of Dellwood should consider hiring a contract controller. The City of Dellwood should implement the accounts payable module in the accounting software. The accounting system should be designed to demand accuracy and a reasonable degree of internal control. If so designed, it will automatically assist those who are performing the daily work on the records as well as those who supervise them.

2009-3 Finding: Organization Planning

Condition: The changes in the uncertainty of revenue streams, the city's strength, other intangibles, and expense unpredictability decrease the sustainability of the city, given economic industry variables changes.

Recommendation: Consider formalizing the planning process. The process includes structuring the planning parameters, developing detailed operating budget assumptions, and developing a long range plan. The planning process incorporates board direction and participation to create the environment within which The City of Dellwood intends to exist.

We would recommend beginning a joint planning process through an initial board training session. Develop a capital budget through exploring the equipment status of each division and fund. Incorporate cross utilization of the technology. Change to cross marketing for community partnership development. Integrate a specific development plan and budget.

Significant Control Deficiencies

2009-4 Finding: Indirect Cost Allocation Plan

Condition: We found The City of Dellwood does not allocate overhead to the multiple funds.

The City of Dellwood currently receives a significant portion of its revenue for specific sources in the form of unrestricted tax receipts, court fees, & fee for service receipts through the recreations center, an enterprise fund. These funds do not have established restrictions for their use for certain projects and/or programs, but they do have departmental profit, or net fund balance changes in excess of expenses responsibilities. Accordingly, these amounts have been recorded as a separate departments on the City of Dellwood's financial statements. During our audit, we found that the City of Dellwood does not allocate overhead to the multiple departments. Rather, overhead costs are all absorbed by City Hall as a class and are not allocated to the specific departments based on

their use of net resources centrally provided. We believe there is a substantial cost in administering the specific funds and the general fund should be appropriately compensated.

The City of Dellwood has not developed a basis for allocation of overhead cost to programs and other support activities in accordance with OMB A-110. The City does not utilize substantiated allocation percentages to transfer all administrative and general and fund raising to specific programs.

The City of Dellwood has not identified its overhead cost pool, the components for the pool, for subsequent allocation. The company has activities requiring overhead cost allocation. The impact is to misstate the amounts transferred from administration to the programs.

Criteria: (34 CFR section 299.2(b)). Indirect Costs

Cause: A “restricted” indirect cost rate (RICR) must be used for programs administered by State and local governments and their governmental subrecipients that have a statutory requirement prohibiting the use of Federal funds to supplant non-federal funds. Non-governmental grantees or subgrantees administering such programs have the option of using the RICR, or an indirect cost rate of 8 percent, unless ED determines that the RICR would be lower.

Effect: The impact is to misstate fully allocated cost to programs, and to not provide an accurate basis for cost reimbursement.

Recommendation: The organization should perform two week quarterly time studies for payroll allocation and square footage proration, or other applicable basis, for occupancy costs. The company can develop other methods of allocation for overhead areas not able to utilize the above methods. An allocation methodology should be developed and evidenced by allocated time or other documentation. The City of Dellwood should review the behavior of their overhead pool components to determine the most feasible means for gathering the documentation for overhead allocation.

We recommend the City of Dellwood establish a policy that these types of specific funds will bear a certain allocated overhead for future years.

2009-5 Finding: Lack of Written Accounting and Internal Control Procedures

Condition: The City of Dellwood has not developed written accounting and internal control procedures to ensure the accurate recording of all financial transactions.

Criteria: OMB A-110 Sec. 215.21 Standards for financial management systems

Cause: The City’s financial record system should be adequate to provide financial and related

operational information for all interested parties; the board of directors; the administration; the public; auditors; local, state, and federal authorities; and city employees. The adequacy of the accounting systems depends on whether both current and historical information is available for decision-making purposes.

Effect: The accounting system is insufficiently designed to demand accuracy and a reasonable degree of internal control. The insufficient designed does not automatically assist those who are performing the daily work on the records, as well as those who supervise them, resulting in out of balance trial balances, inaccurately stated cash reconciliations, and understated interfund transactions.

Recommendation: We recommend The City of Dellwood develop written accounting and internal control procedures to ensure compliance with the AICPA Audit and Accounting Guide (Audit Guide), local and state government organizations, which provides accounting and reporting guidance. The written accounting procedures would detail such matters as how to record particular transactions, reference to and adherence to the implementing regulations, adequate separation of duties, review and control procedures, filing and record maintenance procedures, etc. The City of Dellwood should seek Board approval of the accounting procedures before implementation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses. We consider the following deficiencies to be material weaknesses in internal control.

2009-6 Finding: Obsolete Inventory, Inventory Verification Undocumented and Inventory not reconciled to Financial Statements

Condition: City of Dellwood could not document the amount of inventory or obsolete inventory recorded on the financial statements, had not performed an inventory of redistributable supplies for the organization since inception, could not document the amount of active or obsolete inventory for financial statement purposes, has not adopted a procedure to document received in-kind inventory contributions, has not adopted a procedure documenting the distribution of inventory to its recipients, has not adopted a structural organization to its inventory.

Criteria: CDA Operating and Fiscal Policies manual, section 2 -Books and accounts must be complete and accurate. The books of original entry must be kept current at all times, and postings must be made at least monthly to ledger accounts. Standard journal entries may be established for recurring items and posted monthly

Cause: City of Dellwood did not perform detail inventory counts either periodically or at year end, has not developed an effective procedure for obsoleting inventory, could not show sufficient documentation for valuing the purchased supplies. The Client has not developed a procedure for redistributing inventory to its department users. Items are not counted and deducted from inventory as they are distributed.

Effect: Inventory amounts maybe misstated, which will result in a misstatement of expenses. The lack of inventory observation by the prior and/or current auditors does not preclude a scope limitation.

Recommendation: City of Dellwood inventory design should include a system for tracking the flow and storage of goods transactions. The expiration dates on the products require inclusion in the inventory database for review prior to distribution to recipients. Implement sufficient controls to monitor the inventory status. Develop the criteria for inventory acquisition and disposition/distribution.

2009-7 Finding: Secure Supplies and Equipment Inventories

Condition: City of Dellwood has not developed a procedure to control exit and entrance to the inventory warehouse and other site inventory storage locations. City of Dellwood does not have adequate security in place to protect the warehouse inventory of office supplies and equipment, and the inventory of food supplies, beverages, and liquor. Products and goods are randomly stored in the warehouse area. City of Dellwood has not implemented a procedure to dispose of inventory of unused and obsolete technical equipment. City of Dellwood has not implemented a master key log or central key box. City of Dellwood has not implemented a procedure nor has the Dellwood police department provided documentation supporting the assignment of police cars, keys, guns, vest, and other police equipment to its officers.

Criteria: Books and accounts must be complete and accurate. The books of original entry must be kept current at all times, and postings must be made at least monthly to ledger accounts. Standard journal entries may be established for recurring items and posted monthly

Cause: Increased complexity and reduced accuracy stems from the requirement to perform a manual count of inventory without the tracking and bin location data. Varying parties have access without direct supervision from the organization's management or authorized staff. The organization does not have a practice or policy for disposal of the unused equipment. The City does not have a practice or policy for maintenance of reusable equipment location and usage.

Effect: Inventory amounts maybe misstated, which will result in a misstatement of revenues and expenses. The lack of inventory observation by the prior and/or current auditors does not preclude a scope limitation. Increased risk of loss of asset.

Recommendation: non-staff personal and staff personal should not have unsupervised or un-monitored entrance access to the secured areas. Part time staff should not have unsupervised

entrance access to the secured areas without authorized staff or management supervision. The process of disposing of the obsolete products should base on an established policy of disposing of unused inventory. Storage space is improved when unused items are expended, or disposed, in a timely fashion. We recommend implementing automated methods to record and track the movement of inventory. We recommend implementing a key log for the office (city hall, recreation center, garage etc.), and have keys assigned to employees who sign to have a key issued. We recommend implementing a policy to document the police department assignment of its equipment to users or responsible parties.

2009-8 Findings: Incomplete Human Resource Personal Files on Employees

Condition: City of Dellwood does not have all required documentation required to hire an employee in the Human Resource Personal File. The hiring process has excluded completed withholding forms, signed insurance enrollment forms; the initial pay rate was missing in employee files. It was problematic to determine whether a new hire, or current employee, participated in the employer offered pension plan as these forms were missing from the employee files. City of Dellwood does not perform annual performance review in employee files as required by their Personnel policies and procedures. Pay increases have been initiated by aldermanic personnel without sufficient evaluative support.

Criteria: Personnel policy and procedures manual documented in the section on payroll administration page 2 items 4.1.

Cause: It is standard practice to document the hiring of an employee. Incomplete employee applications, lack of background checks, no identification raises serious concerns as to adequacy of the hiring process. Problems can arise when calculating payroll, payroll deduction for withholdings, insurance premium deduction, pay rate application, and pension deduction can lead to costly errors for the employee and the Organization.

Effect: Insufficient support evidencing transactions potentially resulting in questioned costs.

Recommendation: Complete all employee applications for employment to complete the hiring process. Errors can be eliminated when background checks are completed. The human resource files require updating through completing all pertinent missing data required for an employee file. Implementation of the benefit policies and procedures will create the file index for determining and monitoring completion. Perform regular performance reviews to all employees on a timely basis. This may require semiannual and annual reviews to support pay rate change and/or promotion.

2009-9 Finding: Procurement and Contract Violations

Condition: Procurement transactions have not met the requirements of the CDA procurement

procedures, eligible transactions evaluations have not been documented as prescribed in the procurement procedures. Procurement transactions have not the competitive bid threshold requirements.

Criteria: A-110, subpart C post-award requirements, procurement standards, 44(d) procurement procedures -Contracts shall be made only with responsible contractors that possess the potential ability to perform successfully under the terms and conditions of the proposed procurement.

Cause: Transactions are procured without applicability of the required processes

Effect: Transactions are processed which require conformance to procurement procedures thereby obviating the controls to address spending appropriateness, authorization, or best use of resources. The impact is procurement is out of compliance.

Recommendation: The organization should enforce the internal control practices designed as a policy established for structural guidance.

Material Weaknesses

2009-10 Finding: Schedule of Fixed Assets Completion

Condition: We noted documentation for the inventory of program items designated for cross year usage was omitted from the complete listing of fixed assets. The equipment designated for cross year usage were neither valued nor included in the complete listing of fixed assets.

Criteria: (34 CFR section 299.2(b)). Allowable Costs/Cost Principles

Cause: The written fiscal and administrative requirements must: (a) be sufficiently specific to ensure that funds are used in compliance with all applicable statutory and regulatory provisions, including ensuring that costs are allocable to a particular cost objective; (b) ensure that funds received are spent only for reasonable and necessary costs of the program;

Effect: Property schedules have not been developed. A complete listing of all fixed assets and their related cost are necessary in order to facilitate the computation of depreciation expense, which is required for all organizations to recognize in their financial statements under generally, accepted accounting principles.

Recommendation: We recommend management compile an inventory of fixed assets by location and by fund. A complete listing of all fixed assets and their related cost are necessary in order to facilitate the computation of depreciation expense, which is required for all organizations to recognize in their financial statements under generally, accepted accounting principles. Dellwood should develop and maintain such a list and agree it to the general ledger on a regular basis.

2009-11 Finding: Organization Structure

Condition: The changes in environment portend changes in the governance structure. the changes in staffing and the requirements of the environment increase the uncertainty of decision making.

Criteria: Circular A-110, Revised, A. 2(3). Each governmental unit, in recognition of its own unique combination of staff, facilities, and experience, will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration of federal awards.

Cause: Changes in executive and financial management and changes in the municipal operating environment prevented implementation of controls and inconsistent application of controls, changes in fiscal and programmatic processing which resulted in an inability to sufficiently resolve program compliance, financial management, or reporting issues.

Effect: Solutions to resolve compliance and financial management problems were not developed or implemented by City of Dellwood's management staff.

Recommendation: Consider formalizing the management and decision processing. The process includes structuring the management environment to eliminate the inconsistencies and hesitations associated with joint decision makers, develop and adopt a detailed operating organization chart at the board level, and develop a written long range plan addressing the management of the organization. The structure incorporates board direction associated with governance and reduction of the operating decisions made at the Board level which obviate the internal controls.

2009-12 Finding: Secure Cash at Recreation Center

Condition: City of Dellwood has not developed the cash controls and procedures to control cash assets at the recreation center location. Cash was not located in a secured environment at all times. The office where cash was counted was not locked and secured from public view. The recreation center does not have proper opening and closing procedures. Cash was not verified in a dual mode.

Criteria: Books and accounts must be complete and accurate. The books of original entry must be kept current at all times, and postings must be made at least monthly to ledger accounts. Standard journal entries may be established for recurring items and posted monthly

Cause: Increased complexity and reduced accuracy stems from the requirement to monitor controls at a remote location with changing participation.

Effect: Cash amounts maybe misstated, which will result in a misstatement of revenues and

expenses. The lack of inventory and revenue processing except through observation by the prior and/or current auditors does not preclude a scope limitation.

Recommendation: Non-staff personal, and staff personal, should not have unsupervised or unmonitored entrance access to the secured areas. Part time staff should not have unsupervised entrance access to the secured areas without authorized staff or management supervision. The process of performing the accounting activities and inventory management activities should base on an established policy of these transaction areas. We recommend implementing automated methods to record and track the movement of inventory, and to install POS software to manage the accounting processes.

2009-13 Finding: Lack of Bank Reconciliations and Approval

Condition: We noted the bank statements for all the restricted accounts were not reconciled to the general ledger. The lack of reconciliation provides an ineffective system of cash controls, because it permits the possibility of fraudulent activities due to the lack of adequate and consistent accurate reconciliations.

Criteria: (34 CFR sections 299.2(b)). Allowable Costs/Cost Principles

Cause: The written fiscal and administrative requirements must: (a) be sufficiently specific to ensure that funds are used in compliance with all applicable statutory and regulatory provisions, including ensuring that costs are allocable to a particular cost objective; (b) ensure that funds received are spent only for reasonable and necessary costs of the program;

Effect: The lack of reconciliation confirming the bank balances permits the possibility of fraudulent activities due to the lack of an adequate documentation of consistent and accurate reconciliation.

Recommendation: An employee independent of cash receipt and disbursement activities should review the bank reconciliations, account for the confirmation. A specific employee, independent of the cash processing activities, becomes the repository for banking relations for any unusual items and documents their approval by initialing the form. We recommend all of the bank accounts require reconciliation between the yearend confirmation, the yearend reconciliation, and to the general ledger, and all reconciling items be promptly investigated and adjusted with documented explanations.

2009-14 Finding: Multiple Transactions and Accounting Errors

Condition: Numerous posting errors stem from receipt numbering for each check received, but not posting the receipt numbering in the cash journal. When revenue is batched for deposit, funds are not consistently recorded in the revenue journal. The revenue inconsistently recorded is in the restricted funds. The lack of a general ledger results in increased risk associated with an inability

to consistently describe and group related transactions. Dellwood's finance personnel that the revenue processing should have been reported in its financial statement to comply with accounting principles generally accepted in the United States of America and the State of Missouri's

Criteria: (34 CFR sections 299.2(b)). Allowable Costs/Cost Principles; 15 CSR 40-1.010

Cause: The written fiscal and administrative requirements must: (a) be sufficiently specific to ensure that funds are used in compliance with all applicable statutory and regulatory provisions, including ensuring that costs are allocable to a particular cost objective; (b) ensure that funds received are spent only for reasonable and necessary costs of the program;

Effect: There is a break down when posting revenue from the source documents to the individual accounts. Errors are consistently found in data entry, where the recreation center deposits are different the amount recorded in the cash receipt journal. The impact is cash transactions did not consistently source to the cash journal. Recording of tax distribution allocation is not consistently posted to the associated restricted accounts

Recommendation: We recommend the City consider hiring contract accounting personnel to manage the financial and accounting management activities and implement a control structure. We would recommend installing an automated accounting system to complement Dellwood's installed network.

2009-15 Finding: Support for Accounting Transfers

A transaction for \$19,509.32 was processed as a down payment for the sign. There are no recorded minutes approving purchased. A second transaction for \$19,509.32 was processed to finalize the purchase. A memo from the City Admin created a transfer of funds from the Capital Expenditure account for \$39,018.64 to the city operating account. The same lack of documented support, \$259,435, is present in four other transactions involving transfers from restricted funds to the general operating account. When the city clerk creates the warrants and processes the checks, inconsistent controls potentially can result in duplicate invoices and payments.

Criteria: (34 CFR sections 299.2(b)). Allowable Costs/Cost Principles; 15 CSR 40-1.010

Cause: The written fiscal and administrative requirements must: (a) be sufficiently specific to ensure that funds are used in compliance with all applicable statutory and regulatory provisions, including ensuring that costs are allocable to a particular cost objective; (b) ensure that funds received are spent only for reasonable and necessary costs of the program;

Effect: A memo was issued without an explanation regarding the purchase and transfer of funds to pay for the sign without aldermanic authorization. There are numerous errors between the manual

warrant and the electronic warrant document. The accounting for recording transfers in the recipient fund has not been processed.

Recommendation: We recommend the City consider hiring contract accounting personnel to manage the financial and accounting management activities and implement a control structure. We would recommend installing an automated accounting system to complement Dellwood's installed network.

2009-16 Finding: Noncompliance with cash collateral

Condition: City of Dellwood failed to obtain collateral to cover deposits over FDIC coverage from its financial institutions.

Criteria: HUD requires City of Dellwood to obtain collateral from financial institutions to collateralize deposits in excess of FDIC insurance (\$250,000). GASB No. 3, as amended by GASB No. 40, Deposit and Investment Risk Disclosures, requires certain disclosures related to cash deposits with financial institutions, including the types of deposits authorized by legal and contractual provisions; any violations of those provisions during the period; and the portion of bank balances for which there is collateral credit risk at the year end.

Cause: City of Dellwood did not obtain depository agreements with its financial institutions.

Effect: City of Dellwood is in violation of cash management regulations and subjected its cash to unnecessary risk.

Recommendation: We recommend City of Dellwood obtain depository agreements with its financial institutions.

2009-17 Finding: Multiple Transactions and Accounting Errors associated with Processing TIF transactions

Condition: Numerous posting errors stem from receipt numbering for each check received, but not posting the receipt numbering in the cash journal. When revenue is batched for deposit, funds are not consistently recorded in the revenue journal. The revenue inconsistently recorded is in the restricted funds. The lack of a general ledger results in increased risk associated with an inability to consistently describe and group related transactions. Dellwood's finance personnel that the revenue processing should have been reported in its financial statement to comply with accounting principles generally accepted in the United States of America and the State of Missouri's

Criteria: (34 CFR sections 299.2(b)). Allowable Costs/Cost Principles; 15 CSR 40-1.010

Cause: The written fiscal and administrative requirements must: (a) be sufficiently specific to ensure that funds are used in compliance with all applicable statutory and regulatory provisions,

including ensuring that costs are allocable to a particular cost objective; (b) ensure that funds received are spent only for reasonable and necessary costs of the program;

Effect: There is a break down when posting revenue from the source documents to the individual accounts. Errors are consistently found in data entry, where the recreation center deposits are different the amount recorded in the cash receipt journal. The impact is cash transactions did not consistently source to the cash journal. Recording of tax distribution allocation is not consistently posted to the associated restricted accounts

Recommendation: We recommend the City consider hiring contract accounting personnel to manage the financial and accounting management activities and implement a control structure. We would recommend installing an automated accounting system to complement Dellwood's installed network.

This information is intended solely for the use of the Audit Committee, Board of Alderpersons, and management of the City of Dellwood and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

CRWilliams & Associates LLC