



Claire McCaskill

Missouri State Auditor

December 2005

City of New Bloomfield, Missouri

Year Ended December 31, 2004



Office Of
Missouri State Auditor
Claire McCaskill

December 2005

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

The financial condition of the City of New Bloomfield's General Fund has been declining over the past four years. The undesignated portion of the General Fund balance has declined by approximately \$40,000. While separate bank accounts are maintained for the Street Fund and the Debt Service Fund, the city budgets and accounts for these funds within the General Fund. Due to combining the restricted funds with the General Fund, the financial decline in the General Fund may not be readily apparent from the monthly financial statements presented to the Board of Aldermen. The board must develop a long-range plan which will allow the city to reduce its expenditures and/or increase revenues to operate the city within its available resources. Additionally, annual CPA audits have not been performed timely. Apparently these delays were due to city officials requesting more time to address concerns brought up by the auditors and city employees not being able to locate records needed for the audits.

Capital improvement sales tax monies are not accounted for separately from other city funds as required by state law. In addition, the city used \$6,909 of state motor vehicle-related revenues to pay topography costs for a handicap parking space and handicap ramp at city hall, and had no documentation to show how these expenditures complied with constitutional provisions.

Two transfers totaling approximately \$35,500 were made from the Street Fund to the Debt Service fund in 2001 and 2002 without prior approval by the Board of Aldermen. It was unclear if these transfers were permanent or if they represented a loan. Also, documentation does not exist to support the allocation of payroll, fringe benefit, and various other expenditures charged to the city funds.

The city's budgets did not include some information required by state law. In addition, the city has not prepared an annual maintenance plan for city streets.

The city did not always follow city procedures or state law when making purchases or procuring engineering services. Additionally, other professional services were not always competitively procured, including audit and legal services. The city did not have signed written agreements in place regarding payments for some services.

The open meeting minutes do not document the specific reasons for going into closed session. In addition, the board did not document how some items discussed in closed session complied with state law.

Also included in the report are recommendations related to the water and sewer project, accounting controls, ordinances, and building permit procedures.

All reports are available on our website: www.auditor.mo.gov

YELLOW SHEET

CITY OF NEW BLOOMFIELD, MISSOURI

TABLE OF CONTENTS

	<u>Page</u>
STATE AUDITOR'S REPORT	1-3
MANAGEMENT ADVISORY REPORT - STATE AUDITOR'S FINDINGS	4-20
<u>Number</u>	<u>Description</u>
1.	Financial Condition.....5
2.	Restricted Funds6
3.	Budgetary Practices9
4.	Expenditure Procedures10
5.	Water and Sewer Project.....14
6.	Accounting Controls15
7.	Meeting Minutes and Ordinances17
8.	Building Permit Procedures18
HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION.....	21-23

STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Honorable Mayor
and
Members of the Board of Alderman
City of New Bloomfield, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit the City of New Bloomfield, Missouri. The city engaged Evers & Company, LLC, Certified Public Accountants (CPAs), to audit the city's financial statements for the year ended December 31, 2004. To minimize duplication of effort, we reviewed the working papers of the CPA firm. The scope of our audit of the city included, but was not necessarily limited to, the year ended December 31, 2004. The objectives of this audit were to:

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

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

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

Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

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

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

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



Claire McCaskill
State Auditor

May 12, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

CITY OF NEW BLOOMFIELD
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1.	Financial Condition
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The financial condition of the City's General Fund has been declining over the past four years as follows:

General Fund Balance (undesignated portion) at December 31			
2001	2002	2003	2004
\$50,568	\$38,364	\$17,988	\$10,913

While separate bank accounts are maintained for the Street Fund and the Debt Service Fund (statutorily restricted funds), the city budgets and accounts for these funds within the General Fund. The city prepares annual budgets, and budget-to-actual information is provided to the Board of Aldermen on a monthly basis. However, due to combining the restricted funds with the General Fund, the financial decline in the General Fund may not be readily apparent from the monthly financial statements presented to the board.

The combined General Fund (general, street, and debt service) expenditures have exceeded revenues in only one of the last three years as follows:

Fiscal Year Ended	Revenues Over/(Under)		
December 31	Revenues	Expenditures	Expenditures
2002	\$ 140,119	144,752	(4,633)
2003	124,703	123,780	923
2004	128,588	111,645	16,943

However, when revenues and expenditures from restricted funds are removed from the General Fund amounts, the General Fund posted total net losses of approximately \$40,000 during the years 2002-2004.

Additionally, annual CPA audits have not been performed timely. The audit for the year ended December 31, 2002 was issued in April 2005 and the audit for the year ended December 31, 2003 was issued in August 2005. The audit for the year ended December 31, 2004 had not been issued as of November 2005. Officials from the CPA firm indicated these delays were due to city officials requesting more time to address concerns from the auditors, and city employees not being able to locate records needed for the audits. The city should ensure it takes the necessary steps and provides the necessary records to ensure audits are conducted on a timely basis. Timely audits of city funds would better enable the city to ascertain the financial condition of the city and to ensure the propriety and accuracy of financial transactions.

During 2005, the city made the City Clerk a part-time position, while the Deputy City Clerk position was eliminated in May and reinstated as a part-time position in August. The city anticipates this will save a significant amount in reduced salaries and benefits. However, the board must continue to monitor the financial condition of the city and develop a long-range plan which will allow the city to reduce its expenditures and/or increase revenues to operate the city within its available resources. In addition, the board should make sure it prepares accurate budgets and more closely monitors budget and actual revenues and expenditures on a timely basis. The recommendations contained in the remaining Management Advisory Report, if implemented, will help the city establish procedures to operate within available resources.

WE RECOMMEND the Board of Aldermen develop a long-term plan to operate within its available resources. In addition, the board must closely monitor the financial condition of the General Fund by preparing detailed operating budgets for each fund separately and periodically comparing budgeted and actual revenues and expenditures.

AUDITEE'S RESPONSE

The City is reviewing its budgeting procedures and account set up to better monitor revenues and expenditures.

2. Restricted Funds

Capital improvement sales tax monies are not accounted for separately from other city funds, and some expenditures were made from the city's motor vehicle-related revenues which may not comply with the Missouri Constitution. In addition, transfers totaling \$35,500 from the Street Fund to the Debt Service Fund were not formally approved by the Board of Aldermen.

A. Capital improvement sales tax monies are not accounted for separately from other city funds. City voters passed a ½-cent capital improvement sales tax in April 2004. The tax became effective in October 2004. At April 30, 2005, receipts from the sales tax of approximately \$4,200 had been deposited into the general fund. Disbursements for capital improvement projects are not separately identified in the city's records.

Section 94.577, RSMo, states that all capital improvement sales tax receipts shall be deposited in a special trust fund and used solely for capital improvements. In addition, separate records of receipts and disbursements would help inform the city residents of the specific projects funded by the sales tax.

B. The city used \$6,909 of state motor vehicle-related revenues (which are deposited into the Street Fund) to pay topography costs for a handicap parking space and handicap ramp at city hall. Article IV, Section 30 of the Missouri Constitution, requires that motor vehicle related revenues apportioned by the state of Missouri

be expended for street-related purposes only, including policing, signing, lighting, and cleaning of roads and streets. The city has no documentation to show that the expenditure of these funds for a handicapped ramp and parking comply with the constitutional provisions.

To ensure compliance with the Missouri Constitution, the city should ensure all motor vehicle-related revenues are used only for allowable purposes.

- C. Two transfers totaling approximately \$35,500 were made from the Street Fund to the Debt Service Fund in 2001 and 2002 without prior approval by the Board of Aldermen. Additionally, it is unclear if these transfers are permanent or if they represent a loan that will be paid back. In July 2004, approximately \$15,800 was transferred back to the Street Fund from the Debt Service Fund. Again, this transfer was not officially approved by the board. City officials stated the board intended to pay back the entire amount due; however, there is no documentation of the board's intentions nor of the existence of an interfund loan on the city's financial statements.

The city issued general obligation bonds for street improvements in 2000. At that time, the city also had outstanding street bonds that would be extinguished in 2002. However, when the debt service tax levy for 2000 was determined, only the principal payment on the new street bonds was used in the calculation (\$14,000). Principal and interest owed in that year for both debt issuances outstanding totaled \$39,830. Therefore, in 2001, \$20,000 was transferred from the Street Fund to the Debt Service Fund to help cover the bond payments, along with the accumulated balance in the Debt Service Fund. In 2001, the city again neglected to include the payments on the older street bonds (totaling \$15,514) in the debt service levy calculation. A \$15,500 transfer was made in 2002 to cover the bond payments. Beginning in 2002, it appears the city began calculating the levy correctly.

The Street Fund consists of state motor vehicle-related revenues. Article IV, Section 30 of the Missouri Constitution allows these revenues to be used for payment of principal and interest on indebtedness on account of road and street purposes. Therefore, it appears the city can legally use these revenues to pay for its street bonds.

The Board of Aldermen needs to determine if the net transfers (totaling \$19,700) from the Street Fund to the Debt Service Fund represent a loan or a permanent transfer and adequately document its decision. If the board chooses to repay the \$19,700 to the Street Fund, the board should develop a repayment plan. Additionally, any interfund transfers should have prior approval and the board should also ensure the debt service tax rate is set to adequately cover debt service payments.

- D. Documentation does not exist to support the allocation of payroll, fringe benefit, and various other expenditures charged to the city funds. The City Clerk's salary and fringe benefits are split 40-60 between the General Fund and the Water and Sewer Fund. The Deputy City Clerk's salary was split 50-50 between the General Fund and the Water and Sewer Fund.

Additionally, payments for property insurance and city attorney fees are split 50-50 between the General Fund and the Water and Sewer Fund, while expenditures for the annual audits and purchases of a copy machine, mower trailer, and computer were split 40-60 between the same two funds.

The city needs to properly allocate expenses to the General and Water and Sewer Funds to ensure restricted funds are properly spent and to establish appropriate user fees for water and sewer services. The city should ensure expenditures are allocated to the various funds in proportion to the benefits received from the expenditures. Documentation should be retained to support the percentages used for allocating expenditures.

WE RECOMMEND the Board of Aldermen:

- A. Establish a separate fund or accounting of capital improvement sales tax monies as required by state law.
- B. Ensure state motor vehicle-related revenues are used only for allowable purposes in accordance with state law.
- C. Determine if the net transfers from the Street Fund to the Debt Service Fund represent loans or permanent transfers and adequately document this decision. The board should also ensure transfers between funds are approved and adequately documented. In addition, the board should ensure the city's debt service tax rate is set to adequately cover debt service payments.
- D. Ensure all expenditures are properly allocated to the various funds and are supported by adequate documentation.

AUDITEE'S RESPONSE

A&B. The City has already started implementing these recommendations.

C. These are considered loans and are now paid back. Debt service tax rates are currently set to cover debt service payments each year.

D. These are already being done by the City.

The Board of Aldermen is responsible for preparing and approving a budget which serves as a complete financial plan for the city. The city's budgets did not include some information required by state law, restricted funds were budgeted in the General Fund, and an annual maintenance plan for city streets has not been prepared.

- A. The city's budgets for 2004 and 2005 did not include a budget message, a general budget summary, actual (or estimated) revenues and expenditures for the two preceding budget years (the budget for 2005 did include 2004 actual revenues and expenditures), amounts required for interest charges on debt, or the beginning and the estimated ending available resources.

Section 67.010, RSMo, requires the preparation of an annual budget which shall present a complete financial plan for the ensuing budget year. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. A complete budget should include separate revenue and expenditure estimations, and include the beginning available resources and a reasonable estimate of the ending available resources. The budget should also include a budget message, amount required for payment of interest charges on debt, and comparisons of actual revenues and expenditures for the two preceding years.

- B. The budgets for the General Fund include monies that are legally restricted for streets, debt service, and capital improvements. Separate bank accounts are maintained for the street monies and the debt service monies; however, budgeting these funds within the General Fund does not allow the city to obtain a clear picture of the General Fund's stability.

As discussed in Management Advisory Report Number 1, the city's General Fund is experiencing a financial decline. Budgeting for each fund separately would allow for the city to obtain a clearer and more accurate financial picture of each fund.

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

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

WE RECOMMEND the Board of Aldermen:

- A. Prepare budgets that contain all information as required by state law.
- B. Prepare separate budgets for funds that are legally restricted for specific purposes to allow for a more accurate representation of each funds' financial condition.
- C. Prepare a formal maintenance plan for city streets at the beginning of the fiscal year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of streets to make appropriate decisions on future projects.

AUDITEE'S RESPONSE

A&B. These recommendations are already being done.

C. This has already been addressed by the Board through a written request to the City Engineer to prepare a study that would show the immediate needs, project needs, and a 5 year plan for streets.

4. Expenditure Procedures

The city did not always follow city procedures or state law when making purchases or procuring engineering services, nor did it competitively procure various other professional services. The city did not always have written agreements for the purchase of various equipment and services. Additionally, the city pays a CPA firm for financial compilation services and various bookkeeping services that could be performed by city employees.

- A. The city did not always follow city procedures or state law when making purchases or procuring engineering services. Additionally, other professional services were not always competitively procured. We noted the following concerns:
 - 1) They city has not periodically solicited proposals for audit and legal services. The city has utilized the same city attorney for over 10 years. Additionally, proposals were not solicited when the current CPA firm was contracted in 2002 to perform three annual audits or when contracts were executed with the same CPA firm in 2005 to perform three additional

annual audits. During the year ended December 31, 2004, the city paid the city attorney's law firm a total of \$8,163 and the auditor a total of \$5,285.

Soliciting proposals for professional services helps provide a range of possible choices and allows the city to make a better-informed decision to ensure necessary services are obtained from the best qualified vendor at the lowest and best cost.

- 2) The city has not considered the qualifications of different engineering firms when contracting for engineering services. Instead, the city has utilized the same engineering firm since 2000. The firm has been used for various street projects and for the current water/wastewater project. The city signed a contract with the engineering firm for engineering services related to the current water/wastewater project in June 2002. According to the contract, the city could pay over \$270,000 in engineering services related to this project.

The Special Project Coordinator stated the engineering firm is considered the "city engineer" and, for consistency purposes, it performs all engineering services in the city. However, Section 8.289, RSMo, states that political subdivisions which utilize engineering services should encourage engineering firms to annually submit statements of qualifications and performance data, and for capital improvement projects requiring engineering services, the political subdivision shall evaluate the statements of qualifications and performance data for each firm on file. Section 8.291, RSMo, further requires that when negotiating for a contract, the agency or political subdivision must list three highly qualified firms and select the firm considered best qualified and capable of performing the desired work.

- 3) Some city expenditures did not comply with provisions of the city's procurement policy. The policy requires the city to advertise for bids for expenditures over \$5,000, solicit three written bids for purchases between \$3,000 and \$5,000, and solicit three bids by mail or telephone for purchases between \$500 and \$3,000. Additionally, all purchases over \$500 must be approved by the Board of Aldermen. The city did not have documentation that bids were solicited for the following expenditures:

Various backhoe work	\$2,046
Sludge hauling	1,450
Radar gun	1,062
Chlorinator repair	1,016

Additionally, the city purchased a sewer jet truck in January 2004 for \$8,000 after soliciting two telephone bids but did not advertise for bids, as required by the city's procurement policy. Many of these items were not

approved by the board prior to purchase. City personnel indicated the chlorinator repair was a sole source procurement; however, documentation of the sole source procurement was not maintained.

Formal bidding procedures for major purchases provide a framework for economical management of city resources and help ensure the city receives fair value by contracting with the lowest and best bidders. Competitive bidding helps ensure all parties are given an opportunity to participate in the city's business. Complete documentation should be maintained of all bids received and reasons why the bid was selected. If circumstances provide that bidding is not necessary or practical, such as sole source providers or emergency situations, the reasons for not soliciting bids in accordance with the city's policies should be documented.

- B. The city did not have signed written agreements in place regarding the following payments for services made during the year ended December 31, 2004:

Various backhoe work	\$3,217
Snow removal	2,093
Sludge hauling	1,450
Financial compilation services	1,200
Mower rental (paid to a city employee)	383

Additionally, the city provides water/sewer and trash pickup free-of-charge to the fire district located within the city limits. However, the city does not have a written agreement with the fire district related to these services.

The city's procurement policy only requires a written contract for purchases over \$5,000. However, written contracts, which include information such as hourly rates, are necessary to document the duties and responsibilities of all parties and to prevent misunderstandings. In addition, Section 432.070, RSMo, requires all contracts of the city to be in writing and signed by both parties.

- C. Beginning in October 2004, the city pays a CPA firm \$400 per month for financial compilation services and various bookkeeping services, such as reconciling bank statements and preparing quarterly payroll tax returns. We received conflicting information from current and former city officials and employees whether these duties could be performed by current city employees. The city needs to re-evaluate the financial compilation services contract along with the duties of current employees and determine if it is necessary to continue contracting out these services.

WE RECOMMEND the Board of Aldermen:

- A.1. Ensure proposals are periodically solicited for professional services.

2. Ensure engineering services are procured in accordance with state law.
 3. Ensure bids are solicited for purchases in accordance with the city's purchasing policy, or fully document reasons why bids are not solicited.
- B. Ensure all contracts are in writing and signed by both parties.
- C. Re-evaluate the need for the financial compilation services contract and consider adding these services to the duties of current employees.

AUDITEE'S RESPONSE

A.1. *The City accepts this recommendation.*

2. *The Auditor's recommendation indicates that the City did not obtain certain information required by state law. In support of this, the State Auditor cites Sections 8.289 and 8.291, RSMo. The State Auditor's assertion is incorrect. Section 8.289 states agencies "shall encourage firms engaged in the lawful practice of their professions to annually submit a statement of qualification and performance data to the agency." Please note that the operative words in this statutory section are "shall encourage." The statutory section does not require the City to obtain the information suggested by Section 8.289, RSMo. Thus, it does not appear that the City is required by state law to gather the information as set out in the State Auditor's report and the City did not violate state law. With respect to the State Auditor's cite to Section 8.291, the City did in fact comply with this section with respect to engineering services.*
3. *The law for a fourth class city does not require them to engage in competitive bidding. The City has a competitive bid ordinance and has met the requirement of the law; however, we will consider studying the possibility of making the ordinance more stringent.*

B. *The City agrees with this recommendation.*

C. *During the time the City entered into the agreement with the CPA firm for financial compilation services, the City did not have employees who could perform the duties as professionally or economically as the CPA firm. However, the City has recently hired a competent staff that has begun assuming more of these duties.*

AUDITOR'S COMMENT

- A.2. The city did not document that it considered three engineering firms when negotiating contracts for services, as required by state law.
- A.3. The city did not document that it complied with its own bidding ordinance for the purchases noted above.

The former mayor is acting as Special Project Coordinator on the project without a contract.

On April 2, 2002, the voters in the city authorized an \$800,000 bond issuance for the purpose of acquiring, constructing, improving, and extending the combined waterworks and sewerage system. In December 2002, the Board of Aldermen approved an ordinance to increase water and sewer rates by 3 percent each year for five years (2003 through 2007). The ordinance stated the increase was necessary to fund the April 2002 bond issue.

The city was awarded a \$711,000 grant and \$600,200 loan from the USDA in July 2002. The city plans to contribute \$50,000 and various in-kind work and the country club has agreed to contribute \$100,000 towards the project. The city will issue bonds to cover the loan payments. The city was planning to award construction bids in November 2005.

The former mayor is acting as the Special Project Coordinator on the project; however, she is no longer a city official and the city does not have a contract with her for the services provided.

When the new mayor was elected in April 2004, the former mayor volunteered to continue to work on the water and sewer project free-of-charge. She meets with the engineer and granting agency on behalf of the city. She also assisted the engineer with the easement negotiations and signed some easement agreements on behalf of the city. Without a contract, the duties, responsibilities, and authority of the Special Project Coordinator (including signing agreements on behalf of the city) are unclear. Section 432.070, RSMo, requires all contracts of the city to be in writing.

WE RECOMMEND the Board of Aldermen enter into a formal contract with the former mayor detailing her duties, responsibilities, and authority as the city's Special Project Coordinator.

AUDITEE'S RESPONSE

Volunteer workers are not required by law to have a contract and we suggest that this recommendation is unrealistic for a small city. The Project Coordinator was working with the USDA, the City Engineer, and the City Attorney as well as other state departments and had an established working knowledge of the project and the requirements.

AUDITOR'S COMMENT

The Board of Aldermen has a fiduciary responsibility to ensure the water and sewer project is properly completed. Any duties delegated to someone who is not a city official or employee should be properly monitored and documented.

Receipts are not adequately reconciled to applicable receipt records prior to making deposits. Additionally, some employees and officials with access to cash assets are not bonded and the city's records of water meter deposits are in need of improvement.

- A. Cash records are not adequately reconciled prior to deposits being made. Some amounts recorded in the receipt books were not reconciled to deposits and the cash drawer is not counted when deposits are made.

The city maintains a \$200 change fund at city hall. Receipts are placed in the change fund when received along with a computer generated payment stub (water/sewer payments) or a handwritten receipt slip indicating the purpose of the payment. When a deposit is made, the receipt slips and payment stubs in the change fund are added together. The total is removed from the change fund and deposited. According to city employees, the change fund is only counted approximately once per week.

During a cash count on April 14, 2005, a receipt collected on April 8, 2005 of \$75 was still in the change fund and had not been deposited with any of the three deposits made during that time period. A handwritten receipt slip was prepared for the receipt; however, and a copy of the receipt slip was not placed in the change fund (which is the normal procedure) to help ensure the receipt was deposited. Additionally, the receipt books which contain duplicate copies of the handwritten receipt slips are not reviewed prior to making deposits to ensure all receipts are included in each deposit. To ensure all receipts are deposited timely, receipt books should be reconciled to the deposits and the cash drawer should be counted when deposits are prepared.

- B. The city does not have bond coverage for all employees/officials who accept payments. Additionally, the city's authorized check signers are not bonded.

The city currently has bond coverage for the City Clerk and Deputy City Clerk only. During 2004, the City Treasurer had bond coverage prior to the position being eliminated. From January 2004 through April 2005, receipt slips totaling over \$2,000 were issued by un-bonded employees and officials. In addition, two receipt slips totaling \$70 were issued by the Special Project Coordinator after her term of office as mayor had ended. Additionally, the Mayor and Board of Aldermen are authorized to sign checks; however, the city does not have bond coverage for them. Failure to properly bond all persons with access to assets exposes the city to risk of loss.

- C. Records to account for water meter deposits should be improved. City residents are required to pay a refundable deposit for water and sewer service. The city collects and maintains a listing of deposits received with the amounts being

deposited in the water deposit bank account. Currently, the city collects a \$100 deposit; however, varying amounts ranging from \$0 to \$75 have been collected in the past. If a customer has not had his service disconnected for non-payment for 60 months, the customer can request to have his deposit returned.

As of December 31, 2004, the city had identified water deposits on hand to specific customers totaling \$18,625. However, the balance in the water meter deposit bank account was \$20,035, and the water meter deposit liability account recorded on the city's computer system was \$21,725.

We noted the following concerns related to the listing of individual water deposits:

- Various residents who had no record of a meter deposit on file were refunded a total of \$1,125.
- Various residents were issued duplicate refunds totaling \$325.
- Duplicate water deposit entries totaled \$225.
- Sewer tapping fees totaling \$900 were mistakenly placed into the bank account and added to the water deposit listing.

To ensure all city residents have paid a deposit and the city only refunds deposits to residents that have actually paid, adequate records of sewer and water deposits are necessary. The city needs to identify the amount of the deposit held for each customer and update the permanent record of this information. Preparation of a detailed listing 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.

WE RECOMMEND the Board of Aldermen:

- A. Adopt procedures to ensure cash receipt records are reconciled to amounts deposited and the change fund amount prior to making deposits.
- B. Obtain bond coverage for all persons with access to city funds.
- C. Identify all meter deposits held by the city and periodically reconcile deposits held to the balance of the water meter deposit bank account. Additionally, the city should follow up on and correct the errors noted above.

AUDITEE'S RESPONSE

- A. *The City is already doing this recommendation.*

- B. *All officials that voluntarily complete the bonding form will be bonded.*
- C. *This is already in progress.*

7.	Meeting Minutes and Ordinances
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Open meeting minutes do not document the specific reasons for going into closed session or how some items discussed in closed session complied with state law. The city's ordinances have not been codified. Additionally, the city has not adopted ordinances to establish the compensation, duties, and terms of office of some city officials and employees.

- A. The open meeting minutes do not document the specific reasons for going into closed session. In addition, the board did not document how some items discussed in closed session complied with state law. Examples include discussing unofficial minutes from a committee meeting, scheduling meetings with new employees, scheduling special board sessions, discussing police uniforms with the new police chief, and check signing.

Section 610.022, RSMo, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session and entered into the minutes. Section 610.021, RSMo, allows the board to discuss certain subjects in closed meetings, including litigation, real estate transactions, bid specifications and sealed bids, personnel matters, and confidential or privileged communications with auditors. The board should restrict the discussion in closed sessions to the specific topics listed in state statutes.

- B. Improvement is needed in the organization of the city's ordinances. The city's ordinances have not been codified, thus hindering the city's ability to locate specific ordinances. In addition, an index of all ordinances passed and rescinded by the city is not maintained which makes it difficult for the city to determine which ordinances are still active and which have been rescinded.

Since ordinances represent legislation which has been passed by the board to govern the city and its residents, it is important that the city's ordinances be maintained in a complete and up-to-date manner. An index of all ordinances passed and repealed by the city could help keep track of additions and changes made to the city ordinances.

- C. The city has not adopted ordinances to establish the compensation, duties, and terms of office of some city officials and employees. During the year ended December 31, 2004, no ordinance existed for the City Attorney, City Clerk, Deputy City Clerk, or the Water/Wastewater Superintendent. In January 2005, an

ordinance was passed establishing the City Clerk's duties; however, the City Clerk's salary has not been set by ordinance.

Sections 79.270 and 79.290, RSMo, require the compensation and duties of city officials and employees to be set by ordinance. To ensure compliance with state law and to avoid misunderstandings, the board should adopt ordinances which specify the duties and compensation of all city officials and employees.

WE RECOMMEND the Board of Aldermen:

- A. Ensure open meeting minutes document the reasons for going into closed session. In addition, the board should ensure only matters authorized by law are discussed in closed session.
- B. Update and codify the city's ordinances and establish an index of all city ordinances passed and rescinded.
- C. Establish by ordinance the salaries or pay rates, duties, and applicable terms of office for all officials and employees.

AUDITEE'S RESPONSE

- A. *The City agrees and has already begun implementing this practice.*
- B. *Even though codification is not required by law, the City has previously investigated the cost of codifying ordinances and their financial resources could not justify the expenditure. Our taxpayer's money will be budgeted for the critical needs of its citizens and when sufficient funds become available the City will codify its ordinances. The City has established an indexing system to improve this situation.*
- C. *The City accepts this recommendation.*

8. Building Permit Procedures

The city has not established written policies and procedures related to issuing building permits and performing building inspections. A ledger is not maintained to track the status of permit applications. The Water/Wastewater Superintendent, who is responsible for handling building permits, performed some building inspection work on his personal residence. Some general contractors on the building permit applications did not have a city merchant license, as required.

During the year ended December 31, 2004, the city received nine building permit applications and had two incomplete building inspection records on file.

- A. The city has not established formal written policies and procedures for issuing building permits and performing building inspections. As of August 1, 2004, the Water/Wastewater Superintendent assumed responsibility over the building permit process and the building inspections. The building permit applications and plans are submitted to the city with the related fees. The applications are required to be approved by the Water/Wastewater Superintendent and the Mayor prior to the start of the project. However, written building permits are not issued. According to the Water/Wastewater Superintendent, the applicant is simply called when the application is approved.

According to the Water/Wastewater Superintendent, some building inspections are performed at the end of the project and some inspections are performed in stages as the work progresses. However, there are no written procedures related to how and when building inspections should be performed. In addition, the city's building inspection form states the inspection form must be displayed at a new building and an occupancy permit must be issued upon completion of the inspection; however, neither of these procedures are currently performed.

To ensure building applications are properly processed and approved and building inspections are properly performed, the board should establish an ordinance which defines the procedures and requirements for handling and approving building permit applications, issuing building permits, and performing building inspections. In addition, the ordinance should specify the records that need to be prepared and maintained by the city.

- B. Our review of the building permit process and the nine applications submitted during the year ended December 31, 2004, noted the following concerns:

- 1) The city does not maintain a ledger to track applications. To increase controls over building permits, the city should establish a ledger indicating the date the application and related fees are received, the date the application is approved, the date the project is completed, and the date of each building inspection.
- 2) The contractors listed on two of the projects, including a project at the Water/Wastewater Superintendent's personal residence, did not have a city merchant license on file. City ordinances require a merchant license be purchased by and issued to any person or entity doing business within the city limits.

- C. Our review of the building inspection process noted the following concerns:

- 1) The Water/Wastewater Superintendent has not had formal training on the various state and federal electrical code information needed to perform inspections. He stated he has attempted to obtain but has not yet received

training from employees from a neighboring city. Adequate training is necessary to help ensure building inspections are properly performed.

- 2) The Water/Wastewater Superintendent performed part of the building inspection work related to a project at his personal residence. To avoid any appearance of impropriety, the Water/Wastewater Superintendent should not perform city inspections involving buildings that he owns.
- 3) Only two building inspections were performed during 2004 and neither one was fully completed. The Water/Wastewater Superintendent stated he was not sure of the status of all of the building projects within the city limits. The city should adopt procedures to establish supervisory review of all building permits issued to ensure all applicable building inspections are performed and documented.

While the number of building permits issued by the city is currently not significant, improvement is needed to ensure adequate procedures are in place for future growth.

WE RECOMMED the Board of Aldermen:

- A. Establish an ordinance which defines the procedures and requirements for handling and approving building permit applications, issuing building permits, and performing building inspections.
- B. Maintain a ledger to track building permit applications. The city should also ensure contractors listed on the applications have obtained a city merchant license, as required.
- C. Ensure the Water/Wastewater Superintendent receives training needed to perform building inspections and that he refrains from performing inspections on his personal building projects. In addition, the city should establish supervisory reviews of all building permits to ensure the required building inspections are documented and performed on a timely basis.

AUDITEE'S RESPONSE

- A. *The City accepts the recommendation.*
- B. *The City has already begun this recommendation.*
- C. *This recommendation is already in process so the City agrees with the recommendation.*

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

CITY OF NEW BLOOMFIELD, MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The city of New Bloomfield is located in Callaway County. The city was incorporated in 1959 and is currently a fourth-class city. The population of the city in 2000 was 599.

The city government consists of a mayor and four-member board of aldermen. The members are elected for 2-year terms. The mayor is elected for a 2-year term, presides over the board of aldermen, and votes only in the case of a tie. The Mayor, Board of Aldermen, and other officials during the year ended December 31, 2004, are identified below. The mayor and board of aldermen receive no compensation.

Elected Officials	Dates of Service During the Year Ended December 31, 2004	
Dean Powell, Mayor	April 2004 to December 2004	
Rosemary Augustine, Mayor	January 2004 to April 2004	
Michael Cuno, Alderman	April 2004 to December 2004	
Terry Shaw, Alderman	January 2004 to April 2004	
John Wilson, Alderman	January 2004 to December 2004	
Charles F. (Fred) Case, Alderman (1)	January 2004 to December 2004	
Carolyn Martin, Alderman (2)	January 2004 to December 2004	
Other Principal Officials	Dates of Service During the Year Ended December 31, 2004	Compensation Paid for the Year Ended December 31, 2004
Tanya Canada, City Clerk/Court Clerk (3)	January 2004 to December 2004	\$ 27,604
Ingrid Miles, City Treasurer (4)	January 2004 to July 2004	2,769
Sharon Cleveland, City Collector (5)	January 2004 to August 2004	518
Mark Warren, City Attorney (6)	January 2004 to December 2004	8,163
Geoffrey Preckshot, Municipal Judge	January 2004 to December 2004	900
Kelly Heather, Police Chief	November 2004 to December 2004	1,480
Daniel O'Rourke, Police Chief	March 2004 to November 2004	4,440
Michael Himmel, Police Chief	January 2004 to March 2004	4,350
Michael Rieken, Water/ Wastewater Superintendent (7)	January 2004 to December 2004	27,607
Belinda Rodriguez, Deputy City Clerk (8)	August 2004 to December 2004	6,350

- (1) Greg Rehagen was elected in April 2005.
- (2) Martha Siegel was elected in April 2005.
- (3) Terminated in May 2005 and replaced by David Bulson as acting City Clerk. Judy Mallicoat was appointed City Clerk in August 2005.
- (4) The City Treasurer position was eliminated in July 2004.
- (5) The City Collector position was eliminated in August 2004 due to the city contracting with Callaway County to collect the city's real estate and personal property taxes.
- (6) The law firm of English & Monaco received a monthly payment of \$750 for Mark Warren to serve as city attorney until June 2004, when the monthly payment was reduced to \$500. The firm also bills for additional expenses. For the year ended December 31, 2004, the city paid English & Monaco \$8,163 for legal services.
- (7) The Water/Wastewater Superintendent position was made full-time in September 2004.
- (8) Hired in July 2004 as an accounting clerk and was designated as Deputy City Clerk in December 2004. The position was eliminated May 2005. The position was reinstated and David Bulson was appointed Deputy City Clerk in August 2005.

Assessed valuations and tax rates for 2004 were as follows:

ASSESSED VALUATIONS

Real estate	\$ 3,092,138
Personal property	<u>911,237</u>
Total	<u><u>\$ 4,003,375</u></u>

TAX RATES PER \$100 ASSESSED VALUATION

	<u>Rate</u>
General	\$ 0.3348
Debt service	1.1756

TAX RATES PER \$1 OF RETAIL SALES

	<u>Rate</u>
General	\$.010
Capital improvement	.005