



**Scott Fitzpatrick**  
Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the City of Stotts City

Accounting Controls and Procedures	The Board of Aldermen has not established adequate segregation of duties over the various accounting functions performed by the City Clerk and the City Collector. The city's procedures for receipting and depositing money are inadequate. As a result, there is no assurance all money collected is properly receipted and deposited. City officials do not prepare monthly bank reconciliations for any of the city's 9 bank accounts.
Utility System Controls and Procedures	The city has not performed a formal review, such as a cost study, of water or sewer rates. The City Collector indicated the most recent rate was decided by using the number of open accounts and proposed increases to determine the yearly income; however, documentation of this calculation was not provided. In addition, in March 2024, the Board approved a sewer base rate increase of \$9 from \$26 to \$35, and in October 2024, the Board approved a water rate increase of \$30 for the first 1,000 gallons used, which included an increase of \$20 to cover operating costs. The increased rate also included \$10 to cover the cost of this SAO petition audit, with the potential to decrease by \$10 after the audit is paid. However, no ordinances were passed to approve the increases, so the city does not have a document for citizens to access the approved rates. City personnel did not perform monthly reconciliations of total gallons of water billed to gallons of water pumped.
Budget, Planning, Financial Reporting, and Audits	City officials did not include all statutorily required elements in the city budget prepared for the year ended December 31, 2024. The budget did not include a budget message, actual or budgeted amounts for the 2 preceding years, the actual beginning and estimated ending cash balances, a budget summary, or balances of the city's 2 USDA loans. As part of the city budget process, city officials have not developed a formal street maintenance plan. The city did not publish semiannual financial statements for the 6 months ended June 30, 2024, December 31, 2024, and June 30, 2025. As a result, information regarding the city's financial activity and condition is not readily available to citizens. The city has not obtained annual audits of its waterworks and sewerage systems as required by state law. As a result, the city is not held accountable regarding the records and accounts of the systems.
Sunshine Law	The Board did not always ensure compliance with the Sunshine Law or have a public access policy. City personnel did not retain the Board of Aldermen meeting minutes for the February 2024 regular meeting and the March 2024 special meeting. In addition, during fieldwork we observed meeting minutes were not signed by the Mayor and City Clerk for 10 out of 11 meetings for which minutes were retained, held during the year ended December 31, 2024. The Board has not adopted a written policy regarding public access to city records as required by state law. As a result, there is no assurance city records are made available to the public as required by state law.
Electronic Communications Policy	The city has not developed a records management and retention policy that includes electronic communication in compliance with the Missouri Secretary of State Records Services Division guidance, as approved by the Missouri Local Records Commission.

---

## Capital Assets

The city does not maintain records of its capital assets including buildings, utility system infrastructure, equipment, and other property, and has not developed procedures to identify capital asset purchases and dispositions throughout the year.

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.



---

**Recommendations in the audit of the City of Stotts City**

---

**Accounting Controls and Procedures**

The Board of Aldermen:

- 1.1 Segregate accounting duties to the extent possible, implement appropriate reviews and monitoring procedures, and require dual independent signatures on all checks.
- 1.2 Ensure pre-numbered receipt slips are issued in numerical sequence for all money received, money is kept in a secure location until deposited, and the composition of receipts is reconciled to the composition of deposits.
- 1.3 Ensure monthly bank reconciliations are prepared for all bank accounts and properly monitor bank account balances to avoid bank charges. In addition, prepare a monthly list of liabilities and reconcile the list to the available cash balance. Any differences between accounting records and reconciliations should be promptly investigated and resolved.

---

**Utility System Controls and Procedures**

The Board of Aldermen:

- 2.1 Ensure a formal, documented review of water and sewer rates is performed periodically to support rates and ensure revenues are sufficient to cover all costs of providing services. In addition, update ordinances for water and sewer rates.
- 2.2 Ensure monthly reconciliations are performed of amounts billed to amounts collected and delinquent accounts, and of gallons of water billed to gallons pumped, and investigate significant differences.

---

**Budgeting, Planning, Financial Reporting, and Audits**

The Board of Aldermen:

- 3.1 Prepare annual budgets that contain all information required by state law.
- 3.2 Establish a formal annual street maintenance plan.
- 3.3 Publish financial statements as required by state law.
- 3.4 Obtain annual audits of the combined waterworks and sewerage system as required by state law and USDA loan requirements.

---

**Sunshine Law**

The Board of Aldermen:

- 4.1 Maintain meeting minutes for all meetings and ensure meeting minutes are signed by the preparer and approved by the Board.
- 4.2 Develop a written public access policy to help ensure compliance with state law.

---

Electronic Communications  
Policy

The Board of Aldermen develop a written records management and retention policy to address electronic communications management and retention to comply with Missouri Secretary of State Records Services Division electronic communications guidelines.

---

Capital Assets

The Board of Aldermen ensure complete and detailed capital asset records are maintained that include all pertinent information for each asset such as tag number, description, cost, acquisition date, location, and subsequent disposition. The Board should also ensure city personnel properly tag, number, or otherwise identify all applicable city property and conduct and document an annual physical inventory, and compare this inventory to detailed records.