



Office of Missouri State Auditor  
**Nicole Galloway, CPA**

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**City of Lexington**



**Nicole Galloway, CPA**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of City of Lexington

### Financial Condition and Monitoring

The City Council (Council) is not adequately monitoring the city's financial condition, is not receiving detailed information showing financial data for each fund, and has poor budgeting procedures that has allowed the cash balance of the General Fund to decline in recent years. Although the General Fund balance increased during fiscal year 2017, this was predominately due to a reimbursement from the Hospital Board, of which a portion was inappropriately reimbursed and needs to be repaid. In addition, amounts are due from the General Fund to the Sewer Fund and Sewer Construction Fund. After repayment of the identified liabilities, the cash balance of the General Fund will be significantly lower and needs to be monitored closely. Another factor in the decline of the General Fund cash balance has been subsidies provided to the Street Fund.

### Hospital Funds

Concerns were identified regarding the city's relationship with the Hospital Board and expenses incurred related to a proposed new hospital building. The hospital has been in operation for many years and is operated by a regional health center. City leaders worked with the regional health center, starting in approximately 2009, to pursue building a new hospital. The regional health center accelerated an end of lease payment called for in the prior hospital lease and paid the city \$515,000 in 2011 to pay some of those costs. A Hospital Board was appointed to oversee operations of the hospital and a new lease with the health center was negotiated in February 2016. The city submitted a bill to the Hospital Board seeking reimbursement for costs incurred related to the new hospital totaling over \$1 million. That bill improperly included the \$515,000 paid to the city by the regional health center, which was used to pay some of those costs. As a result, the city owes the Hospital Board \$515,000. In addition, the Hospital Board maintains its bank account outside the city treasury, in violation of state law, and does not prepare a budget.

### Utilities

There are significant weaknesses in city operations related to utility services. The city has no documentation of discussions held or a basis for determining the annual franchise fee transfer, totaling \$56,571 during the year ended March 31, 2016, from the Water Fund to the General Fund. A similar amount was transferred during fiscal year 2017. In addition to the franchise fee transfer, the Water and Sewer Funds are both charged a \$20,000 administrative fee to reimburse the General Fund for administrative costs incurred during the year. No documentation exists to support the administrative cost transfer charged to the Water or Sewer Fund. The Council has not properly funded the Sewer Construction Fund to pay for repair and replacement of the municipal sewer system, as required by city ordinance, and the ordinance regarding shut off procedures for non-payment of services does not specify the date services will be shut off. The city's sewer billing method is not consistent with city ordinances. City ordinance 28 requires sewer billings to be in 1,000 gallon increments; however, the city is billing sewer charges in 100 gallon increments.

Accounting Controls	The Council has not adequately segregated accounting duties or ensured documented supervisory or independent reviews of work performed by city office personnel are performed. City personnel do not properly account for all manual receipt slips issued, do not always issue receipt slips, and do not properly document transmittals between departments. Facsimile signature stamps are not adequately controlled and the City Clerk uses signature stamps to circumvent established controls. The city has 17 checking accounts, 3 savings accounts, and 2 certificates of deposits for 16 funds resulting in cumbersome record keeping and the need for numerous transfers between bank accounts. In addition, a Sales Tax Fund is maintained to account for general and road sales tax receipts, and based on the way transfers are made out of the Sales Tax Fund, the General Fund has been providing subsidies to the Street Fund for years, which has contributed to the General Fund's financial condition. Parks and Recreation property tax revenue received by the city is not credited to the Park Board Fund timely.
Parks and Recreation Department Controls and Procedures	Procedures for receipting, recording, transmitting, and depositing monies need improvement. The Park Board has adopted the city's bidding policy but does not always solicit competitive bids or proposals for goods and services in accordance with that policy. The Parks Department maintains 2 bank accounts outside the city treasury and monitoring of financial activity and budgets need improvement.
City Budgets	The Council approved budget did not include all elements required by state law and city officials do not incorporate the Park Board budget into the city's budget. The Council does not adequately monitor budget-to-actual receipts and disbursements and the Water Fund budget amendment was not approved before the fiscal year ended.
Bidding	City personnel do not always solicit competitive bids or proposals for goods and services, and the city's ordinance for procurement needs to be more comprehensive.
Sunshine Law	The Council discussed some items in closed meetings that are not allowed by law. The Hospital Board went into closed meetings 3 times during the year ended March 31, 2016, but minutes were not prepared. City Council meeting minutes are not signed.
Electronic Data Security	The city has not established adequate password controls to reduce the risk of unauthorized access to computer systems and electronic data.

In the areas audited, the overall performance of this entity was **Fair**.\*

\*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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# City of Lexington

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## **NICOLE GALLOWAY, CPA**

### **Missouri State Auditor**

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

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of Lexington. We have audited certain operations of the city in fulfillment of our duties. The city engaged Cochran Head Vick & Co., PC, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended March 31, 2016. To minimize duplication of effort, we reviewed the CPA firm's audit report. The scope of our audit included, but was not necessarily limited to, the year ended March 31, 2016. 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 procedures, including certain financial transactions.

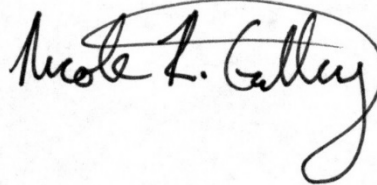
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the city, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls 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 applicable 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 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.

An additional report, No. 2017-023, *Fifteenth Judicial Circuit, City of Lexington Municipal Division*, was issued in April 2017.

A handwritten signature in black ink, reading "Nicole R. Galloway". The signature is fluid and cursive, with a large loop at the end of the last name.

Nicole R. Galloway, CPA  
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Rex Murdock, M.S.Acct.
Audit Staff:	Cecilia Gomer, M.Acct.

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# City of Lexington

## Management Advisory Report

### State Auditor's Findings

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#### **1. Financial Condition and Monitoring**

The City Council (Council) is not adequately monitoring the city's financial condition, is not receiving detailed information showing financial data for each fund, and has poor budgeting procedures that has allowed the cash balance of the General Fund to decline in recent years.

The following table shows the activity and cash balances of the General Fund for the years ended March 31, 2014, through 2017.

	Year Ended March 31,			
	2014	2015	2016	2017
Beginning cash balance \$	81,970	129,992	44,382	7,228
Receipts	2,092,894	2,094,786	1,753,444	3,302,824
Disbursements	2,044,872	2,180,396	1,790,598	2,586,701
Ending cash balance \$	129,992	44,382	7,228	723,351

Disbursements exceeded receipts in the years ended March 31, 2015, and 2016, resulting in the gradual decline of the General Fund cash balance. The increased cash balance at March 31, 2017, was predominately due to a reimbursement received from the Hospital Board during the year ended March 31, 2017, totaling \$879,755. A portion of that reimbursement, \$515,000, had already been paid to the city by the regional health center, which operates the hospital, in September and December 2011 and will need to be repaid (see MAR finding number 2.1). According to the independent auditor's report for the year ended March 31, 2017, the General Fund owes the Sewer Fund \$116,885. In addition, the General Fund owes the Sewer Construction Fund \$112,574 as of March 31, 2017 (see MAR finding number 3.2). While the cash balance of the General Fund has grown substantially as of March 31, 2017, this increase is primarily the result of a one-time funding and after repayment to the Hospital Board Fund and the resolution of other identified liabilities, the available cash will be significantly lower.

Another factor in the decline of the General Fund cash balance has been the subsidies provided to the Street Fund in recent years, totaling over \$330,000 during the years ended March 31, 2014, through 2016. Due to the way budgets are prepared and funds of the city are handled, it is unclear if the Council is aware these subsidies are being provided (see MAR finding number 4.4).

The city's poor budgetary preparation and monitoring procedures (see MAR finding number 6) have contributed to the financial condition problem. Additionally, the lack of sufficient financial information has not allowed the Council to fully comprehend all funding available when making spending decisions. Adequate financial reports have not been presented to the Council to allow them to properly monitor the financial position of the city. A monthly finance report prepared by the City Treasurer presents financial



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activity by bank account, rather than by fund and does not show which bank accounts or other demand accounts (i.e., savings, certificates of deposit) are included in each fund. Council members and the general public would need to have knowledge of which accounts are associated with the various funds to determine overall fund activity and balances.

The Council cannot adequately monitor the financial position of the city without periodic budget to actual reports and complete financial reports. An adequate budget to actual report would help ensure budgets were not overspent and funds were available for expenditures and should include a reconciliation of the fund balances to the bank balances.

The failure to prepare complete budgets and a lack of appropriate financial data make it apparent the Council is not adequately monitoring the city's financial condition on a regular basis. Numerous accounting control weaknesses and lax controls over expenditures have been identified and discussed in more detail throughout the report. These weaknesses and lack of monitoring by the Council have put the city in financial difficulty.

## Recommendation

The City Council closely monitor and address the city's financial condition in both the immediate and long-term future. The City Council should reduce spending where possible, evaluate controls and management practices to ensure efficient use of resources, monitor detailed financial data that includes historical and projected trends of receipts and disbursements, and establish and monitor adequate budgets.

## Auditee's Response

*We are working with the City Clerk to revamp various financial and budget reports, which will be provided to us at our meetings. These additional reports will allow us to better address both the immediate and long-term financial condition of the city. We agree to implement the various aspects of this recommendation and monitor detailed financial data more closely in the future.*

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## 2. Hospital Funds

The city-owned hospital was established under the provisions of Section 96.150, RSMo, and has been operated by a contracted entity since at least 1985. We identified concerns regarding the city's relationship with the Hospital Board and expenses incurred related a new hospital building.

In 1985, the city entered into a 30-year lease for the hospital building and operations of the hospital with a non-profit agency in exchange for an annual lease payment of \$1 and restoration of the net fund balance of the hospital at the end of the lease. At that time, a Hospital Board was appointed to oversee the hospital lease and operations. According to the current Mayor, in approximately 2001, Lafayette Regional Health Center (LRHC) purchased the right to operate the hospital from the non-profit agency and continued to operate under the old lease, which was not set to expire until 2015. Once the LRHC began operating the hospital, the Hospital Board





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ceased meeting and became inactive and no appointments of board members occurred for many years. Without an active board, the Council and Mayor assumed the role of the Hospital Board and worked with LRHC to pursue plans to build a new hospital building starting in approximately 2009. The Council entered into numerous contracts and expended significant resources from 2010 to 2012 for design and planning work related to this potential new hospital building. To assist with those costs, the LRHC accelerated the end of lease payment, paying a total of \$515,000 to the city in September and December 2011.

Rather than depositing this money into a city held Hospital Board Fund, the city used it to pay \$515,000 to an architectural firm in 2011 related to design work on the potential new hospital building. A question was placed on the ballot in the November 2012 election related to funding the purchase of a site for and constructing, furnishing, and equipping a city-owned hospital facility, but the issue was not approved by voters. At that point, efforts were put forth by the city and LRHC to renegotiate the original lease and keep the hospital in the same building. In November 2014, at the advice of legal counsel helping the Council negotiate a new lease, the Mayor appointed board members to the Hospital Board. In February 2016, a 15-year lease was entered into with the LRHC which called for an initial payment of \$1 million to the Hospital Board, along with monthly payments of \$37,500 (\$450,000 annually), which will increase every 5 years.

State law requires hospital funds be held by the city treasury in a fund under the control of the Hospital Board. The only revenues received by the Hospital Board are the lease payments. Patient billings and collections of hospital fees are performed by the LRHC that is also responsible for the day to day financial activities of operating the hospital.

The city incurred costs totaling approximately \$2.7 million related to the pursuit of a new hospital building and for negotiation of a new lease. The city paid \$1,133,882 of these expenses. The remaining unpaid costs incurred are the result of contingency contracts, some of which are now the subject of a lawsuit.

**2.1 Overpayment of expenses** In March 2016, the Hospital Board receipted \$1 million as the first payment on the new hospital lease. After the Hospital Board receipted the first lease payment, the city billed the Hospital Board \$1,092,493 for expenses related to the possible construction of a new hospital building and expenses related to the lease negotiations. This billing included some amounts previously paid by the city, as well as amounts due from disputed billings that had not been paid. It also included the \$515,000 for architectural services related to the proposed hospital, which had already been paid in 2011 using the end of lease payment made to the city from the LRHC in 2011. Since the architect had already been paid using funds restricted for hospital purposes, this cost



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should not have been included in the billing. The Hospital Board ultimately approved payment of \$879,755. The LRHC reimbursed the city \$254,127, the difference between the amount paid by the city (\$1,133,882) and the amount reimbursed by the Hospital Board.

Per the Hospital Board President, the Mayor told the Hospital Board the end of the lease payment (\$515,000) made by LRHC in September and December 2011 belonged to the city, rather than the Hospital Board, and therefore the amount paid to the contractor with that money needed to be repaid by the Hospital Board. No legal opinions were sought by the Council or Hospital Board regarding the city's handling of the \$515,000. The Council and city personnel could not provide any supporting documentation regarding why the end of lease payment made in 2011 by LRHC would not be restricted hospital money. As such, the city should repay the Hospital Board \$515,000.

Section 96.190, RSMo, states the Hospital Board will have control of the expenditures to the credit of the Hospital Board Fund and all monies collected from construction, leasing, equipping, operating, and maintaining of the facility and the grounds and other property real and personal belonging to the facility.

## 2.2 Hospital Board bank account

The Hospital Board maintains its bank account outside the city treasury. As of March 31, 2016, the account balance was \$120,022.

Section 96.190, RSMo, requires all monies received by the Hospital Board to be deposited in the city treasury to the credit of the Hospital Board Fund.

## 2.3 Hospital Board budget

The Hospital Board does not prepare a budget.

Section 67.010, RSMo, requires the preparation of an annual budget that shall represent a complete financial plan for the ensuing budget year and also sets specific requirements for the information to be included. In addition, Section 67.080, RSMo, provides that no expenditures of public monies shall be made unless it is authorized in the budget.

## Recommendations

The City Council:

- 2.1 Reimburse the Hospital Board Fund \$515,000.
- 2.2 And Hospital Board ensure the Hospital Board bank account is held by the city treasury.
- 2.3 Work with the Hospital Board to prepare annual budgets that contain all information required by state law.



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## Auditee's Response

*The City Council provided the following responses:*

- 2.1 *We will discuss this issue with our legal counsel and take this recommendation under advisement.*
- 2.2 *We will discuss this issue with the Hospital Board to determine the proper action to take.*
- 2.3 *We will work with the Hospital Board to ensure its budgets contain all information required by state law.*

*The Hospital Board provided the following responses:*

- 2.1 *The Hospital Board agrees with this finding.*
- 2.2 *The Hospital Board agrees and will move all monies to the city treasury, to the credit of the Hospital Board Fund, as per Section 96.190, RSMo.*
- 2.3 *The Hospital Board will add the additional budget elements to its annual report to the city, as per Section 67.010, RSMo.*

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## 3. Utilities

There are significant weaknesses in city operations related to utility services. The city provides water, sewer and trash collection services. According to the city's audited financial statement the city collected approximately \$1.275 million in water fees, \$772,000 in sewer fees, and \$214,000 in trash fees during the year ended March 31, 2016, and serves approximately 2,000 customers.

### 3.1 Franchise fee and transfers

The city has no documentation of discussions held or a basis for determining the annual franchise fee transfer from the Water Fund to the General Fund. During the year ended March 31, 2016, city officials transferred \$56,571 from the Water Fund to the General Fund. The transfer was not a reimbursement of specific expenses or costs paid by the General Fund related to water, but was instead based on 5 percent of the water system's gross revenues. A similar amount was transferred during the year ended March 31, 2017. The city has made these transfers for many years using the same percentage. In addition, city ordinance allows the city to charge electric and natural gas utilities and cable television and telephone providers the same 5 percent franchise fee rate. Because these transfers, along with the administrative fees discussed in the next section represent a consistent revenue source for the General Fund, it is important for the city to periodically re-evaluate their impact, not only on the General Fund budget, but also on water rates. Article VI, Section 602 (e) of the 2013a waterworks bond agreement prohibits the transfer of any surplus revenue for any purpose other than a system related expense.



## City of Lexington Management Advisory Report - State Auditor's Findings

To ensure these Water Fund transfers are reasonable, it is important city officials evaluate the value of the government services the transfers are offsetting during the annual budget process and document their process for determining the percentage to be charged.

### Administrative transfers

In addition to the franchise fee charged to the Water Fund, transfers to the General Fund from the Water Fund and Sewer Fund occur for reimbursement of administrative costs. The city transferred \$20,000 from both funds to the General Fund during the year ended March 31, 2016. Documentation is not maintained to support the amounts transferred and the city has not developed a method to allocate any administrative costs to any funds, so it is unclear whether these transfers are excessive or insufficient to cover the administrative costs of the city.

The proper allocation of expenses is necessary for the city to accurately determine the results of operations of specific activities, thus enabling the city to establish the level of taxation and/or user charges necessary to meet all operating costs. To ensure restricted funds are used for intended purposes, the allocation of expenditures to city funds should be based on specific criteria, such as the number of hours worked by each employee, if possible, or by determining a reasonable basis to allocate costs from shared functions/employees benefiting multiple funds.

### 3.2 Sewer reserve requirements

The Council has not properly funded the Sewer Construction Fund to pay for repair and replacement of the municipal sewer system, as required by city ordinance. Twenty percent of the general sales tax collections are required to be deposited into the Sewer Construction Fund until the balance reaches \$200,000. As of March 31, 2016, the balance of this fund was \$132,058, and decreased to \$87,426 by March 31, 2017. General sales tax collections for the years ended March 31, 2016, and March 31, 2017, were \$385,573 and \$376,794, respectively, which would have required a transfer of up to \$152,473 for the 2 years combined. No amounts were deposited or transferred to this fund during either fiscal year. City personnel, as well as one Council member we spoke with, indicated they were not aware of this requirement. The city should consider transferring \$112,574 to the Sewer Construction Fund from the General Fund, to reach the balance of \$200,000, and should ensure the ordinance requirement is met in the future.

City ordinance 28-11 requires 20 percent of sales taxes received to be set aside to ensure a ready supply of liquid funds to construct new sewer lines and to maintain, rebuild and repair old established sewer lines. The set aside shall not exceed \$200,000.

### 3.3 Shut off procedures

The city ordinance regarding shut off procedures for non-payment of services does not specify the date services will be shut off if bills are not paid. City ordinance 28-159 states the city may discontinue water service for non-payment of a delinquent bill, but does not specify when water



## City of Lexington Management Advisory Report - State Auditor's Findings

service should be shut off. City personnel indicated they send letters to delinquent customers providing a specific date the past due bill is due before service is shut off, but the date listed for shut off varies depending on the circumstances. In addition, the city does not retain these letters. As a result we could not determine if services were shut off when appropriate.

To ensure all customers receive equitable treatment and city revenue is maximized, the city ordinance should specify when services will be shut off for non-payment.

### 3.4 Sewer billings

The city's sewer billing method is not consistent with city ordinances. City ordinance 28 requires sewer billings to be in 1,000 gallon increments; however, the city is billing sewer charges in 100 gallon increments. We tested 30 sewer billings and determined because the city is billing in 100 gallon increments rather than 1,000 gallon increments the city was under billing sewer rates by approximately 8 percent for the customers tested.

To ensure billings are reasonable and calculated correctly, calculations should be made in accordance with city ordinance.

## Recommendations

The City Council:

- 3.1 Determine the value of government services being offset by the water and sewer transfers, maintain documentation to support the amounts transferred, and evaluate their effect on the General Fund.
- 3.2 Consider transferring \$112,574 to the Sewer Construction Fund from the General Fund and ensure the Sewer Construction Fund is fully funded as required by city ordinance.
- 3.3 Revise the city ordinance to specify when utility services will be disconnected for non-payment and ensure the ordinance is followed.
- 3.4 Ensure sewer rates are billed in accordance with city ordinance.

## Auditee's Response

- 3.1 *We will review these transfers with our legal counsel and work with the City Clerk to determine the value of the government services these transfers are intended to offset. Documentation will be retained to support any future transfers.*
- 3.2 *This city ordinance has been amended and now requires a transfer of \$4,700 per month from the Sewer Fund to the Sewer Sinking Fund (formerly the Sewer Construction Fund) and will continue until the balance reaches \$200,000.*
- 3.3 *This recommendation has been implemented.*



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3.4 *This city ordinance has been amended to reflect the sewer rates actually being charged.*

## 4. Accounting Controls

Accounting controls and procedures need improvement.

### 4.1 Segregation of duties

The Council has not adequately segregated accounting duties or ensured documented supervisory or independent reviews of work performed by city office personnel are performed. The City Clerk (who also serves as the Court Clerk) and two office clerks all receipt monies and post transactions to the utility system; however, the City Clerk posts all other transactions to the accounting system. The City Clerk is also responsible for preparing checks, and reconciling the bank account. No reviews of the detailed accounting and bank records are performed by other city personnel or Council members.

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, documented independent or supervisory reviews of accounting and bank records should be performed.

### 4.2 Receipt slips and transmittals

City personnel do not properly account for all manual receipt slips issued and do not always issue receipt slips. In addition, transmittal of monies from one department to another are not properly documented.

- The city uses multiple receipt slip books concurrently. The city prepares a Daily Report of receipts (other than utility receipts) that contains the payer name, type of receipt, amount, and method of payment (cash, check, or money order). The City Clerk reviews the Daily Report and agrees the report total to the amount deposited. Because the Daily Report does not contain receipt slip numbers, there is no assurance all receipts are included on it or that the corresponding deposit is complete.
- City personnel do not issue receipt slips for some transactions. City personnel consider items such as garage sale licenses and dog tags as receipt slips rather than issuing a prenumbered receipt slip for these payments.
- The Fire Department occasionally receives monies for the ambulance service without issuing receipt slips and records to support the amounts transmitted by the department to the city are not prepared.

To adequately account for all receipts and to ensure all receipts are deposited intact, receipt slips should be issued for all monies received, and the numerical sequence of receipt slips should be accounted for properly. In



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Management Advisory Report - State Auditor's Findings

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addition, proper transmittal procedures are necessary to account for monies transmitted between city departments.

#### 4.3 Facsimile signature stamps

Facsimile signature stamps are not adequately controlled and the City Clerk uses signature stamps to circumvent established controls. City checks require 2 signatures and the authorized check signers are the City Controller, City Treasurer, City Clerk, and the Mayor. The City Clerk, who prepares disbursements, signs each check and uses a signature stamp to apply another authorized signature on checks. The City Clerk does not initial to indicate use of the signature stamp, nor is there any review of the checks stamped. The use of the signature stamp diminishes the controls intended by the second check signer and approval signature.

To safeguard against possible loss, theft, or misuse of funds and to ensure disbursements are properly handled, the city should establish controls over the use of signature stamps. If authorized check signers are unavailable to sign checks, the authorized check signers should subsequently document their review of checks/documents when their signature stamps are used.

#### 4.4 Establishment of funds

The city has 17 checking accounts, 3 savings accounts, and 2 certificates of deposits for 16 funds resulting in cumbersome record keeping. Transfers between various city accounts occur daily. For example, city personnel made 20 transfers from the sewer bank account to 4 other accounts during the period March 1, 2016, through March 15, 2016.

In addition, the city uses a Sales Tax Fund to accumulate general and road sales tax receipts. Transfers are then made to the General Fund or Street Fund when necessary, instead of receipting these monies directly into the appropriate funds. This process creates an additional fund and need for transfers between funds. During the year ended March 31, 2016, the city receipted \$385,572 in general sales tax revenue and \$87,111 in road sales tax revenue in the Sales Tax Fund and then made periodic transfers throughout the year to the General Fund, Street Fund, and Loan Fund (used to make loan payments on several items, including a street sweeper). In total, \$250,638 was transferred to the General Fund, \$188,600 to the Street Fund, and \$6,300 to the Loan Fund (essentially a transfer to the Street Fund). As a result, the General Fund subsidized the Street Fund \$107,789 during the year ended March 31, 2016. The city handled transfers from the Sales Tax Fund similarly during fiscal years 2014 and 2015, resulting in additional General Fund subsidies to the Street Fund totaling \$138,345 and \$87,162, respectively. While there is a budget prepared for the Sales Tax Fund showing transfers to the General, Street, and Loan Funds, one Council member we spoke with indicated he was not aware the General Fund is subsidizing the Street Fund.



## City of Lexington Management Advisory Report - State Auditor's Findings

The city also has a special revenue fund established to receive park property tax revenue, which is separate from the Park Board Fund (see section 4.5). That fund does not seem necessary.

To simplify city records, reduce the number of account transfers, and minimize the risk of errors, the Council should review established funds and determine if each is necessary and consider reducing the number of bank accounts.

### 4.5 Parks and Recreation property tax

Parks and Recreation property tax revenue received by the city is not credited to the Park Board Fund timely. The city receipts this money on behalf of the Parks and Recreation Department from the Lafayette County Collector. It is deposited to the General Fund bank account and posted to a separate Park Fund controlled by the city, rather than directly into the Park Board Fund. City personnel transferred 2015 property tax collections totaling approximately \$125,000, received from November 2015 to March 2016, to the Park Board Fund in April 2016.

Section 90.550, RSMo, requires all monies received for parks to be deposited in the city treasury to the credit of the park fund.

## Recommendations

The City Council:

- 4.1 Segregate the accounting duties of the city office personnel. If proper segregation cannot be achieved, ensure a documented independent or supervisory review of detailed accounting and bank records is performed.
- 4.2 Ensure receipt slips are issued for all monies and issued in numerical sequence, and account for the numerical sequence of receipt slips. In addition, the City Council should ensure appropriate procedures are developed to document the transmittal of monies between city departments.
- 4.3 Establish controls over the use of the signature stamps.
- 4.4 Review established funds to ensure each established fund is necessary, and consider reducing the number of bank accounts.
- 4.5 Ensure park property tax monies received are deposited to the Park Board Fund at least monthly.

## Auditee's Response

- 4.1 *We agree and will develop a method for ensuring an independent review of accounting and bank records is performed.*





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- 4.2 *A policy is being implemented to ensure receipts slips are issued for all monies received, the numerical sequence of receipt slips will be accounted for, and transmittals between city departments will be documented in the future.*
- 4.3 *This recommendation has been implemented.*
- 4.4 *The City Clerk has already begun a process of reviewing the necessity of each fund, with some funds being eliminated already, and will look for ways to reduce the number of bank accounts in the future.*
- 4.5 *This recommendation has been implemented.*

## **5. Parks and Recreation Department Controls and Procedures**

The Parks and Recreation Department is governed by a 9-member Park Board that is appointed by the Mayor with the consent of the Council. As authorized by state law, the Board has exclusive control over expenditures of park funds and supervision of the department, city park activities, and improvements to park facilities. The Board oversees 7 city parks. The department received approximately \$353,000 during the year ended March 31, 2016, consisting of approximately \$171,000 in sales taxes, \$125,000 in property taxes, and \$57,000 from activity fees, permits, and sponsorships. The City Treasurer maintains several bank accounts for the Board, and the Board also maintains 2 bank accounts. We identified various problems with the department's accounting controls and procedures.

### **5.1 Receipting, recording, transmitting, and depositing procedures**

Department procedures for receipting, recording, transmitting, and depositing monies need improvement. The Park Office Manager receives money for activities, shelter fees, permits, and sponsorships. We reviewed receipts, deposits, and transmittals for March 2016 and noted various problems.

- The Manager does not always issue receipt slips. Of 151 receipt transactions reviewed, we identified 38 transactions (25 percent) without a receipt slip issued.
- The Manager does not always record the method of payment on receipt slips. Of the 113 manual receipt slips issued, 3 did not indicate method of payment (i.e., cash, check, or money order).
- The Manager does not account for the numerical sequence of receipt slips. She prepares a Daily Income Sheet documenting the amount to be deposited, but each individual receipt slip issued is not posted to this sheet. Some receipt types, such as soccer or park sponsored baseball fees, are posted in total, rather than by each individual receipt, and as a result, the Manager cannot account for the numerical sequence of receipt slips issued.



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- Deposits are not made intact and the composition of receipts slips issued is not reconciled to the composition of deposits. As a courtesy, the Manager indicated she will collect fees for Lexington Little League Baseball, Inc., a local baseball league not affiliated with the city park operations. She stated if someone writes a check for both park and league fees, she will issue a receipt slip for the total amount received, but withhold cash from a deposit to pay for the fees due to the league. If cash is used to pay for both type fees, only the park fee will be posted to the Daily Income Sheet and the cash would be transmitted to the league. The Manager stated she transmitted \$1,160, comprised of both cash and checks, to the league during March 2016; however, no transmittal is prepared to accompany the monies and no documentation is obtained from the league as evidence of the transmittal. In addition, the Manager stated she does not have an established change fund and withholds cash from deposits to use as a change fund.
- Deposits are not made timely. During March 2016 some receipts were held up to 16 days before being deposited.
- A cash count performed on October 5, 2016, determined cash totaling \$74 had not been receipted. The Manager stated \$23 was located in the pool lost and found, and \$51 was withheld from a prior deposit to be used as a change fund.

As a result of the Park Board procedures, there is no assurance all monies collected are properly receipted, recorded, transmitted, and deposited. Failure to implement adequate receipting, recording, transmitting, and depositing procedures increases the risk that loss, theft, or misuse of monies will go undetected and accounting records will contain errors.

## 5.2 Pool receipts

Controls over pool receipts need improvement. During the year ended March 31, 2016, the park receipted \$26,451 in pool user fees and concession sales.

While a cash register is available for use at the pool entrance to account for pool user fees, pool personnel do not use it. Rather, they place fees received in a cash box and have developed no method to ensure the amounts collected are appropriate for the number of pool users. For concession fees collected, sales records are not utilized or analyzed to ensure collections are reasonable. While the pool employees are primarily responsible for collecting monies, the pool manager is responsible for all other accounting duties, including preparing and making deposits. Without receipts and sales records, the Board cannot determine if monies deposited from pool user fees and concession sales are proper and reasonable.

To ensure monies are accounted for properly and deposited, the cash register should be utilized for pool entry fees and sales records should be



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reviewed and compared to amounts collected for concessions to ensure receipts are reasonable compared to usage. Monies collected and the method of payment should be recorded and reconciled to the composition of receipts recorded in the deposit. In addition, periodic documented supervisory or independent reviews of accounting and bank records should be performed.

### 5.3 Bidding

The Board has adopted the city's bidding policy but does not always solicit competitive bids or proposals for goods and services in accordance with that policy (see MAR finding number 7). For example, in May 2015 the park paid \$5,827 for pool filters without bidding the purchase.

Formal bidding procedures for major purchases or services provide a framework for economic management of city 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. Soliciting proposals for professional services is a good business practice, helps provide a range of possible choices, and allows the city to make better-informed decisions to ensure necessary services are obtained from the best qualified provider after taking expertise, experience, and cost into consideration.

### 5.4 Bank accounts

The department maintains 2 bank accounts outside the city treasury. As of March 31, 2016, the sponsorship and skate park accounts had balances of \$1,603 and \$1,693, respectively.

Section 90.550, RSMo, requires all monies received for parks to be deposited in the city treasury to the credit of the Park Fund.

### 5.5 Budget documents and monitoring

Budgetary reports and procedures need improvement.

- The Board is provided budget-to-actual financial information by the City Clerk at its meetings, but is not adequately reviewing the information to ensure disbursements remain within budgeted appropriations. By failing to adequately review this information, the Board disbursed more than budgeted during the year ended March 31, 2016. Actual disbursements (\$344,778) exceeded budgeted disbursements (\$322,955), by \$21,823 for that period.
- The Parks Department budgets do not contain all statutorily required elements. Capital improvement sales tax revenues, which represent a significant portion of Park Fund revenue, are deposited into the Park Board Fund but are not included in the budgets. In addition, budgets do not contain actual receipts and disbursements for the preceding 2 years or actual beginning and estimated ending cash balances.

Section 67.010, RSMo, requires the budget present a complete financial plan for the ensuing budget year and outlines the various information to be



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included in the budget. 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 utility rates and informing the public about city operations and current finances. Proper monitoring and amending prior to disbursing funds is necessary for the budget to be an effective management tool and comply with state law.

## Recommendations

The City Council work with the Park Board:

- 5.1 To ensure all monies receipted are deposited intact and timely, prenumbered receipt slips are issued for all monies receipted, and the numerical sequence of receipt slips is accounted for properly. In addition, if monies are collected and transmitted to an outside entity, adequate records of the amounts collected and transmitted should be maintained.
- 5.2 To ensure the cash register is utilized for pool user fees collected and concessions sales records are reviewed to ensure amounts collected are reasonable. In addition, monies collected and the method of payment should be compared to the composition of deposits and a supervisory review of all accounting records should be performed.
- 5.3 To solicit bids and proposals for all applicable purchases.
- 5.4 To ensure all funds are deposited in the city treasury as required.
- 5.5 To properly monitor actual disbursements compared to budgeted disbursements, ensure budgets are amended as appropriate, and ensure budgets contain all items as required by state law.

## Auditee's Response

*The City Council provided the following response:*

*We will work with the Park Board to ensure these recommendations are implemented.*

*The Park Board provided the following responses:*

- 5.1 *We have already implemented all elements of this recommendation. A new software system has been purchased and is now being utilized to account for all activity fees collected.*
- 5.2 *The new software purchased utilizes point of sale to account for pool fees collected and the Board will analyze monthly reports provided by the Manager to help monitor pool fees and sales*



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*records for concessions. New procedures will be put in place next pool season.*

5.3 *We generally try to bid major purchases. The item pointed out by the auditors was not bid because that is the contractor we generally use and the pool was due to open soon and the filters were needed. In the future, if exceptions to city's policy on bidding occur, we will ensure the reasons are documented in the minutes.*

5.4 *This recommendation has been implemented.*

5.5 *We will work with the City Clerk to obtain financial reports that we can better understand and utilize more effectively. We will monitor budget to actual spending more closely, ensure the budget is amended when necessary, and ensure the budget contains all elements required by state law.*

## 6. City Budgets

Procedures to prepare, monitor, and amend budgets by the Council need improvement.

### 6.1 Budgets

The Council approved 2017 budget did not include all elements required by state law. The budget did not include a budget message or summary, or the actual beginning and estimated ending cash balances making it difficult for the Council to manage the city funds cash position. In addition, the Park Board prepares and submits a budget for the Park Board Fund to the city, but city officials do not incorporate it into the city's budget.

Poor budgeting practices have likely contributed to the financial condition of the General Fund, as discussed in MAR finding number 1. The city's abundance of funds and bank accounts complicates the budget process and makes it difficult for city officials to fully comprehend the financial condition of various funds.

Section 67.010, RSMo, requires the budget present a complete financial plan for the ensuing budget year and sets specific guidelines for the format. 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 informing the public about city operations and current finances.

### 6.2 Budget monitoring

The Council does not adequately monitor budget-to-actual receipts and disbursements. The city exceeded budgeted appropriations for the Water Fund and a budget amendment was not approved before the fiscal year ended.



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The Council is provided budget-to-actual financial information at its meetings, but is not adequately reviewing the information to ensure disbursements remain within budgeted appropriations. The city has a budget committee; however, the committee was not active during the year ended March 31, 2016. The Council waits until after the end of the fiscal year to amend budgets so that budgeted receipts and disbursements agree to the actual receipts and disbursements. For example, the original budgeted disbursements amount for the Water Fund for the year ended March 31, 2016, was \$1,005,924. However, during its April 12, 2016, meeting the council amended the Water Fund budgeted disbursements to \$1,444,247 to agree to actual disbursements for the year. The Water Fund was overspent by \$438,323 from the original budget prior to this amendment.

Section 67.040, RSMo, requires political subdivisions to keep disbursements within amounts budgeted but allows for budget increases if the governing body officially adopts a resolution setting forth the facts and reasons. In addition, Section 67.080, RSMo, provides that no disbursement of public monies should be made unless it is authorized in the budget. Proper monitoring and amending prior to disbursing funds is necessary for the budget to be an effective management tool and comply with state law.

## Recommendations

The City Council:

- 6.1 Prepare annual budgets that contain all information required by state law.
- 6.2. Properly monitor actual disbursements compared to budgeted disbursements, ensure disbursements do not exceed budgeted appropriations, and prepare any necessary budget amendments timely.

## Auditee's Response

- 6.1 *The fiscal year 2018 budget contains all elements required by state law.*
- 6.2 *We agree and this is currently being done. We will closely monitor budget to actual reports provided by the City Clerk and will ensure amendments are prepared when needed.*

## 7. Bidding

City personnel do not always solicit competitive bids or proposals for purchases of goods and services, and the city's ordinance for procurement needs to be more comprehensive.

Ordinance 2-287 states written bids shall be submitted to the city council if the cost shall be in excess of \$1,000, but does not address significant aspects of the overall bid process. The ordinance does not specify required or allowable methods for obtaining bids (phone bids, contact known vendors, advertisements, request for proposal, etc.); address sole source or



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emergency purchases; or outline documentation requirements. Examples of significant purchases of goods or services for which bids or proposals were not solicited include legal services related to hospital negotiations (\$4,999), city attorney fees (\$3,515), and employee health insurance (\$10,732).

Formal bidding procedures for major purchases or services provide a framework for economic management of city 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. Soliciting proposals for professional services is a good business practice, helps provide a range of possible choices, and allows the city to make better-informed decisions to ensure necessary services are obtained from the best qualified provider after taking expertise, experience, and cost into consideration.

## Recommendation

The City Council solicit bids and proposals for all applicable purchases and clarify city code to provide a more comprehensive bid policy.

## Auditee's Response

*We agree and have already amended the bidding policy.*

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## 8. Sunshine Law

The Council and Hospital Board procedures for complying with the Sunshine Law need improvement.

### 8.1 Closed meetings

The Council discussed some items in closed meetings that are not allowed by law. For example, we noted discussions in closed session regarding a contract with a local public water supply district, wages for police officers, and a billing of costs related to a hospital expansion that was to be presented to the Hospital Board.

Section 610.021, RSMo, lists the topics that may be discussed in closed meetings and requires discussion in closed meetings be restricted to the allowable topics listed.

### 8.2 Hospital Board minutes

The Hospital Board went into closed meetings 3 times during the year ended March 31, 2016, but minutes were not prepared.

Section 610.020.7, RSMo, requires minutes be kept for all closed meetings.

### 8.3 Council meeting minutes

City Council meeting minutes are not signed.

Section 610.020, RSMo, requires meeting minutes be maintained as a record of business conducted and to provide an official record of Council actions and decisions. The meeting minutes should be signed by the preparer and subsequently approved by the Council to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the meetings.



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## Recommendations

The City Council:

- 8.1 Ensure only allowable topics are discussed in closed session.
- 8.2 Work with the Hospital Board to ensure minutes are prepared and retained for all closed meetings.
- 8.3 Ensure meeting minutes are signed by the Mayor and City Clerk to attest to the completeness and accuracy.

## Auditee's Response

*The City Council provided the following responses:*

- 8.1 *We will check with our legal counsel in the future to ensure all topics discussed in closed session are allowable.*
- 8.2 *We agree and will work with the Hospital Board to ensure this recommendation is implemented.*
- 8.3 *This recommendation has been implemented.*

*The Hospital Board provided the following response:*

- 8.2 *We have been taking minutes during closed sessions since being informed of this and will continue to in the future.*

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## 9. Electronic Data Security

The city has not established adequate password controls to reduce the risk of unauthorized access to computer systems and electronic data. Employees are not required to change passwords on a periodic basis to help ensure they remain known only to the assigned user and to reduce the risk of a compromised password. Additionally, security controls are not in place to lock computers after a specified number of failed logon attempts or after a certain period of inactivity.

Passwords are required to authenticate access to computers. Passwords should be changed periodically to reduce the risk of unauthorized access to and use of systems and data. Logon attempt controls lock the capability to access a computer after a specified number of consecutive invalid logon attempts and are necessary to reduce the risk of unauthorized individuals from continually attempting to logon to a computer by guessing passwords. Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Without effective security controls, there is an increased risk of unauthorized access to systems and the unauthorized use, modification, or destruction of data.

## Recommendation

The City Council require confidential passwords for each employee that are periodically changed to prevent unauthorized access to the city's computers





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and data, and require each city computer to have security controls in place to lock it after a specified number of incorrect logon attempts or after a certain period of inactivity.

## Auditee's Response

*We agree and will work with our software provider to implement the necessary computer access controls.*

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# City of Lexington

## Organization and Statistical Information

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The City of Lexington is located in Lafayette County. The city was incorporated in 1845 and is currently a third-class city. The city employed 35 full-time employees and 29 part-time employees on March 31, 2016.

City operations include fire protection services, law enforcement services, utilities (water, sewer, and trash), street maintenance, hospital services, and city parks.

### Mayor and City Council

The city government consists of a mayor and 8-member city council. The members are elected for 2-year terms. The mayor is elected for a 4-year term, presides over the city council, and votes only in the case of a tie. The Mayor and City Council members, at March 31, 2016, are identified below. The Mayor is paid \$400 per month and City Council members receive \$130 per month. The compensation of these officials is established by ordinance.

Jerry Brown, Mayor  
Justin Petray, First Ward  
Harold Bonanomi, First Ward  
Mike Kramer, Second Ward  
Carolyn Houseworth, Second Ward  
Bill Miller, Third Ward  
Earl Parris, Third Ward  
Scott Lynn, Fourth Ward  
Ken Gassen, Fourth Ward

### Other Principal Officials

The City Administrator, City Clerk, Police Chief, and Fire Chief are appointed positions. The City Attorney is a contracted position. The city's principal officials at March 31, 2016, are identified below:

Mark Rounds, City Administrator  
Carla Ghisalberti, City Clerk  
Valoree Maycock, City Attorney  
Mark Lamphier, Police Chief  
Kirk Smith, Fire Chief

### Financial Activity

A summary of the city's financial activity for the year ended March 31, 2016, obtained from the city's audit report follows:

# Appendix A

## City of Lexington, Missouri Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Modified Cash Basis For the Year Ended March 31, 2016

	General Fund	Park Board	Street Fund	Hospital Board	Nonmajor Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 1,444,347	\$ 171,616	\$ 171,215	\$ -	\$ 122,692	\$ 1,909,870
Intergovernmental	78,603	-	124,648	-	-	203,251
Charges for services	598,513	57,239	-	-	23,218	678,970
Licenses and permits	35,885	-	17,204	-	-	53,089
Fines and forfeitures	47,171	-	-	-	-	47,171
Interest	383	-	475	-	51	909
Grants and contributions	11,347	-	-	-	134,490	145,837
Rents	52,030	-	12,000	1,000,000	-	1,064,030
Administrative	-	-	-	-	-	-
Miscellaneous	11,709	-	6,187	-	181	18,077
<b>Total Revenues</b>	<b>2,279,988</b>	<b>228,855</b>	<b>331,729</b>	<b>1,000,000</b>	<b>280,632</b>	<b>4,121,204</b>
<b>Expenditures:</b>						
Current:						
General government	243,209	-	-	-	15	243,224
Police	561,939	-	-	-	-	561,939
Municipal court	40,852	-	-	-	-	40,852
Fire and ambulance services	744,498	-	-	-	-	744,498
Planning and zoning	79,371	-	-	-	-	79,371
Community fair	-	-	-	-	21,843	21,843
Streets and public works	-	-	360,178	-	-	360,178
Parks and recreation	-	170,994	-	-	-	170,994
Public health	-	-	-	250	-	250
Animal control	37,330	-	-	-	-	37,330
Tourism	8,126	-	-	-	-	8,126
Capital outlay	217,121	52,373	104,197	-	-	373,691
Debt service:						
Principal	125,579	25,650	50,000	-	-	201,229
Interest and fiscal charges	88,915	2,933	84,691	-	-	176,539
<b>Total Expenditures</b>	<b>2,146,940</b>	<b>251,950</b>	<b>599,066</b>	<b>250</b>	<b>21,858</b>	<b>3,020,064</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>133,048</b>	<b>(23,095)</b>	<b>(267,337)</b>	<b>999,750</b>	<b>258,774</b>	<b>1,101,140</b>
<b>Other financing sources (uses):</b>						
Bond proceeds	-	-	190,000	-	-	190,000
Transfers in	133,008	125,000	246,600	-	-	504,608
Transfers out	(246,600)	(93,008)	(794)	-	(125,000)	(465,402)
<b>Total Other Financing Sources (Uses)</b>	<b>(113,592)</b>	<b>31,992</b>	<b>435,806</b>	<b>-</b>	<b>(125,000)</b>	<b>229,206</b>
<b>Net change in fund balances</b>	<b>19,456</b>	<b>8,897</b>	<b>168,469</b>	<b>999,750</b>	<b>133,774</b>	<b>1,330,346</b>
<b>Fund balances, beginning of year, as restated</b>	<b>325,947</b>	<b>418,357</b>	<b>212,401</b>	<b>-</b>	<b>141,281</b>	<b>1,097,986</b>
<b>Fund balances, end of year</b>	<b>\$ 345,403</b>	<b>\$ 427,254</b>	<b>\$ 380,870</b>	<b>\$ 999,750</b>	<b>\$ 275,055</b>	<b>\$ 2,428,332</b>

See accompanying notes to the basic financial statements

State Auditor's Office Note: The General Fund presented in the audited financial statements is comprised of various funds, in addition to the General Fund, that are both accounted for and budgeted separately by the city. The funds include: Public Health, Sales Tax, Lafayette County Use Tax, Firefighter Grant, Community Development Block Grant, Police Officers Training, Peace Officers State Training, Recoupment/DWI of Funds, Shelters - Battered Women, and Lexington Special Police Funds.

# Appendix B

**City of Lexington, Missouri**  
**Statement of Revenues, Expenses and Changes in Fund Net Position - Modified Cash Basis**  
**Proprietary Funds**  
**For the Year Ended March 31, 2016**

	Water	Sewer	Totals
<b>Operating revenues:</b>			
Charges for services - Utility	\$ 1,274,871	\$ 771,657	\$ 2,046,528
Charges for services - Refuse	-	214,444	214,444
Total operating revenues	<u>1,274,871</u>	<u>986,101</u>	<u>2,260,972</u>
<b>Operating expenses:</b>			
Chemicals	75,679	8,706	84,385
Contract services	9,190	4,873	14,063
Depreciation	103,304	118,896	222,200
Diesel	935	1,811	2,746
Dues	2,202	1,459	3,661
Employee benefits	31,653	18,157	49,810
Franchise Fees	56,571	-	56,571
Insurance	30,648	15,834	46,482
Miscellaneous	2,999	8,954	11,953
Office supplies and postage	9,139	7,091	16,230
Operations contract	-	161,459	161,459
Payroll taxes	18,664	11,030	29,694
Professional fees	18,786	2,616	21,402
Refuse fee	-	180,446	180,446
Rent expense to street fund	12,000	-	12,000
Repairs & maintenance	119,496	58,937	178,433
Retirement expense	7,311	3,006	10,317
Salaries	229,294	117,906	347,200
Supplies	11,663	6,642	18,305
Telephone	2,369	9,234	11,603
Uniforms	3,900	2,742	6,642
Utilities	38,416	42,607	81,023
Vehicle expense	8,021	5,483	13,504
Total operating expenses	<u>792,240</u>	<u>787,889</u>	<u>1,580,129</u>
Operating income	<u>482,631</u>	<u>198,212</u>	<u>680,843</u>
<b>Nonoperating revenues (expenses):</b>			
Interest income	1,887	512	2,399
Other income	156,315	11,638	167,953
Interest Expense	(195,564)	(145,822)	(341,386)
Total nonoperating revenues	<u>(37,362)</u>	<u>(133,672)</u>	<u>(171,034)</u>
Income (loss) before contributions and transfers	445,269	64,540	509,809
Capital grants	21,580	-	21,580
Transfers in	-	794	794
Transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(40,000)</u>
Change in net position	446,849	45,334	492,183
Net position, beginning of year, as restated	465,549	970,539	1,436,088
Net position, end of year	<u>\$ 912,398</u>	<u>\$ 1,015,873</u>	<u>\$ 1,928,271</u>

See accompanying notes to the basic financial statements