



**CITY OF TRENTON, MISSOURI  
YEAR ENDED APRIL 30, 2003**

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

**Report No. 2004-10  
February 4, 2004  
[www.auditor.mo.gov](http://www.auditor.mo.gov)**

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

February 2004

The following problems were discovered as a result of an audit conducted by our office of the City of Trenton, Missouri.

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The City of Trenton has not periodically solicited proposals for audit and legal services. From May 1, 2000 through April 30, 2003, the city paid an outside law firm approximately \$36,000 for various work related to tax increment financing and various other issues. The city could not provide documentation indicating why the City Attorney could not handle these legal issues. In addition, the city did not obtain bids, as required by city policy, for five purchases totaling almost \$30,000.

The purpose of many credit card expenditures, especially travel expenditures, was not documented. Credit card expenditures totaled \$21,899 for the year ended April 30, 2003. In several instances, the only documentation available was a signed charge slip and no detailed invoice was provided. In addition, the city needs to establish policies for meal expenses for employees while not on travel status and meal expenses for non-city employees.

The City Council did not adequately document its decisions related to a housing demolition project. The council accepted the overall low bid of \$75,500. At the February regular session council meeting and in spite of the original low bidder's objection, the City Administrator told the council the project would be rebid. In March the City Council voted to accept new low bids on the project totaling \$94,820. The Council's decision to reverse its previous decision and re-bid the project was not adequately documented.

The city's current procedures do not ensure payroll and other expenses are allocated to the proper funds. Each employee's salary or wages are paid from one fund regardless of how each employee's duties and functions overlap the various city services. Proper allocation of expenses is necessary to ensure the electric, water, and sewer rates are sufficient to cover the cost of providing the service without generating profits to subsidize other city services.

The city spent approximately \$4,700 in travel and other expenses for three marketing trips, two to California and one to Florida. Reports were not prepared to summarize the activities of the trips or to document how such efforts have enhanced economic development for the city.

(over)

YELLOW SHEET

The City and municipal utilities have not established comprehensive travel policies outlining what types of expenses are allowed, limits on those expenses, documentation requirements, and the review process, as follows:

- It is the city's informal policy to allow employees traveling for city business to charge one personal telephone call per day to the city. However, the city has not established any cost or time limits for such phone calls.
- The city has not established maximum limits on meal expenses, and some meal expenses incurred by city employees appeared excessive.
- The city requires receipt slips or invoices be turned in for all travel expenditures, including meals. Credit card charge slips, rather than detailed receipt slips or invoices, were submitted for several meal expenses.
- Formal expense reports, including the date of trip, purpose, origin, and destination, were not always prepared or were not always complete and accurate.

The city and municipal utilities do not have written policies regarding the use of approximately 60 vehicles and related equipment. In addition, the city does not report taxable benefits associated with city vehicles used for commuting purposes. During the year ended April 30, 2003, nine management-level employees were assigned vehicles which they all used for commuting purposes. IRS guidelines require the full value of the provided vehicle to be reported on the employees' W-2 forms if the employer does not require the submission of detailed logs, which distinguish between business and personal usage.

The compensation of the City Attorney is not clearly defined by ordinance or contract. During the year ended April 30, 2003, the city paid \$30,504 in base compensation, plus \$1,008 in additional services billed by the City Attorney for drawing up contracts, promissory notes, deeds, etc. for the city. Based on the city's ordinance, it appears the City Attorney's duties include attending to any and all legal matters of the city when requested to do so. Therefore, it is unclear whether the City Attorney should bill for any additional services.

The audit also includes some matters related to employee leave records, capital improvement sales tax fund, the asphalt plant, a land purchase, and budgets and financial statements upon which the city should consider and take appropriate corrective action.

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CITY OF TRENTON, MISSOURI

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STATE AUDITOR'S REPORT



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

To the Honorable Mayor  
and  
Members of the City Council  
City of Trenton, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Trenton, Missouri. The city engaged Lockridge, Constant & Conrad, LLC, Certified Public Accountants (CPAs), to audit the city's financial statements, including Trenton Municipal Utilities which is part of city government, for the year ended April 30, 2003. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the city included, but was not necessarily limited to, the year ended April 30, 2003. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review internal controls over significant management and financial functions.
3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the city, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.
2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.
3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the

provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

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

The accompanying Management Advisory Report presents our findings arising from our audit of the City of Trenton, Missouri.

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

Claire McCaskill  
State Auditor

August 14, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Thomas J. Kremer, CPA  
Audit Manager: Mark Ruether, CPA  
In-Charge Auditor: Susan Beeler

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

CITY OF TRENTON, MISSOURI  
MANAGEMENT ADVISORY REPORT –  
STATE AUDITOR’S FINDINGS

<b>1. Expenditure Procedures</b>
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A. Some city expenditures did not comply with certain provisions of the city's procurement policy as follows:

- 1) The city has not periodically solicited proposals for audit and legal services. The city's purchasing policy provided that when professional services were needed, at least three highly qualified firms should be considered.

The city has used the same CPA firm since 1997. During the year ended April 30, 2003, the city and the municipal utilities spent \$9,500 for auditing services. Additionally, from May 1, 2000 through April 30, 2003, the city paid an outside law firm approximately \$36,000 for various work related to tax increment financing and various other issues. City officials indicated the law firm had expertise in these areas but could not provide any documentation supporting this, nor could they provide documentation indicating why the City Attorney could not handle these issues.

Soliciting proposals for professional services helps provide a range of possible choices and allows the city to make a better-informed decision to ensure necessary services are obtained from the best qualified vendor at the lowest and best cost. Additionally, documenting reasons why an outside attorney is needed helps ensure justification of these additional costs.

- 2) The city's purchasing policy requires the city to advertise for bids for expenditures over \$6,000, obtain at least three written bids for purchases between \$3,000 and \$6,000, and obtain at least three oral bids for purchases between \$1,500 and \$3,000. The policy also applies to purchases made by the municipal utilities. No bids were solicited for the following expenditures during the recent fiscal year:

Storm sewer repair	\$ 12,511
Fire truck repair	7,832
Generator sensing panel	3,457
Mosquito spray ingredients	3,384
All-terrain vehicle	2,750

City personnel indicated the storm sewer repair was not bid because the contractor was already working on another job in Trenton, and since his equipment was already in town, his cost would be less than any other contractor. However, there is no documentation indicating the city obtained these services at a cheaper rate than if the project had been properly bid. City personnel indicated the all-terrain vehicle was a used vehicle, and therefore, it did not need to be bid. However, the purchasing policy does not make a distinction between purchases of new or used items. City personnel indicated the remaining items were available from only one provider; however, documentation of these sole source procurement situations was not maintained.

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 helps ensure all parties are given an opportunity to participate in the city's business. Complete documentation should be maintained of all bids received and reasons why the bid was selected. If circumstances provide that bidding is not necessary or practical, such as sole source providers or emergency situations, the reasons for not soliciting bids in accordance with the city's policies should be documented.

- B. The purpose of many credit card expenditures, especially travel expenditures, was not documented, and adequate supporting documentation was not retained for some purchases. The city has five credit cards used by officials and employees for travel and other purposes. Credit card expenditures totaled \$21,899 for the year ended April 30, 2003. In several instances, the only documentation available was a signed charge slip but no detailed invoice was provided. Sales tax was paid on some credit card expenditures, and there were some personal purchases on credit cards that were reimbursed to the city.

The city should adopt policies and procedures to ensure credit cards are used for only necessary city-related purposes and are not used for personal purchases. The city should require the users of the credit cards to submit invoices or other documentation for all charges, and document the purpose of all travel-related charges prior to payment.

- C. Some expenditures do not appear to be necessary or a prudent use of city funds. During the year ended April 30, 2003, the city and municipal utilities spent \$2,175 for an annual appreciation dinner (including gift certificates) for 120 people (employees and guests) and \$255 for employees to participate in golf tournaments (apparently during normal working hours with no documentation that these employees took vacation time while participating in the tournaments). In addition, the city spent various amounts for an employee picnic, an employee

retirement party, and flowers and plants for funerals of relatives of city employees.

It is also the city's and municipal utilities' policy to purchase uniforms for employees; however, the written policy is not clear regarding which employees are required to wear uniforms. Most construction and maintenance employees wear city uniforms daily; however, shirts are also purchased for the administrative employees. Purchasing shirts that are not part of a required uniform does not appear to be a necessary cost of operating the city.

The city's residents place a fiduciary trust in their public officials to expend public funds in a necessary and prudent manner. The above expenses do not appear to represent a necessary and prudent use of public funds.

- D. The city does not have formal policies regarding using city funds for employee meals while not on travel status or for meals of non-city employees. Our review noted 12 expenditures totaling \$475 for meals that included at least one guest and/or meals within the city limits for employees.

The city should develop formal policies regarding these issues, which address meal expenditures for non-city employees and require documentation of the city-related business purpose of each meal. The policy should also address when in-town meal expenditures for city employees are allowed.

- E. The City Council did not adequately document its decisions related to a housing demolition project. In January 2003, the City Council opened bids for a multiple-house demolition project. The council minutes indicate the council accepted the overall low bid of \$75,500, pending verification of the bidder's insurance, and reserving the right to divide the project by house (if the total of the low bids for each house was lower than the total overall bid). City officials then apparently decided to accept the low bid for each house, which would have resulted in contracts being awarded to the overall low bidder and two additional bidders. The overall low bidder objected and insisted that he had been awarded the entire project. At the February regular session council meeting and in spite of the original low bidder's objection, the City Administrator told the council the project would be rebid. In March, the City Council voted to accept new low bids on each house totaling \$94,820.

City officials indicated that due to the confusion and disagreement on the awarding of the original bid, the City Attorney advised the city to rebid the project. While the city has copies of three letters between the original bidder's attorney and the City Attorney discussing the issues mentioned above, the Council's decision to reverse its previous decision and re-bid the project was not adequately documented and these letters did not clearly document the reasons that the project was to be re-bid. Given that the city will incur approximately \$19,000

in additional costs by accepting the new low bid, it is imperative that all significant business conducted by the city council be documented in the minutes.

**WE RECOMMEND:**

- A. The City Council ensure bids or proposals are solicited for purchases in accordance with the city's purchasing policy, or fully document reasons why bids are not solicited. Additionally, reasons for hiring an outside attorney should be adequately documented.
- B. The City Council review the use of the city's credit cards and adopt applicable policies and procedures to help ensure credit cards are used only for necessary city-related purposes and not for personal purchases. These policies should require adequate supporting documentation for all charges prior to payment, such as detailed invoices and the purpose of travel-related items.
- C. The City Council and Board of Public Works ensure all expenditures of city monies are a prudent use of public funds. The city's policy on employees' uniforms should clearly document which employees are required to wear uniforms, and the city should purchase uniforms for only those employees required to wear them.
- D. The City Council and Board of Public Works adopt policies regarding the payment of meal expenses for guests and in-town meal expenditures for city employees. Adequate supporting documentation and the purpose of the expenditures should be maintained to ensure such expenditures are for necessary city business.
- E. The City Council ensure significant decisions are adequately documented in the council meeting minutes.

**AUDITEE'S RESPONSE**

- A. *The City has already implemented the practice of providing additional documentation on all purchases, bids, and proposals. The City's purchasing policy will be reviewed and revised as necessary.*
- B. *The City has already implemented the practice of documenting the purpose of travel expenditures. The City will be adopting a formal travel policy, including review procedures. The detailed invoices are open records, and can be reviewed by anyone now.*
- C. *The City will review and revise the current uniform policy and address who the City will purchase uniforms for.*

- D. *The City Council will take this under advisement. The City has already implemented requiring additional documentation, including purpose, on all meal expenditures.*
- E. *The City Council will make a conscious effort to make sure items are formally rescinded and documented as necessary.*

<b>2. Personnel Procedures</b>
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- A. The city's current procedures do not ensure payroll and other expenses are allocated to the proper funds. Each employee's salary or wages are paid from one fund regardless of how each employee's duties and functions overlap the various city services. For example, the Utility Billing Clerk is paid from the sewer fund. The Utility Director, Utility Comptroller, and two utility receptionists are paid from the electric fund. The City Clerk performs payroll duties for the city and municipal utilities and is paid from the general fund, while the Utility Accounts Payable Clerk performs all city and utility accounts payable duties and is paid from the water fund.

Additionally, the City Administrator's and Assistant Administrator/Economic Developer's salaries are paid from the general fund, even though these employees also oversee the municipal utilities. A 5 percent electric franchise fee, which goes to the general fund, is intended to help pay for these salaries and other shared expenses; however, there is no documentation to support the specific expenses reimbursed by the franchise fee. In addition, the City Administrator's cellular telephone expenses are paid exclusively by the municipal utilities.

It is essential that the city properly allocate expenses to the various funds. Allocation of expenses is necessary for the city to ensure the electric, water, and sewer rates are sufficient to cover the cost of providing the service without generating profits to subsidize other city services.

- B. The City Clerk maintains records of vacation and sick leave earned, taken, and accumulated for the municipal utilities employees, but does not maintain these records for other city employees. Annually, the department supervisors turn in records of leave balances to the City Clerk; however, the department supervisors maintain the detailed leave records for themselves and the employees in their departments.

Centralized records help ensure that employees' vacation and sick leave records are accurate and comply with city policy and aid in determining final pay for employees leaving city employment.

**WE RECOMMEND** the City Council:

- A. And Board of Public Works ensure all salary expenditures are properly allocated to the various funds and are supported by adequate documentation.
- B. Maintain centralized leave records for all employees.

**AUDITEE'S RESPONSE**

- A. *The City Council will take this under advisement and review salary allocations during the budget process.*
- B. *The City Council will take centralized leave records under advisement in accordance with the proposed personnel manual.*

<b>3. Travel Expense Procedures</b>
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A. The City and municipal utilities have not established comprehensive travel policies outlining what types of expenses are allowed, limits on those expenses, documentation requirements, and the review process. Travel expenditures include lodging, meals, gasoline, rental cars, and parking charged to the city's credit card and reimbursements to employees for mileage, gasoline, meals, lodging and other travel expenses. The following concerns relating to travel expenditures were noted:

- It is the city's informal policy to allow employees traveling for city business to charge one personal telephone call per day to the city. However, the city has not established any cost or time limits for such phone calls. Several hotel bills included such long distance telephone charges.
- The city has not established maximum limits on meal expenses, and some meal expenses incurred by city employees appeared excessive. Our review of meal expenses noted some individual employees' in-state meals ranging from \$34 to \$49 per meal.
- The city requires receipt slips or invoices to be turned in for all travel expenditures, including meals. Credit card charge slips, rather than detailed receipt slips or invoices, were submitted for several meal expenses. On several hotel bills, meals were charged to the room but receipt slips or invoices were not submitted.
- Formal expense reports, including the date of trip, purpose, origin, and destination, were not always prepared or were not always complete and accurate.

Formal travel policies are necessary to ensure public funds are spent wisely. The policies should require each employee to prepare travel expense reports and submit adequate documentation to support all travel expenses incurred. The city should also consider establishing maximum limits on meal and personal telephone expenses.

- B. The city paid for two marketing trips to California and one to Florida during the year ended April 30, 2003. However, the City Council did not require or retain documentation of the potential economic benefits of these trips prior to approving the city's participation.

The Assistant City Administrator/Economic Developer attended two marketing conventions in California, one in San Diego and one in Anaheim. The purpose of these trips was to make contacts with companies looking to open new facilities and attempt to attract these new businesses to Trenton. Both trips were sponsored by the Missouri Department of Economic Development. Expenses for the San Diego convention totaled approximately \$1,900 and expenses for the Anaheim convention totaled approximately \$1,400. Although meeting minutes indicate the Economic Developer made a presentation to the City Council regarding the Anaheim trip, there is no indication in the minutes that a presentation was made regarding the San Diego trip. Additionally, a detailed report was not prepared for these trips, such as a summary of the activities of each day of the trip and contacts made.

In March 2003, the Mayor (now the former Mayor) and a city resident traveled to a national association's headquarters in Tampa, Florida in an attempt to persuade the association (of which the city resident is a member) to hold its 2004 annual convention in Trenton. The city paid the related travel expenses, totaling approximately \$1,400, for both the Mayor and the resident. A report was not prepared to summarize the activities of this trip.

The potential economic benefits of large marketing trips should be weighed against the anticipated costs of these trips before such expenses are incurred. Adequate documentation should be prepared and retained showing the city's interest and actual activity associated with the trips. Additionally, the city should prepare and maintain documentation of how such efforts have enhanced economic development for the city.

**WE RECOMMEND:**

- A. The City Council and Board of Public Works establish written travel policies outlining the types of expenses allowed, maximum amounts, and documentation requirements. Travel expenses should be reviewed to ensure policy requirements are met and that only necessary and reasonable charges are paid by the city. In addition, expense reports should be prepared and filed for each employee traveling for business purposes.

- B. The City Council review the potential economic benefits and anticipated costs of marketing trips prior to approving them. Additionally, adequate documentation of the actual activities and the economic benefit for all marketing trips should be prepared and retained.

**AUDITEE'S RESPONSE**

- A. *The City is in the process of developing a formal travel policy. Expense reports are being prepared and filed for all business trips.*
- B. *The City Council will take this under advisement. Additional documentation is being obtained on all marketing trips.*

<b>4. Vehicle and Equipment Usage</b>
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- A. The city and municipal utilities do not have written policies regarding the use of approximately 60 vehicles and related equipment. Usage and maintenance logs are kept and reviewed for all municipal utilities vehicles and equipment. However, logs are not maintained in some city vehicles and equipment, including the vehicles assigned to the Assistant City Administrator/Economic Developer and Police Chief. Logs that are maintained did not always include mileage readings or fuel quantity when vehicles were fueled, and city equipment logs only include maintenance expenditures and do not include usage. Additionally, when vehicles were driven out-of-town, the reason for the trip, destination, and mileage were not recorded, and supervisory reviews of the logs maintained for city vehicles are not performed or documented.

Usage and maintenance logs are necessary to document appropriate use of the vehicles and equipment and to support fuel and other charges. The logs should include the purpose and destination of each trip, beginning and ending odometer readings or hours of usage as applicable, and all operation and maintenance costs. Supervisory reviews of the logs should be performed to ensure vehicles and equipment are used only for city business, are being properly utilized, and help identify vehicles and equipment that should be replaced. Information on the logs should be periodically reconciled to applicable expenditure records to help identify and prevent inappropriate fuel purchases or other maintenance and operating charges. Finally, formal policies for vehicle and equipment usage should be adopted by both the city and municipal utilities.

- B. The city does not report taxable benefits associated with city vehicles used for commuting purposes. During the year ended April 30, 2003, the City Administrator, Assistant City Administrator/Economic Developer, Street Supervisor, Police Chief, Fire Chief, Utility Supervisor, Electric Supervisor, Water/Sewer Distribution Supervisor, and Wastewater Treatment Plant Supervisor were assigned vehicles which they all used for commuting purposes.

City officials indicated these employees are allowed to commute with city vehicles because they are on 24-hour call for emergency situations.

Internal Revenue Service (IRS) Code reporting guidelines indicate personal commuting mileage is a fringe benefit that should be reported on the individuals' W-2 forms. Clearly marked police and fire vehicles are exempt from these guidelines, as well as unmarked law enforcement vehicles if their use is officially authorized. However, for non-exempt vehicles, IRS guidelines require the full value of the provided vehicle to be reported on the employees' W-2 forms if the employer does not require the submission of detailed logs, which distinguish between business and personal (commuting) usage, and as noted in Part A above, usage logs are not maintained for the vehicles used by two of these employees.

The city should review the necessity of providing vehicles for commuting purposes. For those employees where commuting in city-owned vehicles is considered necessary, vehicle logs should be maintained which clearly distinguish between business and commuting use, and taxable benefits for commuting should be reported on applicable employees' W-2 forms.

**WE RECOMMEND** the City Council and Board of Public Works:

- A. Adopt formal policies regarding vehicle and equipment usage, which include policies prohibiting personal use of city vehicles and equipment. In addition, usage and maintenance logs should be maintained for all city vehicles and equipment and the logs should be periodically reviewed.
- B. Review the necessity of allowing employees to commute with city vehicles and comply with IRS guidelines for reporting fringe benefits related to commuting with city-owned vehicles.

**AUDITEE'S RESPONSE**

- A. *Maintenance logs have been kept on most vehicles and are now kept on all vehicles. We have already implemented the practice of obtaining additional documentation on vehicle usage. A policy on personal usage of equipment is addressed in the proposed personnel manual.*
- B. *Logs will be maintained for any personal use of City vehicles. We will comply with IRS guidelines. A formal policy will be addressed in the proposed personnel manual.*

**5.**

**Capital Improvement Sales Tax Fund**

The city could not provide documentation how some expenditures of capital improvement sales tax monies complied with state law. In November 1995, city voters passed a ½ cent capital improvement sales tax to be used for the purpose of funding capital improvements. During the year ended April 30, 2003, the city received approximately \$350,000 in capital improvement sales taxes. Section 94.577, RSMo Supp. 2002, states that all capital improvement sales tax receipts shall be deposited in a special trust fund and used solely for capital improvements. Section 94.575, RSMo Supp 2002, defines capital improvements as assets having an estimated useful life of at least two years.

Each year, the city transfers money from the capital improvements sales tax fund to the transportation fund to help subsidize the Old Age Transportation Service (OATS) bus operating costs. These transfers totaled \$17,992 for the year ended April 30, 2003. Additionally, the city used these sales tax funds to pay \$1,639 for asbestos testing during the same time period. The city did not document how these items complied with the statutory definition of capital improvements.

**WE RECOMMEND** the City Council ensure capital improvement sales tax monies are used for capital improvements as required by state law. In addition, the city should consider reimbursing the capital improvement sales tax fund for monies spent for purposes other than capital improvements.

**AUDITEE'S RESPONSE**

*This has been reviewed by the City Auditor and is immaterial to the financial statement as a whole. This will be reconsidered during the budget process.*

**6.**

**Asphalt Plant**

The city owns and operates a plant to produce asphalt, and while the plant was originally set up to only produce asphalt for the city's needs, it is currently run similar to a private business in which asphalt is sold to the general public. The city began operating the asphalt plant in 1981. Currently, the city sells asphalt to the Missouri Department of Transportation (MoDOT) and local businesses and individuals. During the year ended April 30, 2003, asphalt sales produced over \$200,000 in revenues.

Attorney General's Opinion No. 51, 1988 to Ortwerth, and Opinion No. 26, 1988 to Stivison, make reference to court cases specifically prohibiting governments' direct or indirect engagement in commercial enterprise for profit or entry into private business. The city council should review this matter with legal counsel and determine whether the city should continue the practice of selling asphalt to private entities and individuals.

To increase controls over the operations of the asphalt plant, the city should consider the following areas of concern:

- A. The city accounts for the asphalt plant's revenues and expenses in the general fund and not in a separate fund. Specific government operations which are funded mainly from user fees (such as sales revenues) are normally accounted for separately in an enterprise fund, and the city should consider establishing a separate fund for the asphalt plant's operations.
- B. The selling price for asphalt is established based on the city's costs to produce the asphalt. The city's procedures are to annually compute amounts representing its costs per ton for materials, labor, equipment usage, electricity, and depreciation of the plant; however, this is not always documented and the city has not updated these amounts for at least two years. While some costs appear to remain fairly constant throughout the year, the city should consider reviewing its costs and update the selling price on a more regular basis.
- C. The city has not established adequate inventory records to account for asphalt plant materials. While physical inventory counts of raw materials are performed annually, perpetual inventory records to account for raw materials as they are received and used are not maintained. Perpetual records are necessary to ensure better internal controls over materials and to deter and identify loss, misuse, or theft of materials.

By accounting for the asphalt plant's operations separately in an enterprise fund, regularly computing costs for the basis of setting the selling price, and maintaining perpetual inventory records, the City Council will have the necessary information to determine whether the plant is operating at a profit or loss.

**WE RECOMMEND** the City Council consult legal counsel regarding the issue of selling asphalt to private entities and individuals. In addition, the city should separately account for the operations of the asphalt plant as an enterprise fund, regularly review the adequacy of the selling price, and maintain perpetual inventory records for plant materials.

#### **AUDITEE'S RESPONSE**

*We have consulted legal counsel regarding this issue, who has determined the practice to be acceptable. The existing practice for the asphalt operations in the general fund will continue.*

#### **AUDITOR'S COMMENT**

Even if the city continues to sell asphalt to the public, accounting for the operations in a separate fund, regularly reviewing the adequacy of the selling price, and maintaining perpetual inventories of plant materials would improve the overall operations and accountability.

7.

### Land Purchase

The city owns approximately 170 acres of land which has remained mostly idle for the past six years. This land was purchased in 1997 for \$300,000 as a potential state prison site and industrial park; however, the city was not awarded the prison and the land was rented to local farmers until September 2002 when it was annexed into the city limits as an industrial park. The city has been unable to attract any businesses to the industrial park at this time.

The land was purchased at a negotiated price and the city did not request or obtain an independent appraisal prior to purchasing the land, and no appraisal has been obtained since the purchase to determine the actual value of the land. In addition, it appears the city could have better documented its reasons for purchasing the property, if any other property was purchased, and backup plans if the city was not awarded the prison site.

The only documentation related to the decision to purchase the land was in the executive session City Council meeting minutes, which stated the city had looked at one other piece of land, but it was not for sale. Additionally, while the executive session minutes indicate the city had planned to develop a new industrial park on this land, little has been done to develop the park.

Good business practices require that major real estate purchases be formally and independently appraised to ensure a reasonable price is paid. In addition, because the decision making process was not adequately documented, it is unclear what steps were taken by the City Council to consider other potential sites, or to develop a backup plan in the event the city was not awarded the prison.

**WE RECOMMEND** the City Council obtain independent appraisals for any property being considered for purchase, and ensure plans and decisions made regarding future land purchases and site development are adequately documented.

### **AUDITEE'S RESPONSE**

*The City Council will take this under advisement. Future purchases will be adequately documented.*

8.

### City Attorney

The compensation of the City Attorney is not clearly defined by ordinance or contract. While the City Attorney serves at the pleasure of the City Council, he is not considered a city employee and his compensation is paid to his law firm. The city's annual budgets (which are approved by ordinance) include the specific salary and wage amounts for each city employee; however, the City Attorney's compensation is not separately defined in the budgets and is included in a budget line item called "legal."

The City Attorney's specific duties, as defined by city ordinance, include acting as City Prosecutor, collecting delinquent license fees, attending City Council meetings, and drawing up city ordinances. The ordinance also instructs the City Attorney to ". . . attend to any or all legal matters for, the City, when requested so to do by the Mayor and City Council, and advise the Mayor and Council and all other City Officers as to the law pertaining to City affairs when requested so to do. . . ."

During the year ended April 30, 2003, the city paid \$30,504 in base compensation, plus \$1,008 in additional services billed by the City Attorney for drawing up contracts, promissory notes, deeds, etc. for the city. Based on the city's ordinance, it appears the City Attorney's duties include attending to any and all legal matters of the city when requested to do so. Therefore, it is unclear whether the City Attorney should bill for any additional services. City officials indicated the city relies on the City Attorney to interpret the applicable ordinances involving his own compensation and duties and when he is entitled to additional compensation. To avoid any confusion or any appearance of impropriety, the City Attorney's compensation should be clearly defined by ordinance or contract.

**WE RECOMMEND** the City Council clearly define the City Attorney's compensation by ordinance or contract.

### **AUDITEE'S RESPONSE**

*The City Council will request a revised ordinance clearly defining the City Attorney's compensation and duties.*

<b>9. Budgets and Financial Statements</b>
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- A. The City Council and Board of Public Works wait until the end of the fiscal year to prepare budget amendments. While potential budget amendments are normally discussed at various times throughout the fiscal year, the budgets are amended by formal resolution at year-end to ensure expenditures do not exceed the budgets.

Section 67.040, RSMo 2000, allows for budget increases, but only after the governing body officially adopts a resolution setting forth the facts and reasons. Section 67.080, RSMo 2000, provides that no expenditure of public monies shall be made unless it is authorized in the budget. The city should formally amend the budget before the related expenditures are incurred.

- B. The City Council and Board of Public Works do not publish semiannual financial statements as required by state law. Financial statements are published annually after the financial statement audits have been completed. Additionally, the city's annual published financial statements do not include the city's indebtedness.

Section 77.110, RSMo 2000, requires the city council to publish financial statements at the end of each fiscal year and six months after the end of each fiscal year in a newspaper of general circulation in the city. These financial statements are to include a detailed statement of the receipts, expenditures, and indebtedness of the city and shall be for the six-month period preceding the date of the statement.

**WE RECOMMEND** the City Council and Board of Public Works:

- A. Prepare budget amendments prior to incurring the related expenditures.
- B. Publish detailed semiannual financial statements that contain all information as required by state law.

**AUDITEE'S RESPONSE**

- A. *The City Council will take this under advisement. Currently, all unbudgeted items are approved prior to purchase.*
- B. *The City will publish unaudited financial statements semi-annually in accordance with state law.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

CITY OF TRENTON, MISSOURI  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The City of Trenton is located in Grundy County. The city was incorporated in 1857 and is currently a third-class city. The population of the city in 2000 was 6,216.

The city government consists of a mayor and an eight-member city council. The city council members are elected for 2-year terms. The mayor is elected for a 4-year term, presides over the city council, and votes only in the case of a tie. The Mayor, City Council, and other principal officials during the year ended April 30, 2003, are identified below. The compensation of the elected and appointed officials is established by ordinance. The Mayor is paid \$250 per month and City Council members are paid \$100 per month.

Elected Officials	Term	Compensation Paid For the Year Ended April 30, 2003
Gary Hall, Mayor	April 14, 2003, to April 30, 2003	\$ 125
Tim Whitaker, Mayor	May 1, 2002, to April 14, 2003	2,875
Steve Perry, Councilman	April 14, 2003, to April 30, 2003	50
Gary Black, Councilman	May 1, 2002, to April 14, 2003	1,150
Larry Crawford, Councilman		1,200
Kenneth Ewing, Councilman		1,200
Gary Hurst, Councilman		1,200
Nick McHargue, Councilman		1,200
Troy Smith, Councilman		1,200
Don Peyton, Councilman		1,200
Jackie Soptic, Councilwoman		1,200
<u>Other Principal Officials</u>		
Clarice Pushkarsky, City Treasurer		1,200
Cindy Simpson, City Clerk		36,936
Kerry Sampson, City Administrator		60,534
Rick Childers, Assistant City Administrator/Economic Developer (1)	June 1, 2002, to April 30, 2003	40,615
Christopher Raynes, City Attorney		(2)
Robert Lewis, Police Chief		38,271
Anthony Ralston, Fire Chief		33,981
Larry Griffin, Street Superintendent		42,843

(1) Rick Childers resigned August 2003. Prior to June 2002, the position of Assistant City Administrator/Economic Developer had been vacant since March 2002.

- (2) The law firm of Pickett and Raynes receives a semi-monthly payment of \$1,271 for Christopher Raynes to serve as city attorney. The firm also bills for additional services. For year ended April 30, 2003, the city paid Pickett and Raynes \$31,512 for legal services.

In addition to the officials identified above, the city employed 32 full-time and 6 part-time employees on April 30, 2003.

The city has a Board of Public Works composed of four members recommended by the Mayor and approved by the City Council. The members are appointed for 4-year terms. This board oversees the operation of the municipal utilities (water, sewer, and electricity). The Board of Public Works members and other principal officials during the year ended April 30, 2003, are identified below.

Name and Title	Term	Compensation Paid For the Year Ended April 30, 2003
Bill Redmond, Board President (1)		\$ 0
C. Phillip Hoffman, Board Vice President		300
Bill Kennebeck, Board Member		300
Larry Woldridge, Board Member		300
Chad Davis, Utility Supervisor (2)	July 1, 2002, to April 30, 2003	38,865
Theresa Price, Comptroller		41,527

- (1) Bill Redmond volunteered to be unpaid during his term. He resigned in May 2003 and Haydon Standiferd was appointed to fill the unexpired term.
- (2) Prior to July 2002, the position of Utility Supervisor had been vacant since July 1996, during which time these duties were performed by the City Administrator and Assistant City Administrator.

In addition to the officials identified above, the municipal utilities employed 36 full-time employees on April 30, 2003.

Assessed valuation and tax rates for 2002 were as follows:

ASSESSED VALUATION

Real estate	\$ 28,851,260
Personal property	<u>16,036,151</u>
Total	<u>\$ 44,887,411</u>

TAX RATES PER \$100 ASSESSED VALUATION

	Rate	Expiration Date
General	\$ 0.7556	None
Parks and recreation	0.2921	None

The city has the following sales taxes; the rates are per \$1 of retail sales:

	Rate	Expiration Date
General	\$ 0.010	None
Capital improvement	0.005	None