



CITY OF KAHOKA, MISSOURI
YEAR ENDED MARCH 31, 2000

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

Report No. 2000-98
September 25, 2000
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2000

www.auditor.state.mo.us

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

As of February 29, 2000, the General Fund and the Park Fund had negative cash balances of \$181,825 and \$59,205, respectively. To eliminate these deficit balances, the city transferred \$171,528 and \$58,870 from the Electric Fund to the General Fund and the Park Fund, respectively, during March 2000. In addition, city officials indicated they do not intend to repay these monies to the Electric Fund and that additional subsidies may be necessary for fiscal year 2001.

Revenues of the Electric Fund represent user charges which are intended to cover the cost of providing the related services. It does not appear appropriate to subsidize other city operations from Electric Fund monies. As a result of this situation, electric rates may be set higher than necessary to recover actual costs and city electric customers are being required to subsidize the cost of other city services through the payment of their electric bills.

The city provides water and sewer services to approximately 1125 customers. The city has not performed periodic formal reviews of the water or sewer rates. The current water and sewer rates were established by ordinance in 1991 and 1985, respectively.

The city received approximately \$134,289 from October 1996 to August 1997 from an estate. The will required \$76,737 to be used "for enlarging and improving the municipal airstrip and this share shall be utilized for no other purpose whatsoever". The city initially placed \$76,737 in an airport money market account. However, in December 1997 the city transferred \$60,056 from the airport money market account to the Park Fund.

The city made expenditures that do not appear to be a prudent use of public funds. Current and ex-employees received free premium channels for cable. City employees were eligible to receive a free family pool pass. City employees and equipment were used on the prior mayor's house for installation of lines. The city's sales tax exemption was used to make purchases by or on behalf of the prior mayor. Supporting documentation was not maintained for some disbursements. There is no documentation in the minutes to approve the three cellular phone contracts. The city does not have a formal bidding policy and the old fire station was sold without soliciting bids.

(over)

YELLOW SHEET

The city did not prepare and adopt a budget for the year ended March 31, 1999 and the city did not adopt the budget prepared for the year ended March 31, 2000. State law requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year.

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 city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures.

An annual maintenance plan for city streets has not been approved by the Board. A maintenance plan was prepared in 1999 and continues to be updated. A formal maintenance plan should be approved in conjunction with the annual fiscal budget and include a description of the roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information.

The city has not formally established a policy regarding access to city records. To ensure compliance with state law, the city should adopt formal policies regarding the location of city records, the persons responsible for maintaining each record, and procedures for citizens to request access to public records and how the city will handle these requests.

The city does not maintain adequate records to account for all traffic tickets issued by the police department and their ultimate disposition.

CITY OF KAHOKA, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
HISTORY AND ORGANIZATION	4-6
MANAGEMENT ADVISORY REPORT	7-21
SUMMARY OF FINDINGS	8-9

<u>Number</u>	<u>Description</u>	
1.	City Finances	10
2.	City Transactions	12
3.	Accounting Controls and Procedures.....	16
4.	Budgets and Financial Reporting.....	17
5.	Street Maintenance Plan	19
6.	City Records and Minutes.....	19
7.	Traffic Violations.....	20

STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
And
Members of the Board of Aldermen
City of Kahoka
Kahoka, Missouri 63445

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Kahoka, Missouri. The city had engaged Swann, Schrecke & Associates, Certified Public Accountants (CPA), to perform a financial audit of the city for the year ended March 31, 2000. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA. Our audit of the city included, but was not limited to, the year ended March 31, 2000. The objectives of this audit were to:

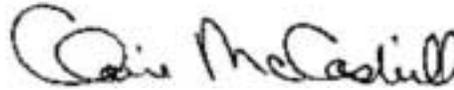
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which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

Our audit was limited to the specific matters described above and was based on the 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 city and was not subjected to the auditing procedures applied during our audit of the city.

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

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

June 7, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Karen Laves, CPA
Audit Manager: John Luetkemeyer, CPA
Audit In-Charge: Nicole Brackman

HISTORY AND ORGANIZATION

CITY OF KAHOKA, MISSOURI
HISTORY AND ORGANIZATION

The city of Kahoka is located in Clark County. The city was incorporated in 1886 as a fourth-class city. The population of the city in 1990 was 2,195.

The city government consists of a mayor and four-member board of aldermen. The four board members are elected in staggered elections for two-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in case of a tie. The mayor, board of aldermen, and other principal officials at March 31, 2000 were:

<u>Elected Officials</u>	<u>Term Expires</u>	<u>Actual Compensation for The Year Ended March 31, 2000</u>
Larry Young, Mayor	April, 2001	\$ 2,500
Jerry Webber, Alderman	April, 2001	1,310
Edgar Armstrong, Alderman (1)	April, 2000	880
Jeff Wood, Alderman (2)	April, 2000	750
Donnie Wagers, Alderman (3)	April, 2000	1,300
Bobbette Spurgeon, Collector (4)	April, 2001	15,976

Other Principal Officers

Linda Plenge, City Clerk	12,096
Sandie Hopp, City Treasurer	17,802
James Sherwood, City Superintendent	28,500
Lary Fountain, Fire Chief	1,800
John Roy Gilbert, Police Chief	24,764

The elected officials, appointed officials, and the employees are covered by a \$1,000,000 public official liability bond for each wrongful act.

- (1) Appointed to replace Larry Weber who resigned in July 1999. Mr. Armstrong was elected in April 2000.
- (2) Appointed to replace Patrick Kirchner who resigned in September 1999. Mr. Wood was elected in April 2000, to complete a term ending April 2001.
- (3) Appointed to replace Greg Sutterfield who resigned in February 1999. Mr. Wagers was elected in April 2000, however he was not sworn in. A lawsuit is currently pending.
- (4) Collector's position is compensated \$1 per year; the remainder of the compensation is for other clerical duties.

In addition to the officials listed above, the city employs approximately 20 full and 21 part-time employees.

Assessed valuation and tax rate information for 1999 and 1998 are as follows:

	<u>1999</u>	<u>1998</u>
Real estate	\$ 8,589,568	8,330,886
Personal Property	<u>3,412,208</u>	<u>3,189,928</u>
Total	<u>\$ 12,001,776</u>	<u>11,520,814</u>

TAX RATES PER \$100 ASSESSED VALUATION

General	\$ 0.75	0.74
Library	0.19	0.19
Park Fund	<u>0.15</u>	<u>0.15</u>
Total	<u>\$ 1.09</u>	<u>1.08</u>

The city has the following sales tax; rate is per \$1 of retail sales:

	<u>Rate</u>	<u>Expiration Date</u>
Streets	0.01	None

MANAGEMENT ADVISORY REPORT

CITY OF KAHOKA, MISSOURI
SUMMARY OF FINDINGS

1. City Finances (pages 10-12)

In March 2000, the city made a transfer of over \$230,000 from the Electric fund to subsidize the General and Park Funds. The city has not performed periodic formal reviews of the water and sewer rates. The city transferred money received from an estate to improve the airport, to the Park fund to use for the pool.

2. City Transactions (pages 12-16)

The city has made expenditures that do not appear to be a prudent use of public funds. Current and ex-employees received free premium channels for cable. City employees were eligible to receive a free family pool pass. City employees and equipment were used on the prior mayor's house for installation of lines. The city's sales tax exemption was used to make purchases by or on behalf of the prior mayor. Supporting documentation was not maintained for some disbursements. There is no documentation in the minutes to approve three cellular phones. The city does not have a formal bidding policy. The old fire station was sold without soliciting bids.

3. Accounting Controls and Procedures (pages 16-17)

The board does not initial or sign a listing of bills to note their approval. Written contracts were not entered into for mowing services and for the concession stand lease.

4. Budgets and Financial Reporting (pages 17-18)

The city did not prepare and adopt a budget for the fiscal year ended March 31, 1999, and the budget prepared for fiscal year 2000 was not formally approved by the Board. During fiscal year 1998, expenditures exceeded budgeted amounts. In addition, the Board approved a deficit budget for fiscal year 1998.

5. Street Maintenance Plan (page 19)

An annual street maintenance plan has not been approved by the Board.

6. City Records and Minutes (pages 19-20)

The city does not have a formal policy regarding access to city records and the board minutes do not always include sufficient detail of matters discussed and actions taken.

7. Traffic Violations (pages 20-21)

The city does not maintain adequate records to account for all traffic tickets issued by the police department and their ultimate disposition.

CITY OF KAHOKA, MISSOURI
MANAGEMENT ADVISORY REPORT

1.	City Finances
-----------	----------------------

- A. As of February 29, 2000, the General Fund and the Park Fund had negative cash balances of \$181,825 and \$59,205, respectively. To eliminate these deficit balances, the city transferred \$171,528 and \$58,870 from the Electric Fund to the General Fund and the Park Fund, respectively, during March 2000. In addition, city officials indicated they do not intend to repay these monies to the Electric Fund and that additional subsidies may be necessary for fiscal year 2001.

Revenues of the Electric Fund represent user charges which are intended to cover the cost of providing the related services. It does not appear appropriate to subsidize other city operations from Electric Fund monies. As a result of this situation, electric rates may be set higher than necessary to recover actual costs and city electric customers are being required to subsidize the cost of other city services through the payment of their electric bills.

- B. The city provides water and sewer services to approximately 1125 customers. The city has not performed periodic formal reviews of the water or sewer rates. The current water and sewer rates were established by ordinance in 1991 and 1985, respectively.

The Board of Alderman has not performed any calculation in recent years to determine the adequacy of the water and sewer rates. However, the Board of Aldermen has indicated they are considering raising these rates in the near future. Section 67.042, RSMo 1994, provides that fees may be increased if supported by a statement of costs necessary to maintain the funding of such service.

Water and sewer fees are user charges which should cover the cost of providing the related services. The city should perform periodic detailed reviews of the costs of providing these services and set rates appropriately. Preparation of a statement of costs would allow the city to determine the rates necessary to support current and future operations as well as providing documentation to customers of the rationale behind the rates.

- C. The City received approximately \$134,289 from October 1996 to August 1997 from an estate. The will required \$76,737 to be used "for enlarging and improving the municipal airstrip and this share shall be utilized for no other purpose whatsoever" and \$57,552 to be used "for utilization at Omakohak Park, it being my hope and wish that same be used for

enlargement of the swimming pool at said park". The city initially placed \$76,737 in an airport money market account, and \$57,552 in the Park Fund. However, in December 1997 the city transferred \$60,056 from the airport money market account to the Park Fund. Approximately \$7,245 has been spent from the General Fund for airport related expenses since October 1996 to date. The city's budget for the year ended March 31, 2001, includes no provisions to repay any of the monies restricted for airport purposes. The city needs to transfer monies back to the airport account and develop a financial plan to utilize \$69,492 (\$76,737 less \$7,245) for the benefit of the municipal airport as required by the terms of the bequest. In addition, although the city made improvements to the Omakohak Park swimming pool, it was not enlarged as referenced in the terms of the bequest.

WE RECOMMEND the Board of Aldermen:

- A&C. Closely monitor the ongoing financial condition of the various funds, develop a plan to operate the General Fund and Park Fund without further subsidies, and limit expenditures and transfers from the Electric Fund to only those necessary to operate the city's electric utility operations. In addition, we recommend the board develop a financial plan to fund and utilize \$69,492 for the benefit of the municipal airport, and discuss the city's use of other bequested monies with legal counsel to determine if the city has complied with the terms of the bequest.

- B. Perform periodic reviews of the costs to maintain utility services, and establish rates to ensure the costs of operation, maintenance, and replacement of the city's water and sewer system are covered.

AUDITEE'S RESPONSE

A&C. The board would like to point out that it has one of the lowest electrical rates in the area. In addition, other cities who have private entities providing electrical service receive a franchise tax. The city is considering whether to levy such a fee against the Electrical Fund in the future. The board is aware of the financial difficulties facing the city and is attempting to take action to remedy these problems. An executive committee has been formed to make suggestions on repayment to the airport account. The board has always intended to repay the airport account when money was available.

Alderman Wood also provided the following response:

From the past minutes that I have reviewed, I have not seen any evidence of a repayment schedule.

- B. *The board is currently in the process of reviewing these rates and expects to finalize this review this fall.*

2.

City Transactions

- A. In December 1999 and 1998, the city purchased \$50 savings bonds (at a cost of \$25) for full-time employees and \$10 gift certificates at a local grocery store for some part-time employees. These expenditures totaled \$560 and \$570, respectively.

The expenditures do not appear to be a prudent use of public funds and a necessary cost of operating the city. The city's residents have placed a fiduciary trust in their city officials to expend public funds in a necessary and prudent manner.

- B. Seven current city employees and six ex-city employees receive free premium channels which amounts to approximately \$32 a month per user. Some of these individuals have received these services for at least five years. In addition, all city employees receive a free family pool pass which costs approximately \$85 a year. The compensation is not reported on employee's form W-2. In addition, the city is not paying the broadcast companies for the individuals that receive the free premium channels. As a result, the city is not in compliance with its contracts with the broadcast companies.

- C. From April 1993 to July 1998, S.W. Waschenbach served as Mayor. The following concerns relate to this prior mayor:

- 1) During 1997, the prior mayor used city employees and equipment to install the water line, sewer line, and conduit electric line on his new house. The prior mayor also had rock delivered to his house by city employees. There was no documentation in the board minutes that this was approved, and according to current city officials, the Board was not aware that the work was being done. In addition, the city did not perform similar services for other city residents. Also, according to current city officials, a detailed accounting of all expenses incurred on the project was not maintained at the time the work was performed. As a result, the city was forced to estimate the costs of materials and supplies used. The prior mayor reimbursed the city \$3,460 for the work on his house.

Officers and agents of a city serve in a fiduciary capacity. To avoid the appearance of conflicts of interest, all transactions and agreements with city officials should be fully documented and

approved by the Board of Aldermen. In addition, the board should require that written agreements be prepared in any potential conflict of interest situations.

- 2) During 1997, the city's sales tax exemption was used to make purchases by or on behalf of the prior mayor, thereby effectively avoiding sales tax on these purchases. While some purchases were reimbursed by the former Mayor, the city was not reimbursed for \$506 of personal items which were paid for by the city. The instances noted include the following:
 - a) In June 1997, the prior mayor purchased a gas log set and had it installed in his home. The purchase cost \$384 and it was made using the city's tax exemption. In addition, city officials could find no documentation of reimbursement for this item. The city could not locate documentation for this purchase and had to contact the company to obtain a copy of the invoice.
 - b) During 1997, the prior mayor charged purchases of personal items totaling \$465 to the city's credit card. The prior mayor reimbursed the city \$343 but \$122 remains due.

A sales tax exemption granted to a political subdivision should not be used to benefit private entities or individuals. Doing so is a violation of the sales tax exemption letter. In addition, the city needs to ensure it obtains reimbursement for all items purchased that were not used for official city business.

- 3) Adequate supporting documentation was not maintained for other disbursements made by the city. Various payments totaling approximately \$622 during the year ended March 31, 1998 for the prior mayor's credit card had no invoice or other documentation to support the payments. In addition, several city employees and officials (including the prior mayor) made purchases at the local grocery store. However, invoices to support payments to a local grocery store totaling approximately \$716 and \$1,355 for the years ended March 31, 1999 and 1998, respectively, were not adequately detailed to support the purchases.

All disbursements should be supported by paid receipts and/or complete vendor-provided invoices to ensure the obligation was actually incurred and the disbursement represents an appropriate use of public funds.

- D. In 1997, the city provided a cellular phone to three city officials. During the year ended March 31, 2000 and 1999, the city paid \$2,261 and \$2,206, respectively, for cellular phone services. There was no documentation in the minutes that the board approved the cell phone contracts. In addition, the city does not have a formal policy regarding cellular phone usage.

The Board of Aldermen should review the propriety of the usage of the cellular phones to determine whether the city is receiving sufficient benefit for its cost. If the cellular phones are deemed necessary, the board should establish a policy to ensure cellular phones are used only for reasonable business purposes. Such a policy should address which employees need a cellular phone, proper use of the phone, and a reimbursement policy if the board authorizes the phone to be used for personal matters. Procedures should be implemented to monitor cellular phone usage and review invoices for propriety.

- E. The city does not have a formal bidding policy. As a result, the decision of whether to solicit bids for a particular purchase is made on an item-by-item basis. Although the city did solicit bids for many significant purchases, the following items were not bid, or the reasons for not accepting the lowest bid were not documented:

- 1) Approximately \$12,430 was spent on rock during the year ended March 31, 2000. The city indicated these purchases were not bid because there was only one source for the purchase of rock. However, board minutes did not document the reason bids were not solicited in this situation.
- 2) The city spent \$3,750 on a new roof for one of its buildings. The city received two roofing bids for the building but the lowest bid was not accepted. There was no documentation stating the reason for selecting the higher bid.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an opportunity to participate in the city's business.

Bids can be handled by telephone quotation, by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based on dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and reasons noted why the bid was selected.

- F. In October 1997, the former Mayor sold the old fire station for \$5,000 without soliciting bids. In addition, no documentation could be located indicating board approval.

To ensure the best possible price is obtained for all items sold and to ensure all interested parties are given equal opportunity to participate, the city should solicit bids for all property sales. In addition, board approval to dispose of city equipment should be obtained and documented.

WE RECOMMEND the Board of Alderman:

- A. Ensure expenditures from city monies are a prudent use of public funds and are limited to those necessary to properly operate the city.
- B. Discontinue the practice of free premium channels to city employees and issuing free family pool passes. In addition, determine the amount that is owed to the cable companies for the user fees.
- C.1. Avoid transactions that represent actual conflicts of interest or the appearance of conflicts of interest. City officials should ensure strict compliance with the law when conducting city business and should consider adopting a code of conduct for city officials.
 - 2. Ensure the sales tax exemption of the city is not used for the benefit of private entities or individuals and any personal expenses are reimbursed.
 - 3. Ensure all disbursements are supported by paid receipts and/or vendor-provided invoices which contain an adequate description of the goods or services received.
- D. Determine whether the cellular phones are needed for the city. If the city continues to pay for the phone usage, the board should develop a policy regarding the use of cellular phones including an assessment of which employees need a cellular phone and procedures to monitor their use.
- E. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected.
- F. Solicit bids and document board approval for the sale of city real estate.

AUDITEE'S RESPONSE

- A. *We believe these expenditures were good for employee morale and we were not aware that these expenditures were inappropriate. We will review the appropriateness of these expenditures with our legal counsel in the future.*

- B. *City employees paid for basic cable and received premium channels if desired. This practice has been discontinued. Concerning the pool passes, only 5 of the 20 employees used their passes for their children (8). The city estimates \$120 value for 1998 and \$180 value for 1999, if they would have paid the regular gate admission charge. This practice has been discontinued. Since the city no longer contracts directly with broadcast companies, we do not believe it is necessary to resolve any further issues with them.*
- C.1&
- C.2. *These recommendations will be implemented immediately. We would like to note that the city delivers rock to any city resident at material cost plus a \$10 hauling fee. We intend to pursue adopting a code of conduct in the near future.*
- C.3. *This is presently being addressed and the necessary steps will be taken to correct this practice.*
- D. *One cell phone has been cancelled and the remaining two are being reviewed for better programs. Currently phone billings are being monitored to ensure they are used for only city business.*
- E. *We will adopt a bidding policy in the near future. We only have one local rock quarry and rock is purchased on an "as needed" basis for different city departments which lowers inventory costs. Concerning taking the higher bid for a new roof, this roof had a 10 year guarantee and was a different type of roof entirely than the other bids.*
- F. *In the event we sell real estate in the future we will follow this recommendation.*

3.	Accounting Controls and Procedures
-----------	---

- A. The City Clerk provides the Board of Aldermen with the monthly check register and the invoices. Although board minutes make a general reference to pay bills, the check register is not initialed or signed by the alderman to document approval.

To adequately document the board's review and approval of all disbursements, a complete and detailed listing of all bills paid from each fund should be prepared, signed or initialed by the board to denote their approval, and retained with the official minutes.

- B. According to city officials, the city did not have the necessary equipment available to mow all city property. As a result, the city hired individuals for mowing services around the city. In addition, the city leases out the concession stand at the city pool for \$100 a year. The city has not entered into a written agreement with these individuals defining the services

rendered and the compensation to be paid. The city also did not enter into a written agreement to cover the services it performed on the prior Mayor's new house.

Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, Section 432.070, RSMo 1994, requires contracts of political subdivisions to be in writing. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid.

WE RECOMMEND the Board of Alderman:

- A. Ensure detailed and complete listing of bills are prepared and that the board's approval is documented on the listings. In addition, the listings should be retained with the official minutes.
- B. Enter into written agreements which define the services to be provided and the compensation to be paid.

AUDITEE'S RESPONSE

- A. *The city will implement this in August 2000.*
- B. *Mowing bids were taken on all mowing, with the location and bid price included. The city has purchased equipment and it presently is doing all the city mowing for 2000. In addition, the city no longer leases the concession stand.*

4. Budgets and Financial Reporting

- A. The city did not prepare and adopt a budget for the year ended March 31, 1999 and the city did not adopt the budget prepared for the year ended March 31, 2000. Section 67.010, RSMo 1994, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing year.

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 city operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations by fund, and include the beginning available resources and reasonable estimates of ending available resources. The budget should

also include a budget message and comparisons of actual or estimated revenues and expenditures for the two preceding fiscal years.

- B. During the year ended March 31, 1998, the city approved expenditures in excess of the budgeted amount for the general fund, street fund, and park fund.

Section 67.040, RSMo 1994, indicates a political subdivision shall not increase the total amount authorized for expenditures from any fund, unless the governing body adopts a resolution documenting the reasons making the increase necessary and approves or adopts a resolution or ordinance to authorize the expenditures. The board should ensure any budget amendments are properly authorized and adequately documented.

- C. A deficit budget was prepared for the General Fund for the fiscal year ending March 31, 1998. Budgeted expenditures exceeded the beginning available resources plus budgeted revenues for that fund.

Section 67.010, RSMo, 1994, provides that in no event shall the total proposed expenditures 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.

WE RECOMMEND the Board of Aldermen:

- A. Prepare annual budgets in accordance with state law, and make periodic comparisons between budgeted and actual revenues and expenditures.
- B. Ensure actual expenditures do not exceed budgeted amounts. If circumstances require expenditures in excess of amounts budgeted, a formal resolution should be adopted authorizing the additional expenditures and documenting the reasons for such.
- C. Ensure that budgeted expenditures do not exceed available resources.

AUDITEE'S RESPONSE

- A. *The 2001 city budget was properly completed and approved.*
- B. *The current budget is being reviewed quarterly, or more frequently if needed, by the board to ensure overspending does not occur.*
- C. *The board has corrected this problem.*

5.

Street Maintenance Plan

An annual maintenance plan for city streets has not been approved by the Board. A maintenance plan was prepared in 1999 and continues to be updated. A formal maintenance plan should be approved in conjunction with the annual fiscal budget and include a description of the roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, a public hearing should be held to obtain input from the city residents.

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

WE RECOMMEND The Board of Aldermen approve a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

We believe we have maintained a formal maintenance plan and have compared this to budgeted expenditures. We will formally approve the annual street maintenance plan in the future.

6.

City Records and Minutes

A. The city has not formally established a policy regarding access to city records. A custodian of records has not been appointed. Section 610.023, RSMo 1994, indicates that each public governmental body is to appoint a custodian who is to be responsible for the maintenance of that body's records and establishes guidelines for making city records available to the public. To ensure compliance with state law, the city should adopt formal policies regarding the location of city records, the persons responsible for maintaining each record, and procedures for citizens to request access to public records and how the city will handle these requests.

Written policies would establish procedures for the residents to follow and the cost for the requested information. In addition, written policies would

help avoid misunderstandings regarding the availability of public city records.

- B. The board minutes do not always include sufficient detail of matters discussed and actions taken. An interim clerk was preparing and signing the minutes for several months in 1998 until the board appointed a new city clerk in July 1998. However, this is not included in the minutes. In addition, the minutes do not indicate that the clerk was sworn in. Complete and accurate minutes provide an official record of board actions and decisions.

WE RECOMMEND the Board of Aldermen:

- A. Develop written policies regarding procedures to obtain access to, or copies of, public city records.
- B. Ensure all significant discussions, actions taken, and information required by state law are included in the minutes.

AUDITEE'S RESPONSE

- A. *Our City Clerk is the custodian of records as indicated in her official job description. We plan to adopt a formal policy in the near future.*
- B. *This has been implemented.*

7. Traffic Violations

The City of Kahoka issues traffic tickets, and the court cases for the city are heard at the Clark County Courthouse by the Associate Circuit Judge. The Clark County Associate Court receives the payment of fines and court costs and then remits the fines to the City of Kahoka.

The City does not maintain adequate records to account for all traffic tickets issued by the police department and their ultimate disposition. In addition, traffic ticket books are not always issued in numerical sequence.

Without a proper accounting of the numerical sequence and ultimate disposition of traffic tickets, the city cannot be assured that all tickets issued were properly submitted to the court for processing. A complete log listing each ticket number, the date issued, and violator's name would ensure all tickets issued were properly submitted to the court for processing, properly voided, or not prosecuted. In addition, this listing should be compared to the monthly listing of cases disposed of by the Associate Court to ensure all tickets have been accounted for properly.

WE RECOMMEND the Board of Aldermen ensure records are maintained to account for the numerical sequence and ultimate disposition of traffic tickets.

AUDITEE'S RESPONSE

We will implement this recommendation.

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

* * * * *