



TOWN OF HAYWARD, MISSOURI  
YEAR ENDED DECEMBER 31, 1998

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 99-66  
August 31, 1999

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from Hayward, Missouri.**

---

The town did not have budgets for calendar years 1999, 1998, 1997 and 1996. State law requires an authorized budget be in place before public monies are spent. The Town of Hayward has not submitted annual financial reports to the State Auditor's office since 1991. In addition, semi-annual financial statements were not prepared and made public by either being published or posted as required by law.

Public hearings have not been held prior to establishing property tax rates. State law requires a public hearing be held prior to the board's approval of these rates. Also, the board did not establish annual tax rates by ordinance as required by state law.

The Town of Hayward does not prepare a delinquent tax list and turn it over to the County Collector as required by state law. Furthermore, property tax receipts are not deposited on a timely basis.

Ordinances which govern the town could not be located. Since the ordinances represent legislation which has been passed by the Board of Trustees to govern the town and its residents, it is important that the town's ordinances be maintained in a complete, well-organized, and up-to-date manner.

No notices are posted for meetings held during the year. State law requires notices (including tentative agendas) to be posted in a prominent place which is easily accessible to the public. These notices should be posted at least twenty-four hours in advance of the meeting. If enough notice cannot be given before a public meeting, the reason should be documented in the board's minutes.

The town has one person that serves as the Town Clerk, Town Collector and the Town Treasurer. We recommend, and the board agrees, these duties be split between more than one person.

The Board of Trustees failed to put one of its Trustee positions up for election in April 1999 as required by state law.

The town has not developed a long-range plan to maintain the town's paved roads in the future. The town has limited resources and should review future maintenance costs for any new improvements.

YELLOW SHEET

TOWN OF HAYWARD, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT .....	1-2
HISTORY AND ORGANIZATION .....	3-5
MANAGEMENT ADVISORY REPORT .....	6-14
SUMMARY OF FINDINGS .....	7

<u>Number</u>	<u>Description</u>	
1.	Budgets, Minutes, Meetings, Ordinances, and Financial Reports .....	8
2.	Accounting Controls and Procedures.....	10
3.	Property Tax Controls and Procedures .....	10
4.	Restricted Revenues.....	12
5.	Elections.....	13
6.	Maintenance of Paved Roads.....	13



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Chairman  
and  
Board of Trustees  
Town of Hayward  
Portageville, Missouri 63873

The State Auditor was petitioned under Section 29.230, RSMo, to audit the town of Hayward, Missouri. Our audit of the town included, but was not limited to, the year ended December 31, 1998. The objectives of this audit were to:

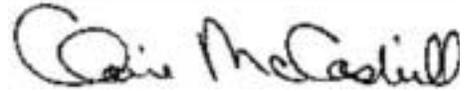
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, town policies and ordinances, and various town financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the town and was not subjected to the auditing procedures applied in the audit of the town.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the town of Hayward, Missouri.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive style with a large initial 'C'.

Claire McCaskill  
State Auditor

May 14, 1999 (fieldwork completion date)

## HISTORY AND ORGANIZATION

TOWN OF HAYWARD, MISSOURI  
HISTORY AND ORGANIZATION

The town of Hayward was incorporated as a village in 1979 and is located in Pemiscot County. The population of the city in 1990 was 103.

The town government consists of a five-member board of trustees. The board of trustees is elected in staggered elections for two-year terms. The board member with the highest number of votes received in the election becomes the Chairman. The board of trustees at December 31, 1998, was:

<u>Elected Officials</u>	<u>Term Expires</u>	<u>Actual Compensation for the Year Ended December 31, 1998</u>
Oskar Johnson, Chairman(1)	April 1999	\$ 0
Billy Becker, Trustee(2)	April 1999	0
Tom Johnson, Trustee	April 2000	0
Royal Roberts, Trustee	April 2000	0
Jack Studie, Trustee(3)	April 1999	0

- (1) Oskar Johnson was re-elected in April 1999.
- (2) Billy Becker was elected in April 1999. He was appointed to the board in May 1998.
- (3) Sheila Jones was appointed to the board in February 1999 to fill Jack Studie's unexpired term. She did not stand for re-election in April 1999, but continues to serve until April 2001.

Billy Becker has been appointed to serve as Town Clerk, Treasurer and Collector. This individual received no compensation during the year ended December 31, 1998.

Assessed valuation information for the year 1998 is as follows:

ASSESSED VALUATION	
Real Estate	\$ 154,510
Personal	<u>49,100</u>
Total	\$ <u>203,610</u>

TAX RATES PER \$100 ASSESSED VALUATION	
General Fund	\$ .50

A summary of the financial activity of the town of Hayward for the year ended December 31, 1998, is presented below:

	General Fund	Revenue-Sharing Fund	CDBG Fund
<b>RECEIPTS</b>			
Property taxes	\$ 349	0	0
Motor-vehicle revenue	0	4,096	0
Community development grant	0	0	92,538
Interest	0	415	0
Other	73	0	0
Total receipts	<u>422</u>	<u>4,511</u>	<u>92,538</u>
<b>DISBURSEMENTS</b>			
Election expense	84	0	0
Community building expenses	381	0	0
Street lights	0	1,966	0
Mowing	0	375	0
Street repair	0	347	0
Housing rehabilitation	0	0	55,173
Drainage/ street improvement	0	0	8,579
Administration	0	0	11,150
Engineering	0	0	5,400
Other	113	0	0
Total disbursements	<u>578</u>	<u>2,688</u>	<u>80,302</u>
<b>RECEIPTS OVER (UNDER)</b>			
DISBURSEMENTS	-156	1,823	12,236
<b>CASH AND CASH EQUIVALENTS,</b>			
JANUARY 1,	<u>267</u>	<u>10,604</u>	<u>13,127</u>
<b>CASH AND CASH EQUIVALENTS,</b>			
DECEMBER 31,	<u>\$ 111</u>	<u>12,427</u>	<u>25,363</u>

MANAGEMENT ADVISORY REPORT

TOWN OF HAYWARD, MISSOURI  
SUMMARY OF FINDINGS

1. Budgets, Minutes, Meetings, Ordinances, and Financial Reports (pages 8-9)

The town did not have budgets for the years ended December 31, 1999, 1998, 1997, and 1996. The board does not sign the minutes to indicate approval and the minutes do not include a list of payment of bills. The town has not submitted annual financial reports to the State Auditor's office since 1991. The board could not locate the town ordinances. Semi-annual financial statements are not prepared and published or posted as required by law. The board does not post notices of board meetings.

2. Accounting Controls and Procedures (page 10)

The Town Clerk serves as the Town Treasurer and Town Collector.

3. Property Tax Controls and Procedures (pages 10-12)

The Board of Trustees did not hold public hearings before establishing the property tax rate and did not establish the tax rate by ordinance. The board does not prepare a delinquent tax list and turn it over to the County Collector as required by state law. Property tax receipts are not deposited on a timely basis. The tax bills paid do not indicate the method of payment.

4. Restricted Revenues (page 12)

The town paid \$375 for mowing the community center property from motor vehicle-related receipts.

5. Elections (page 13)

The Board of Trustees did not reelect Trustee Studie's position in April 1999.

6. Maintenance of Paved Roads (pages 13-14)

The Board of Trustees has not developed a long-range plan to maintain the paved roads in the future.

TOWN OF HAYWARD, MISSOURI  
MANAGEMENT ADVISORY REPORT

<b>1. Budgets, Minutes, Meetings, Ordinances, and Financial Reports</b>
---

- A. The town did not have budgets for the calendar years 1999, 1998, 1997 and 1996. Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

Sections 67.010 to 67.080, RSMo 1994, set specific guidelines for the format, approval, and amendments of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of the village operations and provide a means to effectively monitor actual costs and revenues. It will also assist in setting tax levies and informing the public about the town's operations and current finances. A complete budget should include separate receipt and disbursement estimations by fund, and include the beginning available resources and reasonable estimates of the ending available resources. The budget should also include a budget message and comparisons of actual receipts and disbursements for the two preceding years.

- B. The board minutes are not signed by either the chairman, the clerk, nor any of the other board members. The minutes do not include a list of bills for the month or year. The minutes do not document approved motions for bills to be paid or minutes to be approved.

The official board minutes should be signed by the board members, or at least a designated member of the board, to provide an independent attestation that the minutes are a complete and correct record of the matters discussed and actions taken during the board's meetings. The board should also include a list of approved bills in the minutes to document its approval.

- C. The town has not submitted annual financial reports to the State Auditor's office pursuant to Section 105.145, RSMo, since 1991. The town should ensure the annual report required by law is submitted to the State Auditor's office.

- D. The town does not maintain records of adopted ordinances. The town could not locate the ordinances which govern the town.

State laws specify the manner and form in which ordinances are to be prepared and require the ordinances to be published. In addition, since the ordinances represent legislation which has been passed by the Board of Trustees to govern the town and its residents, it is important that the town's ordinances be maintained in a complete, well-organized, and up-to-date manner.

- E. Semiannual financial statements are not prepared and published or posted as required by law. Section 80.210, RSMo 1994, provides that the board of trustees in March and September are to prepare and publish semiannual financial statements in a local newspaper or to post semiannual financial statements in six public places within the town.
- F. No notices are posted for meetings held during the year. Section 610.020, RSMo, requires notices (including tentative agendas) to be posted in a prominent place which is easily accessible to the public, to be given at least twenty-four hours in advance, or if not feasible, reasons are to be documented in the board minutes.

**WE RECOMMEND** the Board of Trustees:

- A. Prepare complete and accurate annual budget documents that contain all information required by state law and/or necessary to provide a complete financial plan for the town.
- B. Document its review and approval of the board minutes and bills to be paid by signing, or designating a board member to sign, the official copy of the minutes which includes the list of approved bills.
- C. Ensure the annual financial report is filed with the State Auditor's office.
- D. Take action to ensure a complete set of ordinances is located and maintained.
- E. Ensure semiannual financial statements are published or posted in accordance with state law.
- F. Ensure notices of the board meetings are posted in accordance with state law.

**AUDITEE'S RESPONSE**

- A. *We will prepare an annual budget to provide a complete financial plan for the town.*
- B. *We are doing this now. We will include a list of approved bills with the minutes.*
- C. *If it is the law that we do this, then we will submit an annual financial report to the State Auditor's office.*
- D. *The ordinances were in the community building, but they are missing from the office. We will pass new ordinances.*
- E. *We agree. If we need to do a semi-annual report, then we will prepare one and post it as required.*

F. *We will post a notice on the community building about the monthly board meetings.*

2.

### **Accounting Controls and Procedures**

The town has one person that serves as the Town Clerk, Town Collector and the Town Treasurer. The duties of this official include maintaining receipt and disbursement records, making bank deposits, preparing and mailing tax bills, collecting property taxes, preparing checks, receiving and reconciling bank statements, and preparing financial reports.

Neither the board nor other personnel independent of the cash custody and the record-keeping functions provide adequate supervision or review of the work performed by the Town Clerk.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of City Clerk, City Treasurer, and City Collector, or any two of these three offices, by the same person at the same time would be incompatible. The statues pertaining to villages are similar to those cited in this opinion and, thus, the opinion's conclusion appears to be applicable to villages.

Holding two of these offices does not allow the separation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. The board should implement procedures to ensure a proper segregation of duties including, but not limited to, requiring that receipts are reconciled to deposits and that bank statements are reviewed and/or reconciled by someone independent of the bookkeeping duties.

**WE RECOMMEND** the Board of Trustees provide for an adequate segregation of duties. If this is not possible, at a minimum, procedures for adequate independent reconciliations and reviews of accounting records should be established.

### **AUDITEE'S RESPONSE**

*We agree to separate the duties. We will have three separate officials.*

3.

### **Property Tax Controls and Procedures**

- A. Public hearings have not been held prior to establishing the property tax rates. Section 67.110, RSMo, states a public hearing is to be held on proposed rates of tax prior to the board's approval of the rates. Also, the board did not establish the annual tax rates by ordinance as required by Section 94.210, RSMo.
- B. The town does not prepare a delinquent tax list and turn it over to the County Collector as required by state law. Section 80.480, RSMo 1994, requires the board of trustees to annually turn over to the county collector a delinquent tax list and certified copies of all tax bills included in the delinquent list. The County Collector is then responsible for collecting the amounts due, including any interest and penalty charges. Attorney General's Opinion No. 31, 1950 to Frank, concluded that the delinquent taxes of a village should be in the hands of the county collector by the first Monday in March of each year. Delinquent property taxes owed to the town as of December 31, 1998, totaled \$488 for the previous tax year.
- C. Property tax receipts are not deposited on a timely basis. The town clerk deposited \$731 of 1998 property taxes on January 22, 1999. He had been collecting the property tax receipts since December 5, 1998. We also noted receipts collected on January 9, 1998 that were not deposited until April 6, 1998.

Although the town collector has indicated on the records that his property taxes totaling \$50 were paid as of January 20, 1999, the money has not been deposited as of May 14, 1999. The collector indicated that he had paid by check, but since it was not deposited, the money remained in his personal account.

To adequately safeguard against loss or misuse of funds, deposits should be made daily or when accumulated receipts exceed \$100. All monies should be deposited at least weekly.

- D. The town receives cash and checks for the payment of property taxes. The tax bills which accompany the payment serve as the town's record of receipt; however, the method of payment (cash, check, money order, etc.) is not noted on the tax bills.

To ensure proper handling and safeguarding of town monies, the method of and date of payments should be indicated on the tax bills and the composition of receipts reconciled to bank deposits.

**WE RECOMMEND** the Board of Trustees:

- A. Hold public hearings on proposed property tax rates and establish the annual levies by ordinance as required by state law.
- B. Ensure a delinquent property tax list is turned over to the County Collector annually as required by state law.

- C. Ensure deposits are made daily or when receipts exceed \$100. All monies should be deposited at least weekly.
- D. Require the Town Collector to record the method on the corresponding tax bills received and reconcile the composition of receipts to bank deposits.

**AUDITEE’S RESPONSE**

- A. *The property tax was established when the town was incorporated and remains the same today. We will have a public hearing to set the tax rates and pass an ordinance each year.*
- B. *We did not know that we could submit delinquent taxes to the county collector. In the future, we will do this.*
- C. *We agree that deposits should be made when receipts exceed \$100.*
- D. *We agree tax bills received and bank deposits should be reconciled. The method of payment will be noted.*

<b>4.</b>	<b>Restricted Revenues</b>
-----------	----------------------------

During the year ended December 31, 1998, the town deposited \$4,096 of state motor vehicle-related receipts into a separate fund for motor-vehicle receipts titled Revenue-Sharing Fund. The town paid \$375 from this fund for mowing the community center grounds. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be used for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets. The mowing of the community center grounds does not appear to be an appropriate use of this money.

To ensure compliance with the Missouri Constitution, the town should ensure receipts are only spent on purposes allowed by the constitution.

**WE RECOMMEND** the Board of Trustees ensure that disbursements of motor vehicle receipts are spent in compliance with the Missouri constitution. In addition, the Board of Trustees should transfer \$375 from the General Fund to the account with motor vehicle revenues.

**AUDITEE’S RESPONSE**

*We will pay the \$375 back to the Motor Vehicle Fund as our funds allow us. We will discontinue paying the mowing from that fund.*

5.

**Elections**

In April 1997, former Trustee Studie was elected to serve a two year term on the town's board of trustees. In February 1999, Trustee Jones was appointed to fill the unexpired term of Trustee Studie after his departure from Hayward.

According to Section 80.230, RSMo 1994, if a vacancy occurs in a trustee position the remaining members of the board shall fill the vacancy. The successor appointed by the board must be elected in the next election.

Trustee Jones did not stand for re-election in the April 1999 election, as required by state law, but plans to serve until April 2001.

Trustee Jones may not be serving on the board legally. The board should reappoint her or appoint someone else to fill the position until the next election (April 2000).

The Board of Trustees should ensure that any future trustee positions are filled in accordance with state law.

**WE RECOMMEND** the Board of Trustees should reappoint the trustee currently serving or appoint someone else to fill the position until the next election. In the future, the Board of Trustees should ensure that trustee positions are filled in compliance with state law.

**AUDITEE'S RESPONSE**

*It was an oversight on our part to not have Sheila Jones file for election. On July 5, 1999, we reappointed her to make it legal.*

6.

**Maintenance of Paved Roads**

The town received a Community Development Block Grant (CDBG) to rehabilitate houses and provide adequate drainage in the town. The town utilized the drainage monies to provide better drainage and pave the town roads. The town roads were graveled previously and were maintained by the town with additional assistance from the county. The county provided the equipment to maintain the road and the town would purchase the gravel. When the town began planning the paving part of the grant project, the county indicated to the town that it would not be able to provide assistance maintaining paved roads, as they did not have the resources or equipment to maintain them. The town has not developed a long-range plan to maintain the paved roads in the future. The town has limited resources and should review future maintenance costs for any new improvements.

**WE RECOMMEND** the Board of Trustees should develop a long-range plan for maintaining the paved roads and ensure that any future improvements are made in connection with a plan for future maintenance costs.

**AUDITEE'S RESPONSE**

*We plan on using our motor vehicle monies for maintaining the paved roads. We will try to develop a long-range plan.*

This report is intended for the information of the management of the town of Hayward and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.