



Office of Missouri State Auditor
Nicole Galloway, CPA

City of Seymour



Nicole Galloway, CPA
Missouri State Auditor

CITIZENS SUMMARY

Findings in the Audit of the City of Seymour

Utility System Controls and Procedures	<p>The Board of Aldermen has no documentation of any discussions held or the basis for determining the amounts to be transferred from each of the city's three utility funds to the General Fund. Periodic formal cost studies of utility rates have not been performed and rates have not been increased or decreased for any utility services for the past several years. The city does not reconcile customer utility deposit balances reported in the utility system to the city's accounting records. The city's utility customers that qualify as tax-exempt entities under Section 501(c)(3) of the Internal Revenue Code are not billed for sewer service, and the city is not open and/or transparent when awarding certain economic incentives in the form of reduced or waived electric charges. Controls over non-monetary adjustments posted to customer utility accounts need improvement. The city did not perform monthly reconciliations of total amounts billed, payments received, and amounts unpaid for any of the city's utility services. City officials do not have any procedures to determine electric losses, and do not review and investigate significant water losses.</p>
Monitoring Financial Condition	<p>The Board has not been monitoring the financial condition of the city, is not receiving detailed information showing cash balances for each fund, and has relied on transfers from utility funds to balance the city's budget.</p>
Budgets and Financial Reporting	<p>Annual budgets do not contain a budget message, the actual beginning and estimated ending cash balance for each fund, or a budget summary as required by state law. The Board unknowingly approved deficit budgets for the General Fund and Library Fund for the fiscal year ended June 30, 2017, in violation of state law. The Board does not adequately monitor budget-to-actual receipts and disbursements. The Board needs to evaluate its relationship with the Missouri Joint Municipal Electric Utility Commission (MJMEUC), including the Mid-Missouri Municipal Power Energy Pool, a power pool managed by the MJMEUC, to determine proper disclosures about the relationship in the city's financial statements.</p>
Nepotism	<p>During the February 22, 2018, Board meeting, Alderwoman Nadine Crisp voted to approve the appointment of her daughter, Sheila Sturdefant, to a 2-year term on the newly created Seymour Electric Rate Utility Commission.</p>
Disbursements	<p>Some disbursements paid from the Electric Fund should have been paid from the General Fund. The city does not have written contracts with some service providers and certain outside parties. The city does not always solicit competitive bids or proposals for goods and services as required by city code. The city does not require documented supervisory approval for purchases. Mileage records are not reviewed for reasonableness and bulk fuel purchases are not reconciled to bulk fuel dispensed. The Board was aware of two planned projects that resulted in the city using public resources for private gain, but it took no action to stop these projects.</p>
Closed Meetings	<p>Some topics discussed and voted on in closed meetings by the Board were not related to the reasons cited for closing the meeting listed in the open meeting minutes. In addition, the Board discussed some items in closed meetings that were not allowable under the Sunshine Law.</p>

Payroll Controls and Procedures	The Board approved year-end payments to all full-time city employees in violation of the Missouri Constitution. The city does not require time records be prepared or maintained for salaried employees, the city's procedures for calculating overtime are not compliant with city policies and federal regulations, and employees are paid based on estimated instead of actual hours. The city's computerized system only allows employees to accrue 200 hours of vacation leave instead of the maximum of 320 hours allowed by personnel policy due to a programming error. At the Emergency Services Coordinator's request, the city changed the Coordinator from an independent contractor to an employee starting in January 2016. The city did not document the reasons for the change or document how it determined what the proper classification was for this position. The city does not have ordinances establishing the compensation of city officials and employees as required by city code. The city is not complying with city code or personnel policy when giving pay raises to appointed officers.
Accounting Controls and Procedures	The Board has not adequately segregated accounting duties or ensured documented supervisory or independent reviews of work performed by city office personnel are performed. The city is not properly tracking and recording some restricted monies. The city has not established procedures to routinely follow up on outstanding checks. The Board members, who sign checks and have access to monies held in bank accounts, are not covered by a bond. Also, the Utility Clerk's bond does not provide adequate coverage.
Planning and Zoning	The City of Seymour does not have a city plan or comprehensive plan to guide planning and zoning activities.

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 Seymour

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NICOLE GALLOWAY, CPA

Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Aldermen
Seymour, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Seymour. We have audited certain operations of the city in fulfillment of our duties. The city engaged Decker and DeGood, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended June 30, 2017. To minimize duplication of effort, we reviewed the CPA firm's report. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2017. 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.

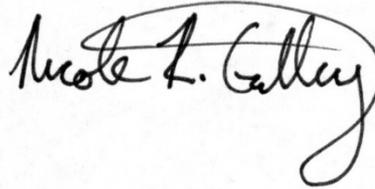
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls 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 its audited financial statements 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 Seymour.

An additional report, No. 2018-040, *Thirtieth Judicial Circuit, City of Seymour Municipal Division*, was issued in June 2018.

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:

Director of Audits:	Randall Gordon, M.Acct., CPA, CGAP
Audit Manager:	Travis Owens, MBA, CPA, CFE, CGAP
In-Charge Auditor:	Shannon Spicer, MBA
Audit Staff:	Misty Bowen, MSED

City of Seymour

Management Advisory Report

State Auditor's Findings

1. Utility System Controls and Procedures

1.1 Utility transfers

There are significant weaknesses in the city's utility operations. The city provides electric, water, and sewer services, and accounts for the financial activity of each service in a separate fund. The city collected approximately \$2.7 million in utility revenues during the fiscal year ended June 30, 2017.

The Board of Aldermen (Board) has no documentation of any discussions held or the basis for determining the amounts to be transferred from each of the city's three utility funds to the General Fund. The city has historically transferred substantial amounts of money from the Electric Fund, and more recently from the Water Fund and Sewer Fund, to help finance the operations and activities of the General Fund.

During the fiscal year ended June 30, 2017, the city transferred \$561,853 (classified in the city's financial system as transfers and fees in lieu of taxes) in utility monies to the General Fund. Transfers included the following dollar amounts and the corresponding percentage of each fund's total operating revenues: (1) \$450,653 from the Electric Fund (20 percent), (2) \$15,692 from the Water Fund (13 percent), and (3) \$95,508 from the Sewer Fund (29 percent). These utility monies transferred to the General Fund represent approximately 87 percent (Electric Fund), 57 percent (Water Fund), and 116 percent (Sewer Fund) of the operating income for each fund. Thus, the city is transferring the majority of operating income from utilities, and even transferring some amounts exceeding the amount of operating income, in order to subsidize the General Fund. This is an indicator that current utility rates may be higher than what is reasonable and necessary.

For the fiscal year ended June 30, 2018, the city budgeted transfers from the utility funds (formally referred to as "in lieu of tax") to the General Fund totaling \$265,390. The transfer amounts for 2018 are based on 10 percent of each utility fund's total operating revenues. In addition, the city budgeted additional transfers between funds including a transfer from the Water Fund to the General Fund of \$20,810, and 2 transfers from the Electric Fund of \$27,620 and \$61,505 to the Library Fund and Park Fund, respectively. The city could not provide a reason why these transfers were needed. In total, the city budgeted \$286,200 for utility transfers to the General Fund.

To compare Seymour to other cities, we haphazardly selected 12 cities (7 with municipally-owned utilities and 5 with privately-owned utilities) with populations of less than 6,000. In March and April 2018, we contacted each city to obtain the approximate percentage of utility revenues transferred to the city's General Fund for electric, water, and sewer for each city's most recently completed fiscal year. We also obtained the total dollar amount of utility monies transferred to each city's General Fund. Using data provided by the Missouri Municipal League, we also calculated the average transfer amount



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on a per-capita basis. Our survey included 11 cities with electric transfers,¹ 9 cities with water transfers, and 7 cities with sewer/wastewater transfers. Table 1 shows the results of our survey.

Table 1: Utility transfers to the General Fund for similarly sized cities and City of Seymour, most recently completed fiscal year

	Electric	Water	Sewer/ Wastewater	Total Transferred	Average per capita (1)
Lowest	3%	3%	3%	\$ 34,308	\$ 11
Average	6%	7%	7%	338,158	113
Highest	10%	10%	9%	1,054,602	197
Seymour	20%	13%	29%	561,853	\$ 292

(1) This was calculated by taking the total dollar amount of utility monies transferred to the General Fund divided by the city's population at the most recent census.

As shown in the table, the City of Seymour's percentage of utility revenues transferred was significantly higher than the other cities surveyed, and the average transfer amount per capita was also significantly higher. Because these transfers represent a significant revenue source for the General Fund, it is important for the Board to periodically re-evaluate the impact, not only on the General Fund budget, but also on utility rates. The 12 cities surveyed reported various reasons for the transfers including recovery of administrative or overhead costs that benefited the city utilities, or the need for funding to provide other city services such as police and street services.

To ensure utility transfers are reasonable, it is important the city evaluate the value of government services the transfers are offsetting during the annual budget process and document the process for determining the percentage to be charged.

1.2 Utility rates

Periodic formal cost studies of utility rates have not been performed and rates have not been increased or decreased for any utility services for the past several years. Although utility rates have not been changed, some utility funds subsidize other city funds, and heavily subsidize the General Fund as discussed in section 1.1. Electric, water, and sewer rates have not been adjusted since 2014, 1979, and 2012, respectively.

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. To ensure utility rates are set to cover the cost of providing the related services, the city should periodically perform and document a detailed cost study of each of its utility costs, including

¹ Transfers in cities with privately-owned utilities consist of payments in lieu of taxes and/or franchise fees.



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depreciation, and establish rates to cover the total cost of operations without generating excessive profits. Additionally, City Code Section 710.450 requires a review of the balance of the Sewer Fund at the end of each fiscal year to ensure adequate and equitable rate schedules for the following year.

1.3 Utility deposits

The city does not reconcile customer utility deposit balances reported in the utility system to the city's accounting records. The city collects deposits from new electric and water customers and places the monies in the city's primary bank account. According to city officials, customer utility deposits are held, along with other monies, in the city's primary bank account or are included in certificates of deposit. At our request, the city generated a detailed list of customer deposits from the utility system, which totaled \$137,640 as of June 30, 2017. However, customer deposits recorded in the accounting system (general ledger) totaled \$139,656 as of June 30, 2017, a difference of \$2,016. City officials were unable to explain the apparent shortage, but noted monies in the General Fund or certificates of deposit could also be used to return customer deposits if needed.

Periodic reconciliation of customer utility deposit balances to city accounting records is necessary to ensure sufficient funds are available for potential utility deposit refunds. Such reconciliations would allow for prompt detection of discrepancies.

1.4 Utility billing

The city's utility customers that qualify as tax-exempt entities under Section 501(c)(3) of the Internal Revenue Code (i.e., nonprofit entities) are not billed for sewer service. Additionally, the Board does not discuss or approve economic incentives, and as a result, the city is not open and/or transparent when awarding certain economic incentives in the form of reduced or waived electric charges.

The City Administrator granted economic incentives for businesses and other entities to locate in the city. For example, the city informally agreed to permanently charge a commercial business the industrial electric rate that is significantly less than the commercial rate in exchange for opening a new grocery store in the city, resulting in a cost savings of \$28,000 to the grocery store during fiscal year 2017. The city could provide no documentation this decision was approved or discussed by the Board. In addition, the city waived \$1,000 in electric charges for a religious organization as an incentive for it to locate in city limits and did not bill 10 nonprofit entities for sewer service. As a result of these actions, the city did not collect approximately \$9,000 in sewer revenues and \$29,000 in electric revenues for the fiscal year ended June 30, 2017.



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Per City Code Section 710.390, customers that qualify as tax-exempt Section 501(c)(3) entities are not billed for monthly sewer charges if they submit documentation of their exemption. However, this practice of waiving sewer charges violates Article VI, Section 23, Missouri Constitution, that specifically prohibits counties, cities, or other political subdivisions from granting public money or things of value to any corporation, association, or individual. Also, allowing customers to receive free or preferential utility services reduces city revenues and could create higher utility rates for other paying customers. Further, the city does not have an ordinance or policy for offering or approving financial incentives to new or existing businesses. Economic development financial incentives should be fair and transparent, and requiring these incentives to be approved by the Board and discussed in open meetings would help provide transparency and full disclosure to the public.

1.5 Non-monetary adjustments

Controls over non-monetary adjustments posted to customer utility accounts need improvement. Non-monetary adjustments are any transactions where monies are not received; however, the account balance has been changed in the accounting records, such as waiving customer late charges, adjusting usage for inaccurate meter readings, or reducing a balance due to water leaks. Non-monetary adjustments posted to the system are not reviewed and approved by an independent person and documentation of the reasons why these adjustments are necessary is not always retained.

Non-monetary adjustments should be verified and approved by a person independent of the person posting these transactions to ensure they are legitimate. Considering the risks associated with non-monetary adjustments, the Board should consider monitoring all such transactions.

1.6 Accounts receivable reconciliations

During the fiscal year ended June 30, 2017, the city did not perform monthly reconciliations of total amounts billed, payments received, and amounts unpaid for any of the city's utility services.

Monthly reconciliations are necessary to ensure accounting records balance, transactions are properly recorded, and errors or discrepancies are detected and corrected timely.

1.7 Utility loss

City officials do not have any procedures to determine electric losses, and do not review and investigate significant water losses.

City officials do not reconcile the total kilowatts of electricity purchased to the total kilowatts billed to customers and kilowatts used for city operations to determine if there has been any significant electric loss. For water, the City Clerk prepares a monthly reconciliation of total gallons of water pumped to total gallons of water billed and other known usage including flushing of fire hydrants and usage by the sewer/wastewater plant; however, the monthly water reconciliation is not reviewed by a supervisor and significant



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differences are not investigated. During our review of the reconciliations performed during 2017, we noted water losses of over 10 percent for 4 months, and one month was 18 percent.

Monthly reconciliations and reviews of electric and water loss are necessary to help detect significant utility loss and ensure all utility use is properly billed. Significant differences should be investigated.

Recommendations

The Board of Aldermen:

- 1.1 Determine the value of government services being offset by the utility transfers, maintain documentation to support the amounts transferred, and evaluate the effect on the General Fund.
- 1.2 Ensure formal reviews of utility rates are performed periodically to ensure revenues are sufficient to cover all costs of providing the service without generating excessive profits.
- 1.3 Periodically reconcile customer utility deposits per the utility system to accounting records and promptly investigate any differences.
- 1.4 Ensure all sewer charges are assessed and paid, and determine whether the city should seek reimbursement of sewer charges not paid. Also, the Board should review and approve any economic incentives offered by the city.
- 1.5 Ensure all non-monetary adjustments are properly approved and compared to actual changes posted to the computer system. Documentation of all non-monetary adjustments should be retained.
- 1.6 Ensure monthly reconciliations of amounts billed to amounts collected and delinquent accounts are performed.
- 1.7 Prepare a monthly reconciliation of electric purchased to amounts billed and used by the city. Also, the Board should review the city's monthly water and electric loss reports and investigate significant differences.

Auditee's Response

- 1.1 *The Board will determine the value of government services being offset by the utility department, determine the effect on the General Fund, and work towards eliminating those offsets.*
- 1.2 *The Board has already initiated a current professional rate study and is awaiting the results. We will continue to monitor utility rates periodically.*



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- 1.3 *All utility customer deposit accounts will be reconciled.*
- 1.4 *The Board will address the grocery store that is being charged industrial rates, and will begin charging sewer fees to everyone to follow state law. The Board will amend the existing city ordinance that allows free sewer to certain entities and will also begin approving all economic incentives.*
- 1.5 *We have already implemented this recommendation by requiring an approval signature and documentation for any adjustment. All documentation will be retained.*
- 1.6 *We will reconcile amounts billed to amounts collected and delinquent accounts.*
- 1.7 *We have already implemented this recommendation. A monthly calculation of electric loss is being performed, and the electric and water losses are being reported to each department for investigation.*

2. Monitoring Financial Condition

The Board has not been monitoring the financial condition of the city, is not receiving detailed information showing cash balances for each fund, and has relied on transfers from utility funds to balance the city's budget.

As discussed in Management Advisory Report finding number 1.1, the utility funds have been used to subsidize the General Fund. During the fiscal year ended June 30, 2017, the city transferred utility monies totaling \$561,853 to the General Fund. These transfers represented approximately 50 percent of General Fund revenues and transfers in, which totaled \$1,117,390.

As shown in Appendix A, the General Fund and Library Fund had deficit fund balances at June 30, 2017. Despite a transfer of \$52,713 from the General Fund, the Library Fund was still operating at a deficit. Also, despite the large amount transferred from the three utility funds, the General Fund was still operating at a deficit.

As shown in Table 2, the adjusted cash balances of the General Fund and Library Fund are negative (deficits) as of June 30, 2017. This was a direct result of monies owed to other funds.

Table 2: Adjusted cash balance for the General Fund and Library Fund at June 30, 2017

Category	General Fund	Library Fund
Cash and cash equivalents	\$ 270,992	0
Due from other funds	36,201	0
Due to other funds	(393,546)	(36,201)
Adjusted cash balance	\$ (86,353)	(36,201)

Source: Appendix B



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As shown in Appendix A, fiscal year 2017 revenues for the General Fund were \$555,537 and disbursements were \$858,107, for a deficit of \$302,570. Fiscal year 2017 revenues for the Library Fund were \$61,615 and disbursements were \$97,219, for a deficit of \$35,604. The General Fund and Library Fund cannot continue to operate by spending significantly more than they receive. As a result, other funds are subsidizing these funds.

The utility transfers to the General Fund were budgeted and approved by the Board. However, the budgets do not contain beginning and ending cash balances, and financial reports of cash and fund balances are not prepared and provided to the Board members. Without having adequate financial data, it is apparent the Board is not monitoring the financial condition of the various city funds throughout the year. There is no documentation to support discussion of these cash flow problems or the reasons for transferring the monies from the utility funds.

Numerous internal control weaknesses, lax controls over disbursements, poor budgeting practices, and lack of financial reporting to the Board have been identified and discussed in more detail throughout our Management Advisory Report. These weaknesses and lack of monitoring by the Board have put several of the city's funds in financial difficulty.

It is essential the Board address the financial condition of the various city funds in both the immediate and long-term future. Restricted utility funds should not be used to subsidize other funds. The Board should reduce spending where possible, evaluate controls and management practices to ensure efficient use of resources, monitor detailed financial data that includes cash balances for each fund, and closely monitor budgets.

Recommendation

The Board of Aldermen ensure monthly detailed financial data is provided to Board members, perform immediate and long-term planning, and closely monitor and take necessary steps to improve the financial condition of the various city funds. In addition, the Board should discontinue subsidizing city funds with utility monies.

Auditee's Response

The Board has been implementing new practices to improve the financial condition of each city fund. The Board will also receive a copy of detailed financial data monthly. The Board will work on identifying methods to eliminate the subsidizing of city funds with utility monies.

3. Budgets and Financial Reporting

Budgeting and financial reporting procedures need improvement.

3.1 Budgetary requirements

Annual budgets do not contain a budget message, the actual beginning and estimated ending cash balance for each fund, or a budget summary as required



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by state law. As a result of not having all information required to accurately prepare budgets, the Board unknowingly approved deficit budgets for the General Fund and Library Fund for the fiscal year ended June 30, 2017, in violation of state law. Deficit budgeting and/or fund balances were also noted as problems in the financial statement audit report.

A complete and well-planned budget, in addition to meeting statutory guidelines, can serve as a useful management tool by establishing specific financial expectations for each area of city operations. It also assists in setting tax levies and utility rates and informing the public about city operations and current finances. Section 67.010, RSMo, requires the budget present a complete financial plan for the ensuing budget year and sets specific requirements for information to be included in the budget. The law also indicates that in no event shall the total proposed disbursements from any fund exceed the estimated revenues to be received plus any unencumbered balance or less any deficit estimated for the beginning of the budget year.

3.2 Budget monitoring

The Board does not adequately monitor budget-to-actual receipts and disbursements. Per reports provided by the city, the city's actual disbursements exceeded budgeted disbursements for the General, Library, Electric, and Water Funds prior to June 30, 2017; however, a budget amendment was not prepared or approved by the Board before the budget was overspent or before the fiscal year ended.

The Board does not receive a report of the city's budget-to-actual financial information at its meetings, and as a result, does not adequately monitor the city's annual budget. The Board first amended the budget on March 23, 2017. On July 13, 2017, the Board approved a second and final budget amendment for all seven of the city's funds that changed each variance of budget-to-actual disbursements to zero. This was done after the actual disbursements had already exceeded the budgeted amounts and after the fiscal year had ended.

Section 67.040, RSMo, requires political subdivisions to keep disbursements within amounts budgeted but allows for budget increases if the governing body officially adopts a resolution setting forth the facts and reasons. In addition, Section 67.080, RSMo, provides that no disbursements of public monies should be made unless it is authorized in the budget. Proper monitoring and amending prior to disbursing funds in necessary for the budget to be an effective management tool and to comply with state law.

3.3 Mid-Missouri Municipal Power Energy Pool disclosures

The Board needs to evaluate its relationship with the Missouri Joint Municipal Electric Utility Commission (MJMEUC), including the Mid-Missouri Municipal Power Energy Pool (MMMPEP), a power pool managed by the MJMEUC, to determine proper disclosures about the relationship in the city's financial statements.



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The city contracts with the MJMEUC for the purchase of electrical power and energy. The city, along with other Missouri municipalities, is also a member of the MMMPEP. The city has a long-term commitment to these entities that expires May 31, 2028. The obligations of the MMMPEP members include maintaining adequate customer rates and maintenance of power facilities and contracts in order to meet members' commitments to the pool. If a member city decides to leave the pool, it must give a 5-year notice. At the end of the 5-year period, the city would be responsible for a pro-rata share of the ongoing capital and operation costs of each pool project based on its share of energy.

The city did not include any disclosure about MJMEUC and MMMPEP or details regarding potential financial obligations in the city's audited financial statements until after we brought this issue to the city's attention. Such disclosures are necessary to fully disclose the financial arrangements, as well as potential, significant future debt to citizens.

Recommendations

The Board of Aldermen:

- 3.1 Ensure annual budgets contain all information required by state law. In addition, the Board should not approve deficit budgets.
- 3.2 Periodically obtain and review reports of budgeted and actual disbursements to properly monitor the annual budget, ensure disbursements do not exceed budgeted appropriations, and prepare any necessary budget amendments timely.
- 3.3 Continue to consult with its independent auditor to ensure proper and necessary disclosures are included in the financial statements.

Auditee's Response

- 3.1 *The Board has already implemented a budget message and will begin including the beginning and estimated ending cash balances for each fund to help ensure it does not approve deficit budgets in the future. The Board will also implement a budget summary.*
- 3.2 *The Board will review reports of budgeted and actual disbursements to monitor the budget, and will amend the budget when necessary.*
- 3.3 *The Board has and will continue to consult with our independent auditor to determine the proper and necessary disclosures for financial statements.*

4. Nepotism

During the February 22, 2018, Board meeting, Alderwoman Nadine Crisp voted to approve the appointment of her daughter, Sheila Sturdefant, to a 2-year term on the newly created Seymour Electric Rate Utility Commission. The Seymour Electric Rate Utility Commission Rules and Regulations state



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each member of the commission shall receive a salary of \$100 per meeting; however, as of April 16, 2018, no payments had been made to any of the five appointees.

Article VII, Section 6, Missouri Constitution, provides that any public official who names or appoints to public office or employment any relative within the fourth degree shall forfeit his office.

Recommendation

The Board of Aldermen consult with legal counsel regarding matters of legal interpretation and ensure compliance with the Missouri Constitution related to the hiring or appointment of relatives.

Auditee's Response

The Board will consult with legal counsel to ensure we are in compliance with the Missouri Constitution, and evaluate if any action is needed.

5. Disbursements

Improvement is needed over city disbursements.

5.1 Electric Fund disbursements

Some disbursements paid from the Electric Fund should have been paid from the General Fund. For example, in fiscal year 2017 disbursements totaling \$10,406 for the bi-annual citywide clean ups, \$2,048 for the city's recycling program, and \$315 for advertising a rabies clinic were charged to the Electric Fund when these costs should have been charged to the General Fund. These disbursements do not benefit or relate to the city's electric operations.

To ensure restricted monies are used for the intended purpose, disbursements should be paid from the appropriate funds. This is also 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.

5.2 Written contracts

The city does not have written contracts with some service providers and certain outside parties. During the fiscal year ended June 30, 2017, the city paid for various services without a written contract including mowing (\$28,400), consulting (\$18,001), information technology (\$10,057), legal (\$38,214), and pest control (\$1,450).

Clear and detailed written contracts, including reporting requirements and provisions to allow for proper monitoring, are necessary to ensure all parties are aware of their duties and responsibilities, prevent misunderstandings, and ensure city monies are used appropriately and effectively. Section 432.070, RSMo, requires contracts for political subdivisions to be in writing.

5.3 Bidding and documentation

The city does not always solicit competitive bids or proposals for goods and services as required by city code. With the exception of pest control services, which is under the bidding threshold, the remaining services listed in section



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5.2 were not bid in violation of city code. Also, the city has not solicited bids for other professional services including banking services. In addition, city personnel do not document the reasons when rejecting the lowest bid. For example, mowing services were not awarded to the lowest bidder, and no reasons for rejecting this bid were documented. Per City Code Section 135.010, sealed bids are required for purchases over \$2,000; however, City Code Chapter 135, "Purchasing and Inventory Policies," does not include sufficient detail on how bids are to be solicited or advertised, and does not include discussion of procedures or required documentation for selecting a bidder that is not the lowest bidder.

Formal bidding procedures for major purchases or services provide a framework for economic management of city resources and help ensure the city receives fair value by contracting with the lowest or best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in city business. Soliciting proposals for professional services is a good business practice, helps provide a range of possible choices, and allows the city to make better-informed decisions to ensure necessary services are obtained from the best qualified provider after taking expertise, experience, and cost into consideration. Formal bidding procedures should be sufficiently detailed and include requirements for documenting the process of awarding a bid.

5.4 Approval process

The city does not require documented supervisory approval for purchases. Although the city has adopted a purchase order form to document supervisory approval prior to payment, the purchase order procedure has not been added to the city code and is not being consistently followed. As a result, some payments were made without documented supervisory approval.

Payment of invoices without documented approval from a department head and/or the City Administrator and a properly completed purchase order increases the risk of paying for goods and services not received.

5.5 Mileage records and fuel

Mileage records are not reviewed for reasonableness and bulk fuel purchases are not reconciled to bulk fuel dispensed. The city purchases gasoline and diesel for vehicles using fuel cards, and uses a bulk fuel tank to fuel equipment with diesel fuel. The city has 24 vehicles and 20 pieces of heavy equipment. The city spent approximately \$18,500 on gasoline and diesel fuel during the fiscal year ended June 30, 2017.

The fuel card vendor provides detailed monthly statements, and each piece of equipment that uses bulk fuel (diesel) has a manual log for employees to record gallons pumped. However, the city does not compare mileage records provided by the fuel card vendor with the fuel purchases for reasonableness. Also, the city does not perform a reconciliation to compare bulk fuel



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purchases against bulk fuel usage logs, and does not review bulk fuel usage for reasonableness.

Procedures for maintaining and reviewing fuel usage logs and reconciling fuel use to fuel purchases are necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improper amounts, and decrease the risk of loss, theft, or misuse of fuel occurring without detection.

5.6 Questionable use of city resources

The Board was aware of two planned projects that resulted in the city using public resources for private gain, but it took no action to stop these projects. Also, when Alderwoman Crisp made inquiries related to these two projects at Board meetings, the Board did not discuss or approve the projects. In addition, the city did not seek to recover any of the expenses incurred for working on or making improvements to private land.

- The October 26, 2017, board meeting minutes indicate Alderwoman Crisp inquired whether the city could assist with clearing a fence row separating private property and undeveloped city property. The work was subsequently performed by city personnel and city equipment, but there was no discussion or approval of this matter by the Board. At our request, the Assistant Supervisor determined the use of city labor, equipment, and diesel to clear the fence row were valued at over \$1,000. Since the city did not build the fence row, the city did not have any responsibility for the maintenance or repair of the fence row.
- The May 11, 2017, board meeting minutes indicate Alderwoman Crisp inquired whether the city could assist with mowing a ditch on private property. The work was subsequently performed by city personnel and city equipment on a weekly basis, but there was no discussion or approval of this matter by the Board.

Taxpayers have placed a fiduciary trust in the Board to spend public funds only on items necessary and beneficial to the city. These projects were not a reasonable or necessary use of city resources. In addition, Article VI, Section 23, Missouri Constitution, specifically prohibits counties, cities, or other political subdivisions of the state from granting public money or things of value to any corporation, association, or individual. Further, the city could have been liable in the event of injury on or damage to private property.

Recommendations

The Board of Aldermen:

- 5.1 Ensure costs are charged to the appropriate funds.
- 5.2 Enter into written contracts defining services provided and benefits received.



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- 5.3 Solicit bids and proposals for all applicable purchases and clarify city code to include the requirements for soliciting and/or advertising bids. In addition, document the reasons when the lowest bid is not accepted.
- 5.4 Establish formal policies and procedures to ensure the proper use, accountability, and review and approval of purchase orders and invoices prior to payment.
- 5.5 Reconcile fuel billings to fuel use records, promptly investigate any discrepancies, and periodically review fuel usage for reasonableness.
- 5.6 Prohibit the use of public resources for private gain and consult with legal counsel to determine whether the value of services provided to private citizens should be recovered.

Auditee's Response

- 5.1 *The Board has implemented this recommendation and will continue to charge costs appropriately.*
- 5.2 *The Board will implement this recommendation, taking into account the requirements of state law.*
- 5.3 *The Board will solicit sealed bids when necessary and document any reason for not accepting the lowest bid. The Board will clarify city code to include requirements for soliciting and/or advertising bids.*
- 5.4 *This recommendation has already been implemented by requiring a Financial Reconciliation Report be prepared and approved for each purchase.*
- 5.5 *This recommendation has already been implemented by reconciling all fuel billings to fuel use records. Fuel usage will be monitored for reasonableness.*
- 5.6 *The Board will not use public resources for private gain. Regarding past actions taken by a specific elected official, the Board will discuss these actions to ensure those types of actions do not happen again.*

6. Closed Meetings

Some topics discussed and voted on in closed meetings by the Board were not related to the reasons cited for closing the meeting listed in the open meeting minutes. For example, the September 22, 2016, open meeting minutes cited real estate and personnel as the reasons for the closed meeting; however, closed meeting minutes included discussion of potential litigation. In addition, the Board discussed some items in closed meetings that were not allowable under the Sunshine Law. For example, the Board discussed in a closed meeting on January 25, 2018, whether a currently closed city street



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should be re-opened. In the same closed meeting, the Board discussed the need to create salary schedules for city employees.

Section 610.021, RSMo, lists the topics that may be discussed in closed meetings and requires discussion in closed meetings be restricted to the allowable topics listed. Also, Section 610.022, RSMo, requires the Board's motion to enter closed session include specific statutory citations for the allowable topics that will be discussed and requires the Board to limit discussion to those topics.

Recommendation

The Board of Aldermen ensure only allowable topics cited in the open minutes as the reason for closing the meeting are discussed in closed meetings.

Auditee's Response

The Board will ensure closed session discussion is limited to topics that have been cited in the open minutes or on the agenda for the closed session. During closed session the Board will only discuss allowable topics.

7. Payroll Controls and Procedures

Payroll controls and procedures need significant improvement. The city disbursed approximately \$727,000 in salaries and wages during the fiscal year ended June 30, 2017.

7.1 Bonuses

The Board approved year-end payments to all full-time city employees in violation of the Missouri Constitution. The December 2016 board meeting minutes indicate each employee received \$100 cash, totaling \$1,800 for all employees. The cash payments represent bonus compensation for services previously rendered. In addition, the city did not report these cash payments as taxable wages on employee W-2 forms as required by federal and state employment laws.

Payments for services previously rendered are in violation of Article III, Section 39(3), Missouri Constitution and contrary to Attorney General's Opinion 72-1955 (June 14, 1955), which states, ". . . a government agency which derives its power and authority from the Constitution and laws of this state would be prohibited from granting extra compensation in the form of bonuses to public officers or servants after the service has been rendered."

7.2 Time records

The city does not require time records be prepared or maintained for salaried employees, the city's procedures for calculating overtime are not compliant with city policies and federal regulations, and employees are paid based on estimated instead of actual hours. Errors were noted with processing of time and leave records, and documentation to support payroll transactions was not always adequate.

Hourly employees typically record daily time using the electronic time clock to record their arrival and departure times, or by manually recording their



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	<p>arrival and departure times on time cards or records. Hourly employees also complete separate overtime request forms and leave request forms when applicable.</p>
<p>Records not required or approved</p>	<p>Salaried employees are not required to submit documentation of hours worked and/or tasks performed. Also, of the 6 hourly employee time records we reviewed, 4 were not signed or approved by a supervisor.</p>
<p>Overtime and compensatory leave</p>	<p>Hourly employees do not always record overtime worked on time records and/or submit separate overtime requests for overtime worked, and overtime and compensatory time accruals are not always recorded on an employee's weekly time record. As a result, there is a risk that employee overtime could be calculated and recorded incorrectly in the city's payroll system. In addition, the city's method of calculating overtime is not consistent with the Fair Labor Standards Act (FLSA) or city personnel policies, resulting in increased and unnecessary costs to the city.</p> <p>Per the City Clerk, employees either work 8- or 10-hour days and overtime is calculated for any hours physically worked in excess of 8 or 10 hours per day, respectively. We reviewed pay records for one payroll cycle and noted a streets employee earned 43.25 hours of compensatory time but should have earned 11.75 hours for the pay period. The difference of 31.50 hours cost the city approximately \$500. Also, the city calculates employee overtime at twice the regular rate for holidays, but the personnel policy does not clearly indicate how to determine the amount of overtime or compensatory time accrued on holidays. The City Clerk indicated the personnel policies were implemented during previous administrations and have not changed in recent years.</p> <p>City personnel policy 3-8 indicates non-exempt employees excluding police and fire will be paid overtime at 1.5 times the regular hourly wage for hours exceeding 40 hours a week. City personnel policy 4-3 indicates that work performed on a holiday will be compensated at the city's approved overtime rate or a day off at the regular pay rate in lieu of the holiday missed. This policy is vague, could lead to varying interpretations, and may result in an increased cost to the city.</p>
<p>Payments made based on estimates</p>	<p>The city distributes payroll for all employees every other Friday. Time records are prepared and submitted approximately 2 days in advance of the payroll distributions, and as a result, are not accurate because they reflect the employee's scheduled hours instead of actual hours worked. The city has not established an official policy or provided employees with guidance on how to report unanticipated changes such as unplanned vacation leave or sick leave taken on the days that were paid based on estimates. However, the City Clerk indicated she will update the employee leave records accordingly if a leave request is submitted to her.</p>



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Signed and approved time records are necessary to document hours worked, substantiate payroll disbursements, monitor hours worked and leave taken, and demonstrate compliance with the FLSA. Also, compliance with city policy and the FLSA is necessary to limit the city's financial liability for overtime and compensatory time. Further, due to timing of the city's payroll cycle and due dates for timesheets, employees are partially paid based on their estimated hours, which may lead to errors and the potential for employees to be over/under paid.

7.3 Leave accruals

The city's computerized system only allows employees to accrue 200 hours of vacation leave instead of the maximum of 320 hours allowed by the personnel policy due to a programming error. In addition, employees accrue 10 hours of sick leave monthly instead of 3.69 hours per bi-weekly pay period established by the personnel policy.

City personnel policy 4-4 indicates employees should be allowed to accrue a maximum of 320 hours of vacation leave, and city personnel policy 4-5 indicates sick leave should be accrued at a rate of 3.69 hours per bi-weekly pay period. The personnel policies do not specify what happens when employees reach the maximum leave accrual. Strict compliance with personnel policies is necessary to ensure employees are properly compensated. In addition, timely policy revisions are necessary to provide guidance to city employees, provide a basis for proper compensation, and avoid misunderstandings.

7.4 Independent contractor

At the Emergency Services Coordinator's request, the city changed the Coordinator from an independent contractor to an employee starting in January 2016. The city did not document the reasons for the change or document how it determined what the proper classification was for this position.

During the fiscal year ended June 30, 2017, the city paid the Coordinator \$7,200 (\$600 per month) and also contributed \$551 for the employer's share of payroll taxes. Prior to January 2016, the employee was classified and paid as an independent contractor, and the city did not withhold or remit payroll taxes. Although his classification changed, there were no significant modifications to his responsibilities or the contractual requirements. The contract with the Coordinator indicates "the Emergency Services Coordinator is not an employee of the City." In addition, the Coordinator does not submit a log or other records to document hours worked. Section III of the contract indicates the Coordinator is required to submit a log and provide time entries for a minimum of 36 hours per month.

Proper classification of employees is necessary to ensure compliance with various state and federal laws and regulations.



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7.5 Compensation ordinance The city does not have ordinances establishing the compensation of city officials and employees as required by city code. City personnel policy 3-1 indicates the employee pay rate is established by the pay plan. However, the city was unable to provide a pay plan.

Ordinances documenting approved salary amounts help ensure equitable treatment and help prevent misunderstandings. Section 79.270, RSMo, authorizes the Board to fix the compensation of all city officials and employees by ordinance, and City Code Section 115.060 requires the Board to fix compensation of all officers (appointed or elected officials) and employees by ordinance.

7.6 Pay raises and performance appraisals The city is not complying with city code or personnel policy when giving pay raises to appointed officers. For example, in March 2018 the Board approved a pay increase for the City Administrator (who was appointed in 2014) with options for additional raises based on his performance, in violation of city code. Additionally, the city does not conduct documented performance reviews or appraisals of employees as required by the city personnel policy, though various pay increases are given including, but not limited to, successful completion of job specific certifications, successful completion of a probationary period, and promotions.

City Code Section 115.060 indicates the salary of an officer shall not be changed during the time for which he/she was elected or appointed. The term of the City Administrator is indefinite until such time as he is removed by the Board or voluntarily resigns. City personnel policy 3-16 indicates no performance increase shall be applied to the salary of any employee unless accompanied by a complete performance review that contains both the employee and supervisory signatures.

Recommendations

The Board of Aldermen:

- 7.1 Discontinue paying employee bonuses and ensure all employee compensation is properly reported on each employee's W-2 form.
- 7.2 Ensure daily time records are prepared, properly signed, approved, and retained for all employees, and the information should be reviewed for accuracy prior to entry into the accounting system. In addition, ensure overtime and compensatory time accruals comply with established city policies and the FLSA, ensure controls are in place to make sure employees are not over/under paid based on the payment of estimated hours, and ensure personnel policies contain adequate detail.
- 7.3 Ensure vacation and sick leave accruals are in compliance with personnel policies.



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- 7.4 Determine the proper classification for the Emergency Services Coordinator. In addition, proper supporting documentation indicating hours worked should be obtained.
- 7.5 Establish the compensation of all city officials and employees by ordinance, and ensure city code and city personnel policies reflect current procedures.
- 7.6 Ensure compensation for appointed officials does not increase during the time for which he/she was elected or appointed in compliance with city code. In addition, ensure documented performance reviews are performed in conjunction with pay raises and promotions.

Auditee's Response

- 7.1 *The Board has not paid any other bonuses and will not in the future. The Board was unaware that this previous action violated the Missouri Constitution.*
- 7.2 *This recommendation has already been implemented by requiring time records to be signed and approved by a supervisor and retained. All overtime and compensatory time accruals now comply with city policy and the FLSA. Employee pay dates were adjusted to ensure employees are not being paid for estimated time, and the personnel policy is being updated to reflect accurate information.*
- 7.3. *This recommendation has already been implemented. Employees accrue vacation and sick leave in compliance with the city's personnel policy.*
- 7.4 *The Board will review the position of Emergency Services Coordinator and better define its role and monetary compensation. The Board will determine the proper classification for the position and require documentation of the hours worked.*
- 7.5 *The Board has already created an employee pay plan, and will create an ordinance to reflect this change.*
- 7.6 *The Board has already implemented this recommendation by creating a performance review record for each employee, and will not increase compensation for officials during the time for which they are appointed or elected.*

8. Accounting Controls and Procedures

Accounting controls and procedures need improvement. The city receives monies for charges for services (utilities), sales taxes, property taxes, franchise fees, merchant licenses, and other miscellaneous receipts. During the year ended June 30, 2017, the city collected approximately \$3.5 million.



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8.1 Segregation of duties

The Board has not adequately segregated accounting duties or ensured documented supervisory or independent reviews of work completed by city office personnel are performed. The City Clerk, Utility Clerk, and Court Clerk can all receipt and deposit monies and post transactions to the accounting system, including adjustments to customer account balances. The City Clerk is primarily responsible for making purchases, preparing checks, and reconciling the bank accounts. No reviews of the detailed accounting and bank records are performed by other city personnel or Board members.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, documented independent or supervisory reviews of accounting and bank records should be performed.

8.2 Restricted monies

The city is not properly tracking and recording some restricted monies. During the fiscal year ended June 30, 2017, approximately \$77,000 in state motor vehicle related monies and \$52,700 in Capital Improvements Sales Tax (CIST) monies were deposited into the General Fund. Although these monies are restricted for specific purposes, they were deposited into the General Fund and the related disbursements and balances were not tracked separately. As a result, the city cannot determine at a point in time what portion of the General Fund represents restricted monies or demonstrate disbursement of these funds was allowable or appropriate.

Article IV, Sections 30(a) and 30(b), Missouri Constitution require motor vehicle-related receipts apportioned by the state of Missouri be disbursed for street-related purposes only. As required by City Code Section 130.120, the capital improvements sales tax is to be used for the funding of capital improvements including fire apparatus, training equipment, police vehicles, and emergency services stations, including the operation and maintenance of capital improvements. In addition, Section 94.577.3, RSMo, requires that CIST monies be deposited in a special trust fund. Separate accounting of restricted monies is necessary to ensure compliance with the Missouri Constitution and state laws.

8.3 Outstanding checks

The city has not established procedures to routinely follow up on outstanding checks. As of June 30, 2017, 29 outstanding checks totaling \$2,001 had been outstanding for over a year, with 3 checks dating back to 2006.

Proper follow up procedures are necessary to prevent the accumulation of old outstanding checks and ensure monies are appropriately disbursed to the payee or as otherwise provided by state law. Old outstanding checks should be voided and reissued to payees that can be readily located, and amounts remaining unclaimed should be disposed of in accordance with state law.



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8.4 Bonding

The Board members, who sign checks and have access to monies held in bank accounts, are not covered by a bond. Also, the Utility Clerk's bond does not provide adequate coverage since it is significantly less than other personnel. The Utility Clerk's bond is \$15,000, while the bonds for the Court Clerk, City Clerk, and City Administrator are \$150,000 each.

Failure to properly bond individuals who have access to funds exposes the city to risk of loss.

Recommendations

The Board of Aldermen:

- 8.1 Segregate the accounting duties of the city office personnel. If proper segregation cannot be achieved, ensure a documented independent or supervisory review of detailed accounting and bank records is performed.
- 8.2 Determine the amount of restricted monies in the General Fund and establish separate funds or a separate accounting of the restricted monies.
- 8.3 Establish procedures to routinely follow up on and reissue old outstanding checks and dispose of unclaimed monies in accordance with state law.
- 8.4 Obtain bond coverage for all personnel with access to city monies, and ensure the bond amount for the Utility Clerk is comparable to other personnel.

Auditee's Response

- 8.1 *This recommendation has already been implemented by segregating accounting duties among office personnel.*
- 8.2 *This recommendation has already been implemented by establishing separate accounting for the restricted monies.*
- 8.3 *We have begun the process of reporting and distributing all unclaimed monies to the State Treasurer.*
- 8.4 *All office personnel with access to city monies are currently bonded in accordance with city ordinance, and all Board members with authority to sign checks will be covered by a bond. The Board believes the Utility Clerk's bond is adequate.*



9. Planning and Zoning

The City of Seymour does not have a city plan or comprehensive plan to guide planning and zoning activities.

According to a report from the Missouri Municipal League (MML), a "city plan is a detailed development plan, commonly referred to as a comprehensive development plan or master plan, showing the future growth of the municipality." A "comprehensive plan . . . means that zoning decisions should be governed by what is good for the community as a whole rather than by what is best for an individual land owner." The MML report also noted "most professional city planners believe that a separate document or plan is needed in order for zoning to work, both from a legal and practical standpoint."

City Code Section 405.010 states that the zoning regulations will be based on the comprehensive plan; however, officials were unable to provide us a plan other than the current zoning map. All cities, towns, and villages in Missouri may adopt planning and zoning. Section 89.340, RSMo, requires the city's planning and zoning commission to make and adopt a city plan for the physical development of the municipality. Section 89.040, RSMo, states the zoning regulations shall be made in accordance with a comprehensive plan. The MML report noted that a zoning ordinance based on a comprehensive plan is administered in a consistent manner and furthers a legitimate public purpose.

Recommendation

The Board of Aldermen and/or the Planning and Zoning Board create and adopt a city plan and comprehensive plan to help guide future decisions regarding development of the municipality.

Auditee's Response

The Board will take this under consideration.

City of Seymour

Organization and Statistical Information

The City of Seymour is located in Webster County. The city was incorporated in 1895 and is currently a fourth-class city. The city employed 18 full-time employees and 4 part-time employees on June 30, 2017.

City operations include fire protection services, law enforcement services, utilities (electric, water, and sewer), street maintenance, city parks, a municipal library, and a municipal cemetery.

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 two-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor and Board of Aldermen, at June 30, 2017, are identified below. The Mayor is paid \$600 per month and Board of Aldermen members \$150 per month. The compensation of these officials is not established by ordinance.

Larry Chafin, Mayor
Grady Bennett, Alderman
Mary Carpenter, Alderwoman
Nadine Crisp, Alderwoman
Jim Ashley, Alderman

Other Principal Officials

The City Clerk, City Administrator, Chief of Police, Fire Chief, and City Attorney are appointed positions. The city's principal officials at June 30, 2017, are identified below:

Leslie Houk, City Clerk
Sam Burt, City Administrator
Ron Wright, Chief of Police
Shawn Crump, Fire Chief
Paul Link, City Attorney

Financial Activity

A summary of the city's financial activity for the year ended June 30, 2017, obtained from the city's audited financial statements follows:

CITY OF SEYMOUR, MISSOURI
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

REVENUES	General Fund	Park Fund	Non-major		Total Governmental Funds
			Cemetery Fund	Library Fund	
Taxes:					
Property taxes	\$ 71,825	\$ 15,831	\$ 10,065	\$ 4,475	\$ 102,196
Franchise taxes	43,374	-	-	-	43,374
Sales taxes	322,898	170,969	-	28,800	522,667
Intergovernmental:					
Missouri motor fuel taxes	77,018	-	-	-	77,018
Licenses & permits	7,796	-	-	-	7,796
Fines & forfeitures	17,227	-	-	1,894	19,121
Charges for services	3,850	-	7,950	-	11,800
Sale of lots	-	-	8,784	-	8,784
Interest	3,283	129	3,735	42	7,189
Rents	3,000	-	-	-	3,000
Grants	500	-	-	1,442	1,942
Donations	-	-	-	24,534	24,534
Miscellaneous	4,766	379	-	428	5,573
Total Revenues	<u>555,537</u>	<u>187,308</u>	<u>30,534</u>	<u>61,615</u>	<u>834,994</u>
EXPENDITURES					
Current:					
General government	206,539	-	-	-	206,539
Public safety:					
Police	256,181	-	-	-	256,181
Court	15,597	-	-	-	15,597
Fire	58,888	-	-	-	58,888
Street	138,702	-	-	-	138,702
Library	-	-	-	84,636	84,636
Cemetery	-	-	29,768	-	29,768
Park	5,000	246,893	-	-	251,893
Capital outlay	177,200	-	-	12,583	189,783
Total Expenditures	<u>858,107</u>	<u>246,893</u>	<u>29,768</u>	<u>97,219</u>	<u>1,231,987</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>(302,570)</u>	<u>(59,585)</u>	<u>766</u>	<u>(35,604)</u>	<u>(396,993)</u>
OTHER FINANCING SOURCES					
Gain on sale of assets	8,500	-	-	-	8,500
Fee in lieu of taxes	268,465	-	-	-	268,465
Transfers from other funds	293,388	-	-	52,713	346,101
Transfers (to) other funds	(52,713)	-	-	-	(52,713)
Total other financing sources	<u>517,640</u>	<u>-</u>	<u>-</u>	<u>52,713</u>	<u>570,353</u>
NET CHANGE IN FUND BALANCE	215,070	(59,585)	766	17,109	173,360
FUND BALANCES - BEGINNING (DEFICIT)	<u>(219,213)</u>	<u>307,839</u>	<u>296,226</u>	<u>(46,977)</u>	<u>337,875</u>
FUND BALANCES - ENDING (DEFICIT)	<u>\$ (4,143)</u>	<u>\$ 248,254</u>	<u>\$ 296,992</u>	<u>\$ (29,868)</u>	<u>\$ 511,235</u>

CITY OF SEYMOUR, MISSOURI

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2017

	General Fund	Park Fund	Non-major		Total Governmental Funds
			Cemetery Fund	Library Fund	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 270,992	\$ -	\$ 15,584	\$ -	\$ 286,576
Accounts receivable-taxes	53,562	22,501	-	3,683	79,746
Investment	-	21,226	91,058	-	112,284
Due from other funds	36,201	255,884	190,382	-	482,467
Prepaid items	37,800	2,500	-	4,000	44,300
Inventory	596	-	-	-	596
TOTAL ASSETS	\$ 399,151	\$ 302,111	\$ 297,024	\$ 7,683	\$ 1,005,969
<u>LIABILITIES AND FUND BALANCES</u>					
<u>LIABILITIES</u>					
Accrued wages	\$ 7,982	\$ 950	\$ 32	\$ 1,330	\$ 10,294
Due to other funds	393,546	52,720	-	36,201	482,467
Other liabilities	1,766	187	-	20	1,973
Total Liabilities	403,294	53,857	32	37,551	494,734
<u>FUND BALANCES</u>					
Fund Balances -					
Nonspendable	38,396	2,500	-	4,000	44,896
Restricted -					
Park		245,754	-		245,754
Cemetery		-	296,992		296,992
Unassigned-(Deficit)	(42,539)	-	-	(33,868)	(76,407)
Total Fund Balances	(4,143)	248,254	296,992	(29,868)	511,235
TOTAL LIABILITIES AND FUND BALANCES	\$ 399,151	\$ 302,111	\$ 297,024	\$ 7,683	\$ 1,005,969
Total Fund Balances-Total Government Funds					\$ 511,235
The City's net pension asset (liability), deferred outflows (inflows) are not reported in the governmental funds.					146,227
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.					3,256,554
Net position of governmental activities					<u>\$ 3,914,016</u>

CITY OF SEYMOUR, MISSOURI
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES:				
Charges for services	\$ 2,246,956	\$ 116,488	\$ 323,583	\$ 2,687,027
Permits and miscellaneous income	10,021	1,975	1,466	13,462
Total Operating Revenues	<u>2,256,977</u>	<u>118,463</u>	<u>325,049</u>	<u>2,700,489</u>
OPERATING EXPENSES:				
Contracted services	6,036	1,590	260	7,886
Depreciation	39,149	19,793	62,914	121,856
Employee benefits	28,746	4,732	17,581	51,059
Fuel	3,333	1,760	2,758	7,851
Insurance	18,050	3,192	10,032	31,274
Miscellaneous	7,986	708	923	9,617
Office supplies and postage	4,355	21		4,376
Payroll taxes	10,998	2,520	5,879	19,397
Pension expense	8,179	2,026	7,445	17,650
Professional fees	8,458	7,569	15,502	31,529
Power purchased	1,394,539	-	-	1,394,539
Refuse service	13,161	-	311	13,472
Repairs & maintenance	28,576	4,600	-	33,176
Salaries	147,353	34,612	82,777	264,742
Supplies	3,452	490	29,074	33,016
Telephone	5,813	584	1,661	8,058
Testing	-	5,215	4,224	9,439
Training	6,751	763	348	7,862
Uniforms	1,844	662	1,336	3,842
Total Operating Expenses	<u>1,736,779</u>	<u>90,837</u>	<u>243,025</u>	<u>2,070,641</u>
OPERATING INCOME	<u>520,198</u>	<u>27,626</u>	<u>82,024</u>	<u>629,848</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest income	3,804	411	379	4,594
Total Non-operating Revenues (Expenses)	<u>3,804</u>	<u>411</u>	<u>379</u>	<u>4,594</u>
NET INCOME BEFORE GRANTS AND TRANSFERS	<u>524,002</u>	<u>28,037</u>	<u>82,403</u>	<u>634,442</u>
GRANTS AND TRANSFERS:				
Grants	-	-	1,650	1,650
Fee in lieu of taxes	(224,332)	(11,715)	(32,418)	(268,465)
Transfers (to) other funds	(226,321)	(3,977)	(63,090)	(293,388)
Net Transfers	<u>(450,653)</u>	<u>(15,692)</u>	<u>(93,858)</u>	<u>(560,203)</u>
CHANGE IN NET POSITION	73,349	12,345	(11,455)	74,239
NET POSITION - BEGINNING	<u>1,791,548</u>	<u>410,527</u>	<u>2,140,215</u>	<u>4,342,290</u>
NET POSITION - ENDING	<u>\$ 1,864,897</u>	<u>\$ 422,872</u>	<u>\$ 2,128,760</u>	<u>\$ 4,416,529</u>

CITY OF SEYMOUR, MISSOURI

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

JUNE 30, 2017

	Electric Fund	Water Fund	Sewer Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 81,129	\$ 43,016	\$ 199,473	\$ 323,618
Accounts receivable				
Utilities	216,740	11,640	26,365	254,745
Other	425	-	-	425
Prepaid items	26,867	4,000	12,000	42,867
Inventory	158,931	35,067	684	194,682
Total current assets	<u>484,092</u>	<u>93,723</u>	<u>238,522</u>	<u>816,337</u>
Noncurrent assets:				
Investments	1,152,002	32,353	43,546	1,227,901
Land	-	-	1,970	1,970
Construction in progress	-	-	42,702	42,702
Property, plant and equipment (Net of accumulated depreciation)	447,782	340,878	1,797,576	2,586,236
Net Pension assets	27,010	6,323	14,603	47,936
Total noncurrent assets	<u>1,626,794</u>	<u>379,554</u>	<u>1,900,397</u>	<u>3,906,745</u>
TOTAL ASSETS	<u>2,110,886</u>	<u>473,277</u>	<u>2,138,919</u>	<u>4,723,082</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow related to pensions	<u>41,395</u>	<u>9,691</u>	<u>22,380</u>	<u>73,466</u>
LIABILITIES				
Accounts payable	122,789	302	-	123,091
Accrued wages	11,414	4,086	3,977	19,477
Payroll liabilities	329	28	541	898
Sales tax and primacy fee payable	956	2,722	909	4,587
Total current liabilities	<u>135,488</u>	<u>7,138</u>	<u>5,427</u>	<u>148,053</u>
Long-term:				
Customer deposits	<u>101,748</u>	<u>41,218</u>	<u>-</u>	<u>142,966</u>
Total long-term liabilities	<u>101,748</u>	<u>41,218</u>	<u>-</u>	<u>142,966</u>
TOTAL LIABILITIES	<u>237,236</u>	<u>48,356</u>	<u>5,427</u>	<u>291,019</u>
DEFERRED INFLOW OF RESOURCES				
Deferred inflow related to pensions	<u>50,148</u>	<u>11,740</u>	<u>27,112</u>	<u>89,000</u>
NET POSITION				
Investment in capital assets	447,782	340,878	1,842,248	2,630,908
Unrestricted	<u>1,417,115</u>	<u>81,994</u>	<u>286,512</u>	<u>1,785,621</u>
Total Net Position	<u>\$ 1,864,897</u>	<u>\$ 422,872</u>	<u>\$ 2,128,760</u>	<u>\$ 4,416,529</u>