



Thomas A. Schweich

Missouri State Auditor

City of Clarksdale



August 2012
Report No. 2012-80

<http://auditor.mo.gov>



CITIZENS SUMMARY

Findings in the audit of the City of Clarksdale

Water and Sewer Controls and Procedures

Water and sewer system duties are not segregated, and neither the Board of Aldermen nor the Mayor oversees the duties performed by the Water Commissioner. Neither the Mayor nor the Board approves adjustments posted to the water and sewer system, and these adjustments lack supporting documentation. The Water Commissioner was delinquent in his water and sewer account prior to becoming Water Commissioner in May 2011, and was still delinquent as of May 31, 2012.

Rate adjustments have been made without explanation or documentation, rates are not consistently applied, and 38 residences are not currently receiving bills and there is no documented justification for their exemption. Auditors identified one residence which was regularly charged the minimum for sewer services although water usage at this residence was continually above the minimum, and, for November 2011, auditors noted six bills with incorrect rates, including one individual who was charged \$67.50 less than the standard rate chart calculation.

The city does not adequately track the costs of providing water service, and water collections have been used to subsidize the General Fund, in violation of state law. The city has not performed a rate study to determine the rates necessary to support current and future operations and provide customers with documentation of the rationale behind the rates. Delinquent accounts are not administered in accordance with city policy and ordinances, and the total delinquent account balance has increased from \$6,245 in June 2011 to \$10,593 in February 2012. In some instances, accounts were delinquent for many months without disconnection, delinquent notices were not sent, late penalties were not assessed, and landlords were not required to pay delinquent amounts for their renters. One occupant, who was allowed to accumulate a \$1,077 delinquent bill without disconnection, moved out of town and had yet to pay for water services.

The Board no longer receives water reconciliations from the current Water Commission and has taken little action to address significant water losses. For the year ended June 30, 2011, the total gallons of water not billed was 27 percent of water purchased. In March 2011, the city has a water loss of 100,000 gallons due to a faulty meter gauge which was the responsibility of PWSD #1 of DeKalb County, and a 10,800 gallon water loss in October 2011 when a truck damaged a water meter, but the city has taken no action to recoup the cost of water losses from these incidents. The city collects a \$100 deposit from all new water and sewer customers, but does not adequately track these deposits. As of February 2012, city records show \$3,790 of meter deposits on hand, but the city has an additional unidentified \$747 in the meter deposit bank account.

Accounting Controls and Procedures

Accounting duties are not adequately segregated. The City Treasurer performs bank reconciliations, records receipt and disbursement information, prepares and distributes checks, and prepares monthly financial

reports with no independent review of the work performed. Monthly bank reconciliations are not performed, making it difficult to detect errors timely. The city lacks procedures to ensure receipts and disbursements are properly allocated to the appropriate city funds, and it is not clear if funds in some city accounts were used appropriately. The city received property taxes of \$34,383 for streets, debt service, and general purposes, but these monies were not consistently deposited into the correct funds. The city deposited state motor vehicle-related receipts of \$1,167 to the General Fund, making it difficult to ensure the receipts were expended only for street-related purposes, as required by the Missouri Constitution.

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| Audits, Budgets, and Financial Reporting | The city does not obtain annual audits of its water and sewer systems although they are required by state law, and by city loan agreements with the United States Department of Agriculture Rural Development Agency. The city does not prepare annual budgets or publish semiannual financial statements as required by state law. The city has not submitted annual financial reports to the State Auditor's office since 2005. |
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| Street Work | The city does not have a formal bidding policy and did not bid for street repair services costing \$18,000 in fiscal year 2011. The city did not enter into written contracts with the street repair service providers. |
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In the areas audited, the overall performance of this entity was **Poor**.*

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| American Recovery and Reinvestment Act (Federal Stimulus) | The City of Clarksdale did not receive any federal stimulus monies during the audited time period. |
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*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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THOMAS A. SCHWEICH

Missouri State Auditor

To the Mayor and Board of Aldermen
Clarksdale, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Clarksdale. We have audited certain operations of the city in fulfillment of our duties. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2011. The objectives of our audit were to:

1. Evaluate the city's internal controls over significant management and financial functions.
2. Evaluate the city's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying 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 our audit of the city.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the City of Clarksdale.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor: Harry J. Otto, CPA
Director of Audits: Alice M. Fast, CPA, CIA
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City of Clarksdale

Management Advisory Report

State Auditor's Findings

1. Water and Sewer Controls and Procedures

Significant weaknesses exist in control procedures over water and sewer services.

1.1 Segregation of duties

No segregation of water and sewer system duties exists. The Water Commissioner is responsible for all aspects of the water and sewer billing system, including reading meters, entering meter readings into the computer software system, determining who receives bills, making account adjustments, mailing bills, receipting all water and sewer payments, and depositing payments in the bank. There is no oversight of the duties performed by the Water Commissioner.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If segregating these duties is not possible, at a minimum, procedures for adequate independent reviews should be established and documented.

1.2 System adjustments

Controls over adjustments to the water and sewer system are not adequate. Adjustments are not approved by the Board or Mayor, and adjustments posted to the system lack supporting documentation. We tested the months of November 2010 and 2011, and noted the following:

- An adjustment was posted to the billing system so that a physical bill would not be generated for the Water Commissioner's water and sewer usage. The Water Commissioner's account was delinquent prior to him becoming Water Commissioner in May 2011 and was still delinquent as of May 31, 2012. The Board and the Mayor indicated they were unaware of the Commissioner's delinquent account.
- Rate adjustments have been made to some residents' accounts without explanation or documentation. For example, we noted one occupant who was regularly charged the minimum for sewer services although water usage at the address was continually above the minimum. There was no documentation or approval for this charge waiver.
- Rates are not consistently applied. While examining the billing calculations for November 2010, we noted two sewer bills were not charged the correct rate, and for November 2011, we noted six bills with incorrect rates. For example, one individual used 15,100 gallons of water and was charged \$55 for water and \$41.40 for sewer, but according to the rate chart charges should have been \$92.50 for water and \$71.40 for sewer. Charges were discounted a



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total of \$67.50 for this occupant. There was no written documentation available or explanation from the Mayor for these calculations.

- The billing system allows for specified residences to not be billed for service. Only two properties in the city should not have bills generated, city hall and the city-owned Hawman Center; however, there are 38 residences currently not receiving bills. According to discussions with city personnel, not all of these residences are unoccupied. The Board of Aldermen does not provide oversight to determine which residences are not receiving water bills.

Internal controls should provide reasonable assurance that all system adjustments are accounted for properly. Due to the risks associated with system adjustments and the lack of segregation of duties (see section 1.1), documented approval by the Mayor and/or Board of Aldermen should be obtained before any adjustments are posted to the system. In addition, all adjustments posted to the system should be supported by adequate documentation to provide evidence the adjustment was properly approved and reflected in the appropriate account.

1.3 Water costs

The costs of providing water service have not been adequately tracked, and water collections have been used to subsidize the General Fund. In fiscal year 2011, water and sewer collections of \$42,073 were deposited in the General Fund, while water purchases of \$31,296 and the Water Commissioner's salary and expenses of \$4,012 were also paid from the General Fund. In addition, an undetermined amount of payroll withholdings for the Water and Sewer Commissioners and insurance on water and sewer assets are paid from the General Fund.

Section 250.150, RSMo, restricts water and sewer monies to be used for operating the systems, payment of all bonds, establishment of a reserve, fulfillment of any agreements contained in ordinances, and payments of costs of improvements of such system.

1.4 Utility rates

The city has not performed a review of water and sewer costs to support the rates charged for those services. The city collected water and sewer fees and taxes of \$95,386 during the year ended June 30, 2011. Water rates were last adjusted in March 2009.

Water and sewer fees are user charges which should cover the cost of providing the related services. A detailed review of water and sewer costs, including depreciation and debt service costs, is necessary to ensure rates are sufficient to cover the total costs of operation. Preparing a statement of costs would not only allow the city to determine the rates necessary to support current and future operations, but would also provide



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documentation to customers of the rationale behind the rates. Such rate studies should be performed periodically.

1.5 Delinquent accounts

Delinquent accounts are not administered in accordance with city policy and ordinances. As a result, the total delinquent account balance has increased rapidly. As of June 2011, delinquent accounts were \$6,245, while in February 2012, total delinquent accounts had increased to \$10,593. In addition, as of February 2012, 21 of the city's 122 water accounts were delinquent, resulting in an average delinquent account balance of approximately \$500.

Our review of delinquent accounts revealed numerous instances where 1) accounts were delinquent for many months without disconnection of water service, 2) delinquent notices were not sent, and 3) late penalties were not assessed. Also, landlords were not required to pay delinquent amounts for their renters. In one instance, an occupant was allowed to accumulate a delinquent bill of \$1,077 without a disconnection of water services and without late fees assessed. This individual moved out of town and has yet to pay for water services.

Failure to properly handle and account for delinquent accounts results in an increase in delinquent accounts and a loss of revenue. Following ordinances regarding shutoff procedures for delinquent accounts and assessing appropriate late fees will help ensure all customers are treated equitably, and may help reduce delinquencies.

1.6 Water loss

The Board has taken little action to address significant water losses, and no longer receives water reconciliations from the current Water Commissioner. Reconciliations were prepared by the former Water Commissioner comparing the total gallons of water billed to customers to the total gallons of water purchased from the water district; however, there is no evidence the Board took any action to resolve significant differences calculated in these comparisons. For the year ended June 30, 2011, the total gallons of water not billed was 27 percent of water purchased. According to the U.S. Environmental Protection Agency, the water industry goal for unaccounted for water is 10 percent or less.¹ The current Water Commissioner has not prepared a water reconciliation since July 2011.

The majority of water loss is assumed to be due to pipe leaks and system deterioration; however, several instances were noted where the city experienced significant losses that were not in their control. In March 2011, the city reported 100,000 gallons of water loss due to a faulty meter gauge, which was the responsibility of Public Water Supply District #1 of DeKalb

¹ <http://www.epa.gov/watersense/pubs/utilities.html>, Last updated on February 8, 2012.



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County. Another instance of significant water loss was reported in October 2011, when a truck delivering a dumpster damaged a water meter and caused an estimated water loss of 10,800 gallons. The city has taken no action in either case to recoup the cost of the water loss.

To help detect significant water loss on a timely basis and ensure all water usage is properly billed, the city should document its review of the differences and efforts to resolve them. In addition, the city should ensure it is refunded for water loss beyond its control.

1.7 Meter deposits

Procedures to track meter deposits are not adequate. The city collects a \$100 deposit from all new water and sewer customers and deposits the monies in a separate bank account. However, as of February 2012, city records show \$3,790 of meter deposits on hand, while bank records show a balance of \$4,537; an unidentified difference of \$747.

Adequate records of customer deposits should be maintained to ensure all customer deposits have been received and are accounted for properly. An analysis is necessary to identify the amount of the deposit held for each customer. Preparation of a detailed list of customer deposits would provide a means to perform periodic reconciliations between customer deposit records and monies in the account. Without these reconciliations, the possibility of undetected errors is increased.

Recommendations

The Board of Aldermen:

- 1.1 Segregate the Water Commissioner's duties to the extent possible. If proper segregation of duties cannot be achieved, an independent review of the work performed is necessary.
- 1.2 Ensure all system adjustments are approved by the Board and the ability to post such transactions to the system is segregated from other collection and billing activities. In addition, the Board should require adequate supporting documentation before the adjustment is applied.
- 1.3 Ensure all receipts and disbursements for water and sewer are tracked separately.
- 1.4 Review utility rates periodically to ensure receipts are sufficient to cover all costs of providing these services and maintain reserves adequate to sustain the system.
- 1.5 Ensure delinquent accounts are handled in accordance with city policy and ordinances.



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- 1.6 Ensure water purchased is reconciled to water billed monthly. The reconciliation should be reviewed monthly and significant differences should be documented, investigated, and resolved.
- 1.7 Maintain adequate records of all customer deposits held by the city and periodically reconcile these deposits to the Meter Deposit Account.

Auditee's Response

The Board of Aldermen provided the following written responses:

- 1.1 *Segregation of water and sewer system duties is now in place. New city policy was written and tentatively accepted by the Board on March 20, 2012 to be tested for workability. It was seen as effective for two months, then voted on and approved by the Board as ongoing policy May 17, 2012.*

The Water Commissioner is responsible for reading the meters, installing new meters, repairing or arranging to repair leaks, accepting new water meter requests, turning water on and off, and accepting deposits at the time water is turned on (not cash). He is responsible for keeping water standards and procedures current, doing testing, required state reports, and emergency calls. He is responsible to issue a monthly report to the Board concerning general water issues. The previous water commissioner has been replaced.

The City Clerk is responsible for entering the meter readings into the computer system, generating the individual bills, and mailing them in a timely manner. She will keep track of all overdue bills. She is responsible for overdue notices, late notices, and issuing shut-off work orders to the Water Commissioner. She is responsible to issue a monthly report to the Board concerning current customer compliance issues.

The City Treasurer is responsible for collecting the payments as received, reconciling the bank deposit amount with the payment stubs, and depositing the funds in the appropriate account. She is responsible for issuing a monthly report to the Board concerning the water account, sewer account, and the water deposit account, and to reconcile the bank statement with the deposits made.

- 1.2 *The water commissioner in question is no longer employed by the city and a repayment plan has been established to recover his delinquent account. All water/sewer rates of all customers have been reviewed and the correct rates have been established for each. The mayor and Board are apprised each month at the Board*



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meeting, by written report, regarding new customers, those who have moved out, progress on delinquent accounts, amount of water bought, sold, and percentage unaccounted for. All occupied residences are receiving bills. Those on the market to be sold are either paying minimum cost per month (if on), or turned off. The City Clerk is receiving 12 hours formal training to operate the computer utility billing and reporting software system. Policy is being written to state that requested adjustment to the rating system must be voted on and approved by the Board before the adjustment can be made. All adjustments, with reasons and date of approval, will be properly identified on the individual computer account, in the monthly water report and in the Board monthly minutes.

- 1.3 *The city is in the process of redoing the financial system. New software has been purchased and will be installed on the city computer system. The amount in each fund will be kept clear, and the water and sewer deposits will be separated.*
- 1.4 *A water/sewer rate study will be done. The water cost to the city of Clarksdale from the supplier went up 17% in June 2012, and the rate must be adjusted rapidly to avoid additional losses. An ordinance will be presented to the Board for approval before the increase is put into effect.*
- 1.5 *The City of Clarksdale has made significant efforts in the last 3 months to establish a method to track and address delinquent accounts, apply appropriate late fees, and perform shut-offs when appropriate and required. As of May 17, 2012 a total of \$3,367.49 in delinquent bills had been collected. Ten customers are actively working on individualized payment plans (negotiated and approved by the Board) to clean up old bills and avoid shut-offs. One customer has been shut off for non-payment and non-compliance with requests. A city ordinance is being drawn up for presentation to the Board concerning policies concerning late fees, late notifications, shut-off notices and restoration of service. A plan is in place to notify landlords that they will be responsible in the future for up to three months worth of delinquent water/sewer bills accrued by their renters, by Missouri state statute.*
- 1.6 *The monthly water reconciliations will be performed and reviewed by the Board. The instances reported in March 2011 (PWS#1) and October 2011 are being followed up by letters requesting payment of lost water cost, with copies to our attorney.*



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1.7 *The water deposit account listing has been thoroughly reviewed, and additional names and amounts have been added from hard-copy forms from the files. The overage has been accounted for. This account will be reviewed monthly and withdrawals and deposits accounted for in the monthly report to the Board.*

2. Accounting Controls and Procedures

Accounting controls and procedures need improvement.

2.1 Segregation of duties

Accounting duties are not adequately segregated, and the Board does not adequately review the work performed by the City Treasurer. The Treasurer's duties include performing bank reconciliations, recording receipts and disbursements, preparing and distributing checks, and preparing monthly financial reports. No independent review of the duties performed by the Treasurer is performed.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. If proper segregation of duties cannot be achieved, at a minimum, a periodic independent review of the records should be performed and documented.

2.2 Bank reconciliations

Monthly bank reconciliations are not performed. Outstanding checks and deposits in transit are listed on the back of the bank statement; however, an adjusted bank balance is not calculated and a comparison to the book balance is not documented.

Monthly bank reconciliations are necessary to ensure accounting records are in agreement with bank records and to help detect errors on a timely basis. Accurate book balances should be maintained for each fund to allow for a comparison to reconciled bank balances, and differences should be identified and corrected.

2.3 Restricted funds

The city has not established procedures to ensure receipts and disbursements are properly allocated to the appropriate city funds. It is also unclear if monies in some city accounts were used appropriately. In addition to water and sewer monies being comingled with the General Fund (see MAR finding number 1), our review noted the following issues:

- In fiscal year 2011, the city received property taxes of \$34,383 for streets, debt service, and general purposes. These monies were not consistently deposited into the correct funds. At times, property tax collections were deposited into only one of the three funds. Some of these taxes are restricted by ballot language or state law.



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- During the year ended June 30, 2011, the city deposited state motor vehicle-related receipts of \$1,167 to the General Fund. Article IV, Section 30, Missouri Constitution, requires motor vehicle-related receipts apportioned by the state of Missouri be expended for street-related purposes.
- Interest earned on the city's main bank account was placed in the General Fund despite the account containing water, sewer, and streets monies. Interest income should be allocated to the appropriate funds using a reasonable basis.

To ensure restricted monies are used for the intended purpose, monies received should be credited to the appropriate fund, and disbursements should be paid from the appropriate city funds, or allocated using a reasonable basis.

Recommendations

The Board of Aldermen:

- 2.1 Adequately segregate the duties of receiving, recording, depositing, and disbursing monies. At a minimum, the Board should perform a documented review of these functions on a periodic basis.
- 2.2 Reconcile bank records to city accounting records on a monthly basis.
- 2.3 Ensure restricted receipts such as property taxes, interest, and motor vehicle-related taxes are credited to the proper city fund, and used only for allowable purposes.

Auditee's Response

The Board of Aldermen provided the following written responses:

- 2.1 *The Board will review the city's fund balances in each of the specified funds, as well as the accounts (general, water/sewer, water deposits, and debt service), and will review the monthly bank reconciliation, to ensure the reconciled balance agrees to fund balance. The mayor or an assigned alderman will sign off each month on the reconciliation.*
- 2.2 *An accounting books' balance for each fund will be maintained. The bank records will be reconciled to the city's accounting books' balance. A separate page for each fund will be maintained. The software "Quickbooks" has been purchased and installed on the city's computer, to aid in this plan.*



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2.3 *We will assure that restricted receipts, including levied taxes, interest, and motor vehicle-related taxes will be deposited and credited to the proper city fund. The treasurer will determine, and the Board will ensure they are used solely for allowable purposes.*

3. Audits, Budgets, and Financial Reporting

The city does not obtain required annual audits, properly prepare budgets, or prepare required financial reports.

3.1 Audits

The city does not obtain annual audits of its water and sewer systems. Section 250.150, RSMo, requires the city to obtain annual audits of the combined water and sewer system and provides the cost of the audit is to be paid from the monies received from the system. Also, city loan agreements with the United States Department of Agriculture Rural Development Agency require the city to obtain annual audits of its water and sewer systems. In addition to being required by state law and loan agreements, annual audits of city funds help ensure financial transactions are properly recorded.

3.2 Budgets

Annual budgets are not prepared as required by state law. Budgets should include all city funds, a budget message and general budget summary, actual beginning and estimated ending available resources, actual receipts and disbursements for the 2 preceding years, and city indebtedness.

Section 67.010, RSMo, requires political subdivisions to prepare annual budgets, requires the budget present a complete financial plan for the ensuing budget year, and outlines the various information to be included. A complete and well planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific financial expectations for each area of city operations. It also assists in setting tax levies and utility rates and informing the public about city operations and current finances.

3.3 Financial statements

The city has not published semiannual financial statements as required by state law. Section 79.160, RSMo, requires the Board of Aldermen to prepare and publish a full and detailed account of the receipts, disbursements, and indebtedness of the city semiannually. Complete and accurate financial statements are necessary to keep citizens informed of the financial activity and condition of the city. In addition, Section 79.165, RSMo, states the city cannot legally disburse funds until the financial statement is published.

3.4 Financial reporting

The city does not submit annual financial reports to the State Auditor's office. The most recent report filed was for the city's 2005 fiscal year. Section 105.145, RSMo, requires each political subdivision to file annual



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reports of its financial transactions. In addition, 15 CSR 40-3.030 requires the annual financial report to be filed within 4 months after the end of the political subdivision's fiscal year if an unaudited financial report is filed and within 6 months after the end of the political subdivision's fiscal year if an audit report prepared by a certified public accountant is filed.

Recommendations

The Board of Aldermen:

- 3.1 Obtain annual audits of the combined water and sewer system as required by state law and loan agreements.
- 3.2 Ensure annual budgets are prepared and contain all information required by state law.
- 3.3 Ensure semiannual financial statements are published in accordance with state law.
- 3.4 Submit annual financial reports to the State Auditor's office as required by state law.

Auditee's Response

The Board of Aldermen provided the following written responses:

- 3.1 *Our city is in the process of contacting auditors for the purpose of obtaining a combined audit of the city water and sewer system, as well as an audit of the city finances.*
- 3.2 *The Board has prepared an annual budget for 2012-2013 fiscal year, but it is not yet in the appropriate format. We have located the correct format and will submit it upon completion.*
- 3.3 *The semiannual financial statement will be prepared and made available to the public in July 2012.*
- 3.4 *We are in the process of preparing an annual financial report to be submitted to the State Auditor as soon as it is completed.*

4. Street Work

The city does not have a formal bidding policy and did not bid for street repair services. The city paid several local individuals a total of \$18,000 in fiscal year 2011 to perform street repair services. In addition, the city did not enter into contracts with these individuals.

Formal bidding procedures for major purchases or services provide a framework for economical management of the city's resources and help ensure the city receives fair value by contracting with the lowest or best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in city business. In addition, Section 432.070,



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RSMo, requires contracts of political subdivisions to be in writing. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to provide protection to both parties.

Recommendation

The Board of Aldermen establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected. Written contracts should be entered into when appropriate.

Auditee's Response

The Board of Aldermen provided the following written response:

We will obtain bids with specific requirements for any street work that is estimated to cost \$3,000 or over. Justification for the bid selected will be included in the monthly Board minutes. Written contracts will be obtained when appropriate.

City of Clarksdale

Organization and Statistical Information

The City of Clarksdale is located in DeKalb County. The city was incorporated in 1886 and is currently a fourth-class city. The city employed three part-time employees on June 30, 2011.

City operations include law enforcement and water/sewer service.

Mayor and Board of Aldermen

The city government consists of a mayor and four-member board. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other elected officials at June 30, 2011, are identified below. The mayor is paid \$25 per month and members of the board are paid \$10 per month. The compensation of these officials is established by ordinance.

Carl Sampsel, Mayor
 Lisa Burris, Alderwoman
 Gary Ross, Alderman
 Geneva Corum, Alderwoman
 Craig DeBord, Alderman

Other Elected Officials

| Name and Title | Compensation Paid for the Year Ended June 30, 2011 |
|----------------------------------|--|
| Cory McDonald, Marshall | \$2,700 |
| DeAnn Hayter, Collector (1) | \$3,759 |
| Daniel Rogers, City Clerk (2) | \$1,525 |
| Bobbie Jo DeShon, City Clerk (3) | \$600 |

- (1) Includes City Treasurer salary of \$1,500.
- (2) City Clerk through March 2011. Salary includes \$400 as salary for 1 month as Water Commissioner.
- (3) Elected City Clerk in April 2011.

American Recovery and Reinvestment Act 2009 (Federal Stimulus)

The City of Clarksdale did not receive any federal stimulus monies during the year ended June 30, 2011.

Financial Activity

A summary of the city's financial activity for the year ended June 30, 2011, follows:

City of Clarksdale
Year Ended June 30, 2011

| | Fund | | | | | | Total |
|--|------------------|-----------------|---------------|-----------------|---------------|----------------|-----------------|
| | General | Water | Sewer | Streets | Debt Service | Meter Deposits | |
| RECEIPTS | | | | | | | |
| Property tax | \$ 17,157 | 0 | 15,786 | 1,440 | 0 | 0 | 34,383 |
| Motor fuel and vehicle fees | 1,167 | 0 | 0 | 12,311 | 0 | 0 | 13,478 |
| Franchise tax | 0 | 0 | 0 | 9,069 | 0 | 0 | 9,069 |
| Service fees | 42,073 | 4,000 | 33,527 | 0 | 0 | 1,600 | 81,200 |
| Interest | 168 | 576 | 223 | 158 | 140 | 0 | 1,265 |
| Other | 3,080 | 0 | 0 | 400 | 0 | 0 | 3,480 |
| Total Receipts | 63,645 | 4,576 | 49,536 | 23,378 | 140 | 1,600 | 142,875 |
| DISBURSEMENTS | | | | | | | |
| Salaries | 14,237 | 0 | 9,131 | 344 | 0 | 0 | 23,712 |
| Debt service | 0 | 0 | 27,283 | 0 | 0 | 0 | 27,283 |
| Water | 31,296 | 0 | 0 | 0 | 0 | 0 | 31,296 |
| Operations | 18,404 | 33,867 | 3,901 | 42,162 | 0 | 639 | 98,973 |
| Total Disbursements | 63,937 | 33,867 | 40,315 | 42,506 | 0 | 639 | 181,264 |
| RECEIPTS OVER (UNDER) DISBURSEMENTS | (292) | (29,291) | 9,221 | (19,128) | 140 | 961 | (38,389) |
| CASH, JULY 1, 2010 | 14,902 | 69,600 | 31,963 | 45,596 | 17,782 | 3,277 | 183,120 |
| CASH, JUNE 30, 2011 | \$ 14,610 | 40,309 | 41,184 | 26,468 | 17,922 | 4,238 | 144,731 |