



Office of Missouri State Auditor
Nicole Galloway, CPA

City of Amoret



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of City of Amoret

Accounting Controls and Procedures	Accounting controls and procedures need improvement. The city's procedures for receipting, recording, and depositing are poor. As a result, there is no assurance all monies collected are properly receipted, recorded, and deposited. In addition, the City Treasurer does not perform bank reconciliations for any of the city's bank accounts, and beginning and ending book balances are not maintained in the monthly account ledgers. The city does not have procedures in place to ensure information regarding a person who may be unqualified to run for or hold elected office is reported to the appropriate authority. An alderwoman may not be qualified to serve on the board due to questions about her residency and the Mayor may not have been qualified to file as a candidate due to delinquent city taxes.
Utility System Controls and Procedures	Utility system controls and procedures need improvement. The Board of Aldermen has not established adequate procedures to ensure delinquent accounts of city officials, city employees and their family members are properly monitored, assessed applicable penalties, or disconnected when appropriate. The City Water Meter Reader's spreadsheet of customer billings, payments, and past due balances did not reflect a past due balance for her own account until July 2017, when previous charges totaling \$188 for approximately 6 months of services were added to it and she paid off that balance. In addition, the Mayor and his son's accounts were delinquent for several months, but were not assessed penalties or disconnected while delinquent. Ordinance, billing statement instructions, and city practice regarding the handling of delinquent accounts differ, and reports of delinquent utility accounts are not provided to the Board for review. The Board was unable to provide documentation that a formal review of water rates had ever been performed, and as a result there is less assurance the water rates are set at an appropriate level. In addition, the Board last performed a review of sewer rates in 2012. Refundable utility deposit monies held in the Meter Deposit Fund are not accounted for properly.
Delinquent Property Taxes	The City Collector does not prepare and submit for approval by the Board a monthly list of delinquent tax collections or an annual delinquent tax listing.
Disbursements	Controls and procedures over city disbursements need improvement. The city did not spend all restricted monies in the Street Fund for street purposes and the Board has not established controls to ensure transfers between funds are proper, approved by the Board, and timely. Some disbursements allocated to only the General Fund and Water Fund could have been allocated to various city funds. One Board member is compensated for services performed while also serving on the Board, creating a conflict of interest. The city does not have a written bid policy, and did not solicit bids for various significant purchases. The city did not maintain adequate supporting documentation for some disbursements and employee compensation was not always approved for payment by the Board at its regular monthly meetings similar to other invoices. The city made extra compensation and mileage reimbursement payments to the City Treasurer. The City Treasurer failed to monitor the city's cash balances resulting in the Sewer Fund incurring \$158 in bank overdraft charges for the 2 years ended December 31, 2016.

Ordinance and Sunshine Law Issues	City ordinances are not codified or maintained in a well-organized manner. The Board has not adopted a written policy regarding public access to city records as required by state law. City personnel do not maintain adequate records of requests for records to show compliance with state law. The city did not give notice of regular monthly Board meetings or prepare a tentative agenda in compliance with the Sunshine Law.
Budgets and Financial Reporting	The Board does not have adequate procedures to prepare or monitor budgets. The city does not publish semiannual financial statements and city personnel have not filed annual financial reports with the State Auditor's Office as required by state laws. In addition, the city has not obtained annual audits of its sewer system as required by state law.
Street Maintenance Plan	The city has not developed a formal annual maintenance plan for city streets.
Fire Department	The city's Fire Department last registered with the State Fire Marshal (SFM) in June 2015. State law requires all fire departments annually complete and file a registration form with the SFM.

In the areas audited, the overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

City of Amoret

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
City of Amoret, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Amoret. We have audited certain operations of the city in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended December 31, 2016. The objectives of our audit were to:

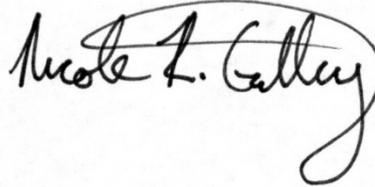
1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and procedures, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of applicable contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the city's management and was not subjected to the procedures applied in our audit of the city.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Amoret.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, looping flourish at the end of the name.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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City of Amoret

Management Advisory Report

State Auditor's Findings

1. Accounting Controls and Procedures

Accounting controls and procedures need improvement. The city receives payments for utility services (water and sewer), property taxes, motor fuel and vehicle taxes, fire department fees, and other miscellaneous items.

1.1 Receipting, recording, and depositing procedures

The city's procedures for receipting, recording, and depositing are poor. As a result, there is no assurance all monies collected are properly receipted, recorded, and deposited.

A review of receipts and deposits records noted various concerns.

- The City Treasurer did not issue receipts slips or retain paid billing statements for utility collections, which include charges and fees for water, sewer, and fire protection services.
- The City Collector did not record the date of payment and method of payment in the paid tax receipt book or identify the receipts composing tax deposits.
- The composition of both utility and tax collections are not reconciled to deposits.

In addition, the City Collector is solely responsible for receiving and recording property tax payments and transmitting them to the bank for deposit. The City Clerk compares the paid tax receipt book to payment notations made in the tax assessment books, but does not compare receipt records to deposits.

Failure to implement adequate receipting, recording, and depositing procedures increases the risk that loss, theft, or misuse of monies will occur and go undetected. To reduce this risk, procedures should be established to ensure all monies received are properly receipted, recorded, and deposited. In addition, internal controls could be improved by implementing documented supervisory or independent reviews of deposits. Such reviews would further reduce the possibility of errors, loss, theft, or misuse of funds going undetected.

1.2 Bank reconciliations

The City Treasurer does not perform bank reconciliations for the city's 7 bank accounts. In addition, beginning and ending book balances are not maintained in the monthly account ledgers prepared by the City Treasurer. The lack of beginning and ending book balances will hinder the City Treasurer's ability to complete bank reconciliations.

Monthly bank reconciliations help ensure bank and book balances are in agreement and errors are detected and corrected timely. Maintaining an



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accurate book balance for each account would aid in preparing the monthly bank reconciliations and monitoring the bank balances.

1.3 Board of Aldermen and Mayor qualifications

The city does not have procedures in place to ensure information regarding a person who may be unqualified to run for or hold elected office is reported to the appropriate authority, such as the state Department of Revenue (DOR) for unpaid tax issues as provided in Section 115.306, RSMo. An Alderwoman may not be qualified to serve on the Board due to questions about her residency and the Mayor may not have been qualified to file as a candidate due to delinquent city taxes.

Alderwoman

A Board member running for re-election was listed on the April 2017 election ballot and won despite apparently not meeting statutory residency requirements. The Bates County Assessor's tax ownership map and the Bates County Clerk's voter registration records show this individual has 2 addresses, one inside the city limits and one outside the city limits. The Bates County Assessor's property record cards only listed a residence at the address inside the city limits. The Board member in question indicated she lived at the residence inside the city limits, but a review of city water meter logs indicated this residence has not been billed for utility service since October 2016. Also, when asked about her residence, various city officials and residents indicated she lived at a new residence on the property outside the city limits. In addition, Board minutes for the September 7, 2016, meeting, indicate the Board discussed annexing this property into the city limits because of questions concerning her qualifications. As of June 30, 2017, no further action had been taken and the Board member remains in office.

Mayor

The Mayor owed delinquent city property taxes at the time of election in April 2014 and April 2016. After our inquiry, the Mayor paid his city property taxes for the years 2013 through 2016 in July 2017.

Conclusion

Section 79.070, RSMo, requires an alderman to be a resident of the city for one year preceding his or her election, at the time of filing, and during the time he or she serves. In addition, Section 79.250, RSMo, states "No person shall be elected or appointed to any office who shall at the time be in arrears for any unpaid city taxes, or forfeiture or defalcation in office. All officers, except appointed officers, shall be residents of the city."

Section 115.306, RSMo, requires that no person may be a qualified candidate if they owe any state income taxes, personal property taxes, municipal taxes, or real property taxes on the place of residence, and requires that the candidate file an affidavit declaring they do not currently owe any delinquent taxes with their declaration of candidacy. It also provides that the DOR shall investigate potential candidates upon receipt of complaints alleging such delinquencies.



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Procedures to transmit information regarding persons potentially unqualified to run for or hold office to the appropriate authority are necessary to ensure the city and its officers comply with applicable laws.

Recommendations

The Board of Aldermen:

- 1.1 Ensure receipt slips are issued for all utility payments, the date of payment and method of payment is noted for tax collections, receipts composing tax deposits are properly noted on the deposit slip, and the composition of all receipts is reconciled to the composition of deposits. In addition, the Board should implement procedures to ensure documented independent or supervisory reviews of the City Collectors' deposits are performed.
- 1.2 Ensure monthly bank reconciliations are prepared for all bank accounts and cumulative book balances are maintained.
- 1.3 Seek legal advice and resolve concerns regarding the current Alderwoman's and Mayor's qualifications to serve. In addition, the Board should establish procedures for handling future situations when the city receives information regarding a person potentially unqualified to run for or hold office, including transmitting this information to the appropriate authority.

Auditee's Response

- 1.1 *Taxes are now being collected by the Bates County Collector. Receipt books will be purchased and used with date of payment and method of payment listed as well as the reconciliation of the composition of receipts to the composition of deposits.*
- 1.2 *The City Treasurer will include the bank balance on the ledger that is already being used. We will prepare monthly bank reconciliations for all bank accounts and maintain cumulative book balances.*
- 1.3 *In the future, the city will seek legal advice or notify the proper authority when they receive information regarding a council person's qualifications. The Alderwoman and the Mayor in question had resigned, but their resignations were not accepted by the Board.*

2. Utility System Controls and Procedures

Utility system controls and procedures need improvement. The city provides water and sewer services, bills for the usage together, and deposits collections in the Water Fund. Sewer collections are then transferred to the Sewer Fund and disbursement activity is accounted for in the respective funds. The city collected approximately \$72,000 in utilities revenues during the year ended December 31, 2016.



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2.1 Delinquent accounts

The Board has not established adequate procedures to ensure the accounts of city officials, city employees, and their family members are properly monitored, assessed applicable penalties, or disconnected when appropriate. Ordinance, billing statement instructions, and city practice regarding the handling of delinquent accounts differ, and reports of delinquent utility accounts are not provided to the Board for review.

City ordinance 2003-115 indicates utility bills are due and payable the first day of the month, late and subject to an additional \$10 charge if unpaid after 10 days, and to be disconnected after 30 days. Monthly utility billing statements also list potential penalties and indicate all water bills will be due and payable on the first day of each month, delinquent on the 15th, and service will be disconnected without further notice on the 16th. However, according to the Water Meter Reader who is also on the Board, neither the city ordinance or statement on the utility billing are followed exactly. She indicated utility bills are generally sent out the first day of each month and assessed a 15 percent late fee if the bill is not paid by the 15th day of the month. Accounts become delinquent and subject to shut off if residents do not make any payments for two billing cycles after the initial late fee. The Water Meter Reader indicated she will attempt to contact customers concerning past due balances, but if she is unsuccessful or no response is returned, a shut off occurs. The city tries to accommodate customers by allowing them to make partial payments on their account. As of December 31, 2016, 16 customers had accrued delinquent balances totaling approximately \$1,700.

The Water Meter Reader maintains a monthly spreadsheet documenting customer billings, payments, and past due balances, but she does not present past due account information to the Board for review. The spreadsheet did not reflect a past due balance for her own account until July 2017, when previous charges totaling \$188 (approximately 6 months of services) were added to it and she paid off that balance. In addition, the Mayor's and his son's utility accounts accrued delinquent balances from December 1, 2016. The Mayor's account was delinquent through the March 1, 2017, billing when paid in full (paid approximately \$346 in February 2017 for December 2016 and January 2017 billings and \$323 in March 2017 for February and March 2017 billings). His son's account was delinquent through the July 1, 2017, billing when paid in full (paid approximately \$117 in January 2017 for December 2016 and January 2017 billings, \$100 partial payment in April 2017, \$150 partial payment in June 2017, and \$63 in July 2017 for his remaining delinquent balance and the July 2017 billing). None of these accounts were assessed penalties or disconnected while delinquent.

Allowing customers to receive utility service without paying reduces the incentive to make payments and may result in a loss of revenue to the city. The city's failure to assess penalties on delinquent accounts or disconnect



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service for elected officials in accordance with city policy creates the appearance these officials may have benefited improperly. City officials serve the city in a fiduciary capacity, and the failure to pay their own utility accounts could harm public confidence and reduce their effectiveness. To ensure all utility customers are treated equitably city policy should be clarified and subsequently followed, and the Water Meter Reader should provide the Board with a complete and accurate report of delinquent accounts along with documentation of actions taken to collect unpaid amounts.

2.2 Utility rates

The Board was unable to provide documentation that a formal review of water rates had ever been performed, and as a result there is less assurance the water rates are set at an appropriate level. In addition, the Board last performed a review of sewer rates in 2012.

The city last increased sewer rates in 2012 and water rates in 2014. According to city bank statements, the Water Fund and Sewer Fund had revenues of approximately \$45,000 and \$27,000, respectively, for the year ended December 31, 2016.

Section 67.042, RSMo, provides that fees may be increased if supported by a statement of costs that shows the increase is necessary to cover costs of providing the service. The city should periodically prepare cost analyses of water and sewer rates that consider expenses such as debt service costs, the need for the extension of the system, equipment repairs and replacement, depreciation, enlargement of plant, capital improvements, and operating and incidental expenses. The preparation of a comprehensive statement of costs would not only allow the city to determine the rates necessary to support current and future operations, but also provide documentation to customers of the rationale behind the rates.

2.3 Utility deposits

Refundable utility deposit monies held in the Meter Deposit Fund are not accounted for properly. The city does not have a listing of deposits held and is not properly tracking deposits. Effective October 2010, city Ordinance No. 2010-100 requires a \$200 deposit when an account is activated (Deposit amounts in previous years were \$100, \$50, \$25, \$15, and \$5). The city currently has approximately 90 water and/or sewer accounts, but customer account records are not adequate to determine the amount of deposits held. The Meter Deposit Fund bank account balance was \$3,393 as of December 31, 2016.

Refundable utility deposit monies are restricted funds held for customers. The Board should review utility customer deposit records to ensure all customer deposits are accounted for properly. In addition, the City Clerk should maintain an accurate list of all utility deposits held and reconcile the list monthly to monies held in the Meter Deposit Fund bank account.



Recommendations

The Board of Aldermen:

- 2.1 Clarify and then ensure city policies regarding the assessment of penalties and shut off procedures for delinquent accounts are followed. In addition, require the Water Meter Reader provide the Board with a complete and accurate report of delinquent accounts along with documentation of any actions taken to collect unpaid amounts.
- 2.2 Ensure a statement of costs is prepared to support utility rate increases and document formal reviews of water and sewer rates periodically to ensure revenues are sufficient to cover all costs of providing these services.
- 2.3 Account for customer utility deposits previously paid and resolve any discrepancy with the Meter Deposit Fund account balance. In the future the Board should also ensure an accurate list of utility deposits is prepared and reconciled monthly to monies in the Meter Deposit Fund bank account.

Auditee's Response

- 2.1 *An ordinance will be evaluated in the near future at a council meeting to re-organize penalties and procedures to handle them. As of the current date, customers are assessed a penalty on the 16th of the month, and if not paid within 5 days service is shut off. A \$50 reconnect fee is assessed to the final amount to get water and sewer reconnected. As the Board reviewed ordinance 2003-115, it was discovered that the \$10 penalty was assessed on the sewer usage. As of the current date, separate sewage penalties are not being assessed. Ordinance 2003-115 will be rescinded, and a new ordinance will take effect. The Meter Reader will provide the Board with a complete and accurate report of delinquent accounts along with documentation of actions taken to collect unpaid amounts.*
- 2.2 *A statement of costs will be prepared to ensure moneys are available to cover costs for the utility expenses.*
- 2.3 *A list of meter deposit account holders is in possession of the City Treasurer. We are reconciling the list of current customers to monies in the account. There are many people still in the system that have deposits that were less than \$100. There are some that have amounts of \$5, \$15, and \$25.*

3. Delinquent Property Taxes

The City Collector does not prepare and submit for approval by the Board a monthly list of delinquent tax collections or an annual delinquent tax listing. The city collected approximately \$3,700 in property tax revenues during



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each of the years 2016 and 2015. While reviewing the tax books, we determined delinquent taxes totaled approximately \$400 each year.

Section 94.330, RSMo, requires the City Collector to prepare and submit to the Board monthly reports of taxes collected on delinquent accounts. In addition, Section 79.310, RSMo, requires the City Collector to provide the Board annual lists of delinquent taxes for the Board to examine and approve and charge the City Collector with the amount of taxes due.

Recommendation

The Board of Aldermen require the City Collector to submit monthly lists of delinquent tax collections and an annual list of all taxes remaining due and uncollected at the first meeting of the Board in April.

Auditee's Response

The City Clerk will submit a list of delinquent taxes on a monthly basis, as well as an update when they are collected.

4. Disbursements

Controls and procedures over city disbursements need improvement.

4.1 Restricted monies

The city did not spend all restricted monies in the Street Fund for street purposes. During the year ended December 31, 2015, the city posted \$7,453 in motor vehicle-related revenues received from the state to the Street Fund. However, city officials used \$5,085 of this money to pay city insurance costs and another \$1,000 to supplement General Fund expenditures. We did not identify any improper usage of motor vehicle-related revenues during the year ended December 31, 2016.

Missouri Constitution, Article IV, Section 30(a) and 30(b), requires motor vehicle-related revenues apportioned by the state of Missouri be expended for street purposes only.

4.2 Transfers

The Board has not established controls to ensure transfers between funds are proper, approved by the Board, and timely. Minutes do not always document the discussion or approval of transfers.

The city prepares monthly billings that include charges to customers for water, sewer, and fire department services. Payments are initially deposited into the Water Fund and then transfers are made to the Sewer and Fire Funds. However, these transfers are not always based on actual collections, but rather on utility billings or amounts needed to cover fund expenses. In addition, transfers from the Water Fund to the Fire Fund are only performed periodically. Only 5 transfers from the Water Fund to the Fire Fund occurred during the year ended December 31, 2016.

To ensure monies are used for the intended purpose, transfers between funds should be approved by the Board, reasons and support for transfer amounts should be adequately documented, and transfers should be timely.



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4.3 Allocation

Some disbursements allocated to only the General Fund and Water Fund could have been allocated to various city funds. For example, in 2016 all costs of the City Clerk and City Treasurer's wages, insurance coverage for buildings and vehicles, and surety bond coverage were allocated to the General Fund when some of these costs could have been allocated to other funds. Similarly that year worker's compensation insurance costs were fully allocated to the Water Fund when some of these costs could have been allocated to other funds.

The proper allocation of expenses is necessary to accurately determine the results of operations of specific activities, thus enabling the city to establish the level of taxation and/or user charges necessary to meet all operating costs. To ensure funds are used for intended purposes, the allocation of expenditures to city funds should be based on specific criteria, such as the number of hours worked by each employee, and documentation supporting allocation decisions should be retained.

4.4 Conflict of interest

One Board member is compensated for services performed while also serving on the Board, creating a conflict of interest. The city has employed a Board member since September 2016 to be the city Water Meter Reader and compensated her approximately \$1,200 through December 31, 2016.

Section 105.458, RSMo, states "No member of any legislative or governing body of any political subdivision of the state shall (1) Perform any service for such political subdivision or any agency of the political subdivision for any consideration other than the compensation provided for the performance of his or her official duties "

4.5 Bidding policy

The city does not have a written bid policy. In addition, during the 2 years ended December 31, 2016, the city did not solicit bids for insurance, tree trimming service, mowing, or fire truck repairs.

	2016	2015
Insurance	\$ 4,907	4,678
Tree trimming service	0	1,900
Mowing	419	837
Fire truck repair	532	850

Formal bidding procedures for major purchases or services provide a framework for economical management of city resources and help ensure the city receives a fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in city business. Complete documentation should be maintained of all bids received and justification for awarding the bid.



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4.6 Supporting documentation

The city did not maintain adequate supporting documentation for some disbursements and employee compensation was not always approved for payment by the Board at its regular monthly meeting similar to other invoices. For example, payments totaling \$2,736 to the City Treasurer for mileage reimbursements between January 1, 2015, and April 30, 2016, were not supported by reimbursement requests showing actual miles driven. During this period, the city regularly paid the City Treasurer \$144 per month for 16 trips to the city's bank (30 miles round trip) at \$0.30 per mile, regardless of the number of actual trips made in the month. In addition, the city made 3 extra payments for a total of 19 payments of \$144 to the City Treasurer over these 16 months. The city also made 2 extra payments for a total of 14 payments of \$150 per month to the City Treasurer for her compensation in 2015. The City Treasurer indicated that she had declined the \$144 monthly mileage reimbursement, effective May 2016, because she realized she was being overpaid. Supporting documentation was not retained to explain these extra payments, nor were these issues discussed with the Board.

All disbursements should include proper supporting documentation and be approved by the Board to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

4.7 Overdraft fees

The City Treasurer failed to monitor the city's cash balances. As a result, the Sewer Fund incurred \$158 in bank overdraft charges for the 2 years ended December 31, 2016.

To prevent bank account overdraft charges, the city should more closely monitor bank account balances.

Recommendations

The Board of Aldermen:

- 4.1 Ensure restricted street monies are spent for allowable purposes only and develop plans to repay the amounts owed to the Street Fund.
- 4.2 Establish a process to ensure transfers between funds are proper, approved, and timely.
- 4.3 Ensure costs are allocated to the appropriate funds, supported by adequate documentation, and the documentation retained.
- 4.4 Comply with Missouri conflict of interest laws.
- 4.5 Establish a formal bidding policy and ensure all applicable purchases are made in accordance with the policy.



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- 4.6 Require adequate, detailed supporting documentation be retained for all disbursements and approved. In addition, the Board should review for potential additional extra payments and seek reimbursement of all amounts overpaid as appropriate.
- 4.7 Implement procedures to ensure bank account balances are properly monitored to avoid bank overdraft fees.

Auditee's Response

- 4.1 *The plan is to go back through Kansas City Power & Light Company bills paid out of the General Fund for the street lights and to reimburse the Street Fund. It has been brought to the Board's attention that this account is a restricted account and it is only allowed to be used for specific expenses. From this point forward, restricted monies will be spent for allowable purposes only.*
- 4.2 *The Board will evaluate and approve transfers from the Water Fund to the Sewer and Fire Funds monthly to make sure transfers are being done adequately.*
- 4.3 *Allocations of disbursements will be broken up with percentages based on different fund usage in order to cover expenses. City employees will prepare an estimate as to the hours worked to perform the job and deliver to the Board for consideration as to their wages.*
- 4.4 *Moving forward the Board will not employ Board members for city employees, and vice versa no employee will be a Board member.*
- 4.5 *An ordinance will be put in place to put more of the city's business in the hands of the community unless it includes an emergency that has to be done within a limited time frame. There will also be a stipulation as to a monetary amount as to when to not need bids.*
- 4.6 *In the future, invoices will be produced for any future expenditure. The Board will implement the recommendations.*
- 4.7 *The city is going to review the sewer funds in the future as to considering an increase in the sewer account. The Board will implement the recommendation.*

5. Ordinance and Sunshine Law Issues

City ordinances are not organized or complete. In addition, the city did not always comply with Chapter 610, RSMo (the Sunshine Law).



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5.1 Ordinances

City ordinances are not codified or maintained in a well-organized manner. In addition, city ordinances are not complete. The city does not have ordinances establishing the compensation of city officials and employees, the additional \$0.50 charged to county residents receiving city water service, and the \$2.00 fire department service fee.

Because ordinances passed by the Board to govern the city and its residents have the force and effect of law, it is important ordinances be complete and organized. In addition, ordinances documenting approved salary amounts help ensure equitable treatment and prevent misunderstanding. Section 79.270, RSMo, authorizes the Board to fix the compensation of all city officials and employees by ordinance.

5.2 Public access policy

The Board has not adopted a written policy regarding public access to city records as required by state law. A written policy regarding public access to city records would establish guidelines for the city to make records available to the public. This policy should identify a person to contact, provide an address to mail such requests, and establish fees that may be assessed for providing copies of public records.

Section 610.023, RSMo, lists requirements for making records available to the public. Section 610.026, RSMo, allows the city to charge fees for providing access to and/or copies of public records and provides requirements related to fees. Section 610.028, RSMo, requires a written policy regarding release of information under the Sunshine Law.

5.3 Record requests

City personnel do not maintain adequate records of requests for records to show compliance with state law. While the city was able to produce actual request letters and their response letters, no log of requests is maintained for providing other important information, such as the date a request was received, when records were provided, or important communications related to these requests. For example, the City Clerk's verbal and written communications with the state Attorney General's Office Sunshine Law Coordinator regarding a records request complaint were not adequately documented, logged, or dated.

Section 610.023, RSMo, provides each request for access to public records shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request was received. To ensure compliance with state law, the city should document adequate information in a log to determine if requests are completed timely and all requests are adequately filled. Necessary information includes, but is not limited to, the date of request, a brief description of the request, the date the request is completed or reason why the request cannot be completed, and any associated costs of fulfilling the request.



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5.4 Agendas

The city did not give notice of regular monthly Board meetings or prepare a tentative agenda in compliance with the Sunshine Law.

Section 610.020, RSMo, requires public entities to give notice of the time, date, and place of each meeting, and its tentative agenda, to advise the public of the matters to be considered. The notice shall be given at least 24 hours prior to the meeting.

Recommendations

The Board of Aldermen:

- 5.1 Ensure ordinances are maintained in a complete and well-organized manner and an index of all ordinances passed and rescinded is established. The Board should also establish, by ordinance, city employees' compensation and fees for city services.
- 5.2 Develop a written public access policy.
- 5.3 Ensure requests for information are responded to timely and maintain a public request log to help ensure compliance with state law.
- 5.4 Ensure meeting notices and agendas are given for all Board meetings.

Auditee's Response

- 5.1 *An ordinance will be written detailing city employees' compensation (board members, city clerk, city treasurer, water reader, sewer operator, and water tester) and fees for utility services (water, fire, and sewer). A database of ordinances will be maintained in a complete and well-organized manner as well as an index of all ordinances passed and rescinded.*
- 5.2 *The city clerk, as custodian of record, will be the person of contact at P.O. Box 105, and later discuss charges to assess. In the future, this policy will be adopted and approved at a council meeting. The policy will be posted in the community.*
- 5.3 *In the future, a log will be kept for public requests of information. The Board will implement the recommendation.*
- 5.4 *Agendas will be posted.*

6. Budgets and Financial Reporting

Annual budgets are not prepared for city funds in accordance with state law and significant improvement is needed in financial reporting practices.



City of Amoret
Management Advisory Report - State Auditor's Findings

6.1 Budgets

The Board does not have adequate procedures to prepare or monitor budgets.

City budgets prepared for the year ended December 31, 2016, did not contain all required elements. The 2016 budget document presented total receipts and disbursements for the General Fund, Water Fund, Sewer Fund, Street Fund, and Fire Fund, but the receipts were not categorized by source nor were the disbursements categorized by function. The budget did not include a budget message, actual or budgeted amounts for the 2 preceding years, the actual beginning and estimated ending cash balance for any funds, or a budget summary. While current bank account balances are provided, budget-to-actual reports of financial activity are not presented to the Board at monthly meetings. As a result, the Board is not using all available information to assist in effectively managing the city and the public is not provided a complete overview of city finances. Also, there is no evidence the 2016 budget was approved by the Board.

Section 67.010, RSMo, requires the budget present a complete financial plan for the ensuing budget year and sets specific guidelines for the information to be included in the budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations. It also assists in setting the tax levy, utility rates, and informing the public about city operations and current finances. Once the city prepares an adequate budget, ongoing monitoring of budget-to-actual receipts and disbursements is necessary for the budget to be an effective management tool. In addition, Section 67.080, RSMo, provides that no expenditures of public monies should be made unless it is authorized in the budget.

6.2 Published financial statements

The city does not publish semiannual financial statements as required by state law. As a result, information regarding the city's financial activity and condition is not available to citizens.

Section 79.160, RSMo, requires the Board to prepare and publish financial statements semiannually that include a full and detailed account of the receipts, disbursements, and indebtedness of the city.

6.3 Filing of financial reports

City personnel have not filed annual financial reports with the State Auditor's Office as required by state law. Until 2017, the last annual financial report filed was for the year ending December 31, 2012, filed in February 2014. In July 2017, the city filed a financial report for the year ended December 31, 2016.

Section 105.145, RSMo, requires each political subdivision to file annual reports of its financial transactions with the State Auditor's Office. Section



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105.145(5), RSMo, prohibits elected officials from continuing to receive compensation or processing disbursements after the deadline to submit the financial statement and until the financial statement is submitted to the State Auditor's Office. In addition, 15 CSR 40-3.030, requires each political subdivision to file annual financial reports within 6 months of the end of the subdivision's fiscal year.

6.4 Audits

The city has not obtained annual audits of its sewer system as required by state law. Section 250.150, RSMo, requires the city obtain annual audits of the sewer system and the cost be paid from revenues received from the system.

Recommendations

The Board of Aldermen:

- 6.1 Prepare annual budgets that contain all information required by state law and ensure the budget and financial condition are adequately monitored. In addition, the Board's approval of the budget should be documented in the Board minutes.
- 6.2 Publish semiannual financial statements as required by state law.
- 6.3 File annual financial reports with the State Auditor's Office as required by state law.
- 6.4 Obtain annual audits of the sewer system as required by state law.

Auditee's Response

- 6.1 *Moving forward, the City Treasurer will be putting out a more detailed and categorized budget for the Board to review and approve monthly. This will ensure that the budget and financial condition are adequately monitored.*
- 6.2 *A semiannual financial statement will be published from this date forward to the public.*
- 6.3 *Financial reports will be filed with the State Auditor's Office as required by law. It was disclosed to us that this report is now available on line instead of through the mail. It was an unintentional oversight on the part of the city.*
- 6.4 *The city will be obtaining annual audits of the sewer system as required by law. The city has reported to the Department of Natural Resources (DNR) as required by the loan that was obtained. The city has diligently taken care of necessary information that DNR has required. Sewer rates may need to be increased to take care of this audit as required by state law.*



7. Street Maintenance Plan

The city has not developed a formal annual maintenance plan for city streets. We observed city streets in April, May, and July 2017, and it appeared streets were generally in good condition, with the exception of Fourth Street that remains closed for repair because a large section of the road has washed out and is impassable.

A formal maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of the streets needing maintenance, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and approved by the Board. In addition, a public hearing should be held to obtain input from city citizens.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. A plan provides a means to continually and more effectively monitor and evaluate the progress made in the repair and maintenance of streets throughout the year.

Recommendation

The Board of Aldermen establish a formal annual street maintenance plan.

Auditee's Response

The city will develop a formal annual street maintenance plan to discuss and approve in the near future. We will send out for bids to determine estimates in planning.

8. Fire Department

The Amoret Fire Department last registered with the State Fire Marshal (SFM) in June 2015.

Section 320.271, RSMo, requires all fire departments annually complete and file a registration form with the SFM. According to the SFM, annual registration is necessary to provide fire departments with up-to-date and accurate information to be used in the state Mutual Aid Program, which every department in the state is automatically part of. In addition, noncompliance makes the department ineligible for federal and state grants, federal and state surplus property, training opportunities provided by the state's Department of Public Safety - Division of Fire Safety (DFS), the DFS's Donated Equipment Program, and line of duty death benefits.

Recommendation

The Board of Aldermen ensure the Fire Department annually register with the State Fire Marshal in accordance with state law.

Auditee's Response

The city Board shall designate a person to register the fire department with the State Fire Marshal and provide documentation to prove that it took place.

City of Amoret

Organization and Statistical Information

The City of Amoret is located in Bates County. The city was incorporated in 1890 and is currently a fourth-class city. The city employed five part-time employees on December 31, 2016.

City operations include utilities (water and sewer), street maintenance, and fire protection services.

Mayor and Board of Aldermen

The city government consists of a mayor and 4-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen, at December 31, 2016, are identified below. The Mayor is paid \$15 per month and Board members \$10 per month, however, the Mayor and most Board members donate the compensation back to the city.

Mike Wisdom, Mayor
Jesse Short, Alderman
Angela Cook, Alderwoman
Cody Ayres, Alderman
Danny Masters, Alderman

Other Elected Official

The City Collector at December 31, 2016, was Martha Long and her annual compensation was \$165.

Other Principal Officials

The City Clerk and City Treasurer are appointed positions. The city's principal officials at December 31, 2016, are identified below:

Jane Hettinger, City Clerk
Kathy Bowers, City Treasurer

Financial Activity

A summary of the city's financial activity for the year ended December 31, 2016, follows:

City of Amoret
Schedule of Receipts, Disbursements, Transfers, and Changes in Cash
Year Ended December 31, 2016

	General Fund	Water Fund	Sewer Fund	Street Fund	Fire Fund	Meter Deposit Fund	Waterwork Replacement Fund	Total
RECEIPTS								
Property taxes	\$ 3,748	0	0	0	0	0	0	3,748
Motor fuel and vehicle tax	0	0	0	7,515	0	0	0	7,515
Greater Missouri Operations electric rebates	6,088	0	0	0	0	0	0	6,088
City services	0	73,958	0	0	350	1,200	0	75,508
Other	400	0	0	0	0	0	1	401
Total Receipts	10,236	73,958	0	7,515	350	1,200	1	93,260
DISBURSEMENTS								
Salaries and employee reimbursement	4,605	4,594	8,350	0	0	0	0	17,549
Insurance/bonding	5,310	1,674	0	0	0	0	0	6,984
Water supply system	0	35,956	0	0	0	0	0	35,956
State primacy fee	0	612	0	0	0	0	0	612
Association dues	0	228	0	0	0	0	0	228
Sewer testing and repair	0	0	1,876	0	0	0	0	1,876
Fire equipment and vehicle repair	0	0	0	0	700	0	0	700
Debt service	0	0	15,804	0	0	0	0	15,804
Utilities	3,145	596	260	2,907	800	0	0	7,708
Mowing	232	186	0	0	0	0	0	418
Election costs	224	0	0	0	0	0	0	224
Refunds	0	0	0	0	0	225	0	225
Bank overdraft fees	0	0	128	0	0	0	0	128
Other	238	365	0	0	0	0	0	603
Total Disbursements	13,754	44,211	26,418	2,907	1,500	225	0	89,015
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,518)	29,747	(26,418)	4,608	(1,150)	975	1	4,245
TRANSFERS								
TRANSFERS FROM								
Water Fund	1,000	0	26,612	0	2,078	0	0	29,690
Fire Fund	3,000	0	0	0	0	0	0	3,000
TRANSFERS TO								
General Fund	0	(1,000)	0	0	(3,000)	0	0	(4,000)
Sewer Fund	0	(26,612)	0	0	0	0	0	(26,612)
Fire Fund	0	(2,078)	0	0	0	0	0	(2,078)
TOTAL TRANSFERS	4,000	(29,690)	26,612	0	(922)	0	0	0
RECEIPTS OVER (UNDER) DISBURSEMENTS AND TRANSFERS	482	57	194	4,608	(2,072)	975	1	4,245
CASH BALANCE JANUARY 1, 2016	2,072	4,889	2,965	3,225	4,052	2,418	154	19,775
CASH BALANCE DECEMBER 31, 2016	\$ 2,554	4,946	3,159	7,833	1,980	3,393	155	24,020