



**Susan Montee, CPA**  
Missouri State Auditor

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December 2007

**Pulaski County Sewer  
District #1**



Office of  
Missouri State Auditor  
Susan Montee, CPA

December 2007

The following findings were included in our audit report on the Pulaski County Sewer District #1.

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The Pulaski County Sewer District #1 (PCSD) maintains three separate computerized accounting systems. These systems are not linked, resulting in additional manual data entry and manual record-keeping, as well as some duplication of effort. One of the three systems is maintained by a certified public accountant whose services were obtained in 2006 after the Board of Trustees began questioning the accuracy of the information and reports provided by the former operations manager. The accountant also compiles the district's financial statements and was subsequently appointed board treasurer in December 2006.

While district records have improved, maintenance of three separate accounting systems appears to be inefficient and increases the overall expense of maintaining accounting records, and increases the risk of inaccurate records. The PCSD should review its overall accounting records and procedures and work toward establishing a system that meets all the district's needs in the most economical way.

The 2007 sewer rate calculations included errors and omissions and were not consistent with suggested guidelines and methodology developed by the Department of Natural Resources. As a result, it appears about 54 percent of customers' monthly bills were too high and about 46 percent were too low if the suggested rate-setting methodology had been used correctly. The rate calculations did not include beginning available resources and were not consistent with some budgetary decisions of the board. The PCSD did not make adjustments to customers' bills based upon the average winter water consumption as required by board policy, and did not provide public notice that a rate adjustment would be considered during the board meeting in December 2006.

The district's annual budgets do not include some information required by state law. The 2007 annual budget did not include planned capital improvement expenses of \$3.5 million, and the budgeted debt service expense was overstated by more than \$117,000 or 28 percent. The incorrect budgeted amount for debt service expenditures contributed to the problems while setting the 2007 sewer rates.

The PCSD does not maintain an accurate listing of customer deposits received, held, or refunded and does not have written policies and procedures for the handling of customer deposits. At April 30, 2007, the balance of customer deposits held as reported in the billing system exceeded the bank account balance by \$14,747, and neither the billing system balance nor bank account balance agreed with the customer deposit general ledger liability account.

(over)

YELLOW SHEET

The PCSD does not maintain a complete and accurate listing of sewer impact fees paid by and due from customers and does not have comprehensive written policies and procedures for the imposition and collection of sewer impact fees. The PCSD established a sewer impact fee (SIF) of \$1,000 when the district was formed in 1989, to be paid by property owners when making a connection to the district's central collection system. The district's detailed listing of SIF receipts does not agree to the district's accounting records, resulting in a difference of \$162,000 between the two records. The detailed listing also included 174 addresses with a total amount due of over \$208,000 and over 1,100 addresses for which neither an amount paid nor amount due was listed. Developers are charged a lower SIF rate but the district has not established written criteria that the developer must meet to qualify for the lower rate. The PCSD increased the SIF to \$1,500 per household effective January 1, 2007, but did not perform any cost analysis to support the amount of the fee increase.

The PCSD does not have comprehensive procedures for the recognition, collection, and accounting of overdue customer accounts. The PCSD does not utilize all available means to collect overdue accounts or take timely action to collect such accounts, and does not write off bad debts when collection is unlikely. The district does not require management or board approval for adjustments to customer accounts. From January through May 2007, the PCSD recorded 1,049 adjustments, increasing the accounts receivables by a net of \$16,005.

At December 31, 2006, the PCSD maintained 17 bank accounts and two certificates of deposit at four different banks with a total balance of over \$1 million, resulting in receipts not being deposited intact and creating unnecessary additional bookkeeping responsibilities. The district does not solicit bids for banking services and it appears interest earnings on district funds have not been maximized. During 2006, it appears the district could have earned an additional \$20,000 in interest if the district had invested its available funds in higher yielding certificates of deposit.

The PCSD reported net capital assets of \$8.79 million at December 31, 2006. The PCSD has not developed a comprehensive long-term maintenance program for critical collection system and treatment plant components and does not maintain a complete listing of capital assets. The PCSD does not maintain parts and supplies inventories on a perpetual basis, does not maintain vehicle usage and maintenance logs, and sold a vehicle to an employee without soliciting bids.

The district does not have formal bidding policies. Additionally, the PCSD spent \$69,068 in 2006 for professional services including engineering, legal and accounting, but did not solicit proposals or requests for qualifications. The district paid \$4,706 for items purchased for a local contractor's business but did not seek reimbursement for the items.

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PULASKI COUNTY SEWER DISTRICT #1

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STATE AUDITOR'S REPORT



**SUSAN MONTEE, CPA**  
**Missouri State Auditor**

To the Board of Trustees  
Pulaski County Sewer District #1

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Pulaski County Sewer District #1. The district engaged Verkamp & Malone, LLC, Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended December 31, 2006. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the district included, but was not necessarily limited to, the year ended December 31, 2006. 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 district, 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 work for this audit was substantially completed by July 2007.

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

The accompanying Management Advisory Report presents our findings arising from our audit of the Pulaski County Sewer District #1.



Susan Montee, CPA  
State Auditor

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: Dennis Lockwood, CPA

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

PULASKI COUNTY SEWER DISTRICT #1  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

<b>1. Accounting System and Records</b>
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The Pulaski County Sewer District #1, (PCSD), does not have a centralized comprehensive accounting system and maintains three separate computerized systems. These systems are not linked resulting in additional manual data entry and manual record-keeping, as well as some duplication of effort.

The district's billing system is a commercial software program designed for small utility companies. That system has the capability to process the receipt of utility payments, including late charges, administrative fees, and customer deposits, but not other miscellaneous revenues such as sewer impact fees, sales of certain sewer supplies, and inspection and permit fees. The billing system also is used to process the monthly utility bills and track accounts receivables and overdue accounts, but is not linked to the district's overall accounting system. Receipt summaries obtained from the billing system are manually posted to the main accounting system; however accounts receivable information is not posted to that overall main accounting system.

The main accounting system is a commercial accounting software program. The operations manager and office clerks have access to the system and the operations manager usually posts the transactions. The system can produce standard reports for account balances, transaction listings, and financial reports, including statements of activities and statements of net assets. While it appears the cash, revenue, and expenditure accounts are accurately maintained by the system, other assets such as accounts receivables and capital assets, and liabilities such as customer deposits are not.

In 2005, the Board of Trustees began to question the accuracy of the information and reports that were provided by the former operations manager. The board obtained the services of a certified public accountant to review the accounting records, and the board directed him to establish the district's official accounting records on a system maintained at his office and to provide monthly reports and perform monthly bank reconciliations for the board. The PCSD continues to post revenue and expenditure transactions to their main accounting system, and summary information is provided to the accountant for posting to the district's official accounting system. The accountant also compiles the district's financial statements and was paid about \$16,600 for his services in 2006, which included reviewing 2005 district accounting records. This individual was appointed board treasurer in December 2006.

Our review of the district's accounting records and procedures noted the lack of adequately detailed records for capital assets, goods for resale and spare parts inventory, accounts receivables for sewer impact fees, and a detailed listing of customer deposits held, as well as other concerns with the accounting records and procedures. The related

findings are detailed in the following sections of the Management Advisory Report (MAR).

While it appears the district has made progress since 2004 toward maintaining complete and accurate accounting records, maintenance of three separate accounting systems (including the billing system) appears to be inefficient and increases the overall expense of maintaining accounting records, and increases the risk of inaccurate records. The PCSD should review its overall accounting records and procedures and consider establishing one comprehensive accounting system that could be maintained by properly trained PCSD employees as part of their normal duties.

**WE RECOMMEND** the Board of Trustees review the district's overall accounting records and procedures and work toward establishing a system that meets all the district's needs in the most economic way.

**AUDITEE'S RESPONSE**

*We will seek a utility accounting package and look into the integration of our current software. The Treasurer is converting his files to be compatible with the files maintained at the district.*

**2.**

**Sewer Rates**

The 2007 sewer rate calculations included errors and omissions and were not consistent with suggested guidelines developed by the Department of Natural Resources. The rate calculations did not include beginning available resources and were not consistent with some budgetary decisions of the board. The PCSD did not make adjustments to customer's bills based upon the average winter water consumption, as required by board policy. The PCSD did not provide public notice that a rate adjustment would be considered during the board meeting in December 2006.

The PCSD established sewer rates for calendar year 2007 in December 2006. The base rate was set at \$25.29 per month per home equivalent unit, and the volumetric rate was set at \$3.42 per 1,000 gallons of water volume. Rates for large commercial and multi-unit rental customers vary from the above rates.

A. The district's consulting engineer, based upon guidance from the board and management, prepared the 2007 rate calculation. The methodology used was based in part upon methodology suggested by the Department of Natural Resources (DNR) when a sewer utility is participating in the state revolving loan program. We contacted DNR officials and obtained an understanding of the suggested methodology. Our review of the district's 2007 rate calculations noted the following concerns:

1. The PCSD used 1,975 as the number of billable accounts when calculating the base rate. While that was slightly less than the number of active

accounts in the PCSD billing system, there were, as of May 2007, about 2,596 home equivalent units for which a base charge was being collected. This difference is the result of accounts having more than one residential unit, such as duplexes, apartment complexes, and trailer courts.

The PCSD used debt service costs per the 2007 approved budget of \$530,979 when calculating the base rate; however, the actual 2007 debt service costs to be incurred by the district per bond payment schedules were only \$413,697. The suggested methodology is to use 110 percent of actual debt service costs in the rate calculation. As a result, the amount used for debt service costs in the rate calculation was \$75,912 higher than the amount recommended by the DNR methodology.

Using 2,500 home equivalent units and the suggested amount for debt service, it appears the base rate should have been set at \$17.45, which is \$7.84 lower than the base rate set by the PCSD.

2. The PCSD set the volumetric portion of the user charges at \$3.42 per 1,000 gallons of water usage. This was based upon estimated costs of \$879,940 and an annual usage volume of over 202 million gallons. Based on these figures, the rate should have been calculated at \$4.35 per 1,000 gallons, but the engineer apparently changed some of the formulas in the DNR suggested methodology.

Included in the estimated costs was a percentage of debt service costs totaling \$92,390, and billing and collection costs totaling \$68,350, both of which were already included in the base rate calculation. In addition, the PCSD reported \$87,000 in other revenues that were estimated to be available to cover operational costs, but did not reduce the total estimated costs by this amount. As a result, the total estimated costs for setting the volumetric rate appear to be overstated by \$247,740.

The PCSD determined the total annual water volume for rate-setting purposes was approximately 202 million gallons based upon 1,975 home equivalent units at 7,200 gallons per month, with higher amounts for commercial businesses. The 7,200 gallons is based on an average usage of 65 gallons per day per person with an average household of 3.7 people and 30 days per month. However, the board-approved method is to base the volume upon average monthly usage during the winter months of November, December, and January. Based upon the 2006-2007 winter consumption period usage obtained from the water districts and the actual adjustments made by the PCSD in April 2007 to customer billings, it appears the PCSD will bill for about 130 million gallons of usage over a 12 month period, an average of 4,328 gallons per month per home equivalent unit. The PCSD obtained winter water usage amounts each

year since 2003, but had not determined the total water volume for billing and rate-setting purposes.

We used the DNR rate calculation methodology, correcting the calculation for the estimated costs, improperly changed formulas, and billable volume, and it appears the volumetric rate should have been set at \$4.88 per 1,000 gallons, which is \$1.46 per 1,000 gallons higher than the volumetric rate set by the PCSD.

Using the district's 2007 rate calculations, the district-estimated average monthly bill would be \$48.55, and the budgeted sewer fee revenue for 2007 would be \$1,156,000 based on 1,975 billable units. However, based on actual billings for October 2007, the average bill per single-family unit was only \$39.89, apparently due to the district adjusting billable volume in April 2007 as described in Part C below. Had the average bill stayed at \$48.55 for the approximately 2,500 actual billable units, the district would have generated about \$1,450,000 in sewer fee revenue in 2007. Based on sewer revenues for the first six months of 2007, the projected revenue for 2007 is \$1,217,000, or about \$61,000 more than budgeted. Using the suggested DNR methodology based upon 2,500 home equivalents, corrected estimated costs, and corrected billable water volume, it appears the average monthly bill should have been \$38.57, which would have resulted in estimated annual revenue of \$1,157,000.

In addition to the potential impact on operating income, the methodology used by the PCSD resulted in about 54 percent of all customers, those billed for less than 5,400 gallons per month, paying higher sewer bills than if the district had used the suggested methodology, while the other 46 percent of customers would have paid more under the suggested methodology. To ensure fair and equitable treatment of sewer customers and to ensure the rates are set at a reasonable level to cover district operating costs, the PCSD should review its current rate-setting methodology and ensure reasonable and accurate estimated costs, water usage volume, and number of customers are used when setting the rates.

- B. The board did not consider any beginning available resources when determining the 2007 sewer rates. At December 31, 2006, the district had \$788,000 that was not restricted by the various bond covenants. The board apparently considers some of this money restricted or held for future repair, replacement, or system expansion projects; however, the board has not adopted any resolutions formally restricting the availability of those funds.

When adopting the 2007 budget, the board approved using \$150,000 of the available funds to pay debt service expenses; however, the PCSD did not reduce estimated debt service expenses when calculating the rates. Reducing estimated debt service costs by \$150,000 would have reduced the base rate by \$5 per month per customer, using DNR suggested methodology and 2,500 home equivalent

units. The board should consider all available resources when setting the rates, and ensure the rates are set in accordance with budgetary decisions of the board.

- C. The district has not made annual adjustments to customers' bills based on annual winter water usage, as required by board policy. Prior to 2003, the district charged a flat monthly fee to most customers based upon the type of customer (residential and commercial) and service area. In 2003, the district changed to a rate structure that includes a base rate and a usage factor, as described above. The PCSD had obtained winter water usage information from the local water districts since 2003, but had not made any adjustments to billings until April 2007.

To ensure customers are treated fairly and in accordance with board policy, the PCSD should ensure customers' bills are adjusted annually for the actual amount of winter water consumption.

While performing the April 2007 water volume rate adjustment, district personnel noted several water district customers located within areas served by the district that did not have a district sewer account. Those persons were contacted to determine if the residence or building was hooked into the PCSD sewer system. It appears some residences and buildings had been hooked into the system for several months or even several years without the PCSD being aware that services were being provided. Additionally, some of those hookups had been made without payment of the sewer impact fee. It appears the district could have discovered these errors on a more timely basis had it compared the water district listings to its customer listings since 2003. The PCSD should continue to review the annual water usage reported by the local water districts to identify system users who have not established customer accounts with the PCSD.

- D. Neither the tentative agenda listed on the public notice for the board meeting of December 19, 2006, nor the final agenda handed out at the start of the meeting included notice that the user rate ordinance would be discussed. Under Section 610.020, RSMo, the Sunshine Law, all public governmental bodies shall give notice of the time, date, and place of each meeting, and its tentative agenda, in a manner reasonably calculated to advise the public of matters to be considered. The tentative agenda also did not include notice regarding a resolution revising sewer impact fees or discussion and a resolution to adopt the 2007 budget. The PCSD should ensure notices of public meetings include a tentative agenda that accurately advises the public of matters to be considered.

**WE RECOMMEND** the Board of Trustees:

- A. Ensure the rate setting methodology suggested by DNR is used correctly, and ensure the number of users, estimated costs, and billable water volumes used in the rate calculations are reasonable.

- B. Consider all available resources when setting the sewer rates and ensure rates are set in accordance with the budgetary decisions of the board.
- C. Ensure the annual winter consumption adjustments are made as required by board policy. In addition, the PCSD should continue to review the water usage reports obtained for local water providers to identify system users who have not established accounts with the PCSD.
- D. Ensure the tentative meeting agendas more accurately reflect the matters to be discussed by the board.

**AUDITEE'S RESPONSE**

- A. *We will follow DNR guidance more closely, recognizing that guidance is not a mandate. Procedures are already in place in the office to produce more accurate information.*
- B. *We are incorporating this recommendation into the 2008 budget process.*
- C. *This recommendation was already in effect in 2007 and we will continue to make annual adjustments for winter consumption.*
- D. *We have been doing a better job of including a tentative agenda in the meeting notice, but the requirement of the local newspaper for a notice at least five days in advance of the regular board meeting almost guarantees that the final agenda will be different than the tentative agenda in the meeting notice.*

<b>3.</b>	<b>Budgetary Practices</b>
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Annual budgets do not contain certain information required by state law and were not always adopted prior to the beginning of the fiscal year. The 2007 budget overstated debt service expenditures by more than \$117,000.

- A. The district's annual budgets do not include some information required by state law. The budgets do not include a budget message, comparisons of revenues and expenditures for the two preceding years, nor the beginning available resources and estimated ending available resources. Additionally, the 2007 annual budget did not include activity related to an expansion project, which has a separate project budget of over \$3.5 million funded by the issuance of bonds and certificates of participation that the district plans to spend in 2007 and 2008.

In addition, the budget for 2006 was not adopted until September 2006. Section 67.030, RSMo, requires the budget be approved prior to the beginning of the fiscal year.

Section 67.100, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget 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 the district's operations, and a means to effectively monitor actual costs by periodically comparing budgeted to actual expenditures.

- B. The 2007 budget included line items for debt service payments and bond administrative fees totaling \$530,979. However, the actual debt service and bond administrative fee costs for 2007 will total \$413,697, based on official district bond documents. The district apparently included amounts to be paid by the state. As a result the budgeted debt service expense was overstated by more than \$117,000 or 28 percent. The incorrect budgeted amount for debt service expenditures contributed to the problems while setting the 2007 sewer rates as discussed in MAR 2.

**WE RECOMMEND** the Board of Trustees:

- A. Prepare annual budgets that include all planned revenues and expenditures and include all information required by state law, and approve the budgets prior to the beginning of the fiscal year.
- B. Ensure budgeted debt service expenses are reasonable.

**AUDITEE'S RESPONSE**

*We are incorporating these recommendations into the 2008 budget process.*

<b>4. Sewer Impact Fees</b>
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The PCSD does not maintain a complete and accurate listing of sewer impact fees paid by and due from customers and does not have comprehensive written policies and procedures for the imposition and collection of sewer impact fees. The district has not established written criteria that must be met by contractors to be granted a reduction in the sewer impact fee and did not perform a cost analysis prior to increasing the sewer impact fee in December 2006.

- A. The PCSD established a sewer impact fee (SIF) of \$1,000 when the district was formed in 1989. This fee is to be paid by property owners when making a connection to the district's central collection system (some fee reductions were made in 1998 if the owner met certain conditions). One-half of the SIF revenues was to be used to fund future repair, replacement, or expansion of the collection system and one-half was to be used for future repair, replacement, or expansion of treatment plants. It appears the district did not separately classify SIF revenues in its accounting system until 1997. A detailed listing of fees paid by or due from

each customer was not established until 2001. To help ensure SIF revenues were spent in accordance with the original restrictions, the district established a separate bank account in November 2002 by transferring \$150,000 from the main revenue account. However, total SIF revenues recorded in the accounting system from 1997 to the opening of the bank account in November 2002 totaled over \$337,000, and since the district did not separately account for the SIF expenditures during that time, the accuracy of the \$150,000 transferred could not be determined.

The detailed listing consists of a notebook containing about 100 pages of the names and addresses of PCSD customers, grouped by street address, with columns to record the amount of SIF paid for each address, the date paid, and any amount due. However, the dates paid were not always recorded, some amounts that had been included in bank deposits were not recorded, and it appears the amount due information was not complete. Upon our request for summary information and totals of the detailed listings, the PCSD prepared SIF information in an electronic format from the information in the manual records. The electronic report listed individual SIF payments totaling approximately \$829,000 received from 2001 through May 25, 2007; however district accounting records indicate approximately \$991,000 in SIF revenues from 2001 to 2007, a difference of \$162,000.

The report also included 174 addresses with a total amount due of over \$208,000. One company was identified as owing \$117,000 for 67 properties. The report also included over 1,100 addresses for which neither an amount paid or amount due was listed.

The PCSD should continue to review the available records and prepare detailed records of customers who have paid the SIF and determine amounts that have not been paid, and attempt to collect amounts that are due.

- B. The PCSD does not have written policies and procedures for the imposition, collection, and accounting for sewer impact fees. Some fees were waived by the board for existing homes in some areas where the operation of existing sewer lines was taken over by the PCSD. The owners of some multi-unit buildings were only required to pay one impact fee while district policy requires payment of an impact fee for each unit. Many of the waivers or reductions were not supported by documentation.

As noted in Part A above, the detailed listing of fees is not complete or accurate. In addition, the district allows customers to pay the SIF over time upon execution of a signed payment agreement; however, there are no procedures to review SIF payment agreements to ensure the customer is complying with the payment terms.

The PCSD performs some procedures to identify system users that were connected to the system but had not paid the SIF, including checking the detailed

listing when a new account at a new address was opened; reviewing the SIF listing when field staff noticed and reported to the office clerks that a new building was being built in the service area; and reviewing local 911 maps showing new addresses in the service area. In April 2007, the PCSD noticed several addresses on the water usage reports of the local water districts that were receiving water services in the PCSD service area that had not established an account or paid the SIF due. The foregoing procedures were not consistently used, or performed on a regular basis.

Without written policies and procedures to identify, impose, collect, and account for sewer impact fees, the PCSD could not ensure all customers of the district received fair and equitable treatment.

- C. The PCSD established a developer rate of \$450 for the sewer impact fee in 1998, if the contractor or developer installed some parts of the sewer collection system beyond the individual service lines connecting the buildings to the centralized collection system, or built a local collection system and treatment plant or lagoon. The contractor-installed lines, plants, and lagoons became the property and responsibility of the PCSD. The reduced fee was only applicable to lots and homes or buildings built by that contractor or developer. Other persons or contractors who purchase lots from the original contractor or developer are required to pay the full fee. Based upon the report discussed in Part A above, the reduced fee has been collected over 300 times since 2001 and resulted in reduced SIF revenues of more than \$165,000.

The PCSD has not established written criteria specifying the extent of the collection system to be installed by a contractor to qualify for the lower rate. It appears some contractors may have only installed the service line from the residence to an existing district service line or main and were allowed to pay the reduced fee. The PCSD should develop written specifications and criteria that must be met before contractors are allowed to pay the reduced fee.

- D. The PCSD increased the SIF to \$1,500 per household and the developer rate to \$1,000 effective January 1, 2007. The increase was approved at the December 2006 board meeting; however, as noted in MAR 2, the tentative agenda for this meeting did not include the topic of reviewing and increasing the SIF.

The board resolution authorizing the fee increase stated, "Sewer Impact Fees in the amount of \$1,500 shall be charged as a means to ensure that existing customers are not unduly bearing the cost of providing wastewater treatment services to new connections." The board did not perform any cost analysis to support the amount of the fee increase, and the board took no action to reserve the additional revenue for expenditures that would ensure existing customers would not be "unduly" burdened. Section 67.042, RSMo, provides that fees may be increased if supported by a statement of costs necessary to maintain the funding of such service, program, or activity supported by the fee. The board should

perform a formal cost analysis to determine that the decision to increase the SIF was reasonable and necessary.

**WE RECOMMEND** the Board of Trustees:

- A. Continue to review the available records and ensure accurate records are maintained of all sewer impact fees collected and due, and attempt to collect amounts due.
- B. Establish comprehensive written policies and procedures for the imposition, collection, and accounting of sewer impact fees.
- C. Develop written specifications and criteria that must be met before contractors are allowed to pay the reduced sewer impact fee.
- D. Perform a cost analysis, as required by state law, to determine the reasonableness of and necessity for the increase in the sewer impact fee.

**AUDITEE'S RESPONSE**

- A. *We instituted enhanced record keeping procedures in 2007. Collection efforts have been enhanced as well. A formal written collections policy will be adopted.*
- B. *Written policies were recently revised in 2007 and continue to be reviewed and revised for clarity and effectiveness.*
- C. *A written policy that addresses this was recently adopted in 2007. It is also to be included in the User Charge Ordinance for 2008.*
- D. *We accept this recommendation. Such an analysis was performed in 2007 after this was brought to our attention.*

**5.**

**Customer Deposits**

The PCSD does not maintain an accurate listing of customer deposits received, held, or refunded and does not have written policies and procedures for the handling of customer deposits. At April 30, 2007, the balance of customer deposits held as reported in the billing system exceeded the bank account balance by \$14,747, and neither the billing system balance or bank account balance agreed to the customer deposit general ledger liability account.

The PCSD requires new customers to pay a \$60 deposit when establishing an account. It appears customer deposit activity was recorded in the district's computerized billing system with some regularity beginning in 2004, and had been recorded manually prior to that time. Customer deposits are deposited into a separate bank account.

A report of the individual customer deposit information from the billing system prepared as of April 30, 2007 totaled \$52,332. The bank account balance on that date was \$37,585. The balance on that date in the "official" general ledger accounting system (maintained by the district treasurer) was \$58,927, while the amount in an "unofficial" general ledger account maintained by the operations manager was \$72,701.

The differences between the billing system, bank account balance, and general ledger accounts appear to be caused by several factors. The billing clerk issued refund checks for customer overpayments from the customer deposit bank account instead of from the related sewer fee revenue bank account. Other errors include customer deposits refunds made from the bank account but not recorded in the billing system.

Customers who have paid sewer fees on time for one year are entitled to receive a refund of their deposits; however, the customer deposit information is only reviewed about once a year to determine customers who are entitled to a refund. When customers terminate their accounts and owe a balance to the PCSD, the billing clerk is to apply the deposit to the amount owed, and refund any remaining balance. Several customers have overdue balances and have apparently left the area, but their deposit has not been applied to the balance.

To ensure customer deposits are accounted for properly, the PCSD should develop written policies and procedures for the collection, holding, refunding, and application of customer utility deposits. The procedures should include recording and maintaining (in the computerized billing system) detailed records of customer deposits held, reconciliation of the detailed records to the general ledger and cash accounts, and periodic review for deposits to be applied to customer balances or customers due a refund. The PCSD should review existing customer deposit records and ensure a complete and accurate listing of deposits held is maintained, and make any necessary adjustments to the accounting records and bank account to ensure all records and accounts are in agreement.

**WE RECOMMEND** the Board of Trustees develop written policies and procedures for the collection, holding, refunding, and application of customer deposits. The PCSD should ensure accurate detailed records of customer deposits are maintained and are reconciled to the general ledger account and bank account on a monthly basis, and customer deposits are applied to balances due or refunded as necessary.

### **AUDITEE'S RESPONSE**

*We have been working to implement this recommendation. We instituted enhanced record keeping procedures in 2007, including attempting to reconstruct the deposit history for each active account. Accounts with no late payments for one year have had the deposits applied, and there is a monthly review to ensure that deserving patrons have their deposit applied in a timely fashion. Deposits are being applied to past-due balances, and a new deposit is required for active accounts.*

**6.****Overdue Customer Accounts and Adjustments**

The PCSD does not have comprehensive policies and procedures for the recognition, collection, and accounting of overdue customer accounts. The PCSD does not utilize all available means to collect overdue accounts or take timely action to collect such accounts, and does not write off bad debts when collection is unlikely. Adjustments to customer accounts are not reviewed and approved by the Board of Trustees. The district removed some customers with large overdue balances from the billing system without board approval.

- A. The PCSD does not have comprehensive procedures for the recognition, collection, and accounting for overdue customer accounts.

The PCSD charges late fees for customers who do not pay their current amount by the fifteenth of the month, a reminder notice is sent, and the subsequent month's bill lists overdue balances and late charges. When an account becomes more than 90 days delinquent, a letter is sent indicating that the sewer line will be plugged unless payment is received. About 15 days after the letters are sent and the bill remains unpaid, the sewer line is plugged, if possible. If the overdue balance exceeds \$200, the district is supposed to file a lien on the property and report the delinquency to the board's attorney for action. While some of the general collection policies are written, the specific actions and timing of the actions to be taken have not been developed, and as a result the collection efforts are not consistent, and in some instances are not being performed as required as noted in Part B below.

Comprehensive written policies and procedures are necessary so that staff will have clear guidelines to follow, and collection actions will be consistently and fairly applied to all customers. In addition, the risk that individual customers will be allowed to accumulate significant balances will be reduced.

- B. The district does not adequately follow up on overdue accounts. The district's delinquent account list as of April 5, 2007, included 150 accounts that were more than 3 months past due totaling \$56,275. There were 39 accounts totaling \$32,531 for which a payment had not been received in over 180 days, including 21 accounts with no payments received in over one year. We requested information for the 39 accounts, and for 26 of them, it appears the PCSD had not taken all standard actions to collect the amounts due, had not written off uncollectible amounts, or had not corrected account balances which contained errors. The customer deposits for 8 of the 39 long overdue accounts had not been applied to the balance. (See MAR No. 5)

There was one customer who died in 1999 and has continued to accrue monthly late charges on two accounts with a total due of over \$13,000; however, it appears that neither property has been occupied since at least 2001 and the PCSD had

taken no action to correct the account or terminate the accumulation of late charges. One customer account was listed as owing \$.05 and should be written off.

Our review of the board minutes indicate that a district employee was required to enter into a repayment agreement due to a large overdue balance of about \$500; however, this employee was responsible for reviewing the district's overdue listing and initiating further collection actions. A monthly report of overdue accounts is prepared but does not include the status of actions taken to collect overdue accounts. The report is sometimes reviewed by the operations manager but his review is not documented, and the report is not reviewed by the Board of Trustees. It appears that board review of this report could have detected this employee's overdue balance on a more timely basis.

The PCSD should adopt procedures to ensure all applicable steps have been taken to collect overdue accounts, and to write off balances for which collection is unlikely or the cost of collection would exceed the amount collected. In addition, the PCSD should prepare periodic lists of overdue accounts for board review, including the status of actions taken on each account.

- C. The PCSD does not require management or board approval for adjustments to customer accounts. During 2006, there were a total of 2,828 individual adjustments recorded under 18 different adjustment codes resulting in a net reduction of \$25,075 to accounts receivables. From January through May 2007, the PCSD recorded 1,049 adjustments increasing the accounts receivables by a net of \$16,005.

Adjustments are necessary to correct the customer accounts for items such as billing errors, incorrect late charges, customers establishing or terminating accounts in the middle of the month, and other situations that are part of the normal business processes for utilities. The granting of authority to staff to make adjustments is a reasonable and necessary procedure when the duties of recording, billing, collecting, and adjusting customer account information cannot be adequately segregated due to lack of staff. However, supervisory review of reports of the adjustments is a necessary compensating control. Given that the operations manager also has access to the billing system and he occasionally records adjustments, the board should review those adjustments.

A monthly report is produced from the billing system showing each adjustment and an adjustment code that indicates the reason for the adjustment. This report also lists the total dollar adjustments by adjustment code, a summary of the total number of adjustments, and the number of accounts adjusted each month. The operations manager indicated he sometimes scans the monthly report for unusual activity but does not document his review. He also indicated the board had not requested that the monthly report be provided to the board for their review.

To help ensure all customer account adjustments are reasonable and necessary, the district should ensure the monthly adjustment reports are reviewed by the operations manager and that his review is documented. In addition, the monthly reports should be provided to the board for their review.

- D. Included in the customer account adjustments in Part C was activity referred to as "clean out the account" which was not reviewed or approved by the board and resulted in additional expense to the district. The billing system software limited the number of customer account records that could be tracked in it. As a result, old customers would be removed from the billing system when the staff wanted to free up some software capacity. An adjustment would be made to zero out accounts with overdue balances prior to removal from the system. A printout of the old customer information was made and filed in an "inactive" customer notebook. Because the account was no longer in the system, the overdue account balances were not listed on the monthly overdue lists, late charges were not added to the balance due, and overdue notices were not sent. In effect, these account balances were written off; however, the board did not authorize these write-offs. Due to these "clean out" adjustments, the PCSD recorded bad debt expense of \$33,666 for the year ended December 31, 2006.

Because these adjustments resulted in significant fluctuation in customer accounts receivable, the board authorized the district's accountant to investigate the causes for the unusual fluctuations and incurred over \$5,000 in fees as a result of that investigation. The accountant concluded that no inappropriate activities had taken place because of these "clean out" adjustments, and the board in late 2006 prohibited removal of customer information from the billing system unless such action is specifically authorized by the board. The PCSD subsequently purchased additional customer account software capacity.

The PCSD should continue to monitor the software capacity for the billing system to ensure all customer accounts are maintained on the system and prohibit the removal of customer accounts unless approved by the board. In addition, the PCSD should consider adding old deleted information back onto the system for those customers where collection of overdue amounts appears possible.

**WE RECOMMEND** the Board of Trustees:

- A. Develop comprehensive written policies and procedures for delinquent customer accounts.
- B. Adopt procedures to ensure all reasonable collection efforts are performed for overdue accounts and to write off balances for which collection is unlikely or the cost of collection would exceed the amount collected. In addition, the board should ensure the monthly report of overdue accounts includes the status of collection efforts taken for their review and approval.

- C. Review and approve monthly customer account adjustment reports, and require the operations manager to document his review and approval of these reports.
- D. Ensure the customer account software capacity is sufficient to ensure all customer information is recorded in the billing system, and consider adding old information back to the system for those customers where collection of overdue amounts appears possible.

**AUDITEE'S RESPONSE**

- A. *Written policies and procedures are being developed.*
- B. *We have been working to implement this recommendation.*
- C. *The Operations Manager has been reviewing and signing the monthly adjustments report. It is now included in the board meeting packet for review.*
- D. *We have been working to implement this recommendation. Office staff have been using more of the capabilities of the billing software since 2006, and continue to seek improvement.*

<b>7. Banking Practices</b>
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The PCSD maintains a significant number of bank accounts, resulting in receipts not being deposited intact and creating unnecessary additional bookkeeping responsibilities. The PCSD does not solicit bids for banking services and it appears interest earnings on district funds have not been maximized.

- A. At December 31, 2006, the PCSD maintained 17 bank accounts and two certificates of deposit at four different banks with a total balance of over \$1 million. While some separate bank accounts are required by bond covenants, it appears the district has several bank accounts that should be consolidated. In February 2007, the district determined they no longer needed four accounts and closed them by transferring the monies into other bank accounts.

- 1. The maintenance of an excessive number of bank accounts hinders the ability of PCSD management and the board to effectively monitor ongoing activity. Daily receipts may be deposited into eight bank accounts depending on the type of services or fees collected. Monies from the various revenue accounts are then transferred into the operational account for payment of district operating expenses or to debt service accounts as required. Some payments for operating expenses and debt service may be made directly from some revenue accounts rather than transferring the monies. Having multiple accounts makes it more difficult to monitor the daily and monthly activity and requires additional effort to perform daily

cash reconciliations, monthly bank reconciliations, and record the activity in the accounting records. The maintenance of multiple accounts at more than one bank also requires the person delivering the bank deposits to visit two or three banks each business day. The PCSD should consider further consolidation of bank accounts.

2. Receipts are not deposited intact. Many receipts are for more than one type of service or fee, and under the current procedures the monies are deposited to more than one bank account. For example, if a new customer wrote one check to pay the sewer administration fee and customer deposit, the check would be deposited into the main revenue bank account and cash or checks received from other receipts equaling the customer deposit amount would be withheld and deposited into the customer deposit bank account. As a result it is more difficult to reconcile receipt records to deposit records. The PCSD should consider depositing all receipts from all sources into one bank account, and use transfers, if necessary, to shift funds to other accounts so that deposits are made intact.

- B. The PCSD does not have a formal investment policy or procedures to maximize the interest earnings. Five of the 17 bank accounts were non-interest bearing accounts and totaled \$42,067 at December 31, 2006. The other 12 bank accounts, totaling \$912,708, earned interest in December 2006 at rates ranging from 1 percent to 1.88 percent. The two certificates of deposit, totaling \$102,879 at December 31, 2006, earned 4.25 percent interest. The PCSD does not solicit bids for banking services or attempt to negotiate more favorable interest rates.

During 2006, it appears the district could have invested an average of \$750,000 in additional certificates of deposit, and based upon an interest rate of 4.25 percent, the PCSD could have earned an additional \$20,000 in interest. In May 2007, following our inquiry regarding the lack of investment policies, the board solicited bids for certificates of deposits and in June 2007 placed \$400,000 in six-month certificates earning a rate of 5.2 percent.

To ensure the district maximizes interest revenues, formal investment policies and procedures should be adopted and include procedures to periodically solicit bids or proposals for banking and investment services.

**WE RECOMMEND** the Board of Trustees:

- A. Review the number of bank accounts and consider further consolidation of accounts. In addition, the board should require deposits be made intact.
- B. Adopt formal investment policies and procedures, including periodic solicitation of bids or proposals for banking and investment services and procedures to maximize interest revenues.

## **AUDITEE'S RESPONSE**

- A. *We have been working to implement this recommendation.*
- B. *We have been working to implement this recommendation. Sealed bids for banking services were solicited in October and opened in November, and as much consolidation of accounts into one bank as is feasible will be performed for 2008.*

<b>8. Capital Assets and Inventories</b>
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The PCSD has not developed a comprehensive long-term maintenance program for critical collection system and treatment plant components and does not maintain a complete listing of capital assets. The PCSD does not maintain parts and supplies inventories on a perpetual basis, does not maintain vehicle usage and maintenance logs, and sold a vehicle to an employee without soliciting bids.

- A. The PCSD reported net capital assets of \$8.79 million at December 31, 2006. While many of these assets are buried infrastructure and mortar and concrete types of assets, the PCSD has significant investment in critical mechanical and electrical components such as pumps, grinders, valves, meters, control panels, and chemical and biological treatment equipment. The PCSD has not developed a comprehensive long-term maintenance and inspection program. The PCSD attempts to perform annual inspections of major pumping facilities and performs regular maintenance and inspection procedures for the treatment plants; however, maintenance schedules are not prepared, and written reports or checklists are not maintained to document the performance of those procedures.

A formal long-term maintenance plan for capital assets would help the district to identify and schedule preventative maintenance procedures that could extend the useful life of the critical items and result in early detection of problems.

- B. The PCSD does not maintain a detailed listing of capital assets and does not perform annual inventories of capital assets. Summary asset information, which is presented on the district's audited financial statements, was apparently maintained but current personnel could not locate any detailed listings of capital assets, other than the listing on file with the district's insurance company. Additionally, the list on file with the district's insurance company apparently has not been updated and does not include many of the district's current capital assets.

The PCSD should maintain a complete listing of capital assets updated on a current basis, conduct annual physical inventories, and reconcile the results of the physical inventories to the property records. Adequate property records and procedures are necessary to ensure effective internal controls and provide a basis for proper financial reporting and for determining proper insurance coverage required on district property.

- C. The PCSD maintains inventories of spare parts for district use and sewer supplies for resale that as of December 31, 2006 were valued at \$47,950 and \$5,440, respectively. Annual physical inventories are performed to determine the items on hand at year end; however, the inventory listings are not maintained on a current perpetual basis. To ensure inventory items are properly accounted for and to help prevent theft or misuse of assets, the PCSD should maintain the inventory listings on a perpetual basis, updating the inventories as assets are purchased, sold, and used for spare parts, and reconcile the inventory records to the annual physical inventory counts.
- D. The PCSD at December 31, 2006 owned or leased three pickup trucks that are used to transport personnel and equipment around the district. The vehicles are not marked with PCSD logos, and no vehicle usage, mileage, or maintenance logs are maintained. In 2006, the district recorded vehicle maintenance and fuel expense of about \$26,600. The district should maintain vehicle usage and maintenance logs to ensure that vehicles are being used only for approved district business, to ensure regular maintenance is performed, and to assist in identifying gasoline mileage and operational costs per mile. In addition, the district should consider marking each vehicle with PCSD logos.
- E. In February 2005, the board approved the sale of a 2001 model truck to the former operations manager for \$4,500. A board member indicated that this was a midsize pickup that was not suitable for the district operations. There was no documentation that the board solicited bids for the disposition of the vehicle. In November 2005 after this employee had left district employment, a board member discovered a check dated February 28, 2005, for the truck payment in the former employee's desk at the PCSD. The check was deposited on November 3, 2005. The disposition of the vehicle was not recorded in the district's capital asset records. To ensure the district receives fair value and to ensure there is no preferential treatment for employees or other related parties, the PCSD should solicit bids prior to the disposition of capital assets having more than nominal value and sell the assets to the highest bidder. In addition, the district should record the disposition of all capital assets in the accounting records.

**WE RECOMMEND** the Board of Trustees:

- A. Develop a comprehensive long term maintenance plan for critical mechanical and electrical equipment.
- B. Maintain a detailed listing of capital assets on a perpetual basis, conduct annual physical inventories, and reconcile the results of the physical inventories to the property records. In addition, the district should provide a current and complete listing of insurable assets to their insurance provider.

- C. Maintain the inventory listing of goods for sale and spare parts on a current perpetual basis, and reconcile the inventory listing to the annual physical inventories.
- D. Maintain usage and maintenance logs for all vehicles, and consider marking each vehicle with PCSD logos.
- E. Solicit bids prior to the disposition of capital assets having more than nominal value and ensure the disposition of capital assets is properly recorded in the accounting records.

**AUDITEE'S RESPONSE**

- A-C. *We have been working to implement these recommendations.*
- D. *We have been working to implement this recommendation. Vehicles are now marked and bear government tags and usage log books are now in use.*
- E. *We will be working to implement this recommendation. (No capital assets were sold in 2006 or 2007.)*

<b>9.</b>	<b>Expenditures</b>
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The PCSD does not have formal procurement policies and procedures, did not solicit bids or retain bid documentation or price quotes for several purchases, and did not solicit requests for qualifications for certain professional services. The PCSD paid over \$4,700 for items purchased for a local contractor's business but did not seek reimbursement for the items. The PCSD paid a part-time office employee as a contract employee and paid Christmas bonuses to employees.

- A. The PCSD does not have formal bidding policies. We reviewed 10 purchases made in 2006 which exceeded \$1,000 and there was no bid documentation for 6 of these purchases. PCSD personnel indicated two were emergency purchases, and one purchase was only available from a single source; however, there was no documentation to support the reasons bids were not solicited. They also indicated that price quotes were obtained by phone for some purchases, but documentation was usually not prepared or retained. For one of the four purchases that was bid, the vendor invoice indicated a higher price than the bid and the district paid the invoice amount, resulting in the final cost being slightly higher than the second-lowest bidder's price. (After we brought this to their attention, the PCSD contacted the vendor and negotiated a credit of \$571 toward future purchases.)

Formal bidding procedures for major purchases provide a framework for economical management of district resources and help ensure the district receives fair value by contracting with the lowest and best bidders. Competitive bidding

helps ensure all parties are given an opportunity to participate in district business. Bids can be handled by telephone or written quotation, 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.

- B. The PCSD spent \$69,068 in 2006 for professional services but did not solicit proposals or requests for qualifications, as follows:

<u>Professional Service</u>	<u>2006 Expenditures</u>
Engineering	\$27,026
Legal	24,333
Accounting	16,584
Real estate appraisal	1,125
Total	\$69,068

While professional services are not normally subject to standard bidding procedures, it is good business practice to periodically solicit proposals for such services and select the best proposal. Complete documentation should be maintained of all proposals received and reasons for selecting the winning proposal. In addition, Section 8.291, RSMo, requires political subdivisions to consider the qualifications of at least three firms when negotiating contracts for architectural, engineering, or land surveying services.

- C. The PCSD issued a payment for manholes and related items in 2006 totaling \$4,706 that were delivered to a local contractor. It appears that the payment was approved by at least two board members; however, we could not determine who authorized the vendor to deliver these items to the local contractor and to have the charges billed to the district. Current district personnel indicated that these items should have been purchased by the contractor. There were two instances in which this vendor billed the PCSD in 2005 for similar items delivered to the same contractor, but in those instances a district board member determined that the items were not purchased for the PCSD and stopped the payments for these purchases. In one of those instances, a district check had been prepared but was voided. After we brought this matter to their attention, PCSD personnel could find no evidence that reimbursement had been received from the local contractor, and the PCSD issued an invoice to collect \$5,058 from the local contractor (\$4,706 plus \$352 sales tax).

The board should adopt policies to prohibit the purchase of items that are not for official district use.

- D. From October 2005 through June 2006, the PCSD paid an individual on a part-time basis to assist with the maintenance of the accounting system and perform other office duties. This person was paid just under \$6,000 as an independent contractor at an hourly rate of \$12, and a Form 1099 was filed each year reporting

the payments. However under IRS guidelines and given the district's control over the individual's time, it appears this person should have been considered an employee and paid wages with applicable taxes withheld, and the earnings reported on Forms W-2. In the future, the PCSD should follow IRS guidelines for paying employees.

- E. Employees were paid Christmas bonuses of \$2,021 in 2005 and \$500 in 2006. Bonuses given to employees appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and are contrary to Attorney General's Opinion No. 72, 1955 to Pray, which states, "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

**WE RECOMMEND** the Board of Trustees:

- A. Adopt formal bidding policies and procedures, and ensure bids are solicited for all major purchases and all related bid documentation is retained.
- B. Periodically solicit proposals for professional services and maintain all related documentation, including the reasons for the board's decisions.
- C. Discontinue the practice of purchasing items for local contractors and ensure reimbursement is received from the local contractor.
- D. Follow IRS guidelines when hiring employees.
- E. Discontinue the practice of paying bonuses to employees.

**AUDITEE'S RESPONSE**

- A. *We will be working to implement this recommendation.*
- B. *We have been working to implement this recommendation. Requests for Qualifications/Proposals were solicited in October. Board action is scheduled for the November meeting.*
- C. *We have been working to implement this recommendation. The case cited has been resolved through the contractor reimbursing the District. Board policy is to avoid these situations, and it will be included in the formal written purchasing policy that will be adopted.*
- D. *We accept this recommendation.*

*E. We accept this recommendation, and are investigating other means to recognize employees as is done by other governmental bodies in the area.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

PULASKI COUNTY SEWER DISTRICT #1  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The Pulaski County Sewer District #1 is located in Pulaski County. The district was established in 1989. The district provides sewer collection and treatment services to about 2,500 residences and businesses located in Cullen Township, which includes mostly unincorporated areas near the cities of Waynesville and St. Robert.

The district government consists of a five-member board of trustees who are appointed by the County Commission of Pulaski County for 5-year terms. The board members serve without compensation and those serving during the year ended December 31, 2006 are identified below. The board hires a district manager to supervise the day to day operations of the district.

<u>Board of Trustees</u>	<u>Dates of Service During the Year Ended December 31, 2006</u>
Lee Ousley, Chairman (1)	January 2006 to December 2006
Charles Bassett, Vice-Chairman	January 2006 to December 2006
Jim Parsons, Member (2)	December 2006
Jim Phillips, Secretary/Treasurer (2)	January 2006 to November 2006
Bob Simpson, Secretary (3)	July 2006 to December 2006
Twyla Cordry, Member (3)	January 2006 to July 2006
Tony Crismon, Member (4)	January 2006 to December 2006

- (1) Lee Ousley's term ended June 30, 2007 and on July 12, 2007, Charles Fraley was appointed for a five-year term. Charles Bassett was elected by the board as Chairman, Bob Simpson was elected Vice-Chairman, and Jim Parsons was elected Secretary.
- (2) Jim Phillips resigned and Jim Parsons was appointed to fill the term ending June 30, 2009.
- (3) Bob Simpson replaced Twyla Cordry and was elected Secretary in November 2006 following Jim Phillips resignation.

The board appointed Doug Richardson, who is not a board member, to serve as Treasurer in December 2006.

- (4) Tony Crismon resigned in April 2007 and Curtis Felton was appointed in May 2007 to fill the term ending June 30, 2010.

Other Officials	Dates of Service During the Year Ended December 31, 2006	Compensation Paid for the Year Ended December 31, 2006
Randall Harris, Operations Manager (5)	June 2006 to December 2006	\$ 32,489
William Hickle, General Counsel (6)	July 2006 to December 2006	13,343
David Lowe, General Counsel (6)	January 2006 to June 2006	9,291
Douglas Richardson, CPA, Treasurer/Accountant (6)	January 2006 to December 2006	16,584

(5) This position was vacant prior to June 2006.

(6) Payments were made to the official's respective law firm or accounting firm.

In addition to the officials identified above, the district employed four full-time employees on December 31, 2006.

At December 31, 2006, the district charged a base rate of \$24 per month plus a usage charge of \$1.26 per 1,000 gallons of water for most customers. Effective January 1, 2007, the base rate was increased to \$25.29 per month and the usage charge was increased to \$3.42 per 1,000 gallons of water for most customers.