



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

City of Amoret

Report No. 2019-017
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City of Amoret

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA

Missouri State Auditor

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

We have conducted follow-up work on certain audit report findings contained in Report No. 2017-123, *City of Amoret* (rated as Poor), issued in October 2017, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings for which follow up is considered necessary, and inform the city about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - **Implemented:** Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - **In Progress:** Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - **Partially Implemented:** Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - **Not Implemented:** Auditee has not implemented the recommendation and has no specific plans to implement the recommendation.

As part of the AFTER work conducted, we reviewed documentation provided by city officials and held discussions with city officials to verify the status of implementation for the recommendations. Documentation provided by the city included minutes of meetings, financial records, and other pertinent documents. This report is a summary of the results of this follow-up work, which was substantially completed during June, July, and October through December 2018. While working with the city in conducting the follow-up work, we identified missing utility receipts totaling \$170.40 and various concerns related to the handling of customer utility payments. Additional work related to these payments was completed during December 2018 and January 2019, and the results and conclusions are addressed in a letter to the Mayor and the Board of Aldermen dated March 12, 2019, and released as Report No. 2019-018.

Nicole R. Galloway, CPA
State Auditor

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Status of Findings

1. Accounting Controls and Procedures	Accounting controls and procedures needed improvement.
1.1 Receipting, recording, and depositing procedures	<p>The city's procedures for receipting, recording, and depositing were poor. As a result, there was no assurance all monies collected were properly receipted, recorded, and deposited.</p> <p>A review of receipts and deposits records noted various concerns.</p> <ul style="list-style-type: none">• The City Treasurer did not issue receipts slips or retain paid billing statements for utility collections, which included 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 was not reconciled to deposits. <p>In addition, the City Collector was solely responsible for receiving and recording property tax payments and transmitting them to the bank for deposit. The City Clerk compared the paid tax receipt book to payment notations made in the tax assessment books, but did not compare receipt records to deposits.</p>

Recommendation

The Board of Aldermen 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.

Status

Not Implemented

The city had significant turnover in the positions of City Collector, City Clerk, and City Treasurer since the release of our audit report in October 2017. The City Collector indicated she took the oath of office after winning reelection in April 2017, but has not collected any monies since the election because the Board entered into an agreement with the Bates County Collector-Treasurer in September 2017 to collect future taxes. In January 2018, the former City Clerk resigned and an alderman's wife was appointed as City Clerk. In April 2018, this Alderman was elected as Mayor. The former City Treasurer resigned in September 2018. Rather than appointing a



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new City Treasurer, the Board appointed the City Clerk as City Treasurer and combined these positions.

The City Clerk/Treasurer is primarily responsible for financial accounting functions and records of the city, including the duties of receiving, recording, preparing and making deposits, receiving and reconciling bank statements to accounting records, and preparing financial reports. The Board does not perform independent reviews of the detailed accounting records or deposits. In addition, the Water Meter Reader responsible for preparing utility bills has access to the payment drop box and collects cash payments from some customers at their homes. As a result, controls over receipting, recording, and depositing have further weakened since the completion of the audit.

We reviewed utility records for March, April, September, and October 2018 and determined city personnel do not (1) issue receipt slips or maintain a complete record of all receipts, (2) always record the method of payment, and (3) reconcile the composition of receipts to the composition of deposits. In addition, independent reviews are not performed.

Our limited review of the March, April, and September 2018 utility billing ledgers determined the method of payment was not recorded for 33 receipts in March, any of the 77 receipts in April, and 7 receipts in September. We noted the method of payment was not recorded for 1 receipt on the October 2018 monthly utility billing ledger.

Our detailed review of the October 2018 utility receipts identified discrepancies between payments recorded on the utility billing ledger and corresponding deposits. The October 2018 utility billing ledger showed payments totaling \$6,480.11, comprised of \$442.70 cash, \$5,845.91 checks or money orders, \$128.00 prepaid on account, and \$63.50 with no method of payment recorded. The corresponding deposits dated October 17, 2018, and November 6, 2018, totaled \$6,181.71 (\$298.40 less than recorded receipts). After considering the monies prepaid on account were deposited on September 4, 2018, and accounted for in the ledger, items that could not be traced to deposit were \$100.00 in cash and a \$70.40 money order (total \$170.40). The money order was recorded as payment for the City Clerk/Treasurer's personal utility bill.

As a result of continued problems with records and inadequate reviews, the Board was not aware of the \$170.40 in unaccounted for utility receipts until we discussed this issue with the Mayor. Due to this discrepancy and the significant control weaknesses effective with the personnel changes and combined City Clerk/Treasurer position, we reviewed additional utility and deposit records and identified various concerns. The results and conclusions



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are addressed in a letter (report No. 2019-018), issued in March 2019 to the City of Amoret Mayor and Members of the Board of Aldermen.

1.2 Bank reconciliations

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

Recommendation

The Board of Aldermen ensure monthly bank reconciliations are prepared for all bank accounts and cumulative book balances are maintained.

Status

In Progress

City personnel indicated they have prepared bank reconciliations since January 2018. However, our review of the April, May, and October 2018 bank reconciliations shows they are not prepared properly because they simply restate the information shown on the bank statements. After receiving the bank statements, the City Clerk/Treasurer prepares the monthly account ledgers (summary financial reports) using amounts from the bank statements, then adjusts the total disbursements for any checks that have not cleared the bank to arrive at the ending book balance. In addition, the checkbook registers did not contain running book balances. Because financial records were not maintained independent of the bank records, it was not possible to reconcile the bank statement balance to the book balance. In December 2018, city personnel began adding cumulative book balances to the checkbook registers and agreeing the reconciled bank balances to the book 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 have been 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 having delinquent city taxes.

Recommendation

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.



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Status

Not Implemented

The Alderwoman and Mayor who were potentially unqualified to run for or hold office, as discussed in the audit report finding, no longer serve on the Board. The Board has not established procedures for handling future situations when the city receives information regarding a person potentially unqualified to run for or hold office. A similar election issue occurred again in 2018. A person running for alderman was listed on the April 2018 election ballot and won despite owing delinquent city property taxes at the time of the election. The newly elected Alderman served on the Board until he resigned in August 2018, after we began inquiring about the status of report recommendations.

2. Utility System Controls and Procedures

Utility system controls and procedures needed improvement.

2.1 Delinquent accounts

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

Ordinance 2003-115 indicated utility bills were 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 listed potential penalties and indicated 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 was also on the Board, neither the ordinance or statement on the utility billing was strictly followed. As of December 31, 2016, 16 customers had accrued delinquent balances totaling approximately \$1,700.

The Water Meter Reader maintained a monthly spreadsheet documenting customer billings, payments, and past due balances, but she did 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 were added to it and paid. In addition, utility accounts for the Mayor and his son accrued delinquent balances from December 1, 2016, until March 2017 and July 2017, respectfully, at which time they were paid in full. None of these accounts were assessed penalties or disconnected while delinquent.

Recommendation

The Board of Aldermen clarify and then ensure city policies regarding the assessment of penalties and shut off procedures for delinquent accounts are



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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.

Status

Partially Implemented

The Board rescinded Ordinance 2003-115 on December 13, 2017, and adopted Ordinance 2018-142 on August 8, 2018, clarifying city policies regarding the assessment of penalties and shut off procedures for delinquent accounts. In addition, the Board approved the Water Meter Reader to purchase blank billing cards so she could print the billing statement instructions on these cards, and ensure it agrees to the newly adopted ordinance. Reports of delinquent accounts and documentation of any actions taken to collect on unpaid amounts are still not provided to the Board for review. Instead, the Water Meter Reader attends each Board meeting and verbally reports summary information to the Board regarding accounts past due, late notices sent out, partial payments made, and accounts disconnected or reconnected. This verbal reporting was evident from our review of April, May, October, and December 2018 meeting minutes.

2.2 Utility rates

The Board could not provide documentation that a formal review of water rates had ever been performed, and as a result there was 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.

Recommendation

The Board of Aldermen 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.

Status

In Progress

The May 2018 meeting minutes show the Board discussed the possibility of raising the base sewer rate because the sewer department is short of funds. City personnel subsequently worked on a formal sewer rate review and the Board voted to increase the base sewer rate in December 2018. In addition, city officials indicated they plan to perform a review of water rates in the near future.

2.3 Utility deposits

Refundable utility deposits held in the Meter Deposit Fund were not accounted for properly. The city did not have a listing of deposits held and was not properly tracking deposits. Effective October 2010, Ordinance 2010-100 required a \$200 deposit when an account was activated (deposit amounts in previous years were \$100, \$50, \$25, \$15, and \$5). The city had approximately 90 water and/or sewer accounts, but customer account records were not adequate to determine the amount of deposits held. The



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Meter Deposit Fund bank account balance was \$3,393 as of December 31, 2016.

Recommendation

The Board of Aldermen 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.

Status

In Progress

At the time of our follow-up review, the city has made little effort to implement this recommendation. The City Clerk/Treasurer indicated she has located two old receipt books when organizing records in city hall and plans to work with the Water Meter Reader to create an accurate list of paid utility deposits when time permits. Once prepared, it will be reconciled monthly to monies in the Meter Deposit Fund bank account.

3. Delinquent Property Taxes

The City Collector did not prepare and submit for approval by the Board a monthly list of delinquent tax collections or an annual delinquent tax listing.

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.

Status

Not Implemented

While the Bates County Collector-Treasurer is responsible for collecting 2017 and future years' taxes, the city remains responsible for collection of taxes due for 2016 and prior years. City personnel are not actively pursuing collection or maintaining a list of paid and unpaid back taxes.

The City Clerk/Treasurer indicated monthly lists of delinquent tax collections are not presented to the Board, and an annual list of all taxes remaining due and uncollected was not presented to the Board in April 2018. After our follow up inquiries, the City Clerk/Treasurer created a list of delinquent taxes due for the years 2014 through 2016 as of June 25, 2018, totaling \$875. In addition, the City Clerk/Treasurer obtained a list of 2017 delinquent taxes from the Bates County Collector-Treasurer on July 3, 2018, totaling \$532. The City Clerk/Treasurer indicated she would prepare or obtain monthly lists for the Board. We reviewed the July through October 2018 meeting minutes, and noted there is no indication monthly lists of delinquent taxes have been submitted to the Board.

4.1 Disbursements - 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



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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.

Recommendation

The Board of Aldermen ensure restricted street monies are spent for allowable purposes only and develop plans to repay the amounts owed to the Street Fund.

Status

Partially Implemented

The City Clerk/Treasurer indicated the Board is monitoring expenses to ensure street monies are spent for allowable purposes only; however, they have not developed any plans to repay the amounts owed to the Street Fund. We scanned disbursements recorded on the city's financial records for the Street Fund for January through October 2018, and noted no improper disbursements. According to the March 2018 meeting minutes, the Board approved the allocation of city insurance costs and only \$350 of the total \$4,997 paid came from the Street Fund.

**4.2 Disbursements -
Transfers**

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

Customer monthly billings include charges for water, sewer, and fire department services. Payments are initially deposited into the Water Fund and then money is transferred to the Sewer and Fire Funds. However, these transfers were 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 were only performed periodically. Only 5 transfers from the Water Fund to the Fire Fund occurred during the year ended December 31, 2016.

Recommendation

The Board of Aldermen establish a process to ensure transfers between funds are proper, approved, and timely.

Status

Partially Implemented

Our review of the January through October 2018 meeting minutes showed the Board approved transfers from other funds to the General Fund for payment of the audit costs, which appears appropriate. However, the Board approved a transfer in May 2018 from the Water Fund to the Sewer Fund to pay for the new sewer pump because there was not enough money in the Sewer Fund to cover these expenses, which is not appropriate. In addition, there was no evidence in the meeting minutes to show that transfers of actual collections from the Water Fund to the Sewer Fund and Fire Fund were reviewed and approved by the Board. Our review of April, May, and



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October 2018 bank and billings records showed that transfers of sewer and fire services payments initially deposited into the Water Fund to the Sewer Fund and Fire Fund appeared to be based on actual collections. However, there was no documentation in the meeting minutes to show the Board reviewed and approved these monthly transfers.

4.3 Disbursements -
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.

Recommendation

The Board of Aldermen ensure costs are allocated to the appropriate funds, supported by adequate documentation, and the documentation retained.

Status

Partially Implemented

Based on our review of the meeting minutes and financial records, some costs are being allocated to the appropriate funds. However, documentation is lacking and some costs are still not allocated. For example, the Board approved the breakdown of city insurance costs at its March 2018 meeting, but the city did not retain documentation to demonstrate how the allocation amounts were determined. In addition, city personnel could not provide documentation showing if other costs for items such as wages and bond coverage were allocated to appropriate funds in 2018.

4.5 Disbursements -
Bidding policy

The city did 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.

Recommendation

The Board of Aldermen establish a formal bidding policy and ensure all applicable purchases are made in accordance with the policy.

Status

Implemented

The Board proposed Ordinance 2017-003 to establish a formal bidding policy in December 2017, and it was adopted by the Board on December 3, 2018.

4.6 Disbursements -
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



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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.

Recommendation

The Board of Aldermen 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.

Status

Partially Implemented

The City Clerk/Treasurer indicated the Board is now requiring detailed supporting documentation be retained for all approved disbursements. In addition, the Board approved Ordinance 2017-002 in February 2018 establishing city employee compensation and requiring documentation showing actual mileage be presented to the Board for approval prior to paying mileage reimbursement. However, the Board did not review for potential additional extra payments or seek reimbursement of any amounts overpaid. The Mayor and City Clerk/Treasurer indicated they spoke with a Bates County Sheriff's detective in late December 2018 regarding possible reimbursement for amounts overpaid, but determined it would not be feasible to pursue further as the recovery costs would likely exceed the amounts overpaid. This discussion and any resulting Board decisions were not documented.

5. Ordinance and Sunshine Law Issues City ordinances were not organized or complete. In addition, the city did not always comply with Chapter 610, RSMo (the Sunshine Law).

5.1 Ordinances City ordinances were not codified, complete, and maintained in a well-organized manner. The city did 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.

Recommendation

The Board of Aldermen ensure ordinances are maintained in a complete and well-organized manner and an index of all ordinances passed and rescinded



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is established. The Board should also establish, by ordinance, city employees' compensation and fees for city services.

Status

Partially Implemented

The City Clerk/Treasurer has organized the ordinances by number, but an index of all ordinances passed and rescinded has not been prepared. In February 2018, the Board passed several ordinances, including Ordinance 2017-002 establishing city employee compensation and requirements for mileage reimbursement, Ordinance 2017-004 establishing fire department fees, Ordinance 2017-005 establishing a service fee for water provided to county residents, and Ordinance 2017-008 establishing a procedure for annual reviews each May of rates assessed for city services. In addition, the Board updated and/or passed several ordinances in August and December 2018.

5.2 Public access policy

The Board had not adopted a written policy regarding public access to city records as required by state law.

Recommendation

The Board of Aldermen develop a written public access policy.

Status

Not Implemented

At its December 2017 meeting, the Board proposed a new ordinance establishing a written public access policy. However, the Board made changes to the draft ordinance at its February 2018 meeting and additional discussion and finalization was tabled until a future meeting. The Board had not approved a written public access policy as of December 31, 2018.

5.3 Record requests

City personnel did not maintain adequate records of requests for records to show compliance with state law. While the city provided us the request letters and their response letters, a log of requests was not maintained to document other important information, such as the date a request was received, when records were provided, or important communications related to these requests.

Recommendation

The Board of Aldermen ensure requests for information are responded to timely and maintain a public request log to help ensure compliance with state law.

Status

Not Implemented

The City Clerk/Treasurer indicated she has not developed a public request log because the city has not had any record requests since her appointment in January 2018.



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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.

Recommendation

The Board of Aldermen ensure meeting notices and agendas are given for all Board meetings.

Status

Implemented

The City Clerk/Treasurer indicated she has been preparing agendas since January 2018 and posting them between 24 and 72 hours in advance of the meeting. We observed meeting notices and agendas for the January through November 2018 Board meetings.

6. Budgets and Financial Reporting

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

6.1 Budgets

The Board did 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 were provided, budget-to-actual reports of financial activity were not presented to the Board at monthly meetings. There was no evidence the 2016 budget was approved by the Board.

Recommendation

The Board of Aldermen 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.

Status

Not Implemented

The Board did not prepare and approve a budget for 2018. The Board approved the 2019 budget on January 9, 2019, but it does not include all elements required by state law. The 2019 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.



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6.2 Published financial statements

The city did not publish semiannual financial statements as required by state law.

Recommendation

The Board of Aldermen publish semiannual financial statements as required by state law.

Status

Not Implemented

The city has not published semiannual financial statements.

6.3 Filing of financial reports

City personnel had 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.

Recommendation

The Board of Aldermen file annual financial reports with the State Auditor's Office as required by state law.

Status

In Progress

The city filed its financial report for the year ended December 31, 2017, on July 9, 2018, after the June 30, 2018, filing deadline. City personnel indicated they plan to file financial reports timely going forward.

6.4 Audits

The city had not obtained annual audits of its sewer system as required by state law.

Recommendation

The Board of Aldermen obtain annual audits of the sewer system as required by state law.

Status

Not Implemented

The city has not obtained an annual audit of the sewer system as required by state law.